SIRI Blended Finance Conference 2025

Columbia University
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SUMMARY OF KEY INSIGHTS OF THE CONFERENCE

The mitigation of climate change, biodiversity loss, poverty, and other grand societal challenges has historically been primarily financed through public funding and private philanthropic giving. Yet, a large financing gap remains, especially in the Global South. The question is: how can we crowd in more private capital to finance innovative solutions in climate tech, renewable energy, nature-based solutions, social inclusion, and others, especially in the Global South?

To better understand the challenges and opportunities in mobilizing more private capital investments—and as a lead up to the Conference of the Parties in Brazil (COP30)—the Sustainable Investing Research Initiative (SIRI) brought together a carefully curated set of key leaders in the public and private sectors, policymakers, and academia, including leaders from the United Nations (UN), World Bank Group, Development Finance Institutions (DFIs), philanthropies, family offices, investment managers and asset owners, VC investors, rating agencies, corporate leaders, policymakers, and others. This signature event is an integral part of a broader SIRI Blended Finance effort launched by Columbia University's School of International and Public Affairs (SIPA).

The 2025 SIRI Blended Finance Conference began with a high-level panel on investing in sustainable (economic, environmental, and social) development, with a particular emphasis on mobilizing more private capital to finance innovative solutions in emerging and developing countries.

Following the Opening Panel, conference participants engaged in interactive roundtable discussions on various themes, including:

- *Adaptation and Resilience in the Most Vulnerable Countries*: how can we move from disaster relief to investing into resilient and inclusive communities?

- *Nature, Land Use, and Food Systems*: how can we scale up investments in regenerative agriculture and food systems, especially in the most vulnerable countries?
- *Water Resilience and Infrastructure*: how can we scale investments in water infrastructure and services, especially in the most vulnerable communities?

Furthemore, participants also:

- Engaged in cohort building within investor types;
- Engaged in 1:1 networking and business meetings across investors types; and
- Learned about new, high-level academic insights from our latest Blended Finance Survey.

The conference was by invitation only and under Chatham House rules. The aim was to provide important insights to the subsequent COP30 meetings as well as to inform each participating organization, to foster networking and dialogue among key leaders across the private and public sectors and hereby bring value to each one of them, and—most importantly—to help crowd in more private capital to finance innovative solutions and advance the UN Sustainable Development Goals.

Participants of the SIRI Blended Finance Conference 2025 highlighted several needs that must be addressed, investment opportunities and challenges, and avenues for collaboration. As for the previous convenings, and given that the conference was under Chatham House rules, we have prepared a high-level summary of key insights shared by the participants. This summary is also published on the dedicated SIRI Blended Finance webpage.

SUMMARY OF KEY INSIGHTS FROM EXISTING EFFORTS AND NEXT STEPS NEEDED

Opening Panel

The opening panel focused on the key challenges of financing innovative solutions in the most fragile and least developed markets. The panelists shared the following insights:

Framing the Challenge: The Persistent "White Space" in Global Finance

The discussion opened with recognition that, despite innovation in solutions for climate change, biodiversity loss, inequality, and poverty, the flow of capital to the most fragile and least developed markets remains minimal. Blended finance mechanisms—meant to combine concessional and commercial capital—have grown but still bypass many low-income and small island economies.

Recent global reports describe a persistent “white space” in finance for development: a gap that requires an institutional approach built on patience, small-ticket flexibility, and true risk tolerance. Investment should be embedded in local ecosystems and directed not only toward individual deals but toward market system building—helping countries move from dependency and relief to self-sustaining investment and enterprise.

True Risk Absorption as the Missing Ingredient

The first speaker emphasized that financial institutions remain constrained by risk frameworks that prevent meaningful investment in high-risk and frontier economies. Most existing guarantee mechanisms, while labeled “de-risking,” are structured to avoid loss and therefore fail to reach the vulnerable layers of the economy where capital is most needed.

What is required instead are risk-absorbing platforms—off-balance-sheet, donor-funded facilities that accept first-loss exposure and thereby unlock private capital. Examples shared from fragile and emerging markets demonstrated that small, well-structured guarantees can mobilize tens of millions of dollars in local currency lending, with default rates far below predicted levels.

Such experiments show that when mechanisms absorb risk rather than transfer it, domestic investors are willing to engage. However, the speaker cautioned that the sector has not yet developed robust systems for measuring impact. Many reports emphasize narrative success without verifiable data. A priority for future work is to build impact monitoring frameworks that capture not only financial performance but also the pre-transaction groundwork—policy reforms, technical assistance, and capacity building—that make deals possible.

Rethinking What We Blend: The Role of Knowledge and Cultural Capital

The next contributor proposed that blended finance, as currently defined, is blending “the wrong things.” Rather than focusing only on concessional and commercial money, effective finance should blend financial, social, knowledge, and cultural capital.

Drawing on practical experience in difficult investment environments, the speaker argued that understanding local culture, governance, and relationships is often more valuable than technical structuring expertise. Successful financing depends on recognizing that finance is relational, not merely transactional.

This perspective reframes “capacity building.” The question should not be how to build the capacity of developing countries, but how to build the capacity of investors and intermediaries to understand those countries. Perceived risk, the speaker argued, is often much higher than real risk, leading to unjustified premiums and limited deal flow. True inclusion requires that investors themselves learn local contexts and develop relationship capital before deploying funds.

Blended Finance Works on Paper—Now It Must Work in Practice

Another participant offered a frank appraisal from the perspective of large-scale investors. After a decade of experimentation, blended finance remains too small and administratively heavy to attract mainstream institutional capital. Funds aimed at sustainable land use or climate adaptation, originally conceived to reach billions, have only mobilized a few hundred million—while overall assets under management in the sector have multiplied elsewhere.

The conclusion: blended finance, as it currently operates, works on paper but not at scale. Public funding remains entangled in bureaucratic processes, and private investors lack the predictable structures they require. The sector must therefore evolve from a collection of pilot projects into a true asset class with standardized documentation, risk allocation, and performance metrics. Without such institutionalization, blended finance will continue to shrink in relative significance.

Building a Scalable Capital Formation Process

A subsequent contribution focused on the structural and operational side of scale. Most blended finance vehicles fail, not because of concept, but because of executional unpredictability—misaligned timelines between public and private investors, and the lack of a repeatable framework for building and deploying funds.

The speaker described efforts to standardize the capital formation process rather than the deals themselves. By developing consistent templates for documentation, waterfalls, and due diligence, investors can treat blended finance as a repeatable process instead of a one-off innovation each time.

Standardization, however, should be applied at the “workbench” level—the infrastructure that supports transactions—rather than at the transaction level itself. This would allow investors to analyze opportunities more efficiently without stripping away flexibility. Regulatory realities, particularly solvency and liquidity rules, must also shape product design so that insurance and pension funds can participate within their mandates. The ultimate goal is a predictable, investable ecosystem rather than sporadic experimentation.

Thinking as a System: Fixing the Road Before Driving the Car

Building on this, another panelist observed that current efforts resemble “driving a Rolls-Royce on a road full of potholes.” Before scaling finance, markets need functioning basic systems—such as bankruptcy frameworks, clear collateral laws, and transparent approval processes. Without this groundwork, no amount of structuring will attract long-term private capital.

