



ENHANCED DATA BRIEF | DECEMBER 2025

# Humanitarian Blended Finance: Exploring Models to Scale

## HIGHLIGHTS

- Humanitarian Blended Finance (HBF) is defined by the Humanitarian Innovative Finance Hub as the strategic use of humanitarian resources to catalyze concessional finance and greater private sector participation in fragile, conflict-affected, forced displacement, and climate vulnerable settings, where traditional forms of blended finance have very limited reach.
- Humanitarian actors are not passive recipients or end-implementers in HBF. Rather, they serve four key roles: convenors, advisors, enablers, and implementers.
- HBF enhances localization, either by enabling governments to assume greater responsibility through taking on loans or by strengthening the local private sector.
- Convergence has recorded only 20 HBF transactions to date, making it a small niche within the 1,500+ global blended finance deals captured in Convergence Market Data. However, the broader field of humanitarian investing is developing rapidly, with a growing number of innovative financing initiatives that, while not formally blended, demonstrate increasing interest and experimentation in this space.
- HBF transactions are typically small, 75% are below \$50 million, with most in the \$5-25 million range, reflecting early-stage, bespoke structuring and fragmented pipelines.
- HBF deals disproportionately target vulnerable populations. 75% of transactions serve low-income or bottom of the pyramid (BoP) communities, and 45% target women and rural populations—well above fragile or conflict-affected situations (FCS) or global averages.
- Key challenges include weak humanitarian-development coordination, limited internal financial expertise among humanitarian organizations, small ticket sizes misaligned with mainstream investor mandates, mispriced risk, and heavy reliance on short-term grants.
- Four blended finance models show particular promise for scaling HBF: funds for scaling / diversification, facilities to unlock local lending, companies for provision of essential services, and projects for their replicability. Within projects, a number of explorations particularly in access to energy and water infrastructure are in development in HBF, and offer significant potential for replication and scale as enabling conditions improve, in WASH, energy and other thematic areas.
- Reaching populations excluded from both traditional markets and humanitarian aid systems remains a core mandate for humanitarian actors, but doing so at scale requires new structuring approaches that crowd in private investment. Blended finance, when targeted effectively, can expand the reach and durability of humanitarian impact beyond what public or philanthropic capital can achieve alone.



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## Acknowledgements

### LEAD AUTHORS:

**Elyssa Pullela**, Associate, Market Insights;  
**Claudia Velimirovic**, Intern, Market Insights.

### CONTRIBUTORS:

**Andrew Apampa**, Associate Director, Market Insights;  
**Alicia Maitland**, Manager, Training and Engagement;  
**Maya Rotstein**, Associate, Training and Engagement;  
**Christopher Clubb**, Managing Director.

### IN COLLABORATION WITH:

**Juan Luis Coderque Galligo**, Senior Advisor, HIFHUB;  
**Peter Klansø**, Senior Advisor, HIFHUB.

### CONSULTATIONS:

**Frederik Teufel**, Lead Coordinator at the Transition States Coordination Office, African Development Bank;

**Cushla Thompson**, Lead Economist and Policy Analyst at the Crisis, Conflict and Fragility Unit, OECD;

**Lasse Møller**, Senior Economist, OECD;

**Juan Luis Coderque Galligo**, Senior Advisor, HIFHUB;

**Sarah Case**, Vice President of Humanitarian Systems Change, IRC;

**Sean Nicholson**, Executive Director of External Relations, Norwegian Refugee Council;

**Siddhartha Sinha**, Senior Innovative Finance Officer, UNHCR;

**Lev Plaves**, Investment Director, KIVA;

**Barrett Redmond**, Investor Relations Manager, KIVA;

**James Carey**, Policy Officer, DG ECHO;

**Mike Pearson**, Research Fellow in the Humanitarian Policy Group, ODI Global’;

**Kawtar Zerouali**, Deputy Director, Natural Assets Team, UNCDF.

**Petra Demarin**, Senior Advisor, International Federation of the Red Cross (IFRC)

### OECD DISCLOSURE:

The opinions expressed and arguments employed herein are those of the author and do not necessarily reflect the official views of the OECD or of its Member countries.

# Overview

In March 2025, Convergence published a [data brief](#) on *Blended Finance in Fragile and Conflict-affected Situations (FCS)*. The brief analyzes 54 blended finance transactions from Convergence Market Data, alongside interviews with industry stakeholders, to examine key market trends and highlight the challenges and opportunities associated with deploying blended finance in countries classified as FCS.

This brief builds on those findings and was developed in collaboration with the Humanitarian Innovative Finance Hub (HIFHUB). It aims to support the humanitarian finance community by identifying a set of blended finance structures and solutions that can be standardized and scaled to mobilize additional investment in support of humanitarian outcomes in FCS. The targeted sources of additional investment include development finance institutions (DFIs), multilateral development banks (MDBs), and domestic and international financial and real economy actors. For humanitarian actors and donors, the report

emphasizes the additionality of blended finance not only in terms of mobilized capital, but critically, in terms of impact.

This brief is designed for a range of stakeholders including humanitarian agencies, donors, DFIs, and investment partners. It incorporates data analysis from Convergence Market Data, a survey of existing publications and reports on humanitarian blended finance (HBF) and innovative finance, and consultations with sector experts. This brief aligns with broader global initiatives focused on blended finance standardization, including the [Grand Bargain Strategic Dialogue on Innovative Finance](#) convened in June 2024<sup>1</sup>, the FfD4 Summit and its [Outcome Document](#), and the [Seville Platform for Action](#) launched in July 2025. These processes have highlighted the need for scalable models, stronger evidence of impact, and more effective engagement with both the development and private finance communities.

## BACKGROUND

With Official Development Assistance (ODA) declining, both humanitarian and development financing are under increasing strain. While humanitarian responses continue to demand a large share of available aid, given the immediacy of humanitarian needs, significant gaps in funding for longer-term development and peacebuilding efforts remain. Humanitarian capacity, supported by grants, can play a role in building near-term stability for public and private investors to enter the market. This brief identifies an opportunity to leverage increased interest from humanitarian organizations to unite efforts to build the pool of catalytic capital for humanitarian and development outcomes. By increasing long-term funding, humanitarian actors can leverage their local knowledge, operational presence, and technical expertise to help structure innovative solutions. This increase can strengthen the resilience and self-reliance of affected communities, while attracting private capital into higher-risk, more complex markets.

However, HBF is not a panacea. Not all sectors or contexts are well-suited to public and private capital, and efforts to blend finance must be grounded in realistic assessments of market readiness, investability, and the potential for revenue generation. In contexts requiring life-saving humanitarian action, such as emergency food assistance, protection, or rapid crisis response, blended finance is not an appropriate tool as these activities are not suited to commercial investment and should not be shaped by financial incentives. Similarly, in settings where political instability or weak governance undermines basic service delivery, grant-based support will remain essential. Humanitarian actors must therefore adopt a selective and strategic approach, identifying specific sectors, such as energy, livelihoods and inclusive finance, infrastructure, health, and education, where blended finance can add value without compromising humanitarian principles.

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1 The dialogue focused on scaling existing humanitarian financing pilots, addressing pipeline and investment-readiness constraints, and developing a stronger evidence base and narrative for innovative finance in protracted crises. Discussions emphasized blended finance, local actor engagement, and the need for standardized models to attract development bank and private sector capital.

# INTRODUCTION

HBF is a promising approach that supports the transformation towards long-term funding solutions by mobilizing more predictable and catalytic capital in humanitarian contexts. HBF is [defined](#) by the HIFHUB as the intentional use of humanitarian resources to unlock concessional capital and mobilize greater private sector engagement, with the goal of improving outcomes for communities impacted by fragility, conflict, and climate change. By strengthening the financing base for humanitarian and development outcomes, HBF can enable interventions that foster the self-reliance of crisis-affected communities.<sup>2</sup>

| TRADITIONAL<br>BLENDED FINANCE <sup>3</sup>                                                                                                                                                                                   | HUMANITARIAN<br>BLENDED FINANCE                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Blended finance is the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development. Convergence focuses on blended finance to catalyze private investment. | The intentional use of humanitarian resources to unlock concessional capital and mobilize greater private sector engagement, with the goal of improving outcomes for communities impacted by fragility, conflict, forced displacement, and climate change. |

With traditional funding declining, humanitarian actors are looking to innovative approaches to complement limited resources further, and deliver sustainable outcomes in humanitarian contexts. HBF can be applied in protracted crisis contexts where there is relative institutional or contextual stability (such as functioning local markets or government systems).<sup>4</sup> It is intended to complement, not replace, traditional humanitarian aid. [HBF](#) leverages humanitarian resources to de-risk investment opportunities, catalyzing concessional finance and private sector capital towards bottom of the pyramid (BoP) beneficiaries. [Humanitarian](#) organizations are uniquely

positioned to support this structuring approach because of their localized knowledge, operational presence, and technical expertise which help investors navigate high-risk and complex environments. As **Juan Luis Coderque Galligo**, Senior Advisor of the HIFHUB explains:

*“Blended finance in the humanitarian context comes down to three things: additionality of impact, additionality of resources in fragile settings, and additionality of efficiencies.”*

Coderque Galligo also differentiates between traditional blended finance structuring and HBF, emphasizing the importance of framing the end beneficiaries as local economic actors:

*“When discussing HBF and the private sector, we need to flip the conversation, especially when financing in fragile settings, and start thinking bottom-up. That means viewing beneficiaries themselves as private sector actors. They’re involved in livestock, agriculture, very small businesses, and small and medium-sized enterprises (SMEs). You have local companies, regional private sector players, and large international firms trying to grow their markets in these environments.”*

This brief, in partnership with the HIFHUB, builds on Convergence’s [data brief](#) on *Blended Finance in Fragile and Conflict-affected Situations*. It situates these findings within the existing body of work on humanitarian innovative and blended finance, including recent analysis by the [Grand Bargain, Norwegian Refugee Council](#) (NRC), [Overseas Development Institute](#) (ODI Global), [Directorate-General for European Civil Protection and Humanitarian Aid Operations](#) (DG ECHO), and others. The value added of this report lies in its incorporation of a further literature review, new data analysis from Convergence Market Data, and insights drawn from consultations with sector experts to identify concrete methods to scale humanitarian blended finance transactions.

2 This differs from Convergence’s [definition](#) of blended finance, which sees public or philanthropic capital as the catalytic input to mobilize private sector investment.

3 As outlined in Convergence’s [State of Blended Finance 2024](#) report, different methodologies for classifying blended finance exist across data providers.

4 While this paper focuses on FCS, many individuals experience fragility outside these settings, such as refugees or internally displaced persons. The approaches discussed here can also be relevant to those populations.



# Landscape Analysis

## LITERATURE

The literature on HBF converges on three themes: tailoring to context, recognizing humanitarian actors' roles, and building market systems for scale. While interest is growing, HBF remains fragmented and underdeveloped compared to other focus areas of blended finance such as climate or infrastructure.<sup>5</sup>

To better understand the opportunities and constraints for HBF, this section draws on three complementary perspectives:

- 1 insights from existing literature
- 2 analysis of the global humanitarian financing context
- 3 practical challenges identified by practitioners.

Together, these layers provide a foundation for identifying models that are both context-specific and scalable

**Tailoring to context:** The NRC's [paper](#) on *Blended Finance Solutions for Clean Energy in Humanitarian and Displacement Settings* highlights challenges including

short-term budget cycles, procurement barriers, and high commercial risk, stressing that blended finance should only address market failures and adhere to minimum concessionality. [DG ECHO's Pilot Initiative on Blended Finance for Humanitarian Aid](#) similarly found no single model for HBF, with one-off debt swaps and impact bonds rather than scalable initiatives. They highlight the role of cross-sector partnerships, particularly between development and humanitarian actors. Partnerships across humanitarian, development, and private sectors are foundational to scaling HBF, particularly at the project level where multi-actor collaboration unlocks finance and operational capacity. The [International Growth Centre \(IGC\)'s Blended Finance in Fragile Settings: P-RECs and the P-REC Aggregation Facility](#) illustrates how tailored risk-sharing mechanisms and local partnerships can address political and economic risks. The [Organisation for Economic Co-operation and Development \(OECD\) Development Assistance Committee's Blended Finance Guidance 2025](#) emphasizes the importance of crafting financial instruments and tools that are properly adapted, in both scale and design, to effectively meet the specific needs of target markets.

<sup>5</sup> To see a more comprehensive analysis of existing literature, see Annex I.

**Role of humanitarians:** The HIFHUB [report](#), *Mainstreaming Humanitarian Blended Finance*, identifies four roles for humanitarian actors: convener, advisor, enabler, and implementer. Far from being passive recipients or end-implementers, humanitarian organizations are increasingly positioned as strategic partners in structuring and executing blended finance solutions. The ODI Global [paper](#) on *Humanitarian Innovative Financing in Fragile Settings* further emphasizes the importance of leadership commitment, early-stage pipeline development, and cross-sector partnerships to strengthen the humanitarian role within blended finance ecosystems.

