LEGAL FRAMEWORKS FOR BLENDED FINANCE IN EMERGING MARKETS: HARMONISING PRIVATE INCENTIVES WITH PUBLIC MANDATES

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Abstract

Emerging economies face widening development-financing gaps amid constrained public revenues and rising debt burdens. In 2024, debt servicing absorbed over 70% of Nigeria's federal revenue, sharply limiting fiscal space for infrastructure, health, education, and climate objectives. This paper examines how legal and regulatory frameworks can mobilise private capital while guaranteeing public mandates. The findings demonstrate that comprehensive PPP legislation, legally-backed guarantees, and predictable fiscal regimes directly influence investor confidence and deal flow. Comparative evidence from Kenya and Ghana substantiate the unbroken link between clear statutory mandates, institutional coordination and stronger project pipelines. In the same vein, Nigeria's InfraCredit demonstrates how institution-backed guarantees unlock domestic capital markets. Empirically, climate finance remains underfunded (only $1.9 billion flowed annually in 2019–2020 against a $17.7 billion need), with private sources contributing just 18%. Furthermore, education and health sectors lag due to regulatory and procurement gaps. The paper recommends harmonised PPP reforms, stronger statutory backing for guarantee institutions, standardised transaction models, performance-based incentives, and enhanced oversight. These measures unequivocally address sectoral disparities and limited private participation. It concludes that blended finance functions best when paired with legal certainty, transparency, and enforceable accountability. These requisites align private incentives with public mandates at scale.

Key-Words: Development Finance, Public-Private Partnership, Emerging Economies, Sustainable Development

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1.**Introduction**

Emerging economies face a vast financing gap for sustainable development. In Nigeria, for instance, debt-servicing absorbs over 70% of federal revenue (as reported in 2024),[1] squeezing public budgets for infrastructure, education, health, and climate adaptation. Traditional funding channels are insufficient to meet the Sustainable Development Goals (SDGs), motivating innovative approaches. Blended finance i.e., the strategic use of concessional public or philanthropic capital[2] alongside private investment, has emerged as a key mechanism for mobilising additional finance for development projects.[3]

This paper examines how legal and regulatory frameworks can catalyse private-sector investment through blended finance in Nigeria and other African markets. Specifically, it explores how laws, policies, and institutions can align private incentives (profit and risk sharing) with public mandates (development outcomes, social and environmental goals). This paper draws on recent studies, and case analyses to assess how regulations shape blended finance's efficacy and scalability, with a focus on infrastructure, education, health, and climate sectors.For effective presentation and clarity, this paper is divided into ten parts. Part One presents the abstract, which outlines the development-finance constraints facing emerging economies, and frames the paper's focus on the role of legal and regulatory frameworks in aligning private investment with public development objectives. Part Two comprises the introduction, which outlines the development-finance challenge in emerging economies, situates blended finance within this context, and sets out the paper's analytical framework. Part Three examines the conceptual foundation of blended finance, clarifying its definition, core

[1] Akinsemoyin B, 'Blended Finance: A Model for Nigeria's Public Sector' *BusinessDay* (Lagos, 9 July 2025) https://businessday.ng/opinion/article/blended-finance-a-model-for-nigerias-public-sector/ accessed 15 July 2025.

[2] Mutambatsere E and De Vautibault M, 'Blended Finance can Catalyze Renewable Energy Investments in Low-income Countries' World Bank/IFC Blogs (11 May 2022) https://blogs.worldbank.org/en/ppps/blended-finance-can-catalyze-renewable-energy-investments-low-income-countries#:~:text=require%C2%A0massive%20investment%C2%A0in%20developing%20countries,proceed%20on%20strictly%20commercial%20terms accessed 15 July 2025.

[3] 'Bridging Nigeria Infrastructure Gap for Economic Growth and Development: Innovative Options for Financing Infrastructure Development' (Paper presented by the Ag. MD/CEO, The Infrastructure Bank Plc, at the 23rd Joint Planning Board (JPB) and National Council on Development Planning (NCDP) Meeting, n.d.) https://nationalplanning.gov.ng/wp-content/uploads/2024/10/INNOVATIVE-OPTIONS-FORFINANCING-INFRASTRUCTUREDEVELOPMENT.pdf#:~:text=Blended%20concessional%20finance%2C%20as%20defined,investments%2C%20enhance%20returns%2C%20and%20encourage accessed 15 July 2025.

principles, instruments, and its relationship with public–private partnerships. Part Four analyses the regulatory and institutional enablers of blended finance, with particular emphasis on public–private partnership legislation, guarantees and credit enhancements, and fiscal and incentive regimes that reduce risk and improve bankability. Part Five focuses on blended finance in Nigeria, assessing the national policy context and sectoral applications in infrastructure, climate finance, education, and health. Part Six provides a comparative analysis of African experiences, illustrating how differing legal and institutional environments influence blended finance outcomes across jurisdictions. Part Seven presents selected case studies, including the Edo State healthcare PPP, InfraCredit's renewable energy blending, Africa-wide scaling solar initiatives, and the Regional Education Finance Fund, to demonstrate blended finance in practice. Part Eight interrogates the legal and contractual mechanisms through which private incentives can be aligned with public mandates, particularly in relation to risk allocation, oversight, and accountability. Part Nine sets out targeted recommendations aimed at strengthening legal frameworks and institutional capacity for blended finance. Part Ten concludes by synthesising the paper's findings and reflecting on the role of law in unlocking the transformative potential of blended finance for sustainable development in emerging markets.