The conversation turned to sequencing. Market development should follow a phased approach where public, private, and philanthropic actors enter at different stages as the enabling environment improves. The end goal should be market transformation and eventual self-sufficiency, not perpetual subsidy.

The group agreed that capacity building must apply equally to investors, donors, and local actors. Many of the obstacles lie not in recipient countries but in the perceptions and constraints of capital providers themselves. Changing these mindsets requires direct engagement, immersion, and humility.

The Learning Imperative: Knowledge as the True Bottleneck

Returning to the theme of education, the moderator summarized survey findings showing that the main barrier to blended finance participation is not risk or returns, but a lack of understanding. Many institutional investors simply do not have the in-house expertise in blended finance, i.e. they do not know how blended finance works or how to assess its structures efficiently.

This makes learning the central bottleneck of the field. Building shared knowledge—through practitioner case studies, transparent data, and peer-to-peer exchanges—can dramatically enhance learning and reduce the bottleneck. The academic community can contribute by documenting the “how it happened” of transactions: the negotiations, obstacles, and policy work that precede financial closure.

The panel concluded that the future of blended finance depends on shifting education from theory to practice. Courses, case libraries, and executive training must focus on the real-world process of deal-making, not only the economics of risk and return. As one speaker put it, the critical learning lies in “what happens before the deal,” not only in what follows.

Core Insights and Emerging Consensus

Across the discussion, several shared messages emerged:

- Real risk absorption is essential. Facilities must be designed to take first-loss exposure and unlock local capital, not merely to protect balance sheets.
- Systemic standardization, not uniformity. Simplifying the transaction infrastructure—documentation, risk waterfalls, and due diligence—can make deals repeatable and scalable.
- Focus on enabling systems. Legal and regulatory foundations must be repaired and sequenced before large volumes of capital can flow.
- Rebalance perceptions of risk. Mispricing and misunderstanding, rather than genuine risk, block investment. Local knowledge and proximity reduce these gaps.
- Learning drives mobilization. The primary obstacle is knowledge, not appetite. Shared learning platforms and data transparency are key to crowding in capital.
- Blended finance should evolve toward market transformation. Concessional mechanisms should have clear "sunset" pathways as markets mature, ensuring that subsidies phase out once private investment becomes viable.

Pathways Forward

The panel proposed several concrete next steps to make progress:

- Create pooled, first-loss platforms for small-scale and local-currency investments in priority sectors such as MSME development, water infrastructure, renewable energy, and nature-based solutions.
- Establish a "blended finance workbench" providing standardized templates for term sheets, waterfalls, impact metrics, and foreign-exchange risk management.
- Develop market-readiness checklists linking technical assistance, policy reform, and investment sequencing to ensure timing alignment.
- Promote local leadership and proximity. Fund managers accessing concessional capital should demonstrate in-market presence and cultural fluency.
- Embed learning and transparency. Each project should publish a concise note explaining concessionality, expected loss by tranche, and transition to commercial viability.
- Design for exit. Every blended facility should include a clear plan for reducing concessionality as the market strengthens.

The opening panel offered both a candid critique and a forward-looking roadmap. Blended finance has proven conceptually sound but practically constrained by small scale, excessive complexity, and inadequate learning systems. Its renewal depends on deeper risk absorption, standardized capital formation, better data, and shared understanding among all participants in the financial ecosystem.

Ultimately, the ambition is not to preserve blended finance as a niche practice but to use it as a temporary catalyst—a bridge from aid-like concessionality to mature, self-sustaining private capital markets capable of financing their own sustainable development.

Theme #1: Adaptation and Resilience in the Most Vulnerable Countries: how can we move from disaster relief to investing into resilient and inclusive communities?

The session examined how societies can move from short-term disaster response toward sustainable investment that builds resilience and inclusion in fragile and climate-vulnerable settings. Participants focused on the tension between humanitarian imperatives and market realities, asking how different kinds of capital—philanthropic, concessional, and commercial—can be combined to support communities in ways that endure beyond the emergency phase. The discussion emphasized that this transition is not simply a matter of mobilizing more funding but of designing mechanisms that balance social goals, risk tolerance, and financial sustainability while ensuring that local actors remain central decision-makers.

The conversation opened with examples of organizations that have evolved from pure charity toward longer-term development. One participant described how a global relief foundation that began with humanitarian aid has spent decades building schools, housing, wells, and clinics in regions recovering from natural disasters. Despite large investments, it found that infrastructure alone does not create prosperity; communities still need employment and viable local markets. The organization now seeks partnerships with entrepreneurs, academics, and investors to create small enterprises and vocational training programs linked to its social projects. Its experience underscored that local capacity and cultural understanding are as important as capital: money without community ownership, it was observed, quickly disappears.

Another participant discussed the potential of renewable energy as a peacebuilding and development tool. Many of the least electrified places in the world are also those most affected by conflict and climate shocks. A financing mechanism was presented that allows renewable energy projects in fragile states to generate and sell verified energy credits tied to social impact. Corporate sustainability buyers have already purchased these credits from projects in conflict-affected regions, helping fund electrification of hospitals, schools, and small businesses. To address the financing gap for early-stage projects, a new facility is being created to pre-purchase future credits, providing upfront liquidity that reduces risk and helps projects attract further investment.

The initiative illustrates how climate finance can be redesigned for places where traditional investment models do not work.

A third speaker highlighted the importance of measurement and inclusion. Drawing on experience in impact evaluation, the point was made that development efforts must identify who actually benefits from investment. Humanitarian programs can deliver aid, but unless private investment benefits those who have historically lived in affected areas, recovery may displace rather than empower them—a pattern sometimes seen after natural disasters. Effective impact measurement requires attention to five dimensions—what, who, how much, contribution, and risk—but in fragile settings, the "who" dimension is most critical. The discussion also raised whether there is a threshold of economic development below which private investment simply cannot function, leaving humanitarian assistance as the only viable approach until local markets mature.

In the open dialogue, participants explored how to create viable business environments in post-disaster regions. Several agreed that technical assistance is often the missing link between available funding and community needs: governments and donors may have money, and investors may have interest, but without the ability to design projects that are financially sound and technically feasible, deals do not close. Academic and philanthropic institutions were urged to help bridge this design gap.

The group repeatedly returned to the idea that blended finance—combining public or philanthropic capital with private funds—should be viewed as a catalyst rather than an endpoint. Such arrangements can prove new models and reduce perceived risk, but they cannot replace functioning markets. Once the risk level falls and viability is demonstrated, concessional funding should rotate elsewhere to seed the next innovation. This perspective framed blended finance as a temporary scaffold for building self-sustaining systems.

A deeper exchange emerged around the question of value and responsibility. Some participants argued that certain goods, such as a stable climate or flood protection, are "priceless but not worthless." They can be modeled in terms of avoided damage, yet their benefits are public, making it unclear who should pay. Others suggested that investors bear partial responsibility for the climate risks of their own portfolios. From this view, responsible investment requires acknowledging and addressing risks that extend beyond individual assets or short-term returns.

Concrete examples were offered of community-based blended models. One initiative in South Asia brought together a commercial bank, several philanthropic partners, and a large membership organization of self-employed women. The resulting fund provided microloans and emergency liquidity to help women diversify income after climate shocks. With a 99 percent repayment rate, the program demonstrated that trust and local organization can significantly reduce risk and cost, allowing financial institutions to lend at lower rates. This approach has since inspired larger global efforts to finance climate-resilient livelihoods.

