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

Paul Horrocks, OECD
The OECD work programme

<table>
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<th>Evidence Base</th>
<th>Best Practices</th>
<th>Policy Guidance</th>
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<td>• Collate evidence and lessons learned on blended finance with a focus on targeting private finance and the use of blended finance across different regions</td>
<td>• Develop <strong>best practices for deploying blended finance</strong> in key economic systems and sectors, such as sustainable infrastructure, and to address specific issues such as climate change</td>
<td>• Deliver <strong>policy guidance and principles</strong> on the use of blended finance to deliver development impact.</td>
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'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

  - 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

![Blended finance facilities, 2000-2014*](chart)

*Facilities and donor contributions are counted by year of launch

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 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)
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.

- **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.

- **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.
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