



in collaboration with



The Blended Finance India Narrative

A Decade of Blended Finance
in India and What Lies Ahead

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The Impact Investors Council (IIC) is India's preeminent member-based, not-for-profit industry body set up to strengthen impact investing in the country. IIC's key areas of activity and effort include advocacy and policy support, research, and publications in addition to a strong focus on impact measurement and management. IIC is supported by 50+ investors and ecosystem partners.

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01



**Executive
Summary**

Whilst blended finance (BF) has been gaining traction in India, lack of adequate documentation, research, and transparency has led to limited awareness and standardized understanding around the topic. This has created a critical need for an India-specific perspective on this innovative impact investment approach. Asha Trust partnered with Societe Generale and the Impact Investors Council (IIC) to prepare this report as a first step toward creating data-driven awareness in the Indian ecosystem and increasing the pools of capital aligning with BF. This report is backed by the first-ever open-source database of ~180 BF transactions executed in India in the last decade and considered till the end of the calendar year (CY) 2022. Multiple transactions with similar structures have been combined under a single transaction for analysis under the database; thus the actual number of BF transactions executed in India may be much higher. Each transaction has been confirmed and interpreted with the help of one or more stakeholders via written communication or interview-based discussions or both. We believe that these resources will initiate many critical discussions on the quality of BF activity in India, efficacy and leverage, appropriateness of instruments, scalability, return potential, etc., and encourage stakeholders to review their plans and strategies effectively.



Defining Blended Finance and the Framework for Analysis

Over the years, some ambiguity and variety has evolved in the ways BF is defined. At its core, BF uses public and philanthropic finance to mobilize additional commercial capital, primarily from private sources, to help the international development community achieve sustainability goals. It also aligns investors and investment instruments to a common set of financial and impact objectives. In simple words, **BF is the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development.**

In this report, we have presented a five-point framework developed on the basis of commonly used and accepted global definitions of BF. We have used this framework to screen BF transactions and define the scope of our report. The key elements of this framework are — impact, leverage, role of catalytic and concessional capital, financial returns, and timeframe. To assess the landscape of the Indian BF market in the last decade, based on our five-point framework and a detailed set of assumptions and considerations, we built the first-ever open-source database of BF transactions in India. The analysis was based on this database of **~180 BF transactions, ~55 interview** and survey-based inputs from senior professionals and experts in the industry. The stakeholders represented diverse groups in the Indian BF space — development finance institutions (DFIs), banks, non-banking financial companies (NBFCs), impact investors, international and domestic philanthropic institutions, strategic intermediaries and service providers.



Size of the Indian Blended Finance Market

As per our estimates, the Indian BF market stood at USD 1.30 billion in 2022 and is projected to reach USD 2.64 billion by 2027. Cumulatively, with approximately 180 transactions over 2010-2022, India had an average deal flow of about 14 BF transactions per year. The Indian BF market size on a cumulative basis stood at USD 5.6 billion during the 13-year period, about 3.4% of the cumulative global market¹.

The Indian BF market has been growing at a fast pace, showing resilience to recent economic shocks. It has grown by 8x during the 13-year period from 2010-2022, indicating a compound annual growth rate of 18.8%, higher than the growth rate of the global BF market at ~11%. Overall, while Asia has emerged as an increasingly important destination for blended capital globally, within the region, India accounted for the largest number (47%) of BF transactions by volume. However, India's share is lower when analyzed in terms of value. As per our analysis, as of 2022, the Indian BF market constituted ~40% of the Asian BF market.

India's average transaction ticket sizes are well below the global average, lower than Asian neighbors as well. This may be due to the diversity of innovative pilot projects and scaled solutions in India. In the last 13 years, the average annual transaction sizes have ranged from approximately USD 10.4-22.3 million, significantly lower than the global median of USD 30-80 million during the timeframe.



Key Actors in the Indian Blended Finance Market

While DFIs and multilateral development banks (MDBs) are the largest investor categories globally, the Indian BF market is led by NBFCs and banks. NBFCs and banks have been the most prominent investor groups in BF, together accounting for 43% of the ~180 transactions analyzed during 2010-2022, followed by MDBs and DFIs with about 29% share.

Among catalytic investors, besides DFIs and MDBs, international foundations have played a leading role. Participation by domestic foundations and corporate social responsibility (CSR) capital has been negligible. Most of our interviews indicate DFIs would continue to play a key role in terms of credit enhancement, especially via guarantee-based structures, and build a track record for a given product or sector. International foundations have played a vital role in developing the BF market, contributing not only capital but also significant knowledge and learnings from their experience across geographies. However, a roadmap for mainstreaming sunset clauses should be created for scalability.

¹ Convergence Report: The State of Blended Finance, 2021

Lack of clarity around legal and regulatory aspects is constraining participation of domestic philanthropic partners.

Despite shared objectives of addressing sustainable development goal (SDG)-related issues, significant philanthropic capital is sitting on the fence about participating in BF transactions. From the interviews, it has been noted that mindset and mistrust challenges are equally critical. Despite the significant scope to participate, Indian family offices view investing and philanthropy as separate and do not yet fully appreciate the catalytic or concessional investor role. Some of these issues can be addressed by creating much needed awareness, transparency, and templating in the BF market.



Prominent Instruments and Transaction Structures

Debt-based instruments have gained traction among DFIs and commercial investors, while catalytic investors continue to explore results-based financing.

Unlike global trends, where concessional debt and equity continue to be the most prominent blending instruments, in India, guarantees and risk insurance products (mostly funded) are the most prominent instruments for BF transactions. In fact, one out of every two closed BF transactions in India involves guarantees.

Technical Assistance (TA) and design grants have played a critical role in driving growth and innovation. Given that the BF approach is still emerging and needs significant resources toward structuring, identifying right partners, and monitoring for outcomes, technical assistance can be especially useful in providing comfort to new investors in sectors traditionally deemed high risk and non-traditional transaction structures.

Concessional and subordinated debt is gaining prominence, especially toward driving blended transactions in matured sectors. These instruments account for almost 20% of the market by value. One significant reason for the popularity of these instruments is the fact that commercial investors understand these structures relatively better along with their risk-return profile. Thus, less effort is required for educating them or structuring these transactions.

Facilities are the most common vehicle for blending; they constitute almost 43% of the market in India by value. Bonds and notes come second with 30% of the market share. Unlike global trends, where funds continue to be the most prominent vehicle type and command about 35% of the market by volume, in India, they constitute only 18% of the market by value and only 10% by volume.

Impact bonds, though most discussed in media and almost used synonymously with BF, represent less than 2% of the market by value



Leverage Trends

Over the last 13 years, the Indian BF market has shown significant leverage of 5.06x. Concessional and subordinated capital-led transactions have shown a leverage of 5-6x, and guarantees and risk insurance-led transactions, which have a wide range of applicability, have shown a leverage of 2.5-3x. Results-based financing transactions in India have delivered leverage of slightly over 2x.



Prominent Sectors

Financial services and energy make up ~ 65% of the market by value, similar to global trends, while **agriculture and livelihoods are prominent and upcoming sectors.** Overall, there is a fairly good distribution of transactions across sectors by volume, reflecting pipeline of bankable projects and interest from various investors toward each of these sectors.

Going forward as well, as per our discussions and interviews, besides financial services sector, the energy sector is likely to attract the highest level of interest; at a sub-segment level, green energy projects and decentralized energy projects will continue to gain traction, mainly driven by increasing global focus on climate change mitigation and national net zero targets. This will be closely followed by agriculture and access to livelihoods.



Key Issues Faced by Investors in the Indian Blended Finance Market

Overall, there is a reasonable consensus among stakeholder groups about the **top areas of concerns:**

- a) cost and time for structuring BF transactions, and
- b) lack of a clear and robust regulatory and legal environment.

Areas that are of relatively lesser concern across stakeholders are:

- a) lack of intermediaries to help structure and manage BF transactions, and
- b) poor impact management by investees.



Key Interventions Needed to Unlock the Blended Finance Approach in India

Multiple interventions would be needed to augment the growth potential for BF in India.

Engagement with governments

- **Setting up an institutional framework:** Institutional interventions can help centrally plan policies, standards, reporting frameworks, etc. This would be an important step toward scaling.
- **Advocacy toward legal and regulatory issues:** This will facilitate merging of different types of commercial and philanthropic capital.

Aiming for scale

- **Reduced cost of structuring:** Bespoke transactions that must be constantly tailored and are expensive due to complex legal, regulatory, and tax regime should pave the way for more standardization for similar future transactions.
- **Building templated models:** Templated models need to be created to address the inherent complexity in laws while structuring fund flows between different sources of capital.

Building awareness and trust

- **Evangelisation and building trust through examples and data:** This is especially critical for unlocking domestic philanthropic capital, e.g., high net worth individual capital, CSR funds, and assets owned by religious trusts in India. Lack of trust and awareness is the biggest impediment for this segment.
- **Transparency and documentation:** There is a need for more data around transactions, structures, partners, returns, impact, and learnings. DFIs and MDBs can play a key role here, leveraging learning from global experiences as well as taking the lead in creating a culture of transparency to help scale the market.

While these interventions would help build momentum for BF in India in general, two key investor groups — banking, financial services, and insurance (BFSI) and domestic philanthropic organizations (including CSR and family offices) — would be at the fulcrum of unlocking the BF segment in India.



Potential Interventions for BFSI Players

- Partnership and engagement with philanthropic capital providers
- Creation of an industry-level BF credit and refinance fund for greater systemic support
- Regulatory interventions to allow for a flourishing BF market, especially addressing legal hurdles preventing the intermixing of private capital with philanthropic capital
- Linkages with public sector banks
- Expansion of priority sector lending to include more impact/ SDG-linked sectors



Potential Interventions for Philanthropic Players

- Templatization and facilitation of select blended structures
- Addressing challenges related to restrictions and lack of clarity with respect to certain provisions in the legal and tax regimes
- Suitable relaxations in the Foreign Contribution (Regulation) Act, 2010, to enable BF transactions
- Improved data sharing and documentation about success stories
- Platform building for collaboration

Overall, the BF market in India is at a nascent stage but growing faster than ever. Growing interest among investors, both global and domestic, indicates significant potential for this segment in the next few years. However, several challenges need to be addressed to achieve greater scale and momentum in this space.





02

**About this Report
and Transaction
Database**

Globally, BF has been the preserve of large foundations and multilateral development agencies. However, there is a possibility of attracting much larger pools of capital to impact-linked sectors and enterprises, by broadening the system to philanthropic capital pools like corporate social responsibility (CSR) funds and domestic foundations, and institutional commercial capital from the likes of banks and financial intermediaries. In this report, we have made an attempt to deepen awareness around the rapidly evolving topic of BF and to explore its relevance in the Indian impact investment market.

Whilst BF has been picking up in India, lack of adequate documentation, research, data, and transparency has led to limited awareness and standardized understanding around the topic. We believe there is a critical need for an India-specific perspective on this innovative impact investment approach.

Asha Impact Trust thus partnered with Societe Generale and the Impact Investors Council (IIC) to create this report and database as a first step toward increasing awareness and knowledge sharing among stakeholders.

This report presents a comprehensive landscape of the BF ecosystem in India. The objective is to bring together the varied and fragmented definitions and experiences of different players to explore key trends, learnings, insights, and adaptability to a rather under-researched and less commonly understood concept in the Indian context. The report also aims to shed light on its drivers, challenges, opportunities, sectors, actors, instruments, etc.

Significant effort has also gone into creating the first-ever open-source BF database, on which the analysis of this report is based. This database, capturing the BF transactions executed in India in the last decade, has been prepared based on detailed transaction-level data collected from secondary research and primary interviews. Each transaction has been confirmed and interpreted with the help of one or more stakeholders via written communication or interview-based discussions or both. For ease of reference, this database is available in this report under **Annexure 5**. It may be noted that the database has been made available as a free public resource.

We have actively researched various actors, instruments, and themes that have been explored in India and those in the pipeline and analyzed approximately 180 BF transactions. Some of the key questions that the report aims to answer are:

- How can BF be defined keeping the current Indian impact investing context in mind
- Which BF instruments and vehicles have been used widely in India
- Which sectors are seeing the most traction in terms of BF transactions
- Who are the current and upcoming actors in this space
- What have been the learnings and experience from some of the prominent transactions
- Which are the sectors or segments of the market where BF might work better
- What are the opportunities and limitations for scaling of BF in India, especially from investors' perspective

We believe that the transaction database and report will provide a meaningful push to stakeholders to review their plans and strategies and elevate the dialogue on BF. Both these resources will also initiate many critical discussions on the quality of BF activity in India, efficacy and leverage, appropriateness of instruments, scalability, return potential, etc. Though this report does not address these concerns, it provides the much-needed starting point for these questions to be explored through more detailed and wider research.

We believe the database will go a long way in catalyzing the BF market in India by openly sharing knowledge on transactions and wish this to be a live entity. We are exploring partners and resources to keep this database updated and accurate. Please reach out to Asha Impact Trust and IIC to explore opportunities to join this endeavor.





03

**Definition of
Blended Finance
for this report**

Historically, structures and concepts similar to BF, such as public-private partnerships, have existed. Thus, the practice of blending different sources of capital is not necessarily new. Nevertheless, it is only recently that the term 'blended finance' has received much attention, especially with the development and impact angle.

Over the years, some ambiguity and variety has evolved in the ways BF is defined. This is true even among development finance institutions (DFIs) and multilateral development banks (MDBs) that are taking a lead in endorsing this investment approach. As commercial and philanthropic capital providers and facilitators explore the potential of BF, and assess the relevance of various interventions, it is important to evaluate different definitions for BF adopted by various development actors. This is a critical step toward influencing the scope and specificities of interventions that investors need to evaluate.

In India too, while BF has been adopted for select projects for almost two decades now, the use of the term has not been standardized. During our survey, despite reasonable understanding and experience, most interview respondents felt that the market can benefit from a common and clear understanding of this approach, to build their respective strategies, and overall readiness to participate in BF investment opportunities.

This chapter discusses a five-point framework borrowing from commonly used and accepted global definitions, built for the purpose of this report. This framework can be used for deeper stakeholder consultations, and developing the BF market in India.

OUR FIVE-POINT FRAMEWORK FOR DEFINING BLENDED FINANCE

We have reviewed various definitions adopted by global actors in the context of this report. This included definitions and principles defined by the Organization for Economic Co-operation and Development (OECD), the DFI Working Group on Blended Concessional Finance for Private Sector Projects, the European Union, the Global Impact Investing Network, and Convergence. **(Please refer to Annexure 2: Review of global blended finance definitions and principles.)**

While the definitions of BF may vary, in practice, they are largely complementary and share common attributes. At its core, BF uses public development finance and philanthropic capital to mobilize additional commercial capital, primarily from private sources, to help achieve sustainability goals. It also aligns investors and investment instruments for a common set of financial and impact objectives.

After carefully considering various working definitions and principles around BF, we have aligned ourselves with the definition adopted by the DFI Working Group on Blended Concessional Finance for Private Sector Projects and further adopted and detailed by Convergence. In simple words,

BF is the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development.

Overall, by improving the risk-return profile of investments without distorting functioning markets, BF incentivizes and mobilizes private capital in emerging markets like India, where public sector resources and donor funds are limited as compared to the sustainable development goal (SDG) financing needs.

To define the key characteristics of BF and then screen BF transactions for our database, we established a five-point framework that is explained in Figure 1. A detailed note on this is available under **Annexure 3: Five-point framework for defining blended finance transactions.**

In addition, we have explored multiple BF approaches and instruments that have been used in India. Figure 2 provides an overview and categorization of these, while in subsequent chapters, we have discussed and analyzed them in detail.

Figure 1:

Defining Blended Finance: 5 Point Framework

Multiple definitions of blended finance converge on factors of concessionality, leverage and additionality of impact. We use this framework to classify BF transactions.

1

Impact

The transaction contributes toward delivering predefined impact. There should be an element of clearly defined and measurable SDG related achievement objectives.

The transaction is aimed at crowding-in private investment in an identified BF vehicle such as fund, facility, program, project, bonds in an impact focused high-risk sector.

2

Leverage

The transaction essentially involves catalytic capital to improve the risk-return profile of the transaction, by providing often needed risk-cushioning to attract more commercial capital. In most cases, this represents the concessional capital component (grants, TA, guarantee, lower risk-adjusted return expectations, tenure, subordination, other terms), aimed at market-making.

3

Catalytic/ Concessional

Participants of the transaction may be organizations with different investment objectives such as financial return, social impact or a blend of both. Focus is on market-based organisations or projects that have an intended earned income.

4

Returns

5

Timeframe

Blending of commercial and concessional capital should happen within the same transaction/timeframe to leverage catalytic ability of concessional capital.

PROMINENT BLENDED FINANCE INSTRUMENTS AND VEHICLES COVERED IN THE REPORT

Several instruments fall into the broader BF category: guarantees, first-loss capital, results-based financing, concessional debt and equity, subordinated debt, grants, and TA. The choice of instrument is influenced by the need of the organization, sector, type of transaction, country circumstances, and the fundamental obstruction to private sector investment.

We have created conceptual clusters of instruments commonly used in the Indian context¹.

Figure 2:

► Prominent BF instruments and vehicles

Approach	Instrument	Description	Applicability
Concessional capital	<ul style="list-style-type: none"> Debt, subordinated debt, concessional debt Equity, junior equity (including mezzanine) 	<ul style="list-style-type: none"> Direct financial investment into a transaction or BF vehicle Losses on the value of the security are absorbed by the junior/ subordinated tranche first 	<ul style="list-style-type: none"> Aimed at improving the credit or investment profile of early / growth-stage companies and projects in a relatively established sector or asset category. A select set of investors may take riskier (junior) positions to crowd in more mainstream capital sources
Guarantee or risk insurance	<ul style="list-style-type: none"> Guarantees First-loss capital 	<ul style="list-style-type: none"> Generally, a third party provides an extra layer of protection for the beneficiary of a service (protection against capital losses or to provide credit enhancement) Loan guarantees can be complete or partial 	<ul style="list-style-type: none"> Risk underwriting instruments can either improve the credit profile or provide comfort to investors by effectively shifting the risk-return profile of an investment opportunity. Mostly provided in upcoming sectors, to widen or deepen an emerging business model or transaction structure
TA and grants	<ul style="list-style-type: none"> Grants TA 	<ul style="list-style-type: none"> A financial contribution with no expected repayment, e.g., to support capacity building, provide strategic or technical support. TA facilities can improve project financial viability by offsetting high upfront transaction costs, and reducing the uncertainty of a project becoming operational Advisory, assistance, or training to the investee business or other value chain and ecosystem actors provided either pre- or post-investment 	<ul style="list-style-type: none"> TA is an essential tool to attract private capital to development projects, allowing knowledge gaps to be addressed and new projects to be developed. Mostly used when new sectors, transaction structures, or impact measurement systems are being explored. TA can be directly incorporated within a BF fund or facility, or operated as a separate entity

¹ Blended Finance: A Brief Overview, International Development Finance Club, 2019

Results-based financing

- Development/ Social Impact Bonds

Social Success Note/ Interest Subvention

- Instruments that provide incentives and disincentives to achieve desired impact outcomes or results (tie at least a portion of payments to achievement)

This type of financing is aimed at rewarding innovation and successful implementation of a project with clear impact benefits

- Market incentives aim to support investment in sectors that are high impact, but in which normal market fundamentals do not exist, yet. They are particularly important in market segments that require innovation around new products and services that address development

Blended finance vehicles or transaction types

In this report, we have identified five blended transaction types or vehicles. Each of these transaction types can use one or multiple BF instruments mentioned above.

Fund: This includes both debt and equity funds, and fund of funds. For the purpose of the report, we have only considered funds that have a blended capital structure in terms of source of funds. Funds reduce investor risk exposure via diversification and are familiar structures for private investors.

Facility: Convergence defines a blended facility as an earmarked allocation of public development resources (including funding sometimes provided by philanthropic sources) combined with private capital at the vehicle level, for deployment toward a specific recipient or intervention. Blending may occur within the facility itself or the facility may be set up to carry out blended transactions. Here the role of the catalytic or concessional investor is to facilitate the return seeking capital and to mostly act as a guarantor for the actual transaction.

Bond and note: These include corporate issuances and green bonds.

Company: This refers to company-level blended transactions and / or where a company maintains a blended capital structure, attracting grants, concessional debt and equity, and private investments. All investments are made within the company itself.

Project: This involves various stakeholders coming together and pooling in capital and resources to achieve a common outcome under a clearly defined project special purpose vehicle or a similarly defined structure. These transactions involve challenges similar to project finance and need resources for pre-investment project preparation. In case of BF, we have considered development impact bonds (DIBs) or social impact bonds (SIBs) as examples of projects.

Using these concepts and framework, we have analyzed the emerging landscape of BF in India in the next chapter.

04

**What is the
Blended Finance
Landscape in
India**

It is a well-accepted fact that delivering SDGs and the Paris Agreement will require more resources than that are being spent on development outcomes. This is particularly true for developing countries. According to World Investment Report - UNCTAD, 2014, current investment levels leave a gap of approximately USD 2.5 trillion per year². To meet the United Nations' (UN) SDG targets, India needs a whopping USD 2.64 trillion investment³, translating into an annual financing gap of USD 0.6 trillion. Along with international aid and government spending, there is a critical need to co-opt monies from capital markets and philanthropy toward meeting development outcomes.

While priority sector lending has historically encouraged banks and financial institutions in India to provide institutional credit to credit-deficient impact sectors such as agriculture and micro, small, and medium enterprises (MSMEs), it has also created a conducive backdrop for enterprises in these sectors to build a credit history with banks. Similarly, impact investment funds have drawn the attention of private equity markets to emerging sectors and business models. With this background, along with positive policy and institutional tailwinds in the form of recent budgetary announcement regarding a BF facility under the National Bank for Agriculture and Rural Development (NABARD) and active discussions around building India's Social Stock Exchange, BF is being increasingly seen as an interesting opportunity by various investor segments in India. In August 2020, the Department of Economic Affairs, Ministry of Finance, Government of India, and UN Nations Development Programme, India, launched the Sustainable Finance Collaborative with the objective of bringing together leading experts and organizations to work together to boost the country's efforts on mobilizing sustainable and green finance. One of the key objectives is to foster specific dialogue on addressing barriers to deploying innovative financing instruments for sustainable development.

To assess the landscape of the Indian BF market in the last decade, based on our five-point framework and a detailed set of assumptions and considerations (**Please refer to Methodology**), we built the first-ever open-source database of BF transactions in India. We believe that it represents **75-80% of the market**, as defined by this report. The analysis presented in this chapter is based on the database and ~55 semi-structured interviews of and survey-based inputs from senior professionals and experts in the industry. The stakeholders represent diverse groups in the BF space in India — DFIs, banks, NBFCs, impact investors, international and domestic philanthropic institutions, strategic intermediaries, and service providers.