2.**Conceptual Foundation of Blended Finance**

Blended finance is broadly defined as the strategic combination of concessional funds from donors or third parties with commercial financing to encourage private sector investment in sustainable development projects.[4] In practice, it involves layering catalytic (grant or concessional) funds and risk reducing instruments (guarantees, insurance, first-loss capital) onto transactions to improve their risk-return profile for private investors.[5] A report describes blended finance as a powerful approach that merges various funding sources, including public, private, and philanthropic capital, to tackle the most urgent development challenges, all while ensuring these projects are financially viable and appealing to investors[6] By de-risking projects, blended finance structures unlock new sources of capital that would otherwise stay on the sidelines.[7]

[4] '*Ibid.*
[5]Mutambatsere (n.2).
[6] Bridging Nigeria Infrastructure Gap (n.3).
[7] Akinsemonyi (n.1).

Blended finance is distinct from, but often intertwined with, public–private partnerships (PPPs). PPPs are contractual arrangements where the private sector designs, builds, and/or operates public infrastructure, typically with some private financing. Both PPPs and blended finance aim to leverage private capital, but blended finance explicitly emphasises concessional or philanthropic inputs. For example, a road or power plant might be structured as a PPP, while blended finance could add concessional/cheaper loans or guarantees to make it bankable i.e., make the project easier to fund. Experts note that all blended finance projects require a legal platform i.e., appropriate legal structuring and instruments, to combine public, philanthropic and private funding in pursuit of social and environmental outcomes.[8]

Instruments often used in blended financing include concessional loans, credit guarantees, first-loss equity, and results-based grants. These require enabling legislation or regulations. For instance, governments may establish special-purpose funds to hold concessional capital, authorise sovereign guarantee frameworks, or create credit guarantee companies under commercial law. Without such legal underpinnings, blended structures cannot operate at scale or with certainty.

3.**Regulatory and Institutional Enablers**

A clear, stable regulatory environment is essential for blended finance. Uncertainty or complexity in the law raises risk premiums and deters private capital. In emerging markets, investors commonly cite regulatory uncertainty and policy risk as barriers.[9] As one policy brief observes, weak PPP governance in many markets creates confusion and results in uneven or unreliable execution,[10] underscoring the need for coherent laws. Governments must therefore align private-sector goals with national objectives by deploying policy instruments like carbon pricing, tax incentives, clear and transparent procurement rules, etc., that reduce investor risk without unsustainable subsidies.[11]

[8] Manzo M, 'Global Alliance of Impact Lawyers (GAIL)' Gailnet.org (20 April 2024) https://gailnet.org/unlocking-legal-pathways-for-blended-finance/ accessed 15 July 2025.

[9] World Association of PPP Units and Professionals, *Policy Brief: Mobilizing Blended Finance for PPPs* (2025) https://wappp.net/wp-content/uploads/2025/03/Policy-Brief-PLBL012025.pdf accessed 17 July 2025. See also: Gemayel E, *et al*, *Laying the Ground for Scaling up Climate Finance in Sub-Saharan Africa: Leveraging Survey Insights and IMF Country Work to Scale Climate Finance in SSA* (May 2025).

[10] *Ibid.*

[11] *Ibid.*

3.1 Public–Private Partnership Legislation

In practice, many blended finance deals are structured through PPP frameworks. Thus, the strength and clarity of a country's PPP laws and institutions critically shape blended finance outcomes. Nigeria, for example, originally enacted the Infrastructure Concession Regulatory Commission (ICRC) Act in 2005 to govern federal PPP projects. That law created the ICRC (a PPP commission) and set basic rules for concessions. Some state governments (like Lagos and Rivers) also have PPP laws that enable them enter PPPs under similar arrangements.[12] However, like Nigeria's recent past, in many countries PPP rules have been outdated or fragmented.[13]

Recognising this, Nigeria has taken steps to overhaul its PPP regime. In 2022, the Senate passed the bill seeking to repeal the ICRC Act and enact the Public Private Partnership Regulatory Commission Bill with a broader PPP Commission structure. The bill has been passed by the Senate.[14] If enacted, this bill will grant the PPP Commission the authority to impose sanctions for non-compliance and to oversee the involvement of both public and private sectors in financing infrastructure and public projects.[15] Such statutory mandates help provide stability and predictability for investors. They also harmonise private incentives (through clear rules on returns, risk allocation, and penalties) with public mandates (such as transparency, service obligations, and development outcomes).

Other African countries have adopted similar PPP laws. Kenya's 2013 Public Private Partnerships Act (backed by detailed regulations and a dedicated PPP Unit) provides a robust framework for unsolicited proposals, project appraisal, and viability-gap funding.[16] Ghana's 2020 Public Private Partnership Act (Act 1039) explicitly incorporates provisions for risk allocation,[17] value-for-money,[18] local content and

[12] Alex-Adedipe A and Best E, 'Public Private Partnership: Legal and Regulatory Framework in Nigeria' Pavestones Legal (27 January 2024) https://pavestoneslegal.com/public-private-partnership-legal-and-regulatory-framework-in-nigeria/accessed 18 July 2025.

[13] Countries include: Iraq, Lebanon, and Argentina.

[14] National Assembly (Nigeria), 'Senate Passes Public Private Partnership Regulatory Commission Bill and More' https://nass.gov.ng/news/item/1684 accessed 29 July 2025.

[15] Infrastructure Concession Regulatory Commission, *Effective Regulation of PPP Projects: Lessons from Success Stories in Various Jurisdictions* (n.d.) https://www.icrc.gov.ng/wp-content/uploads/2023/05/Q4-2022-Bulletin.pdf accessed 18 July 2025.

