WHITE PAPER

Building a catalytic capital repository

A practical solution to accelerate private sector mobilization in development finance

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Blended finance, an opportunity for private capital mobilization

2025 is a critical year for channeling finance toward the agendas that matter most for sustainable development of our societies. However, it is becoming increasingly clear that official development assistance (ODA), as well as efforts to mobilize domestic resources, will face numerous challenges such as shifting priorities and fiscal constraints in donor countries.

As a result, there is growing curiosity about the extent to which private capital can help to fill some of the ever-widening gaps. More and more, leaders in the public and private sectors are focused on the strategic use of public and philanthropic funds to increase private capital mobilization (PCM). Blended finance structures,[1] which combine concessional instruments (see Appendix 1 for examples) and commercial capital (see Appendix 2 for definitions), offer an innovative solution to increase PCM efficiency by aligning impact mandates with commercial risk-return expectations.[2]

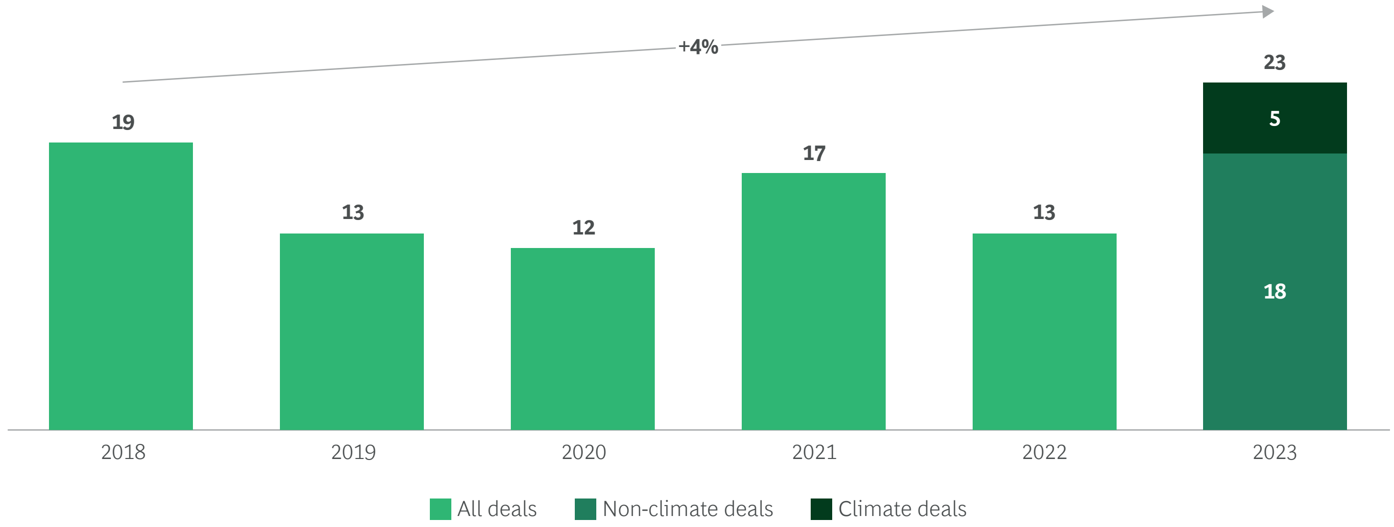
Despite its promise, blended finance has not yet reached its full potential, and PCM more broadly remains subscale. Convergence estimates 2023 blended finance deals, or transactions including commercial and concessional capital, at $23 billion, while the Organization for Economic Cooperation and Development (OECD) puts the 2023 figure for private finance mobilized through official interventions at $70 billion.[3] These amounts stand in stark contrast to the $4 trillion investment gap to achieve UN Sustainable Development Goals (SDGs), including those related to climate.[4]

Although growth in annual volumes is encouraging, mobilized private capital remains focused on specific geographies and sectors, including energy and financial services as well as middle-income countries.[5] This focus leaves critical funding gaps in other areas.[6]

