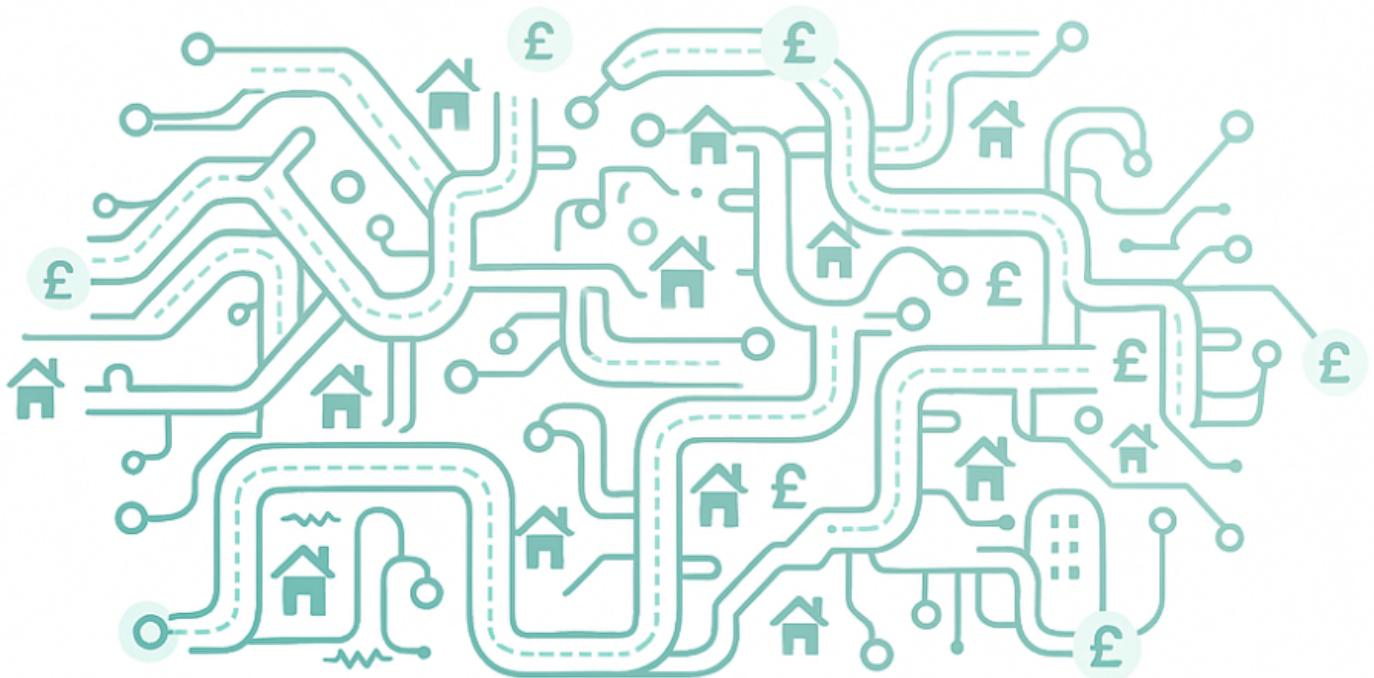


# Insights Paper on Blended Finance Evidence: Evaluating an Emerging Field

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## Executive Summary

As part of the TSIC Consortium's learning and evaluation partnership of Access - The Foundation for Social Investment's blended finance programmes,<sup>1</sup> we undertook a light-touch literature review of the evidence relating to blended finance globally and in the UK. Access aims to make social investment work better for charities and social enterprises, helping them to become financially sustainable and reach more people. **Blended finance is a mechanism to mobilise capital for impact achieved by combining philanthropic or public funding with private capital to finance social and environmental impact.** It is a structuring approach that allows organisations with different risk, return and impact objectives to invest alongside each other. Blended finance globally has shown signs of solid growth over the last decade, with over 1350 deals totalling \$249.2 billion USD in volume, but without a lift-off which was initially hoped for and necessary to plug the trillion dollars Sustainable Development Goal (SDG) financing gap<sup>2</sup>.

**Despite the significant global volumes of blended finance, there is limited rigorous evaluation of its performance**, with the evidence base consisting primarily of programme evaluations without counterfactuals (understanding what would have happened in the absence of the blended finance intervention). This relates to factors such as: blended finance is a relatively new approach; common standards, metrics and tools for evaluating different interventions are still being developed; and, blended finance features make it difficult to assess since most instruments are set up as funds or facilities with causal chains from inputs to impact complex and long.

As a global level, evaluating blended finance's performance has commonly entailed **assessing the financial additionality of a transaction** i.e. how far commercial capital was mobilised and leveraged by the concessional capital (below-market-return seeking) as well as the **non-financial additionality of the blended finance project or programme, which is commonly known as the development impact**. Blended finance field-builder globally, Convergence, posits the median leverage ratio for the overall blended finance market to be about 4:1<sup>3</sup>, i.e. four dollars of commercially-priced capital are mobilised for every 1 dollar of concessionary-priced capital invested. Estimates from a dataset indicate that financial returns for blended finance transactions for commercial capital are roughly in line with trends found in wider private equity and private debt markets.<sup>4</sup> Principles governing blended finance globally include having clarity on the rationale for the use of concessional resources and the goal of minimising concessionality and crowding-in the private sector.

### Blended Finance in the UK

In the UK, blended finance has played a different role, **bridging a financing gap in the social economy rather than mobilising capital towards the SDGs. The market failures that UK-based blended finance addresses relate to the social investment market**, including information asymmetry between borrowers and lenders, high transaction costs for social investors and the inability to price positively the 'externality' of social value. Social investment is finance for voluntary, community and social enterprise organisations (VCSEs) that is not provided by mainstream financial institutions.

