Blended Finance Lab

Conference Report

Inaugural Symposium held by the LSE Blended Finance Lab
London, September 29, 2025

This report summarises the inaugural Symposium of the LSE Blended Finance Lab held in London on 29 September 2025[1]. The event brought together over 75 organisations from across the blended finance ecosystem to identify practical barriers to scaling blended finance and to define priority areas for action. Discussions highlighted the need for greater standardisation, improved data transparency, better alignment with institutional investor requirements, stronger project pipelines, and more effective use of concessional capital. The Symposium also marked the formal launch of the Lab and outlines its emerging work programme, including five sector-focused workstreams and initial research initiatives aimed at accelerating the scale and effectiveness of blended finance globally.

Introduction

It is widely recognised that there is a large gap between development and transition finance requirements and what is being delivered globally, with a particularly stark gap in emerging and developing markets. Although blended finance (abbreviated as "BF" throughout this document) is widely recognised as a critical tool for achieving sustainable development and climate goals, the current ecosystem remains subscale, fragmented, and inefficient. While some of the reasons for this are well understood, there remains an urgent need to work on practical solutions.

Early 2025 LSE decided to devote resources to this effort through the launch of a Blended Finance Lab funded by the new [LSE Global School of Sustainability] and initially residing in the Financial Markets Group. The Lab will provide a platform for LSE to bring its breadth of capability to bear in working with market participants to address specific practical problems within the market for BF.

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[1] *This Symposium took place prior to the formal integration of the Blended Finance Lab within CETEx. This report reflects the discussions and institutional context at the time of the event and has been published subsequently for documentation and knowledge-sharing purposes.*

The Blended Finance Lab (the "Lab") works cooperatively with other initiatives to provide problem-solving capabilities in response to market needs. The Lab is a hands-on platform dedicated to addressing the real-world barriers that prevent BF from reaching its full potential. It brings together key actors to co-design solutions, build trust, and accelerate learning across sectors. Its work is focused on three core activities:

- Create a forum for practitioners to enable community building and to collaborate in a practical way on analysing and finding solutions to facilitate wider adoption and more effective use of BF.
- Conducting action-oriented research on key topics to facilitate BF and stimulate the teaching of BF approaches.
- Raise the profile of BF within the City of London.

Work on the launch of the Lab, the inaugural Symposium, and the formation of five workstreams with 75 different organisations globally has been ongoing since March 2025, initially guided by LSE Professor of Practice Tom Gosling and Senior Advisors Harald Walkate and Robert van Zwieten. The different workstreams represent the relevant actors in the BF ecosystem, including asset owners, asset managers and banks, governments, development finance institutions, and non-governmental organisations. The workstreams will meet regularly through online meetings but the intent is also to bring them together in-person at least once a year at a Symposium hosted at LSE.

This conference report provides a brief overview of the proceedings at the inaugural Symposium held on September 29, 2025. The public evening event of the Symposium was recorded and made available online here.

Workstream Meetings

During the day, the five workstreams met in person, in closed-door sessions. The workstreams vary in size from 10 to 20 participating organisations and about 50 of these representatives came to London for the Symposium. The discussions revolved around the main barriers participants see to the scaling BF as well as potential contributions that LSE and the Lab might be able to make to enable the wider adoption and more effective use of the BF tool. Below is a summary of the discussions and the feedback provided on this question. These have been invaluable inputs into the discussions about the focus areas of the Lab for 2026.

Governments Workstream

Discussions revolved around other BF-related initiatives and the possibility of the Lab connecting with them and disseminating their work; the specific role of governments in enabling BF transactions and how to determine when concessionality is needed; the need for an enabling regulatory environment and the role that it allows asset owners to play; and addressing demand-side concerns (i.e. supply of investable assets). Recommendations for LSE/Lab contributions included:

- Shed light on the government BF toolbox, matching tools to risks with academic evidence on efficacy
- Develop harmonized framework for BF evaluation supported by research
- Creation of business cases that can be used at a master's level or executive level education
- Map variations in donor requirements to highlight commonalities and differences
- Create a standard for credit ratings (especially in the context of equity)
- Identify how we can amplify global South representation/participation in the Lab