1. Convergence gives example of blended finance structures in its flagship annual “state of blended finance” report. See Convergence Blended Finance, “State of Blended Finance 2024”.
2. Through risk mitigation or return enhancement, leveraging instruments such as concessional debt, first-loss capital, or guarantees. More generally, according to the OECD, “most organisations agree that the aim of blending should be to mobilise private or commercial actors, but they differ as to what blending entails. The main differences relate to the degree of concessionality of finance that is blended and the combination of participating actors, such as public-public, public-private, or private-private cooperation.” The suitability of blended finance depends on the nature of the project and its risk-return profile. For instance, relevant projects for blended finance would include those with inherent commercial potential that, despite elevated risk profiles, can be made viable through the strategic deployment of catalytic capital. Conversely, blended finance will be less suitable for low financial return cases like essential public infrastructure with no cash flows, where the public sector will remain the primary source of financing.
3. The OECD uses a top-down approach to estimate the private capital mobilized through official interventions (including through mechanisms such as credit lines, guarantees, and syndicated loans, which may not always be labelled blended finance), while Convergence takes a bottom-up approach, tracking individual deals and combining concessional and commercial capital in its volume figures.
4. United Nations Sustainable Development Group, “Developing Countries Face Staggering $4 Trillion Investment Gap in SDGs,” July 2023.
5. In terms of sectors, energy (23%) and financial services (22%) are the primary recipients as per Convergence, while, according to OECD, almost 70% of flows benefit middle-income countries such as Brazil ($8.8 billion) and India ($5.5 billion).
6. Sectors like health (2%) and housing (3%) remain underrepresented in blended finance deals in 2023, according to the Convergence database.

Exhibit 1 - Blended finance market, Convergence

2018 - 2023, financing totals in blended finance deals[1], USD billions

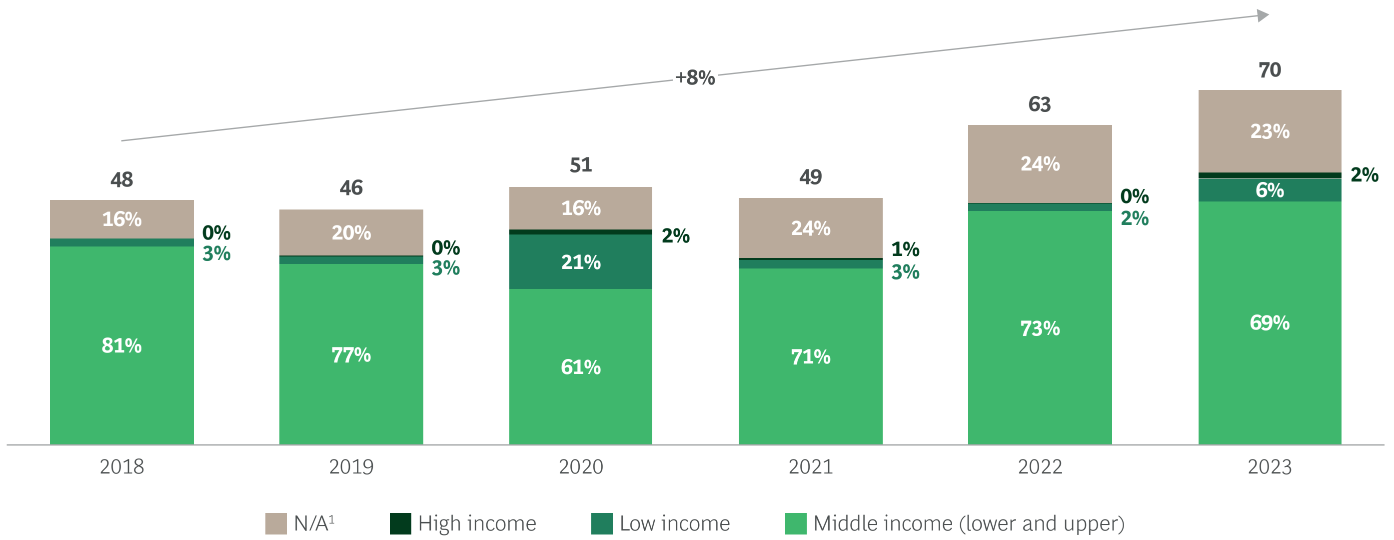


Source: Convergence data.

[1]totals include all capital in blended finance deals across sources and instruments e.g. combining concessional and commercial capital.

Exhibit 2 - Private finance mobilized by official development finance interventions, OECD

2018–2023, per income group, USD billions



Sources: OECD data, UN list of economies, BCG analysis.

