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Insights Report

Blended Finance in Practice: Lessons from IMCA's Funding Windows

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IMCA Secretariat, World Climate Foundation



Partners



Government of Iceland
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Observers



"This report underscores IMCA's role not only as a provider of catalytic capital, but as a convening platform shaping the future of blended finance. By sharing what works and what doesn't, we aim to move beyond isolated successes and drive a more coordinated, scalable approach to mobilising private climate finance for EMDEs."

Jens Nielsen, CEO, World Climate Foundation

Blended Finance in Practice: Lessons from IMCA's Funding Windows

Executive Summary

The Investment Mobilisation Collaboration Alliance (IMCA) is a **Nordic-led international coordination mechanism that leverages concessional finance to de-risk climate investments** in emerging markets and developing economies (EMDEs) to catalyse private capital at scale and speed.

This report reviews **IMCA's first two funding windows**, launched at COP28 and resulting in three selected fund proposals, and draws on awardee interviews and industry insights to **identify key lessons**:

- **IMCA's credibility and convening power** are as catalytic as its funding in unlocking investment.
- **Clear but flexible calls for proposals** lead to stronger, more investable fund designs.
- **Simple, transparent blended-finance structures** improve investor buy-in and speed of deployment.
- **Donor misalignment** increases costs and delays; **coordination** enhances efficiency and confidence.
- **Lack of follow-on support to awardees** limits momentum; sustained engagement is critical to scale.

Looking ahead, **several priorities stand out** for future IMCA funding windows:

- **Maintain a strong focus on mobilisation outcomes**, while preserving flexibility for fund design.
- **Deepen coordination and harmonisation** across donors to reduce transaction costs.
- **Prioritise streamlined, private-sector friendly** approaches.
- **Prioritise scaling proven models** over continually launching new instruments.
- **Embrace IMCA's position** to promote learning and shape the blended finance market.

These insights can **help donors** beyond IMCA to design more **catalytic, coordinated, and efficient funding approaches** that accelerate deployment and implementation. At the same time, **asset managers** can use the findings to **strengthen fund proposals and structure blended finance vehicles** that are more investable, scalable, and aligned with donor and investor expectations.

1. Introduction

IMCA is a Nordic-led international coordination mechanism that uses catalytic concessional finance to de-risk climate investments in EMDEs and mobilise private capital at scale and speed. Launched at COP28 by the United States and Nordic governments, IMCA was created to help close the significant investment gap for climate mitigation and adaptation in these markets. Its purpose aligns with the climate finance commitments reaffirmed at COP29, where the UNFCCC set a target of mobilising at least USD 1.3 trillion by 2035.

Unlocking finance for EMDEs is essential for addressing the climate crisis and enabling global economic transformation. These markets represent nearly 90 percent of the world's population and over 40 percent of global GDP and are experiencing rapid urbanisation, industrial growth, and rising energy demand. At the same time, they face disproportionately high climate impacts. Their ability to transition to low-carbon and climate-resilient development will shape global emissions and resilience pathways for decades. Meeting this challenge requires around USD 4 trillion annually in climate finance until 2030 ([CPI](#)). This demand also creates major opportunities for sustainable development and investment where climate action and economic growth can advance together.

Significant barriers limit private investment. Market and pipeline challenges include a shortage of risk-adjusted, bankable opportunities at scale, liquidity constraints, and limited familiarity with EMDE markets. Information and regulatory gaps restrict investor confidence and exposure, and persistent information asymmetries complicate

decision-making. Systemic constraints such as fragmented donor efforts, limited concessional risk-taking, and weak alignment between public and private sector timelines further reduce investability.

Blended finance provides a way to address these barriers. With declining official development assistance (ODA) and limited concessional capital, public and philanthropic resources can meet only a small share of the needs of the Sustainable Development Goals and the Paris Agreement. Blended finance brings public, philanthropic, and private investors into a shared structure in which each takes different roles and risk-return positions. By accepting catalytic or higher-risk positions, public and philanthropic capital enables private investors to participate in opportunities that would otherwise fall outside their mandates. This approach opens new markets, supports underfinanced sectors and geographies, and increases the mobilisation potential of scarce concessional resources.