DFI & MDB Workstream

Discussions revolved around standardisation (including for legal documentation) and definitions; how to assess impact and in particular 'additionality'; how to coordinate across public, private and third sectors to realise transactions; the role of technical assistance and project preparation; the role of DFIs and MDBs as BF 'market makers'; mobilisation ratios; and the need for more/better disclosure of BF and EM data as well as transparency on grant equivalency. Recommendations for LSE/Lab contributions included:

- Academic research/frameworks to enable calculations / comparisons of grant equivalency
- Development of benchmarks for the level of concessionality in BF projects
- Develop standardised / templated legal documentation for BF instruments
- Develop an (academic) evidence base on the efficacy of project preparation facilities
- Develop standards for data transparency

Asset Owners Workstream

Discussions revolved around the use of BF for advanced versus emerging economies; the risk and return requirements typical of asset owner mandates and implications for ability to allocate to BF within existing asset class definitions; the possibility of further standardisation in BF products; where the needs for concessional capital arise; the need for further data transparency and benchmarks that include BF instruments. Recommendations for LSE/Lab contributions included:

- Determine in which cases asset owners require ratings for developed and EM markets
- Develop a database of risk and return profiles of BF and/or conduct research on existing databases
- Explore opportunities to link to UK Mansion House Accord
- Explore how BF funds/criteria could be integrated into industry benchmarks

NGO & Foundations Workstream

Discussions revolved around definitions and the level of understanding of BF approaches with NGOs and foundations; the need for rigorous methodologies for measurement of financial and societal impact of BF investments; clarity on the BF ‘ecosystem’ and how to identify potential partners; capacity building, scaling of the community and the need for more education and training programs; the need for data; the need for educational case studies that illustrate the challenges in BF. Recommendations for LSE/Lab contributions included:

- Community building that allows NGOs and Foundations to connect with other members of the ecosystem
- Mapping the “lifecycle” of actors within the BF ecosystem
- (Academic) research that allows the objective assessment of the efficacy of BF approaches
- Analysing risk perception and its influence on investor participation
- Producing comparative, deep case studies to identify what works and why
- BF 101 education / workshops
- Developing a toolbox for organisations to locate themselves within the ecosystem and identify relevant entry points

Asset Managers & Banks Workstream

Discussions revolved around the BF tools and challenges in deploying them, including effective risk mitigation, achieving sustainability of returns and affordability; the need for definitional clarity and shared basic understanding in the marketplace of what constitutes BF; regulatory dynamics and implications for BF; different collaboration models and how to achieve a ‘community of practice’; the need for more reliable data on BF transactions to enable better measurement, benchmarking and institutional participation; the need for greater alignment between the different actors in the ecosystem. Recommendations for LSE/Lab contributions included:

- (Academic) research on BF transactions, providing more of an evidence base, also with a view to policy advocacy
- Development of case studies and data aggregation efforts across institutions; explore possibility of a shared BF data repository
- Development of teachable business cases
- Further work on the relevance of credit ratings
- Explore possibility of establishing investor clubs and/or local hubs for the Lab to support practitioners- academic engagement
- Work to develop more of a ‘narrative’ around BF so that it becomes more recognised in the marketplace

Mixed Workstream session

At the end of the afternoon, all workstream participants met in a Mixed Workstream session, the main purpose of which was to report back on two research projects that the Lab undertook during the summer, based on input from initial workstream meetings earlier in the year. Two brief reports discussing the research in some further detail will be published separately.

Aligning BF Investments with Asset Owner Requirements (led by Jeroen Zuurmond)

The main purpose of the research was to better educate the BF ecosystem on how large asset owners typically make asset allocation decisions and where BF investments might fit. The main takeaways are:

(1) though BF investments come in a range of sizes, activities and risk/return profiles, typically they offer the best fit with the Private Market Debt, Structured Finance, Infrastructure Debt & Equity, or Emerging Markets Debt asset classes. Also, it may fit in Impact Investments allocations, though not many asset owners recognise this as a separate asset class.
(2) However, typically, the risk/return/ratings requirements that apply to the asset class will also apply to BF investments, and it will often be challenging to meet them.
(3) The main benefits of BF to asset owners are: portfolio diversification (it fits in the trend towards illiquid investments); demonstrate engagement with stakeholder/government preferences; ability to address highly specific themes (e.g. biodiversity).
(4) The main implications for the BF community are: when pitching BF investments, focus on risk, return, ratings requirements and portfolio benefits over 'impact' aspects.