[1]Unspecified countries.

This paper offers a practical idea, developed by a group of private sector practitioners including BCG and global private financial institutions gathered at the *Institut de la Finance Durable*, for how the public and private sector can better collaborate to address this gap. Our main recommendation is to develop a "catalytic capital repository" to facilitate information sharing and partnerships among all blended finance practitioners.[7]

We also note the importance of complementary efforts to increase the pipeline of investable projects, reduce transaction costs in deal structuring, and align policy and regulatory environments. Highlighted solutions aim to increase transparency, facilitate collaboration, and ultimately increase both the scale and speed of financing.

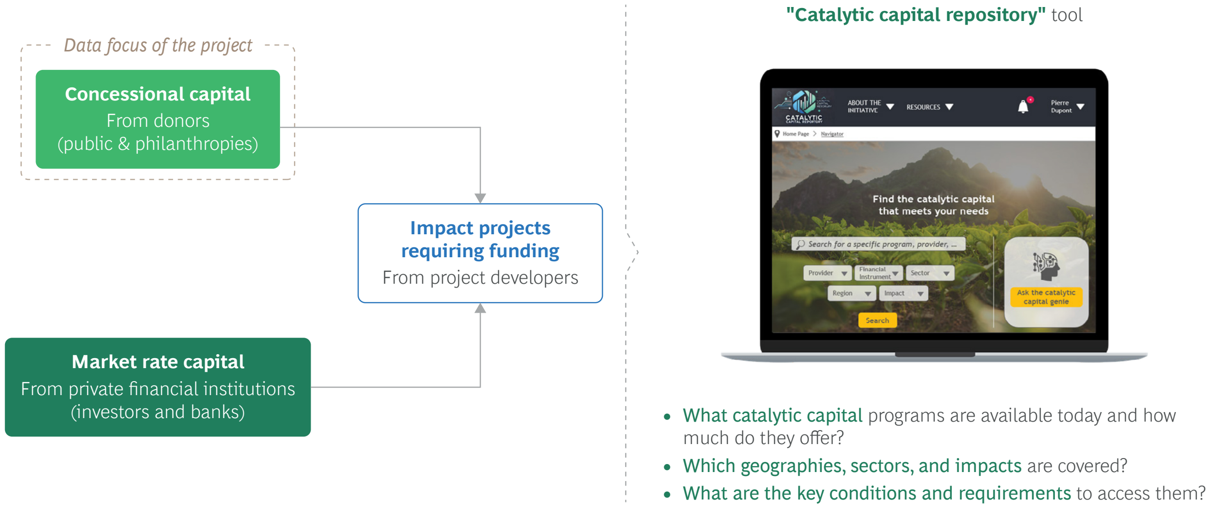
A novel solution to a persistent problem: developing a catalytic capital repository

Teams responsible for structuring blended finance transactions within banks and asset managers face a persistent challenge at the beginning of the blended finance process: identifying appropriate forms of capital to structure deals can be incredibly time consuming. For example, the process of finding first loss capital or guarantees can be lengthy, and at times even prevent deals from materializing.

Although some tools and platforms already exist, such as those developed by Convergence, the International Institute for Sustainable Development, Phenix Capital, and Donor Tracker, private capital providers consulted for this paper note that these datasets tend to focus on historical transactions at the project level and do not holistically list available financing sources like catalytic instruments and pools of capital earmarked for PCM.[8] Given the fragmentation of these financing instruments and the diversity of providers, there is a clear opportunity to increase transparency and accelerate the capital access process.

To that end, our working group proposes the creation of a new centralized "catalytic capital repository" (see Exhibit 3). This repository would serve as a publicly available one-stop shop for standardized information from catalytic capital providers about their active catalytic financial instruments, key eligibility criteria and award process. By improving transparency and streamlining access to essential information, this repository would increase PCM and optimize usage of scarce concessional resources.

Exhibit 3 - Overview of Catalytic Capital repository



Source: BCG.

7. Blended finance practitioners include catalytic capital providers, governments, private financial institutions, and project developers.
8. These datasets include, for instance, fundraising deals, credit enhancement and de-risking instruments, and market-rate impact investment opportunities.