[16] The Economist Intelligence Unit, *Infrascope: The Enabling Environment for Public-Private Partnerships – Kenya* (2021) *The Economist* https://infrascope.eiu.com/wp-content/uploads/2022/03/EIU_MCC_KENYA_PROOF_07.pdf accessed 18 July 2025.

[17] Section 5 Public Private Partnership Act, 2020 (Act 1039).

technology transfer,[19] and transparency,[20] and establishes a PPP Committee[21] and PPP Office[22] to oversee implementation. These comprehensive legal frameworks have enabled Kenya and Ghana to attract dozens of infrastructure PPPs. Kenya's World Bank Private Participation in Infrastructure (PPI) database shows 43 PPP projects reaching financial closure by 2023, across power, roads, ports, etc.[23]

In contrast, in many countries piecemeal or unclear laws hinder deal flow.[24] The pace of project approvals often lags behind demand. A recent PPP policy brief notes that: strengthening PPP regulatory frameworks is essential, recommending that governments "set out crystal-clear, investor-friendly policies and PPP regulations to provide stability.[25] Standardised templates (on concession, contracting, environmental safeguards) and proactive PPP units can reduce transaction costs. Indeed, experts argue that Public-Private Partnerships (PPPs) have demonstrated their effectiveness, but they require customised blended finance approaches to effectively align public funding with private investment,[26] implying that PPP laws must explicitly allow (and in some cases incentivise) concessional funding layers.

3.2 Guarantees and Credit Enhancements

Another key legal area is the treatment of credit guarantees and risk mitigation. Guarantees do not involve upfront spending by governments but commit to cover private losses in certain events. They are powerful blended finance tools that require enabling provisions. Some countries have explicit guarantee laws (for example, Uzbekistan's PPP Law allows government credit guarantees)[27] or fund guarantees. Furthermore, in the

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[18] *Ibid*. Section 11.
[19] *Ibid*. Section 10.
[20] *Ibid*. Section 7
[21] *Ibid*. Section 19.
[22] *Ibid*. Section 26.
[23] World Bank Group, 'Private Participation in Infrastructure (PPI) – Kenya' (2023) https://ppi.worldbank.org/en/snapshots/country/kenya accessed 18 July 2025.
[24] An example is Lebanon where attempts to enact a PPP law have been made owing to the lack of experience stemming from absence of precedent to refer to. See World Bank Group, 'Study on PPP Legal & Financial Frameworks in the Mediterranean Partner Countries' https://ppp.worldbank.org/library/study-ppp-legal-financial-frameworks-mediterranean-partner-countries#:~:text=Lebanon%20has%20adopted%20elements%20of,in%20Lebanon%20to%20draw%20upon accessed 16 January 2026.
[25] World Association of PPP (n. 9).
[26] *Ibid.*
[27] Kosta Legal, 'PPP Legislation in Uzbekistan: Adoption of the PPP Law' (2019) https://kostalegal.com/legal-alerts/ppp-legislation-in-uzbekistan-adoption-of-the-ppp-law accessed 18 July 2025.

absence of sector-specific legislation, governments can establish guarantee schemes through regulatory frameworks.

Data shows that guarantees can increase mobilised finance by roughly 25%.[28] Yet, they remain underused globally.[29] In Africa, guarantee instruments tend to concentrate in markets with strong investment climates: Kenya, Ghana, Nigeria and South Africa have the most guarantee products.[30] Nigeria's landscape is evolving: the Infrastructure Credit Guarantee Company (InfraCredit), established by law in 2018, now provides local-currency guarantees for infrastructure loans. In 2024, InfraCredit secured a $30 million blended facility (combining a $20 million local-currency counter-guarantee with a $10 million concessional tranche) from the UK's development bank to underwrite solar mini-grids.[31] This recent deal illustrates how legal infrastructure (a guarantee company and a concessional fund) can de-risk projects to wit: the facility will make decentralised renewable energy projects less risky and more financially viable by lowering the cost of local currency loans for developers, thereby encouraging large-scale private sector investment.[32] Establishing such institutions by law is thus a critical step in blended financing.

3.3 Incentives and Fiscal Regimes

Regulatory frameworks also include tax and fiscal rules that can catalyse investment. Concessions like tax credits, tariffs or subsidies (targeted at blended deals), may be enshrined in law to tilt returns toward investors. For example, Nigeria's Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme (established by Presidential Executive Order 007)[33] provides for tax credits and an uplift

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[28] Ben Yahmed Z and Peres T, 'Guaranteeing Change: Mapping the Landscape of Guarantees in Africa' CPI (17 December 2024) https://www.climatepolicyinitiative.org/guaranteeing-change-mapping-the-landscape-of-guarantees-in-africa/accessed 18 July 2025.

[29] *Ibid.*

[30] Meattle C, *et al*, *Landscape of Climate Finance in Africa 2024* (2024) CPI https://www.climatepolicyinitiative.org/wp-content/uploads/2024/10/Landscape-of-Climate-Finance-in-Africa-2024.pdf accessed 18 July 2025.

[31] InfraCredit, 'InfraCredit Secures a US$30 Million Risk Sharing and Blended Local Currency Co-financing Facility from British International Investment to Support Decentralised Renewable Energy Projects in Nigeria' (14 November 2024) https://infracredit.ng/infracredit-secures-a-us30-million-risk-sharing-and-blended-local-currency-co-financing-facility-from-british-international-investment-to-support-decentralised-renewable-energy-projects-in-nigeria/ accessed 18 July 2025.