Credit Ratings for BF Structures (led by Sarah Marchand)

The main purpose of the research was to assess the relevance of credit ratings for BF investments. The main takeaways are:

(1) institutional investors typically require investment grade ratings; though pension funds have a bit more flexibility than insurers.
(2) Most BF funds/investments do not have a credit rating.
(3) there are several barriers to overcoming this: "killer clauses" from donors meant to safeguard impact; bespoke & complex structures; uncertainty over applicability of regulations like Solvency.

The Lab should consider contributing to or initiating the following interventions:

- developing practical tools, explainer materials, templates, and training to help practitioners design vehicles that are rating-ready;
- developing a set of standardised fund structures that could streamline rating processes, e.g. based on BII/BCG or PIMMs models;
- cross-industry efforts to release more data and clarify regulatory constraints.

Public Evening Event: “BF Needs to Scale 10 Times: Can It, Will It?”

The evening event of the Symposium was recorded and made available online here. Brief biographies of all speakers are included further below.

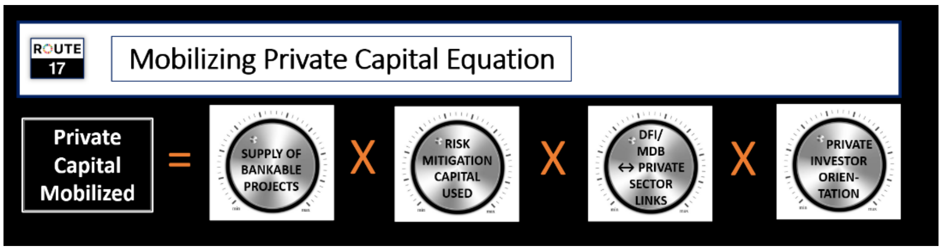
Tom Gosling opened the event and outlined the purpose of evening program: to provide an update on the Lab’s work and discuss whether BF can scale tenfold with insights from our panelists.

Lord Nicholas Stern celebrated the launch of the Lab and explained its connection to sustainability and the Global School of Sustainability. Co-founded with LSE alumnus Lei Jun, the school focuses on addressing economic, social, and political challenges in the global transition to sustainability. Lord Stern highlighted the importance of investing capital to drive transformation and avoid catastrophe. Achieving sustainability requires increasing global investment by 2-3% of global GDP for the next few decades, particularly in emerging markets and developing countries. This necessitates creating conditions for investment and financing, which leads directly to the concept of BF. The goal is to make investments accessible and affordable while managing risks and reducing the cost of capital.
He emphasized that different types of investments require tailored financing approaches. For example, renewable energy projects are often funded by the private sector, while restoring degraded land or adaptation investments may require BF due to their distributed benefits and challenges in attracting private capital. The Lab aims to address these challenges by developing innovative solutions to mobilise resources for a wide range of sustainable investments. In conclusion, Lord Stern underscored the critical role of the Lab in advancing sustainability and celebrated its launch as a significant step forward.

Update on the LSE Blended Finance Lab

Tom provided an update on Lab’s progress. While this event was positioned as a launch, the Lab has already been working for several months. He posed the key question: why do we need another initiative in BF? Despite numerous existing initiatives, the sustainable development goals (“SDGs”) are falling further behind, with only about 20% on track for achievement by 2030. The funding gap is approximately $4 trillion annually, with $1 trillion needing to come from the private sector. BF aims to combine public, philanthropic, and private capital to mobilise large-scale funding for the SDGs. However, transaction volumes, currently at $15–$20 billion annually, remain far below the required scale. In sum, while BF holds promise, it has underperformed in practice. LSE has launched the Lab to address this gap. The Lab’s goal is to complement existing initiatives, leveraging LSE’s convening power, research assets, and strategic understanding of development finance. LSE aims to use its independence and agility to support the BF ecosystem effectively.