Government representatives and donors questioned how to attract mainstream investors into high-risk environments where returns may not meet market expectations. Several responses emphasized that “private sector” should be understood broadly to include domestic entrepreneurs and diaspora investors, who often have the knowledge and motivation to operate where foreign capital hesitates. International agencies can also play a catalytic role by acting as anchor clients or off-takers for local projects—for example, large humanitarian or peacekeeping operations purchasing renewable power from local providers.

The conversation on local intermediaries revealed parallels to community development financial institutions in the United States. Participants noted that many developing countries already have microfinance institutions, cooperatives, and small fund managers that could play similar roles if equipped with stable technical support. The effectiveness of such assistance depends on its design: long-term embedded support that builds institutional capacity is far more valuable than short consultancy visits. One case from East Africa showed that with targeted training and certification, a city government successfully issued its first green bond without external guarantees, relying instead on domestic investors.

The group also reflected on the ethical dimension of investing in fragile contexts. When working in post-conflict or highly unequal societies, investors must consider not only the risks they face but the risks they impose. Choosing which sectors or groups to finance can influence social cohesion. Some organizations therefore co-create fund strategies with local partners and use junior or first-loss capital to draw in private investors, balancing diversification with local sensitivity.

By the end of the session, several areas of convergence had emerged. Blended finance is most effective as transitional capital that demonstrates viability and attracts market investors once risks are better understood. Building local capability and trusted intermediaries is essential for long-term resilience. Technical assistance must evolve into genuine capacity building. Measurement of success must extend beyond project-level outcomes to encompass systemic and market-creating effects. And while investors seek measurable returns, they must also recognize their stake in maintaining the environmental and social systems on which all investment depends.

Participants acknowledged that significant barriers remain: limited concessional resources for de-risking, difficulty of valuing adaptation benefits, and the challenge of scaling context-specific models. Yet the examples shared—from post-disaster reconstruction and renewable-energy innovation to women’s microenterprise networks—demonstrated that incremental progress is possible when humanitarian and financial logics converge around community ownership. The session closed with a call to integrate system-level thinking into both investment practice and impact measurement. The path from relief to resilience, participants agreed, lies in treating aid, development, and finance not as separate stages but as interconnected functions that, together, can foster inclusive, resilient, sustainable, and self-reliant communities.

Theme #2: Nature, Land Use, and Food Systems: how can we scale up investments in regenerative agriculture and food systems, especially in the most vulnerable countries?

The discussion on nature, land use, and food systems focused on how to expand investments in regenerative agriculture and sustainable food systems, particularly in vulnerable countries. Participants examined the sector's dual nature: it is both essential to human development and inherently risky. Agriculture remains exposed to multiple sources of uncertainty—climate shocks, price volatility, governance instability, and market distortions—all of which disproportionately affect smallholder farmers and low-income consumers. Despite these vulnerabilities, agriculture underpins global food security and is central to land-use patterns, biodiversity outcomes, and climate resilience.

Speakers began by observing that the world continues to face a worsening crisis of hunger, malnutrition, and ecological degradation. Hundreds of millions remain food insecure, billions cannot afford nutritious diets, and natural systems are eroding. The group reflected that the failure to scale context-appropriate finance mechanisms for agriculture, particularly across Africa and other developing regions, has stalled progress toward sustainable food systems. Universities and research institutions were urged to play a stronger role in educating future professionals and shaping financial innovation, embedding the principles of blended finance as part of broader sustainability education rather than as a niche specialization.

A recurring point was that the degradation of nature represents a macroeconomic and systemic risk. Investors increasingly recognize that environmental collapse directly affects long-term portfolio value and market stability. Ecological crises such as deforestation, water stress, or soil depletion are no longer abstract environmental issues but financial risks that ripple through supply chains and asset values. Yet reputational and headline risk continue to deter private investors, who fear being accused of exploiting communities or profiting from environmental damage. The challenge, therefore, is to design financial vehicles that are both commercially viable and socially legitimate, aligning capital flows with ecological and community wellbeing.

Participants agreed that one of the greatest obstacles is the structural nature of agricultural investments. Projects are small, fragmented, and often isolated from capital markets. Their long-time horizons and complex value chains make them difficult to fit within the scale and liquidity expectations of institutional investors. Many blended finance instruments are still designed from a development perspective rather than from the vantage point of investors who must deliver measurable returns. This has resulted in a mismatch between public and private capital. Some participants argued that concessional funding should be temporary—a catalytic means to stimulate private investment—while others contended that agriculture's fundamental distortions and public-good characteristics may require enduring subsidy.

A particularly compelling intervention reframed the debate from the viewpoint of smallholder farmers. From this perspective, the notion of "small" or "non-investable" projects is misplaced. What farmers seek is not scale for its own sake but fair prices, reliable buyers, and access to credit. The exclusion of smallholders from capital markets is itself a form of climate injustice: those most affected by environmental shocks receive the least financial support. It was argued that blended finance should aim not merely to de-risk investments for institutions but to correct systemic imbalances that prevent equitable participation in the global food economy.

Several participants shared concrete models illustrating how blended finance can be applied effectively at smaller scales. One example involved an incubator program that supports early-stage enterprises providing technologies such as solar dryers for smallholder farmers, coupled with catalytic guarantees and buyback schemes that enable both growth and access to finance. Another example focused on a soil carbon company using philanthropic and catalytic funding to pilot regenerative farming approaches before attracting commercial investors. These cases underscored the value of early-stage capital that can absorb risk, allowing innovative business models to mature and attract mainstream finance over time.

The discussion also examined the complex role of concessionality and subsidy. Some funds have been able to reduce their reliance on concessional money over successive investment cycles, demonstrating that perceived risks can decline with experience and data. Others pointed out that certain agricultural transitions—especially those linked to deforestation and land restoration—will require patient, long-term concessional capital, much as large-scale agricultural modernization in industrialized countries historically relied on government-supported credit. Participants agreed that the goal should be to use concessional funding strategically, with clear expectations for eventual self-sufficiency, while acknowledging that some regions will need ongoing support.

A related theme was the importance of de-risking instruments and domestic financial ecosystems. Local banks and financial institutions often have better knowledge of agricultural realities but lack the capacity or regulatory freedom to lend effectively to smallholders. Broader use of guarantees, insurance, and local-currency lending was proposed as a way to mobilize domestic capital and reduce dependency on foreign exchange. Policy incentives—such as trade rules that restrict imports linked to deforestation—can further align corporate and financial behavior with sustainability objectives. Participants cited new programs that ring-fence currency risk and channel international capital into sustainable agriculture as examples of how national policy can complement blended finance.

The group also recognized that blended finance is evolving as an asset class. Over time, concessional shares in agriculture and carbon funds have decreased as investors become more familiar with the risks and as projects demonstrate performance. Nevertheless, transparency remains a major gap. Data on pricing, subsidies, and deal performance are often confidential, making it difficult to evaluate results or design replicable models. Participants suggested that academic and multilateral institutions develop open data platforms to document real-world outcomes, enabling investors to understand what works and why.

Another dimension of the discussion focused on information and systems thinking. Participants emphasized that investors need better frameworks and data to understand the interconnections between land, water, food, and finance. Without this systemic lens, capital will continue to chase isolated projects rather than transform entire value chains. Academics and practitioners were encouraged to collaborate on research that links systemic risk analysis to practical investment design, ensuring that financial innovation reflects the complexity of ecological and social systems.