² World Investment Report 2014: Investing in the SDGs: An Action Plan, UNCTAD

³ Opportunity2030: The Standard Chartered SDG Investment Map, 2020

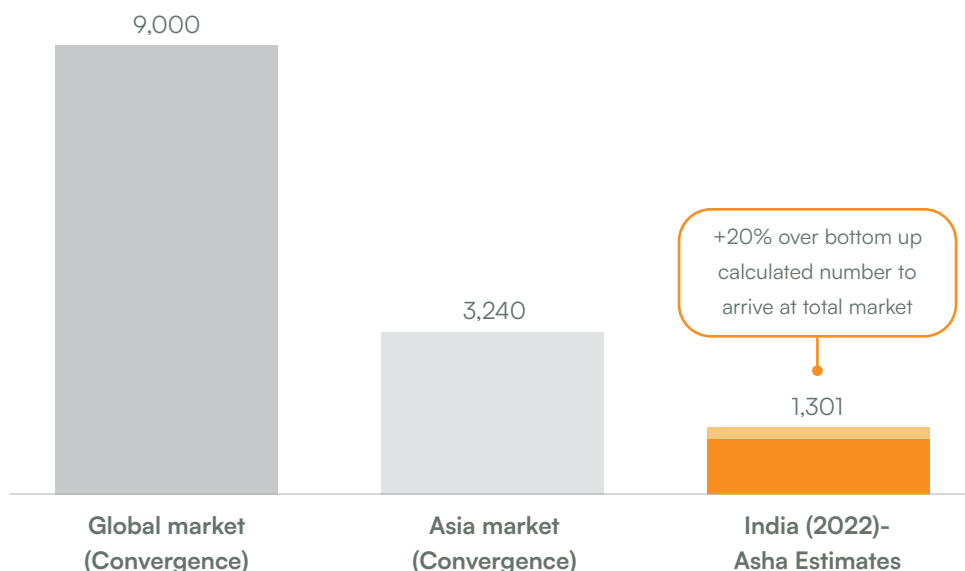
4.1

INDIAN BLENDED FINANCE MARKET VALUED AT USD 1.3 BILLION IN 2022, 40% OF ASIAN BLENDED FINANCE MARKET

As per our estimates, the Indian BF market stood at USD 1.3 billion in 2022⁴. This represents 14.0% of the global BF market by value. Globally, BF annual capital flows have been averaging at approximately USD 9.0 billion since 2015. As per a report by the DFI Working Group on Blended Concessional Finance for Private Sector Projects, DFIs financed projects worth more than USD 10.4 billion in 2019 through blended concessional finance⁵.

Figure 3:

▶ Blended Finance Market Size Comparison (USD Mn): 2021-22.



Overall, while Asia has emerged as an increasingly important destination for blended capital globally, within the region, **India accounted for the largest number (47%) of BF transactions by volume⁶**. However, India’s share is lower when analyzed in terms of value. As per our analysis, as of 2022, **the Indian BF market constituted ~40% of the Asian BF market.**

⁴ The actual market size estimated using our database stood at USD 1.1 billion, 70-80% of the market, excluding certain transactions due to lack of timeliness and poor quality of data shared by market participants. Further, our database is representative, but not comprehensive. This is because of the limitations of the bottom-up approach used for data collection, ours being the first-ever attempt to aggregate and publish such a database for India. It may be noted that the analysis presented in this report is limited to the aggregate picture presented by the transactions captured in the database.

⁵ DFI Working Group on Blended Concessional Finance for Private Sector Projects, December 2020

⁶ Convergence Report: Data Brief, Blended Finance in Asia, June 2019

Figure 4:

▶ Indian Blended Finance Market - Market Size Growth (USD Mn)



Indian BF market is less than 5% of cumulative global market, but is growing at a fast pace and showing more resilience to recent economic shocks. **As per our analysis, the Indian BF market has grown by 8x from USD 0.1 billion to USD 1.1 billion during the 13-year period from 2010-2022.** This indicates a compound annual growth rate of (CAGR) of 18.8%, higher than the growth rate of the global BF market at 11.0%.

Overall, with approximately 180 transactions during 2010-2022, India has an average deal flow of about 14 BF transactions per year. In terms of value, the Indian BF market represented a cumulative market size of USD 5.6 billion during the 13-year period, about 3.4% of the cumulative global market. To date, aggregate global BF flows⁷ have totaled just over USD 160 billion⁸. The global BF market has experienced a steady annual deal count since 2015, averaging 55 closed transactions per year.

Although the number of global blended transactions closed in 2020 followed annual market trends, BF flows were significantly lower compared to historical trends (~USD 4.5 billion in 2020, 50% less than 2019). This trend could be due to several factors, including donors and private investors pivoting to protect and provide pandemic-related relief to their existing programs and portfolios. Other factors could include an increased perception of risk associated with emerging markets considering the pandemic, as well as logistical barriers due to travel restrictions. However, the Indian BF market has seen a steady y-o-y increase in the last 2-3 years, although the rate of growth has slowed comparatively.

⁷ It may be noted that while aggregate figures for India have been calculated based on our analysis of transactions during 2010-2022, the comparable figure presented for the global market is an aggregate to-date figure and hence, may also include transactions completed prior to 2010. However, we believe that those would be a small proportion as compared to the overall global figure, and therefore, should be comparable.

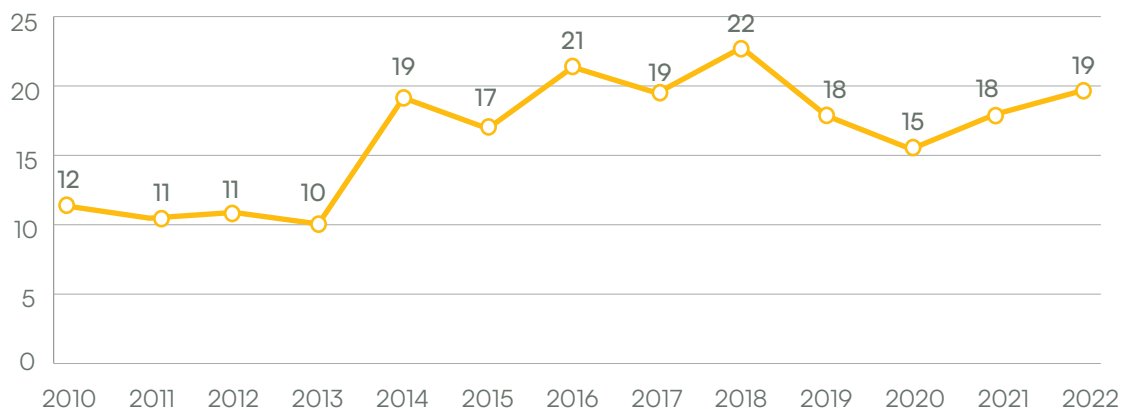
⁸ Convergence Report: The State of Blended Finance, 2021

India’s average transaction ticket sizes are clearly below the global average, lower than Asian neighbors as well

As per Convergence⁸, transactions targeting India have been smaller, on average, compared to those across all Asian countries, which may reflect the diversity of innovative pilot projects and scaled solutions in the country. Nearly all the BF transactions launched during 2017-2019 in Asia targeted countries beyond India — especially Vietnam, Myanmar, and Indonesia. As per our database, **the average ticket size for 2022 stood at USD 19.36 million**. In the last 13 years, the average annual transaction sizes have ranged from USD 10.4 million to USD 22.3 million, significantly lower than the global median of USD 30-80 million during the timeframe⁹. Based on recent years’ transactions, it may be inferred that in India, typically facilities and funds represent the largest ticket sizes, while projects and companies attract the smallest.

Figure 5:

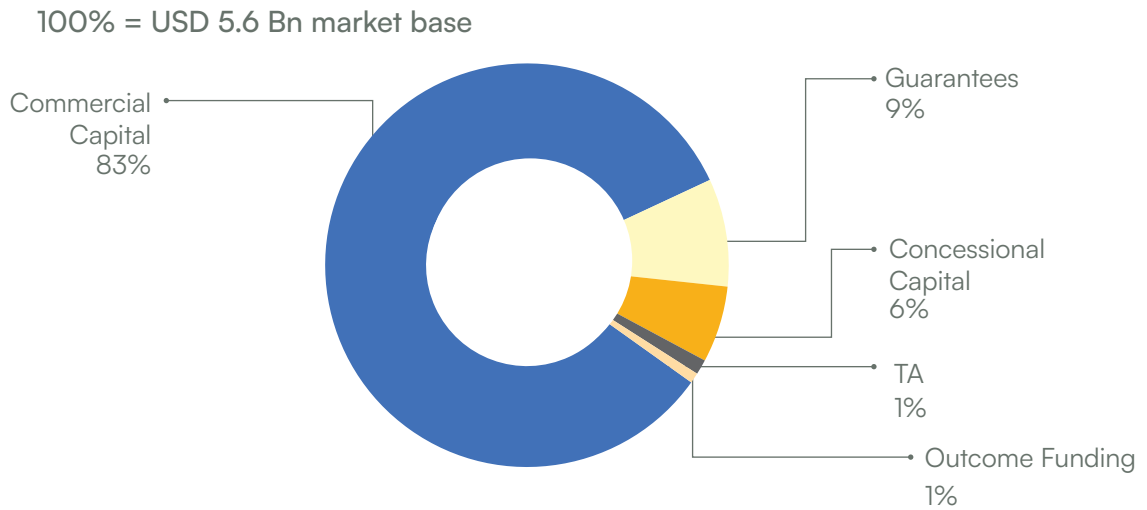
▶▶ Indian BF Transactions: Average Ticket Size (USD Mn)



⁸ Convergence Report: The State of Blended Finance, 2021

⁹ The median overall deal size for blended transactions globally in 2020 was USD 30 million, compared to USD 49.5 million in 2019, and USD 77.7 million in 2018. Source: Convergence — The State of Blended Finance, 2021

Figure 6:

▶ Cumulative BF Market 2010-2022 by Type of Capital (by value)

Overall, in terms of value of the cumulative market base, commercial return-seeking capital contributes about 83%; guarantees, 9%; concessional or risk capital, 6%; and outcome-linked funding and TAs each at only 1% (Figure 6).



4.2

WHILE DFIS AND MDBS ARE THE LARGEST INVESTOR CATEGORIES GLOBALLY, INDIAN BLENDED FINANCE MARKET IS LED BY NBFCS AND BANKS

Globally, public investors constituted almost two-thirds and private commercial investors, led by banking, financial services, and insurance (BFSI), constituted almost one-third of the BF market. Public investors are most often DFIs or MDBs, which participate in blended transactions in a variety of ways — by bringing different types of capital, i.e., concessional capital, risk / commercial capital, and grants/ philanthropic capital. It may also include government sources of funding. Private commercial investors, i.e., large banks, financial institutions, impact funds, etc., participate either at the organizational level or at the business unit level. The most prominent commercial investors in BF over the past five years have generally been commercial banks such as Societe Generale, Mitsubishi UFJ Financial Group, Standard Chartered Bank, and Deutsche Bank. The venture capital (VC) fund Accel Partners has also been active.

Unlike global trends, in India, NBFCS and banks have been the most prominent investor groups in BF, together accounting for 43% of the ~180 transactions analyzed during 2010- 2022, followed by MDBs and DFIs with about 29% share. However, VC and impact funds constituted only 5% of the market. Domestic foundations and NGOs together continue to account for the smallest proportion of blended transactions across organization types, contributing to approximately 4.6% of transactions during the period.

In commercial commitments, NBFCS and banks together accounted for more than three-fourths of the transactions

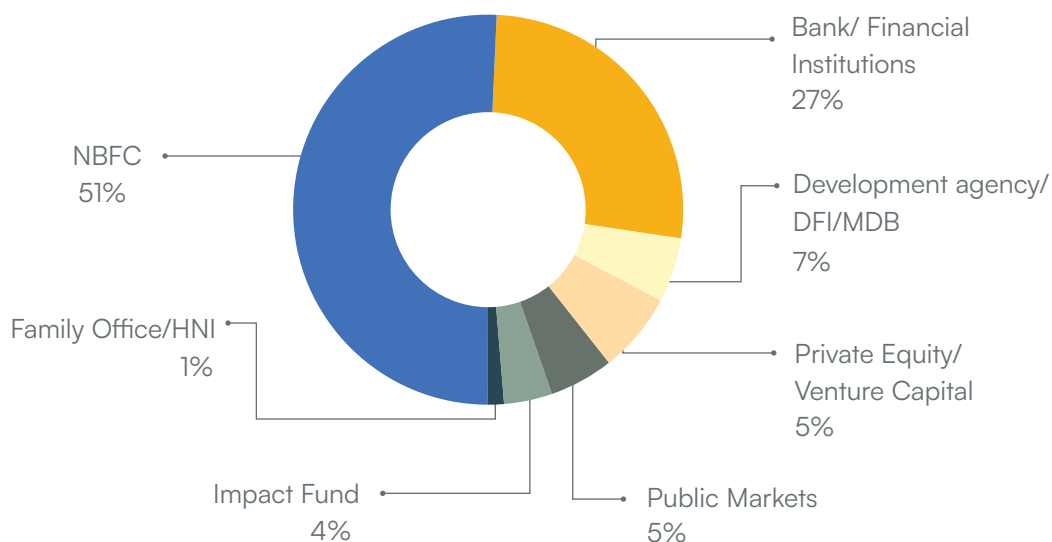
During 2010-2022, of the cumulative BF investment of USD 5.6 billion, almost USD 4.6 billion or 83% has been return-seeking capital (Figure 6). The return-seeking component of the Indian BF market has mostly been driven by NBFCS, followed by banks and financial institutions, with almost 77% market share by volume. VC and impact funds constituted only 9% of the market by volume. Some of the prominent **commercial investors in the Indian BF market include IndusInd Bank, Caspian Debt, YES Bank, Axis Bank, Samunnati Financial Intermediation & Services Pvt Ltd, and Grameen¹⁰ Impact Investments India**. Figure 7 indicates the participation by different return-seeking investors toward commercial capital commitments.

¹⁰ It may be noted that this list is indicative since many institutions requested for confidentiality while sharing transaction data.

Figure 7:

► Sources of Commercial Commitments to BF transactions, 2010-2022

100% = 75 investors, more than one type of investor per transaction



Guarantee-backed debt issuances are the most used instrument for this segment of investors and commanded almost **80% of the transactions** (see **USAID USDFC Partial Credit Guarantee Structure** below). This is followed by upcoming instruments like social success notes or SSNs (*also referred to as SDG bonds*) and subordinated debt. While SSNs (see **LIFE SDG Bond, Page 32**) are at one end of the spectrum in terms of scale of investments with an average deal size of around USD 2 million, subordinated debt is usually seen in transactions averaging USD 100-200 million (see **Northern Arc PERSEC Transaction, Page 32**).



USAID-USDFC Partial Credit Guarantee Structure

Under the US Agency for International Development (USAID)-US International Development Finance Corporation (USDFC) Partial Credit Guarantee program, USAID-USDFC and a private bank partnered to create a USD 71 million facility to provide loans to enterprises operating in the water, sanitation, and hygiene (WASH) space for water provision, water purification, toilet manufacturing, and fecal sludge management. USAID and USDFC provided a 50% *pari passu* partial guarantee coverage for the portfolio, while a private bank was the lender.



LIFE SDG Bond

The Livelihood Innovation Fostering the Economy (LIFE) SDG Impact Bond provided a credit facility of USD 1.3 million (INR 100 million) to a pool of five for-profit skill development social enterprises. The bond presented a successful workable financial structure to private investors, corporates as well as the government to shift the credit facility assessment for such enterprises from being only a risk based assessment model to an impact based one. Impact outcomes were incentivized by offering a subvention on interest rates for the enterprises, paid for by philanthropic capital, on achieving a pre-determined level of impact.



Northern Arc PERSEC Transaction

Northern Arc structured and arranged the first persistent securitization (PERSEC) transaction in India for impact MFIs. The structure typically has two tranches: a senior tranche where commercial banks come in and a subordinated tranche (catalytic) where Northern Arc is the investor. PERSEC allowed monthly collections and prepayments in the underlying pool to be used to buy further receivables from the originator subject to a strict eligibility criterion and with provisions for early amortization if default rates reached a threshold level. This structure addressed the needs of financial institution clients looking for long-term financing and investors seeking better risk-adjusted returns. The PERSEC structure mobilized ~USD 95 million in financing.

Our interviews with commercial investors indicate that there is a significant challenge in building adequate pipeline for BF products, given their unique and relatively complex structures. As a result, absorption of capital and ability to assess and showcase portfolio performance is slow and resource intensive. Also, standard commercial financing structures are often not preferred by philanthropic organizations, especially domestic institutions in this space. Critical concerns of philanthropic investors include gap in impact reporting capacity of underlying borrowers, and limited interest from investees.

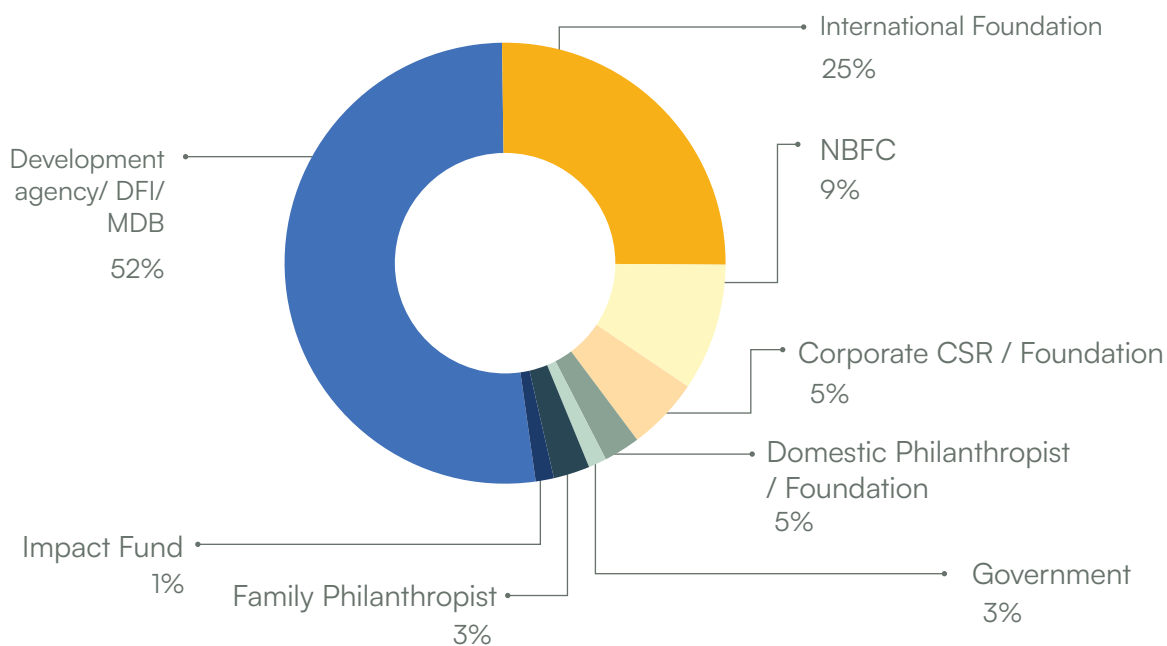
Among catalytic investors, besides DFIs and MDBs, international foundations have played a leading role; participation by domestic foundations and CSR capital has been negligible

In India, of the cumulative BF investments, almost USD 0.9 billion (16%) has been contributed by concessional and catalytic capital¹¹. This has mostly been driven by development agencies, DFIs, MDBs, and international foundations. Some of the prominent concessional and catalytic investors in the Indian BF market include USAID, USDFC, Michael & Susan Dell Foundation (Dell Foundation), UBS Optimus Foundation, British Asian Trust, Northern Arc Capital, Rabo Foundation, Green Climate Fund (set up by FMO), and British International Investment (formerly known as CDC)¹². Figure 8 indicates the participation by different concessional and catalytic investors in blended finance transactions.

Figure 8:

► Sources of Concessional/Catalytic Commitments to BF Transactions, 2010-2022

100% = 75 investors, more than one type of investor per transaction



¹¹ Catalytic capital aims to provide the often-needed risk cushioning, thereby improving the risk-return profile of transactions and attracting more commercial capital. In most cases, this represents the concessional capital component such as grants, TA, guarantees, lower return expectations, and longer tenure. In some cases, it may also be in the form of return-seeking subordinated debt, aimed at specific high-risk sectors or situations. Here, the concessional capital is in terms of lower cost to the issuer/ borrower because of the unique credit enhancement structure and underwriting capabilities of the intermediary. Without such structures, affordability for the borrower (in terms of cost or market access) would be significantly worse. As markets for these asset classes mature, the need for such concessional capital is likely to reduce.

¹²It may be noted here that this list is indicative since many institutions either requested for confidentiality while sharing transaction data or shared the names of select organizations in case of many investors participating in the transactions.

Discussion around sunset clauses¹³ of DFI-backed structures is required

As most of our interviews indicate, DFIs would continue to play a role in terms of credit enhancement, especially via guarantee-based structures. However, to most of the market participants, lack of clarity around sunset clauses is a concern. In other words, while they believe that DFIs' role as a catalytic investor is critical in terms of building track record for a given product or sector, a roadmap for mainstreaming should be created and put in place from the onset.

International foundations are bringing critical knowledge and capacity building resources

International foundations have also played a vital role in developing the BF market. Given the relative flexibility in terms of regulations as compared to domestic foundations, our database indicates that international foundations like the Dell Foundation have participated via a wide variety of instruments. These include guarantees, TA grants, returnable grants, concessional debt, external commercial borrowings, equity participation, etc. Besides capital, these foundations have also managed to bring significant knowledge and learnings from their global experience.

Lack of clarity around legal and regulatory aspects is constraining participation of domestic philanthropic partners

Despite shared goals of addressing SDG-related issues, significant philanthropic capital is sitting on the fence about participating in BF transactions. Globally, while foundations and NGOs represented about 9% of the commitments during 2018-2020 (in terms of number of transactions), share of philanthropic capital in the Indian BF space is estimated at less than 2%.

Legal and regulatory challenges stemming from limitations of the CSR Act, 2013, Foreign Contribution (Regulation) Act, 2010, income tax regulations, etc., have been cited as the most common reason. From the interviews, it has been noted that mindset challenges are equally critical — CSR teams and large domestic foundations have inhibitions about working with commercial entities, and there is a general mistrust across parties stemming from diverging objectives of financial returns and impact. Further, **there is significant scope for family offices to participate**. The prominent issue here is that Indian family offices view investing and philanthropy as separate and do not yet fully appreciate the role of risk capital. Some of these issues can be addressed by creating much needed awareness, transparency, and templatization in the BF market. However, there are a few emerging instances where CSR has been used innovatively to crowd-in commercial capital (**see IIT Delhi-360 One Foundation Livelihood project, page 40**)

¹³ Sunset clause refers to the need for a clearly defined plan at the onset that provides an automatic repeal of all or part of the DFI's support once a specific date or stage is reached.