In this sense, evaluating blended finance in the UK, and in particular the subsidies provided through Access the wholesaler, has been focused on how blended finance has shaped the development of the

<sup>1</sup> [Cost of Living, Enterprise Growth for Communities, Flexible Finance and Energy Efficiency Social Investment Programme](#)

<sup>2</sup> [Convergence Blended Finance \(2025\), 'The State of Blended Finance 2025'. Convergence Report.](#)

<sup>3</sup> <https://www.convergence.finance/news/4cC8kVJxvOFZDVxGQ6HLNH/view>, accessed 31st July 2025

<sup>4</sup> [Zelenczuk N., Bery I., 'Evaluating the Impact of Blended Finance: Convergence's Case Study Portfolio Revisited.'](#)



social economy and the social investment market. Currently, particular emphasis is placed on how blended finance has improved resilience - whereby social investment improves the financial resilience of social investment intermediaries and the VCSEs they lend to - as well as reach (whereby social investment reaches into communities which traditionally have accessed it less or to VCSEs led by diverse communities). Reach of Access' blended finance programmes is a key performance indicator for Access which it shares transparently through a quarterly dashboard.<sup>5</sup>

Reviews of blended finance performance in England according to these goals have been broadly positive<sup>6</sup>, concluding that government subsidies for blended finance have enabled access to finance in deprived places through affordability, patience and flexibility of capital and helped to increase investor participation in the social investment market. Yet, reviewers note that blended finance has not scaled as in the US or other developed markets. This might be changing. Recently in the UK **blended finance has been discussed in terms akin to the global blended finance agenda, as a structuring approach to help see meaningful productivity growth and meet net zero climate commitments.**

Whether in the UK or globally, **it is clear proper monitoring, evaluation and learning of blended finance is essential for it to reach its growth and potential as a structuring approach.** The current gap in rigorous evidence related to blended finance's performance as well as common impact measurement and management frameworks and approaches is a roadblock to its scaling.

In England, **part of Access' strategy is to support and develop the evidence for the social and environmental returns of blended finance.** The TSIC Consortium hopes to contribute to this through a rigorous but inclusive approach. There is no doubt that more systematic, longitudinal and mixed methods evaluation (i.e. combining quantitative and qualitative data) is required to build the blended finance field locally and globally. We need to make sure that the development of this evidence it is not extractive of social investors, the VCSEs and the end beneficiaries they serve but instead helps to model and serve a more inclusive and equitable ecosystem.

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<sup>5</sup> <https://access-socialinvestment.org.uk/dashboard>

<sup>6</sup> [Kail, A., Neaum, D., Piazza R., 'Review of grants subsidy for blended finance to support civil society', NPC, June 2022; Impact Investing Institute, Big Society Capital, 'Bridging capital into communities: A practical guide for policy makers', 2022](#)



## Glossary

Domain	Definition and Details
Additionality (global)	The ‘intervention will lead, or has led, to effects which would not have occurred without the intervention.’ Can be broken down into financial additionality which refers to situations where finance is mobilised and an investment is made that would not have materialised otherwise. Development additionality is described as the development impacts that arise as a result of investment that otherwise would not have occurred. <sup>7</sup>
Additionality (Access definition)	Access ‘additionality’ definition for Dormant Asset distribution is that it should not displace funding which might otherwise be used by the public sector
Blended finance	An approach to finding the right mix of resources (concessional and non-concessional) to achieve a common impact-oriented
Blended finance structure	Operating at fund, corporate or project finance levels to unlock larger, more diverse pools of capital for organisations who are looking to increase their impact. <sup>8</sup>
Blended products	Finance packages that enterprises can access directly. They combine repayable finance alongside a second element that may not need to be repaid. Blended products can include grants to reduce the repayment burden and make the transaction viable. Technical assistance (e.g. advice, training/capacity building and other business support) is also often offered alongside this, typically on a cost-share basis. <sup>9</sup>
Catalytic capital	Impact-seeking capital that is patient or otherwise risk-tolerant, concessionary, accommodating or flexible (or a combination thereof)
Concessional finance	Capital offered on terms (e.g. pricing, grace, tenor, repayment profile, etc.) not otherwise available on the market. Concessional capital can be structured, for instance, as grants, risk-tolerant debt and equity, guarantees and other risk-sharing mechanisms, tax reliefs, etc. <sup>10</sup>
DFIs (Development Finance Institutions)	A DFI is a specialised financial institution, often publicly owned, that provides capital for development projects in strategic sectors. A significant number of developed countries own DFIs. There are also DFIs owned by several countries such as the International Finance Corporation.
Evaluation	A systematic process to determine merit, worth, value or significance
Impact	A change in an outcome caused by an organisation. An impact can be positive or negative, intended or unintended. <sup>11</sup>
Leverage	Amount of commercially-priced capital provided for a transaction for every USD of concessional or below-market price capital <sup>12</sup>
Outcome	The changes that an intervention contributes to (for example, changes in people’s knowledge, attitudes or behaviours).
Social investment	Finance for community scale charities and social enterprises that is not provided by mainstream financial institutions.
Sustainable Development Goals (SDGs)	The 17 SDGs were adopted by the United Nation in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

<sup>7</sup> [OECD](#)

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> [Impact Frontiers](#)

<sup>12</sup> [Convergence](#) definition





## 2 About Access and the TSIC Consortium Evaluation Partnership

The TSIC Consortium (TSIC, Enabling Outcomes and Leonora Buckland Consulting) was commissioned by Access to be a multi-year evaluation and learning partner for Access's blended finance programmes, from May 2023 to December 2027.

**This evaluation and learning partnership has three core planks:**

Evaluation	Learning	Research
<b>Assess the achievements and outcomes</b> of four Blended Finance programmes (Cost of Living, Enterprise Growth for Communities, Flexible Finance and Energy Efficiency Social Investment Programme), and Access' overall approach to blended finance.	<b>Sounding board and critical friend</b> to help Access understand its work within a broader context, and to facilitate learning processes for Access and its partners.	<b>Fill some of the gaps in evidence/knowledge around blended finance</b> in the UK social investment and charitable sectors.

This Insights Paper is the first learning product, with others to be released during the partnership, including four programme evaluations as well as a cross-programme evaluation of Access's blended finance programmes.

### 2.1 Context for the Insights Paper

To understand the current state of evaluation of blended finance, we implemented a light-touch literature review to assess the evidence related to blended finance performance globally and in the UK (primarily focused on England). This informed our approach to the partnership and how we aim for this work to add to this evidence base alongside other contributions from Access.