Policy reform was seen as critical to creating enabling environments for investment. Stable regulatory frameworks, transparent subsidy regimes, and effective enforcement are essential for mobilizing private capital at scale. Regional and local solutions were particularly emphasized: domestic capital markets, local-currency instruments, and national development banks must play central roles if blended finance is to achieve sustainability rather than dependence.

Toward the end of the session, participants reflected on the mindset of investors and the prevailing treatment of agriculture as "too risky." It was argued that risk models should incorporate the cost of inaction—the long-term consequences of failing to restore soils, protect biodiversity, and sustain rural livelihoods. Factoring in these systemic costs would reveal that regenerative agriculture is not only a social and ecological necessity but also a rational financial investment.

In conclusion, the group identified several areas for immediate action. Participants called for new aggregation platforms to pool smallholder initiatives into investable portfolios; expanded use of guarantees and local-currency tools; transparent disclosure of subsidy levels and performance data; and stronger collaboration between corporates, financiers, and researchers. They stressed that blended finance should be designed with clear exit paths from concessionality, grounded in local realities, and aligned with supportive policies.

The discussion ended with a shared recognition that the tools for transformation already exist. The missing ingredient is alignment—between farmers and financiers, between public and private capital, between knowledge and action. Regenerative agriculture, participants agreed, is not merely an investment category but the foundation of planetary and economic stability. Mobilizing capital for this purpose is therefore not optional but imperative.

Theme #3: Water and Infrastructure: how can we scale investments in water infrastructure and services, especially in the most vulnerable communities?

The discussion on water and infrastructure at the SIRI Blended Finance Conference explored how to scale investment in water systems and services, especially in regions most affected by climate vulnerability and institutional fragility. The conversation brought together experts from finance, development, academia, and technology, who examined how innovative financing mechanisms, governance structures, and transparency tools could expand access to clean water while addressing deep-rooted political and economic barriers.

The session opened with a case study from Central Africa, where a fintech initiative is building a commodity exchange that integrates water, energy, agriculture, and mineral resources. The project combines physical infrastructure with blockchain-based tracking to ensure transparency and traceability of assets such as water pipes and distribution systems. This exchange will also support the creation of water credits, enabling industries to trade usage rights and promote conservation through measurable efficiency gains. The project's ambition extends beyond local infrastructure, aiming to develop a transparent and regulated market that could eventually trade water credits internationally. Despite strong technical design and government partnership, the effort has faced chronic challenges in attracting investors due to perceived country risk, weak regulation, and political instability. The experience illustrated both the promise and the limits of innovation in fragile contexts where capital markets remain underdeveloped.

A contrasting example from Latin America illustrated how regulatory reform and blended finance can deliver large-scale transformation. In one of the region's largest urban centers, decades of pollution and mismanagement of a state-owned water utility had devastated local ecosystems and the economy. Through new regulation, public–private partnerships were finally introduced, leading to a major concession financed by sovereign funds, public banks, and development institutions. The consortium raised billions of dollars through a combination of blue bonds and project finance structured with layered tranches to manage risk and attract commercial lenders. The project ultimately restored water quality, revived tourism, and demonstrated that strong governance and competition could turn politically burdened utilities into viable, sustainable systems.

Building on these examples, the discussion turned to the emergence of tradable water credits and their potential to channel corporate sustainability capital into water efficiency and sanitation. Comparisons were drawn with renewable energy credits that help finance off-grid clean power in fragile states. The group explored whether similar models could be applied to water—where companies would buy verified claims tied to improved water use or quality. Participants emphasized that such instruments would require reliable data, standardized metrics, and clear regulatory frameworks. A recurring theme was the need to balance voluntary market participation with mandatory oversight to ensure credibility and environmental integrity.

Participants also reflected on regional disparities and the influence of local governance. In Latin America, water abundance coexists with inequitable access and weak regulation, while in Africa, scarcity intersects with institutional fragility. Both regions face the additional complexity of indigenous land rights and competing claims over water sources. The conversation highlighted the importance of local ownership and territorial governance, where community, government, and private stakeholders jointly manage infrastructure and resource use. Without such local buy-in, even the best-designed financial models risk failing on the ground.

A significant portion of the dialogue examined how water scarcity and mismanagement create macro-financial risks. Examples from South America showed how droughts and extreme weather reduced agricultural exports, depleted foreign reserves, and led to sovereign debt stress. Water, the group agreed, is not only a social or environmental issue but a determinant of fiscal stability. This understanding opens opportunities to link water resilience with credit ratings, bond pricing, and sovereign risk analysis. By integrating natural capital into financial modeling, governments and investors can better anticipate and mitigate the economic consequences of environmental degradation.

The discussion also touched on the integration of small agricultural producers into new market systems. Innovative approaches are emerging to connect local cooperatives to digital exchanges, providing real-time payments through mobile platforms and digital currencies. These mechanisms not only create liquidity but also formalize the participation of rural communities in structured markets. However, the risks of corruption, violence, and poor governance remain major obstacles to scaling such initiatives in fragile settings.

Attention then shifted to institutional investors and the difficulties of financing water and sanitation projects at scale. Blended finance structures often channel capital through local financial institutions that then lend to small water enterprises or utilities. Yet, a persistent “missing middle” exists: few projects fall within the investable range that satisfies both risk diversification and scale requirements. Larger projects attract development banks, while smaller ones are too fragmented to interest commercial lenders. Expanding technical assistance, portfolio guarantees, and risk mitigation instruments was seen as essential for bridging this gap.

Another frontier discussed was direct market access for local utilities and municipalities. In one recent case, a local water authority issued a sub-sovereign bond that successfully attracted both domestic and international investors, demonstrating appetite for such instruments when properly structured. Replicating these successes requires building local capacity in financial management, credit assessment, and disclosure. Panelists agreed that academic institutions and international organizations could contribute by developing and disseminating case studies, training programs, and stress-testing tools that incorporate climate and water risks.

From the perspective of credit analysis, the conversation highlighted that investment-grade ratings for water projects remain rare. Without sufficient historical data or guarantees, it is difficult to price construction and operational risks in emerging markets. Aggregation tools, such as packaging smaller loans into tradable securities, may help overcome this limitation, but they have yet to gain traction in the water sector. Participants noted that new regulatory frameworks and climate stress testing are beginning to integrate environmental risk, which could eventually support more accurate credit assessment for water-related assets.

A recurring institutional challenge identified during the session was the tendency of development banks to hold projects rather than recycle them into secondary markets. If these institutions securitized or sold their mature assets, they could redeploy capital more rapidly into new projects. Cultural and regulatory inertia within such organizations was seen as a barrier that reform could address, potentially unlocking significant new funding.

The role of research and public policy was also explored. Academics and policymakers can contribute by creating methodologies that quantify water-related financial risk, by developing watershed-based models that link ecological metrics to fiscal outcomes, and by informing regulatory frameworks for climate-resilient investment. Central banks and regulators are beginning to stress test financial institutions against climate and nature-based risks, but integration of water data into these exercises remains limited.