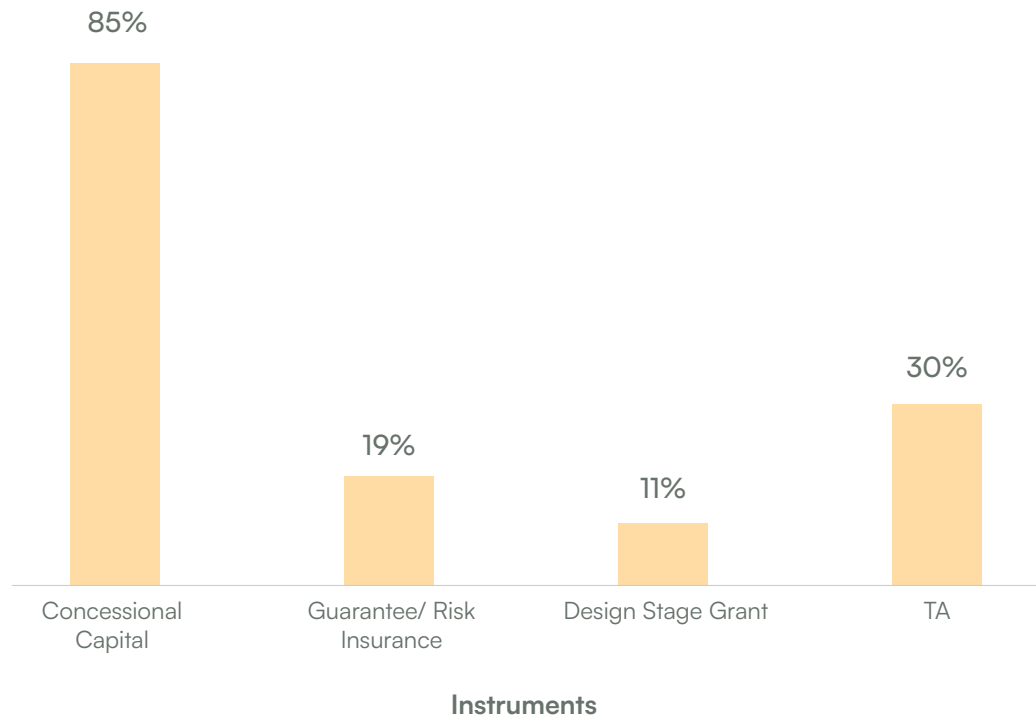
4.3

DEBT-BASED INSTRUMENTS HAVE GAINED TRACTION AMONG DFIS AND COMMERCIAL INVESTORS, WHILE CATALYTIC INVESTORS CONTINUE TO EXPLORE RESULTS-BASED FINANCING

Unlike global trends, where concessional debt and equity continue to be the most prominent blending instruments, in India, guarantees and risk insurance instruments (mostly funded) are the most prominent instruments for BF transactions.

Figure 9:

▶ Global Blended Finance Market: By Instrument (2020)



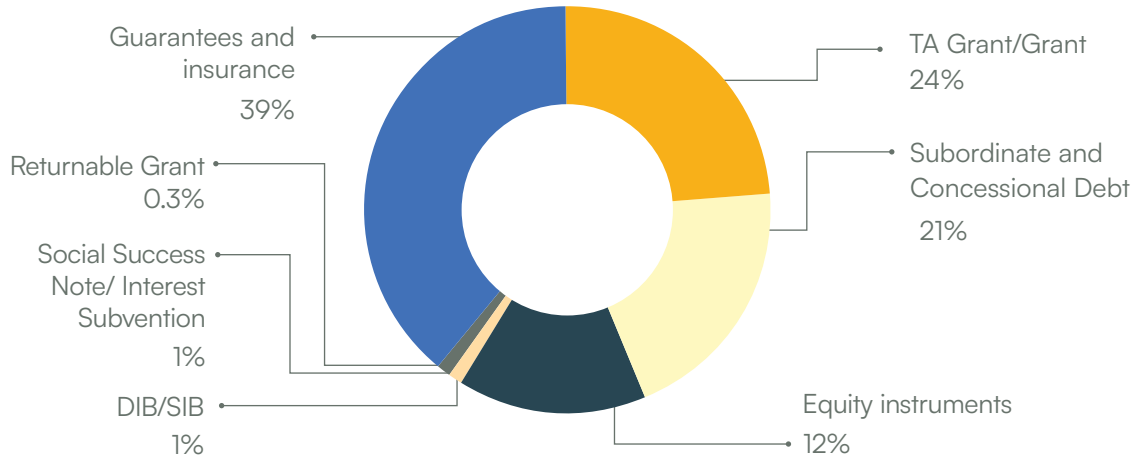
One out of every two closed BF transactions in India involves guarantees

In terms of value, guarantees form ~40% of the market. Guarantees have the potential to mobilize sizable quantities of private debt capital, as they allow providers to maximize their balance sheets and can be adapted to address specific risks, e.g., **USAID-USDFC Partial Credit Guarantee Facilities (see Page 36)**. The fact that these are the simplest and most mature instruments, make them one of the most widely used instruments.

Figure 10:

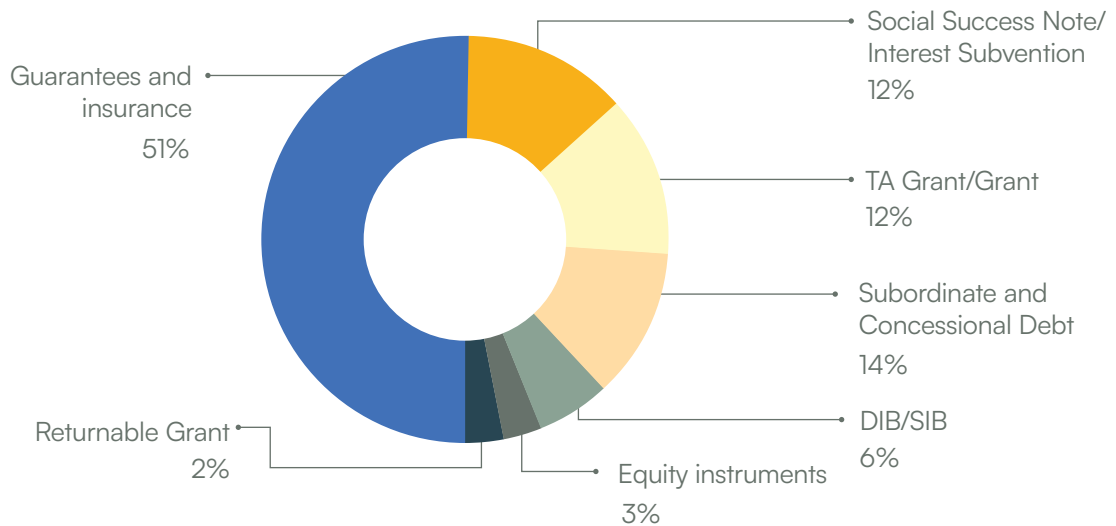
▶ **Total Market Size by Instrument (Value)**

100% = USD 5.6 Bn market base



▶ **Total Market Size by Instrument (Volume)**

100% = 89, multiple instruments per transaction



**USAID-USDFC
Partial Credit
Guarantee
Facilities**

USAID-USDFC has partnered with various commercial lenders to unlock commercial capital of approximately USD 540 million since 2015. It is a partial pari passu credit guarantee facility and has been utilized by a wide variety of NBFCs and banks such as IndusInd Bank, HDFC Bank, Kotak Mahindra Bank, Caspian, Svakarma, RBL Bank, cKers Finance, Electronica Finance Ltd, and Samunnati, across diverse sectors such as SME finance, clean energy, WASH, healthcare, agri-tech, and forestry.

TA and design grants have played a critical role in driving growth and innovation

Given that the BF approach is still emerging and needs significant resources toward structuring, identifying right partners, and then monitoring for outcomes, TA and design grants have played an important role in the expansion of the BF market in India. These grants are provided with no intention of seeking any financial return. They are often used in combination with other instruments like impact bonds and guarantees to support and ensure that financial and impact goals are achieved.

TA grants can be especially useful in providing comfort to new investors in sectors traditionally deemed high risk and non-traditional transaction structures. They can create more attractive transactions at the pre-investment stage (i.e., by improving environmental, social, and governance standards or impact monitoring and reporting) to secure the right commercial and philanthropic investment, e.g., **WaterCredit Microfinance Sanitation Loans (below)**.



WaterCredit Microfinance Sanitation Loans

Launched in 2005, the WaterCredit initiative for microfinance institutions in the WASH space, was created to expand access to clean drinking water and sanitation in India. Water.org provided grants, TA, and educational resources to microfinance institutions operating in the area, for them to scale up disbursements of sanitation loans. Under this program, microfinance institutions provided loans to households to expand access to clean drinking water and sanitation infrastructure. The program mobilized a total of USD 855 million from various domestic banks.

Concessional and subordinated debt is gaining prominence, especially toward driving blended transactions in matured sectors

Concessional debt and equity, including subordinated debt, are the most prominent forms of blending globally. In India too, these instruments, especially debt instruments, are gaining prominence. These instruments represent almost 20% of the market by value. Here, public, philanthropic, and commercial investors provide capital on below-market terms into a transaction's capital stack, thereby enhancing its credit profile or adding loss protection to the benefit of more senior investors. One significant reason for the popularity of these instruments is the fact that commercial investors understand these structures relatively better along with their risk-return profile. Thus, less effort is required for educating them or structuring these transactions.

Subordinated debt, though not essentially concessional, has been catalytic in expanding the impact NBFC space in India.

While the impact NBFC segment is getting increasingly mainstreamed and does not need blended structures, COVID-19 yet again created demand for a blended approach for this market segment, e.g., **multi-originator securitization (MOSEC) (below) and PERSEC structures (see Page 32)**. Further, concessional debt, associated with lower return or longer time horizon or favorable structure (e.g. bullet repayments), has also been a significant instrument, e.g., **NABARD—TCCL Solar Rooftops for Housing (below)**.



Northern Arc MOSEC

Northern Arc has facilitated over 100 transactions under the MOSEC structure for impact MFIs. In this structure, portfolios of multiple originators are pooled together and securitized. All MOSEC transactions feature double-layered downside protection for investors: first-loss tranches provided by originators to the respective microloans and second-loss credit enhancement offered by Northern Arc via investment into the junior tranche or a guarantee. The first loss cash reserve ensures that originators remain efficient and effective in their collection obligations. MOSEC structures have cumulatively mobilized ~USD 700 million in financing.



NABARD— TCCL Solar Rooftops for Housing

The Green Climate Fund provided a USD 100 million line of credit via NABARD for development of rooftop solar power in India's commercial, industrial, and residential sectors. NABARD on-lent to Tata Cleantech (joint venture between Tata Capital Ltd and the International Finance Corporation or IFC), which is an NBFC lending to rooftop solar projects. Another USD 100 million was provided by Tata Cleantech Capital, and USD 50 million by private investors/equity. The transaction had a total leverage of 1.5:1. The program proposed to replace 250 MW of grid power with power generated from solar rooftop projects, resulting in reduction of ~5,200,000 tCO₂e of emissions (baseline scenario) over 20 years.

Conceptually, subordinated equity — mostly called junior equity — exists, but has not been used much in the Indian context.

Impact bonds, though most discussed in media and almost used synonymously with BF, hold less than 2% of the market by value

The Educate Girls DIB, Quality Education India DIB, and Utkrisht DIB are some of the most well-known transactions in this space. The Haryana Early Literacy Outcomes DIB and Skill India Impact Bond are some of the more recent examples. The primary reason for choosing these instruments is their focus on measuring impact outcomes

over inputs and strengthening the relationship between the impact created and the financial payment. Another strong motivation for initiators choosing this instrument is the demonstration effect of the instrument. However, such transactions typically need stakeholders with pre-existing knowledge, expertise, and alignment on the impact metrics and targets. While initially small scale, recent bonds have averaged ~USD 10 million in size; however, the time and transaction costs required to structure and bring different stakeholders together, have limited the scale-up of these instruments.

SSNs, despite challenges, are being explored actively by catalytic investors

Another BF innovation that has demonstrated considerable potential is the SSN. In India, about **12% of transactions** by volume have been built around this instrument. Due to the interest subvention model, SSNs are particularly suited where the investee/ borrower has the capacity to repay loans, but is unable to afford the high cost of debt typically charged by commercial lenders, e.g., **Varthana Non-convertible Debenture (NCD) Excellence Project (below)**. SSNs have been used by organizations such as Dell Foundation and Grameen Capital India, while the Rockefeller Foundation, Yunus Social Business, and UBS Optimus Foundation piloted them globally. A key challenge in developing SSN-based transactions is identifying right commercial investors.



Varthana NCD Excellence Project

The Dell Foundation designed and developed a pay-for-performance instrument along with implementation partner, Varthana, an NBFC. The foundation offered Varthana an NCD with a mix of USD 6 million in commercial and USD 2 million of concessional capital for driving learning outcomes in affordable private schools. The objective was to use financial incentives to nudge school owners to prioritize quality learning. Using the NCD, Varthana mobilized smaller loans to 337 schools across 11 cities in India. The foundation incentivized the schools with a rebate on interest rate linked to improvement in learning outcomes. TA of USD 1 million was also provided to Varthana to build capacity in these schools to understand and assess learning outcomes.

Social Success Note Playbook, ANDE, Asha Impact, 2019

The Dell Foundation shared, “Instruments’ scalability is difficult to judge given different vintage. In the entire spectrum, first-loss guarantee, SSN, impact bond, and returnable grant fall under different segments of maturity vs. complexity grid analysis of BF instruments. DIBs are the most complex and least mature, first-loss guarantees being the simplest and most matured. The choice depends on the need of proving the model vs. supporting the risk analysis, above all.”

4.4

FACILITIES AND BONDS ARE THE MOST ACTIVE TYPES OF VEHICLES; FUNDS ARE LIKELY TO GAIN MORE PROMINENCE IN THE FUTURE

Globally, funds (e.g., equity funds, debt funds, and funds of funds) have consistently accounted for the largest share of BF transactions and represent 35-40% of the global BF market. Private equity funds, in particular, have gained momentum. This is closely followed by projects and company-level transactions. In 2020-2021, only 6% of blended transactions were in the form of bonds or notes, and facilities constituted only 4% of the closed transactions globally.

In India, however, facilities are the most common blended structure; almost 45% of all transactions in **2011-2022 (by volume)** used facilities as the vehicle type. This includes guarantee facilities by DFIs and MDBs and those created with a specific sectoral focus such as **SAMRIDH (see page 42)**. Even by value, **facilities represented almost 43% of the market**. Facilities are most popular on account of offering a high level of customization needed in emerging/ high-risk sectors and hence, being able to offer tangible financial risk mitigation, TA, investment support, etc. Facilities allow multiple investors to participate at the platform level, pool funds, and hence, create economies of scale at the top-most tier, while detailed structuring, due diligence, and monitoring can be customized by the facility manager at the individual investee level. Based on our investor interviews, we understand that these vehicles involve relatively high transaction management costs, which can be amortized with time and scale. At present, given the relatively smaller scale of facilities in India, these are often being supported with TA grants.



IIT Delhi-360 One Foundation Livelihood generation through skilling project under SAMRIDH initiative

IIT Delhi (SAMRIDH Hosting entity) through its research and development deployed an innovative financing solution to enable skilling and placement to generate livelihoods for beneficiaries from vulnerable communities.

Phase 1 (Training): The project leverages 360 One Foundation's grant of INR 1.3 Cr to unlock additional working capital loan of INR 4.0 Cr from NSDC at an affordable rate of 6% p.a. through 30% partial risk guarantee. The borrower (skilling entity) trains and places 2420 beneficiaries (3 to 4x beneficiaries in comparison to training using vanilla grant) and provides employment opportunities and livelihood linkages to them. The guarantee is renewable for two years. If the risk guarantee is not invoked or is partially invoked, it will be utilized to further enable working capital loan, thereby training additional beneficiaries.

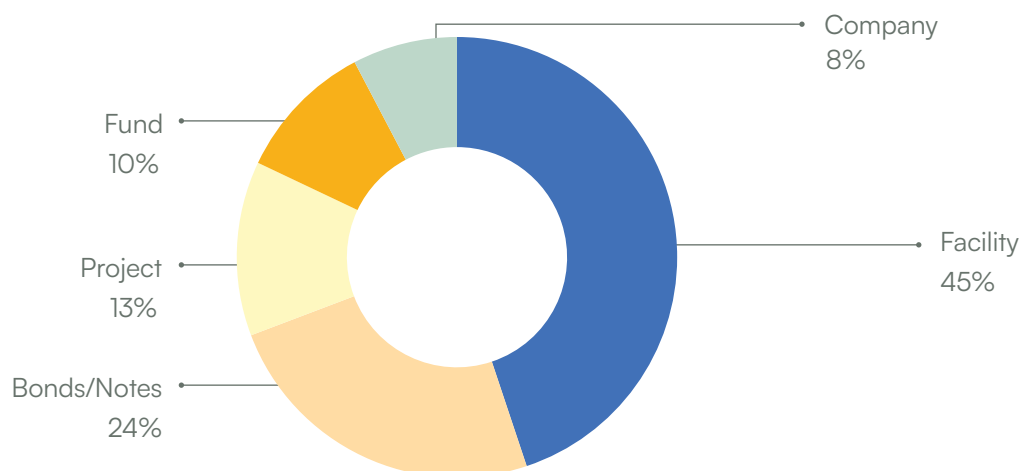
Phase 2 (Placement & Retention): On achievement of an additional milestone ie beneficiaries are retained in the job after 3 months post placement, a component of 360 One Foundation's grant (INR 26.7 lakhs) will be used in the form of a Social Success Note linked to placement and retention of beneficiaries thus leading to further reduction in cost of borrowing for the implementing entity and incentivizing the risk investor (NSDC) for better performance outcomes.

This initiative is compliant with CSR regulations under clause (ix) (b) of Schedule VII of the Companies Act, 2013.

Figure 11:

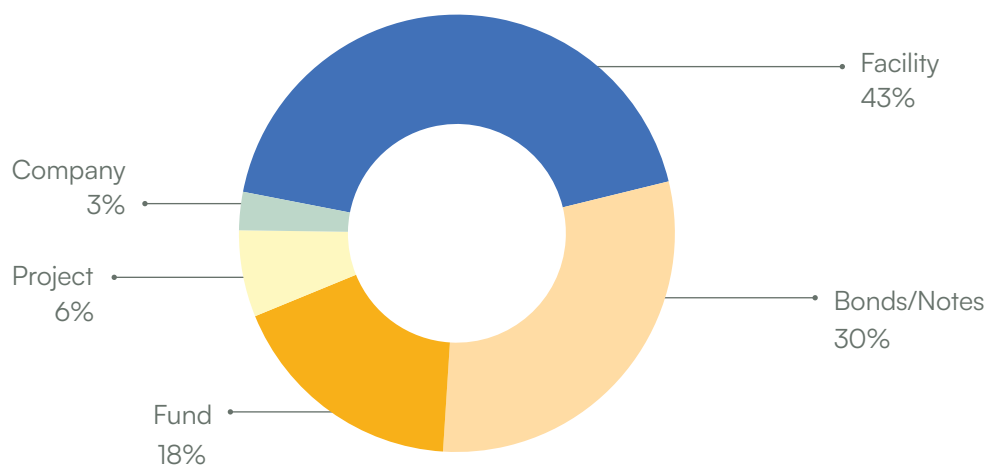
▶ Total Market Size by Vehicles (Volume)

100% = 77 transactions



▶ Total Market Size by Vehicles (Value USD Mn)

100% = USD 5.6 Bn market base



Bonds and notes constituted about one-fourth of the market by volume and almost one-third by value. The fact that they are most easily understood by commercial investors, makes them relatively easier to scale and attract investments.

Unlike the global trends, where funds continue to be the most prominent vehicle type and constitute 35% of the market, in India, they hold only 10% of the market by volume and only 20% by value. A plausible reason may be potential challenges and lack of

precedence in setting up and running BF funds in India. For instance, Bridges and the UBS Optimus Foundation are in the process of closing the **SDG Outcome Fund (SDGOF)**, a vehicle to support social outcomes contracts in low- and middle-income countries. SDGOF aims to raise USD 75-100 million from a range of funders including foundations and philanthropy, high net worth individuals, DFIs, and commercial capital. Going forward, based on our market interactions, we expect this category to grow in prominence.



**SAMRIDH
Healthcare
Blended
Financing
Facility**

Supported by USAID and implemented by IPE Global, SAMRIDH unlocks affordable capital through blended finance structures to scale high-impact and commercially sustainable solutions targeted to improve healthcare for vulnerable communities. It is structured as a multi-sectoral partnership, with the Government of India, development agencies, private sector, including entrepreneurs, accelerators, and financial institutions, and academia. SAMRIDH has mobilized a capital pool of USD 350+ million to offer both grant and debt financing provision to healthcare enterprises, with a target to achieve a leverage of 8–10x on its investments.

4.5

CATALYTIC CAPITAL HAS BEEN ABLE TO CO-OPT RETURN-SEEKING CAPITAL ALONG WITH SIGNIFICANT LEVERAGE

One of the critical measures of success of a BF transaction is the extent of leverage, i.e., the ratio of return-seeking (commercial) capital mobilized by the catalytic capital invested and expended.

According to the IFC¹⁴, lower income countries need more support to overcome perceived risks and constraints, and create conditions for effective crowding in of commercial capital. The constraints are mostly related to risk parameters, costs, capacity, and regulatory issues. The amount of concessionality required in lower income countries also tends to be greater due to these factors. As per the IFC's calculations based on DFI self-reported data¹⁵, DFI's leverage of concessional amount for lower-middle-income countries (with income levels comparable to India) was 5.4x during 2017–2018.

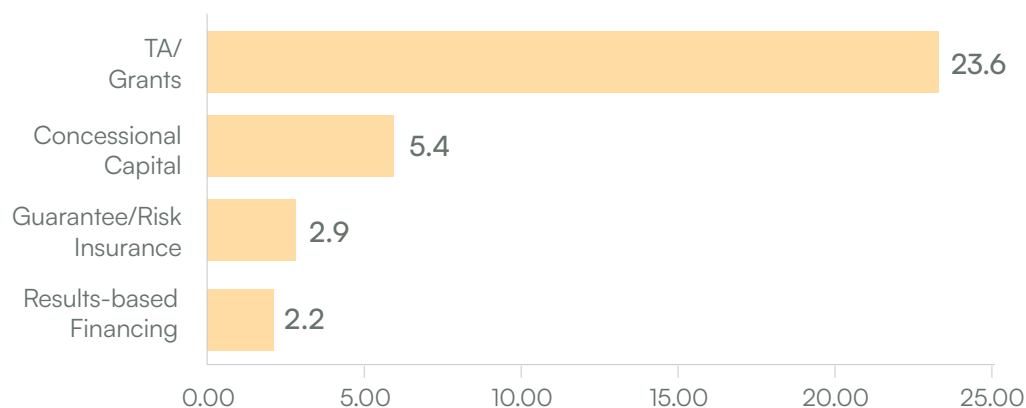
¹⁴ Using *Blended Concessional Finance to Invest in Challenging Markets*, IFC, 2021

¹⁵ Concessional amounts include concessional contributions from sources beyond the DFI reporting group

Overall, the Indian BF market, over the last 12 years, has shown a leverage of 5.06x¹⁶. (The figure is likely to be higher for more recent years.) About USD 0.9 billion of catalytic capital (concessional, guarantees, TA grants, other grants, subvention, etc.) has mobilized USD 4.6 billion of return-seeking commercial capital. However, it varied significantly with the type of instrument. In some cases, even for a given instrument, it varied with transactions.¹⁷

Figure 12:

▶▶ Leverage by Instrument Category



Concessional and subordinated capital led transactions have shown a leverage of 5-6x. This shows high level of efficiency built into the transactions. As discussed in the earlier section, these instruments have managed to scale in more matured sectors like financial access, followed by clean energy.



Guarantees and risk insurance

led transactions, which have a wide range of applicability, have shown a leverage of 2.5-3x. The transactions have been spread over a wide range of sectors and ticket sizes. DFIs and international foundations have played a leading role in these transactions. With significant vintage and track record, this category shows further scope of improving efficiency and scale, and hence, leverage.

