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Private Sector Blended Concessional Finance Operations

Nov 2025



What is Blended Finance?

It depends who you ask, but the philosophical intent is generally aligned: catalytic capital

According to the DFI Working Group¹...



*[Blended Concessional Finance involves...] “...**combining concessional finance** from donors or third parties **alongside** DFIs’ normal own-account finance and/or commercial finance from other investors, to develop private sector markets, address the Sustainable Development Goals (SDGs), and mobilize private resources.”*

According to the OECD²...



*“Blended finance is the strategic use of **development finance** for the mobilization of **additional finance** towards sustainable development in developing countries.”*

While the approaches are *complementary*, OECD's is broader; DFIs follow and advocate the definition under the DFI Principles

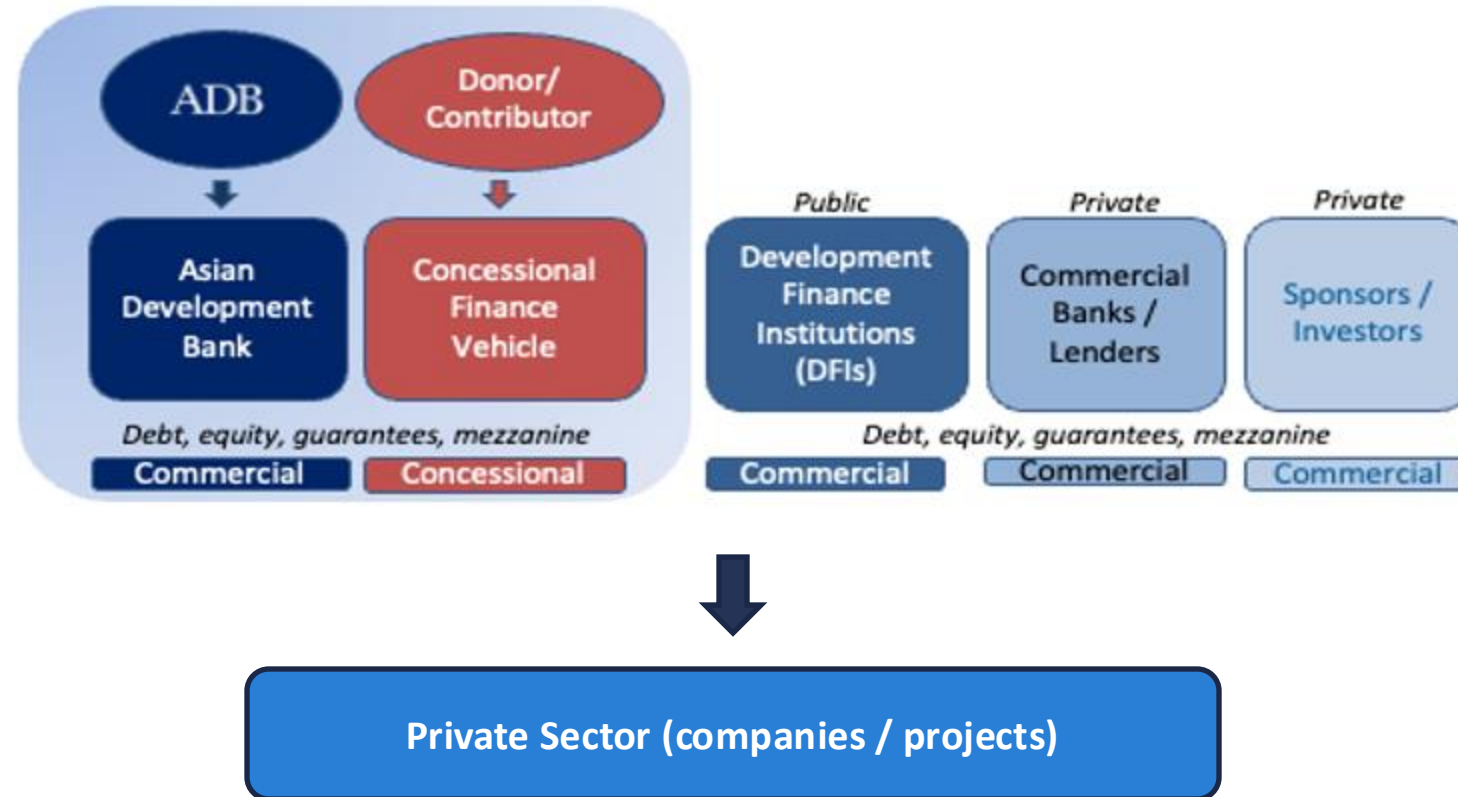
Note:

(1) Adopted by the DFI Working Group in 2013.