The conversation closed with a reflection on systemic and cultural obstacles. Water remains the least-funded of all global development goals, even though it underpins every other sustainability target. Participants agreed that overcoming this neglect will require both a shift in perception—recognizing that water is not free—and a coordinated effort among corporations, investors, and governments. Some argued that the future of sustainable finance lies in what they called the "blue economy," where water is valued and financed with the same seriousness as carbon and energy.

The final exchanges emphasized the need for innovation at every level—from technologies that improve water efficiency to financial products that capture its value and redistribute risk. Participants called for translating the value of public goods into financial terms that can appear on balance sheets, enabling investors to see water not as a charity issue but as a core economic asset. They also warned of underappreciated systemic water risks, such as aging dams, shifting river systems, and hydropower dependencies in climate-sensitive regions, which could have cascading effects on energy security and sovereign stability.

In conclusion, the session underscored that scaling investment in water requires more than capital. It demands transparency, governance, risk-sharing, and an integrated understanding of how water sustains entire economies. Transforming this essential resource into a credible investment class will depend on building institutions and instruments that connect local realities with global capital markets. Water finance, the group agreed, is the next great test of the blended finance model—a space where innovation, equity, and resilience must converge.

Investor Type Cohort Session #1: Asset Managers, Local Actors and Project Developers: Scaling up Projects, Ticket Sizes, and Mobilizing Private Capital at Scale and Speed to the Most Vulnerable Countries

The session focused on how to expand the reach and impact of blended finance, particularly in directing private capital toward vulnerable and underserved countries. The discussion opened with the observation that "scaling" is not just about making deals larger but about deepening participation and ensuring that financing mechanisms are inclusive and sustainable. While the global investment community has shown growing interest in climate and impact-driven projects, participants agreed that persistent barriers—ranging from high perceived risk in emerging markets to complex measurement requirements—continue to impede the flow of funds to where they are most needed.

The conversation began by identifying three principal instruments that could unlock larger volumes of sustainable investment: labeled bonds, debt-for-impact structures, and outcome-based financing. The first, the market for environmental, social, and governance (ESG) or sustainability-linked bonds, was described as the most rapidly scalable channel for mobilizing private capital. Although these bonds sometimes deliver broad rather than deep impact, their volume is significant and their potential to direct capital quickly toward green and social projects remains unmatched. The global market for such instruments grew from near zero in 2019 to nearly a trillion dollars in only a few years, reflecting growing investor appetite. Participants noted that this growth should not be taken for granted and that continuous engagement with issuers—both sovereign and corporate—is essential to maintain momentum and ensure that projects funded under these frameworks remain transparent and accountable.

The second category of instruments, debt-for-nature or debt-for-impact swaps, was discussed as a more bespoke but highly promising approach. These arrangements allow countries to restructure their sovereign debt on the condition that they reinvest a portion of the savings into conservation or climate projects. Such transactions were presented as triple wins: investors receive attractive returns with reduced risk, nations ease their debt burdens, and funds are directed toward measurable environmental restoration. Examples referenced included small island and Latin American countries where debt conversions have financed biodiversity protection and ecosystem recovery. Participants emphasized that while these structures historically depended on multilateral support, new actors—private insurers, philanthropic funds, and specialized credit enhancers—could increasingly take on the risk-sharing role.

Outcome-based bonds, the third focus area, were described as an innovative yet still nascent model. These instruments tie financial returns directly to the achievement of quantifiable results, such as verified increases in species populations or reductions in carbon emissions. The challenge, as noted, lies in their long gestation periods, complex structuring, and heavy verification needs. While the pandemic and shifts in political leadership had slowed the market temporarily, renewed interest and a push toward standardized templates were expected to revive activity. Participants expressed optimism that, with a more consistent framework, such results-linked models could attract mainstream investors and achieve replication across regions.

One of the perspectives offered was that blended finance and large-scale deployment are, by their nature, difficult to reconcile. The argument held that there simply is not enough concessional capital available to scale indefinitely. Instead, blended finance should serve as a catalyst—a transitional mechanism designed to prove that projects in emerging markets are less risky than often assumed. By demonstrating that perceived risk exceeds actual risk, blended finance can build local investor confidence and ultimately remove the need for concessional layers. The concept of “sunset provisions” was presented as essential: each blended structure should have a clear timeline and strategy for phasing out subsidies once the model is proven.

Illustrative examples demonstrated how this principle works in practice. In one case, a modest first-loss facility provided by a foundation enabled hundreds of millions in lending for energy-efficiency retrofits in Eastern Europe. As participating banks observed low default rates, they expanded their programs regionally without further concessional support, creating a multibillion-dollar market. Another example involved financing clean energy access in African refugee settlements. Early concessional elements, including results-based grants and subordinated debt, helped attract commercial lenders, but the ultimate goal was to sell these portfolios to domestic institutional investors, reducing reliance on foreign hard-currency debt. The point was repeatedly made that true scale will come when local capital—banks, pension funds, and insurers—sees these investments as familiar and bankable.

The dialogue then turned to the relationship between financial return and implementation timelines. Participants discussed how nature-based solutions often require years before the generation of measurable returns through carbon credits or ecosystem restoration. Private investors are willing to participate if clear revenue streams can be guaranteed through off-take agreements. In recent years, large technology companies with ambitious climate targets have emerged as critical buyers of high-quality carbon removal credits. These commitments create predictable demand that can underpin project cash flows and allow investors to securitize future revenue. New corporate coalitions that aggregate demand for verified carbon credits were highlighted as encouraging developments, offering a pathway to scale through standardization and integrity.

At the same time, speakers acknowledged that the sector's credibility depends on the integrity of its metrics. Strong verification and certification mechanisms are needed to distinguish between genuine impact and greenwashing. Yet there was shared frustration about the administrative weight of current reporting requirements. The cost of meeting donors' measurement and verification demands was said to be disproportionately high, particularly for smaller project developers. Several participants argued that the sector's preoccupation with quantification—the "physics envy" of ESG—can undermine efficiency. Some impacts, they insisted, are self-evident: when a farmer gains access to solar irrigation or a driver switches from petrol to electric mobility, the social and environmental benefits are clear without expensive audits. The consensus was that measurement must be credible but proportionate, and that local implementers need more trust and autonomy.

This concern also connected to a broader ethical debate. Participants warned against a dynamic where donor countries impose rigid frameworks and extract data from local communities without equitable participation—likening some practices to a modern form of conditionality or "development surveillance." Instead, the emphasis should shift toward partnership and capacity building, ensuring that impact assessment strengthens rather than burdens local systems.

On the question of liquidity and investor appetite, participants noted that listed and standardized instruments remain far easier for global investors to adopt than illiquid, bespoke transactions. Transforming private credit portfolios into tradable or "listable" formats could therefore expand participation. However, the addition of too many complex structural features tends to deter mainstream investors, who associate intricate securitizations with opacity and risk. The group agreed that simplicity, transparency, and clear pricing are essential to scale. At the same time, competition among local lenders—once successful pilots prove their viability—can drive down borrowing costs organically, offering a form of scaling that depends on market dynamics rather than donor interventions.

A question was raised about whether the availability of concessional capital could create dependency, prompting investors to expect de-risking even when not necessary. The response emphasized the importance of design discipline: each successive iteration of a blended product should reduce its reliance on subsidies, both to conserve limited resources and to build genuine market confidence. In practice, that means moving from 20 percent first-loss protection to 10 percent, then to none, as track records accumulate.