## GLOBAL CONTEXT AND TRENDS

The global context further explains why HBF is gaining traction. In [2025](#), a record 305 million people are expected to require urgent humanitarian assistance and protection. This unprecedented demand is [fueled](#) by record levels of armed conflicts and the growing frequency and severity of climate-related disasters. By [mid-2024](#), approximately 123 million people were reportedly forcibly displaced due to conflict and violence, while the global food security crisis worsened, affecting over 280 million people daily.

The United Nations Office for the Coordination of Humanitarian Affairs [estimates](#) that \$47 billion is needed to meet these growing global humanitarian needs. However, the first half of 2025 has seen a continued contraction in global humanitarian aid commitments. The United States, which accounted for 45% of funding to the Global Humanitarian Appeal in 2024, [announced](#) widespread suspensions and terminations of humanitarian and development contracts. This was followed by further reductions from other major donors, including Germany and the United Kingdom. As a result, by [June 2025](#), only 12% of funding required under the 2025 Global Humanitarian Overview has been secured, leaving a widening gap between urgent needs and available resources.

The future of humanitarian responses is at an inflection point. *The Reckoning and Renewal* [paper](#) commissioned by the Grand Bargain calls for a redesign of the humanitarian system. Originally built for a centralized, donor-dependent model, the system no longer suits global contexts and crises. The report urges a reconceptualization of humanitarian action for

**Building markets:** British International Investment (BII)'s [article](#), *The Demand Side of Blended Finance*, argues that system-level reforms are preconditions for viability and that pipeline development is critical, while the [World Bank's](#) *Closing the Gap: Trends in Adaptation Finance for Fragile and Conflict-Affected Settings* emphasizes capacity building, dedicated funding windows, and integration with peacebuilding. Collectively, these works highlight system-building and pipeline development as prerequisites for scaling HBF in fragile settings.

longer-term, transformative outcomes to complement short-term relief, adopting differentiated funding models, enabling locally led responses, and building financial fluency and mobilization of private capital across the system. This shift is echoed by **Frederik Teufel**, Lead Coordinator at the Transition States Coordination Office at the African Development Bank (AfDB), who notes in conversation with Convergence the need to move away from unsustainable service delivery models and the use of scarce grants to catalyze private sector participation. The [2025 FfD4 Outcome Document](#) reinforces this approach, emphasizing “the positive role that sustainable development can play in mitigating drivers of conflict, disaster risks, humanitarian crises, and complex emergencies,” and calling for a “comprehensive whole-of-system response” (para. 39(e)).

Blended finance transactions with humanitarian partners remain limited. However, blended finance has demonstrated reliability, with over 1,500 transactions recorded in Convergence Market Data. Humanitarian actors can play a catalytic role in de-risking projects through various concessional instruments in an effort to strengthen early-stage pipelines. This brief proposes four broad, blended finance models that can be tailored to various humanitarian contexts, targeting BoP populations in low-income countries while leveraging the unique toolkit of humanitarian actors.

These models are: 1) funds, 2) facilities, 3) companies, and 4) projects.

## CHALLENGES TO INVESTING IN FRAGILE CONTEXTS

Despite the growing policy recognition of HBF's potential, practical barriers remain. Drawing from literature, practitioner experience, and stakeholder interviews, five recurring challenges can be identified:

### 1 Coordination between humanitarian and development actors remains limited due to cultural and structural silos

The humanitarian-development-peace nexus, also known as the [Triple Nexus](#), promotes coordination between humanitarian, development, and peacebuilding actors to address urgent humanitarian needs and long-term development challenges in crisis settings. However, structural and cultural barriers continue to limit its practical application. Funding [streams](#) remain fragmented, with mismatched budgeting requirements and programming cycles that complicate integrated planning. Institutional silos also persist. Cultural differences in mandates and objectives further widen the gap. While humanitarian actors prioritize people, basic needs, and BoP beneficiaries, development actors often pursue broader goals such as economic transformation or political leverage. These differences are not irreconcilable, but they mean actors are often not working from the same playbook, even when operating in the same country.

**Siddhartha Sinha**, Senior Innovative Finance Officer at the United Nations High Commissioner for Refugees (UNHCR), discusses this disconnect, noting:

*"There is still a very big separation between the domains of humanitarian action and development investment. There's a big conversation about the so-called nexus or the transition from humanitarian contexts to development contexts. But for the moment institutionally, there are different organizations that work on both sides of that transition and the actual collaboration between them to support the transition is still very nascent."*

He adds that development institutions often *"struggle to define their involvement in fragile and humanitarian settings"* leading to limited participation in higher-risk contexts and Triple Nexus initiatives.

### 2 Humanitarian organizations face internal capacity gaps and limited ability to create investible HBF solutions

Humanitarian organizations typically lack the internal expertise to identify, design, structure, and implement HBF. In conversation with **Sinha**, he raises the need for capable counterparts between development and humanitarian agencies:

*"At the end of the day, you need a counterpart to speak to, to make a transaction happen (between humanitarian and development organizations). Once you start to get into [discussions about] sustainable finance or development institutions, those are centred around transactions. Can you invest in a context? Can you disburse the loan? Can you de-risk a portfolio? Unless someone on the other side knows what that means and what the actual applicable universe for these investments is, it's very difficult to have a real conversation."*

## CAPACITY BUILDING IN ACTION

Recognizing these capacity gaps, initiatives are emerging to strengthen humanitarian expertise in finance and investment. In 2023, IMD Business School, the World Economic Forum, Lombard Odier Foundation, and the International Committee of the Red Cross (ICRC) launched the [Driving Innovative Finance for Impact](#) (DIFI) program. Over three editions, 150 cross-sector experts contributed to developing 35 projects.

For the ICRC and the wider Red Cross Movement, the involvement of 25 water and habitat engineers across 10 projects directly supports a live pipeline of urban water infrastructure initiatives under the HBF model. While this approach requires specialized expertise, at its core is collaboration among field experts and managers from different sectors, aligning capacities, grants, and capital to achieve shared goals.

The [HIFHUB](#) report also highlights this challenge, noting that limited financing knowledge and difficulty engaging across sectors hinders humanitarian actors from identifying and structuring HBF transactions. The [NRC](#), similarly reports that even in energy-focused projects, many teams lack the combined technical and financial expertise needed for building HBF transactions, such as understanding financing mechanisms and commercial modelling. A lack of internal capacity makes it difficult for humanitarian actors to build a pipeline of investible opportunities, and subsequently, to participate effectively in HBF transactions.

While programs like DIFI mark important progress, systematic investment in institutional capacity, cross-sector learning, and internal incentives is still needed to scale humanitarian participation in blended finance. Building sustainable pipelines will require not only technical training but also a shift in organizational culture toward greater financial literacy and collaboration with counterparties beyond the humanitarian community.

### **3 The scale of humanitarian need is vast, but projects are typically fragmented into small, short-term interventions that fall below the minimum ticket size for most commercial investors**

Another challenge in HBF is that humanitarian initiatives often require smaller capital investments, making them less aligned with the mandates of large private investors. As a result, public investors play a particularly important role in FCS, often more so than in other sectors or geographies. As **Sean Nicholson**, Executive Director of External Relations at NRC, notes about their Capital Fund, some interested investors were unable to participate because their minimum thresholds exceeded the fund's size:

*"We had some people who said 'I love it, I'm in.' They were willing to invest \$100 million and I was saying, I can't do \$100 million. I'm looking for \$5 to \$10 million, and then they were saying they cannot do \$5 to \$10 million. So you have that whole problem going on."*

This misalignment is echoed by **Cushla Thompson**, Lead Economist and Policy Analyst at the OECD, who states:

*"In general, you need to scale down to be effective. It's important to meet the market where it's at. The market is often made up of very small enterprises at the local level."*



#### 4 Risk is mispriced due to reliance on national-level assessments that overlook local and informal dynamics

Risks are often mispriced in humanitarian contexts due to an overreliance on national-level, state-centric assessments. These assessments fail to capture local, sector-specific risks and informal dynamics.

Thompson, OECD, raises this issue, stating:

*“National-level assessments of risk can be unreliable; it really needs to be much more local and much more sectoral to accurately assess, and therefore accurately price, risk and understand exactly what the nature of the risks that need to be mitigated through different mechanisms is. That has real financial implications for structures and instruments, as well as how you work with populations and implement.”*

In [humanitarian](#) settings, local and regional investors and actors are often best positioned to properly assess risk, given their deep knowledge of the context, networks, and what works on the ground. Without this localized understanding, capital deployment becomes less informed and impactful, and riskier. [Trustworks Global](#) reports that most risk assessments used by international financing institutions and DFIs remain focused on formal, state-based dynamics, overlooking critical informal factors, making them insufficient for effective investment decision-making in FCS.

#### 5 Dependence on short-term grants in the humanitarian sector limits the adoption of financial instruments necessary for blended finance

Humanitarian [funding](#) remains predominately reliant on short-term, reactive grants, which constrain the sector’s ability to implement long-term, scalable solutions. As Coderque Galligo observes:

*“The cultural challenge is that many humanitarians come from a grant mindset, with little exposure to finance.”*

The [way](#) grants are currently used in humanitarian financing often limits the adoption of financial instruments such as debt, equity, and insurance, which are necessary tools to mobilize additional financing at scale. According to Sinha, attracting private and development capital requires a shift:

*“We start requiring financial instruments and investments that go beyond humanitarian aid and grants.”*

To [mobilize](#) financing and properly leverage HBF, an increased proportion of grants must evolve from short-term funding tools into strategic de-risking mechanisms. Building on this shift in how concessional capital can be deployed, the following analysis examines how HBF has been applied in practice by reviewing transaction-level evidence.



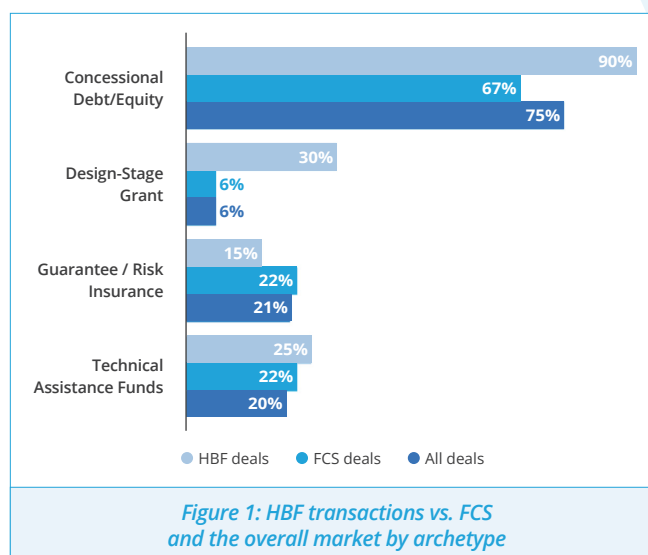
# Transaction Analysis

The data analysis for this brief considered 20 blended finance deals<sup>6</sup> which either included at least one humanitarian actor as an investor or were designed to achieve humanitarian outcomes.

## THE HBF MARKET REMAINS SMALL, WITH CONCESSIONAL DEBT AND EQUITY DOMINATING AS STRUCTURING TOOLS

Blended finance in humanitarian contexts is emerging but still limited in scale. According to Convergence Market Data, 20 HBF transactions have been recorded since 1997, with just 7 deals having been recorded from 2019 onwards. This is significantly fewer than the 54 transactions in fragile and conflict-affected states recorded from 2019-2023, and a fraction of the broader global blended finance market.<sup>7</sup> The relative scarcity of HBF deals reflects a challenging investment environment marked by severe volatility, weak governance, short planning horizons, and underdeveloped capital markets. However, the broader field of humanitarian investing is developing rapidly, with a growing number of innovative financing initiatives that, while not formally blended, demonstrate increasing interest and experimentation in this space.<sup>8</sup> The presence of even a modest HBF portfolio signals a growing recognition that humanitarian responses must work to complement short-term aid via models that attract sustainable and risk-tolerant private capital at scale.

Of the limited HBF transactions Convergence has recorded, 90% have used concessional debt or equity, a figure substantially higher than in FCS deals (67%) or the global blended finance market (75%). The dominance of concessional debt and equity highlights the flexibility of these instruments in humanitarian deployment, allowing blended capital to be injected directly into operating entities with the capacity to deliver essential services amid crisis conditions. Concessional debt and equity also hold potential as instruments in financing capital-intensive sectors such as infrastructure, health services, and energy delivery, while offering a longer time horizon and tolerance for delayed or irregular returns.