Harald Walkate and **Robert van Zwieten**, senior advisors at the Lab and co-founders of Route17, a BF advisory firm, have been instrumental in establishing and running the Lab. Harald and Robert have extensive experience in financial and development finance sectors. Harald represented Route17 at the Symposium and briefly explained the Mobilising Private Capital Equation (see graph below), consisting of four 'dials in an amplifier' that each need to be turned up in order to achieve wider adoption of BF: availability of investable projects, utilization of concessional capital, linkages between public and private sectors, and private investor orientation. Addressing these constraints effectively requires coordinated efforts across all relevant stakeholders.



To tackle these challenges, the Lab therefore has created five workstreams involving 75 different organisations, representing governments, DFIs, asset owners, asset managers, banks, NGOs, foundations, and academics. By first engaging these groups individually, the Lab aims to identify their specific needs, and in 2026 plans to facilitate collaboration across workstreams. This approach ensures focused and actionable outcomes.

Panel conversation

Tom moderated a discussion with the evening's panelists to discuss practical changes needed to scale BF globally and move from theory to measurable impact (see brief biographies further below). Below a summary of the panelists' contributions and the Q&A.

José Viñals

Tom asked José if he agrees with the following analysis: Financial market experience tells us that for a financial market to achieve scale we need a number of elements: (1) the marketplace should have integrity and transparency; (2) market liquidity, including intermediaries that allow market participants to get in and out of positions; (3) a degree of standardisation of contracts. Examples are the global syndicated loan market and the ISDA swap market. The BF market is mostly a private market that does not yet feature these elements and offers mostly bespoke structures. Therefore it is no wonder that annual BF volumes have only grown to $18B (2024) since Convergence started keeping track since 2008.

José agreed and stated that BF is a critical tool for sustainable development, particularly in emerging markets and developing economies, as it connects private and public resources, to create impactful projects. However, scaling BF remains challenging due to its ad-hoc nature, requiring significant effort to align stakeholders, de-risk projects, and achieve bankable outcomes. He listed six key areas for improvement: (1) Project Preparation: Investing in project preparation can yield significant returns; a well-prepared pipeline of projects is essential for attracting financing. (2) Transparency: better data on performance, default rates, and recovery rates is needed to reduce perceived risks, improve investor confidence, and support regulatory adjustments. (3) Standardisation: creating templates and archetypes for BF structures can streamline processes and reduce complexity, especially in guarantees and risk mitigation instruments. (4) Scaling Through Pools and Programs: institutional investors prefer investing in standardised, rated pools of assets rather than individual projects. (5) Addressing Foreign Exchange Risk: solutions such as local currency financing can mitigate currency mismatches and enhance project viability. (6) Financial Regulation: adjustments to frameworks such as Basel banking regulations can better accommodate BF structures, ensuring stability while enabling growth. Donor flexibility is also crucial for scaling BF. Programmatic approaches, rather than project-by-project scrutiny, can enable larger transactions and attract private investors. However, matching donor requirements with project needs remains complex and time-consuming.

Odile Renaud-Basso

Tom then turned to Odile and asked about EBRD expanding its operations deeper into Africa, where many balance sheets, of both sovereigns and private companies, are strained. How can we use BF optimally to get the private sector from the Global North to invest at a larger scale and with more impact in Africa's economic future and development? What is the changing role of developments banks, and can they move beyond a senior lender role into a so-called "originate to distribute" model?

Odile pointed to the unique mandate and role of the EBRD as illustration of this, in that it is already very private sector-focused, mobilising and collaborating with private investors. It does this in addition to investments from its own balance sheet. And in part this is without utilizing BF approaches, i.e. without concessional funding or guarantees, but it still creates deal flow allowing private investors to come in, through project preparation work, refining regulatory frameworks, providing technical assistance, all of which results in increasing the pipeline of investable projects. EBRD is also indeed moving towards 'originate to distribute' – finding ways to share the risk with the market, though it needs to work on scalability of this approach. Another dimension is using BF approaches, typically with concessional donor money to reduce the risk in investment structures, which allows the bank to invest in projects it otherwise could not invest in. The focus is infrastructure, but also funding of SMEs. Donor funding is needed to make the projects investable, but we see more and more scrutiny and requirements from donors which makes matching more complex.