The discussion closed with reflections on the relative scalability of different impact markets. Carbon, participants agreed, remains the most universal and quantifiable metric, enabling consistent valuation across geographies. Biodiversity credits, by contrast, are highly localized, tied to specific ecosystems, and difficult to aggregate. While biodiversity finance is conceptually compelling, it lacks the standardization that makes carbon a tradable asset. The group nevertheless expressed hope that growing recognition of nature's economic value will gradually drive convergence between the two fields.

In conclusion, the session portrayed blended finance as a bridge rather than a destination. It is a transitional strategy meant to demonstrate viability, correct misconceptions, and attract local and institutional capital to sectors once considered too risky. To succeed, it must balance rigor with pragmatism, speed with integrity, and public with private interest. The long-term objective is not to perpetuate dependence on concessional funding but to build self-sustaining markets where financial and developmental returns align. The conversation captured both the promise and the growing pains of a field that sits at the intersection of finance, policy, and impact—an evolving experiment in making capital work for the planet's most pressing challenges.

Investor Type Cohort Session #2: Family Offices, Foundations, & Impact Funds: Unlocking High-Risk Capital for Innovation and Impact in the Most Vulnerable Countries

The session sought to identify where high-risk and high-additionality capital is most needed, the structures and standards that can mobilize resources at scale, and what kinds of research, partnerships, and policies are required to advance blended finance as a field.

The conversation began by outlining the distinct but complementary roles of three major actors: foundations, family offices, and impact funds. Foundations, it was noted, tend to be motivated by philanthropic goals and have the flexibility to take the earliest and riskiest positions in projects. They often finance proof-of-concept work, landscape research, or pilot programs in frontier markets that commercial investors are unwilling to enter. In these spaces—ranging from small island nations to fragile economies—foundations can provide critical first-loss or concessional capital that demonstrates viability and attracts later investment.

Family offices occupy a different place on the continuum. Traditionally built around capital preservation, they nevertheless have the agility to make faster, more entrepreneurial decisions and can serve as early movers in new blended finance structures. They are increasingly participating as limited partners in impact funds or providing catalytic equity to crowd in debt and institutional investment. However, many still require education and structured engagement to understand how to combine their philanthropic and investment arms effectively.

Impact funds, by contrast, operate under fiduciary responsibilities to investors and vary in how they balance financial and social objectives. Some are "impact-first" and accept lower returns, while others remain "finance-first" with clear commercial expectations. Their role typically begins once business models are proven and scalable. They seek opportunities in sectors such as financial inclusion, renewable energy, infrastructure, and technology, deploying capital where evidence of viability already exists. When these three actors work sequentially—foundations taking initial risk, family offices scaling up early-stage models, and impact funds mainstreaming them into broader markets—the ecosystem can achieve meaningful mobilization.

The need for this coordination is especially acute in regions that combine rapid growth with systemic vulnerability. Many parts of Asia and the Global South face climate shocks, health system fragility, and food insecurity. These regions represent both the greatest development challenges and the largest opportunities for catalytic capital to achieve global impact. The blended finance approach was presented as an essential structuring tool to align incentives, balance risk and return, and bring different forms of capital to bear on these problems.

Participants reflected on the persistent difficulty of mobilizing private capital beyond development finance institutions. Traditional aid and DFI-led models often fail to attract complementary private flows, leaving projects dependent on donor cycles. A shift is needed from grant-giving toward investment mindsets in philanthropy, emphasizing risk-taking and experimentation. Many noted that the number of truly catalytic players remains small, and that the field continues to struggle with questions of sustainability once concessional layers are removed. Some models address this by using early-stage first-loss capital to demonstrate viability and then gradually phasing out subsidies as commercial investors step in.

The discussion also addressed misconceptions about catalytic finance. It should not serve as a perpetual subsidy but rather as a temporary tool to de-risk markets that are close to being self-sustaining. Over time, the concessional component should shrink as the private sector gains confidence and scale. The long-term aim is for blended finance to become standardized and predictable—what one speaker described as "boring." Once models are proven, they should be replicable and easily understood by institutional investors.

Examples were shared of national initiatives designed to make blended finance more accessible and transparent. One such initiative, launched with support from a central monetary authority, created a digital platform where private banks could offer their clients pre-vetted impact opportunities. It was developed to address the disconnect between wealth managers and the social investment community by presenting curated investment pipelines. The effort was complemented by partnerships with financial associations and international organizations to define templates for blended finance transactions and strengthen impact measurement. Even so, most blended finance deals today remain heavily debt-oriented, and there is a clear need for more equity participation from philanthropic and private investors at the top of the capital stack.

Education and capacity building emerged as recurrent themes. Many family offices and smaller funds lack the expertise or confidence to participate in complex blended structures. In several regions, the basic institutional infrastructure—such as formally organized family offices or regulated impact investment vehicles—is still nascent. Building these capacities, creating local exemplars, and sharing lessons across markets were identified as prerequisites for scale. Convenings and peer learning were seen as more effective than surveys in generating practical insights and fostering collaboration.

Participants emphasized the need for greater transparency and information sharing. Too often, investors operate in silos, unaware of others pursuing similar goals. Foundations and family offices frequently hold data on deal flow and impact outcomes that could unlock new partnerships if shared. Collaboration between asset managers, wealth advisers, and philanthropic intermediaries is particularly limited, as each uses its own language and frameworks. Establishing platforms for continuous dialogue and co-design could help align expectations and accelerate deployment.

Several participants from the floor reinforced the points about early-stage risk and the "valley of death" that many innovators face when scaling sustainable technologies. Despite compelling models and strong data, entrepreneurs in sectors like clean agriculture or renewable infrastructure often struggle to secure even small amounts of seed capital. Investors tend to prefer de-risked or later-stage opportunities, leaving a gap between pilots and scalability. Others noted that while concessional capital can bridge this gap, it must be paired with solid business models that ensure sustainability once subsidies are withdrawn. Governments, for their part, must focus on enabling environments—policy frameworks, regulation, and public procurement—that allow blended finance to operate effectively.

There was also debate over whether certain market failures justify permanent catalytic layers. Some argued that as long as distortions such as agricultural subsidies in developed economies persist, vulnerable markets will continue to require concessional support. Others countered that catalytic finance should not compensate for structural policy failures but instead concentrate on building local capital markets and demonstrating commercially viable solutions.

The discussion turned toward the broader transition from innovation to normalization in the blended finance space. The current phase, participants agreed, must be characterized by experimentation and learning. Over time, however, structures should converge around simpler, standardized models that institutional investors can trust and replicate. The goal is to create a mature ecosystem where catalytic mechanisms are no longer exceptional but integrated into mainstream finance.

In conclusion, the conversation underscored that the financing gap for achieving the Sustainable Development Goals remains vast—over a trillion dollars annually in some regions—and cannot be bridged without aligning public, philanthropic, and private capital. Foundations, family offices, and impact funds each have unique strengths that, when coordinated, can multiply impact. Future priorities include building blended finance platforms and aggregators, investing in capacity building, improving transparency in deal pipelines, and encouraging ongoing dialogue among all actors. Even modest steps toward greater collaboration and data sharing could help move from isolated transactions to systemic mobilization, advancing the collective aim of making capital work for sustainable and inclusive growth.