By contrast, technical assistance (TA), while present in 25% of HBF transactions, tends to function as a catalytic enabler rather than a deal structuring instrument. As outlined in Convergence's Data Brief on [Blending with Technical Assistance](#), TA, delivered through advisory and support, enhances the operational capacity of investees or other value chain participants. This helps lower high transaction costs and fosters a more investor-friendly environment. Thus, TA is invaluable for pipeline development, risk mitigation, and stakeholder alignment, especially when humanitarians are engaged in co-design or implementation. [TrustWorks Global](#) outlines the specific roles that DFIs can take in leveraging TA, namely (i) supporting investee compliance with investment requirements; (ii) supporting the creation of sector fundamentals / capabilities; and (iii) supporting government programs at the national level.

<sup>6</sup> Note that for any transaction to be considered [blended](#) and included in Convergence Market Data, it needs to have one of the following archetypes: concessional debt / equity; design-stage grants; technical assistance; or guarantees / risk insurance. All transaction information in Convergence Market Data is listed in United States Dollars.

<sup>7</sup> The global blended finance market includes only deals from 2019-2023 to maintain consistency with the findings from Convergence's 2024 Data Brief on [Blended Finance in Fragile and Conflict-Affected Situations](#).

<sup>8</sup> See Annex II for examples of blended and non-blended transactions.

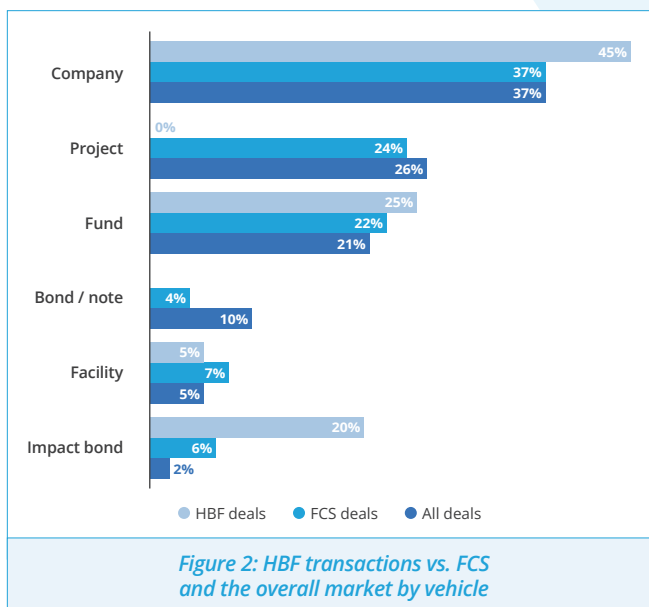
## COMPANIES ARE THE DOMINANT VEHICLE FOR HBF, WHILE PROJECTS AND FUNDS REMAIN LIMITED

Across HBF transactions, company-level vehicles dominate, accounting for 45% of deals. All four blending archetypes appear in Convergence's company-level transactions in FCS, illustrating how blended finance can be tailored to a company's needs and operating realities, and why this vehicle type is well-suited to complex environments.

Facilities also appear in the dataset, though they are more narrowly applied. They are almost exclusively used for the deployment of TA, supporting upstream activities like pipeline preparation, design support, and risk mitigation.

Notably, no HBF transactions have been structured as projects in Convergence Market Data despite the prevalence of project-level vehicles in FCS and global blended finance (24% and 26% respectively). This may reflect the relatively early stage of HBF activity, where fewer large-scale infrastructure or sector-specific delivery models have been brought to financial close.

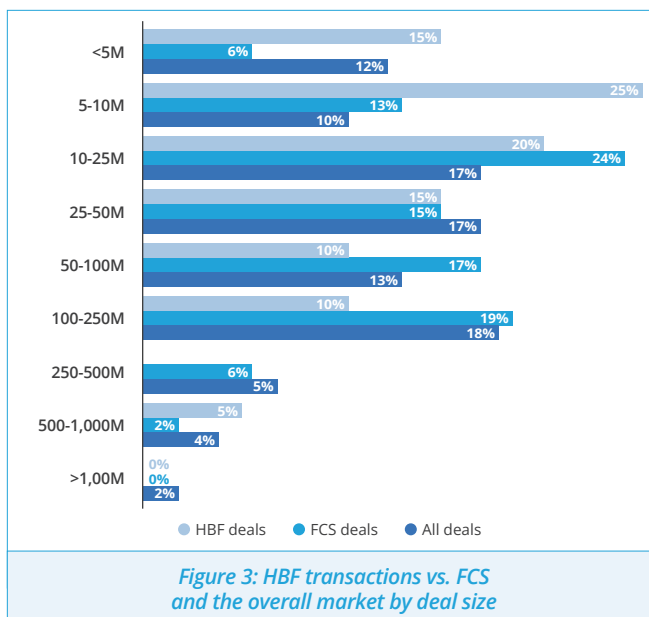
Funds are well represented in HBF, and are in fact more prevalent than in the global or FCS blended finance markets. They account for 25% of HBF



transactions, compared to 21% in the overall market and 22% in FCS. This suggests that funds may already be emerging as a preferred vehicle for aggregating capital and spreading risk across multiple initiatives in humanitarian contexts.

## HBF TRANSACTIONS TEND TO BE SMALL, WITH MOST DEALS UNDER \$25 MILLION

HBF transactions are small in size, with 75% of HBF deals being under \$50 million, compared to just 58% in FCS and 56% globally. The most common size band for HBF transactions is \$5-10 million (25%), followed by \$10-25 million (20%), and under \$5 million (15%). No HBF transactions exceed \$1 billion, and none fall in the \$250-500 million range, contrasting sharply with the global market, where 13% of transactions surpass \$250 million. This size distribution highlights HBF's position as an early-stage and experimental segment of the broader blended finance ecosystem. It reflects the relatively limited supply of investible projects in humanitarian markets, as well as the high transaction costs and often bespoke structuring needs that inhibit larger-scale capital deployment.

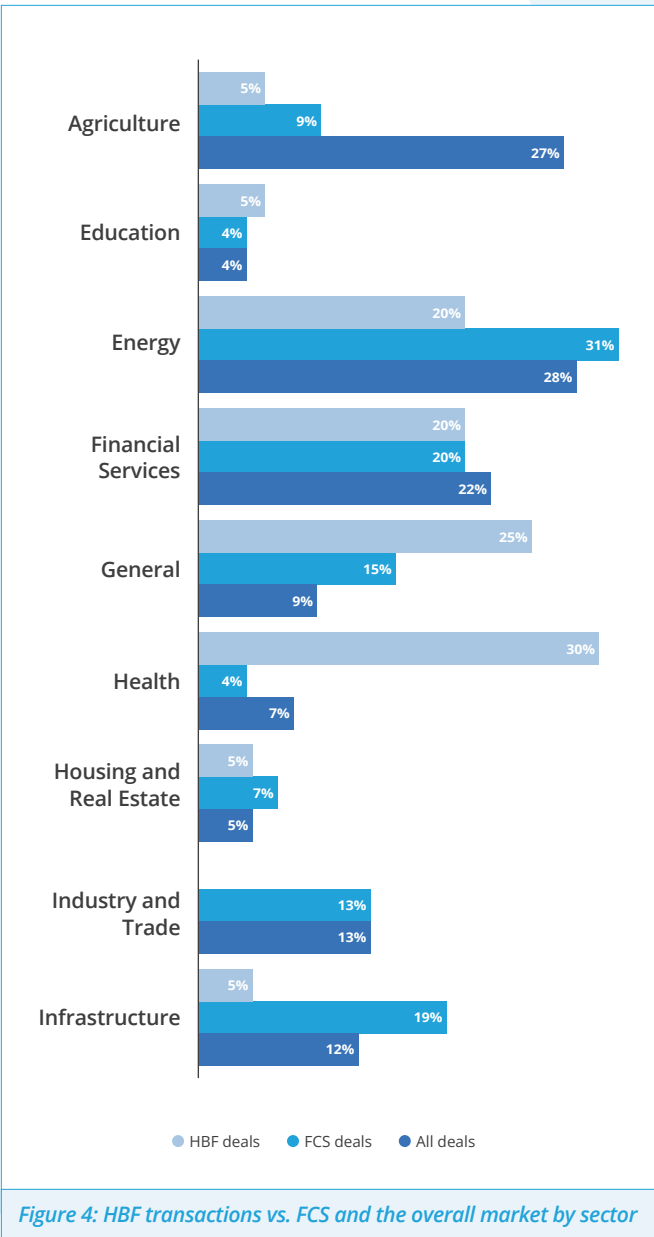


# HBF HAS BEEN MOST ACTIVE IN HEALTH AND GENERAL SECTORS, WHILE AGRICULTURE, INFRASTRUCTURE, AND EDUCATION LAG

The sectoral profile of HBF deals shows a distinct deviation from both FCS and global blended finance trends, likely driven by humanitarian priorities and delivery constraints. The health sector alone accounts for 30% of HBF transactions, far outpacing its representation in FCS (4%) and globally (7%). This sharp divergence reflects a focus on critical service delivery, such as water, sanitation, and hygiene (WASH), in crisis environments, where private markets alone are unlikely to fund healthcare or sanitation. Analysis of emerging evidence suggests that the focus is on livelihoods, inclusive finance, energy and climate, and WASH (Annex II).

Energy and financial services each make up 20% of HBF deals, which is a more modest share than in FCS (31% for energy, 20% for financial services) and lower than their global levels (28% and 22% respectively). Yet energy remains central to HBF, with transactions like [ZOLA Electric](#) in off-grid solar and [d.light's](#) work to increase reliable energy access demonstrating how mission-aligned enterprises can meet humanitarian needs while scaling sustainable models. These sectors also tend to benefit from existing private sector interest and clearer paths to monetization.

By contrast, infrastructure (5%), education (5%), and agriculture (5%) are generally underrepresented in HBF relative to their global levels (12%, 4%, and 27%, respectively). While education is consistently low across markets, agriculture's steep drop from 27% globally to just 5% in HBF is particularly telling. [Land tenure insecurity](#), smallholder fragmentation, and policy uncertainty explain potential barriers to structuring agricultural investments in FCS and humanitarian settings.

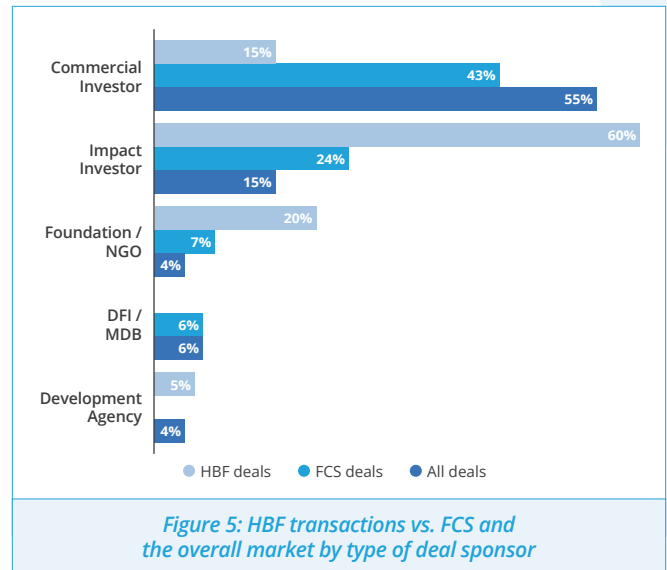


# Investor Analysis

## THE HBF MARKET IS LED BY IMPACT INVESTORS, WITH COMMERCIAL INVESTORS AND DFIS LARGELY ABSENT

The sponsorship profile of HBF reveals a market led overwhelmingly by impact-first actors, rather than purely commercial capital providers. Impact investors are the prime mover in 60% of HBF deals, a much higher proportion than in FCS (24%) or the global market (15%). This highlights a central dynamic of the HBF space: transactions are initiated and anchored by investors who prioritize humanitarian or social outcomes alongside modest or flexible financial returns.

The next most common sponsors in HBF are foundations and non-governmental organizations (NGOs) (20%), reflecting the continued importance of philanthropic and mission-aligned capital in designing, incubating, and supporting deals. By contrast, DFIs and MDBs as sponsors are absent from HBF transactions in Convergence's dataset, a departure from their role in fragile states (6%) and the global market (6%). This may reflect institutional constraints, such as risk mandates, return thresholds, or pipeline fit. Nonetheless, their absence represents a critical gap, particularly given their catalytic role in other development contexts. Greater DFI engagement as sponsors of humanitarian finance could significantly expand market depth and credibility.



Commercial investors represent only 15% of HBF sponsors, compared to 43% in FCS and a dominant 55% globally. This lower representation is not unexpected, given the risk-return profile of humanitarian settings and the nascent nature of investable pipelines. However, it also signals a missed opportunity for structured entry points, such as funds or syndicated facilities, that blend risk-sharing from impact-first actors with market-based capital.