[32] *Ibid.*

[33] Eneh J, *et al*, 'The Road Infrastructure Tax Credit Scheme: The Journey So Far' G. Elias (Newsletter) https://www.gelias.com/images/Newsletter/Road_Infrastructure_Tax_Credit_Scheme_-_The_Journey_So_Far.pdfaccessed 21 July 2025.

on project costs (tied to the Central Bank of Nigeria's Monetary Policy Rate) for qualifying infrastructure projects,[34] to be applied against the Companies Income Tax.[35] Such incentives effectively act as a form of public co-investment, making PPP and blended deals financially viable. Similarly, special tax holidays or duty waivers for renewable energy equipment (authorised under the National Electricity Policy and Strategic Implementation Plan, the *Electricity Act 2023* or similar regulations) can improve project economics. The underlying legal frameworks must clearly define eligibility, duration, and limits of such incentives to assure investors that benefits will not be arbitrarily withdrawn.

4.Blended Finance in Nigeria

4.1 National Policy Context

Nigeria has formally recognised blended finance in its development strategy. The recent Integrated National Financing Framework (INFF) emphasises using concessional capital and institutional funds for SDG projects. It explicitly calls for a strong regulatory environment to mobilise domestic investors.[36] The INFF encourages streamlined approvals (e.g., the One-Stop Investment Centre) and special regulatory windows to incentivise and channel pension funds and other institutional capital into sustainable projects. This recognition is important because without regulatory certainty and investor protection, even large pools of domestic savings, such as pension and sovereign funds, may remain idle.

At the sectoral level, Nigeria's national plans tie blended finance to development goals. The National Development Plan 2021–2025 envisages leveraging PPPs and concessional funds to achieve infrastructure targets. Similarly, the Climate Change Act 2021 mandates a National Climate Change Action Plan and five-year carbon budgets, implicitly requiring mobilisation of private climate finance alongside public funds[37] (though detailed regulations are still being developed).

[34] Bridging Nigeria Infrastructure Gap (n.3).
[35] Now subsumed into Section 56 of the Nigeria Tax Act, 2025.
[36] United Nations Development Programme (UNDP), Nigeria Integrated National *Financing* Framework (2022) https://www.undp.org/nigeria/publications/nigeria-integrated-national-financing-framework accessed 21 July 2025.
[36] Now subsumed in s. 56 of the Nigeria Tax Act, 2025.
[37] Udo Udoma & Belo-Osagie (UUBO), The Climate Change Act 2021: Key Points for Consideration (n.d.) https://uubo.org/wp-content/uploads/2023/01/THE-CLIMATE-CHANGE-ACT-2021-KEY-POINTS-FOR-CONSIDERATION.pdf accessed 21 July 2025.

4.2 Infrastructure Sector

Infrastructure (roads, power, water, telecoms) has attracted significant blended finance in Nigeria. The country's InfraCredit plays a pivotal role in de-risking projects through guarantees. For example, its Decentralised Renewable Energy (DRE) facility 21 leverages a British concessional fund (the Climate Finance Blending Facility) to guarantee solar mini-grids.[38] Beyond guarantees, Nigeria has also piloted blended funds in energy: the Nigeria Electrification Project (NEP) used a tiered loan facility to support off-grid renewables, blending World Bank and African Development Bank funds with private investment[39] (though regulatory uncertainty over tariffs and licensing posed challenges).

PPP frameworks for infrastructure, as discussed above, form the core legal platform. The *ICRC Act* and counterpart legislations (e.g. Lagos State PPP Law) provided the basis for early deals like airport terminals and toll roads.[40] Still, project numbers declined in recent years due to policy ambiguity and macroeconomic risks.[41] The 2022 Public Private Partnership Regulatory Commission Bill (which is before the National Assembly) aims to reverse this by consolidating laws and expanding enforcement tools.[42] In parallel, Nigeria is creating project preparation facilities (under the Infrastructure Bank and other platforms) to improve readiness. The foregoing steps are attuned with the message which the PPP community echoes, "achieving investment-grade ratings through standardised financing models is critical to mobilising large-scale capital".[43] To this end, such legal and institutional investments are crucial for development.

4.3 Climate Finance

Climate-related blended finance is emerging as a priority. Nigeria's climate finance landscape shows a large gap: only $1.9 billion of blended capital flowed annually in 2019–2020 (public + private) against an estimated need of US$17.7 billion for mitigation and adaptation.[44]

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[38] Infracredit (n.29).

[39] Rural Electrification Agency (Nigeria), 'Nigeria Electrification Programme: Powering Nigeria and Catalyzing Sustainable Off-Grid Development' https://nep.rea.gov.ng/about us.html#:~:text=originally%20launched%20as%20the%20Nigeria%20Electrification%20Project%2C,Bank%20and%20African%20Development%20Bank%2C%20NEP%20has accessed 28 July 2025.

[40] Alex-Adedipe and Best (n.12).

[41] *Ibid*

[42] National Assembly (Nigeria) (n.14)

[43] World Association of PPP (n.9)

[44] Stout S and Meattle C, *Landscape of Climate Finance in Nigeria* (October 2022) CPI https://www.climatepolicyinitiative.org/wp-content/uploads/2022/10/Landscape-of-Climate-Finance-in-Nigeria.pdfaccessed 29 July 2025.