The repository would complement, rather than replace, existing tools and platforms, and enhance current efforts to standardize and document appropriate risk/return profiles for participants in blended finance structures.[9] Distinctively, it would be both geography- and sector- agnostic, offering broad accessibility with free features. Accordingly, we envision it to include information about:

- Public and private catalytic capital providers, including multilateral and bilateral development banks, multilateral funds, government agencies, private foundations, and family offices

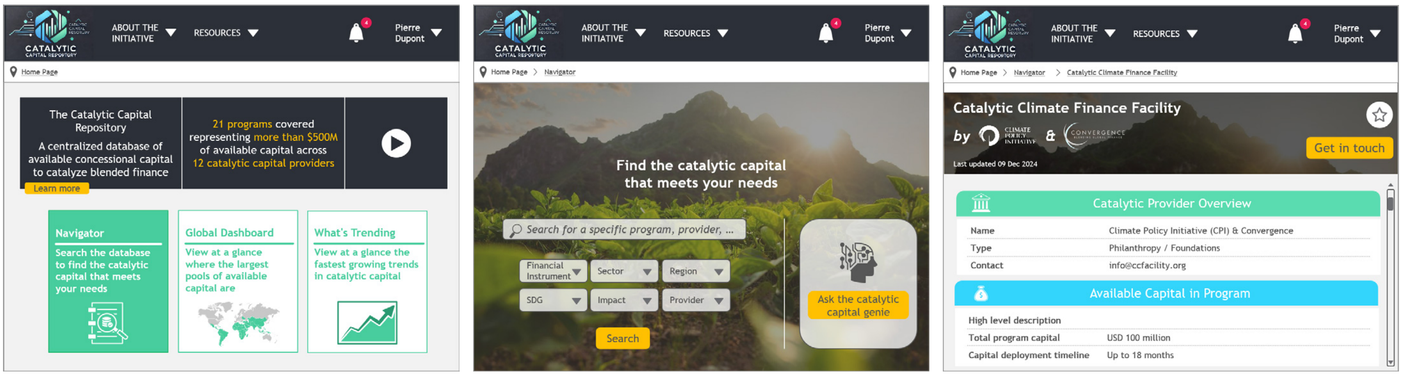
- Key financial instruments provided by those actors, such as grants, concessional debt and equity, and risk mitigation tools, addressing a wide range of impact themes aligned with the SDGs (for more details, see Appendix 1)

Specifically, the repository's core feature would be a search engine providing direct visibility into available catalytic capital funding windows. Users would be able to customize their search by filtering results by provider, financial instrument, sector, SDG, or region. To deep dive on search results, a "double-click" feature would allow users to access key program details, including eligibility requirements, application process, as well as contact information for direct outreach to capital providers.

The repository could also deliver advanced analytics, such as regular intelligence reports for catalytic capital providers on how often a catalytic program is viewed or saved, as well as aggregated data on overall funding availability by region, sector, and instrument type (see Exhibit 4 for design mock-ups).

By consolidating catalytic capital information into a centralized source, the repository would offer key benefits, including standardized data across geographies, sectors, and financial instruments. It would enhance program visibility and comparability (in particular of the targeted or achieved PCM ratio), both of which are essential to increasing private market participation and optimizing public resource allocation.

Exhibit 4 - Illustrative mockups of main page and search engine



Source: BCG.

9. Such initiatives and guidance include for instance additionality frameworks, methodologies to assess mobilization ratios, recommendations on levels of concessionally-provided capital.

The repository would also offer several key benefits for catalytic capital providers, notably by:

- Enabling them to more clearly and directly articulate their expectations, access conditions, and selection criteria to private sector partners, leading to more applications aligned with their outcome priorities

- Streamlining communication through a structured contact feature, reducing repetitive inquiries and ensuring the right opportunities reach the right audiences in an efficient manner

- Providing visibility on shared priorities, which would foster synergies and partnerships among catalytic capital providers, in turn amplifying results, particularly for smaller players

- Helping identify gaps in concessional capital priorities, which would enable more targeted future investments toward sectors or geographies that most need it

- Potentially including key contacts from private financial institutions, allowing catalytic capital providers to reach out to the right teams within banks and asset managers directly

Collectively, the target outcomes we expect from such a repository are:

- Faster timelines, through the acceleration of the early stages of the blended finance process, especially in identifying catalytic capital providers

