

Blended Finance at Scale: Structuring Capital for Impact

Guest: [Joan Larrea](#), CEO, [Convergence](#) — Global Network for Blended Finance
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The structuring gap • Capital willing vs capital structured • The instrument, not the intention

Concessional capital is the yeast in the bread. It is not going to get the same return as everybody else. And if you insist on that, the transaction will not happen. In fact, that insistence is the proof point that you were needed.

— Joan Larrea, CEO, Convergence — Global Network for Blended Finance

Verbatim · EP2 · 26:53

CORE INSIGHT

Blended finance is not a funding solution — it is a structuring device.

It works when the exact risk blocking a viable commercial transaction is named, isolated, and surgically addressed with catalytic capital. When that discipline is absent — when soft money is thrown at vague risk — blended finance becomes expensive complexity in search of a problem.

\$15.5B

Climate blended finance market in 2024 across 84 deals — second-highest annual volume in six years. Overall blended finance market reached \$18B across 123 deals. Median deal size: \$65M, up from \$38M (2020–2023).

Convergence State of Climate Blended Finance 2025 + State of Blended Finance 2025 · Referenced EP2

4.1X

Historical average mobilisation ratio across ~340 blended transactions: each \$1 of catalytic capital attracts \$4.10 of other investment. But only \$1.80 of that \$4.10 is truly private, for-profit money — the rest comes from MDBs, DFIs, or philanthropies re-entering the deal.

Convergence database, ~340 transactions · EP2

80%

Of all catalytic capital in blended finance comes from government development agencies — not philanthropies. Published Convergence data puts this at ~65% over 3 years; Joan estimates ~80% in practice. UAE (ALTERRA) alone committed \$1.5B to two blended funds in 2024.

Convergence State of Climate Blended Finance 2025 · EP2

WHAT IS WORKING

Auction-based deal origination where fund managers compete for catalytic capital — price discovery keeps concessionality honest and minimises overallocation of soft money.

Philanthropies as first-in, design-stage funders — small feasibility grants unlock far more than their dollar value by bringing structures to the investment-ready starting line.

Portfolio-level blending — one blended fund distributes pre-mixed capital to hundreds of SMEs, far more efficient than blending transaction by transaction at the coal face.

Domestic capital mobilisation — African pension funds and insurers as a new pool, coaxed toward continent-building via appropriate vehicle design and differentiated maturities.

WHAT IS NOT WORKING

Throwing soft money at a transaction without naming the specific risk — the most common structuring mistake. Catalytic capital without a precise diagnosis becomes expensive complexity.

Philanthropies demanding returns commensurate with senior investors while accepting a junior position — this directly tanks deals. The yeast cannot demand the baker's share.

Philanthropic investors seeking investment committee veto rights — structurally incompatible with how funds are governed and a reliable deal-killer.

Absence of public performance data — no one reports out on whether blended deals delivered. This blocks the field from learning why transactions succeed or fail.

WHAT ACTUALLY UNLOCKS A BLENDED DEAL — THREE CONDITIONS

- A viable financial proposition exists** — positive expected returns blocked only by a specific, nameable risk: a currency mismatch, an untested off-taker, an absent credit market.
- The catalytic party accepts its role** — junior position, patient returns, no management authority. It is the yeast, not the baker. Insisting on equal returns kills the deal.
- Price discovery through competition** — auction structures force fund managers to reveal how little catalytic capital they actually need, keeping concessionality honest.

THE THREE CONDITIONS THAT KILL A BLENDED DEAL

- Soft money thrown at vague risk** — catalytic capital deployed without diagnosing the blocking risk precisely. Ask first: "What exactly prevents this from being a vanilla transaction?"
- Governance confusion** — philanthropic investors demanding veto rights or investment committee seats. Rights not commensurate with position reliably derail fund structures.
- Regulatory misalignment** — credit rating agencies and Solvency II frameworks that do not recognise blended protections inflate capital charges and deter institutional investors.

RAPID FIRE — JOAN LARREA'S VERBATIM CLOSING ANSWERS

Blended finance works best when...

"There is an actual viable financial proposition on the table."

Most common mistake in structuring a blended deal...

"Throwing soft money at the equation without asking what you're solving for."

Private capital engages when philanthropic capital...

"Has gone in early, de-risked a high-risk idea, and proven that it might work out in the wilds of the capital market."

Blended finance is overused in ___ and underused in ___

"Overused in conferences and underused in reality. More talk than action."

Too many blended deals try to fix ___, when they should fix ___

"Multiple problems at once — when they should be surgical and pick one issue to solve."

Sector most ready for scale, not getting attention...

"Adaptation. We are all going to live in a different world in five years — especially in emerging markets. We need to hustle and figure out how to use every tool we have, including blended finance."

ONE IMPLICATION FOR PRACTITIONERS

Before you seek catalytic capital, complete this sentence precisely: "The specific risk that prevents this transaction from being vanilla is ___." If you cannot complete it with one nameable risk — a currency mismatch, an untested off-taker, a missing credit market — you are not ready for blended finance. You are ready for a different conversation.

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EVP, Geneva Global

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CEO, Convergence

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