Within the following year, public actors provided the majority of tracked climate finance while private sources contributed just 18%.[45] To bridge this gap, Nigerian policymakers have launched initiatives like the Climate Finance Accelerator (CFA) to crowd in investment for Nationally Determined Contributions (NDC)-aligned projects.[46] The CFA uncovered a major bottleneck: a shortage of skilled transaction intermediaries to structure deals, highlighting that human-capital alongside legal frameworks is needed.[47]

Legally, the Nigerian government is enacting policies to attract green investment. For example, the Nigerian Sovereign Investment Authority (NSIA) recently introduced a fund for climate/health infrastructure.[48] Nigeria also plans a series of green bonds, and is negotiating inclusion in emerging carbon markets (as part of a Just Energy Transition Partnership).[49] However, significant regulatory reforms, such as clear tariff-setting for renewables, enforceable carbon taxes, or subsidies redirection, are still needed. An International Monetary Fund (IMF) study emphasises that clear, predictable policies (green bonds, tax breaks, energy codes) and robust regulatory frameworks are essential to reduce uncertainty and crowd in private climate finance.[50] Nigeria has begun to implement some of these (e.g., new net-metering rules for solar)[51] but lags in others (e.g., carbon pricing).

The Nigeria CPI study posits that concessional blended finance will be essential to deliver on Nigeria's NDC, given low private participation.[52] Thankfully, Nigeria has already become a top African destination for climate-related blended deals. According to the latest Convergence report, since 2021, Nigeria hosted 25 blended transactions in agriculture and 10 in energy, the highest in Africa.[53] These successes were enabled by a mix of private sector innovation and supportive public policy (for

[45] World Association of PPP (n.26)
[46] *Ibid.*
[47] *Ibid.*
[48] Aina T, 'NSIA Drives $50bn Funding for Climate, Infrastructure' *Punch Newspapers* (Lagos, 25 June 2025) https://www.punchng.com/nsia-drives-50bn-funding-for-climate-infrastructure/ accessed 29 July 2025.
[49] Chime V, 'ACS23: Nigeria Working on Just Energy Partnership to Accelerate Transition, Says Tinubu' *TheCable* (Lagos, 5 September 2023) https://www.thecable.ng/acs23-nigeria-working-to-secure-just-energy-partnership-to-accelerate-transition-says-tinubu/
accessed 29 July 2025.
[50] World Association of PPP (n.9).
[51] s.164 (1) (t) of the Electricity Act 2023.
[52] World Association of PPP (n.26).
[53] *Ibid.*

example, import duty waivers on solar equipment and favourable tax treatments for farmers). The foregoing however, does not negate the need for a stable regulatory framework.

4.4 Education Sector

Blended finance in education is less developed in Nigeria, but there are promising models. Financial barriers in education (especially private schooling) could be eased by dedicated blended funds. Regionally, the Regional Education Finance Fund for Africa (REFFA) initiated by Germany-based KfW Development Bank in 2012, exemplifies how blended capital can enhance education in Nigeria. REFFA pools concessional funding from development banks and private investors to lend to local microfinance institutions and other financial institutions, who in turn finance school fees, loans to students, or school construction.[54]

A similar approach could be adapted in Nigeria. For instance, a Nigerian Education Investment Fund could be created under law to channel donor grants and government seed capital into financial institutions that on-lend to schools and students. Alternatively, the Nigerian government could expand the scope of the Nigerian Education Loan Fund (NELFUND) to permit private participation/funding. This move would enhance the capital base of the project, which would, in turn, improve Nigeria's Human Capital Index.

Nigeria has experimented with PPPs in education (mostly for tertiary institutions and campuses) but on a limited scale, often hampered by lack of clear procurement rules in the education ministry. Stronger legal frameworks (such as the explicit inclusion of education in Nigeria's National Policy on PPP by the Federal Executive Commission) would help. Given the social value of education, blended structures here would likely need stricter impact requirements and oversight. The law could mandate, for example, that any blended finance education fund target under-served communities or gender equality goals, thus aligning private returns with public mandates and the SDGs.

4.5 Health Sector

[54] British International Investment, 'Regional Education Finance Fund for Africa' (June 2025) https://www.bii.co.uk/en/our-impact/fund/regional-education-finance-fund-for-africa-investment-01/ accessed 1 August 2025.See also: NORRAG, 'Blended finance: The
Regional Education Finance Fund for Africa' https://resources.norrageducation.org/resource/723/blended-finance-the-regional-education-finance-fund-for-africaaccessed 1 August 2025.

Health is another area where blended finance is attracting interest. Nigeria's public health spending is low, so combining public, private and philanthropic funds could expand services. A recent blended finance partnership in Edo State illustrates the model: the Aig-Imoukhuede Foundation (philanthropy) teamed with a health-tech firm (HealthPort Africa) and the state health agency to revitalise primary healthcare centres.[55] Under this arrangement, the foundation provided capital for clinic refurbishment, HealthPort supplied oxygen equipment, and the state guaranteed operational support and integration.[56] This output-oriented PPP has no counterpart in federal law, but it shows how private efficiency and philanthropic funding can be marshalled for public health. To support such models nationally, Nigeria could enact specific PPP guidelines for healthcare, or a fund that offers concessional loans for hospital PPPs.

More broadly, global initiatives suggest blended health funds: for example, the Global Finance for Education Fund (a brain child of the idpFoundation) envisages raising catalytic capital to attract private sector lending to schools. Analogous schemes can be adopted in the health sector e.g., using grants to mobilise hospital investments could be considered. Importantly, any such legal framework must ensure that private providers meet quality and equity standards.

5.Comparative African Experiences

Comparing Nigeria to its African peers highlights how legal environments influence outcomes. In Kenya, a comprehensive PPP law and regulations have supported dozens of projects. The World Bank notes that Kenya's 2013 *PPP Act*, 2014 Regulations, and 2017 Project Facilitation Fund Regulations created clear rules for project appraisal, tendering, and viability-gap funding.[57] Kenya also has a functional PPP Unit (under the National Treasury) that offers legal and financial advice to agencies. This institutional clarity has helped Kenya become a leading issuer of infrastructure debt in Africa. However, Kenya's system still faces challenges (for instance, limited transparency and complexities in land acquisition),[58] showing that even strong legal frameworks require good governance in practice.