- Improved PCM ratios across deals, optimizing the impact of available catalytic capital

- Higher number of blended finance deals overall

Success for this repository will also require progress on other related constraints to PCM

Of course, the catalytic capital repository will not solve every issue PCM faces. There are other critical barriers throughout the deal cycle that require their own unique solutions. Already well-documented,[10] these include challenges related to emerging markets as well as obstacles specific to blended finance structures. For example:

- **Increasing the number of investment-ready projects:** Local project developers and governments in developing countries often cite the need for flexible forms of funding to design scalable, investment-ready projects. Project preparation facilities can be an effective way to do so.[11] Organized by geography, sector, or targeted impact, they provide dedicated resources to design and prepare new projects. Examples of project preparation facilities include those launched during the Climate Finance Roundtable, co-convened by the IMF and the World Bank Group.[12] Other platforms focused on specific regions or sectors provide technical assistance and capacity building to foster project creation, such as the African Food Systems Forum, which advances agricultural transformation.

10. Including in the reports from OECD etc, "Blended Finance Guidance," 2021; and Network for Greening the Financial System, "Scaling Up Blended Finance for Climate Mitigation and Adaptation in Emerging Market and Developing Economies," 2023; Action Plan from Convergence and USAID.

11. For example, Kenya, where external support was provided by the World Bank to develop public-private partnership (PPP) programs resulting in a new PPP law, enhance government capacity to manage PPPs, and create a viable project pipeline to engage private sector players effectively.

12. One example is Costa Rica's Sustainable Project Preparation Facility to catalyze up to $1.2 billion in private investment for sustainable infrastructure by 2030. Source: IMF

- **Addressing speed to deployment:** Addressing slow disbursement processes requires targeted efforts by sector or geography (specifically regional, national, or sub-national) to ensure a project's effective implementation. For instance, the Just Energy Transition Partnerships (JETPs) aim to facilitate financial collaboration between different stakeholders – including governments, development banks, and private investors – to support emerging economies in transitioning to clean energy.[13]

- **Improving systemic enablers for investment conditions:** Policies and regulations that foster end-user demand, create incentives, and align economic growth with development and climate objectives are also critical. While global regulations (such as Basel III or Solvency II) increase capital reserve requirements (especially for long-tenor loans and exposure to lower-rated countries), they often underestimate the risk mitigation effects of catalytic capital and overlook the data available on past performance (e.g., GEMS Risks Database).

- **Reducing the transaction costs associated with structuring deals and investment vehicles:** Misaligned priorities, timelines, and risk-return expectations among public funders, private investors, and philanthropic partners can delay execution and increase transaction costs. These issues are compounded by the complexity of financial instruments (including multiple options across risk mitigation, debt, or equity) and deal structures tailored to fit specific requirements from multilateral development banks (MDBs) and development finance institutions (DFIs). To reduce costs and achieve scalability, it is essential to address the bespoke nature of blended finance deals, which often involve complex transaction structures and varied due diligence requirements. Initiatives targeting these challenges focus on standardizing key parts of the due diligence processes and defining replicable financial instruments across sectors and geographies. For instance, the Hamburg Sustainability Platform intends to scale blended finance models across geographies by pooling public funds and standardizing financial products. Similarly, the World Bank Group's Private Sector Investment Lab aims to address barriers to private investment by improving regulations, scaling proven models, and expanding guarantees to de-risk projects. Within its "Scale Private Investment Mobilization Project",[14] Convergence is proposing Standardized Private Investment Mobilization Models (PIMMs) as the foundation for scale mobilization, to efficiently create investments meeting private investors' mandates (primarily through risk reduction).

- **Implementation and monitoring:** Particularly in emerging markets, there may be a lack of credit rating data (such as for senior tranches) from rating agencies. There may also be inadequately standardized frameworks for monitoring financial performance (including historical default rates) alongside social and climate impact. These issues can reduce comparability across transactions and fail to conquer investor confidence. However, initiatives like the GEMS Risk Database help address these gaps by centralizing credit risk data on infrastructure and energy projects, enhancing risk assessment and improving decision-making for investors and financial institutions.

13. One example is Senegal's JETP signed in 2023 to support the deployment of renewable energies through investment from the private sector, sovereign funds, philanthropies as well as the mobilization of $2,5 billion in public financing.