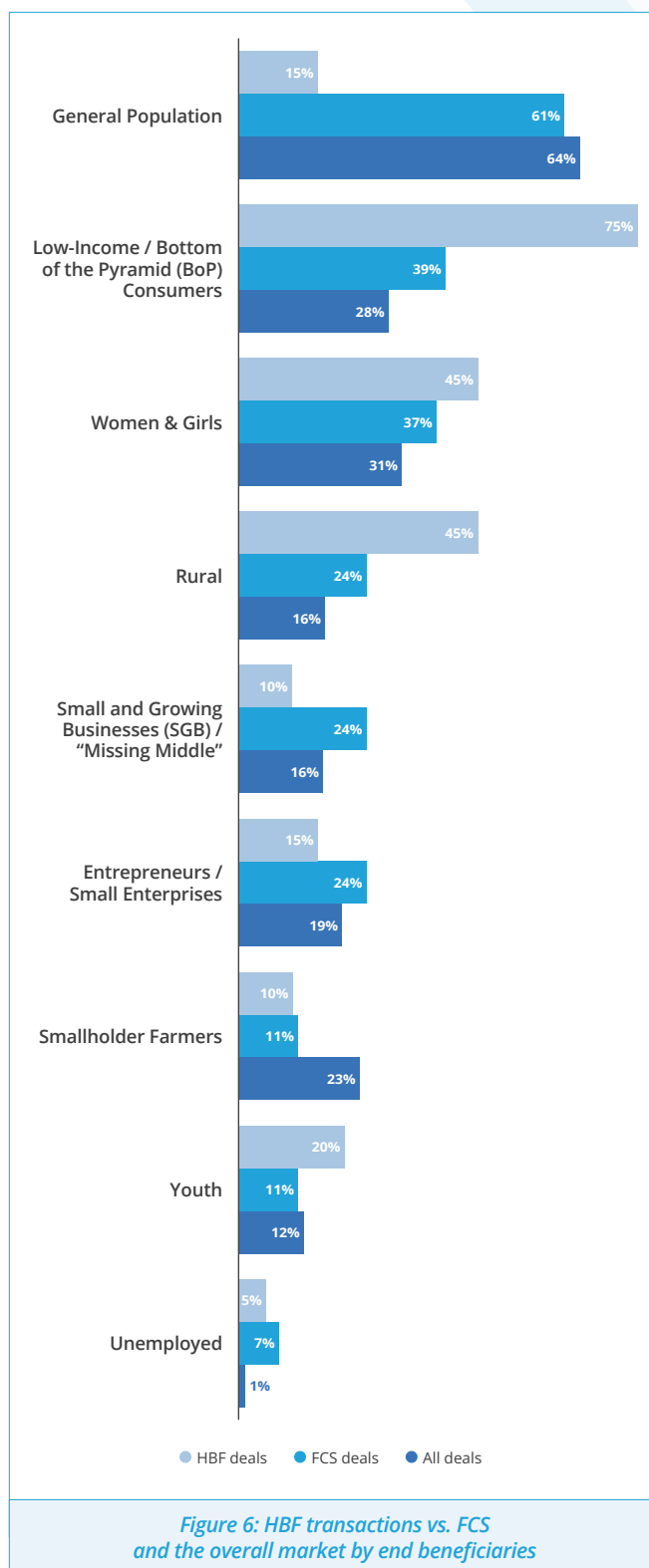
# Impact Analysis

## HBF DEALS ARE MORE TARGETED TOWARD VULNERABLE GROUPS LIKE WOMEN, LOW-INCOME POPULATIONS, AND RURAL COMMUNITIES

HBF transactions are a form of inclusive finance. Across the 20 recorded HBF transactions, 75% target low-income or BoP populations, far outpacing both FCS (39%) and global deals (28%). Similarly, women and girls are targeted in 45% of HBF transactions, on par with rural populations (also 45%). These figures indicate an intentional prioritization of vulnerable and underserved groups, likely a reflection of the humanitarian mission and the contexts in which these transactions are deployed.

By contrast, only 15% of HBF deals focus on the general population, compared to 61% in FCS and 64% globally, further emphasizing the targeted nature of these investments. Youth are identified as a beneficiary in 20% of HBF deals, which is higher than in FCS (11%) or the global market (12%), aligning with the demographic realities of displacement-affected areas where youth unemployment is a structural concern.

Analysis of end beneficiaries reveals a distinctive orientation in HBF transactions. Rather than prioritizing enterprise growth or productivity at scale, these deals are typically structured to extend essential services to populations excluded from both traditional markets and humanitarian aid systems. This exclusion often stems from protracted displacement, geographic isolation, or legal status, which together hinder access to conventional financing or relief. Reaching these groups remains a core mandate for humanitarian actors, but doing so at scale requires new structuring approaches that crowd in private investment. Blended finance, when targeted effectively, can expand the reach and durability of humanitarian impact beyond what public or philanthropic capital can achieve alone. These findings highlight the need for clear use cases that can guide future structuring efforts and help unlock greater volumes of public and private capital in humanitarian contexts.



# Models for humanitarian blended finance

## WHILE HBF REMAINS NASCENT, ITS STRUCTURE, SCALE, AND SPONSOR PROFILE POINT TOWARD DISTINCT POTENTIAL FOR FOUR BLENDED FINANCE MODELS: FUNDS, FACILITIES, COMPANIES, AND PROJECTS

Across the 20 transactions captured in Convergence's dataset, a consistent pattern emerges: HBF is still in its formative phase. The small number of deals, low average ticket sizes, and concentration in just a few sectors all suggest a market with significant untapped potential. This nascence creates space for innovation in structuring and delivery, particularly as humanitarian actors seek to move from fragmented, grant-based interventions to scalable, investment-ready models.

Fund structures are already a significant component of the HBF landscape, reflecting trends in the broader blended finance market. Their relatively strong presence suggests that market actors recognize the value of funds in humanitarian contexts. Fund vehicles enable capital aggregation, portfolio-level risk sharing, and more efficient deployment into smaller or early-stage opportunities. These characteristics make them especially well-suited to settings defined by geographic dispersion of individual investment opportunities, volatility, and limited institutional capacity. As the HBF market matures, funds are likely to play an increasingly important role in scaling investment across priority sectors and regions.

The use of facilities, while limited, suggests a clear role for this model in providing TA and upstream support. TA plays a crucial catalytic role in humanitarian markets, and facility models are well-suited to incubating ideas, guiding investor interest, and preparing investable pipelines.

The dominance of company-level vehicles points to this model as the most proven pathway for deploying blended capital in humanitarian contexts. Companies have shown flexibility in absorbing blended finance in various modes, adapting to operational complexity, and aligning investor and humanitarian priorities.

Although no HBF transactions have yet used project-level vehicles, the sectors where project finance is traditionally

applied, such as energy, WASH, inclusive finance, health, and infrastructure, are clearly relevant to humanitarian settings. The lack of project deals is less a sign of irrelevance than a reflection of early-stage constraints. Importantly, there is already a growing number of projects under development that, while not always structured as blended finance, help build the enabling conditions and highlight the potential for project-based models to attract private investment.

### MARKET-BUILDING PROJECTS IN INFRASTRUCTURE

The [ICRC](#) is partnering with [Agence Française de Développement](#), [AfDB](#), and the [World Bank](#), to enable development finance in urban water infrastructure projects in Iraq, Democratic Republic of the Congo (DRC), and Nigeria, targeting millions of people and ranging in size from \$30 to \$180 million. Alongside ICRC, [United Nations Children's Fund](#) (UNICEF), [International Rescue Committee](#) (IRC), [UNHCR](#), the [International Federation of Red Cross](#), several National Societies, and other agencies are also advancing portfolios of WASH projects that, while not yet technically blended in structure, are helping to demonstrate demand, build institutions, and create the market conditions necessary for future HBF models. These examples articulate that while fully blended project-level vehicles have yet to emerge, ongoing initiatives are already building the pipeline and institutional capacity needed to make them viable in the future.

# Layered Funds

## FUNDS CAN OFFER STRUCTURE, SCALE, AND FLEXIBILITY FOR INVESTMENT IN HUMANITARIAN CONTEXTS

Blended finance funds are investment vehicles that pool resources from multiple investors and deploy capital across a portfolio of transactions, typically with shared objectives around geography, sector, or theme. Rather than financing one enterprise or project at a time, funds allow investors to diversify their capital across many opportunities. This model

is particularly useful in humanitarian settings where capital needs may be fragmented, deal sizes relatively small, and investment conditions uncertain. For these reasons, funds are already the second-most common vehicle in HBF deals, comprising 25% of all transactions (slightly above their share in both FCS and global markets).

## LAYERED FUND STRUCTURES ALLOW DIFFERENT TYPES OF CAPITAL TO WORK TOGETHER IN RISKY CONTEXTS

Most blended finance funds use a tiered or layered capital structure that allocates different levels of risk and return to different investors. More risk-tolerant actors, such as philanthropic foundations or public agencies, often invest in [junior or first-loss positions](#), absorbing any losses to protect commercial investors in senior tranches. This arrangement enables a wider range of actors to participate by aligning the fund's structure with their varying risk appetites and mandates. Additional concessional features, such as guarantees or grants, may be used to enhance the fund's attractiveness or cover specific operational costs. Speaking on the applicability of grants to provide de-risking in a fund structure, **Siddhartha Sinha** from UNHCR explains:

*"We've converted our own grants into something that de-risks the private sector and more broadly brings in investment and jobs into a place that otherwise didn't have access to this type of solution."*

This kind of layered structuring helps address risk mispricing (Challenge IV) by introducing instruments that absorb localized uncertainty and allow investors to price risk more appropriately. It also mitigates the scale and fragmentation barrier (Challenge III) by pooling multiple small or dispersed investments into a portfolio, creating scale efficiencies that attract institutional investors. Thus, funds can be effective in sectors where investment opportunities are too small or fragmented for institutional investors to pursue directly, but where steady returns and measurable impact are possible.

## HUMANITARIANS CAN ENABLE FUND MODELS THROUGH TECHNICAL ASSISTANCE, CONCESSIONAL DEBT/EQUITY, AND DESIGN-STAGE GRANT SUPPORT

Humanitarian actors are well-placed to provide TA to fund managers and investees, supporting pipeline development, enterprise readiness, and investor education. This directly responds to capacity and pipeline gaps (Challenge II) by strengthening the transaction interface between humanitarian and financial actors. IRC is already providing TA support in a similar manner, via their [Advisory Model](#).

Concessional debt or equity is another area where humanitarians can engage in fund models. Through providing below-market capital (via reimbursable grants, subordinate debt, first-loss debt, junior equity, or first-loss equity), humanitarians can

absorb early losses, anchor fundraising rounds, and unlock risk-averse capital.

Finally, humanitarians can provide design-stage grants to incubate new fund structures, co-develop investment theses, and de-risk initial fund set-up, particularly in novel geographies. Together, these forms of engagement strengthen coordination between humanitarian and development actors (Challenge I) by embedding collaboration at the structuring and design level, while helping humanitarian grants evolve into strategic, catalytic tools rather than short-term inputs (Challenge V).

## CASE STUDY

### THE KIVA REFUGEE INVESTMENT FUND DEMONSTRATES HOW FUNDS CAN MOBILIZE CAPITAL TO SERVE DISPLACED POPULATIONS AT SCALE

The [Kiva Refugee Investment Fund](#) (KRIF) illustrates how blended fund structures can be tailored to reach populations often excluded from financial systems. Developed by Kiva, a nonprofit known for its global crowdfunding platform, KRIF provides debt to microfinance institutions (MFIs) that lend to refugees and vulnerable host community members, primarily in the Middle East and Central America. Speaking on the perceptions and potential of lending to refugees, **Lev Plaves**, Investment Director from Kiva details:

*"We've now crowdfunded over \$35 million in loans to these populations and we've seen a payment rate north of 96%, which matches or even in some cases is higher than the overall Kiva repayment rate. This demonstrates that lending to refugees is more of a perceived risk than an actual risk, and that lending to displaced populations and forced displacement settings is not only viable, but there's a business case to be made in doing so."*

By gathering performance data and demonstrating track records, KRIF contributes to more accurate risk pricing and encourages investor participation in displacement-affected markets (addressing Challenge IV).

The fund blends multiple forms of capital: \$20 million in senior debt financing (from the U.S. Development Finance Corporation (US

DFC) and Mercy Investment Services) and \$11.5 million in equity from impact investors including the Soros Economic Development Fund, Ceniarth, and the Missionary Sisters of the Sacred Heart of Jesus. Design-stage grants were provided from Dunn Family Charitable Foundation, Sobrato Philanthropies, and Vanguard. Furthermore, philanthropic grants from groups like the Conrad N. Hilton Foundation were used to provide TA funds to increase the [capacity building](#) capabilities of the fund. Speaking about the impacts of TA, **Plaves** notes:

*"On the TA front, we've done everything from helping one of our investees build a new branch office directly in a refugee settlement, to scale lending in Uganda, and also developed a staff training for an MFI in Colombia around serving refugees from Venezuela."*

Kiva's experience illustrates how humanitarian actors can deliver TA that is both context-specific and operationally embedded.