¹⁶ It may be noted that this figure has been calculated based on conservative calculations assuming the entire amount of catalytic capital is entirely reserved or expended by the catalytic investor for the purpose of given transaction. In reality, however, based on the structure or risk assessment of default, the actual amount invested by the catalytic investor may be much lower and hence the leverage of such transactions may be significantly higher. For example, in case of a 50% pari-passu portfolio guarantee structure, the leverage has been calculated as 2x. However, in reality, given the estimated default risk of such transaction, the amount reserved towards the guarantee by the catalytic investor may be only a fraction of the guarantee committed towards 100% default event. This makes the structure far more efficient and the leverage as high as 30-40x. However, these default risk estimation and accounting practices vary for each investor and transaction type.

¹⁷ For this analysis, we have broadly categorized transactions in our database into TA/ grants, concessional capital, guarantee /risk insurance, and results-based financing. To understand the categorization better, refer to Chapter 2, page 15.

As per our market interactions, while guarantee-backed structures are popular and being successfully used by DFIs and international foundations to scale participation of Indian NBFCs and banks in impact-focused sectors, there is no clear sign of market making. In other words, despite several years of implementation of these structures, and hence, an adequate track record of credit performance of the underlying sectors or business models, the requirements of commercial investors with regard to guarantee-backed credit enhancement instruments are not easing out. It needs to be ensured that blended structures are meeting their objectives of mainstreaming certain sectors or asset classes, and not distorting the markets.

Results-based financing transactions in India have delivered leverage of approximately 2.2x. While the leverage ratios are relatively lower, the instruments have created a significant demonstration effect in sectors and business models that are typically not considered amenable to commercial investments. The learnings around capacity building of implementation organizations and quality of impact measurement and reporting have been significant.

While transactions driven by **TA, design grants, and returnable grants** show significant leverage, such transactions are far and few. In most cases, these grants are used in combination with another financial instrument such as guarantees, interest subvention, or subordinate finance. An interesting example of TA grant being used effectively to leverage commercial investments is the **US-India Clean Energy Finance Facility (USICEF)** (below).



**US-India
Clean
Energy
Finance
Facility**

USICEF is India's first project preparation facility to scale up distributed solar power projects, develop them into viable investment opportunities, and drive long-term debt financing. Grant-funded TA helps prepare high-quality investment-grade project proposals to increase prospects of obtaining long-term debt financing. So far, the grantees have been able to mobilize cumulative USD 300 million of commercial capital in long-term financing.



4.6

FINANCIAL SERVICES AND ENERGY MAKE UP ~65% OF THE MARKET BY VALUE, SIMILAR TO GLOBAL TRENDS

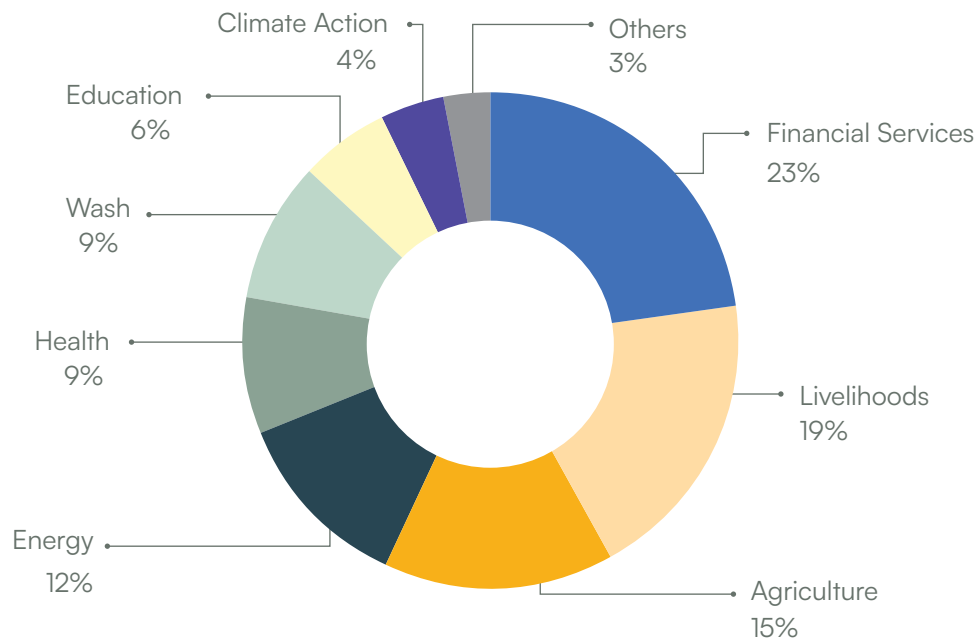
Globally, energy (35%), agriculture (28%), and financial services (26%) showed the highest proportion of closed transactions by sector in 2020. In India, focus on energy and financial services is comparable to the global trends — agriculture and livelihoods are prominent and upcoming sectors.

In terms of volume, after financial services, agriculture and livelihoods, saw the next highest level of traction, at 15% and 19% respectively each, followed by clean energy (12%), health (9%), and WASH (9%). Overall, there is a fairly good distribution of transactions across sectors, reflecting interest from various investors.

Figure 13:

► BF Transactions by Sector (Volume), 2010-2022

100% = 77 transactions



In terms of value, financial services and energy are both leading with one-third market share each. The main reason is financial services sector’s amenability to simpler credit enhancement structures like first-loss guarantee and subordinated debt. Overall, among development sectors, it is relatively the most mature, regulated, and well-funded. The energy sector has seen a global thrust, especially for renewable and clean energy projects. In India, it is also a focus sector for the government with the announcement of 2070 net zero target and has seen strong policy tailwinds. The sector is well understood, and mature business models with absorptive capacity have led to blended capital

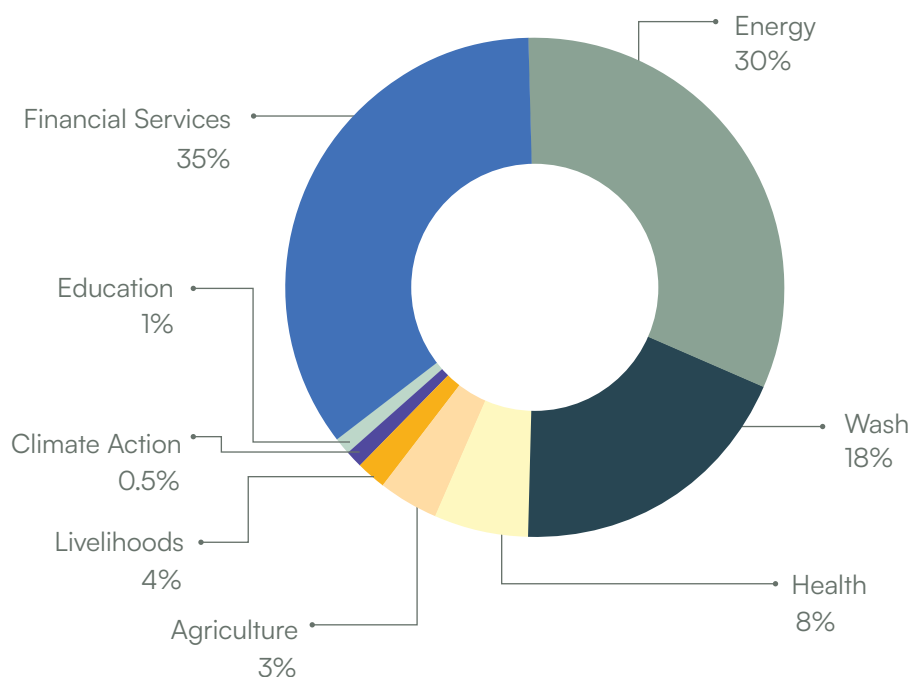
flowing in. With an amenable policy and institutional environment, WASH (18%) related transactions also saw significant traction and higher ticket sizes as compared to other sectors.

Going forward as well, as per our discussions and interviews, besides financial services, the energy sector will be amenable to BF, and green energy projects and decentralized energy projects will continue to gain traction. This will be closely followed by agriculture and access to livelihoods.

Figure 14:

► BF Transactions by Sector (Value USD Mn), 2010-2022

100% = USD 5.6 Bn market base



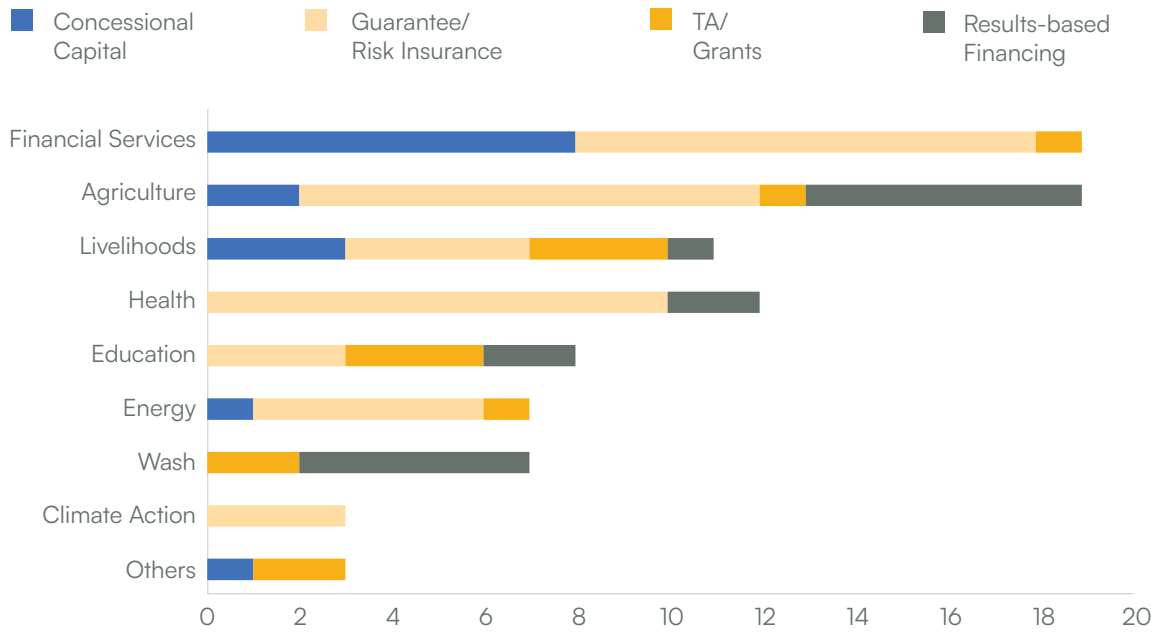
It may be interesting to note that in line with the higher market share (by value), top sectors like financial services, energy, and WASH have been using guarantee-based instruments, followed by more simple and mature instruments like concessional debt.

Guarantees are also the most used instruments in emerging sectors like agriculture and livelihoods. TA has been used almost consistently across all sectors. Also, results-based financing instruments (DIBs, SSNs, etc.) have been used consistently across sectors in more recent years.

Based on our market interviews, we believe that as sectors mature, they increasingly move from more complex and bespoke instruments such as results-based financing to guarantee-backed structures, and finally, to simpler and scalable subordinated or concessional debt structures.

Figure 15:

▶▶ **BF Transactions: Instrument usage across sectors, 2010-2022**



4.7

BLENDING FINANCE MARKET IS AT A NASCENT STAGE, PRESENTS MODERATE-RISK, LOW-RETURNS, AND HIGH-IMPACT OPPORTUNITY

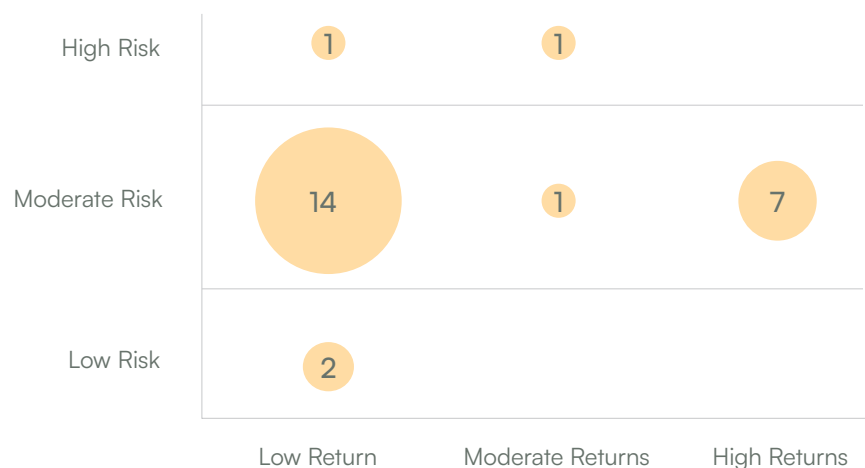
Most of our interviews indicated that there is general enthusiasm around BF in the Indian market. However, it is mostly at an innovation, experimentation, and “nascent” level. Almost 87% of our market survey respondents agree that the BF market is at a nascent stage, with only 13% viewing it as a matured segment.

While there are several discussions around transactions, standardization, institutionalization, etc., these are mostly anchored by select segments of investors — DFIs and international foundations — and there is limited awareness among the broader impact investing community. Multiple actors are engaging in innovative small-scale transactions, but there is relatively limited traction around large-scale BF transactions.

Figure 16:

► Perception of financial risk return in BF transactions among survey respondents

N= 26 (#survey respondents)



More than 50% of the survey respondents view BF as a moderate-risk, low-return space. This largely reflects views of return-focused commercial investors and impact funds.

Currently, most of the risks (pipeline related, impact related, etc.) are being managed through complex low-scale structures, leading to high transaction costs. However, most market participants have shared that the BF market may have reached a turning point in terms of innovation, where standardization of instruments, structures, and impact metrics can play a major role in improving the attractiveness of this segment.

Almost 85% of the respondents believe this space has potential for high impact

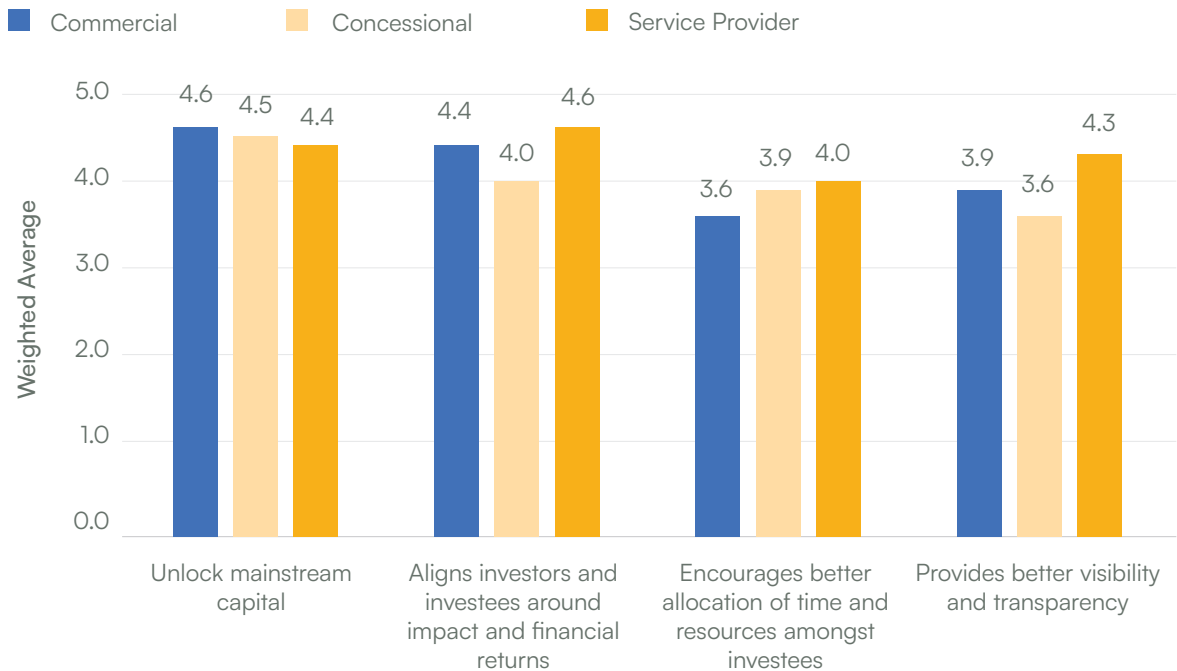
All respondents agreed with the benefits of BF listed in the survey — the top one being its ability to unlock mainstream capital. Further, service providers and intermediaries shared that impact alignment across actors is an important benefit. For instance, in many transactions, monitoring and evaluation experts were a part of the decision-making process from an earlier stage than usual, leading to better impact outcomes. Other benefits include opportunity for capacity building of investees, which is essential to build the market.

As per Northern Arc Capital, “NBFCs are focused on growing their business, and impact reporting capacity is less. For a recent BF transaction, impact measurement was identified as a focus area. We identified resources within the team, designed our own impact measurement structures, and then vetted them with investors experienced in this space. It was a challenge but should get easier in future.”

Figure 17:

► Key benefits of using BF structures as identified by survey respondents

N= 31 (#survey respondents)



1- Not a benefit at all/ negligible 3- Somewhat important but not critical 5- Seen as a key benefit

4.8

IMPACT MEASUREMENT AND REPORTING NEED SIGNIFICANT STRENGTHENING AND ALLOCATION OF RESOURCES

Most of our market survey interviews indicated that in the absence of sufficient, accessible, and comparable data from all stakeholders, efforts to scale BF will be inhibited. Lack of data disclosure also breeds stakeholder mistrust. Except for DIBs, select guarantee-backed pilot transactions, and a few recent bonds, representing 10-15% of the BF transactions, the rigor of impact measurement has been relatively low, while there has been general intent around impact. The underlying sectors or a broad understanding of the end user/ client/ beneficiary has mostly been used as a proxy to build the impact or SDG-related case for most BF transactions.

Disclosures on additional impact created are limited and piecemeal. Our interactions indicate that while banks, NBFCs, and DFIs have been the most active investor groups, whether playing a commercial or a catalytic role, they have not provided for adequate significance or resources toward impact measurement. Understanding investing motives and tracking impact outcomes become even more difficult when DFIs invest via financial intermediaries as the in-house capability and systems around impact measurement and reporting, are limited. Among catalytic investors, international foundations have mostly led this aspect of transactions in terms of both financial and non-financial support.

Our survey indicates that the standardization of impact measurement is needed at a much wider scale to bring down the cost of measurement, which can further improve the financial attractiveness of the project without compromising on impact measurement.

- **It is important to build documentation and transparency around learnings, especially from not-so-successful transactions. Here, funds and impact bonds must extend their learnings to lending-based structures, especially around impact measurement.**
- **To address the lack of clarity around impact-measurement rigor, donors need to be more forward leaning — DFIs should not trade off impact-measurement aspects for scale.**
- **Impact measurement and management should not be viewed as an impediment for BF transactions; after all, impact creation is one of the drivers of BF.**
- **Due to variation in impact measurement, comparisons should not be made between sectors. Definition of impact must be contextual, sector relevant, and rigorous.**
- **Hypothesis around incrementality needs to be established for each transaction.**

4.9 TIME, COST, AND GENERAL LACK OF UNDERSTANDING ABOUT BLENDED FINANCE STRUCTURES ARE KEY CHALLENGES

While the BF market in India is showing promise and a general sense of curiosity and excitement among investors, there are several challenges that need to be addressed for this segment to scale effectively and deliver its objective of increasing commercial capital in the impact-led sectors.

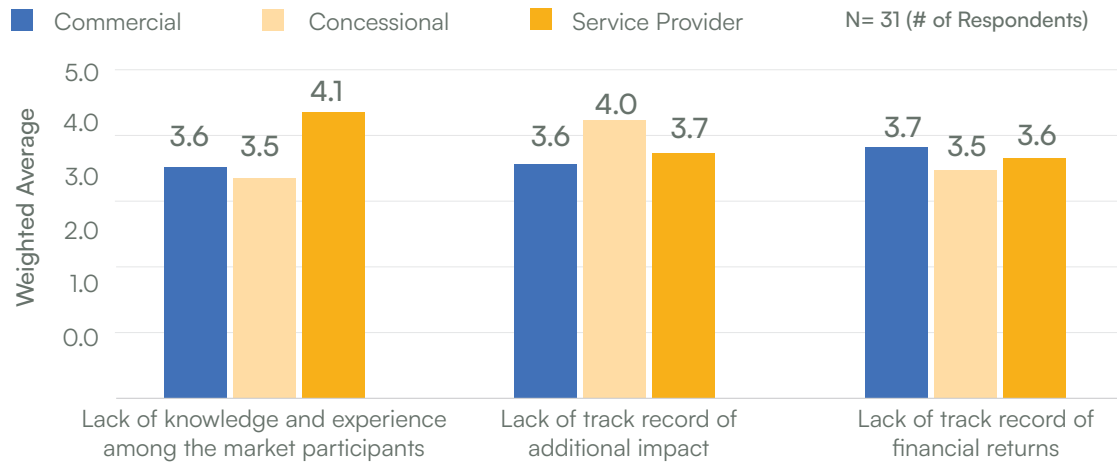
Following are some of the key challenges identified by various investor groups, as per our survey.



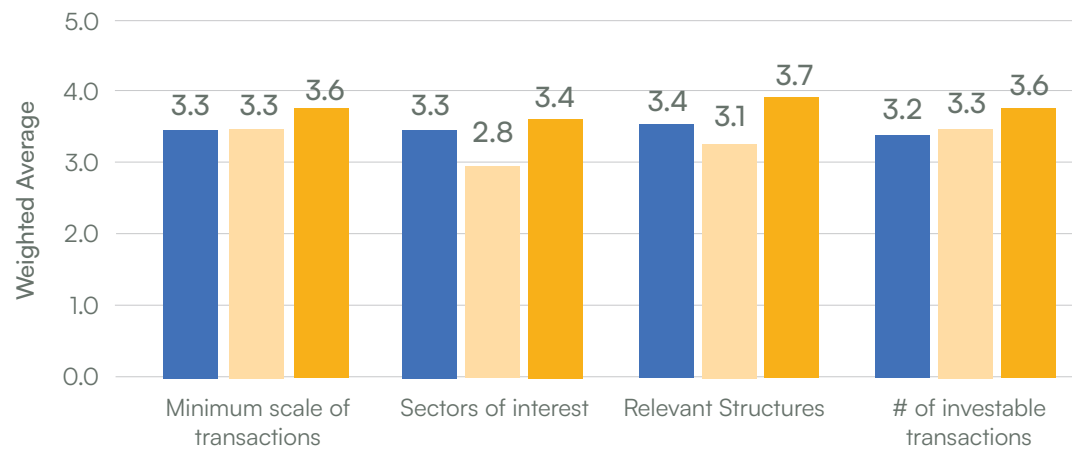
Figure 18:

► Key challenges in BF transactions as identified by survey respondents

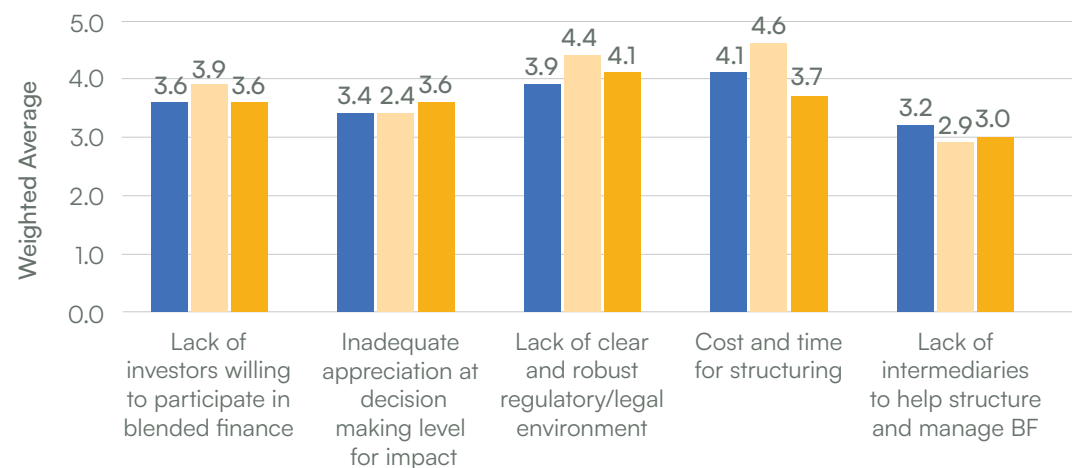
Challenges: Knowledge and Track Record



Challenges: Lack of Meaningful Pipeline



Challenges: Appetite and Capacity



Note-

1.0- do not agree at all / not a concern | 3.0- Agree somewhat/ can be managed | 5.0- Completely agree / is a key concern

Overall, there is a reasonable consensus among stakeholder groups about the top areas of concerns:

- a) cost and time for structuring BF transactions and
- b) lack of a clear and robust regulatory and legal environment.