14. Project coordinated by Convergence and funded by Gates Foundation, Finland, France, Luxembourg and Switzerland.

Conclusion

Persistent gaps in development financing and the current pressure on available ODA present a significant opportunity to scale blended finance and strengthen collaboration between catalytic and commercial capital providers. Private financial institutions are jointly mobilizing to seize this opportunity and expand their investments in blended finance instruments. To achieve meaningful scale, it is essential to develop solutions that go beyond existing efforts that are already mobilizing expertise, sharing knowledge, and standardizing processes.

Enhancing transparency and accessibility will be key to unlocking the full potential of blended finance and accelerating PCM. The creation of a catalytic capital repository can play a pivotal role for all stakeholders by enabling collaboration across the blended finance ecosystem through centralized access to structured information on available capital. Such a repository will increase opportunities for projects to access more development financing and better accomplish their ambitious sustainability goals, as well as enable public and private donors to reach higher PCM ratios.

To address potential operational challenges of such a repository, including capacity, data privacy, coordination, and funding, stakeholders must establish a clear governance and business model (for example, leveraging existing databases). If created, the success of this repository will depend on catalytic capital providers' participation, supported by appropriate incentives to encourage transparent information-sharing about program windows and access conditions. To maximize its impact, the repository must be supported by aligned policy and regulatory environments,[15] as well as by governments, which will play a critical role as shareholding members of DFIs and MDBs in promoting transparency.

15. For example, current regulatory frameworks such as Basel III and Solvency II on prudential requirements are not adapted to embed risk-sharing mechanisms of blended finance.

Appendix

Appendix 1 - Instruments in scope for the “Catalytic Capital Repository”

Non-exhaustive	Grants	Equity/debt	Risk mitigation	
Concessional and catalytic	Technical assistance facilities Subsidies Grants tied to funds Reimbursable grants "Pure grants" not directly aimed at driving private capital mobilization[1]	First loss Concessional equity Junior, mezzanine, subordinated capital Concessional debt .... Target tool scope: concessional and catalytic	Comprehensive insurance/ First demand guarantee Credit guarantee[2] Political risk guarantee[3]/insurance FX risk mitigation/ subsidized FX risk cover cost Tenor extension	Mainly first loss[5]
Commercial/ Market-rate	N/A	Loan priced at commercial rates Market-rate subordinated debt	Swaps[4] Forward contracts	

[1]E.g., grants deployed to broader forms of economic development but not directly tied to a transaction or fund.

[2]E.g., partial/full credit guarantees for loans/bonds, letters of credit, unfunded risk participation, risk-sharing facility, significant risk transfer.

[3]E.g., expropriation, currency inconvertibility and transfer restriction, war and civil disturbance.

[4]E.g., credit default, interest rate.

[5]Vs. pari passu.

Appendix 2 - Global institutions' definitions of catalytic, concessional and commercial capital

Terminology	OECD	EVPA INVESTING FOR IMPACT	CONVERGENCE	GSG IMPACT
Catalytic	"[**Development finance**] **increases the mobilization of additional financing** for development, in particular from commercial sources. Can come from both **concessional or commercial sources**"	"Catalytic capital refers to capital deployed to **achieve impact through the catalyzing effect of its intervention. It is the intentional approach** that defines it, not the instrument or asset class that the capital represents"	"**Also known as catalytic capital, concessional capital** comes from the public and philanthropic sectors. It has **low or no return expectations** or is able to take on **outsized risks** and is used in a blended finance transaction to improve the risk/return profile of a deal to **attract commercial capital that would otherwise not participate**"	"Blended finance provided at **concessional rates is commonly referred to as catalytic capital** and is typically provided by philanthropic foundations or donor countries"
Concessional	"Concessional loans: loans that are provided for **at far lower than market rates, longer terms** and with conditions which allow **grace periods** for payments"	"Capital that accepts **lower returns compared to market rate**"		
Commercial	"Commercial finance such as public and private sources of finance whose principal purpose is **commercial rather than developmental**"	"Capital seeking **commercial returns**"	"Commercial capital includes capital deployed by private investors by public and philanthropic investors (e.g., DFIs and MDBs) at market rates"	

Sources: OECD Blended Finance definitions and concepts, Convergence, GSG Impact, EVPA.

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