The fund has already demonstrated strong support [reaching](#) over 88,000 people in 14 countries via \$60 million in loans. KRIF offers a blueprint for how funds can blend concessionary layers and impact-focused design to unlock capital for historically excluded borrowers.

### THE FUND MODEL OFFERS A REPLICABLE PATH FOR HUMANITARIANS TO SCALE INTERVENTIONS IN FINANCIAL INCLUSION AND HEALTH

KRIF's experience shows that targeted capital vehicles can successfully channel financing to displacement-affected populations, especially where service gaps are acute and delivery models already exist. In the financial services sector, funds can work with local MFIs to expand refugee lending and use TA to train staff and adapt underwriting practices to displaced borrowers.

The fund structure addresses fragmentation and scale (Challenge III) by aggregating multiple smaller investors into coherent portfolios, while the inclusion of concessional and TA layers address capacity and coordination gaps (Challenges I & II). The model also demonstrates how humanitarian grants can evolve into catalytic, long-term enablers of investment (Challenge V).

# Technical Assistance & Guarantee Facilities

Unlike funds, which are typically managed by investment managers to invest pooled capital directly into companies or projects, facilities are typically revolving sources of funds often managed by DFIs, MDBs, development agencies, or specialized partners and channel resources indirectly—through financial intermediaries or as instruments such as credit guarantees, concessional loans, or TA—to improve conditions for investment and support end beneficiaries.

While still underutilized in HBF, facility structures offer significant potential to scale capital deployment in fragile contexts. They are particularly effective in supporting high-impact sectors such as financial

services, housing, health, and agribusiness, where local institutions need both capital and technical capacity to serve crisis-affected populations. Facilities are well-suited to address these gaps by combining financial support with advisory or operational assistance, helping to unlock private capital in settings that would otherwise be deemed too risky or fragmented.

Though facilities account for a modest share of HBF deals, their structure is well-suited to the realities of humanitarian markets. As more humanitarian actors explore blended approaches, facilities offer a scalable, replicable model to channel diverse forms of capital and support through trusted intermediaries.

## **BLENDED FINANCE FACILITIES INTEGRATE CONCESSIONAL, COMMERCIAL, AND TECHNICAL RESOURCES TO STRENGTHEN INTERMEDIATED DELIVERY MODELS**

Facilities typically involve pooled capital, often layered by risk tolerance, that is on-lent or guaranteed to local financial institutions. These intermediaries then provide credit and support to last-mile actors: SMEs, community organizations, social enterprises, or low-income households. There are two primary facility

models relevant to HBF: guarantee facilities and TA facilities. These facilities create shared operational platforms and align incentives around common objectives, strengthening coordination between humanitarian, development, and financial actors (Challenge I).

## **GUARANTEE FACILITIES REDUCE RISK AND UNLOCK PRIVATE LENDING TO UNDERSERVED POPULATIONS**

Guarantee facilities offer a powerful de-risking mechanism in blended finance by covering a portion of losses that private lenders may incur when extending credit in FCS. In the broader blended finance market, guarantee facilities are well-established and often serve as catalytic tools to crowd in commercial capital, with no initial capital outlay for the guarantor. However, they remain underutilized in HBF markets, representing only one of Convergence's captured HBF transactions.

Guarantees are typically deployed through donor-backed reserves or contingent liabilities, structured to partially or completely compensate lenders in the event of borrower default. These facilities do not provide upfront capital but instead [enhance](#)

[creditworthiness](#) by acting as a financial backstop. Their flexibility allows them to support a wide range of sectors, including financial services, housing, agriculture, and small business development (especially when borrowers lack collateral or formal credit histories).

Guarantee mechanisms directly help correct risk mispricing (Challenge IV) by introducing local credit enhancements that reflect contextual realities rather than national-level risk ratings. They also address fragmentation and scale (Challenge III) by aggregating smaller or riskier loans into a broader guarantee portfolio that meets institutional investor thresholds.

## HUMANITARIAN ACTORS CAN ENABLE GUARANTEE FACILITIES BY CONVERTING GRANTS INTO CREDIT ENHANCEMENT TOOLS

Using grants in this way is a shift from traditional humanitarian financing models, but is emerging as a mechanism to unlock private capital in fragile contexts.

**Siddhartha Sinha** from UNHCR explains how the conversion of grants into guarantee mechanisms enabled long-term renewable energy contracts in field operations previously reliant on diesel:

*“We take our money and use it to back long-term power purchase agreements with the private sector...the private sector would effectively take on the responsibility of financing themselves on the back of the agreement they had with us.”*

This guarantee approach addresses a core structural barrier in humanitarian financing: reliance on annual grant cycles that are poorly suited to long-term

infrastructure investments (Challenge V). Instead of borrowing or directly funding capital expenditures, UNHCR used its guarantees to shift risk off of its balance sheet and onto those of private investors, while simultaneously shielding private investors from default risk in fragile contexts.

Through guarantees, humanitarians can unlock private capital for durable services like energy, housing, and health, even in volatile environments. These tools allow crisis-affected populations to benefit from improved infrastructure and services, without humanitarian organizations assuming direct financial exposure. As more actors explore this approach, guarantee facilities could become a foundational instrument for HBF.

### CASE STUDY

#### THE JORDAN LOAN GUARANTEE FACILITY IS AN EXAMPLE OF HOW GUARANTEE FACILITIES CAN DRIVE INCLUSIVE FINANCING IN FRAGILE CONTEXTS

Established by the United States Agency for International Development (USAID in partnership with the Overseas Private Investment Corporation (now US DFC), [Jordan Loan Guarantee Facility](#) (JLGF) provided partial loan guarantees to local banks to support creditworthy, but underserved SMEs. The facility included a sizable guarantee portfolio (\$250 million in potential guarantee capacity) alongside TA support.

To ensure equity and inclusion, JLGF mandated that approximately 44% of guaranteed loans go to women entrepreneurs, a target reflected in its guarantee terms and training efforts. [Since inception](#), JLGF has mobilized \$87 million in bank loans for SMEs, including those led by women. The facility offered up to 75% coverage on principal amounts, significantly reducing perceived risk and promoting cash flow-based rather than collateral-based lending.

Training was also a [core component](#), with over 25 workshops conducted, providing more than

3,500 training hours in credit analysis and business assessment to local banks. As a result, lenders were increasingly able to assess SME viability beyond standard collateral models.

One of the clearest indicators of a financial initiative's effectiveness is how well borrowers repay their loans. The JLGF had a non-performing loan (NPL) ratio of 4.3%, meaning that only 4.3% of the loans it guaranteed fell significantly behind in repayment. Comparatively, the average NPL ratio for small business lending in Jordan is around 5-6%. JLGF's relatively low NPL ratio signals that with the right combination of credit guarantees and TA, it is possible to enable lending to high-perceived-risk groups without compromising financial performance (addressing Challenge II and IV). For humanitarian actors, JLGF's success can be replicated through similar guarantee-based models in other fragile markets to improve financing for excluded populations.

Beyond guarantees, stakeholders also see potential for donor-backed catalytic facilities that provide upstream support and early-stage capital to build investable pipelines in fragile settings. As **Coderque Galligo** explains:

*"It would be great if a group of stakeholders came together to establish a dedicated WASH in Fragility Facility with different windows for seed funding, master planning, private sector engagement, and TA. It could be open to any humanitarian actor pursuing investable WASH solutions. And WASH itself is quite broad, you can link it to infrastructure, energy, food systems, or climate adaptation. So, the thematic scope can be wide, and that increases its potential. As things stand today, we still need to fight it project by project, country by country."*

This vision reflects the role facilities can play in creating a reliable supply of catalytic capital for onward blending, addressing early-stage bottlenecks that impede investment in humanitarian and fragile settings. Such platforms can help coordinate actors, standardize approaches, and build a pipeline of projects that can eventually access blended finance instruments.

## **TA Facilities (TAFs) can support upstream and downstream lending.**

TAFs build directly on this catalytic role as grant-funded entities that [focus](#) on building the upstream support to build capacity and/or downstream support to enable investment readiness. These facilities can be standalone or embedded alongside financing and guarantee platforms to maximize their catalytic impact.

TA is already a well-established instrument in humanitarian contexts, as demonstrated by UNHCR's collaboration with the World Bank and host governments. Through the [Window for Host Communities and Refugees](#) (WHR) and the [Global Concessional Finance Facility](#) (GCFF), UNHCR provides critical policy and protection expertise to inform the design of concessional finance operations.

Under the WHR, UNHCR supports assessments of refugee protection frameworks and national policy environments to ensure the inclusion of displaced populations in national systems. The WHR has [supported](#) over 70 operations since 2020 in countries such as Bangladesh, Uganda,

## **INSURANCE FACILITIES: PROTECTING CAPITAL IN FRAGILE CONTEXTS**

Insurance facilities are an emerging tool within humanitarian blended finance that function similarly to guarantee facilities, but with a distinct focus on safeguarding against broader systemic risks, such as natural disasters, political instability, or loan defaults. In crisis-affected settings, where volatility is high and delivery models are fragile, insurance can play a critical role in unlocking private investment by providing confidence that losses will be mitigated.

A promising innovation is the [IFRC's Disaster Response Emergency Fund](#) insurance facility, which allows the Red Cross to access up to \$18.7 million in private sector payouts

when disaster-related spending exceeds a threshold. In 2024, this policy was triggered to support response efforts in countries like Nigeria, Nepal, and Sri Lanka. The model demonstrates how premium co-financing from donors can multiply resources during high-impact years and reduce pressure on humanitarian budgets—directly addressing short-term grant dependence (Challenge V) and introducing financial predictability into humanitarian response.

Insurance facilities are still nascent in HBF but offer an important pathway to build financial resilience for the world's most vulnerable.

Ethiopia, and Pakistan, reaching refugees and host community members.

The GCFF, which targets middle-income countries hosting refugees, leverages UNHCR's technical inputs on protection and inclusion to structure concessional finance packages. Since [2016](#), the GCFF has provided \$953 million in grants, mobilizing over \$7.3 billion in loans across 35 projects in Jordan, Lebanon, Colombia, Ecuador, and Moldova. Together, these mechanisms have benefited an estimated 15.8 million people, including 6.3 million refugees and 7.2 million host community members.

Through TAFs, humanitarian actors can play a dual role in capacity building, strengthening the ecosystem to enable blended finance transactions and ensuring affected populations are positioned to benefit from them. On the supply side, humanitarians can help structure transactions by supporting financial modeling,

investment readiness, and alignment with humanitarian objectives, either directly or in collaboration with facility managers (addressing Challenge II). This [upstream](#) engagement helps create a credible, investable pipeline for concessional and commercial capital. On the demand side, humanitarian actors can design TA programs that build the capacity of local enterprises, cooperatives, or public agencies to absorb investment and deliver services effectively (addressing Challenge I).

They can also work with communities to improve financial literacy, support grievance mechanisms, and ensure inclusive access to the transaction's positive externalities, such as improved WASH infrastructure, expanded health coverage, or affordable credit. This dual engagement ensures that TA facilities serve both investor requirements and community outcomes, enabling financial innovation without compromising humanitarian principles.



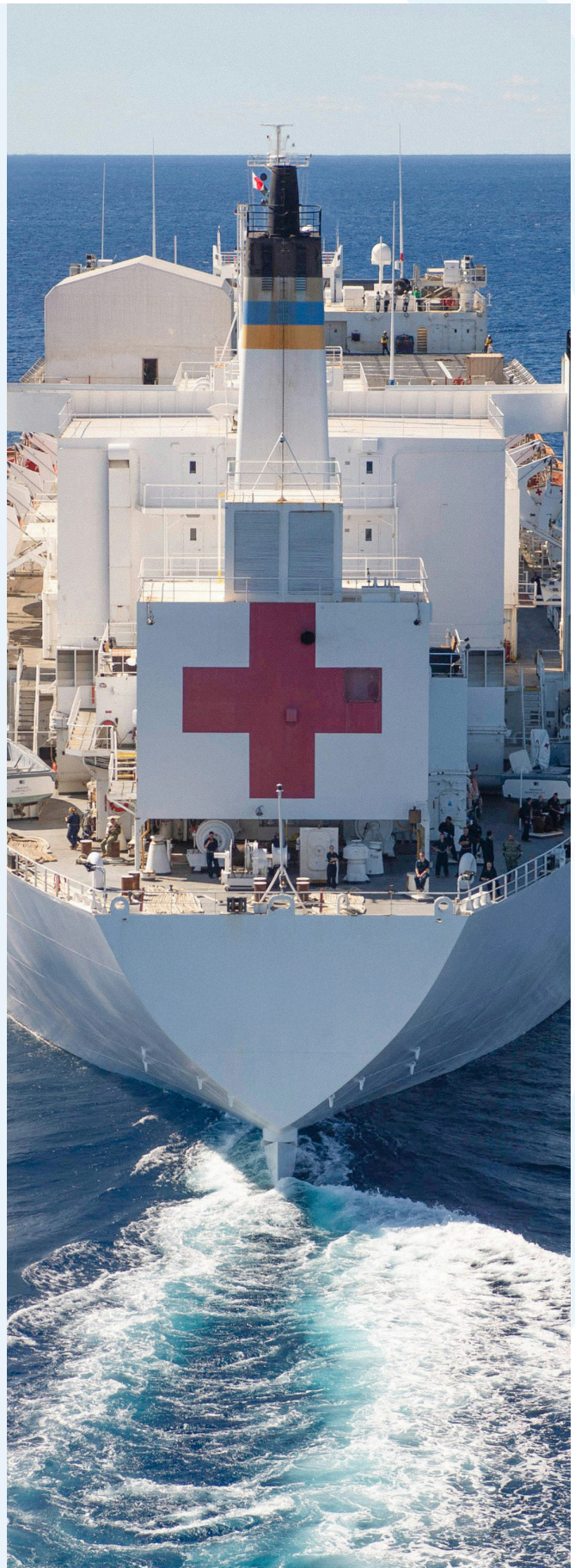
## CASE STUDY

### THE IRC ADVISORY MODEL SHOWS HOW TA CAN BRIDGE INVESTORS AND COMMUNITIES

The IRC has pioneered an [advisory model](#) that offers a compelling example of how TAFs can be deployed to structure investments, engage communities, and ensure that crisis-affected populations benefit meaningfully from blended finance. By positioning itself as a strategic advisory, IRC helps investors and development actors navigate the complexities of fragile contexts.