Since 2023, IMCA has deployed catalytic concessional funding through competitive calls for proposals that support blended finance vehicles mobilising private investment for climate mitigation and adaptation in EMDEs. The first window, the Blended Finance for Energy Transition (BFET) window, was launched as a pilot process for collaborative tendering and aimed to mobilise USD 1 billion to support a just and resilient energy transition and limit global temperature rise to 1.5 degrees. The second window, the Adaptation Finance Window (AFW), also launched at COP28, aimed to support innovative funds and investment vehicles that advance climate adaptation, including resilience of vulnerable communities, food and water security, health, nature-based solutions, and climate resilient infrastructure.

This learning report contributes to IMCA's 2026 targets to develop shared metrics and publish annual outcomes and learning reports. Its purpose is to improve transparency and strengthen monitoring and learning mechanisms. The findings draw on interviews with awardees conducted in Q1 2026, market data, and industry learnings.

2. Overview of Funding Windows and Awardees

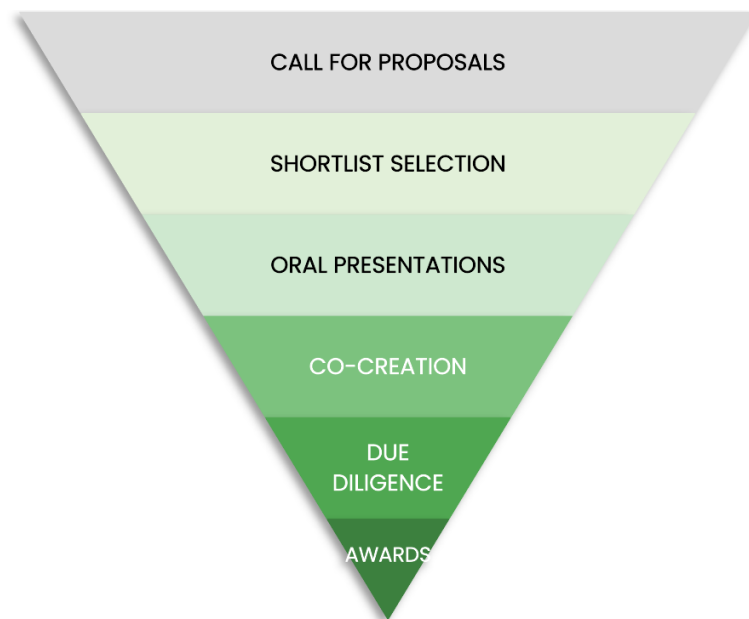
In 2023, IMCA launched two competitive funding windows to support blended finance vehicles that can mobilise private capital for climate mitigation and adaptation in EMDEs. Each window was designed with clear objectives, transparent selection criteria, and a focus on catalytic use of concessional resources.

The **Blended Finance for Energy Transition (BFET)** window was launched at COP28 as IMCA's first pilot for collaborative tendering between the United States Department of State with USAID and the Government of Denmark together with Impact Fund Denmark. The countries committed around 20 million EUR in total in catalytic capital to mobilise more than 100 million EUR for climate mitigation activities mainly in Just Energy Transition Partnership countries.

BFET was implemented across three phases: Donor Engagement, Fund Manager Engagement and Program Design, and Selection and Post-Award Process, delivered over approximately ten months. An early market sounding engaged more than 20 private sector stakeholders, including pension funds, global infrastructure investors, and emerging market fund managers, and identified key

barriers to institutional investments in emerging markets: foreign exchange risk, lower risk-adjusted returns versus developed markets, capital preservation mandates among long-term investors, slow capital deployment due to limited bankable pipelines, restricted exits, and liquidity constraints. These findings validated the programme’s theory of change and informed the call for proposals. The process attracted 30 applications, of which 25 were eligible and 10 were shortlisted.

Figure 1 Funding Window Pipeline



Following this process, responsAbility and Eversource Capital were selected as finalists due to their strong track record in emerging market climate solutions. As of January 2026, responsAbility’s Asia Climate Fund mobilised more than 170 million EUR in private capital, resulting in almost 390 million EUR (USD 460 million) in total investments at its [fifth closing](#). Eversource Climate Investment Partners (ECIP) II is also gaining momentum and expected to launch soon.

The **Adaptation Finance Window (AFW)** was launched at COP28 with an initial commitment of around 43 million EUR in guarantees and technical assistance grants from the

Swedish International Development Cooperation Agency (SIDA) and Impact Fund Denmark. The window aimed to mobilise around 345 million EUR in private capital by leveraging these guarantees. It attracted proposals from more than 40 asset managers with strong track records, and three finalists were selected, including Lightsmith Group's SCALE platform. In September 2025 the Norwegian Agency for Development Cooperation (NORAD) joined as a co-funder.