The TSIC Consortium and Access believe that the key findings may be of use and interest to the wider ecosystem, including:

- **VCSEs**
- **Social investment infrastructure organisations**
- **Social investment intermediaries**
- **Impact and social investors**
- **Students and academics interested in this subject area.**

As a result, we have summarised key findings from the longer review in this insights paper. We have geared this paper to those who are relatively new to blended finance but there is useful information particularly in the section on how blended finance is evaluated for more seasoned practitioners.



### 3 Blended Finance Globally: Steady Growth Despite Challenges

#### 3.1 What is meant by blended finance?

Blended finance is commonly understood as a mechanism to mobilise capital for impact. This is achieved by combining philanthropic or public funding with private capital to finance social and environmental impact. However, there is no universally agreed terminology for blended finance across practitioners as shown in Figure 1 below. It is unclear what needs to be present for a transaction, project or product to count within the blended finance definition.

Whilst the specific definitions are different, blended finance is commonly agreed to be characterised by three main features:

- 1. Leverage:** the systematic and strategic use of development finance and philanthropic funds to mobilise and engage capital at scale. Leverage is defined as the amount of commercially priced capital provided for a transaction, for every USD of concessional or below-market price capital.
- 2. Impact:** investments that deliver measurable social, environmental and economic impact
- 3. Returns:** market-based, risk-adjusted returns for private investors.

A term that is sometimes used interchangeably with blended finance is **catalytic capital**, but it is in fact distinct, referring to capital which accepts disproportionate risk and/or concessionary returns compared to conventional instruments. **Blended finance always has some form of catalytic capital, but not all catalytic capital is blended finance.**

*Figure 1: A comparison table of blended finance definitions of key field builders: Convergence, the OECD and the Development*

Convergence (blended finance field builder)	OECD <sup>13</sup>	DFI Working Group on Blended Finance	Access
Convergence defines blended finance as, 'the use of catalytic capital from public or philanthropic sources to boost private sector investment in sustainable development.'  Convergence database of blended finance transactions only includes transactions with both concessional capital and private sector commercial capital.	OECD defines blended finance as 'strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries.'  The term additional funds refers to commercial finance without explicit development intent, including both concessional and non-concessional public and private capital and even technical assistance	The DFI Working Group defines blended finance as 'combining concessional finance with DFIs own account and/or commercial finance to promote private sector markets, SDGs, and private resource mobilisation.'  The DFI Working Group does not report on BF transactions where a concessional party provides financing directly for the transaction and does not go through a DFI.	An approach to finding the right mix of resources (concessional and non-concessional) to achieve a common impact-oriented

<sup>13</sup> [The OECD, or Organisation for Economic Co-operation and Development, is an international alliance of 38 countries that promotes policies to improve the economic and social well-being of people around the world.](#)



Nevertheless, the absence of a universally agreed definition of blended finance poses several challenges as described by Convergence:

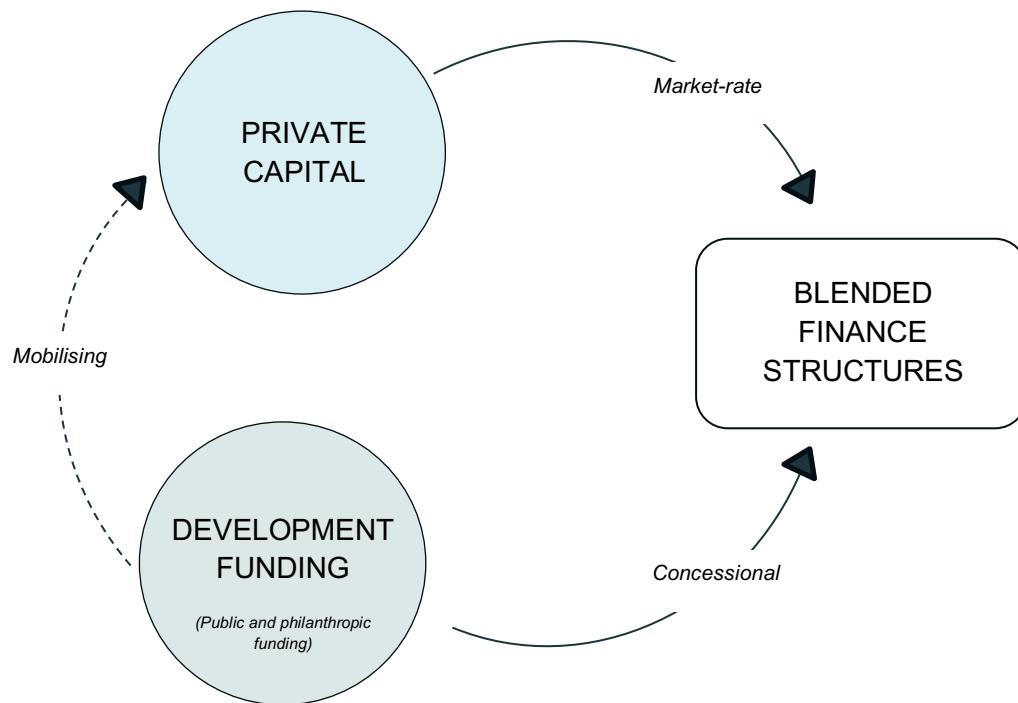
*'The absence of a universally agreed definition of blended finance and its key concepts, in addition to the lack of a common and harmonised results framework, performance measurement, product standards, and data collection have made it difficult to achieve the necessary scale and impact that it offers to support the fulfilment of the SDGs.'*

- Convergence

### 3.2 Why blended finance?

The purpose of blended finance is commonly discussed within the SDG framework which needs around \$6 trillion USD financing every year. There is a multi-trillion-dollar gap which the public sector cannot fill. This highlights the need for the private sector and commercial investment, with blended finance mobilising new sources of capital to provide funding in areas such as climate resilience, healthcare, levelling up cities and education.<sup>16</sup>

Figure 2: Illustration of blended finance structures<sup>14</sup>



Graphic adapted from: <https://www.convergence.finance/blended-finance#definition>.

**Blended finance is a structuring approach** that allows organisations with different objectives to invest alongside each other while achieving their own objectives (whether financial return, social impact, or a blend or both).

