



BLENDED FINANCE FOR SUSTAINABLE DEVELOPMENT

Financial Instruments to promote public-private investment
in low-carbon, climate- resilient development
15 November 2016, 11:00 – 12:30

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The OECD work programme

Evidence Base

- Collate **evidence and lessons learned** on blended finance with a focus on targeting private finance and the use of blended finance across different regions

Best Practices

- Develop **best practices for deploying blended finance** in key economic systems and sectors, such as sustainable infrastructure, and to address specific issues such as climate change

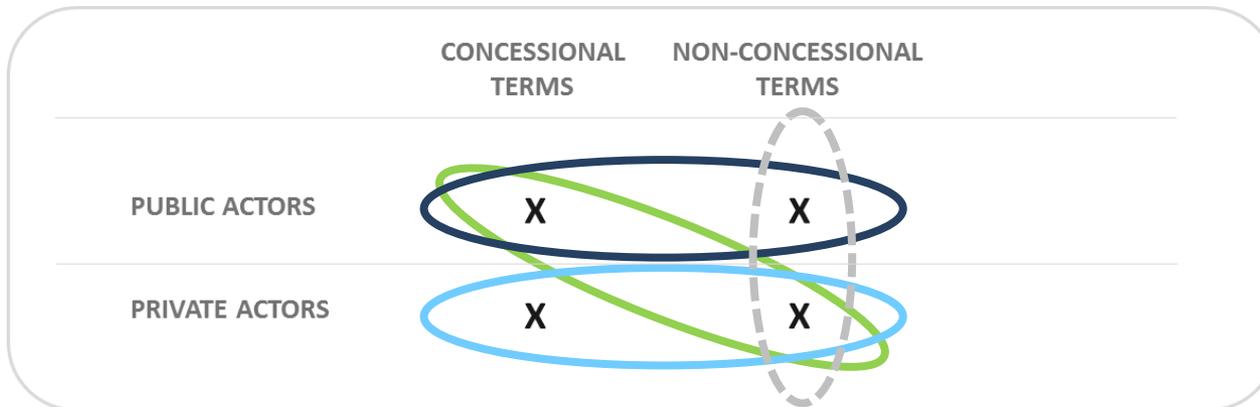
Policy Guidance

- Deliver **policy guidance and principles** on the use of blended finance to deliver development impact.



Defining blended finance

'Blended finance is the strategic use of public or private funds, including concessional tools, to mobilise additional capital flows (public and/or private) to emerging and frontier markets'



Public concessional finance blended with **private non-concessional** investment, e.g. ODA loan alongside institutional investor loan from private sector



Public concessional blended investment with **public non-concessional** investment, e.g. EU blending facilities in conjunction with DFI investment



Private concessional investment blended with **private non-concessional** investment, e.g. private donors and institutional investors from the private sector



Public non-concessional investment blended with **private non-concessional** investment, e.g. DFI investment at market rates alongside institutional investors from the private sector