The advisory model reflects a dual mission: to unlock investment for sectors underserved by traditional humanitarian funding and to ensure displaced populations are not left behind in the process. IRC engages across the project lifecycle, from scoping and structuring to implementation and feedback, leveraging its local presence in over 40 countries, its technical experience in sectors such as water and health, and its trusted relationships with both communities and government.

IRC's [engagement](#) with the European Bank for Reconstruction and Development (EBRD) on a \$75 million wastewater infrastructure project in West Irbid, Jordan, offers a proof-of-concept. While not blended by Convergence's [definition](#), the project and associated advisory support offers an example of how TAFs can enable humanitarian outcomes and incentivize investment. The project was co-financed by multiple partners and backed by Jordan's Ministry of Water and Irrigation. It aimed to expand water access for both local populations and Syrian refugees. While EBRD provided the capital and technical lead, IRC served as social impact advisor, providing oversight and guidance on the project's community engagement plan. Furthermore, through its oversight of the community strategy, IRC ensured that refugees were considered in infrastructure deployment. According to IRC's [lessons](#) learned, the project is designed to expand essential sewage



infrastructure for more than 120,000 people in the target area, benefitting both Jordanians and Syrian refugees, who make up roughly 7% of the population. These beneficiaries might not have been included if IRC had not been involved as an advisor.

Beyond the Jordan wastewater project, IRC's advisory work also helped identify and launch a partnership with Jordanian water startup, Aqua Poro Ventures, to procure clean water devices for a refugee camp. This pilot, funded through philanthropic capital, demonstrates how TAFs can support large infrastructure deals and incubate early-stage private sector solutions.

**Sarah Case**, Vice President of Humanitarian Systems Change at IRC, explains:

*"When it comes to advisory work, we can actually think about it in different ways. One way is advising MDBs on what displaced populations need in the contexts where they operate. Another way is advising startups by helping them understand where we see potential to eventually transition projects at scale to different types of investors."*

Finally, through their Advisory Model, IRC's team brings traditional finance experience and acts as a translator between humanitarian and investor worlds, an approach that has secured them partnerships with MDBs, DFIs, and private investors. One of the key [lessons](#) IRC has drawn from this work is the importance of securing

early buy-in from institutional champions who understand both the impact thesis and the financing mechanisms. Embedded in these lessons is an understanding of where this type of model can be applied. **Case** highlights:

*"In the conversations I'm part of, there's sometimes an assumption that this kind of model could replace core humanitarian assistance. But really, it's a way to open up new doors to increase capital flows and reach people who aren't being helped today. At the IRC, we're exploring a range of approaches — from debt swaps to outcomes-based bonds — that can help expand humanitarian financing and bring in new partners. Core humanitarian funding will always remain essential, especially for the most vulnerable, but these newer mechanisms can strengthen and diversify the overall pool of support."*

For humanitarian actors, the IRC advisory model offers a practical template for engaging with TAFs. It shows that effective advisory support is not just about de-risking transactions on paper, but embedding human-centered design, elevating community voices, and aligning project design with the lived realities of displaced people. Moreover, it highlights that TA can be catalytic at both the upstream and downstream ends of a blended transaction: enabling investor confidence and capacity building, while safeguarding community outcomes.

# Companies

Companies are the most commonly represented vehicle in Convergence's database of HBF deals. Convergence defines company transactions as those that finance a business for expansion or working capital needs (e.g. a grocery store). These differ from project transactions (discussed in Model #4),

where financing is tied to a specific asset or outcome. Companies are a highly relevant model for HBF because they provide a mechanism for directly financing private sector actors that serve humanitarian populations.

## COMPANIES ARE WELL SUITED TO DELIVER ESSENTIAL SERVICES IN FRAGILE CONTEXTS

In fragile settings, commercial and development investors may be hesitant to invest in early-stage or small companies due to high perceived risk, weak enabling environments, and limited track records. However, many such businesses are critical to delivering services, including electricity, healthcare, water, and logistics, to displaced populations and host communities.

By de-risking company-level transactions, humanitarian actors can help scale impact-oriented businesses that would otherwise remain undercapitalized. Company models also directly respond to fragmentation and scale challenges (Challenge III). Instead of aggregating many small projects, company financing allows capital to flow into enterprises that already operate across multiple sites or service areas, providing built-in opportunities for scale.

## BLENDED FINANCE CAN SUPPORT COMPANIES THROUGH ALL FOUR ARCHETYPES

Company structures in blended finance often deploy concessional instruments to improve the risk-return profile of an investment, crowding in additional capital. All four blending archetypes: concessional debt and equity, guarantees, TA, and design-stage grants, have been used in company level HBF transactions tracked by Convergence, demonstrating the flexibility of this model.

This flexibility makes company models an effective entry point for humanitarian actors seeking to deploy beyond short-term grants (Challenge V) by using the same funding to anchor investments or provide catalytic capital that unlocks commercial participation.



## HUMANITARIAN ACTORS CAN SUPPORT EARLY-STAGE COMPANIES AND ANCHOR IMPACT

Humanitarian actors can provide early-stage grant support to incubate businesses or act as anchor customers to help them scale. An example is [Save the Children Global Ventures](#), which is pioneering child-lens investment funds and demonstrates how actors rooted in humanitarian mandates are experimenting with debt and equity alongside grants. Humanitarians can also fund TA to help companies expand into underserved markets, support investment readiness, or ensure services are accessible and affordable for low-income populations.

**Siddhartha Sinha** from UNHCR, sees company-level structures as well-aligned with humanitarian objectives, particularly when companies are delivering infrastructure or essential services in displacement settings. **Sinha** explains:

*"If I have a company or a set of companies that might be interested in electrifying a camp or providing energy investment in a camp: these are commercial decisions for them and typically they will know how much needs to be subsidized. We're not going to directly finance them, but we may create the conditions by supporting them in finding the right partners or getting the right approvals. As a model, this is well established."*

This illustrates a catalytic but indirect role for humanitarian actors in shaping the viability of private investments into essential services for crisis-affected communities.

Company-level models are an accessible entry point for humanitarian actors who wish to support market based solutions without needing to oversee large infrastructure projects or financial intermediaries.

## COMPANIES ARE ADAPTABLE VEHICLES IN SECTORS LIKE ENERGY AND HEALTH

The company model is particularly suited to sectors where private operators can deliver scalable, financially viable services, such as energy, digital infrastructure, health delivery, and WASH. It is also well suited to

humanitarian contexts where large-scale infrastructure is unviable or market fragmentation makes project finance too complex.

## COMPANY INVESTMENTS CAN ENABLE DELIVERY WHERE PUBLIC SYSTEMS AND TRADITIONAL AID MODELS FALL SHORT

In FCS, the private sector can be an important mechanism for delivery of goods and services. In Yemen, for example, an [investment](#) from IFC, Proparco, and the Dutch Entrepreneurial Development Bank (FMO) supported a [regionally important](#) food logistics company that was able to operate across frontlines. As explained by **Cushla Thompson** from the OECD:

*"That company had the ability to operate on both sides of the civil conflict. They were able to do things the government couldn't do, and other companies couldn't do."*

This illustrates how the company model can pragmatically serve critical humanitarian outcomes in settings where market conditions are atypical and public institutions are constrained, addressing coordination failures (Challenge I). Through collaboration with DFIs, humanitarian actors can enable the local private sector for market-based, more sustainable solutions.

## CASE STUDY

### THINKMD EXPANDS AI-POWERED HEALTHCARE FOR CHILDREN THROUGH BLENDED INVESTMENT

[ThinkMD](#), a digital health company founded by pediatricians and public health experts, is tackling one of the world's most urgent challenges: global healthcare inequity. With a global shortage of 15 million healthcare workers, felt most acutely in crisis-affected settings, ThinkMD equips frontline providers with scientifically validated digital tools to deliver high-quality care regardless of their level of training.

The company's platform helps health workers assess over 300 clinical risks and determine how sick a person is, along with the appropriate next steps. The tool achieves diagnostic correlations of up to 95% with licensed physicians and works both online and offline. To date, ThinkMD has [supported](#) more than 2.1 million clinical encounters across five countries.

To accelerate global deployment, ThinkMD [secured](#) a \$6.3 million blended finance package in 2021. The deal included a \$2.3 million technology development grant from the Bill & Melinda Gates Foundation and \$4 million in private equity from Save the Children Global Ventures, and the Sorenson Impact Foundation. This combination of concessional and commercial capital allowed ThinkMD to advance its platform's interface design, improve machine learning capabilities, and expand field testing.

ThinkMD is scaling its operations through its close partnerships and co-creation with frontline workers, ministries of health, NGOs, and community-based organizations, illustrating the coordination benefits of the company model (Challenge I). Its multi-country deployments show how private enterprises can operate effectively within humanitarian systems, supporting capacity building and localized innovation (Challenge II).

A recent multi-country [initiative](#) across Sierra Leone, Nigeria, Rwanda, Kenya, Zambia, and South Africa deepened partnerships, informed product development, and demonstrated national-level integration. In [Zambia](#), ThinkMD is being deployed nationwide with Healthy Learners, and in [Sierra Leone](#), the tool has been embedded in both education and health systems through a community-based delivery model.

ThinkMD highlights the potential of company-level blended finance to scale health innovations in FCS. By combining grants with mission-aligned equity, investors helped unlock a model that strengthens local health capacity, enables early detection of high-burden conditions, and builds sustainable delivery systems for populations most often left behind.

# Projects

Project finance is a well-established structure for mobilizing long-term capital into infrastructure and service delivery, particularly in sectors such as energy, WASH, and education. While no HBF transactions using project vehicles have yet been recorded in Convergence's database, the model offers significant potential for adaptation to humanitarian contexts.

In particular, the WASH sector is seeing considerable action, with multi-actor collaborations driving a growing pipeline of projects. The new [Maiduguri urban water project](#) in Nigeria, developed by the Government of Borno State in partnership with AfDB and the ICRC, aims to provide safe, resilient, and inclusive water services to a rapidly growing and crisis-affected urban population. While not structured as a blended finance transaction, the project demonstrates how partnership-driven approaches are helping to build a market and pipeline for infrastructure finance in fragile

settings (addressing Challenge I). As commercial and private sector participants are increasingly engaged alongside development and humanitarian actors, projects like Maiduguri could serve as models for future blended transactions, illustrating both the opportunity and the momentum for HBF in the WASH sector.

Blended project finance transactions involve the mobilization of debt and equity into a single, time-bound initiative, where capital is repaid from the future cash flows generated by the operating asset. These deals are typically large in size. Convergence data on the broader blended finance market shows a median transaction value of \$60 million from 2019-2023, with deals that involve multiple stakeholders, including commercial investors, DFIs, and concessional capital providers.

## PROJECTS LAYER CONCESSIONAL CAPITAL TO MITIGATE RISKS

Project-based blended finance works by layering concessional capital, such as guarantees, concessional debt or equity, and grant funding, into a capital structure designed to mitigate risks that would otherwise deter private investment. In Convergence's data on the broader blended finance market, concessional debt or equity is the dominant instrument, present in 81% of blended project transactions from 2019-2023. Guarantees and TA are less represented, at 17% of transactions each. Design-stage grants are used minimally, represented in only 7% of transactions.

In humanitarian settings, the use of concessional instruments is especially critical. Projects face a higher set of risks in FCS, including political instability, credit and currency volatility, weak offtaker capacity, and low affordability among end-users. Blending allows these risks to be partially absorbed, enabling commercial finance to enter high-risk markets under more favourable conditions.