There is an even greater consensus among the areas of lesser concerns across stakeholders:

- a) lack of intermediaries to help structure and manage BF transactions, and
- b) poor impact management by investees.

Structure, and not scale of transaction, is the main issue for most investors. Sunset clause, especially for DFI-led transactions, needs to be clarified. For example, first-loss guarantee cannot be offered forever; we need to define which milestones would suggest that the product is market ready.

Overall, we understand that the BF market in India is at a nascent stage, but growing faster than ever. Results-based financing is gaining traction; however, there is also an increasing demand for simpler structures in the segment. Growing interest among investors, both global and domestic, indicates significant potential for this segment in the next few years. However, there are several challenges that need to be addressed for BF to achieve greater momentum. The next chapter outlines future opportunities and key interventions needed to scale the BF segment in India.





05

**What Are the
Opportunities for
Scaling Blended
Finance in India**

BF is not a silver bullet, but has the potential to create a massive opportunity to bring long-term and large-scale capital towards SDG financing.

While many external factors need to be considered, standardization of definition, structures, products, and market information is the critical and most accepted trigger to scale and mainstream BF among Indian private and philanthropic investors. This section discusses some of these nuances.

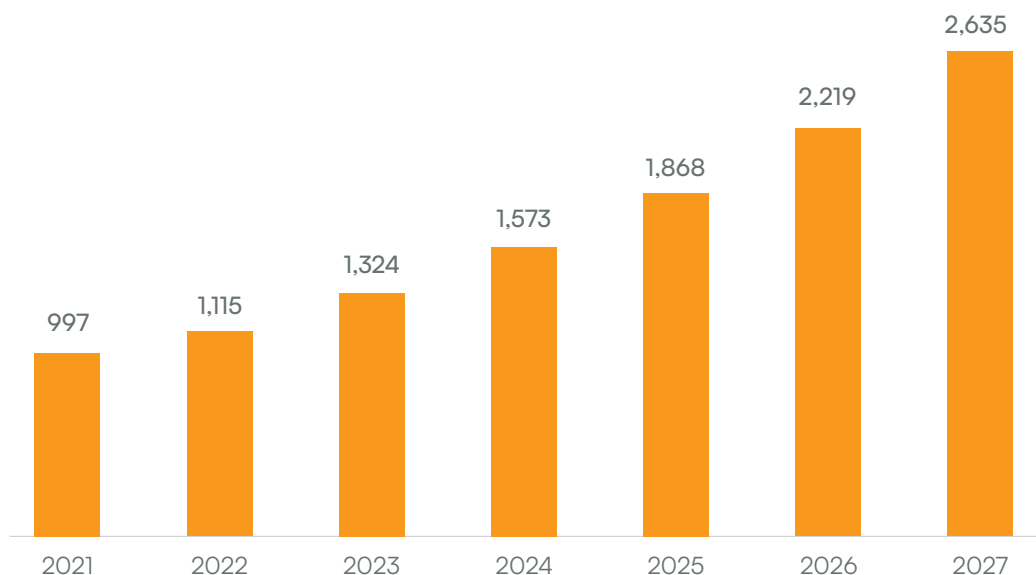
5.1

INDIAN BLENDED FINANCE MARKET IS PROJECTED TO REACH USD 2.6 BILLION BY 2027

Based on our analysis of the transaction pipeline, stakeholder interviews, and current CAGR-based projection (~18.8%), we expect the Indian BF market to be at USD 2.6 billion by 2027.

Figure 19:

► Projected growth in the Indian BF market based on transaction pipeline (USD Mn)



This is a conservative estimate considering the weak debt markets and general economic growth outlook in India at the time of conducting this survey. However, when seen in the global perspective and backdrop of past performance of the BF segment in India, it indicates significant focus and momentum building in this space.

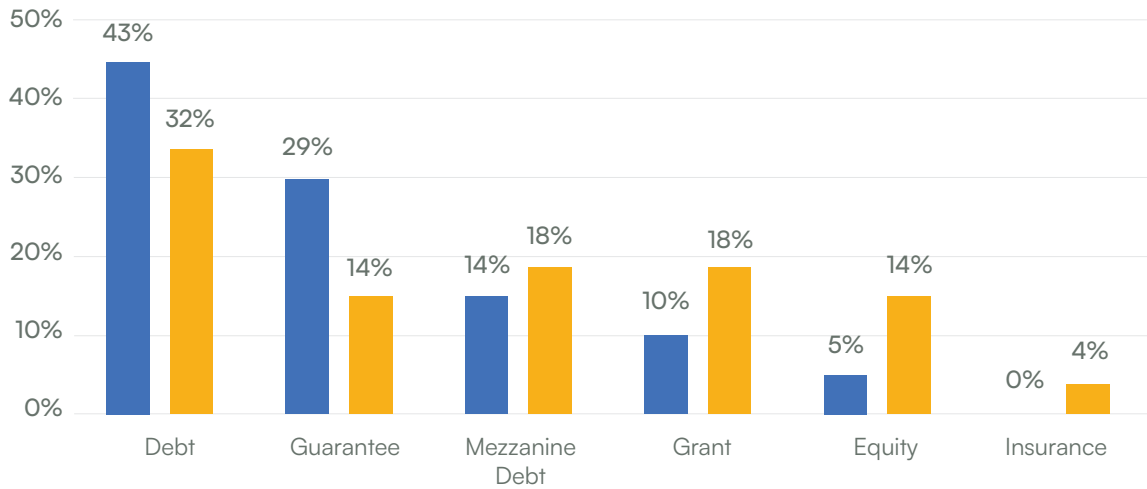
Figure 20:

▶ **Type of Blended Finance instruments used, as per survey respondents**

Types of instruments used/plan on being used by Commercial Investors

■ Current ■ Future

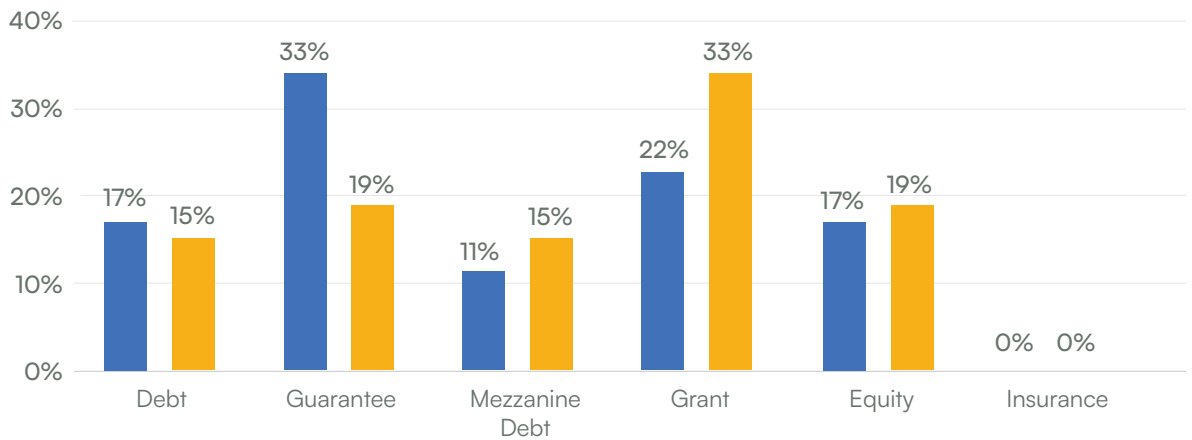
Current N= 21, Future N= 28 (# of Responses, multiple responses per respondent)



Types of instruments used/plan on being used by Concessional Investors

■ Current ■ Future

Current N= 21, Future N= 27 (# of Responses, multiple responses per respondent)



Debt will continue to be the preferred instrument for commercial investors; grants will find higher interest among both categories of investors

Our survey analysis indicates that in the last few years, for commercial investors, debt and guarantees have been the preferred instruments. For concessional investors, guarantees and grants have been the preferred categories. Over the next 4-5 years, mezzanine debt and subordinated equity is likely to gain market share for the commercial investor segment. Interestingly, for both investor segments, grant based instruments are expected to gain interest.

Funds and facilities will be the most preferred type of vehicle

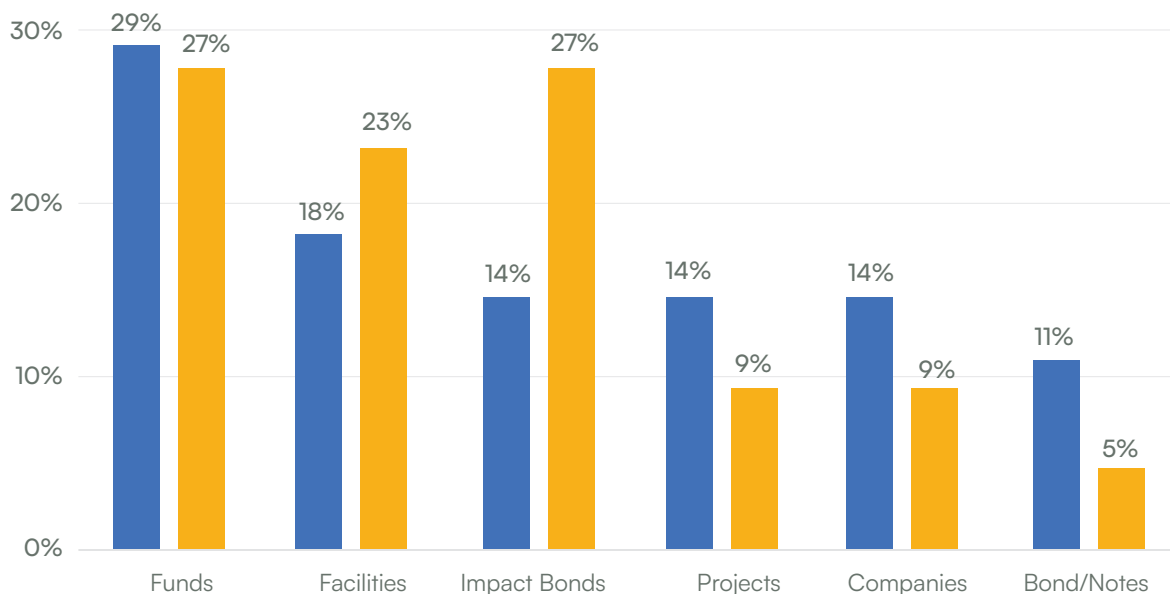
In terms of vehicles, funds and facilities would be the most preferred vehicle for commercial investors. Interestingly, concessional investors also indicated their preference for these two vehicles, in addition to impact bonds. While Impact Bonds are an instrument and categorized as 'Projects', they have been shown separately in the graph below based on the preference indicated by respondents.

Figure 21:

► Future preference for BF vehicle type by commercial and concessional investors

■ Commercial ■ Concessional

Commercial N= 28, Concessional N= 22 (# of Responses, multiple responses per respondent)



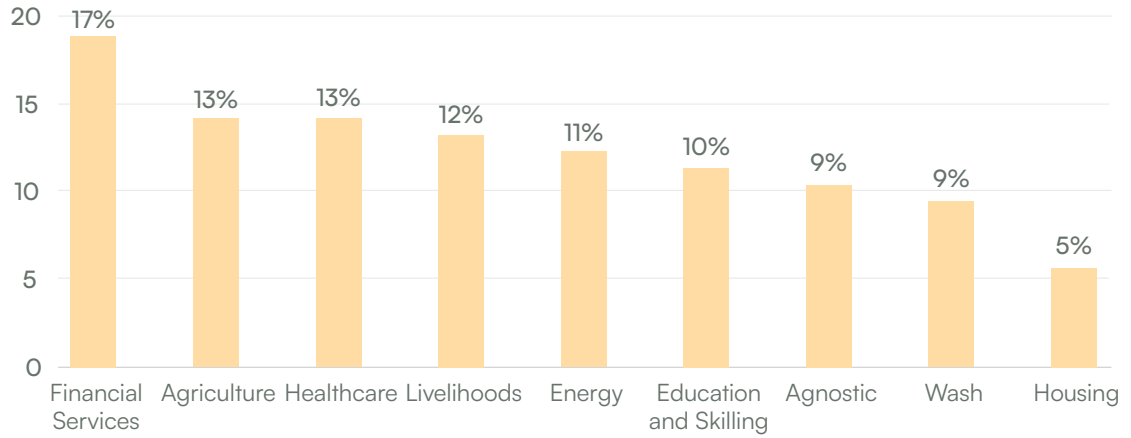
Financial services will continue to attract stakeholder interest

As per the stakeholder interviews and market survey conducted, the key sectors that are likely to draw maximum interest are financial services, agriculture, healthcare, livelihoods, and energy.

Figure 22:

► **Focus sectors for BF for both commercial and concessional capital in the future**

N = 116 (# of responses, multiple responses per respondent)



5.2

KEY INTERVENTIONS NEEDED TO UNLOCK MORE BLENDED CAPITAL IN INDIA



Engagement with governments



Setting up institutional frameworks: Institutional interventions can help centrally plan policies, standards, reporting frameworks, etc. This would be an important step toward scaling.

Advocacy to ease legal and regulatory issues: Appropriate interventions in CSR Law, FCRA Regulations will facilitate merging of different types of commercial and philanthropic capital.



Aiming for scale



Reduced cost of structuring: Bespoke transactions in Indian BF space have been time consuming and expensive due to complex legal, regulatory, and taxation related challenges. However, some of these early transactions are likely to pave the way for more standardization for future transactions.

Building templated models: Templated models need to be created to address the inherent complexity in tax and regulations while structuring fund flows between different sources of capital.



Building awareness and trust



Evangelisation and building trust through knowledge sharing: This is especially critical for unlocking domestic philanthropic capital, e.g., HNI capital, CSR funds, and assets owned by religious trusts in India. Lack of trust and awareness is the biggest impediment for this segment.

Transparency and documentation: There is a need for more data around transactions, structures, partners, returns, impact, and learnings. DFIs and MDBs can play a key role here, leveraging learning from global experiences as well as taking the lead in creating a culture of transparency to help scale the market.

While these interventions would augment the growth potential for BF in India in general, two key investor groups — BFSI and domestic philanthropic organizations (including CSR and family offices) — would be at the fulcrum of unlocking the BF segment in India.

The following chapter summarizes current interventions, challenges, opportunities, and potential interventions for these two investor groups. The chapter also presents learnings from our research, analysis, and stakeholder survey.

5.3

BLENDING FINANCE CAN HELP SUPPORT COMMERCIAL INVESTORS BROADEN AND DEEPEN THE MARKET

While private funding for the social sector has been growing faster than public funding in the last few years, post COVID-19, there is even higher scope for this trend. However, often the perception of risk is not aligned with the actual risk. Thus, in India, majority social enterprises and non-profits continue to remain sub-scale due to lack of timely, low-cost, and patient capital. By improving the risk-return profiles of investments without distorting functioning markets, BF incentivizes and mobilizes private capital in emerging and frontier markets, where public sector resources and donor funds are limited.

Impact-led sectors can expand the investable universe for investors

Some impact sectors have been especially prominent in attracting private investments to the BF space. These include financial inclusion, clean energy, WASH, and agriculture. EdTech and healthtech also present significant opportunity for blending approaches to tip the scale for almost-viable investments.

Then, there are sectors such as land use and forestry, that offer very powerful ways to address SDGs, but have so far seen very little in the way of private investment due to inherent challenges, particularly around scale, project bankability, and revenue models where the cashflow is delayed, and a lack of market mechanisms to monetize returns (e.g., carbon pricing for avoided greenhouse gas emissions). We believe that these sectors stand to draw more commercial capital under BF transactions.

SMEs present an impact-driven investment opportunity

India is the third largest startup ecosystem in the world with ~73,000 startups, many of which are solving complex social issues. While INR 43 billion has been poured into startups in 2021 alone, only ~600 social enterprises raised USD 11 billion of funding during 2010-2019¹⁸, leaving a significant segment unaddressed.

The credit gap for MSMEs, which has also been steadily growing over the past decade, is pegged at ~USD 240 billion¹⁹. Less than a fifth of the existing 56 million MSMEs are able to tap into the formal credit market as they lack collateral and data management systems for financial reporting, resulting in a high perceived risk²⁰. BF, among other innovative approaches and tools such as fintech and alternative credit scoring mechanisms, could help address this gap.

Based on stakeholder inputs and interviews with India-focused investors, banks, NBFCs, financial intermediaries, DFIs, fund managers, philanthropic institutions, CSR professionals, and sector experts, we have summarized key transaction structures being used by banks and NBFCs in the BF segment and the prominent challenges plaguing them. We have also suggested potential opportunities for this segment and the interventions needed to support banks and NBFCs explore these opportunities.

¹⁸ IIC-Asha Impact Report: The India Impact Investing Story, 2020

¹⁹ MSMEs, India's growth engine, face a Rs 16 lakh crore credit gap. *The Economic Times*, June 27, 2019

²⁰ IFC-Intellecap Report: Financing India's MSMEs, November 2018



**Rabo
Foundation-
USAID
Sustainable
Forestry Loan
Portfolio
Guarantee**

To encourage financing to businesses operating in the forestry sector, the Rabo Foundation and USAID partnered with two Indian financial institutions to support loans totaling more than USD 15 million, through a loan portfolio guarantee structure. The financing is geared toward SMEs, cooperatives, producer companies, and microfinance institutions that are directly or indirectly engaged in sustainable landscapes through agriculture, forestry, and other land uses.

The Rabo Foundation is the first-loss guarantor, while USAID acts as the second guarantor, sharing risks equally (*pari passu*) with the partner financial institution at the portfolio level, after application of first loss. The program size is USD 15 million with a duration of 10 years.



**Dell
Foundation-
Caspian Loan
Guarantee:**

The Dell Foundation provided guarantee support to Caspian Debt, an NBFC, to unlock on-lending credit of INR 1,500 million (USD 20 million) for micro enterprises, and impact 10,000-15,000 micro entrepreneurs and their employees. Caspian offers loans to companies focusing on financial inclusion and to social enterprises in the areas of agriculture, education, healthcare, and energy. Up to 20% of the loans were covered by a partial risk guarantee.





Banks and NBFCs

Current interventions

Exploring a range of structures on the risk-return spectrum with a focus on underlying impact-focused sectors: Banks are participating in BF transactions via the following models;

- A DFI or a philanthropic capital provider takes a higher risk position than the bank, in the form of first-loss default guarantee. **Examples: Rabo Foundation-USAID Sustainable Forestry Loan Portfolio Guarantee (see page 63), USAID USDFC Partial Credit Guarantee (see page 32), Dell Foundation-Caspian Loan Guarantee (see page 63).** Most impact financing is focused on this risk sharing piece. These are for typical high-risk emerging sectors/ products, where the given sector or borrower does not have a demonstrated profit or credit track record.
- A DFI takes an equal risk position in the form of pari passu partial guarantee. This catalytic capital helps the bank increase total exposure to the given sector or free up the guarantee limits for the bank.
- Banks may partner with a catalytic equity investor and cover a wide range of financing requirements of the investee, typically a growing impact enterprise, in a highly customized manner. Working along with equity investors can prove catalytic as it can help improve the credit quality of the underlying borrower, and over time, mainstream the borrower.

Catalyzing commercial investments via structuring and subordination: Specialized NBFCs are focusing on building scale in lending in the impact-focused asset classes by tranching capital and assessing associated risks. Investment in high-risk or subordinated debt may be catalytic in terms of repayment terms. **Example: Northern Arc Capital MOSEC (see page 38)**

Challenges

Lack of market participants across risk spectrum: There has been a lack of subscribers to high-risk structures in the Indian debt market. Achieving the target credit rating at a reasonable guarantee level to ensure viability of the deal, has been a challenge for various structured transactions in the impact NBFC space.

- **Finding the right catalytic partners:** Standard commercial financing programs are not preferred by philanthropic organizations, especially domestic institutions in this space.
- **Limited pipeline:** Building adequate pipeline for unique BF products is a challenge.
- **Limited understanding and track record:** Absorption of capital and assessment of sector / portfolio performance over time require patience and resources.

Limited capacity around impact measurement: There is no clear alignment and understanding on impact measurement. Impact reporting capacity of underlying borrowers is limited. For instruments like impact bonds, where impact measurement gains higher focus, this limitation has proven to be a prominent challenge.



Banks and NBFCs

Opportunities

Expanding to new sectors: BF principles can be adopted to solve pressing challenges in critical segments and sectors such as MSMEs and agriculture.

Deepening the market: Impact-focused products deepen the market reach by extending last-mile lending to segments beyond metro and Tier 1 cities.

Product innovation: Banks and NBFCs embrace technology to serve diverse customer segments such as first-time borrowers and seasonal farmers, who require innovative financial products to cater to their distinct needs.

Maximizing efficiency: Banks and NBFCs maximize impact per rupee spent through effective use of leverage, allowing them to service a larger pool of beneficiaries using limited resources.

Potential interventions

Partnership and engagement with philanthropic capital providers: Due to aligned objectives, there is significant potential to increase engagement between foundations, CSR organizations, impact NBFCs, DFIs, and governments. It may also be useful to evaluate building an active platform to support debt funding for impact NBFCs.

Systemic support: Creation of an industry-level BF credit and refinance fund can facilitate greater systemic support.

Further, regulatory interventions will allow for a more flourishing BF ecosystem.

Linkages with public sector banks: This will help improve transmission of funds from public sector banks to smaller impact NBFCs through enabling of regulatory guidelines.

Priority sector lending needs to be expanded to include more impact/ SDG-linked sectors beyond agriculture and microfinance with the right incentive structures.