The main investment barriers for private investors addressed by blended finance are:

**1) high perceived and real risk and,**

<sup>14</sup> Figure taken from Convergence website, accessed 31 July 2025, <https://www.convergence.finance/blended-finance#definition>



## 2) poor returns for the risk relative to comparable investments.

However, the ultimate goal of blended finance is not only to fill this financing gap but to create commercially viable markets where over time there are social/environmental returns that no longer need risk mitigation or return enhancements to attract private investment. In this way, blended finance is considered an off-ramp to market-based approaches to financing development needs rather than an ongoing crutch upon which to rely.

### **Blended finance can be beneficial for a variety of actors:**



**Public and philanthropic funders** use it to scale their impact.



**Commercial investors** benefit from the opportunity to achieve measurable social and environmental outcomes alongside market-rate financial returns



**Communities** benefit from blended finance to implement projects which would otherwise remain unfunded, helping to deliver improved healthcare, education, clean energy access and community resilience.





## 4 Blended Finance Market Overview

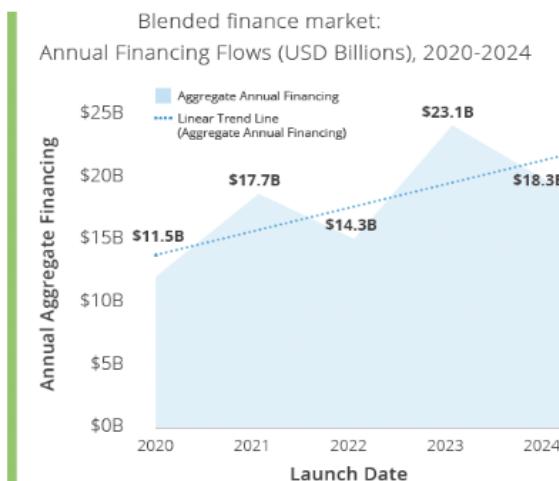
### 4.1 Market size

Evidence shows a moderate growth in the volume of blended finance deployed globally since 2015 when the SDGs were launched, as shown in Figures 3 and 4 below.<sup>15</sup> Today, **the global blended finance market stands at 1350 deals totalling \$249.2 billion USD in volume.**

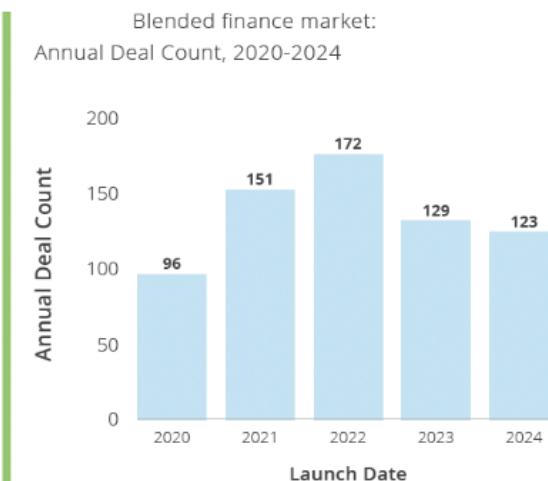
#### Blended Finance Market in 2024:

- 123 deals
- Annual growth of blended finance volumes: an average volume of \$1.7 billion USD
- Increase from \$11.5 billion USD in 2020 to \$18.3 billion USD in 2024.

**Figure 3: Blended finance annual financing flows (USD Billions), 2020-2024**



**Figure 4: Blended finance annual deal count, 2020-2024**



There does, however, remain considerable uncertainty about the actual volume of official development assistance (ODA) channelled through blending facilities. Existing ODA tracking mechanisms are often unable to capture the full scope of blended operations. **Climate investments continue to dominate the blended finance landscape.** More than half of all blended finance deals over the past decade have been climate-focused.

<sup>15</sup> [Convergence Blended Finance \(2025\). The State of Blended Finance 2025. Convergence Report.](#)

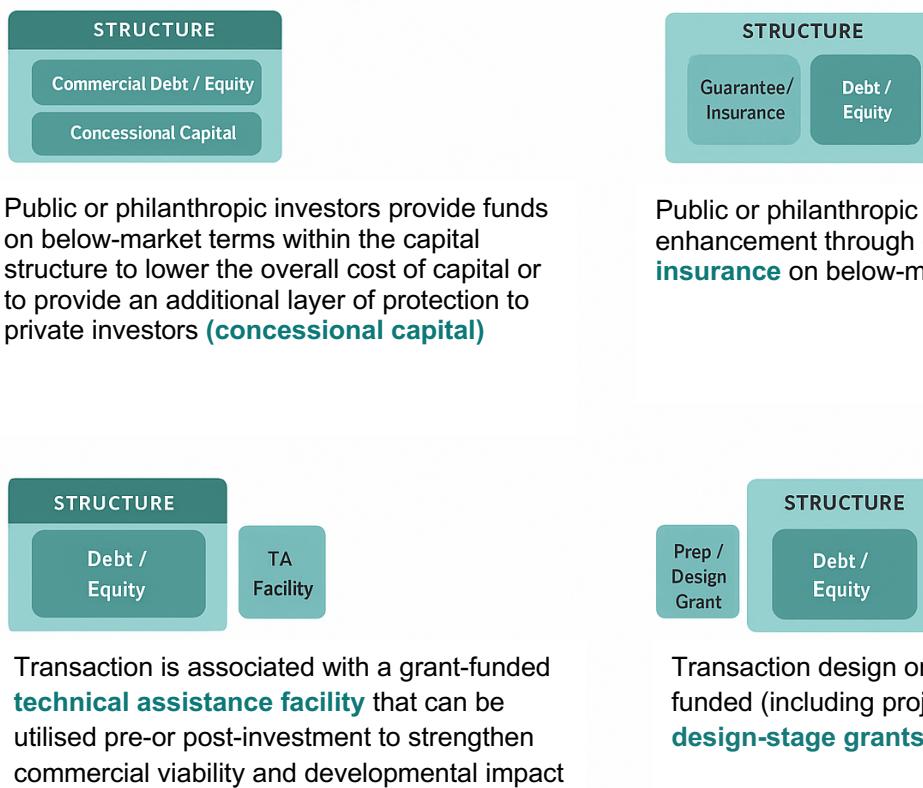


## 4.2 Product, Structure, and Players

Convergence has identified four different archetypes for blended finance as shown in Figure 5<sup>18</sup>:

- **Concessional capital**
- **Guarantee/risk insurance**
- **Technical assistance facility**
- **Design-stage grants.**<sup>16</sup>

**Figure 5: Blended finance archetypes**



Graphic adapted from: <https://www.convergence.finance/blended-finance>

Concessional debt / equity has remained the most prominent blending archetype in the blended finance market. The use of concessional guarantees and risk insurance as a blending archetype has been on the rise. **Nearly two-thirds of blended finance investors come from the private sector** and approximately **20% of investors have participated in three or more blended finance transactions**. Over the past three years, prominent and active public investors include:

Public investors with a development mandate	Public investors with a commercial mandate
<ul style="list-style-type: none"> <li>• Development Agencies</li> <li>• Multi-donor funds (USAID)</li> </ul>	<ul style="list-style-type: none"> <li>• DFIs and Multilateral Development Banks (MDBs)</li> <li>• International Finance Corporation (IFC)</li> <li>• European Bank for Reconstruction and Development (EBRD)</li> <li>• FMO</li> </ul>

<sup>16</sup> <https://www.convergence.finance/blended-finance>





The following table introduces examples of blended finance transactions:

<b>SDG Loan Fund:</b> <b>The SDG Loan Fund</b>	<b>The Future of Work Fund (FWF):</b>  CHANCEN International
<ul style="list-style-type: none"><li>Launched in 2023 with a total fund size of \$1.111 billion USD, the SDG Loan Fund is one of the largest blended finance funds to date.</li><li>Conceived by AllianzGI and the Dutch Development Bank FMO, the Fund benefits from multiple layers of risk protection including a \$111 million USD first-loss investment from FMO, which is credit enhanced with \$25 million USD philanthropic guarantee provided by the MacArthur Foundation.</li><li>Once fully invested in approximately 100 high-impact loan participations, the Fund aims that its investments support close to 60,000 jobs and to avoid approximately 450,000 tonnes of greenhouse gases.</li></ul>	<ul style="list-style-type: none"><li>The FWF aims to transform education, youth employment and livelihoods across Africa by supporting access to job-market relevant post-secondary education through financing mechanisms like income share agreements (ISAs).</li><li>Structured as a concessional debt / equity fund, the FWF blends \$15 million USD in catalytic capital with an additional \$25 million USD in commercial funding, creating a \$40 million USD vehicle.</li><li>The fund is a partnership between local educational institutions, Chancen International and investors such as the US International Development Finance Corporation (DFC), Ceniarth LLC, UBS Optimus Foundation, Kaizenvest, Drelindin and the Kellet Group.</li></ul>

#### 4.3 Blended Finance Principles Established Globally

The DFI Working Group on Blended Finance for Private Sector Operations developed a set of **Enhanced Principles for Using Concessional Finance in Private Sector Investment Operations**<sup>17</sup> (based on the original principles agreed in 2013) which are meant to underpin all operations involving Blended Finance. These principles are part of an effort to develop a strong governance system governing blended finance.

##### Rationale for Blended Concessional Finance



Contribution that is beyond what is available, otherwise absent from the market, and should not crowd out the private sector.

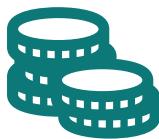


##### Crowding-in and Minimum Concessionality

Contribute to catalysing market development and mobilisation of private sector resources, with concessionality not greater than necessary.

<sup>17</sup> <https://www.ifc.org/en/what-we-do/sector-expertise/blended-finance/how-blended-finance-works>





## Commercial Sustainability

Impact achieved by each operation should aim to be sustainable and contribute towards commercial viability.



## Reinforcing Markets

Addresses market failures effectively and efficiently and minimises the risk of market distortion or crowding out private finance.



## Promoting High Standards

Promote adherence to high standards, including in areas of corporate governance, environmental impact, integrity, transparency, and disclosure.

*Graphic adopted from DFI enhanced blended concessional finance principles for private sector project principles<sup>20</sup>*

Implementing the DFI Enhanced Principles has introduced important requirements for analysis outside of the normal governance processes of DFI operations, such as identifying the economic rationale for concessional finance, assessing minimum concessionality and considering whether it will be feasible to phase out concessional finance over time.





## 5 Blended Finance in the UK: A pioneer or an outlier?

### 5.1 Blended finance in the UK: a different context

In the UK context, and in particular related to Access' work, **blended finance has been understood as using grant alongside repayable finance to make repayable finance more affordable for VCSEs**. The purpose of this blending is to facilitate lending to charities and social enterprises which otherwise would not have taken place, on more favourable terms so that they can leverage in more investment and deliver social impact. To achieve this, there are four different types of blend which Access uses A, B, C and D which are described in Figure 6 below.

*Figure 6: Key types of blended finance used by Access*

<b>Grant A –</b> Operating cost subsidy	Where a model projects that insufficient fund income will be generated to cover the reasonable costs of fund delivery, this type of grant can be used to <b>cover or contribute to the difference</b> .
<b>Grant B –</b> Investment and first loss protection capital	This type of grant <b>ensures the flow of investment to frontline charities and social enterprises</b> by building a viable capital stack for a fund. As a general rule it should not simply be a contribution to fundraising, and substitute for other forms of available capital that could be raised, but rather is to <b>build a level of concessional (patient and/or risk tolerant) capital that enables other capital providers to invest in a fund in accordance with their own risk/return parameters</b> , and often simultaneously to ensure that products stay affordable. Precisely how this type of grant is drawn and held or deployed can vary between funds.
<b>Grant C –</b> Grants for investees alongside investments	This type of grant is used to change the nature of a product that can be offered to charities and social enterprises, by building in a discrete <b>non-repayable grant element within the package alongside an investment</b> which is expected to be repaid. The grant element in a package may either serve to make the overall profile of repayments more viable and affordable or will be used to cover those elements of a required investment which will not generate any (or sufficient) income to cover repayments.
<b>Grant D –</b> Other uses of subsidy	This <b>miscellaneous</b> type of grant covers two uses of subsidy (across three funds), which do not adequately fit into types A-C, even though those are broad in definition.