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[55] Aig-Imoukhuede Foundation, 'Tripartite Memorandum of Understanding: Enhancing Oxygen Access in Edo State' (20 August 2024) https://www.aigimoukhuedefoundation.org/latest-news/tripartite-memorandum-of-understanding-enhancing-oxygen-access-in-edo-state accessed 1 August 2025.

[56] Akinsemoyin B (n.1).

[57] Infrastructure Concession Regulatory Commission (n.15).

[58] *Ibid.*

Ghana's PPP regime is similarly well-structured on paper. The 2020 *PPP Act* articulates key principles (risk- sharing, transparency, value-for-money, local content) and sets up a PPP Committee and Office to oversee projects. Ghana also created the Ghana Infrastructure Investment Fund (GIIF) by statute,[59] and the PPP office by executive order, to backstop major projects. These legal anchors have supported Ghana's ambitious Power and Roads Projects, though investment is still moderated by currency and political risks (as in much of West Africa).

In South Africa, PPPs are implemented under national and provincial regulations (the National Treasury's PPP manual and municipal finance laws), with stringent procurement rules. South Africa also pioneered using blended concessional loans for renewable energy (through its Renewable Energy Independent Power Producer Procurement programme, which combined World Bank/DFI funding and private bids).[60] However, macroeconomic instability and complex labour laws have constrained scale.

Beyond PPPs, some countries have specialised blended vehicles: Ethiopia passed a PPP Proclamation in 2019[61] and launched the Addis Ababa Capital City Project Fund[62] to blend concessional grants with local financing. Rwanda enacted a PPP Law in 2016 and has established clear rules for unsolicited proposals and guaranteed funding for feasibility studies.[63] Each of these examples underscores that jurisdictional drivers and legal certainty matter: as one blended finance survey notes, investors increasingly seek "scalable, standardised approaches" and rely on platform models (like Scaling Solar) that bundle clear documents and policy commitments.[64]

Finally, climate-focused blended finance highlights regional disparities. The CPI report on African climate finance (2024) shows that only 18%

[59] The Ghana Infrastructure Investment Fund Act, 2014, Act 877.

[60] Eberhard A, *et al*, *South Africa's Renewable Energy IPP Procurement Program: Success Factors and Lessons* (2014) https://www.gsb.uct.ac.za/files/ppiafreport.pdf accessed 2 August 2025.

[61] Federal Democratic Republic of Ethiopia, Ministry of Finance, 'Public Private Partnership (PPP)' (2018) https://www.mofed.gov.et/programmes-projects/ppp/ accessed 2 August 2025.

[62] Mekonnen M, 'Accounting for Capital Project Funds' Scribd (2025) https://www.scribd .com/presentation/651578998/Accounting-for-Capital-Project-funds-2 accessed 2 August 2025.

[63] 'Law Governing Public Private Partnerships' Rwandalii.org (30 May 2016) https://rwa ndalii.org/akn/rw/act/law/2016/14/eng@2016-05-30 accessed 2 August 2025.

[64] Mutambatsere E and De Vautibault M (n.2).

of climate funding in Africa is private. It also notes that guarantees and blended instruments are concentrated in a few markets. For instance, Kenya, Ghana, Nigeria and South Africa account for the majority of tracked guarantee products.[65] These countries often have stronger credit ratings and legal frameworks, making them focal points for blended instruments. Nigeria's inclusion in this group reflects recent efforts (like InfraCredit and other international climate funds) but also implies that many African markets still lack the legal and financial infrastructure to deploy guarantees and co-financing at scale.

6. Case Studies

6.1 Edo State Healthcare PPP (Nigeria)

A practical illustration of blended finance in action is the Edo State Primary Healthcare PPP. In this model, philanthropic capital from the Aig-Imoukhuede Foundation and investment from health-tech startup HealthPort Africa were combined with state oversight to upgrade 18 rural clinics.[66] The legal framework for this deal was largely a state-level agreement, not under the federal PPP law. HealthPort's role was to improve services (installing oxygen systems), while the state ensured regulatory support.[67] This example shows that even without new national laws, innovative contracts can align private efficiency with public health mandates.[68] It also highlights the need for legal clarity on such arrangements: issues like specific quality standards, and tariffs must be codified to sustain long-term collaborations. This is premised on the fact that certainty positively impacts investor decision.[69] Edo State's experience suggests that federal guidelines on health PPPs or blended funds could help replicate this model elsewhere.

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[65] World Association of PPP (n.26).

[66] Aig-Imoukhuede Foundation (n.53).

[67] *Ibid.*

[68] Contracts for instance may contain performance-linked incentives which mitigate cost and expand output, ultimately serving public interest. See APMG International, '5.2. Efficiency and Effectiveness: PPP as a Potential Source of Higher Efficiency for Infrastructure Projects' https://ppp-certification.com/ppp-certification-guide/52-efficiency
-and-effectiveness-ppp-potential-source-higher-efficiency#:~:text=The%20performance%20oriented%20nature%20of,on%20price%20and%20cost%20drivers. accessed 16 January 2026.

[69] Hutayan *et al*, 'Investment decision, legal certainty and its determinant factors: evidence from the Indonesia Stock Exchange' (2024) https://www.econstor.eu/bitstream/10419/326186/1/10.1080_23311975.2024.2332950.pdf accessed 16 January 2026.