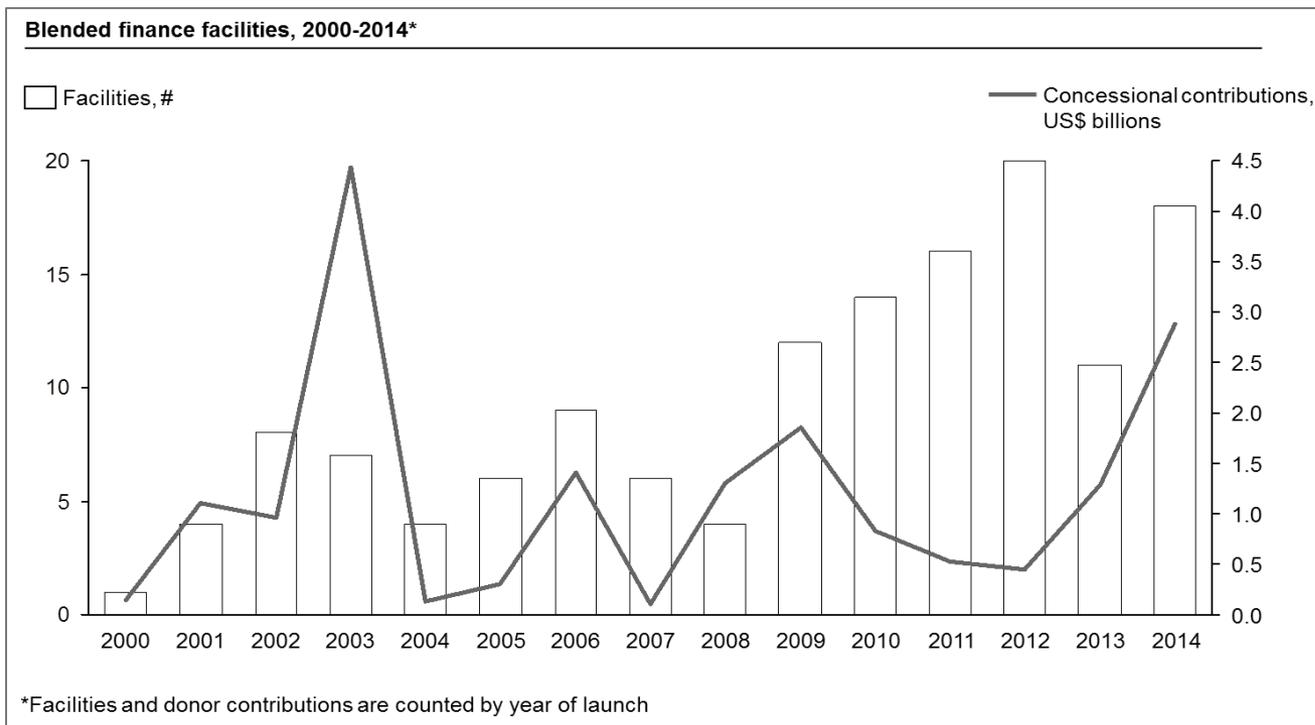
Recent trends in blended finance

- Use of blended finance as an important emerging area of funding activity among **DAC members**, particularly through the use of specialised **funds and facilities**
- Mapping of **140 blended finance facilities** launched between 2000 and 2014.
 - Combination of surveys by Commons Consultants on behalf of Association of European Development Finance Institutions (EDFI) and by the World Economic Forum under the WEF-OECD Redesigning Development Finance Initiative (RDFI)
- Donor activities in blended finance facilities reveals a **surge** in the last ten years