**Blended finance's role in building the social economy in the UK is considered fairly unique. As stated by New Philanthropy Capital:**

*'The UK remains a leader in the field of building a social economy through social investment and in the use of grant subsidy to support VCSEs, with nothing comparable in scope and scale elsewhere'<sup>18</sup>*

The blended finance market in England has been conditioned by its history and has followed quite a different trajectory to the global market. Blended finance deals to VCSEs are a very different phenomenon to blended finance at a global level. For example, Access's Growth Fund has an average deal size of £62k with an average interest rate of 7.01%.<sup>19</sup>

<sup>18</sup> Kail, A., Neaum, D., Piazza R., *Review of grants subsidy for blended finance to support civil society*, NPC, 2022

<sup>19</sup> <https://bettersocietycapital.com/impact-report-2020/ecosystem/financial-product-types/small-loans/growth-fund/>, accessed July 31<sup>st</sup>, 2025



The table below describes the timeline of blended finance market in England and Access's role:

Year	Explanation
2000-2010	<b>Beginnings of the Blended Finance Market</b> <ul style="list-style-type: none"><li>Key mechanisms used to deliver grant subsidies into the social investment market were funds capitalised by government grants and managed by social investors, or mainstream banks in social lending. These funds offered a blend of grant and loan to VCSEs but did not generally blend investment capital with grant in the fund itself.</li><li>The most significant of these was the <b>£142 million Futurebuilders England Fund</b>, capitalised by government with no external investment capital. Another example was the Social Enterprise Investment Fund managed by Social Investment Business. Capitalised by the Department of Health, SEIF invested more than £100 million in 600 social enterprises.</li></ul>
2012	<b>Better Society Capital</b> <ul style="list-style-type: none"><li>The foundation of Better Society Capital (formerly Big Society Capital) in 2012 marked the beginning of the transition away to blended structures that blended investment capital and grant with the aim of both attracting other investors and reducing the cost of capital for VCSEs.</li></ul>
2015	<b>Access established</b> <ul style="list-style-type: none"><li>Access was established as a wholesaler of grant subsidy following a realisation that sustained efforts to grow the social investment market had not resulted in meeting the needs of many charities and social enterprises.</li><li>Originally capitalised with £82 million from the Government and National Lottery Community Fund in 2015, Access was conceived as a ten-year spend-down Foundation.</li></ul>
2018	<b>The growth of Access</b> <ul style="list-style-type: none"><li>By 2018 there are 16 funds across 15 social investors totalling £50m. The majority of these are new investors, spread around England, offering a range of approaches to deliver efficiency, innovation and reach into the sector.</li></ul>
2025	<b>Further UK funds for blended finance</b> <ul style="list-style-type: none"><li>In October 2025, government confirmed a further allocation of £87.5m of Dormant Assets to grow social investment in underserved places and communities. At least £12.5m was earmarked to support youth-focused organisations and £12m of scale-up funding for a Black and Ethnically-minoritised led social investment fund, Pathway Fund.</li></ul>



In England, the purpose of blended finance has been **more about bridging a financing gap in the social economy rather than mobilising capital towards social development goals**. The market failures that blended finance specifically addresses are seen to be related to the social investment market, including information asymmetry between borrowers and lenders, high transaction costs for social investors and the inability to price positively the 'externality' of social value.

However, **recently blended finance has been discussed more in terms akin to the global blended finance agenda**, as a structuring approach to help the UK see meaningful productivity growth and meet its net zero climate commitments. Key recommendations in a recent report<sup>20</sup> included for a national blended finance fund to attract pension and other large pools of institutional capital into impactful projects across energy, education, health, housing, transport and other sectors with a target of £5 billion at launch and rising to £50 billion. On blended finance approaches, Gordon and Valero said:

*'There is now a track record across asset classes that shows a blended finance approach can present substantial additional benefits that go well beyond funding. Bridging together the expertise and perspectives of both public and private funders can deeply enrich the project process, improving skills to encourage more use of non-government capital. Blended finance can devolve decision-making to a more diverse, and often more local, group, potentially leading to better outcomes.<sup>21</sup>*

- S. Gordon, A. Valero

## 5.2 Market Sizing, Characteristics, Key Case Studies

There is no up-to-date market sizing relating to blended finance in England. Latest figures on the overall social investment market by Better Society Capital show the **amount invested into tackling social issues increased from £9.4 billion in 2022 to £10 billion in 2023**.<sup>22</sup> Yet in the social enterprise market, there is still an access to capital gap, with significant unmet demand for social investment and blended finance. For example, in the recent Social Enterprise UK survey<sup>23</sup> **almost half of social enterprises report that the amount of suitable finance available to their organisations is insufficient** with 40% stating that forms of finance available are unsuitable for their business.

Indeed, in the most recent report on catalytic capital in the UK<sup>24</sup>, it was estimated that there was a need for £287 million to £578 million of catalytic capital provision per year (not all of this would be used for blended finance). The authors assume a current catalytic capital provision directly into social purpose organisations in the UK of £98 million.

<sup>20</sup> S. Gordon, A. Valero, 'Finance for the Future: Practical Solutions for the UK Government to Mobilise Private Investment for Economic, Environmental and Social Priorities.' 2023

<sup>21</sup> Ibid.

<sup>22</sup> <https://bettersocietycapital.com/2023-market-sizing/>, accessed 31<sup>st</sup> July 2025

<sup>23</sup> Mission Critical, State of Social Enterprise Survey, 2023

<sup>24</sup> T. Dhami, M. O'Donnell, 'UK Catalytic Capital, Growing Provision, Catalysing Impact', 2023





Apart from Access's work, other blended finance case studies in the UK include:

NESTA Arts and Culture Fund: 	Responsible Finance: 
<ul style="list-style-type: none"> <li>• Launched in 2020 to provide arts, culture and heritage organisations with affordable, flexible and unsecured loans.</li> <li>• A £23 million Fund leveraging £18 million of new private capital using £5 million of grants.</li> <li>• The Fund's investors include public, private and philanthropic funders including Arts Council England, Better Society Capital, Bank of America, and Esmée Fairbairn Foundation.</li> </ul>	<ul style="list-style-type: none"> <li>• Delivered the RF Fund 2012-2019, a place-based social impact investment fund which used £30 million of Regional Growth Fund to leverage £45 million of co-investment from Unity Trust Bank and Co-operative Bank.</li> <li>• Through recycling, it lent £89 million in total and supported 11,771 jobs.</li> </ul>

## 6 Evaluating Blended Finance Globally and in the UK

### 6.1 How strong is the evidence for the blended finance globally?

**At a global level, blended finance success is defined as its ability to maximise additionality, both in terms of the financial resources mobilised and the developmental impact created, while minimising concessionality, i.e. providing public capital at as close to market conditions as possible.**

Key features of global blended finance evaluations are an attempt to measure this **financial additionality** as well as **developmental additionality** (or development impact).