The basic structure of a blended project finance deal often involves the creation of a dedicated legal entity, often a [special purpose vehicle](#) (SPV), which receives funding from a combination of commercial and concessional sources. SPVs shield investors from any risk beyond their equity contributions, which encourages capital flows. The SPV contracts governments, utilities, or other offtakers, and repays its investors using the project's future revenue streams, such as user fees, tariffs, lease payments, or government transfers. However, for a project to reach bankability, substantial pre-investment work is typically required. This includes feasibility studies, legal documentation, permitting, stakeholder consultations, and environmental and social assessments, all of which can be supported by design-stage grants or TA (addressing Challenge II).

## HUMANITARIAN ACTORS CAN PLAY UPSTREAM AND DOWNSTREAM ROLES IN PROJECT FINANCING

In fragile contexts, humanitarian actors can play a particularly important role at each stage of the project lifecycle. Upstream, they can use grant capital to support feasibility studies, conduct community needs assessments, and help ensure that project design is socially inclusive and conflict-sensitive. Humanitarian organizations can also help bridge trust gaps between communities, governments, and investors by serving as credible local intermediaries. In addition, some humanitarian actors are well-placed to provide forms of concessional capital themselves, either in the form of first-loss guarantees or subordinated debt (including reimbursable grants), that help mitigate project risk and unlock commercial investment. Downstream, humanitarians can engage in implementation, community outreach, or ongoing social impact monitoring to ensure that projects are delivered effectively and that benefits reach crisis-affected populations.

This model is particularly applicable to sectors where humanitarian actors are already active and infrastructure gaps are persistent. In the energy sector, decentralized renewable systems, such as solar mini-grids or clean cooking solutions, are highly

suited to project-based finance and have already [demonstrated viability](#) in FCS environments like Somalia, Mali, and South Sudan. In WASH, multi-actor collaborations on urban water supply have shown how humanitarian preparatory work, technical design, institutional coordination, and trust-building, can unlock development bank financing. In health and education, there is significant potential to apply similar models to primary care facilities, school construction, and vocational training infrastructure.

**Siddhartha Sinha** from UNHCR highlights the importance of project vehicles for mobilizing finance at scale, specifically in infrastructure:

*"Infrastructure investment probably has the clearest path to replication, and we try to design everything that way: modular and scalable. We want others to be able to piggyback on what we build. That's how we shift from one-off projects to something that can really scale."*

This scalability feature helps overcome fragmentation (Challenge III) by creating replicable templates that attract both development and private investors across multiple geographies.



## DESPITE THEIR POTENTIAL, PROJECT-BASED MODELS REMAIN COMPLEX AND UNDERUTILIZED IN HUMANITARIAN FINANCE

According to interviews with DFIs and private financiers cited in Convergence's [Blended Finance & Project Finance brief](#), projects in the wider blended finance ecosystem face challenges related to weak procurement standards and practices, and a lack of standard documentation. These factors drive up costs, introduce risk of bidder challenges, and prolong timelines. Humanitarians similarly struggle with these challenges.

Addressing these issues will require greater investment in TA and stronger coordination between donors, governments, and development finance institutions (Challenges I and II). For example, institutions like the [Private Infrastructure Development Group](#) and its subsidiary [GuarantCo](#) have been instrumental in providing TA and guarantees to improve project readiness and scale blended investment.

Humanitarian actors are not expected to assume the role of project finance specialists, nor should they bear full financial exposure within such transactions. Nonetheless, their proximity to affected communities, access to grant-based resources, and convening power position them as uniquely valuable contributors in FCS. Their engagement can foster trust in crisis-affected populations, help ensure that projects are grounded

in those populations' needs and priorities, reduce risk, enhance project bankability, and accelerate the flow of capital toward underserved humanitarian objectives. Importantly, their contribution extends beyond the mobilization of private capital; it encompasses the strategic deployment of public and concessional finance to unlock investment in high-risk environments where private actors are often unable to operate independently.

As **James Carey**, Policy Officer at DG ECHO explains, humanitarian expertise can reduce the risk profile of development bank-financed infrastructure projects and ensure that investments reach beyond urban centres or traditional development zones:

*"Humanitarian knowledge can reinforce the chance of success or decrease the risk of sovereign loans, and help to expand the mandate without really costing more... once these actors get to know each other, they often see a lot more areas of potential mutual benefit."*

He emphasizes that humanitarians' local knowledge and relationships, particularly in areas affected by protracted crises, can strengthen pipeline development and improve project outcomes.



## CASE STUDY

### SOLARIZING HUMANITARIAN INFRASTRUCTURE THROUGH P-RECS IN MALAKAL, SOUTH SUDAN

The [solar electrification](#) of the Malakal Humanitarian Hub, and subsequent solar electrification projects at public hospitals in Malakal and Bor, and a local university in South Sudan, offer examples of how blended finance can deliver resilient infrastructure and social outcomes in crisis settings. Spearheaded by the International Organization for Migration (IOM), in partnership with Scatec Solar and Kube Energy, Energy Peace Partners (EPP), and private sector investors such as 3Degrees and Block, these projects demonstrate how renewable energy projects can be financed and scaled through innovative structuring in fragile environments.

The initiative [began](#) with the installation of a 700 kilowatt solar-plus-battery hybrid system at the IOM-managed Humanitarian Hub in Malakal, a city that hosts one of South Sudan's largest camps for internally displaced persons. Before the project, the Hub was entirely dependent on costly diesel fuel flown into the region. By replacing this with solar, the project now supplies 80% of the Hub's power needs, reducing emissions and operational costs.

To further scale impact, IOM [partnered](#) with EPP to issue Peace Renewable Energy Credits (P-RECs) from the solar plant. These were

acquired by 3Degrees and transferred to Block, a global firm committed to financial inclusion, through two separate transactions in 2022 and 2023. Revenue from these P-REC transactions was used to fund the solar electrification of the Malakal Teaching Hospital and [Bor public hospital](#), the primary public health facilities for both cities, providing them with stable energy access for medical services. As **Amy Pope**, Director General of IOM, emphasized in a [press release](#):

*"This groundbreaking initiative in South Sudan demonstrates that it is possible to transition to cleaner energy in a way that directly benefits the migrants we serve."*

These project structures demonstrate how humanitarian actors can combine concessional inputs, credibility, and operational access to engage private participation (addressing Challenges I, IV, and V). IOM played a dual role: as anchor offtaker to ensure a stable revenue base and as project convenor, facilitating trust and access within a highly complex environment. Energy Peace Partners brought in the P-REC mechanism as a results-based financing instrument that monetizes the co-benefits of renewable energy in fragile states.

# Conclusion

## FROM MODELS TO ACTION: UNLOCKING THE POTENTIAL OF HUMANITARIAN BLENDED FINANCE

The four models outlined in this brief – funds, facilities, companies, and projects – demonstrate the diverse structures through which HBF can be deployed. Each model presents unique opportunities for channeling capital into FCS, while also underlining the critical role humanitarians can play across different transaction types.

Importantly, this brief does not suggest that humanitarian actors should be responsible for de-risking DFIs or other investors. Rather, it calls for a reimagined partnership model in which each

actor contributes according to their comparative advantage and in ways that can best advance the scale, sustainability, and impact of humanitarian interventions.

Realizing the potential of HBF will require deliberate action from all parties to adopt new mindsets, strengthen partnerships, and build the enabling infrastructure necessary to move from isolated transactions to scalable systems. The following section offers concrete recommendations to help stakeholders translate these models into practice.

## RECOMMENDATIONS FOR ENGAGEMENT ACROSS HBF STAKEHOLDERS

| DFIS & MDBS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | PUBLIC SECTOR                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1. Tap into concessional windows and instruments to unlock capital for humanitarian contexts.</b></p> <p>While DFIs and MDBs typically operate on commercial terms, instruments such as the World Bank's <a href="#">Global Concessional Finance Facility</a> and <a href="#">AfDB's Transition Support Facility</a> provide targeted de-risking for high-risk geographies. These windows should be used more systematically to extend financing into fragile settings and support projects that deliver humanitarian outcomes.</p> <p>In addition, DFIs and MDBs should expand the strategic use of guarantee mechanisms to crowd in private investment where traditional credit structures are not viable.</p> <p><b>2. Partner more intentionally with humanitarian actors to structure investable transactions.</b></p> <p>Rather than adjusting mandates, DFIs and MDBs should build early-stage partnerships with humanitarian organizations to co-develop transactions that meet commercial thresholds while achieving humanitarian outcomes. Humanitarian actors can provide upstream support such as project design, community engagement, and TA, increasing the viability and social impact of DFI-backed investments. Development banks could also consider establishing programs with partners to train humanitarian staff in basics of financial structuring, impact measurement, and private sector engagement, complemented by practical playbooks that clarify investor requirements and criteria for viable investment opportunities.</p> | <p><b>DONOR GOVERNMENTS &amp; DEVELOPMENT AGENCIES</b></p> <p><b>1. Provide grant funding that enables pipeline development, not just project execution.</b></p> <p>Too few HBF deals reach maturity due to investability. Donor governments and development agencies should earmark grants specifically for feasibility studies, early-stage TA, and the incubation of pipeline projects in fragile contexts. This ensures that concessional resources are deployed upstream to create bankable opportunities rather than only funding end-stage delivery.</p> <p><b>2. Improve enabling conditions by aligning with host-country priorities and reforming donor-country constraints.</b></p> <p>Donor governments and development agencies can contribute to better blended finance outcomes by addressing constraints in their own funding, regulatory, and reporting systems, and by offering demand-driven TA.</p> <p><b>HOST GOVERNMENTS</b></p> <p><b>1. Strengthen institutional capacity and coordination with development and humanitarian actors.</b></p> <p>Recipient governments play a critical convening role in linking national priorities to humanitarian and development financing. Ministries of finance, planning, and line agencies should work closely with DFIs, development partners, and humanitarian organizations to ensure that blended investments align with national resilience strategies and sector plans.</p> |

| DFIS & MDBS cont.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | PUBLIC SECTOR cont.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Such collaboration should be understood as a core pathway for DFIs and MDBs to achieve their strategic goals on fragility and development impact.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p><b>2. Establish policies that enable private and blended capital to enter fragile markets.</b></p> <p>Recipient governments can promote investment readiness by enacting clear public-private partnership frameworks, simplifying procurement and licensing processes, and facilitating transparent tariff and subsidy regimes. Targeted reforms in energy, WASH, and health can help attract both concessional and private finance while maintaining affordability for end users.</p>                                                                                                                                                                                                                                                                                                                                                                                                                   |
| PRIVATE SECTOR                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | HUMANITARIAN ACTORS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <p><b>1. Access underserved markets by embracing flexible investment strategies.</b></p> <p>Humanitarian contexts often require creative structuring and tolerance for atypical returns. Private investors should be open to participation in blended finance structures that may feature subordinated tranches, results-based mechanisms, or non-traditional risk-sharing arrangements, to unlock high-impact opportunities in fragile settings.</p> <p><b>2. Partner with humanitarian actors to enhance contextual insight and risk mitigation.</b></p> <p>Humanitarian organizations bring localized knowledge, social license, and implementation capacity that can improve project viability. Private investors should seek strategic alliances with these actors early in the design phase to co-develop bankable, socially grounded investment solutions.</p> | <p><b>1. Build internal financial literacy to engage meaningfully in blended finance.</b></p> <p>Humanitarian organizations must strengthen their internal capacity to identify, co-design, and co-implement blended finance transactions. This includes training on structuring tools, partnership development, and understanding the investor mindset.</p> <p><b>2. Use grant resources to strategically unlock additional capital and impact.</b></p> <p>Rather than only funding direct delivery, humanitarian grants can be deployed as first-loss capital, guarantees, or TA. This shift allows humanitarian actors to de-risk investments and extend their reach while preserving their mandate.</p> <p>Strategic use of grant capital helps preserve humanitarian effectiveness amid tightening budgets, transforming limited resources into catalysts for larger-scale and longer-term impact.</p> |

Delivering impact at scale will depend on genuine partnership and institutional adaptation across all stakeholder groups. Each actor, whether humanitarian, public, private, or multilateral, has a specific role to play in advancing HBF, but these roles cannot be fully realized without shifts in how organizations perceive, structure, and finance risk. DFIs and MDBs must evolve their instruments and incentives to better accommodate FCS; governments must align

policy and capital flows toward blended solutions; the private sector must embrace flexibility and longer time horizons; and humanitarian actors must strengthen their financial literacy and openness to partnership. Lasting progress will require embedding these changes within institutional systems so that collaboration around blended finance becomes not the exception, but a standard feature of how humanitarian and development challenges are jointly addressed.