5.4 IMPACT SCALING OPPORTUNITY FOR PHILANTHROPIC CAPITAL

Philanthropic capital allocation in India stood at INR 640 billion in 2020 and grew y-o-y by 23%, despite the pandemic²¹. This capital largely has four sources²²:

- **Foreign:** Comes from foreign sources such as large international foundations and accounts for 25% of the total philanthropic capital in the market
- **Corporate-driven funding:** Includes CSR departments of large corporations (e.g., Asian Paints, ITC), as well as corporate foundations (eg. JSW Foundation). CSR funding accounts for 28% of the total philanthropic funding market in India
- **Domestic foundations:** Includes family foundations as well as independent foundations, which are funded, incubated, and implemented domestically
- **Individual driven funding:** Includes philanthropic funding by high net worth individuals and retail/ common individuals. Family philanthropy accounts for 19% of the total philanthropic capital allocations

Leveraging philanthropic capital to expand the market and build demonstration effect

Philanthropic organizations have the unique opportunity to leverage their capital to crowd in commercial funding for SDG financing using the BF approach. Using concessional investments, philanthropic donors can take on some of the critical risks/ costs of a transaction, thus making it a more attractive opportunity for commercial capital in the social sector. These transactions can also demonstrate investability in a certain sector and can incentivize fully commercial replications.

Opportunity for philanthropic investors for scaling impact per dollar

In a BF transaction, every dollar of philanthropic capital is able to create a higher scale social impact due to incremental leverage of commercial capital.

Capacity building and knowledge transfer

Outcome-based financing instruments like impact bonds encourage rigorous impact measurement and management, and that rigor has translated into many impact bonds outperforming pre-set outcomes. Very often, the presence of philanthropic capital in BF transactions encourages better diversity and inclusion practices within investees and helps build the internal capacity of investees around measurement and reporting through capital as well as other resources.

²¹ https://www.dasra.org/assets/uploads/resources/Bain_Dasra_India_Philanthropy_Report.pdf

²² <https://www.sattva.co.in/publication/research-domestic-institutional-philanthropy-in-india/>



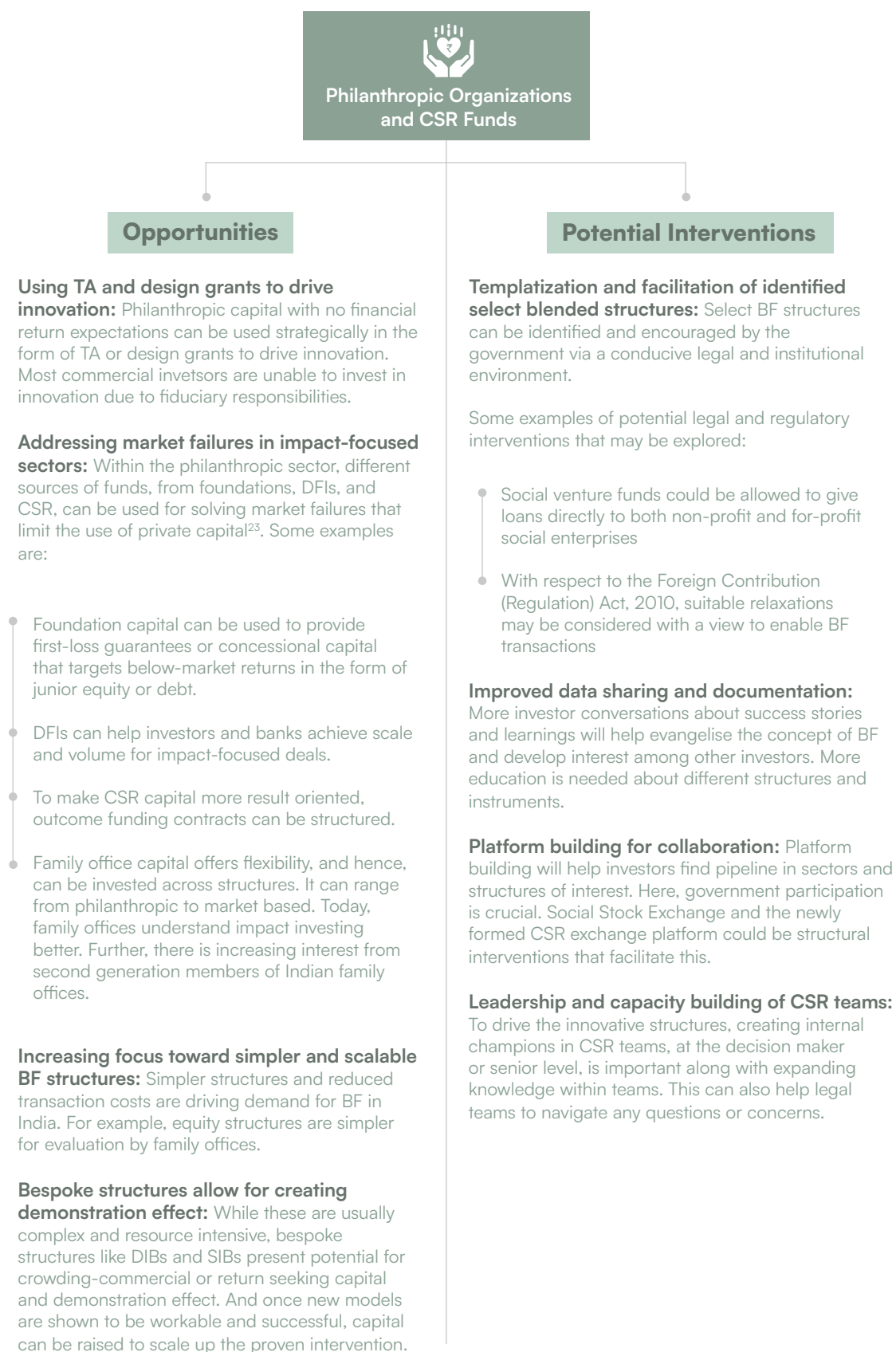
Utkrish Impact Bond

This was the world's first maternal and newborn health impact bond. It targeted to reach up to 600,000 pregnant women and newborns in Rajasthan, India, by providing improved care during delivery, over a five-year period. It was developed in collaboration with USAID, Merck for Mothers, UBS Optimus Foundation, Population Services International, Palladium, and Hindustan Latex Family Planning Promotion Trust. It aimed to improve the quality of maternal care in Rajasthan's private healthcare facilities by supporting up to 440 small healthcare organizations to meet the new government quality standards (LaQshya guidelines) and maintain them over the long term. It had a maximum outcome payment of USD 8 million provided by Merck for Mothers and USAID. UBS Optimus was the risk investor, providing a total investment of USD 3.5 million.



The following pages summarize the key challenges, opportunities and potential interventions needed for philanthropic capital to explore BF transactions, based on our interviews with key stakeholders.





²³ Re-Imagining Traditional Finance for India's COVID Recovery by SDG Finance Facility, 2030 Water Resources Group, Impact Investors Council & Nishith Desai Associates, May 2021

5.5

CONCLUSION

While significant amount of capital has been deployed by governments to achieve SDGs by 2030, the funding gap requires tapping into additional sources of finance. Commercial capital can fill this gap, provided opportunities are appropriately structured and the risk-return profile is aligned. Grants and other forms of philanthropic capital can be used in innovative ways to de-risk investments by commercial capital and direct it toward specific social and development objectives. This approach of BF will offer a significant opportunity to various investor classes to deepen and scale investments in the impact-linked sectors in the coming years.

However, investors and intermediaries in this space are facing several roadblocks. Some of the most prominent ones are:

- Complex legal framework preventing blending
- Lack of data, documentation, and overall transparency
- Concerns about expensive and time-consuming structures
- Lack of strategic view on blending as an investment or giving approach
- Limited pipeline of bankable projects
- Limited capacity around impact measurement, especially for commercial investors

While government, over the years, has taken various steps to promote philanthropy and CSR, and improve availability of low-cost capital to the marginalized sectors, there is a need to build collective action to scale the opportunity presented by BF structures. The report suggests the following areas of interventions, especially to unlock philanthropic capital from domestic foundations and family offices and commercial investments from banks and NBFCs:

- **Address the critical legal and regulatory hurdles:** Some of the potential interventions are social venture funds that are allowed to give loans directly to both non-profit and for-profit social enterprises, and suitable relaxations to the Foreign Contribution (Regulation) Act, 2010.
- **Improved data sharing and documentation of transaction structures and success stories:** This would also create more awareness around different structures and instruments. In this study, we have prepared and shared the first ever BF database for India (Annexure 4: Blended Finance Database for India). However, it is critical to maintain this database with high-quality resources.
- **Build a platform for collaboration:** In this context, IIC and USAID India have set up India Blended Finance Collaborative (IBFC), a platform to accelerate and mainstream the use of blended finance in India through access to curated knowledge, resources and relevant networks. This will help investors find pipeline in sectors and structures of interest. Here, government participation is crucial. The recently announced Social Stock Exchange and the newly formed CSR exchange platform could be structural interventions that facilitate this.

100.00PE -39.84%
-36.25

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71 3250

THE BUSINESS

NEW LIVE

PIAF

06



METHODOLOGY

Desk Research

Definition of Blended Finance- *IFC, DAC, GIIN, Convergence, roots of impact, etc.*

Initial list of 100+ BF transactions in India through web-based research

Global trends around Blended finance- size, growth, actors, sectors, instruments, geographies prominent sources, OECD, convergence

Transaction data collection, coding and analysis

filtering transaction list based on evolving definition of Blended finance

Collecting and confirming data from stakeholders directly involved in the transaction
(30 organisations)

Adding transactions based on inputs from stakeholders

Coding and analysis of transaction database
(~80 transactions)

Interviews and surveys with experts and stakeholders representatives

Understanding the definition of Blended Finance

Understanding their case-specific and general blended finance experiences, outlook, learnings, external constraints, plans

*24 semi structured interviews senior professionals
+30 surveys (from) based inputs*

Ensuring representation from various stakeholder groups- banks, NBFCs, impact investors, international and domestic philanthropic institutions, strategic intermediaries and service providers.

Coding of interview inputs and analysis


1. Detailed database of Blended Finance transaction in India (2010-21)

Capturing size, timelines, instruments, vehicles, actors, their roles, commercial and catalytic financial components of the transaction

2. Report on landscape of Blended Finance in India

Building an aggregate picture of trends, views and outlook around BF in india- size, growth, actor, sectors, instruments.

Some important points regarding the BF transaction database are as follows:

- Data for the BF transaction database has been collected from a combination of secondary and primary sources based on extensive research and stakeholder interactions between February 2022 and April 2023. Secondary sources were considered, confirmed, and interpreted with one or more stakeholders via written communication or interview-based discussions or both.
 - Transactions have been considered from 2010. Transactions (e.g., bonds, funds, or facilities) issued or set up prior to this period but live 2010 onwards, have also been included.
 - Impact and additionality have been considered on a self-declaration basis. Transactions without enough evidence or shared information in terms of targeted impact or financial additionality, have not been considered. In some cases, this may be due to lack of data availability, and hence, remains subjective.
 - The database is representative, and cannot be considered as comprehensive.
 - Some of the data points remain unconfirmed and have been considered as assumptions for the analysis. These have been marked in the database accordingly.
 - Some of the data points have been marked as confidential. These have been considered for the aggregate analysis, but have not been shared as part of the published database.
 - Analysis has been performed on a calendar-year basis.
- 



07

ANNEXURES

7.1

SURVEY AND INTERVIEW PROTOCOL OUTLINE

The survey was aimed at recording responses at an organization level; the results were then aggregated at the industry level. The objective was to map the landscape of the Indian BF market from the perspective of various critical actors, particularly investors, both commercial and philanthropic, including banks, financial institutions, foundations, DFIs, etc.

The questionnaire was designed to:

- Understand the responders/responders' organization
- Understand their general views on the BF space in India
- Know their experience in this space (last decade)
- Know their plans in this space (next 4-5 years)

The survey was attempted by senior executives from 31 relevant organizations.

The purpose of the interview was to understand the landscape of the Indian BF market from the perspective of various critical actors, particularly investors, both commercial and philanthropic, including banks, financial institutions, foundations, DFIs, etc. These semi-structured interviews were 45-60 minute long, and respondents included senior executives from 24 relevant organizations.

Both the survey and interview followed the outline below.

1. What is your/ organization's level of familiarity with the term "blended finance"?
2. How do you perceive the BF market in India?
3. What is your perception of financial and social impact risk-return associated with BF?
4. Do you have any experience participating in the sector? What has the experience been? What instrument, sector, or vehicle did you participate in?
5. What role(s) do you plan to play in the BF transactions in India in the near future (4-5 years)? Why?
6. Which of the following instrument types does your organization plan to use when participating in BF transactions in India? Why?
7. Which transaction type or vehicle would best describe your plans of participation in the BF transactions in India? Why?
8. Which sectors do you plan to focus on via the future BF transactions? Why?

9. What are some of the challenges you face regarding BF transactions?

- Pipeline
- Track record
- Regulation
- Impact
- Cost
- Time

10. What are some of the benefits of BF that you have observed?

Detailed questions regarding instruments used were asked depending on the organization and its experience with BF or using a particular instrument.



7.2

REVIEW OF GLOBAL BLENDED FINANCE DEFINITIONS AND PRINCIPLES

Following are the definitions adopted by various significant global actors in the BF space:

1. The **OECD** defines BF as the strategic use of development finance for the mobilization of additional finance toward sustainable development in developing countries. Here, additional finance refers primarily to commercial finance. It classifies BF instruments as equity instruments, debt instruments, mezzanine instruments, guarantees and insurance, hedging, and grants and TA. In addition, the OECD identifies four types of BF mechanisms: funds, syndication, securitization, and public-private partnerships. According to the OECD, the overarching objective for the use of BF is the expansion of sustainable, market-based solutions for development financing needs. Critically important aspects include engagement of local capital markets, use of concessionality as a precondition to blending, and provision of monitoring and evaluation mechanisms.
2. The **DFI Working Group on Blended Concessional Finance for Private Sector Projects** defines BF as concessional finance from donors or third parties alongside DFI's normal own-account finance and/or commercial finance from other investors, to develop private sector markets, address SDG-related issues, and mobilize private resources. The DFI Working Group, 2018, considers that BF is the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development.
3. The **European Union** uses its own term "blending," which is distinct from BF. Blending is defined as the strategic use of a limited amount of grants to mobilize financing from partner financial institutions and the private sector to enhance the development impact of investment projects.
4. According to the **Global Impact Investing Network**, BF is a strategy that combines capital with different levels of risk in order to catalyze risk-adjusted, market-rate-seeking financing into impact investments. The providers of the risk-tolerant, "catalytic" capital in BF structures aim to increase their social and/or environmental impact by accessing larger, more diverse pools of capital from commercial investors.
5. As per **Convergence**, BF is the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development. This is same as that adopted by the DFI Working Group on Blended Concessional Finance for Private Sector Projects.

Overall, BF is a structuring approach that allows organizations with different objectives to invest alongside each other while achieving their own objectives (whether financial return, social impact, or a blend of both). Convergence focuses on BF to catalyze private investment. In simple words, BF is the use of catalytic concessional capital from public or philanthropic sources to increase private sector commercial investment in sustainable development.

7.3

FIVE-POINT FRAMEWORK FOR DEFINING BLENDED FINANCE TRANSACTIONS

After carefully considering various working definitions and principles around BF, we have defined BF as “the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development.”

To further define the key characteristics of BF and select BF transactions for our database, we have defined a five-point framework below:



Impact

The transaction contributes toward achieving the SDGs. There should be an element of clearly defined and measurable SDG-related achievement of objectives. Transactions that lack a clear mandate and measurement or reporting of impact, have not been included. However, the rigor of measurement and reporting may vary.



Catalytic

The transaction involves catalytic capital to provide the often-needed risk cushioning, thereby improving the risk-return profile and attracting more commercial capital. In most cases, this represents the concessional capital component (grants, TA, guarantee, lower return expectations, tenure, subordination, etc.), aimed at market making, especially for structures or sectors where there is lack of mainstream capital.

As a result, transactions that only involve return-seeking investors, without any clear component of concessional or catalytic component, have not been considered, and vice versa. For example, traditional impact investment funds that include all limited partners at comparable commercial terms, have not been included.

It may be noted that in some cases, where the catalytic piece of capital is in the form of subordinated debt, aimed at specific high-risk sectors or situations, the concessional nature is in terms of lower cost to the issuer/ borrower because of the unique credit enhancement structure and underwriting capabilities of the intermediary. Without such structures, affordability for the borrower (in terms of cost or market access) would have been significantly worse. As markets for these asset classes mature, the need for such concessional nature is likely to reduce.



Leverage

The transaction is aimed at mobilizing additional private investment in an identified BF vehicle such as fund, facility, program, project, and bond in an impact-focused sector. Transactions that do not have a return-seeking investor, commercial or philanthropic, participating in the capital structure, have not been considered.

As a result, transactions that only involve DFI or government funding, without active participation of commercial investors in the structure, have not been considered.

Thus, large-scale government schemes or programs aimed at incentivizing or subsidizing commercial capital, but with no particular evidence of mobilizing commercial capital, have not been included.

It may be noted that due to lack of high-quality data, only the extent of leverage has been estimated, the quality of leverage has not been considered. We have used our best judgement to filter out those transactions where leverage was negligible as participation of commercial capital was disproportionately lower or next to negligible as compared to the catalytic component. However, structures like DIBs and SIBs have been considered as exceptions.



Return

Different investors in a BF structure will have different return expectations, ranging from concessional to market rate. Participants of a transaction may be motivated differently to invest alongside each other while achieving their own objectives, whether financial return, social impact, or a blend of both. Overall, the focus is on market-based organizations or projects that yield a positive financial return.



Timeframe

Blending of commercial and concessional capital should happen within the same transaction/timeframe to leverage the catalytic ability of concessional capital or the purpose of catalytic capital should clearly state its objective to attract commercial capital within a specified visible period.

Some transactions may involve instruments such as grants or TA to support a business survive or grow through a high-risk period, usually an early-stage business in a nascent sector with no clear specific intent or aim to catalyze other forms of capital over an identified visible period. Such transactions may have potential for blending over the long term, but may have an inter-temporality element in terms of blending. For example, grants provided at the seed stage to make a social venture investible for private capital at a later stage. Such transactions have not been included here.

7.4

ANNEXURE: BLENDED FINANCE DATABASE FOR INDIA

This is the first-ever open-source database of ~180 BF transactions executed in India in the last decade. However, multiple transactions with similar structures have been combined under a single transaction for analysis under the database. Each transaction has been confirmed and interpreted with the help of one or more stakeholders via written communication or interview-based discussions or both.

For ease of reference, the database presented here may soon be available online as well. It may be noted that the database has been made available as a free public resource.

We hope that this database will provide the much-needed starting point to the industry to initiate many critical discussions on the quality of BF activity in India, efficacy and leverage, appropriateness of instruments, scalability, return potential, etc., and encourage stakeholders to review their plans and strategies effectively. We are exploring partners and resources to keep this database updated and accurate. Please reach out to Asha Impact to explore opportunities to join this endeavor.

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Educate Girls Development Impact Bond (DIB)	This was the world's first DIB in education. The DIB was implemented by Educate Girls in partnership with UBS Optimus Foundation (investor) and the Children's Investment Fund Foundation (CIFF; outcome payer). The DIB was launched with the intention to scale Educate Girls' impact, with a target to enroll and improve the quality of education for 15,000 girls in Rajasthan. The targeted outcomes were surpassed.	2015	3	Education	DIB	Project	Outcome funding of USD 0.42 Mn, risk capital of USD 0.27 Mn	UBS Optimus Foundation, CIFF	Educate Girls, Instiglio (performance manager), IDinsight (evaluator)
Citibank Financing Women Entrepreneurs in India	In India, Citi had a USD 10 Mn loan facility, partially guaranteed by Overseas Private Investment Corporation, with Ujivan Financial Services, a microfinance institution (MFI) that provides microloans to India's female urban microentrepreneurs. This facility enables women entrepreneurs to avail loans to grow their businesses, hire employees, and promote economic progress for themselves, their families, and communities.	2015	5	Livelihoods	Guarantees and Insurance	Facility	USD 10 Mn loan facility with partial guarantee	Citibank, Ujivan Financial Services, Overseas Private Investment Corporation	-

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Livelihood Innovation Fostering the Economy (LIFE) SDG Bond	Launched by Acumen and Grameen Impact Investments India Pvt Ltd, the bond provided INR 100 Mn credit facility to a pool of 5 for-profit skill development social enterprises to enable sustainable livelihoods for youth in rural and urban areas through vocational and skill development programs. The bond aimed to present a successful workable financial structure to private investors, corporates as well as the government to shift the credit facility assessment for such enterprises from being only a risk-based assessment model to an impact-based assessment model that can be incentivized.	2019	2	Livelihoods	Social success note (SSN)/ Interest subvention, guarantees, and insurance	Bonds/Notes	Bond of USD 1.3 Mn, supported by 100% guarantee	Grameen Impact Investments India Pvt Ltd, Acumen	Social enterprises
Job Opportunities and You (JOY) Sustainable Development Goal (SDG) Impact Bond	The bond helped empower marginalized women by training them to become micro-entrepreneurs and increase their incomes. Grameen Impact Investments structured the bond and committed INR 5 Mn as the upfront investment to the implementing agency (a Jaipur-based foundation) to deliver grass-root impact within its communities of local women weavers. The intervention has the potential to promote a viable non-farm livelihood option for socially excluded communities and marginalized women.	2019	2	Livelihoods	SSN/ Interest subvention	Bonds/Notes	Bond of USD 0.07 Mn, with possibility of interest subvention	Grameen Impact Investments India Pvt Ltd	Domestic Foundations
Wheel SDG Bond	Grameen Impact Investments committed INR 40 Mn (as the upfront investor) to ChildFund India (the implementing agency) with an objective of helping 2,000 marginalized tribal women in Maharashtra and Madhya Pradesh to become self-reliant and empowered by training them to become micro-entrepreneurs, with a specific outcome target of an average annual net income of ₹30,000 through this intervention. Grameen Impact had additionally taken on the role of identifying outcome funders for the bond.	2018	2	Livelihoods	SSN/ Interest subvention	Bonds/Notes	Bond of USD 0.53 Mn, with possibility of interest subvention	Grameen Impact Investments India Pvt Ltd	ChildFund India