- Financial additionality refers to situations where finance is mobilised and an investment is made that would not have materialised otherwise.
- Developmental additionality is described as, *'the development impacts that arise as a result of an investment that otherwise would not have occurred.'* (OECD, 2016).

It is acknowledged that in the case of blended finance, it is difficult to establish a counterfactual. In theory non-financial additionality could be easier to assess than financial additionality but it is hampered by poor monitoring of implementation and few benchmarks.

**There is high-level leverage data for the global blended finance market. OECD sources point to an average of \$ USD 0.8 to \$ USD 4 of private capital leveraged per dollar of blended finance resources.** This is in line with Convergence which saw the median leverage ratio for the overall blended finance market to be about 4:1, of which just under half (USD 1.8) had been sourced from private investors.<sup>25</sup>

It found larger transactions were associated with higher leverage ratios and transactions leveraging concessionary debt and equity had the highest average leverage ratios compared to guarantees and grants. There is also **some evidence relating to financial performance of blended finance**

<sup>25</sup> [Convergence Blended Finance \(2025\), 'The State of Blended Finance 2025'. Convergence Report.](#)

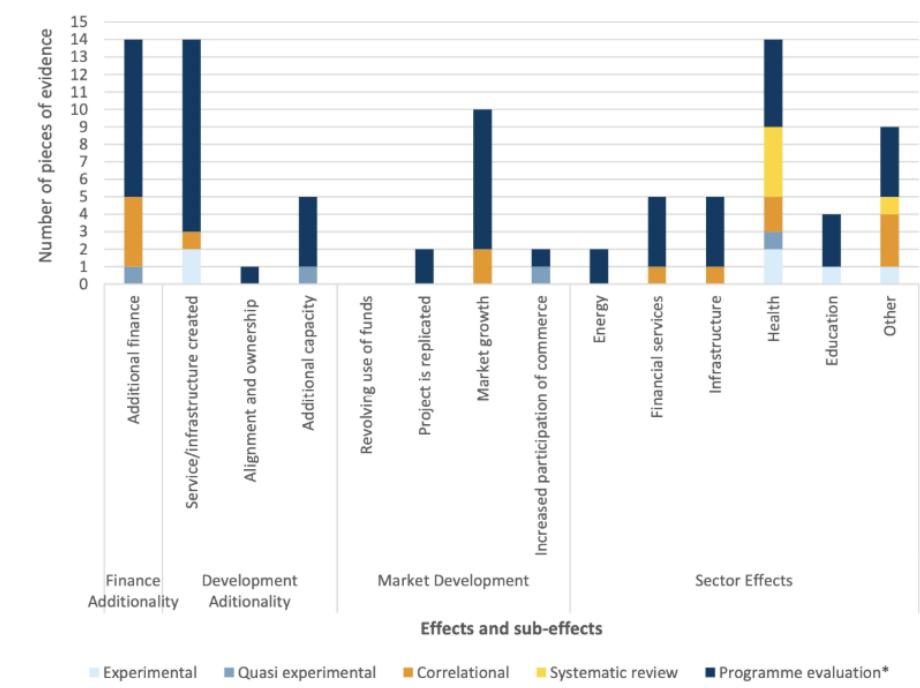


**transactions**, although one of the challenges is the scarcity of data since financial institutions rarely disclose information on their blended finance deals.

Convergence notes that the returns data for blended finance transactions is roughly in line with trends found in wider private equity and private debt markets. Convergence conducted a financial performance analysis analysing 23 commercial return observations (8 equity investments and 15 debt instruments). 7 of 8 equity returns (realised) observations exceeded 10% IRR, with most falling between 11-15% IRR and 2 between 16-20% IRR. Debt investments provided a slightly tighter range of distribution, 40% of observations were between 1% and 5% IRR, 40% of observations between 6-10% IRR and 20% over 10% IRR.

However, it is generally agreed that **there is a lack of evidence related to blended finance globally, in particular its impact performance**. A relatively recent evidence gap map (2020) summarised in Figure 7 below illustrated that there is a limited number of publications (around 87 pieces of evidence met the criteria for inclusion) and the number of publications has not increased per year.<sup>26</sup>

**Figure 7: Distribution of blended finance evidence by effects and type of study design**<sup>27</sup>



Another feature was the lack of rigorous methods, with only 29 systematic reviews and only 10 of these using an experimental or quasi-experimental design. The vast majority of these are programme evaluations with very little quantitative data analysis. In general, counterfactuals have not been commonly used in the field.

Reasons given for the lack of evidence include:

- Blended finance is a **relatively new approach**
- Common standards, metrics and tools for evaluating **different interventions are still being developed**

<sup>26</sup> [Sánchez Torrente, L., V. Habbel, J. J. Rocío Pérez, N. Doswald, Bertzky, M., G. Gotz, M. Orth, J. Richter, G. Fernández de Velasco and S. Harten \(2020\): The State of the Evidence on Blended Finance for Sustainable Development. An Evidence Gap Map. DEv](#)

<sup>27</sup> [Ibid.](#)

- **Blended finance features make it difficult to assess**, with most instruments being set up as funds or facilities with the causal chains from inputs to impact complex and long.

**Convergence** highlights the importance of an effective approach to impact measurement:

*Establishing a standardised impact measurement tracking and reporting method is crucial. A harmonised approach would facilitate comparability across projects and sectors and enable investors to make more informed decisions.<sup>28</sup>*

- **Convergence**

## 6.2 Is there evidence relating to performance of blended finance in the UK?

Reports on blended finance in the **UK** have been positive about its effectiveness and impact, whilst acknowledging that there is still a gap in evidence needing to be filled.