6.2 **InfraCredit Renewable Energy Blending (Nigeria)**

Another case is the Climate Finance Blending Facility (CFBF) in Nigeria, implemented via InfraCredit. In November 2024, InfraCredit (backed by Nigeria's regulation-creating Infrastructure Bank) secured a US$30 million risk-sharing facility with BII (formerly CDC Group). This consisted of a $20 m counter- guarantee in Naira and a $10 m concessional tranche.[70] Legally, this was structured as a "stapled"[71] or "blended" investment by creation of a subordinated first-loss fund (under Nigerian law) combined with a guarantee agreement. The concessionary tranche came from the multi-donor CFBF, a UK-government- seeded facility designed to crowd in local investors.[72] This complex structure, made possible by legal vehicles (a guarantee company, a blended fund, and a special-purpose facility), will provide solar mini-grid developers with lower-cost capital.[73] InfraCredit projects that the deal will mobilise significant additional private debt, reduce developers' finance costs, and help electrify 57,000 households.[74] This case underscores that detailed legal frameworks (for special funds, first-loss capital, and guarantees) can enable scaled blending in a critical sector.

7. **Renewable Energy and Scaling Solar (Africa-Wide)**

World Bank's International Finance Corporation (IFC) points to Scaling Mini-Grid and Scaling Solar as examples of platforms that package standardised documents and blended finance to accelerate investment.[75] In Nigeria, a similar approach is emerging for off-grid solar. The private company Daystar Power (Nigeria) has used subordinated concessional loans to co-finance commercial solar in a Lagos factory,[76] enabling competitively priced tariffs. Nigeria's feed-in tariffs and net-metering rules (nationally legislated) have been updated to support this, though imperfectly enforced. In 2022, the IFC blog emphasised that Nigeria's off-grid solar sector could grow "tenfold by 2025" if such blended

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[70] Ben Yahmed Z and Peres T (n.28).

[71] Staple here refers to a pre-arranged loan package introduced to expedite bidding process. See Practical Law, 'Stapled Financing' https://uk.practicallaw.thomsonreuters.com/8-382-3835?transitionType=Default&contextData=(sc.Default)&firstPage=true accessed 16 January 2026'.

[72] RenewableTechNigeria, 'InfraCredit secures $30m facilities to support Nigeria's renewable energy' https://renewabletechnigeria.africa/2024/11/15/infracredit-secures-30m-facilities-to-support-nigerias-renewable-energy/ accessed 16 January 2026.

[73] Infracredit (n.29).

[74] *Ibid.*

[75] Mutambatsere and De Vautibault (n.2).

[76] Daystar Power, 'Daystar Power Secures $20 Million Facility from IFC' (6 July 2021) https://www.daystar-power.com/news-post/daystar-power-secures-20-million-facility-from-ifc accessed 2 August 2025.

approaches continue.[77] Unfortunately, this has not been the case thus far. Legal certainty (e.g., reliable interconnection rules, enforcement of power purchase agreements) will be crucial to realise this potential in the near future.

8. **Regional Education Fund (REFFA)**

At a regional level, REFFA (Regional Education Finance Fund for Africa) is a blended fund created by the KfW Development Bank under German law.[78] While not Nigeria-specific, REFFA shows how a legal entity can be established to serve multiple countries. It provides long-term loans and technical support to on-lend to education borrowers (schools, students) with concessional backing. Nigerian policymakers can learn from this model. A similar fund could be created under West African or Nigerian law, with seed capital from development agencies and contributions from African pension funds. The legal challenge would be to enable cross-border lending and ensure the fund's mandate is aligned with national education goals.

9. **Aligning Private Incentives and Public Mandates**

The central tension in blended finance is ensuring that the private sector's profit motive serves public development goals. Legal structures must carefully allocate risks and rewards. In PPP contracts, for example, Ghanaian law requires affordability, transparency, and service standards as conditions. The foregoing can be adopted in Nigeria by embedding the same provisions in a dedicated PPP Act. Enforcement clauses, renegotiation processes, and dispute resolution mechanisms in law also help protect public interest without scaring away investors.

Regulatory oversight is critical. For instance, blended finance often presumes that concessional capital is "first-loss" or subordinate, meaning private investors are prioritized to absorb losses. Laws or regulations must define how such first-loss tranches operate. The InfraCredit facility, for example, used a legally defined subordination structure to give confidence to local pension funds that they would be paid before any losses hit them. Similarly, when governments offer partial credit guarantees, laws typically restrict their usage to only viable, high-value projects, to avoid moral hazard (i.e., the risk that lenders might behave recklessly because they assume the government will cover any losses). Clear guidelines on when and how guarantees are granted (for example, requiring value-for-money analysis) align the use of public funds with true public benefit.

[77] Mutambatsere and De Vautibault (n.2).
[78] World Association of PPP (n.26).

Tax and fiscal rules also align incentives: Nigeria's road infrastructure tax credit scheme[79] effectively pays part of the investor's cost if the project meets criteria (like providing toll-free public access). By embedding such incentives in law, the public mandates (more infrastructure) are directly tied to rewards for private participants. Governments may similarly require in law that blended finance deals deliver measurable outcomes (e.g., emission reductions, school enrollment), with technical assistance tied to those targets.

International standards and contracts can further bridge private and public goals. For example, the use of standardised Power Purchase Agreements (PPAs) or Water Supply Service Agreements, often required by lenders, embeds performance and tariff clauses agreed by regulators. When blended finance deals involve multiple countries, as with Nile-region hydropower,[80] international treaties and development agreements come into play.

Overall, effective blended finance depends on legal predictability. A recent analysis notes that "overly complex structures" can deter both investors and governments, while standardised approaches and transparency boost confidence.[81] Regulatory roadblocks such as convoluted investment approvals or unpredictable contract enforcement must be removed. In practical terms, this means government should simplify legal processes (e.g., single-window clearance for projects), codify dispute resolution in law (so investors know arbitration terms), and ensure anti-corruption safeguards.