Recent trends in blended finance, c'td

- Recent **upsurge** in blended finance facilities

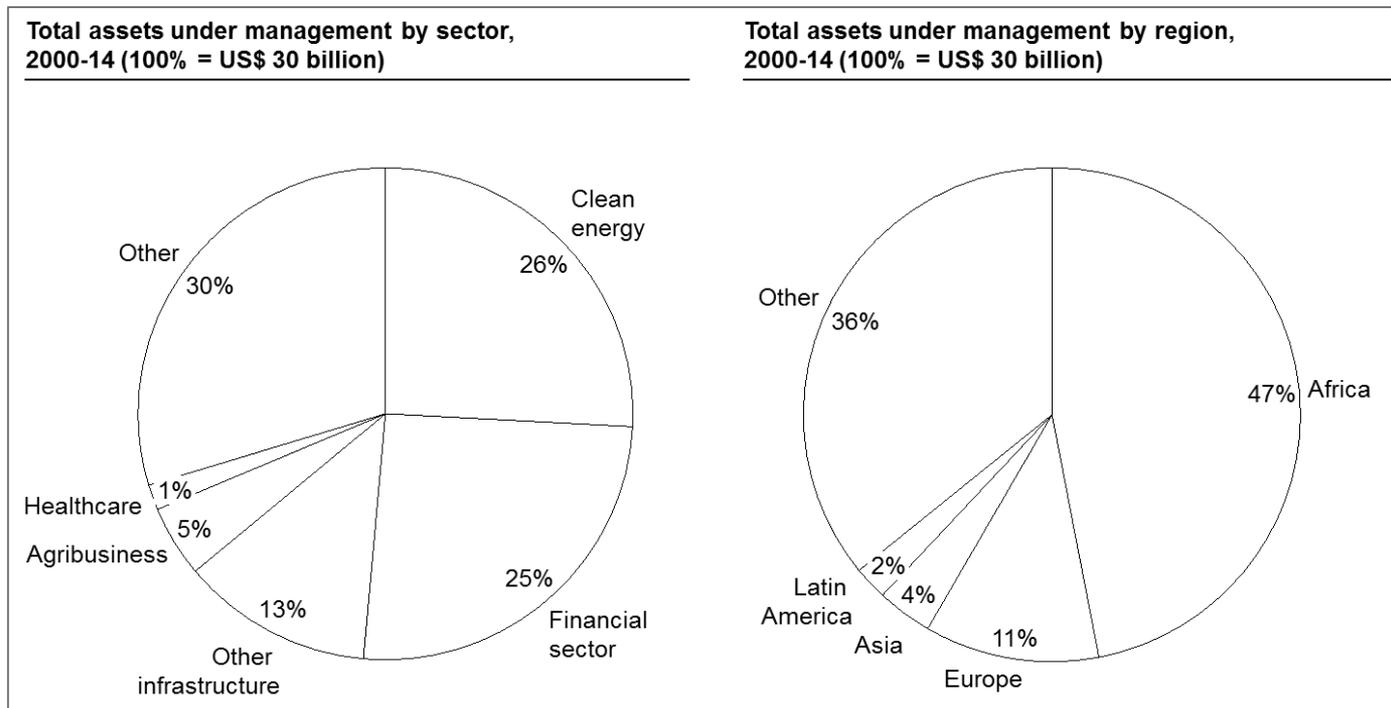


Source: Commons Consultants Analysis, WEF (2016)



Recent trends in blended finance, c'td

- Donor support for blended finance is limited in regard to **agribusiness**, with strong focus on **Africa**
- Overview of blended finance facilities by **sector** and **region**



Source: Commons Consultants Analysis, WEF (2016)



The Sustainable Development Investment Partnership (SDIP) c'td

- The OECD is leading the **policy work stream**
- Convene **dialogue and discussion** around key policy issues and challenges facing investors, developing countries and development partners in delivering sustainable infrastructure
- Collate findings on the **lessons learned and good practice** on public private approaches to infrastructure financing from SDIP, in order to support DAC members and other donors transition from a grant focus to delivering more effective blended finance approaches
- OECD Workshop on **Infrastructure Financing for Sustainable Development – Challenges and opportunities in applying blended finance approaches** (20 October 2016, Paris)



SDIP Project Examples

As of 2016, PRG has received 30 projects in a variety of regions (Africa, Asia, Latin America, and Middle East) and sectors (Agribusiness, Energy, ICT, Transport, Urban Development, and Water and Sanitation) and has reviewed seven (7) projects. Four (4) projects have had more detailed individual follow-up calls. Follow-up calls are being arranged for two (2) additional projects.

SDIP Energy Projects in Africa

- **Project Description:** Renewable Solar Project
 - **SDIP Support Requested:** A grant to cover the capex and agreed tariff will ensure commercial viability. Could be accomplished through concessionary debt and/or concessionary equity.
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- **Project Description:** Solar Project
 - **SDIP Support Requested:** Concessional funding (grant, concessional equity, concessional debt, etc.) would bridge the gap between the tariff price and necessary commercial return.
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- **Project Description:** Solar Park
 - **SDIP Support Requested** First loss credit enhancement on the senior debt to lift the remaining credit to single A, potentially resulting in a project bond



ReDesigning Development Finance Initiative (RDFI)

- As SDIP, the **ReDesigning Development Finance Initiative (RDFI)** is hosted jointly by the OECD and the World Economic Forum (WEF)
- The RDFI looks forward to advance and broaden the adopting of blended finance **best practices**
- It will foster **operationalisation** of blended finance among institutions by providing more concrete guidance
- RDFI outputs:
 - **Survey** of 74 blended finance funds and facilities that highlighted the size of blended finance activities
 - **Workshop** with the goal to socialize the concept of blended finance, to demonstrate actual examples being implemented in peer institutions understand and set out a road map for developing supportive policy frameworks that enable the practice of blended finance



Thank you