Hans Peter Lankes

Tom asked Hans Peter if he agreed with the statement by Leslie Maasdorp (CEO of British International Investment) that "…the development finance system is faced with a new set of conditions, which calls for the design of a new global development architecture. After the initial phase of despondency, following the dismantling of USAID, we are now firmly in design mode to craft new financing approaches and business models to adapt to the harsh new reality that governments across the industrialized world will be fiscally constrained for the foreseeable future."

Hans-Peter commented that these shifts are particularly critical as Official Development Assistance ("ODA") has experienced significant reductions, with a projected decline of 25% by the end of the year, equating to US$50–60 billion in annual funding losses. These cuts disproportionately impact low-income countries and fragile states, particularly in sectors such as health, education, social protection, and emergency assistance, where ODA plays a vital role.

While development finance has grown over the past several years, particularly through Multilateral Development Banks ("MDBs"), much of this increase has been directed toward middle-income countries due to their greater absorption capacity. Recent reports indicate that MDBs have expanded their lending capacity by $650 billion over the next decade, with annual lending increasing from US$120 billion in 2019 to over US$180 billion today. However, this growth does not offset the decline of ODA, as it primarily targets investment and infrastructure in middle-income countries rather than addressing the needs of the poorest nations. In parallel, there has been a notable shift toward mobilising private capital for development, with MDBs significantly increasing their direct and indirect mobilisation efforts. For example, the IFC has seen private sector mobilisation grow from US$12 billion in 2021 to an estimated US$40–$50 billion this year. Despite this progress, BF has not played a substantial role in this growth. Its contribution has remained relatively flat, with limited expansion in recent years. BF faces several challenges, including a lack of transparency, skepticism from donor governments, and difficulties in attributing outcomes to specific funding sources. To address these issues, the development finance community must focus on improving transparency, minimising concessionality, and ensuring that resources are allocated to areas of greatest need. This includes developing standardised methodologies for measuring concessionality and demonstrating the impact of BF initiatives.

Additionally, it is crucial to differentiate between two distinct strategies within BF. The first focuses on high-impact, frontier markets, such as low-income countries, adaptation finance, and unproven technologies, where private sector investment is limited. The second targets market-ready opportunities in middle-income countries, where institutional capital can be more readily mobilised. Clearer distinctions between these strategies will help ensure that resources are directed appropriately and effectively.

To further advance global BF, structural impediments must be addressed. This includes fostering greater collaboration among stakeholders, enhancing governance and accountability, and creating incentives for donor governments to contribute concessional funding. By addressing these challenges, the development finance system can better support sustainable growth and resilience in both low- and middle-income countries.

Luiz Awazu Pereira da Silva

Tom went on to ask Luiz how he would like to see global BF develop, what the structural impediments are that we need to overcome, and what we can practically do about them.

Luiz began by recognising BF as a crucial tool for financing the transition in developing countries, with significant growth implications. However, scaling it up is urgent, especially in regions facing extreme weather events and requiring investments in mitigation and adaptation. Political challenges, such as reduced ODA, lack of support for increasing multilateral development banks' capital bases, and fragmented global climate policies, hinder progress. The US administration's stance on climate issues is particularly concerning. To address these challenges, leveraging financial technology and instruments like securitization, green bonds, and transparent guarantees can mobilise significant investments. Using advanced tools like AI and smart contracts can enhance BF's scalability and transparency, creating investable asset classes with high social returns. Historical examples, such as the financial sector's mobilisation during the subprime crisis, demonstrate the potential for rapid financial innovation, albeit for positive purposes this time.

Discussion

In the ensuing conversation between the panelists, it was noted that the Just Energy Transition Platforms ("JETPs") offer a promising approach, aggregating projects at the national level and aligning policy changes with investment commitments. Examples in Indonesia, Vietnam, Lesotho, and Senegal show how policy reforms can attract private sector investments. However, for BF to succeed, investors must take direct risks in developing countries, supported by mechanisms like de-risking processes and multilateral guarantees. Regulatory barriers, such as Basel III standards and outdated credit rating methodologies, exacerbate the disconnect between perceived and actual risks in emerging markets. Data from MDBs and the GEMS database show that infrastructure investments in developing countries often have lower risks than high-yield corporate debt in advanced economies. Revising regulations and credit rating methodologies is essential to unlock BF's potential. Collaboration among willing countries, regional partnerships, and multilateral institutions can drive progress, even without global unanimity. By addressing regulatory roadblocks, improving transparency, and leveraging financial technology, BF can become a powerful tool for sustainable development in low- and middle-income countries.