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Power Impact Bond	Under this pioneering SDG #7 Impact Bond for clean energy, Grameen Impact Investments provided upfront financing to the implementation partner for implementing its Power@[] program at the Madras Diabetes Research Centre, Tamil Nadu.	2019	2	Energy	SSN/ Interest subvention	Bonds/Notes	Bond of USD 0.07 Mn, with possibility of interest subvention	Grameen Impact Investments India Pvt Ltd	Social enterprises
Agriculture SDG #2 Impact Bond (2020)	This is India's first domestically funded SDG bond for small and marginal farmers. Through this, Grameen Impact had provided a credit facility to private sector foundations with the aim of scaling their impactful, scalable, and sustainable community-owned Lead Farmer Platform to address gaps in last-mile delivery of agriculture extension services and significantly contribute toward increasing the income of small and marginal farmers.	2020	2	Agriculture	SSN/ Interest subvention	Bonds/Notes	Bond of USD 2.6 Mn, with possibility of interest subvention	Grameen Impact Investments India Pvt Ltd	-
COVID-19 SDG #5 and #8 Impact Bond	The bond provides credit facility to a non-profit, which provided livelihood support to women artisans that were unable to earn their daily wages amid the pandemic, to up-skill them with the vision of re-imagining their livelihoods in the aftermath of COVID-19.	2020	2	Livelihoods	SSN/ Interest Subvention	Bonds/Notes	Bond of USD 0.07 Mn, with possibility of interest subvention	Grameen Impact Investments Pvt Ltd	-
Agriculture SDG #2 Impact Bond (2021)	The bond was launched to empower smallholder and marginal farmers with the goal of increasing their incomes and helping them adopt sustainable agricultural farming practices.	2021	2	Agriculture	SSN/ Interest Subvention	Bonds/Notes	Bond of USD 1.5 Mn, with possibility of interest subvention	Grameen Impact Investments Pvt Ltd	-
Sindicatum Renewable Energy Company	Sindicatum Renewable Energy Company issued the first international local currency green bond in South Asia with a maturity of 7 years. The bond issuance proceeds will finance three brownfield renewable energy projects in India. The bond is listed on the London Stock Exchange. GuarantCo provided a full guarantee for the bond issue. This guarantee helped the bond attain A1 rating from Moody's and AA- from Fitch. A technical assistance (TA) facility was also provided to cover the legal costs associated with the pioneering issuance. The two bonds are due in 2023 and 2025.	2018	7	Energy	Guarantees, insurance, and TA grant/grant	Bonds/Notes	2 INR denominated bonds of IN R 951 Mn and INR 1,585 Mn, listed on the London Stock Exchange, with full guarantee	Public markets GuarantCo, Private Infrastructure Development Group (PIDG)	-

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Impact Investment Exchange (IIX) ACTS	The IIX ACTS project is a blended funding model that provides customized investment readiness TA support to impact enterprises, prioritizing early growth-stage enterprises whose majority of beneficiaries and stakeholders are women. The eligible enterprises receive TA upon 10% upfront cost payment and repay the remaining loan as they scale. The program focuses on five sectors — agriculture, health, education, energy, and water — across the Asia-Pacific region.	2014	3	Others	TA grant/Grant, credit line	Facility	Total facility of USD 19 Mn, with 10% for TA; India share unknown	Bank of America Charitable Foundation, JP Morgan Chase Foundation, The Rockefeller Foundation, USAID	13 social enterprises
Microfinance Initiative for Asia Debt Fund (MIFA)	MIFA is the first microfinance initiative of its size to exclusively target Asian MFIs. MIFA targets Tier II and III MFIs to achieve deep outreach in its target markets by creating and enhancing institutional capacity for sustainable microfinance delivery and to strengthen links between domestic and international capital markets. The International Finance Corporation (IFC) and KfW were the initiators and helped catalyze private funding. BMZ (German Federal Ministry of Economic Cooperation and Development) also provides a TA facility.	2012	10	Financial services	Subordinate debt, TA grant/grant	Fund	NAV of USD 130 Mn, with 31% of assets under management in India	BMZ (German Federal Ministry of Economic Cooperation and Development), EU, IFC, KfW	BlueOrchard Finance
IIX - Women's Livelihood Bond (WLB) 3	This is the world's first gender-lens impact investment security listed on a stock exchange. This innovative instrument mobilizes private capital from all over the world for financing financial institutions (FIs) and impact enterprises focused on creating sustainable livelihoods for women. The WLB bond series pool high-impact women-focused enterprises to create a multi-country, multi-sector, and multi-stakeholder portfolio and issue bonds through a special purpose vehicle (SPV) based in Singapore. These bonds are sold via IIX's investment banking partners to international accredited and institutional investors, and the proceeds are lent to underlying entities. In India, IIX has partnered with Kinara and Centrum. The loan proceeds will be onward lent to finance and support 2,500+ women-owned small businesses.	2020	4	Livelihoods	Guarantees and insurance	Bonds/Notes	Portfolio of USD 12.5 Mn, with a guarantee	WLB Asset II B Pvt Ltd	Kinara, IIX, Singapore, (portfolio manager), Visage Holdings and Finance Pvt Ltd, and WLB Asset II B Pvt Ltd

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Varthana Non-Convertible Debenture (NCD) Excellence Project	The Michael & Susan Dell Foundation designed and developed a pay-for-performance instrument with Varthana, to lend to the affordable private school (APS) segment and drive learning outcomes. The objective was to use financial incentives to nudge school owners to prioritize quality learning. The Dell Foundation offered Varthana an NCD with a mix of commercial and concessional capital. Varthana then mobilized smaller loans to 337 schools across 11 cities in India. The foundation further incentivized the schools with a rebate on interest rate linked to improvement in learning outcomes. A TA was also provided to Varthana to build capacity in these schools to understand and assess learning outcomes.	2017	4	Education	SSN/ Interest subvention, TA grant/grant	Bonds/Notes	USD 6 Mn commercial debt USD 2 Mn concessional debt, ~USD 1 Mn TA	Michael & Susan Dell Foundation	Varthana, Grey Matters Capital (evaluator)
Quality Education India DIB	The DIB supported Indian education providers improve learning outcomes for primary school children through an innovative results-based funding mechanism. The DIB aims to achieve this goal by funding three high-performing service providers to improve grade-appropriate learning outcomes for more than 300,000 primary school children aged 5-11 years. Pay-for-performance mechanism aims to maximize education outcomes at scale.	2018	4	Education	DIB, TA grant/grant	Project	Outcome funding of USD 9.2 Mn, risk capital of USD 3 Mn	UBS Optimus Foundation	Gyan Shala, Kaivalya Education Foundation, Society for All Round Development, Pratham Infotech Foundation, Dalberg (performance manager), Grey Matters Capital (evaluator), Go Labs, Brooking — (Research)
Utkrisht Impact Bond	This is the world's first health DIB, with the UBS Optimus Foundation as the investor, and MSD for Mothers and the United States Agency for International Development (USAID) as the outcome funder. It aims to improve the quality of maternal care in Rajasthan's private health facilities by supporting up to 440 small healthcare organizations to meet the new government quality standards and adhere to them over the long term. Payments are made when the private facilities are verifiably ready for NABH and Manyata certification.	2018	3	Health	DIB, TA grant/grant	Project	Outcome funding of USD 8 Mn, risk capital of USD 2.9 Mn	UBS Optimus Foundation, MSD for Mothers, USAID	HLPPT (Hindustan Latex Family Planning Promotion Trust)/ PSI (Population Services International), Palladium, Mathematica Policy Research (independent evaluator), Social Finance UK, Reed Smith, Phoenix Legal

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Indian School Financing Company (ISFC) Impact Linked Debt	ISFC provides schools, especially those with limited access to credit, with financial resources to improve infrastructure and quality of education offered. The financing mechanism linked learning outcomes to financial incentives for APSs. The foundation provided debt to ISFC, which provided 3-6-year loans to APS at variable interests. After 2 years, an end-line assessment was conducted. If the school meets its pre-determined targets, it can realize interest rate rebates on the loan amount and the reward payment is adjusted in accordance with ISFC's interest payments to the foundation (i.e., the foundation absorbs the cost of the reward only when there is a demonstrated achievement of learning targets), while the principal gets repaid fully.	2015	2	Education	SSN/ Interest subvention	Project	Debt of USD 1.57, with possible interest subvention up to 3.5%	Dell Foundation	Gray Matters India (evaluator)
Dell Foundation Loan Guarantee to Caspian Debt	The guarantee aims to unlock on-lending credit of at least INR 1,500 Mn (USD 20 Mn) for micro-enterprises, and impact at least 10,000-15,000 micro-entrepreneurs and their employees. Caspian Impact Investments is a non-banking financial company (NBFC) that offers loans to and to social enterprises in the areas of agriculture, education, healthcare, and energy. Up to 20% of loans are covered by the partial risk guarantee provided by the Dell Foundation.	2020	5	Financial services	Guarantees and insurance	Company	USD 20 Mn credit facility, with partial risk guarantee support	Dell Foundation	Caspian Debt
REVIVE Alliance	Blended finance facility and livelihood accelerator. REVIVE, in collaboration with companies, foundations, and social organizations, identifies deserving informal sector workers and micro-entrepreneurs who have been affected by the pandemic, and provides holistic support to aid their recovery, build their resilience, and invest in their long-term growth. REVIVE provides financial assistance in the form of standard, returnable grants. A returnable grant is the first of its kind — it is funding that comes with zero interest for the beneficiary. It is structured such that repayment only begins once the individual starts earning and is financially stable. The money is then used to fund another individual in need, and so on.	2020	2	Others	Returnable grant	Facility	USD 20 Mn facility	Avanti Finance, Svakarma, Gromor-DeAsra, Arth Anchor funders: USAID, Dell Foundation, Omidyar Network India, British High Commission, United Nations Development Programme, Philanthropic funders: Godrej, S&P Global, Brihati Foundation, Vinati Organics, Microsoft, LinkedIn, IIFL, Google, Kotak Mahindra Bank, HDFC Capital, HSBC, Arvind, Info Edge	Pratham, Dhriti, Vrutti, Ambuja Cement Foundation, Mann Deshi Foundation, SEWA, Haqdarshak, Atpar, TRRAIN, Tisser, Snapbizz, Mswipe, Learnet, UMC Managed by: Samhita Social Ventures, Collective Good Initiative

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Solar Rooftops for Housing (National Bank for Agriculture and Rural Development or NABARD)	The green climate fund provided a USD 100 Mn line of credit via NABARD for development of rooftop solar power in India's commercial, industrial, and residential sectors. NABARD on-lent to Tata Cleantech (joint venture between Tata and IFC), an NBFC lending to rooftop solar projects. Another USD 100 Mn was put up by Tata Cleantech Capital, and USD 50 Mn by private investors/equity. The transaction had a total leverage of 1.5:1. The program proposed to replace 250 MW of grid power with power generated from solar rooftop projects.	2018	5	Energy	Credit line	Project	USD 250 Mn credit facility; USD 100 Mn concessional, USD 150 Mn commercial capital	Tata Cleantech (TCCL), private investors, Green Climate Fund (GCF) via NABARD	Tata Clean Tech Capital Ltd
Northern Arc multi-originator securitization (MOSEC) transactions	Northern Arc has facilitated over 100 transactions under the MOSEC structure for impact MFIs. In this structure, portfolios of multiple originators are pooled together and securitized. All MOSEC transactions feature double-layered downside protection for investors; first-loss tranches provided by originators to respective microloans; and second-loss credit enhancement offered by Northern Arc via investment into the junior tranche or a guarantee. The first-loss cash reserve ensures that originators remain efficient and effective in their collection obligations. MOSEC structures have cumulatively mobilized ~USD 700 Mn in financing.	2010	11	Financial services	Subordinate debt, guarantees, and insurance	Bonds/Notes	USD 700-750 Mn over multiple issuances, 10 - 15% used as catalytic capital for first-loss tranche	Commercial Banks, Northern Arc Capital	-
Northern Arc Pooled Bond Issuance/ Pooled Loan Issuance	Northern Arc launched India's first pooled bond issuance program in 2014. Under this, loans or NCDs of multiple originators are housed within a single structure and backed by a common guarantee. The guarantee is typically in respect of an agreed percentage of the principal sums due under the loans or NCDs and may be invoked in case of a default by any client covered by the structure. This enables the originators to benefit from better pricing supported by a higher credit rating as well as widen their lender / investor base.	2014	8	Financial services	Guarantees and insurance	Bonds/Notes	~USD 450 Mn over multiple issuances with over 80 originators	Multiple financial institutions and banks in India, Northern Arc Capital	-

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Northern Arc Single Issuer Partial Credit Enhanced Bond/ Loan	With this loan/bond, Northern Arc was the first financial institution in India to launch a partial guarantee product for Indian NBFCs. Under this structure, an entity issues NCDs or raises loans, which are backed by a partial guarantee as well as collateral (typically, in the form of a pool of loan assets), which the investor may access under certain situations.	2017	5	Financial services	Guarantees and insurance	Bonds/Notes	~USD 45 Mn over multiple issuances with over 20 originators	Multiple financial institutions and banks in India, Northern Arc Capital	-
Northern Arc Persistent Securitization (PERSEC)	Northern Arc structured and arranged the first PERSEC in India. PERSECs allowed monthly collections and prepayments in the underlying pool to be used to buy further receivables from the originator subject to a strict eligibility criterion and with provisions for early amortization if default rates reached a threshold level. This structure addressed the needs of FI clients who were looking for long-term financing and investors who were looking for better risk adjusted returns.	2018	2	Financial services	Subordinate debt	Bonds/Notes	~USD 95 Mn over multiple issuances	DCB Bank, HLF, Northern Arc Capital	SK Finance, Aye Finance
CDC Microfinance COVID-19 Response Program	This is a pooled bond with 6 MFIs. Northern Arc provided 18-30% of guarantee cover to British International Investment (BII, formerly CDC).	2021	4	Livelihoods	Guarantees and insurance	Bonds/Notes	USD 43 Mn total portfolio with 18-30% guarantee cover	British International Investment (formerly CDC), Northern Arc	MFIs: Annapurna, Arohan, Chaitanya, Asa, Fusion, Aashirvad
IIX — Women's Livelihood Bond 4 (WLB4Climate)	WLB4Climate is the second investment of IIX's Women's Catalyst Fund, a next-generation gender-lens instrument that has partners including US International Development Finance Corporation (DFC), Korean International Cooperation Agency, and Australian Department of Foreign Affairs and Trade. WLB4Climate supports women-focused enterprises in India, Indonesia, Cambodia, and the Philippines, that are directly enabling women to create livelihoods to sustain themselves, their communities, and the planet, creating an ecosystem of climate-friendly small and medium-sized enterprises (SMEs).	2022	4	Livelihoods	Guarantees and insurance	Bonds/Notes	India Portfolio of USD 14 Mn with a guarantee	IIX	Pahal, Kinara Capital

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Haryana Early Literacy Outcomes DIB	This is a pioneering CSR-backed DIB, (IndusInd Bank and State Bank of India CSR) that fund a large project aimed at improving foundational language learning for 115,000 Class I and II students in 3,300 government schools across 7 districts in Haryana. The implementation partner for this program, the Language and Learning Foundation has expertise in carrying out literacy improvement programs by building the capacity of state officials (teachers, teacher educators, etc.) in partnership with state governments. CSF acted as the risk investor.	2019	3	Education	DIB	Project	Outcome funding of USD 2.2 Mn, risk capital of USD 0.45 Mn	Central Square Foundation (CSF), IndusInd Bank, State Bank of India	Language Learning Foundation, HSSPP (Haryana School Shiksha Pariyojna Parishad), Social Finance India Education Outcomes (evaluator)
Skilling Impact Bond	Skill Impact Bond is an initiative of National Skill Development Corporation that is the risk investor with Dell Foundation. The bond will support 50,000 young people in India over 4 years, 60% of whom will be women and girls, and provide them with skills and training and access to wage-employment in COVID-19 recovery sectors including retail, apparel, healthcare, and logistics. CIFF, HSBC, JSW Foundation, and Dubai Cares are the outcome funders.	2021	4	Livelihoods	DIB	Project	Outcome funding of USD 17.7 Mn, risk capital of USD 4 Mn	Dell Foundation, National Skill Development Corporation, CIFF, HSBC, JSW Foundation, Dubai Cares	British Asian Trust (BAT), USAID, Dalberg Advisors, Oxford Policy Management
Water and Sanitation Pooled Fund (WSPF) - Tamil Nadu	WSPF - Tamil Nadu is a pooled bond to facilitate access to long-term domestic capital markets for small and medium urban local bodies (ULBs) to finance water and sanitation services. This enabled grouping of 13 ULBs to overcome high transaction costs and mobilize funds through a single bond issuance. Debt was repaid from project cash flows and general ULB revenues. A multi-layered credit enhancement package was designed in order to extend the maturity of the bond and increase investor confidence. The different credit enhancement mechanisms included a debt service reserve fund capitalized by the state government, creation of individual ULB escrow accounts, a local debt service reserve fund, a state revenue intercept mechanism, and a partial credit guarantee from USAID.	2002	15	WASH	Guarantees and insurance	Fund	Pooled bond issued by 13 municipalities; structured debt of USD 6.2 Mn with 9.2% coupon rate, 15-year maturity; AA rated	Advanta Ltd, Baghat Urban Cooperative Bank Ltd, City Union Bank, Credit Capital Investments, Digital Globalsoft Ltd, Gujarat Industries Power	-

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹⁾	Sector ²⁾	Instrument Type ³⁾	Vehicle Type	Capital Commitment ⁴⁾	Sources of Capital	Stakeholders
Karnataka WSPF (KWSPF)	KWSPF operates as a special purpose entity. The company was formed for the purpose of issuing debt securities to repay existing credit facilities, refinance indebtedness, and for acquisition purposes. KWSPF issued a 15-year pooled bond to raise capital from domestic capital markets for small and medium ULBs. The fund specifically raised capital for a water supply and sewerage infrastructure development project in 8 ULBs within the Bangalore metropolitan area in Karnataka, India. USAID partial credit guarantee for 50% of the principal was an important feature of the transaction.	2005	15	WASH	Guarantees and insurance	Project	Pooled issuance of ~USD 15 Mn; 50% partial guarantee; AA rated	Government of India, private investors	-
USAID-USDFC WASH Partial Credit Guarantee	USAID and USDFC partnered with a private bank to unlock credit for enterprises operating in water provision, water purification, toilet manufacturing, Fecal Sludge Management (FSM), etc. USAID-USDFC provided partial pari-passu portfolio guarantee.	2019	9	WASH	Guarantees and insurance	Facility	USD 71 Mn with 50% pari-passu guarantee	USAID, USDFC	Private Bank
USAID-USDFC WASH Partial Credit Guarantee	USAID and USDFC partnered with an impact NBFC to unlock credit for enterprises operating in water provision, water purification, toilet manufacturing, Fecal Sludge Management (FSM), etc. USAID-USDFC provided partial pari-passu portfolio guarantee	2019	9	WASH	Guarantees and insurance	Facility	USD 10 Mn with 50% pari-passu guarantee	USAID, USDFC	NBFC
USAID-USDFC Clean Energy Partial Credit Guarantee	USAID and USDFC partnered with a private bank to unlock credit for energy efficiency and renewable energy companies operating in the off-grid and distributed renewable energy sectors, including end users of all technologies. USAID-USDFC provided partial pari-passu portfolio guarantee.	2019	9	Energy	Guarantees and insurance	Facility	USD 1 Mn with 50% pari-passu guarantee	USAID, USDFC	NBFC
USAID-USDFC AgTech Partial Credit Guarantee	USAID and USDFC partnered with impact NBFCs to unlock credit for Farmer Producer Organizations (FPOs), ag-tech providers, and clean energy and food loss management solutions providers, exclusively for the development of solutions benefiting smallholder farmers. USAID-USDFC provided partial portfolio guarantee. Rabo Foundation will provide technical assistance funding to facilitate capacity building efforts for the borrowers.	2021	9	Agriculture	Guarantees and insurance	Facility	USD 75 Mn with 50% pari-passu guarantee	USAID, USDFC	Private Bank
USAID-USDFC AgTech Partial Credit Guarantee	USAID and USDFC partnered with impact NBFCs to unlock credit for Farmer Producer Organizations (FPOs), ag-tech providers, and clean energy and food loss management solutions providers, exclusively for the development of solutions benefiting smallholder farmers. USAID-USDFC provided partial portfolio guarantee. Rabo Foundation will provide technical assistance funding to facilitate capacity building efforts for the borrowers.	2021	9	Agriculture	Guarantees and insurance	Facility	USD 37 Mn with partial guarantee	USAID, USDFC	NBFC
USAID-USDFC AgTech Partial Credit Guarantee	USAID and USDFC partnered with impact NBFCs to unlock credit for Farmer Producer Organizations (FPOs), ag-tech providers, and clean energy and food loss management solutions providers, exclusively for the development of solutions benefiting smallholder farmers. USAID-USDFC provided partial portfolio guarantee. Rabo Foundation will provide technical assistance funding to facilitate capacity building efforts for the borrowers.	2021	9	Agriculture	Guarantees and insurance	Facility	USD 15 Mn with partial guarantee	USAID, USDFC	NBFC
USAID-USDFC AgTech Partial Credit Guarantee	USAID and USDFC partnered with impact NBFCs to unlock credit for Farmer Producer Organizations (FPOs), ag-tech providers, and clean energy and food loss management solutions providers, exclusively for the development of solutions benefiting smallholder farmers. USAID-USDFC provided partial portfolio guarantee. Rabo Foundation will provide technical assistance funding to facilitate capacity building efforts for the borrowers.	2021	9	Agriculture	Guarantees and insurance	Facility	USD 3 Mn with partial guarantee	USAID, USDFC	NBFC

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
USAID-USDFC Forestry Partial Credit Guarantee	USAID and USDFC partnered with an impact NBFC to unlock credit for businesses operating in the forestry sector, including MSEs operating along sustainable forestry value chains, and/or to MFIs on-lending to such entities. Rabo Foundation participates as a first-loss guarantor. USAID-USDFC provided partial pari-passu portfolio guarantee.	2019	9	Climate action	Guarantees and insurance	Facility	USD 12 Mn with partial guarantee	USAID, USDFC Rabo Foundation	NBFC
USAID-USDFC Clean Energy Partial Credit Guarantee	USAID and USDFC partnered with two impact NBFCs to unlock credit for SMEs borrowing to invest in a rooftop solar system. USAID-USDFC provided partial pari-passu portfolio guarantee.	2019	9	Climate action	Guarantees and insurance	Facility	USD 3 Mn with partial guarantee	USAID, USDFC Rabo Foundation	NBFC
USAID-USDFC Clean Energy Partial Credit Guarantee	USAID and USDFC partnered with an impact NBFC to unlock credit for SMEs operating in the renewable energy/energy efficiency sector, including SMEs in the manufacturing and non-manufacturing sectors that want to install a rooftop solar system. USAID-USDFC provided partial pari-passu portfolio guarantee.	2021	7	Energy	Guarantees and insurance	Facility	USD 43 Mn with 50% pari-passu guarantee	USAID, USDFC	NBFC
USAID-USDFC Clean Energy Partial Credit Guarantee	USAID and USDFC partnered with an impact NBFC to unlock credit for SMEs operating in the renewable energy/energy efficiency sector, including SMEs in the manufacturing and non-manufacturing sectors that want to install a rooftop solar system. USAID-USDFC provided partial pari-passu portfolio guarantee.	2019	9	Energy	Guarantees and insurance	Facility	USD 20 Mn with 50% pari-passu guarantee	USAID, USDFC	NBFC
USAID-USDFC Healthcare Partial Credit Guarantee	USAID and USDFC partnered with an NBFC to provide credit to Healthspring, a network of primary healthcare clinics, to assist in expansion of network. USAID-USDFC provided partial pari-passu portfolio guarantee.	2018	NA	Health	Guarantees and insurance	Company	USD 5 Mn with 50% pari-passu guarantee	USAID, USDFC	NBFC
USAID-USDFC COVID Response Partial Credit Guarantee	USAID and USDFC partnered with a private bank to unlock credit for mid-market (non-AAA rated) NBFCs for on-lending to MSMEs with gender inclusive practices and policies and to MSMEs operating in sectors impacted by COVID-19. USAID-USDFC provided partial pari-passu portfolio guarantee.	2018	NA	Health	Guarantees and insurance	Company	USD 5 Mn with 50% pari-passu guarantee	USAID, USDFC	NBFC
USAID-USDFC COVID Response Partial Credit Guarantee	USAID and USDFC partnered with a private bank to unlock credit for SMEs, with a focus on those that are women-owned or with women loan signatories, and where women are the primary decision-makers. USAID-USDFC provided partial pari-passu portfolio guarantee.	2021	2	Financial services	Guarantees and insurance	Facility	USD 50 Mn with 50% pari-passu guarantee	USAID, USDFC	Private Bank
USAID-USDFC COVID Response Partial Credit Guarantee	USAID and USDFC partnered with a private bank to unlock credit for SMEs, with a focus on those that are women-owned or with women loan signatories, and where women are the primary decision-makers. USAID-USDFC provided partial pari-passu portfolio guarantee.	2021	2	Financial services	Guarantees and insurance	Facility	USD 100 Mn with 50% pari-passu guarantee	USAID, USDFC	Private Bank

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
USAID-USDFC Multisector Partial Credit Guarantee	USAID and USDFC partnered with impact NBFCs to unlock credit for enterprises operating in the education, financial inclusion, food and agriculture, healthcare, water, sanitation and hygiene, renewable energy and energy efficiency sectors. USAID-USDFC provided partial pari-passu portfolio guarantee.	2015	8	Financial services	Guarantees and insurance	Facility	USD 35 Mn with 50% pari-passu guarantee	USAID, USDFC	NBFC
		2015	8	Financial services	Guarantees and insurance	Facility	USD 10 Mn with 50% pari-passu guarantee	USAID, USDFC	NBFC
US India Clean Energy Finance (USICEF)	USICEF is India's first project preparation facility to scale up distributed solar power projects and develop them into viable investment opportunities and drive long-term debt financing. Grant-funded TA helped prepare high-quality investment-grade project proposals to increase prospects of obtaining long-term debt financing. So far, the grantees have been able to mobilize cumulative USD 300 Mn of commercial capital in long-term financing.	2017	5	Energy	TA grant/ Grant	Facility	USD 20 Mn facility	CDC, Grantham Foundation, Government of India	Climate Policy Initiative
Vivriti Samarth Bond Fund	This is a 6-year blended finance vehicle structured as an alternate investment fund (AIF). The fund utilizes a layered capital structure with subordinate catalytic risk funding (~20% of the committed capital) from impact foundations, high net-worth individuals (HNIs) and the Vivriti Group being used to crowd in senior commercial investors for financial inclusion. Fund invests INR 0.15—0.25 billion per transaction in capital market instruments like NCDs issued by NBFCs and other lenders that extend last-mile finance to micro-entrepreneurs and low-income households. The tenure of instruments ranges from 2-6 years. This helps the NBFCs to develop a capital market footprint in addition to directing capital to areas where it is most needed. The fund is India's first AIF to have a senior tranche rated AA+ (SO) for capital protection by CRISIL. The fund has received USD 3 Mn in commitments from the Dell Foundation.	2020	7	Financial services	Subordinate Debt	Fund	USD 35 Mn fund	Dell Foundation, banks, insurance companies, HNIs, Vivriti Group	MFIs, SMEs, Vivriti Asset Management Pvt Ltd.

