Intergovernmental Group of Experts on Financing for Development

Third Session

4–6 November 2019
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BLENDED FINANCE FOR GREEN INVESTMENTS
Blended finance can help bridge the investment gap for the SDGs, but requires a common framework.

**What is blended finance?**

Blended finance is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries.
Between 2008 and 2017, a total of 195 blended finance vehicles were launched in the last decade.
Financing for Private Sector: DAC data on mobilisation

Amounts mobilised from the private sector by official development finance interventions, 2012-2017

USD billion

Source: OECD CRS, complemented with ad-hoc surveys and data collections.
In 2017, Latin America was the region benefiting the most (USD 9.4 bn), closely followed by Africa (USD 7.4 bn), Asia (USD 7.1 bn) and developing countries in Europe (USD 6.7 bn, of which Turkey accounted for 56%).

* 75% of unallocated private mobilisation relates to IFC data provided at an aggregate level due to confidentiality constraints.
In 2017, official development finance mobilised USD 11.6 billion of private resources towards the energy sector, followed by banking and financial services. Mobilisation in these two sectors accounted for 60% of the total mobilisation in 2017.

*The International Finance Corporation (IFC) did not share information on the sectoral distribution of its private mobilisation due to confidentiality constraints.*
In 2017, around a third of private finance mobilised by official development finance was estimated to contribute to climate action. 29% contributed to climate change mitigation only, 1% to adaptation only and 1% to both.

* The International Finance Corporation (IFC) did not share information on the climate focus of its private mobilisation due to confidentiality constraints.
In 2017, official development finance mobilised USD 1.2 billion of private resources towards the agriculture, forestry and fishing, 33% of which through credit lines, 21% through syndicated loans, and 17% through direct investment in companies and project finance SPVs.
Case study example: Kalangala Infrastructure Services

Private Infrastructure Development Group
- InfraCo Africa
- Technical Assistance Facility
- Emerging Africa Infrastructure Fund
- GuarantCo

Industrial Development Corporation SA
- Equity
- Output based grant
- Debt

Ugandan Development Corporation
- Equity

Kalangala Infrastructure Services and Kalangala Renewables
- Joint debt guarantee

Nedbank
- Debt

USAID
Case Study: GEEREF Fund
Combining different sources of public development finance

Wide variation in understanding of blending, lack of policy coherence and standards

Lack of evidence and data on blended finance

Attracting commercial finance

Common framework and understanding of blending supporting cohesive action

Consistent estimates of blended finance market, assessment of effectiveness of blended finance

Moving towards Blended Finance 2.0

From blending today to Blended Finance 2.0
OECD Blended Finance Principles (2017)

**PRINCIPLE 1**: ANCHOR BLENDED FINANCE USE TO A DEVELOPMENT RATIONALE

**PRINCIPLE 2**: DESIGN BLENDED FINANCE TO INCREASE THE MOBILISATION OF COMMERCIAL FINANCE

**PRINCIPLE 3**: TAILOR BLENDED FINANCE TO LOCAL CONTEXT

**PRINCIPLE 4**: FOCUS ON EFFECTIVE PARTNERING FOR BLENDED FINANCE

**PRINCIPLE 5**: MONITOR BLENDED FINANCE FOR TRANSPARENCY AND RESULTS

- The Principles will be complemented by a “Policy Guidance” note in 2020 in order to support ministries and agencies in applying these.
The Tri Hita Karana Roadmap for Blended Finance
The THK Action Areas are led by co-leads supported by group members from governments, development finance institutions, development agencies, think tanks and private sector organisations.

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THK Organisation Chart
The THK Action Agenda will work along and towards international efforts in 2019/2020, with engagements taking place in conjunctions with major convenings.