Q&A

Audience members were given the opportunity to ask the panel questions:

- The first question related to what would need to be done for investors to come from the public markets side to the private markets space. José and Odile observed that funds are needed to scale this up; whatever is designed should fit in the fiduciary duty framework of institutional investors; and the quantum of projects that are investable is also crucial. Luiz observed that there is a great opportunity for asset managers to invest in green projects in developing countries – the US administration has damaged the credibility of the safe asset in the global economy, through policy uncertainty and erratic policies. Hans-Peter added that there is a shift in relative risk – an opportunity for diversification of portfolios by allocating to emerging economies.

- Another question related to research done on public and private sector partners which suggests that we tend to ignore the human relationships that underlie the failures; the focus tends to be on risks and data but often it’s about power imbalances and the need to build trust between different actors. Hans Peter responded that this finding is correct and difficult to address. Some institutional investors have had their teams learn the language of MDBs. There are also MDBs now that are more market-facing. Parties are coming closer in terms of culture, but still overall they “live on different planets”. In this sense, the creation of these blended asset classes is a cultural experiment.
- The last question related to AI systems for BF and the often-discussed importance of collecting data – but we see a tug of war between parties trying to maintain proprietary data to have an edge on the market and may not want transparency, and the rest of the market collaborating to make this happen. How are we to navigate this? Luiz responded that we can reduce uncertainty around financial vehicles through AI, while Odile added in conclusion that anonymity of data is very important but otherwise there are few limitations.

Brief Biographies of speakers and contributors

Hans Peter Lankes is the Managing Director and Deputy Chief Executive at ODI and is a visiting professor in practice at the LSE Grantham Research Institute and a senior fellow at the LSE/Oxford International Growth Centre. He previously held senior roles at the European Bank for Reconstruction and Development and as Chief of the Trade Policy Division at the International Monetary Fund.

Luiz Awazu Pereira da Silva is a visiting professor in practice in the Centre for Economic Transition Expertise (CETEx) at LSE. He previously served as Deputy General Manager of the BIS overseeing risk, diversity and inclusion, and sustainable finance, after five years as Deputy Governor of Brazil's central bank.

Odile Renaud-Basso is President of the European Bank for Reconstruction and Development. Prior to joining the Bank, as Director General at the French Treasury, Ms. Renaud-Basso oversaw the development of France's economic policy, leading on European and international financial affairs, trade policy, financial regulation and debt management. She was previously Deputy Director-General of Caisse des Dépôts, a large French public financial institution.

Nicholas Stern is IG Patel Chair of Economics and Government and the inaugural Chair of the Global School of Sustainability at LSE. His forthcoming book A Growth Story for the 21st Century: building sustainable, resilient and equitable development will be published by LSE Press this autumn.

José Viñals is an international banker, economist, former central banker and international official. José retired in May 2025 as Group Chairman of Standard Chartered PLC and Chairman of Standard Chartered Bank, after having been appointed in 2016. Prior to his role at Standard Chartered, José served as the Financial Counsellor and Director of the Monetary and Capital Markets Department at the International Monetary Fund between 2009 and 2016, having previously spent 25 years at the Central Bank of Spain, ultimately as the Deputy-Governor.

Tom Gosling is Professor in Practice at the Financial Markets Group and Director of the Initiative in Sustainable Finance at LSE. He is a board advisor and academic with over two decades of experience in corporate governance and responsible business.

Harald Walkate is Senior Advisor at the LSE Blended Finance Lab. He is a founding partner of Route17, an independent BF advisory firm. Amongst other roles, he is a senior fellow at the Center for Sustainable Finance and Private Wealth (CSP) at the University of Sankt Gallen. He previously worked in insurance and sustainable finance for three decades.

Robert van Zwieten is Senior Advisor at the LSE Blended Finance Lab. He is a founding partner of Route17, an independent BF advisory firm. Amongst other roles, he is a Senior Fellow at the Columbia Center on Sustainable Investment in New York and at the Transition Investment Lab of New York University Stern School Abu Dhabi. He previously worked in global finance, investment banking, emerging markets private capital, and development finance for nearly four decades.