Investor Type Cohort Session #3: Institutional Investors: Mobilizing Private Capital at Scale and Speed towards the SDGs in the Most Vulnerable Countries

The discussion centered on how to mobilize institutional investors toward financing sustainable development in the most vulnerable regions through blended finance. The session explored both the promise and the problems of using concessional capital to de-risk private investments, with participants drawing from experience in asset management, sovereign investment, development finance, and rating analysis. The conversation was candid about the mismatch between ambition and current practice: while blended finance has proven capable of attracting commercial capital, it remains far from reaching the necessary scale.

The opening remarks framed blended finance as a complex coordination exercise. Designing such structures was compared to hosting a dinner where everyone has incompatible dietary restrictions—each stakeholder brings a distinct mandate, risk tolerance, and time horizon. The complexity, it was argued, is not an excuse for inaction but a driver of collaboration and innovation. Despite the evident potential, participants agreed that blended finance is still treated as a niche rather than a mainstream investment mechanism, constrained by long payback periods, limited liquidity, and an excessive perception of risk. Drawing on practical experience, the discussion outlined several lessons. The first was that concessional, or "junior," tranches should be used sparingly and precisely calibrated. Around fifteen to twenty percent of a fund in subordinated positions was said to be sufficient to mobilize private capital, with larger proportions simply diluting the fund's capacity. The second insight concerned the need for simplicity and standardization. Rating agencies often misclassify the risk hierarchy of blended finance structures because existing methodologies were not built for them, while regulatory frameworks still treat these instruments as anomalies. Keeping the waterfall structure clean, clearly documenting subordination, and limiting the special rights often claimed by public or development finance partners were seen as essential to achieving credible ratings and attracting long-term investors. Third, the conversation called for more flexibility in public and concessional participation. Overly narrow mandates—restricting funds to single regions, sectors, or currencies—were said to limit their size and resilience. Finally, there was broad agreement on the need for better data. Without comparative evidence on default rates, recovery, and impact, investors will continue to conflate perceived with actual risk. Linking financial performance data with academic and impact research was proposed as one way to build confidence.

The discussion then turned to the changing economics of climate and infrastructure investment. Over the past decade, sharp declines in renewable energy technology costs and maturing regulatory frameworks have made many projects commercially viable without concessional support. Blended finance, in this view, should serve only to push marginal projects "over the hurdle" rather than become a default tool. The critical constraint is now policy and regulation, not technology. Examples from African energy markets illustrated how poor balance sheets, subsidies, and regulatory bottlenecks prevent viable projects from being bankable even when they are economically sound. Innovative structures, such as virtual utilities designed to isolate profitable components within uncreditworthy systems, were described as ways to make projects insurable and investable with minimal guarantees. This perspective portrayed blended finance as a bridge, not a permanent crutch, and warned against overuse that distorts incentives or creates insulated pilot projects disconnected from national markets.

A contrasting view emphasized the reputational risk of blended finance itself. From an institutional investor standpoint, labeling a transaction as "blended" can unintentionally signal weakness. The mere presence of concessional capital may suggest that a deal is too risky for commercial participation, even when fundamentals are strong. This stigma, combined with limited communication from the blended finance community, reinforces rather than removes barriers. The critique was that practitioners often "sell structures, not opportunities," focusing on fund mechanics rather than building scalable, mandate-aligned investment platforms. The real work, participants argued, lies in creating investable asset classes that can be benchmarked and diligenced alongside traditional ones. Framed this way, blended finance should be seen not as a development experiment but as part of a broader investment agenda. The call was to shift away from dependence on the small collective balance sheet of multilateral and development banks—roughly two trillion dollars—toward tapping into the global institutional capital pool exceeding three hundred trillion. The imbalance of effort, with the industry spending ninety percent of its time structuring around concessional finance that can only ever mobilize ten percent of what is needed, was described as a structural failure.

A key thread running through the debate was the difference between perceived and actual risk. Data from rating agencies show that infrastructure debt in African markets has lower default rates than comparable assets in North America, yet investors demand several hundred basis points more in return. This risk premium translates into billions of dollars in excess annual borrowing costs and, over time, lost portfolio performance for global institutions. The persistence of these misperceptions was attributed to opaque data and ingrained bias in traditional risk assessment. Several participants referenced the GEMs database – a global emerging markets database compiled by multilateral development banks that captures decades of project performance data but remains largely inaccessible to private investors. Efforts are underway to open and modernize this data, including the idea of using artificial intelligence to democratize access and eliminate subjective bias in risk evaluation. Such systems, it was suggested, could force fiduciaries to reconsider their assumptions and align risk assessment with empirical evidence rather than legacy heuristics.

Further discussion addressed the practical and psychological dynamics of structuring blended transactions. If concessional features are introduced too early in negotiations, they tend to become permanent expectations; yet in some markets, engagement is impossible without them. The timing and framing of these instruments were described as delicate. Guarantees and catalytic tranches can reassure cautious investors, but they can also trigger suspicion by implying undisclosed risks. For this reason, some asset managers prefer to present them only after a project's commercial fundamentals are clear. Participants also stressed the importance of aligning incentives between concessional and commercial investors. In some structures, both parties receive identical returns when the portfolio performs well, ensuring that concessionary money serves only to absorb losses if they occur rather than to provide superior terms or permanent subsidies. This approach was said to strengthen trust and demonstrate that the mechanism is a tool for de-risking, not a distortion of market logic.

The conversation closed by broadening its lens beyond finance. The bottleneck in scaling investment, participants argued, is increasingly political rather than financial. Private capital is abundant, but the frameworks for channeling it remain tied to outdated models of development finance. Multilateral banks are mandated to mobilize multiples of private capital for every dollar they deploy, yet in practice their mobilization ratios remain a fraction of that. If these institutions achieved even half of their targets, trillions in additional private capital could flow to emerging markets. The need, therefore, is for new partnership models that bring governments and institutional investors into alignment from the outset, bypassing slow bureaucratic processes. One such concept, inspired by public pension collaborations in Canada and Australia, would formalize "institutional investor public partnerships" to jointly design investable pipelines that meet both public and fiduciary objectives.

Across all perspectives, a few shared conclusions emerged. Blended finance must evolve from bespoke transactions into a standardized market instrument that can operate at scale. Transparent data and improved education are essential to narrow the gap between perceived and actual risk. Concessional capital should remain catalytic, used to unlock markets rather than sustain them. And ultimately, finance alone will not solve the challenge: enabling regulation, political alignment, and systemic reform are equally important. Despite differences in emphasis, the discussion ended on a cautiously optimistic note. The participants recognized that the tools and knowledge exist to make sustainable investment a mainstream asset class, but doing so requires reframing blended finance from a developmental concession to a disciplined, data-driven investment strategy that serves both impact and returns.

Investor Type Cohort Session #4: DFIs & MDBs: Catalytic Role of Public Finance, especially in the Most Vulnerable Countries

The session explored how development finance institutions and multilateral development banks can play a catalytic role in mobilizing private investment for sustainable development, particularly in the most vulnerable and low-income countries. Participants examined how these institutions can extend their reach to riskier markets, bridge the financing gap left by declining official development assistance, and help drive systemic change in the architecture of development finance.