(2) Adopted by the OECD in 2017.

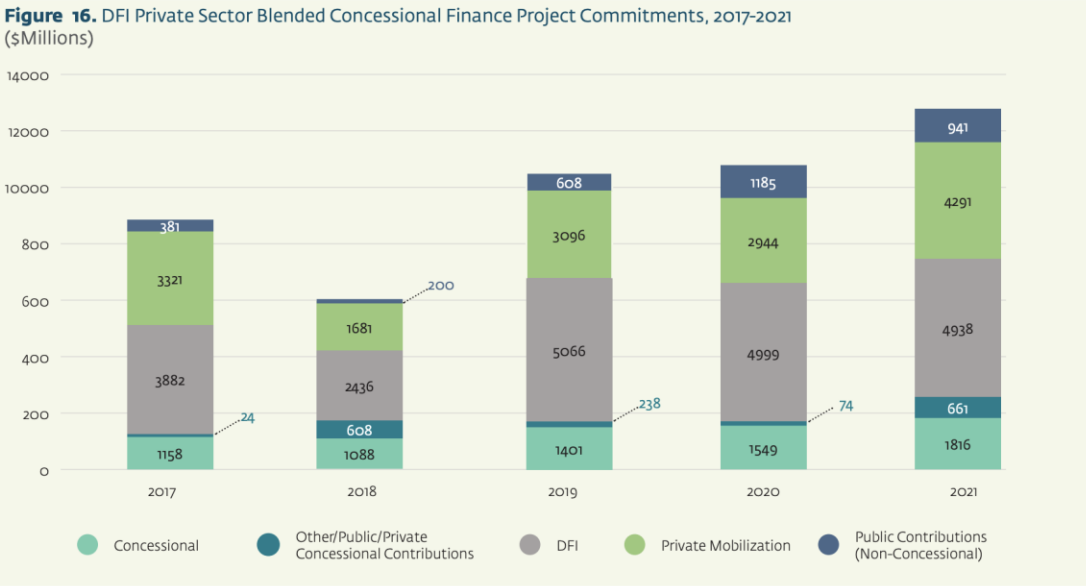
Blended concessional finance structure

Concessional funds are utilized alongside ADB OCR to support projects

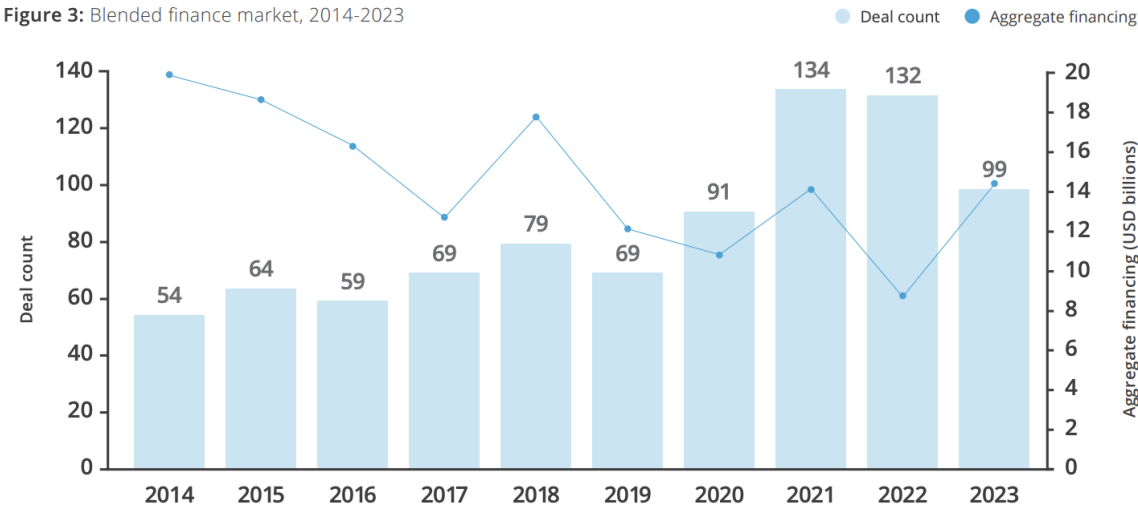


Blended concessional finance ‘market’ size is around \$9-15B in recent years

MDB concessional financing per annual is between \$1B to \$1.8B per year



OVERALL BLENDED FINANCE MARKET



Sources:
<https://www.adb.org/documents/dfi-blended-concessional-finance-report-2022>
<https://www.convergence.finance/resource/state-of-blended-finance-2024/view>

Muarah Laboh Geothermal Power Project Stage 2

Supporting a high-risk project in Indonesia

- **Country:** Indonesia
- **Project Name:** Muara Laboh Geothermal Power Project Stage 2
- **Borrower:** PT Supreme Energy Muara Laboh (SEML)
- **Instrument:** Total \$92.6m financing package –\$38.8m ADB OCR, \$38.8m private mobilization, \$15m concessional loan
- **Fund source:** Australian Climate Finance Partnership (ACFP) –*funded by Australian Department of Foreign Affairs and Trade (DFAT) to catalyze financing for private sector climate adaptation and mitigation projects in the Pacific and South East Asia*



Project Overview:

- Development of an 82.7 MW geothermal expansion project in Indonesia
- First major internationally financed private sector geothermal project in Indonesia in over 8 years. One of the first commercial financings on a clean risk basis (i.e., no ECA cover) in geothermal sector in Indonesia.

Challenges:

- Higher project risks than most conventional power sources. Geothermal projects face initial drilling and exploration risks, as well as ongoing risks like long-term resource and completion risks.

Blended Finance Solution:

- \$15m subordinated loan to provide cash buffer against resource-related shocks and derisk the project.