For example, the New Philanthropy Capital (NPC) report in 2022<sup>29</sup> posited the impact of Access' grant subsidy into blended finance for VCSEs on:

1. The **social investment market**, particularly on the number and strength of social investors offering blended products.
2. The **social enterprises and charities** who have received investment, particularly in their improved resilience and growth and their ability to reach more people (particularly in disadvantaged communities).
3. The **beneficiaries** themselves, through an increase in the impact on beneficiaries and number of beneficiaries reached through VCSE services.

From their report, **New Philanthropy Capital (NPC)** concluded the effect of blended finance:

*'The use of blended finance and Access's support and market-building has boosted the number of social investors in the sector and also improved their investor capabilities'.*

- **New Philanthropy Capital**

However, NPC noted that it was not possible to determine how far blended finance had achieved social goals, highlighting it was important to understand its end beneficiaries better.

Another report on the effectiveness of government subsidy – grant, guarantee and tax reliefs – in supporting investment into social enterprises and charities as well as SMEs by the Impact Investing Institute and Big Society Capital, 'Bridging capital into communities: A practical guide for policymakers', states that subsidies enable social enterprises, '*to receive the investment they need to grow, thrive and in turn increase the amount of social or environmental impact they deliver.*'<sup>30</sup>

<sup>28</sup> Zelenczuk N., Bery I., 'Evaluating the Impact of Blended Finance: Convergence's Case Study Portfolio Revisited.'

<sup>29</sup> Kail, A., Neaum, D., Piazza R., 'Review of grants subsidy for blended finance to support civil society', NPC, June 2022

<sup>30</sup> Big Society Capital, Impact Investing Institute, 'Bridging Capital into Communities, a Practical Guide for Policymakers', 2022



**The report related the grant subsidy into blended finance back to policy objectives with the following conclusions:**



#### **Growing the local and social economy**

Using grants to subsidise blended finance models is effective at leveraging private capital to support social impact investment in deprived communities and places which miss out on access to mainstream finance and has a strong track record in reaching the most disadvantaged places.



#### **Helping investors participate in the social investment market**

Grants can be used effectively to leverage private finance into blended structures helping 'bridge the gap' between investors who make the investment and the enterprises who receive it. There is a trade-off between the cost and flexibility of the product and the capital leveraged, with smaller deals in the social impact investment market being linked with lower leverage.



#### **Better tailoring products**

The provision of grants for blended finance has significant potential to tailor products to suit the unique needs of social enterprises, charities and SMEs which create social impact, making it more patient, affordable and accessible. Importantly these tailored products would otherwise not exist.



#### **Facilitating non-financial support**

Grants can be used to provide additional capacity and technical support to target organisations.

## **7 Key Evidence Gaps**

From an academic perspective, it is agreed that **more work is needed to understand the effectiveness and system-level implications of blended finance**. As discussed earlier, a key evidence gap globally is related to the impact of blended finance (impact and additionality). In addition, further research is needed to better understand the **optimal design of blended finance** deals and the optimal mix of provisions. Finally, a key area of questioning is to understand is to learn more about the demand side, focusing more on **enterprise-centric finance for social enterprise**. For example, a 2019 survey found that black and minority-led social enterprises were applying for and receiving finance at just one quarter of the level of the rest of the social enterprise sector.





## 8 Blended Finance Moving Forward

### 8.1 Challenges in blended finance on the global level

At a global level, there is a perception that blended finance is struggling to take off, where '*little is known about what works and what doesn't in getting large deals off the ground.*'<sup>31</sup> There are several challenges identified for blended finance at the global level including:

- A **lack of a private sector mobilisation strategy and action plan** from providers of concessional capital
- **Low levels of participation** in blended finance from developing country governments and untapped domestic resources
- A **lack of financial intermediation** in the blended finance market
- The bespoke nature and complexity of blended finance instruments, **lack of liquidity, standardisation, and scalability.**

There are key challenges relating to monitoring, evaluation and learning:

- There is a **lack of transparency** on blended finance activity with data gaps, fragmented disclosure standards and classification regimes.
- **Building trust among stakeholders** requires a robust impact framework, a clear theory of change, and consistent impact measurement and management throughout the project lifecycle.
- **Improving the accountability of blended finance requires stronger transparency** and public reporting by project operators. This includes accessible sustainability and financial disclosures; alongside integrated monitoring and evaluation frameworks aligned with national and local SDG tracking.

### 8.2 Challenges for Blended Finance in the UK

In the UK, the discourse on blended finance has focused on the social enterprise / social investment agenda and the concepts of reach and resilience. Challenges concerning blended finance relate to the continuing issues including **difficulty attracting investment capital to the social investment market** and frontline organisations, supporting scale to reduce transaction costs and improving the affordability of capital.

In addition, **social investment continues to have a serious problem with inclusion and equity particularly, although not exclusively, in relation to race.** Blended finance also faces specific challenges in the UK, particularly in rural areas where social enterprises often operate with low capacity, limited support, and cultural reluctance towards borrowing. Investment opportunities are small, and some investees have reported favouring mainstream banks over social investors due to familiarity and perceived accessibility<sup>32</sup>

While UK discourse has focused on local inclusion, international reviews stress the critical role of local governments and institutions in enabling investment. Global recommendations to build capacity for

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<sup>31</sup> K. Hornberger, M. Paya, 'Blending Billions: Lessons from more than three dozen blended finance transactions', April 3 2024

<sup>32</sup> Connect to Invest: Understanding barriers to investment in rural areas and identifying ways of addressing those barriers (n.d.) Key Fund, Connect Fund. Available at: <https://barrowcadbury.org.uk/wp-content/uploads/2024/10/Key-Fund-Connect-To-Invest-report-EXTERNAL.pdf>.



local financial institutions, develop green bonds in local currency, and use climate taxonomies mirror UK calls for devolved tools, trusted intermediaries, and public sector training <sup>33</sup>.

What is clear is that blended finance is an approach with enormous potential, not quite realised both globally and in the UK. **The evidence base is emergent at a global level - more energy and collaboration are required to ensure greater transparency across financial and impact reporting and a more systematic and structured approach to monitoring and evaluating blended finance investments.**

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<sup>33</sup> (2025) *State of Blended Finance 2025*. rep. Convergence. Available at: <https://www.convergence.finance/resource/state-of-blended-finance-2025/view>.



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