The conversation began with a discussion on the evolving purpose of public finance institutions. Development banks were originally established to prove that private investment in developing markets could be viable and profitable. Having largely achieved that demonstration effect, their challenge today is to act as market makers rather than only as direct financiers. One example discussed was a recent securitization initiative by an international development finance institution that packaged several hundred million dollars of originated loans into a structured vehicle and sold participations to private investors. The purpose was not merely to free up capital, but to create a new asset class familiar to global investors and build confidence in emerging market credit exposure. While this approach may be limited by the difficulty of finding large, diversified, high-quality portfolios, it represents a significant step toward broadening the market for development-linked assets.

Speakers emphasized that the catalytic role of public finance extends far beyond capital provision. It also depends on courage, creativity, and strategic intent. Public resources can serve as a springboard rather than a safety net, helping to unlock markets that private investors perceive as too risky. By absorbing risk and signaling confidence, public capital can mobilize commercial capital at scale. Importantly, catalytic does not necessarily mean concessional; rather, it means structuring transactions intelligently—through guarantees, subordinated tranches, or blended instruments that give private investors a reason to participate. This shift requires development institutions to move from isolated project transactions toward ecosystem-building approaches that nurture entire markets and attract follow-on private investment.

A central issue in the discussion was how to measure success in such catalytic roles. Participants noted that development finance impact is often assessed at the point of investment approval, but not in the years that follow, when secondary effects become apparent. These secondary effects—such as market creation, policy reform, and increased investor confidence—are difficult to quantify but fundamental to the mission of development finance. Current frameworks for measuring additionality, concessionality, and systemic change remain inconsistent across institutions. Although some institutions have developed internal metrics and harmonized standards, the lack of transparency and publicly available data hinders broader learning. Historical databases show that actual default rates are far lower than assumed in many pricing models, suggesting that excessive conservatism in risk assessment continues to limit capital deployment.

This led to a broader discussion about the need to redefine risk itself. Traditional financial models often fail to account for the systemic risks that define today's development landscape—climate change, environmental degradation, and social fragility. If the risks of inaction are not priced in, investments in sustainability and resilience will always appear less attractive. The group argued that development institutions must move beyond narrow financial risk metrics to consider how their interventions reshape markets, strengthen institutions, and alter perceptions of risk. The impact of these efforts should be seen in the capacity they build, the policy environments they improve, and the market behaviors they shift over time.

Institutional culture emerged as a major barrier to achieving this transformation. Risk departments within public finance institutions are designed to be cautious, but that caution can paralyze innovation. Participants agreed that better use of data and evidence can help replace reflexive risk aversion with rational risk-taking. When institutions understand their true loss history and recovery rates, they can deploy capital more confidently. Some successful examples were cited where guarantee mechanisms and blended finance facilities enabled institutions to reach higher-risk markets without compromising financial integrity. The discussion highlighted that change requires not only new instruments but new organizational habits—such as integrating risk management, origination, and mobilization teams so that risk-sharing and crowding-in of capital are considered from the very beginning of project design.

Coordination among institutions was also recognized as essential but insufficiently realized. Although there have been attempts to create country platforms where governments, donors, and financiers coordinate around shared investment pipelines, these platforms often struggle to match capital with viable projects. In many countries, the bottleneck lies not in the availability of funds but in the lack of investable opportunities, weak regulatory environments, and limited institutional capacity. Some examples were shared of efforts to improve upstream advisory work—helping governments design reforms and frameworks that make private investment feasible—but participants agreed that progress remains uneven. Political constraints, donor fragmentation, and differing institutional standards continue to impede unified approaches.

The conversation also turned to the role of knowledge, learning, and narrative in driving change. Quantitative data is indispensable, but it must be complemented by case studies and storytelling that convey how catalytic interventions work in practice. Real-world examples of blended finance and market creation—such as pioneering renewable energy or infrastructure projects—can illustrate what success looks like and help replicate it. Academic institutions and development partners are increasingly documenting such cases, and this evidence base can help educate both practitioners and policymakers.

Participants reflected on who ultimately needs to be convinced for change to take root. Within the institutions themselves, operational teams and syndication officers are key agents of transformation, translating high-level mandates into practice. Externally, ministers of finance, regulators, and rating agencies need to understand how catalytic finance operates and why it can be both prudent and developmental. There was a shared sense that bridging the gap between the financial world and the impact measurement world is critical. The two domains—finance and development—often speak different languages, but aligning them is essential for scaling effective blended finance and system-oriented investment.

The discussion closed with a call for deeper partnerships between development institutions, academia, and governments to build evidence, train the next generation of development financiers, and embed systemic thinking across the field. The group agreed that the world of development finance stands at a turning point: these institutions must evolve from being conservative lenders into bold market creators. To do so, they must use data intelligently, collaborate across silos, and embrace a broader understanding of risk—one that recognizes courage and creativity as essential elements of capital. The future of catalytic finance will depend not only on how much money is deployed, but on how effectively institutions can change systems, shape markets, and redefine what sustainable investment truly means.

NEXT STEPS & AVENUES OF COLLABORATION

We hope the above summary helps inform future plans and actions of each participating organization about the critical bottlenecks and opportunities in mobilizing more private capital to help foster sustainable (economic, environmental, and social) development.

Similarly, they inform SIRI's research activities and educational programming. To stay engaged with SIRI and informed about its latest research and other activities, please join the mailing list and visit the dedicated SIRI Blended Finance webpage (https://siri.sipa.columbia.edu/content/blended-finance).

We will hold more roundtable discussions and conferences on blended finance in the near future. Specifically, the 4th SIRI Blended Finance Roundtable Discussion will be focused on Indonesia and take place in Bali, Indonesia, on Saturday May 23, 2026. The 3rd annual SIRI Blended Finance Conference will take place at Columbia University during NYC Climate Week 2026 (date tbc). Once again, we will invite key leaders investing and operating in the specific country of focus.

Please save the dates:

- **4th SIRI Decisionmakers Blended Finance Roundtable Discussion on Indonesia – Saturday May 23, 2026**
- **3rd Annual SIRI Blended Finance Conference – NYC Climate Week 2026 (date tbc)**

To drive progress and help scale up the global marketplace for blended finance, SIRI would be delighted to engage you and/or your organization in its various activities across education, research, and dialogue. Collaborations can take on many different forms:

1) co-hosting SIRI Blended Finance convenings and other activities to foster dialogue among leaders from academia, public policy, and the private sector around blended finance;
2) writing case studies and fostering academic research on blended finance;
3) developing better measures to track progress on addressing climate change, biodiversity loss, and other system-level challenges;
4) supporting curriculum development and extra-curricular activities for graduate students (including case studies, consulting projects, internships, job opportunities, etc.) to educate the future leaders in finance, business, and policy; and
5) developing workshops, trainings, and executive education around blended finance to educate the current (and next generation of) leaders in finance, business, and policy.

If you or/and your organization are interested in exploring potential avenues of collaboration with SIRI, please reach out to SIRI Director Professor Caroline Flammer (caroline.flammer@columbia.edu), SIRI Blended Finance Co-Director Nnamdi Igbokwe (ni2307@columbia.edu), and Associate Dean Katherine Benvenuto (kad57@columbia.edu).

THANK YOUS

A big thank you to everyone for joining the 2025 SIRI Blended Finance Conference. Your insights were invaluable to the conversation (and to this summary report) and to making progress in mobilizing more private capital investments for sustainable development, especiallly in the most fragile and least developed markets.

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