10. **Recommendations**

Blended finance holds great promise for closing Nigeria's and Africa's development financing gaps, but its success hinges on legal frameworks. Key recommendations include:

A. Enact and update PPP laws: Nigeria's proposed PPP Bill 2022 is a step in the right direction. In the same light, states should harmonise their PPP laws with the provisions of the Bill. Clear, comprehensive PPP legislation (as in Kenya and Ghana) creates a more inviting environment for complex deals. Regulators should ensure consistency across sectors (infrastructure, health, schools)

[79] Bridging Nigeria Infrastructure Gap (n. 3).
[80] World Bank, *The Nile Story Briefing Note 2: Powering the Nile Basin* (May 2015) https://openknowledge.worldbank.org/server/api/core/bitstreams/9051f668-6270-5597-93f2-6838944021a8/content accessed 3 August 2025.
[81] World Association of PPP (n.9).

and germane regulatory institutions can provide model/boilerplate contract templates.

B. Establish permanent, legally backed institutions, similar to Nigeria's InfraCredit and Infrastructure Bank, to manage blended finance instruments, including guarantees, concessional funding, and first-loss capital. Furthermore, it is imperative to strengthen their governance frameworks to promote transparency, accountability, and alignment with national development priorities.

C. Standardise blended models: Encourage adoption of standardised blended finance templates to reduce transaction costs. For instance, Convergence is leading an initiative to create 12 standardised blended finance models to simplify investment structuring. Domestic laws should facilitate such templates and initiatives.

D. Build project preparation capacity: Legal frameworks must allocate budget and mandate for early-stage funding. Nigeria's Infrastructure Debt Fund and proposed Project Preparation Fund (as contained in Nigeria's INFF) need legal backing to cover feasibility studies and structuring costs.

E. Enhance oversight and monitoring: For every blended project, laws should require clear monitoring of development outcomes. For example, loans or guarantees might be contingent on achieving agreed social or environmental indicators, enforced through regulatory covenants.

F. Use fiscal policy tools: Continue granting tax incentives, credit enhancements or budgetary support as codified in law, but ensure they are time-bound and performance-based. Gradually phase out subsidies or tax breaks that misalign with development goals.

G. Integrate climate and social safeguards: As suggested by the IMF, link incentives like green bonds or carbon pricing to legal mandates for project resilience. Embed climate-risk disclosure and land-use standards in infrastructure laws to level the playing field for all interested players and attract climate-aligned private finance.

H. Foster regional cooperation to enhance capital inflow: Harmonise legal standards (e.g., PPP guidelines, tax treaties) regionally to broaden investor base. Participation in regional blended platforms (like the African Trade Insurance Agency or ECOWAS projects) can leverage cross-border legal instruments.

11. **Conclusion**

This paper demonstrates that blended finance holds significant promise for addressing the persistent development-financing gaps faced by

Nigeria and other emerging economies, particularly in the context of constrained public finances and rising debt burdens. However, the analysis confirms that blended finance is not merely a financial construct; its effectiveness depends fundamentally on the quality of the legal and regulatory frameworks within which it operates. Where legal certainty is weak, private capital remains cautious, regardless of the availability of concessional funds. Consequently, law emerges as a central determinant of whether blended finance can scale sustainably and deliver meaningful development outcomes.A key finding of this paper is that robust and coherent public–private partnership (PPP) legislation forms the backbone of successful blended finance ecosystems. Comparative experiences from Kenya and Ghana illustrate that clear statutory mandates, strong institutional coordination, and standardised procurement processes significantly enhance investor confidence and project delivery. In contrast, fragmented or outdated PPP regimes, as seen in parts of Nigeria's recent experience, have undermined deal flow and delayed infrastructure development. Ongoing legislative reforms, particularly the proposed PPP Regulatory Commission framework, therefore represent a critical opportunity to strengthen governance, improve predictability, and better harmonise private incentives with public mandates.

The paper further finds that legally backed guarantees, credit enhancements, and first-loss instruments are among the most effective mechanisms for crowding in private investment, yet they remain underutilised across much of Africa. Nigeria's experience with InfraCredit illustrates how properly authorised and governed risk-mitigation institutions can unlock domestic capital markets, lower financing costs, and mobilise long-term private investment with limited fiscal exposure. This underscores the importance of embedding such instruments in clear legal frameworks that define their scope, safeguards, and accountability mechanisms, thereby mitigating moral hazard while maximising catalytic impact.

Sectoral analysis reveals that blended finance has gained greater traction in infrastructure and climate-related projects, largely due to clearer revenue models and regulatory regimes, while education and health sectors lag despite their high social returns. The paper finds that this imbalance is driven more by regulatory gaps than investor disinterest, unclear procurement rules, and insufficient impact safeguards in social sectors. Strengthening legal frameworks to explicitly accommodate blended finance in education and health, through dedicated funds, targeted incentives, and enforceable service standards, would enable

more equitable distribution of private capital without compromising public welfare objectives.

Finally, the findings affirm that alignment between private incentives and public mandates is achievable where legal frameworks embed transparency, accountability, and performance-based outcomes. Successful blended finance models consistently rely on enforceable contracts, clear risk-allocation rules, monitoring obligations, and dispute resolution mechanisms. In this sense, law functions not only as an enabler of finance but as a governance tool that ensures private participation advances public value. By strengthening and harmonising legal frameworks across sectors and jurisdictions, Nigeria, like other emerging economies, can unlock the full catalytic potential of blended finance, directing private capital toward sustainable infrastructure, resilient climate action, and inclusive social development.