# Annex I: Literature Review

## LITERATURE

The literature on HBF and FCS has coalesced around three core themes, amongst others: (i) the need to tailor HBF to the realities of humanitarian and fragile contexts; (ii) the necessary roles humanitarian actors play in catalyzing and enabling HBF; and (iii) the importance of building market systems and enabling conditions to support long-term, sustainable scale.

These reports outline that while interest in HBF is growing, its applications remain fragmented and underdeveloped compared to other sectors, such as climate, SME finance, or infrastructure. Further progress in HBF must align roles, resources and systems with the realities of these contexts.

## I. PRACTITIONERS' EXPERIENCES SHOW THAT HBF MUST BE TAILORED TO THE UNIQUE RISKS AND CONDITIONS OF HUMANITARIAN SETTINGS

The [NRC](#) published a report on *Blended Finance Solutions for Clean Energy in Humanitarian and Displacement Settings*. The report discusses how delivering energy programming in displacement contexts is challenged by short-term budget cycles, unclear roles, procurement limitations and high perceived commercial risks. The report cautions that blended finance should only be used when a market failure prevents traditional private sector development, and that any financial package must adhere to the principle of minimum concessionality. To address persistent commercial barriers, the NRC recommends establishing a dedicated fund to unlock larger-scale interventions and use tailored instruments to adequately address the realities of protracted crises.

These findings are echoed in [DG Echo's](#) *Pilot Initiative on Blended Finance for Humanitarian Aid*, which conducted three rounds of pilot studies and concluded that there is no single model for mobilizing investment in humanitarian contexts. Instead, three broad project types emerged: humanitarian investment projects that stimulate private investments into businesses in fragile contexts, microfinance initiatives targeting refugee entrepreneurs, and HBF. The pilots found that

commonly explored instruments, such as debt swaps and impact bonds, tended to be one-off initiatives rather than scalable and replicable models. The report emphasizes the need for flexible financial frameworks and advocates for tailoring transaction design to the specific risks and conditions of each fragile context.

The [IGC's](#) report, *Blended Finance in Fragile Settings: P-RECs and the P-REC Aggregation Facility* finds that distributed renewable energy (DRE) systems are well-suited to fragile contexts because of their decentralized nature, making them less vulnerable to national-level political risks and conflict. However, DRE projects still face substantial challenges, including macroeconomic instability, currency fluctuations, limited local affordability, risk perception gaps, and weak environmental, social, and governance enforcement. To overcome these barriers, the P-RECs Aggregation Facility blends grant and concessional capital through a 10-year forward purchase agreement, to create long-term revenue certainty. Drawing from implementation experience, the report emphasizes the importance of tailored risk-sharing mechanisms and building local partnerships to navigate the political and contextual complexities of these fragile environments.

## II. HUMANITARIAN ACTORS PLAY A CRITICAL ROLE IN STRUCTURING AND DE-RISKING BLENDED FINANCE IN FRAGILE CONTEXTS

The [HIFHUB's](#) *Mainstreaming Humanitarian Blended Finance* report offers that humanitarian actors are uniquely positioned to enable humanitarian blended finance transactions. Drawing on their operational presence, technical expertise, and trusted relationships with communities, humanitarians can serve in four critical roles: convener, advisor, enabler,

and implementer. As conveners, humanitarians identify HBF projects and bring together stakeholders; as advisors, they provide expertise on HBF projects and ensure alignment between community needs and requirements by funders; as enablers, humanitarians guide HBFs from concept to investment-ready initiatives; and as implementors, they leverage their

technical expertise, capacity and on-the-ground presence to execute HBF transactions.

The [ODI Global](#) paper on *Humanitarian Innovative Financing in Fragile Settings*, further reinforces this view, arguing that current financing models are insufficient for the scale and complexity of humanitarian crises. To address this gap, the paper identifies four areas of action, including securing senior-level humanitarian

buy-in, development of a robust pipeline of investable projects, and fostering collaborative, multi-stakeholder partnerships through mutual literacy and a connected cadre of professionals across sectors, amongst others. These actions position humanitarian actors as both delivery agents and strategic enablers of blended finance efforts in fragile contexts.

### III. TO SCALE IMPACT IN HUMANITARIAN CONTEXTS, BLENDED FINANCE MUST BUILD LOCAL MARKETS AND CREATE INVESTABLE PIPELINES

BII's article, *The Demand Side of Blended Finance*, based on findings from a roundtable with leading DFIs and donors, argues that while blended finance can support individual transactions, it does not inherently make countries or sectors investable. Participants stressed that market-building and system-level interventions, such as improving macroeconomic stability, policy consistency, and local institutional capacity, are required preconditions for viable investments. A critical insight from the piece is the need to generate a stronger pipeline of investible solutions in fragile settings, without which private capital cannot flow. While system-level reforms often lie outside the remit of humanitarian actors, humanitarians can play an important role in contributing to pipeline development through their local presence, operational expertise, and convening power. The article therefore calls for programmatic, coordinated approaches to support market development and create conditions for private capital to flow.

The [World Bank's](#) *Closing the Gap: Trends in Adaptation Finance for Fragile and Conflict-Affected Settings* also details a misalignment between market readiness and interventions. The report, which focuses on climate adaptation finance in FCS, finds that financial readiness, rather than climate need, often determines fund allocations. This emphasizes the need for capacity building in these contexts. It recommends dedicated funding windows, streamlined application processes and integration with peacebuilding and disaster risk finance as steps to bridge this gap.

Collectively, findings from literature on innovative finance for humanitarians point to the need for system-building and pipeline development as foundational elements for unlocking blended finance in fragile settings.

# Annex II: Model Transactions

Below is a list of transactions aligned with the four models discussed in this paper — funds, facilities, companies, and projects — which serve as additional structuring examples for practitioners. These examples are not the same as the 20 HBF transactions analyzed earlier. While not all of the transactions listed have an explicit humanitarian focus or qualify as HBF, each is recognized by Convergence as a blended finance

deal and is included in Convergence Market Data. Transactions marked with an asterisk (\*) are not blended, but are market-building initiatives within the humanitarian space. Some TAFs listed are not standalone blended transactions; rather, they play a structuring or enabling role in transactions that later become blended.

| FUNDS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | COMPANIES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>1. <a href="#">Aavishkaar India Micro Venture Capital Impact Fund</a></li> <li>2. <a href="#">Asian Credit Fund</a></li> <li>3. <a href="#">CARE-She Trades Fund</a></li> <li>4. <a href="#">The Small Enterprise Impact Investing Fund</a></li> <li>5. <a href="#">UNICEF USA Bridge Fund</a></li> <li>6. <a href="#">KIVA Refugee Investment Fund</a></li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <ol style="list-style-type: none"> <li>1. <a href="#">D.Light</a></li> <li>2. <a href="#">FarmDrive</a></li> <li>3. <a href="#">HewaTele</a></li> <li>4. <a href="#">Intellegrow</a></li> <li>5. <a href="#">MEX Currency Risk Solutions</a></li> <li>6. <a href="#">Simpa Networks</a></li> <li>7. <a href="#">THINKMD</a></li> <li>8. <a href="#">ZOLA Electric</a></li> <li>9. <a href="#">HSA Foods</a></li> </ol>                                                                                                                                                                                                                                                             |
| FACILITIES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | PROJECTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p><b>Guarantee Facilities</b></p> <ol style="list-style-type: none"> <li>1. <a href="#">Azure Financing Facility</a></li> <li>2. <a href="#">African Guarantee Fund</a></li> <li>3. <a href="#">Dhamana Guarantee Company</a></li> <li>4. <a href="#">Jordan Loan Guarantee Facility</a></li> </ol> <p><b>TA Facilities</b></p> <ol style="list-style-type: none"> <li>1. <a href="#">FMO Ventures Program Technical Assistance Facility</a></li> <li>2. <a href="#">CIF TAF</a></li> <li>3. <a href="#">EU Global Technical Assistance Facility for Sustainable Energy</a></li> <li>4. <a href="#">IRC Advisory Model for Investor and Humanitarian Partnerships</a></li> <li>5. <a href="#">UNCDF International Municipal Investment Fund - Technical Assistance Facility</a></li> <li>6. <a href="#">PROPARCO Expanding Financial Inclusion for Refugees &amp; Host Communities*</a></li> </ol> | <ol style="list-style-type: none"> <li>1. <a href="#">Beitbridge Border Post</a></li> <li>2. <a href="#">Third HyalRoute Fibre Optic Cable Network</a></li> <li>3. <a href="#">Mazar Power Plant</a></li> <li>4. <a href="#">DRC Green Mini-Grid Program</a></li> <li>5. <a href="#">Korea Myanmar Industrial Complex</a></li> <li>6. <a href="#">Nuru DRC</a></li> <li>7. <a href="#">Haiti Microgrids</a></li> <li>8. <a href="#">Malakal P-RECs</a></li> <li>9. <a href="#">UNICEF Today &amp; Tomorrow Initiative*</a></li> <li>10. <a href="#">Goma West Resilient Water Project (DRC)*</a></li> <li>11. <a href="#">Insigiro Water Supply Sanitation Project*</a></li> </ol> |

# Annex III: Other HBF Models

In addition to the four models presented in this report, there are other blended finance approaches that have been applied in humanitarian and fragile settings. For example, [ICRC's Humanitarian Impact Bond](#) or

the [Near East Foundation's Refugee Impact Bond](#). While these remain viable solutions, they were not highlighted as core models in this report because of their bespoke nature and limited replicability.

## IMPACT BONDS

Impact bonds, such as development impact bonds and humanitarian impact bonds, have been piloted in humanitarian contexts. However, these structures are complex and highly transaction-specific, requiring significant customization in terms of outcome metrics, verification, and contractual design. As a result, they

are not easily replicable or scalable in a standardized way. Moreover, they do not attract long-term private investment capital. They should continue to be pursued where appropriate, but on a case-by-case basis.

## RESULTS-BASED FINANCING / PERFORMANCE-BASED INCENTIVES

Results-based financing (RBF) instruments, including performance-based incentives, link disbursements directly to the achievement of predefined results. These mechanisms have been deployed in humanitarian and development settings to strengthen accountability and align funding with outcomes. However, like impact bonds, RBF structures are

typically bespoke, requiring tailored metrics, verification systems, and close engagement with implementing partners, and they do not draw in long-term private investment. Given this high degree of customization, RBF was considered outside the scope of this brief, which focuses on scalable models.

# Methodology & Notes

1. **Convergence's database:** Convergence maintains the largest and most detailed database of blended finance transactions that have reached financial close. Given the current state of information sharing, it is not possible for this database to be fully comprehensive. We have made efforts to capture all relevant blended finance transactions; however, there are likely more transactions that have not been captured.
2. **Scope of available data:** This brief analyzes 20 blended finance transactions that contain at least one humanitarian actor as an investor or have a specific humanitarian mandate. This brief also draws on stakeholder interviews with Frederik Teufel, Lead Coordinator at the Transition States Coordination Office, African Development Bank; Cushla Thompson, Lead Economist and Policy Analyst, OECD; Lasse Moller, Senior Economist, OECD; Juan Luis Coderque Galligo, Senior Advisor, HIFHUB; Sarah Case, Vice President of Humanitarian Systems Change, IRC; Sean Nicholson, Executive Director of External Relations, Norwegian Refugee Council; Siddhartha Sinha, Senior Innovative Finance Officer, UNHCR; Lev Plaves, Investment Director, KIVA; Barrett Redmond, Investor Relations Manager, KIVA; James Carey, Policy Officer, DG ECHO; Mike Pearson, Research Fellow in the Humanitarian Policy Group, ODI Global; Kawtar Zerouali, Deputy Director, Natural Assets Team, UNCDF; Petra Demarin, Senior Advisor, International Federation of the Red Cross (IFRC).
3. **Target regions and countries:** Convergence tracks region and country data by stated region(s) and countries of focus at the time of financial close, not actual investment flows. Often, regions and countries of eligibility are broader than those explicitly stated.
4. **Convergence considers a transaction to be blended based on three criteria:** 1. It attracts financial participation from one or more commercial investor(s) that would otherwise not have invested 2. The transaction leverages concessional capital 3. The transaction intends to create development impact related to the Sustainable Development Goals. Other organizations, such as the India Impact Investors Council, may use different criteria when establishing whether a transaction is blended. This may lead to differences in overall data trends between the Convergence Market Data and other regional data sources.



**CONVERGENCE** is the global network for blended finance. We generate blended finance data, intelligence, and deal flow to increase private sector investment in developing countries.



**BLENDING FINANCE** uses catalytic capital from public or philanthropic sources to scale up private sector investment in emerging markets to realize the SDGs.



Our **GLOBAL MEMBERSHIP** includes public, private, and philanthropic investors as well as sponsors of transactions and funds. We offer this community a curated, online platform to connect with each other on blended finance transactions in progress, as well as exclusive access to original market intelligence and knowledge products such as case studies, reports, trainings, and webinars. To accelerate advances in the field, Convergence also provides grants for the design of vehicles that could attract private capital to global development at scale.



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