The two windows were guided by competitive selection criteria that assessed the strength of investment strategies, the credibility of mobilisation plans, the suitability of blended finance structures, and the potential for climate impact. Both were grounded in a clear theory of change that uses concessional resources to unlock private investment by reducing risks that currently limit capital flows into emerging markets.

Together, the BFET and AFW windows illustrate IMCA's approach to catalytic capital. They support fund managers with high-quality pipelines, create investment vehicles with the potential for significant mobilisation, and enable financing for mitigation and adaptation solutions across key, underfunded geographies.

Box 1. Emerging Insights from IMCA's Adaptation Finance Window for Africa (AFWA)

In 2025, IMCA launched the Adaptation Finance Window for Africa (AFWA), focused on mobilising private capital for climate adaptation and resilience investment vehicles across Africa. The window attracted nearly 60 eligible proposals spanning agriculture, water, resilient infrastructure, nature-based solutions, and climate technologies.

Early analysis from the AFWA process reinforces several themes reflected in this report, including the importance of clear but flexible calls for proposals, coordinated donor engagement, and early market sounding in shaping well-calibrated funding windows. For AFWA, the market sounding process helped refine the window design and catalytic support approach, socialise the opportunity with fund managers, and inform the framing and requirements of the call for proposals to better reflect market realities and navigate trade-offs between strong adaptation objectives and the mobilisation of private capital across underserved African markets. Feedback collected through applicant surveys also highlighted the value of streamlined engagement processes and clear communication throughout the funding window.

Additional insights and anonymised market trends from the AFWA applicant pool, including analysis related to fund structures, sector priorities, and the evolving landscape of adaptation finance in Africa, are available through the [AFWA webpage](#).

3. CrossCutting Market Insights

Market Headwinds and Accelerating Fundraising

Our interviews of BFET and AFW awardees highlighted how uneven and challenging the fundraising environment continues to be for emerging markets climate-focused investment vehicles. In several cases, broader market constraints forced significant adjustments to targeted fund sizes. At the same time, there is clear evidence that IMCA's signalling effect, credibility, and relationships played an important role in unlocking capital in difficult conditions, especially with public and development-finance institutions. This reinforces the understanding that relationship-based blended finance is one of IMCA's strongest catalytic levers, with the endorsement conveyed through IMCA's Calls for Proposals having a meaningful impact on investor confidence.

Simple Blended Finance Structures

Across awardees, structures that were simple, predictable, and aligned with commercial expectations mobilised private capital more effectively than complex arrangements. Straightforward tranche designs and risk-return profiles tended to attract commercial investors at scale. This confirms a pattern often observed in blended finance: clarity and simplicity in structure significantly enhance market uptake, while overly intricate mechanisms can create hesitation and confusion among potential investors.

Lessons for Calls for Proposals

Funding windows with a clear primary objective and sufficient flexibility for asset managers to design their own approaches attract stronger, more investable proposals.

"IMCA has been an essential partner in engaging and supporting the development of the next generation of Adaptation and Resilience investment through the Systemic Capital for Adaptation Localization and Expansion (SCALE) project. Without IMCA partner Norad's support at this critical moment of limited resources, the SCALE project would not have the chance to develop an integrated investment platform approach to adaptation and resilience in developing countries."

Jay L. Koh, Managing Director, The Lightsmith Group

Overly narrow or prescriptive calls, by contrast, risk diluting the quality of applications by imposing sectoral or structural constraints that do not align with market realities.

The BFET window was cited as an example of a well-designed call: its focus on mobilisation and its flexibility in terms of sectors and geographies enabled managers to leverage their comparative advantage.

When given the flexibility to do so, awardees gravitated toward markets with the most mature pipelines, strongest policy signals, and highest investor demand. Geographies with large domestic markets and scalable investment opportunities featured repeatedly across portfolios. This highlights a reality of blended-finance: capital naturally concentrates where enabling conditions are already present, which may not always align with areas of greatest climate vulnerability or need.