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
WaterCredit: Microfinance Sanitation Loans	Under this program, Water.org provides grants, TA, and educational resources to MFIs for them to scale up sanitation loans to households. The objective is to expand access to clean drinking water and sanitation infrastructure in India. WaterCredit helps bring small loans to those who need access to affordable financing and expert resources to make household water and toilet solutions a reality.	2005	17	WASH	TA grant/ Grant	Facility	USD 855 Mn mobilized	IDFC First, IndusInd Bank, Unity SFB, Satin, Muthoot, Cashpor, Annapurma	TA/ Grant providers: PepsiCo Foundation, Caterpillar Foundation, SwissRe Foundation, Microsoft AWS, Cummins Bank of America, Ikea Foundation, USAID
SAMRIDH Healthcare Blended Financing Facility	Supported by USAID and implemented by IPE Global, SAMRIDH unlocks affordable capital through blended finance structures to scale high-impact and commercially sustainable solutions targeted to improve healthcare for vulnerable communities. It is structured as a multi-sectoral partnership, with the Government of India, development agencies, private sector, including entrepreneurs, accelerators, and financial institutions, and academia. SAMRIDH has mobilized a capital pool of USD 350+ million to offer both grant and debt financing provided to healthcare enterprises, with a target to achieve leverage of 8–10x on its investments. Through this approach over 60+ high-impact solutions have been funded reaching over 30 Million population.	2020	3	Health	TA grant/ Grant	Facility	Mobilized USD 350 Mn using ~USD 25-30 Mn concessional capital	USAID	IPE Global
SAMRIDH-Caspian Debt Portfolio SSN	Multiple social enterprises with proven business models are covered under an umbrella of low-cost loans under this program. Caspian Debt provided loans to healthcare enterprises in the pool using which the enterprise will work to achieve pre-agreed social impact outcomes. Based on the achievement of these outcomes, they will receive an outcome payment (from SAMRIDH) via Caspian Debt equivalent to 5% p.a. of the interest payment, thereby reducing the overall interest cost for the enterprises. Each of the social enterprises which form part of the portfolio have to achieve quantifiable and measurable impact indicators basis which the quantum of outcome payments is linked.	2021	2	Health	SSN/ Interest subvention	Facility	USD 5 Mn facility, with up to 5% p.a. interest subvention	Caspian Debt, USAID (SAMRIDH)	IPE Global

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Blackfrog Technologies Pvt Ltd	Blackfrog Technologies is a health- tech company specializing in the last- mile biologicals. Its groundbreaking invention, EMVÖLIO, a portable, active cooling, battery-powered device, facilitates safe last-mile delivery of COVID-19 vaccines across the country. Through the blended finance structure, Blackfrog was able to avail a loan from Caspian Debt, a leading delivery of medical supplies and NBFC. However, given the risk profile of the enterprise additional collateral was required to avail the loan as well as initial support to service the loan at market rates until entity achieves commercial sustainability. Blackfrog was also provided with scale-up advisory support through the TA facility of USAID to enable access to international markets such as Africa.	2020	3	Health	Returnable grant, guarantee and insurance, interest subvention	Facility	Total investment of USD 0.2 Mn	Caspian Debt, USAID, Rockefeller Foundation	IPE Global
Rabo Foundation-Full Guarantee Facility	Rabo provided 100% guarantee cover, to one of the largest FPOs in India to enable their access to credit.	2013	2	Financial services	Guarantees and insurance	Facility	USD 0.07 Mn with full guarantee	NBFCs	FPOs
Rabo Foundation-NBFC Portfolio Guarantee	Impact NBFC received a credit guarantee from Rabo Foundation for strengthening its ability to provide loans to FPOs, cooperatives, Self-Help Groups (SHGs), and other community-based organizations with appropriate credit products, and facilitate access to finance to such organizations. The guarantee enabled impact NBFC to create a portfolio of INR 240 Mn.	2019	2	Agriculture	Guarantees and insurance	Facility	USD 3.2 Mn with partial guarantee	Impact NBFC	Early stage FPOs
Rabo Foundation-Nabkisan Portfolio Guarantee	Rabo Foundation provided a partial portfolio guarantee with Nabkisan to FPOs, federations, agri SMEs, agtech companies, etc.	2020	3	Financial services	Guarantees and insurance	Facility	USD 3.7 Mn with partial guarantee	Nabkisan	Secondary FPOs, federations, agri SMEs, agtech companies, mature FPOs
Rabo Foundation-Post Harvest Guarantee	Rabo Foundation provided a partial guarantee to 4 leading banks for financing FPOs for post- harvest requirements.	2018	4	Agriculture	Guarantees and insurance	Facility	USD 2.7 Mn with partial guarantee	Private Banks	FPOs

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Agtech Portfolio Guarantee - Small NBFC	Rabo Foundation partnered up with a small NBFC to provide a portfolio guarantee for lending to agtech companies.	2020	3	Agriculture	Guarantees and insurance	Facility	USD 2 Mn with partial guarantee	NBFC	Agtech startups
Agtech Portfolio Guarantee - Mid-size NBFC	Rabo Foundation partnered up with a mid-size NBFCs to provide a portfolio guarantee for lending to agtech companies.	2019	3	Agriculture	Guarantees and insurance	Facility	USD 2 Mn with partial guarantee	NBFC	Agtech startups
Promising Lenders Fund	This is a 3-year blended finance vehicle structured as an AIF. The fund utilizes a layered capital structure with 75% senior tranche, 17.5% mezzanine tranche, and 7.5% subordinate tranche. This structure allows investors with different risk-return preferences to co-exist in the same fund. The senior tranche is being anchored by an Indian Development Finance Institution (DFI) with a mandate to develop India's MSME sector. Fund invests NCDs issued by NBFCs and other lenders that extend last-mile finance to MSMEs, micro-entrepreneurs, and low-income households, to help the borrowing entities develop a capital market footprint.	2022	3	Financial services	Subordinate debt	Fund	USD 40 Mn fund		Vivriti Asset Management Pvt Ltd
SolarArise India Projects Pvt Ltd	SolarArise is an Indian SPV facility that invests in grid-connected solar PV assets and projects in India, engaging in both acquisitions of existing power stations and developing Greenfield solar fields. Investment strategy of SolarArise prioritizes low-risk assets that can provide annuity-like payments to its investors and offer short-term investment cycles. SolarArise received concessional capital from GEEREF	2014	NA	Energy	Concessional capital	Company	Total fundraise of USD 100 Mn; USD 13 Mn from GEEREF	GEEREF (Global Energy Efficiency and Renewable Energy Fund), Thomas Lloyd Group, Core Infrastructure India Fund	-
Spring Health Safe Drinking Water	The project provides safe drinking water that is purified at the point of sale through a low-cost chlorination technique and using a local distribution system based on existing water kiosks. The project focuses on providing clean water to rural villages in Eastern India.	2011	NA	WASH	Concessional capital	Company	Total capital of USD 0.7 Mn	Confidential	-
Fintech Company Series C Round	An Indian fintech company raised a Series C round using concessional capital from a DFI, which helped catalyze private sector participation.	2020	NA	Financial services	Subordinate debt	Company	Total fundraise of USD 11 Mn	DFI, private equity fund	-

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Guarantee for Social Enterprise [Transaction name confidential]	This is a grant to support financing of micro-entrepreneurs in the construction sector, with FLDG covering ~20% of loan amount.	2020	2	Livelihoods	Guarantees and insurance	Company	Total fundraise of USD 1 Mn +	Dell Foundation, other funders	Sattva, Sambhav Foundation
NBFC - Foundation Guarantee [Transaction Name confidential]	This is a guarantee support for on-lending to micro and small enterprises. The guarantee enables NBFCs to raise capital to create a liquidity fund focused on providing loans to micro entrepreneurs impacted by the COVID-19 pandemic in India.	2020	3	Financial services	Guarantees and insurance	Fund	Total fund of USD 5.6 Mn	International foundation, private investors	-
SAMRIDH — Axis Bank Portfolio SSN	To strengthen India's healthcare system, Axis Bank Samridh Blended Finance Facility has introduced a Portfolio level-Performance linked payment structure (Incentives worth ~2.50% p.a. interest on loans upon achievement of target milestones) to enable access to commercial capital for small and medium-scale enterprises within the healthcare sector. This pay-for-success blended finance instrument will help for-profit enterprises by enabling access to affordable capital for scaling their operations and creating social impact. In this model, the commercial capital provider offers concessionary capital to the small, or medium-sized enterprise that has a proven business model, and the outcome funder provides incentives in the form of interest subvention when they achieve the pre-defined target impact milestones, thereby improving their risk-return profiles, making capital more affordable. The impact outcomes shortlisted for the healthcare enterprise are quantifiable and easily measurable for the model to succeed and scale up.	2022	1	Health	SSN/ Interest Subvention	Facility	USD 157 Mn with up to 2.5% p.a. interest subvention; 2.48mn philanthropic capital from USAID (SAMRIDH)	Axis Bank, USAID (SAMRIDH)	IPE Global

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Labour Dignity Bond	<p>The Labour Dignity Bond was set up to provide low cost working capital loans to micro-contractors in the urban construction space as an incentive to adopt and maintain ethical practices. The transaction involved a lending partner NBFC - Gromor Finance, entity through which the working capital loans were extended. KOIS India led the financing structuring of the project. Gromor issued NCDs to KOIS Holdings and the received \$265k in return to lend to micro-contractors.</p> <p>The loan portfolio by backed by an FLDG of 35% each, by MSDF and Acumen Foundation. The facility was set up as a working capital line (avg. ticket size of 3-5 lacs), for 90 days at the rate of interest of 18% annually which is much lower compared to 23-24% interest rates that the borrowers avail otherwise via informal channels.</p> <p>Under working capital facility, underwriting was conducted for ~120 micro-contractors, out of which 22 MCs passed the process and had an option to avail the loan. Additional incentives provided to micro-contractors include work orders, entrepreneurship training and ethically sourced workers.</p>	2022	1	Financial Services	Cocessional Debt, Guarantees and Insurance	Facility	USD 0.27Mn with a guarantee of upto 70%	KOIS, Acumen, MSDF	NORAD, GFEMS - TA grant provider; Sathya Consulting, Haqdarshak, Gromor Finance
IIT Delhi-360 One Foundation Livelihood generation through skilling project under SAMRIDH initiative	<p>The objective of the transaction is to generate livelihoods for beneficiaries from vulnerable communities, through skilling. IIT Delhi (SAMRIDH Hosting entity) through its research and development deployed a new and innovative financing solution to enable skilling and placement through implementing entity in partnership with the National Skill Development Corporation (NSDC) and 360 One Foundation thereby exponentially impacting 3 to 4x beneficiaries in comparison to training using vanilla grant. This financing solution enables the implementing entity to offer short-term training and placement to beneficiaries, either through fee-based or government-sponsored model schemes.</p> <p>The project is divided into two phases:</p>	2022	3	Health, Livelihood	Guarantees and insurance, SSN	Facility	Mobilized additional USD 0.5 mn using ~30% partial risk guarantee; USD 0.04Mn as interest-linked incentives	360 One Foundation, NSDC	IPE Global, IIT Delhi, Implementing Entity undertaking training

	<p>Phase 1 (Training): The project leverages 360 One Foundation's grant of INR 1,335 Cr to unlock additional working capital loan of INR 4.00 Cr from NSDC at an affordable rate of 6% p.a. through partial risk guarantee to train and place 2420 beneficiaries (3 to 4x beneficiaries in comparison to training using vanilla grant) and provide employment opportunities and livelihood linkages to them. The guarantee is renewable for two years. If the risk guarantee is not invoked or is partially invoked, it will be utilized to further enable working capital loan, thereby training additional beneficiaries. In case the guarantee is not invoked within the first two years, the balance amount will be utilized in the form of a vanilla grant in the third year to directly fund training of more beneficiaries.</p> <p>Phase 2 (Placement & Retention): On achievement of an additional milestone ie beneficiaries are retained in the job after 3 months post placement, a component of 360 One Foundation's grant amounting to INR 26.70 lakhs will be used in the form of Social Success Note linked to placement and retention of beneficiaries thus leading to further reduction in cost of borrowing for the implementing entity and incentivizing the risk investor (NSDC) for better performance outcomes.</p> <p>This initiative is compliant with CSR regulations under clause (ix) (b) of Schedule VII of the Companies Act, 2013 - contribution to public funded universities like IITs to engage in conducting research aimed at promoting Sustainable Development Goals (SDGs). To ensure compliance with the CSR mandate, IIT Delhi pays out the grant to NSDC and provides utilisation evidence. Further, the end outcome of training and placement of marginalised marginalised beneficiaries is monitored and reported at regular intervals. Also the grant is tracked for a period of 2 years so that any balance is utilised as further support to end beneficiaries.</p>				
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Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
CIE - FinTech incubator	<p>CIE.CO is the Innovation Continuum built at IIM Ahmedabad spreads across incubation, acceleration, seed and growth funding, and research. CIE.CO has partnered with 360 ONE Foundation to address the issue of lack of accessible and quality credit for the Bharat Segment, which comprises Indian households living on less than \$10 a day. With the support from 360 ONE Foundation, CIE.CO was able to provide three inclusive lending start-ups with catalytic funding support of INR 40,00,000 to be utilized as a First Loss Default Guarantee (FLDG) capital, and one start-up with a funding support of INR 45,00,000 for validation grant. The catalytic funding support enabled the start-ups to unlock significant additional capital (>10X leverage) from formal credit sources to validate their business case and extend the benefits of financial inclusion and access to credit to the Bharat Segment. Under the project, CIE.CO also provided technical assistance and business progression support to the selected start-ups over a period of 8 months.</p> <p>From a CSR compliance perspective, CIE.CO has Section 12A Income Tax Exemption, 80G and a CSR Certificate. Contribution to CIE.CO is in line with Schedule VII item list:ix (a) of Companies Act. To ensure compliance with the CSR mandate, CIE.CO paid out the grant to start ups and provided utilisation evidence. Further, the impact of financial assistance on end beneficiaries is monitored and reported at regular intervals.</p>	2021	1	Financial Services	Guarantees and insurance	Project	Mobilized additional USD 1.6Mn as loans using USD 0.3Mn of grant as first loss tranche.	360 One Foundation, NBFCs	CIE.CO

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Green Growth Equity Fund	The GGEF, anchored by India's National Investment and Infrastructure Fund (NIIF) and the UK Foreign, Commonwealth and Development Office (FCDO), and managed by EverSource (Mumbai), is a fund-of-funds structure that has raised US\$741 million from a mix of institutional investors and DFIs, supported by concessional funds in the form of subordinated equity from the GCF (via Dutch development bank FMO). GGEF is one of the largest single-country funds focused on Climate change, Mitigation and Adaptation in the emerging markets. GGEF plans to invest equity capital through sectoral platforms in climate technology growth firms in renewable energy, e-mobility, energy services and resource efficiency projects with strong innovation potential.	2018	11	Energy	Concessional Equity, TA	Fund	Mobilised USD 741 Mn using concessional equity and TA	FCDO, NIIF, Green Climate Fund	bp (British Petroleum), Allianaz, BII, FMO, Microsoft, Triodos, Royal Bank of Carribean
Samridhi Fund	FCDO and SIDBI anchored one of the first social venture funds 'Samridhi Fund' to provide risk capital to scalable enterprises that benefit the poor in the low-income states through job creation, increased earnings and reduced cost of goods and services. Alongside, FCDO also provided TA support to the Fund - to strengthen social impact monitoring and measurement, improve ESG standards of investees, overall capacity building etc. More details at: https://devtracker.fcdo.gov.uk/projects/GB-1-114293/summary	2013	5	Livelihoods	Concessional Equity, TA	Fund	Mobilised USD 65 Mn using concessional equity and TA	FCDO, SIDBI	SIDBI Venure Capital
IIX - Women Livelihood Bond 5	The US\$50 million IIX Women's Livelihood Bond 5 is the first sustainable debt security in the market issued in compliance with the Orange Bond Principles and is expected to empower ~300,000 women and girls across Asia and Africa. The proceeds of the WLB5 will be used to make loans to high-impact enterprises in Cambodia, India, Indonesia, Kenya, and the Philippines that operate across six sectors: microfinance, SME lending, clean energy, sustainable agriculture, water and sanitation, and affordable housing.	2023	4	Livelihoods	Guarantees and insurance	Bonds/ Notes	India portfolio of USD 22 Mn	IIX	Northern Arc

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
PTC	The PTC structure allowed the Consumer Finance Company to reach underserved and new to credit customers and offer credit at better rates compared to informal money lenders. It also helped beneficiaries cover emergency needs. Northern Arc took a subordinate role to offer increased protection to the investor.	2022	1	Financial Services	Subordinate Debt	Bonds/ Notes	~USD 28 Mn catalyzed with first loss tranche	Northern Arc	Consumer Finance Company, Commercial Bank
PTC	The PTC structure allowed the Consumer Finance Company to reach underserved and new to credit customers and offer credit at better rates compared to informal money lenders. It also helped beneficiaries cover emergency needs. Northern Arc took a subordinate role to offer increased protection to the investor.	2022	3	Financial Services	Subordinate Debt	Bonds/ Notes	~USD 33 Mn catalyzed with first loss tranche	Northern Arc	Consumer Finance Company, Commercial Bank
Villgro Loan Guarantee	The loan guarantee facility was used to unlock credit for early stage enterprises engaged in impact sectors. Philanthropic capital of upto USD 85K was used as a first loss tranche.	2020	4	Agriculture	Guarantees and insurance	Facility	USD 0.26 Mn mobilized with a first loss tranche of USD 0.085 Mn	Caspian Impact Investments Pvt Ltd, The Lemelson Foundation	IQ EQ Corporate Services (Mauritius (this is backed by IIEF -Impact Innovators and Entrepreneurs Foundation).
Funding to Women FPOs: Blended Finance structure involving an International Foundation and mid-sized NBFC	The NBFC received a credit guarantee by an International Foundation for lending to women entrepreneurs, women farmers or women-led enterprises in upstream agri-value chains such as Farmer Producer Organizations/Community Based Organizations, agri-SMEs and agritech businesses. Additionally, lending to the above entities that are in upstream agr value chains working with renewable energy/climate adaptation/mitigation/resilience technologies which provide following: (i) renewable energy in agriculture, (ii) regenerative agriculture, or (iii) circular use in agriculture. (DRE, RE, afforestation, organic cultivation, circular use of commodity) The guarantee is to enable the NBFC to create a portfolio of INR 900 Mn on a revolving basis for 5 years. The names of the NBFC and Foundation have been kept confidential on request.	2022	5	Agriculture	Guarantees and insurance	Company	USD 11.25Mn catalyzed by a partial guarantee	Confidential	Confidential

Deal Name	Transaction Summary	Year Launched	Duration (Years) ¹	Sector ²	Instrument Type ³	Vehicle Type	Capital Commitment ⁴	Sources of Capital	Stakeholders
Climate Smart fund: Blended Finance structure involving an International Foundation and mid-sized NBFC	<p>The Climate Smart Fund for onward lending by an NBFC was partially guaranteed by the International Foundation. This enabled the NBFC to extend loans to enterprises, including agri-SMEs, agritech businesses, clean technology companies working with renewable energy, climate adaptation, climate mitigation, climate resilience technologies in agriculture supply chain which include support the following: (i) renewable energy in agriculture, (ii) regenerative agriculture, or (iii) circular use in agriculture.</p> <p>The names of the NBFC and Foundation have been kept confidential on request.</p>	2022	5	Climate Action	Guarantees and insurance	Facility	USD 3.6 Mn catalyzed by a partial guarantee	Confidential	Confidential

1. Duration of transactions is based on the latest secondary information available

2. A transaction may be categorized under multiple sectors; however, for the purpose of analysis, the most prominent sector has been mentioned

3. Multiple instruments may have been used in a single transaction; however, for the purpose of analysis, the most prominent one used for structuring has been mentioned

4. All amounts are in USD and appropriate currency conversion rates have been used for the purpose of analysis, where original deal information was not provided in USD

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**Study partners and
acknowledgments**

Total investment needs of the developing world, estimated at USD 2.5 trillion per year, cannot be met by public and philanthropic investments alone. It's time for the private sector to step up and offer solutions to bridge the gap.

The Asha Impact Trust partnered with Societe Generale and IIC to undertake a landscape study on BF in India and the role it can play in plugging the above-mentioned investment gap.

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