- The derisking of the project was crucial in crowding in other lenders, including commercial banks. The sub debt provided additional comfort to lend without ECA cover by increasing the DSCR for senior lenders and helping to protect lenders against uncertainty relating to the project's cash flows.

Expected Impact / Development Targets:

- 82.7 MW of new geothermal capacity
- ~434k tCO₂e avoided
- Leverage ratio was over 30x

Xac Bank Mongolia

Scaling up climate lending portfolio through concessional loan

- **Country:** Mongolia
- **Project name:** XacBank Supporting Climate and Inclusive Finance Project
- **Borrower:** XacBank JSC
- **Instrument:** \$35m total - \$25m ADB senior loan and \$10m concessional loan
- **Fund source:** Canadian Fund for Climate and Nature in the Private Sector in Asia (CANPA)- *funded by Government of Canada to stimulate private sector investment in climate and nature-based solutions projects that advance gender equality across Asia and the Pacific.*

Project Overview:

- The project supported XacBank in scaling up its climate lending portfolio, targeting wide range of sectors.
- Supported both mitigation and adaption projects including the launch of adaptation finance activities and a new green retail lending product tailored for women.

Challenges:

- High emissions intensity with Mongolia's high emission per capita (3x the global average) and heavy reliance on coal.
- Lack of affordable and stable medium- to-long term financing.
- High borrowing costs and lack of incentives for expanding green lending.

Blended Finance Solution:

- **Concessional loan** was used to lower interest rate and longer tenor (i.e., 5 years) to address market constraints.

Key outcome/Development Targets:

- Blended finance can effectively lower borrowing costs and provide key incentives for the bank to move towards newer sectors like waste, water sector, and transport and new retail loan product targeting women.
- Mitigation (90%), adaptation (10%) including CO2 savings of 1 MtCO2e