The BFET experience also highlighted the practical value of early market sounding in calibrating the size of catalytic capital. Evidence suggests that at least five percent of total fund size in concessional capital is typically needed to bridge the one-to-three percentage-point gap between investor expectations and achievable returns in emerging market energy transition investments. For shorter, five-year holding periods, higher allocations (around five to fifteen percent) may be required. Conducting this market analysis up front, before launching the call for proposals, provided clarity to applicants and avoided a mismatch between IMCA member development objectives and private investor realities.

IMCA's Catalytic Role

Participation in IMCA funding windows also generated long-term institutional benefits for awardees. Several

organisations built new internal blended-finance capabilities, strengthened climate-risk assessment processes, or established frameworks that can now be replicated across future funds. These internal shifts demonstrate that the value of IMCA's support extends beyond individual transactions, contributing to a more capable ecosystem of climate-finance actors.

Operational and Ecosystem Barriers

Despite strong outcomes, awardees identified several systemic challenges that affected implementation. Donor fragmentation (including differing budget cycles, approval processes, and reporting requirements) created uncertainty and slowed execution in some cases. Fund managers also noted the administrative burden that arises when navigating uncoordinated due diligence processes.

Another insight concerns early-stage enablement. IMCA support has helped establish foundational infrastructure and proof-of-concept models, especially in emerging segments such as adaptation. However, outcomes have varied depending on the institutional maturity and operational readiness of awardees. Limited experience in structuring, absorbing, and deploying catalytic capital, constrained the ability to sustain momentum beyond the initial funding phase. This highlights the importance of more deliberately selecting and supporting partners with the capacity to translate early-stage support into scalable action within a reasonable timeframe. It also points to the need for more structured post-award engagement that strengthens investee capabilities and ensures promising models do not stall during critical transition periods, particularly in sectors where revenue models are still developing.

4. Competitive Funding Windows: Benefits and Trade-offs

Competitive funding windows are a core feature of IMCA's approach, shaping both the quality of proposals and the broader market response. While they offer clear strategic advantages, they also introduce practical trade-offs that require careful design.

The strategic advantages of competitive processes.

Open calls for proposals provide a comprehensive, high-level overview of the market. By widening access to catalytic capital, IMCA's CfPs helps surface high-impact, innovative managers operating beyond traditional donor networks, offering a more accurate picture of market capabilities.

Competitive pressure also incentivises asset managers to accurately price their catalytic funding requests. Outside a competitive process, managers have incentives to maximise first-loss protection or grant support. In an open tender, however, excessive subsidy requests weaken their ranking, helping drive down the concessional capital required for private capital mobilisation.

At the same time, competitive pressure pushes asset managers to stretch beyond their usual boundaries. To remain competitive, they must develop new concepts or refocus existing strategies on targeted development priorities that might otherwise be overlooked.

Finally, collaborative tenders enable donors to pool evaluation efforts, creating a 'safe harbour' for co-financing innovative models that may not meet individual risk thresholds.

Frictions and challenges of competitive processes.

Designing a proposal process that is both private-sector friendly and robust enough for donors' due diligence is challenging. If the initial filter is too light, private sector engagement is high, but evaluators lack the information needed to make reliable selections.

Similarly, rapidly narrowing candidates through a competitive 'funnel' can create a false sense of efficiency. Without robust early screening, delays emerge later when proposals fall short in detailed due diligence.

Competitive windows also place significant demands on asset managers. In niche segments, inviting many detailed proposals when only a few will be funded can lead to fatigue and weakened trust, especially where feedback loops are weak.

Finally, competitive processes typically score and rank applications on their standalone merits. However, donors must ultimately build diversified portfolios across geographies, sectors, and asset classes. Reconciling top scores with portfolio balance is complex and can confuse or frustrate applicants expecting a purely score-based selection.

5. Synthesis of Key Lessons for the Blended Finance Ecosystem

Several cross-cutting lessons emerge about what enables, or constrains, effective private capital mobilisation through blended-finance.

IMCA's signaling value and convening power remain core strengths.

Awardees consistently highlighted that IMCA's credibility, reputational weight, and ability to facilitate introductions can be as catalytic as its financial support. Strong institutional relationships and engagement with DFIs and catalytic investors were critical in unlocking commitments and advancing fund trajectories.

Calls for proposals work best when they balance clarity with flexibility.

Overly prescriptive CfP designs can constrain innovation, while excessively broad scopes create ambiguity among investors. The most effective windows articulated clear objectives but allowed fund managers sufficient manoeuvring room in shaping sector focus, geographic strategies, and structuring approaches. This flexibility strengthened pipelines and resulted in more realistic, investable fund designs.

Blended-finance structures must remain simple and recognisable.

Investors respond better to transparent, well-understood structures than to overly creative or complex risk-sharing arrangements. Simplicity reduces diligence burdens, accelerates decision-making, and increases the likelihood of mobilisation, particularly among mainstream private investors.

Fragmentation among donors remains a major systemic bottleneck.

Misaligned requirements, due-diligence processes, and reporting formats impose unnecessary transaction costs and slow deployment. Coordinated donor approaches on

timelines, information requests, and documentation significantly increase efficiency and market confidence.

The BFET experience reinforced this lesson at a structural level. The programme brought together stakeholders with inherently different mandates: donors operating in first-loss positions with impact objectives and more narrowly defined capital requirements; DFIs balancing financial and development goals with varying tolerance for subordination depending on funding sources and government relationships; and commercial investors prioritising risk-adjusted returns with a preference for simpler fund structures. Managing these divergent expectations required early and explicit alignment among donor partners on key programme parameters, such as the maturity of target fund managers, acceptable risk appetite, and definitions of leverage and mobilisation, before launching the call for proposals. BFET also found that fully pooling catalytic capital upfront can be challenging, as some donors prefer to commit to specific awardees rather than to a pooled programme. Maintaining a parallel donor engagement track alongside the competitive selection process, and continuing it through post-award milestones, proved effective in securing additional co-funder participation.

The lack of predictable follow-on pathways limits momentum.

Promising blueprints can remain stuck as ideas without a clear post-award engagement pathway. Continuity of support and dialogue is essential to ensure that strong proposals will evolve into investable vehicles capable of attracting private capital at scale.

6. Implications for IMCA's Future Funding Windows

Looking ahead, the insights from awardees highlight several opportunities for strengthening IMCA's funding windows.

Maintain a clear focus on private-capital mobilisation, paired with flexible mandates.

Future CfPs should continue prioritising mobilisation outcomes while allowing fund managers room to apply their expertise. Concentrated thematic scopes, broad enough to support diverse pipelines but not so wide as to dilute clarity, will improve alignment and strengthen investor signalling.

Deepen coordination and harmonisation among IMCA members.

Shared due-diligence processes, streamlined reporting, and predictable funding cycles would significantly reduce friction for asset managers and shorten time-to-market for new vehicles. Greater alignment also reinforces IMCA's market value as a platform that reduces transactional complexity rather than adding to it.

Continue to use streamlined, private-sector friendly approaches.

Maintaining a streamlined, private-sector-friendly process is essential to attracting the strongest fund managers. Overly burdensome proposal requirements and lengthy evaluation timelines impose real costs on asset managers. Competitive windows that move quickly, communicate clearly, and minimise unnecessary administrative overhead signal that IMCA is a credible and efficient partner.

Prioritise scaling proven models over proliferating new instruments.

Targeted support to expand or replicate vehicles with demonstrated traction can deliver system-level gains faster than continually launching new structures. Concentrating concessional resources on initiatives nearing commercial viability will strengthen mobilisation outcomes and reinforce IMCA's leadership role in the blended-finance ecosystem.

Embrace IMCA's position to promote learning and shape the blended finance market.

IMCA's pooled funding windows generate a form of market intelligence that individual donors or DFIs generally lack. By engaging dozens of asset managers simultaneously, IMCA has a real-time snapshot of market trends, ecosystem gaps, and structural innovation across sectors and geographies. This bird's-eye view is a strategic asset that can generate insights to accelerate learning across the broader blended finance ecosystem and help shape the design of more investable, high-impact vehicles over time.

7. Conclusion

IMCA's first funding windows demonstrate that blended finance can effectively mobilise private capital for climate investment in emerging markets when supported by clear objectives, simple structures, and strong institutional coordination. Beyond financial contributions, IMCA's credibility, convening power, and signaling role have proven critical in unlocking investor confidence and accelerating the development and implementation of climate investment vehicles.

At the same time, the experience highlights key areas for improvement, including the need for greater donor alignment and more structured post-award engagement to sustain momentum. Addressing these challenges will be essential to maximise impact and scale.

IMCA remains committed to transparency, continuous learning, and strengthening the blended finance ecosystem. These insights will directly inform the design of future funding windows and upcoming IMCA engagements, supporting more catalytic, efficient, and scalable climate finance solutions.



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