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Report

**Blended finance
in the poorest
countries: the
need for a better
approach**

Samantha Attridge and Lars Engen

April 2019

***Blended finance
UNCTAD IGE on FFD
5th Nov 2019
Sam Attridge (ODI)***

Presentation content

1. The blended finance landscape
2. Time for a reality check: leverage ratios
3. The need for a better approach
4. Development impact



*The blended
finance
landscape*

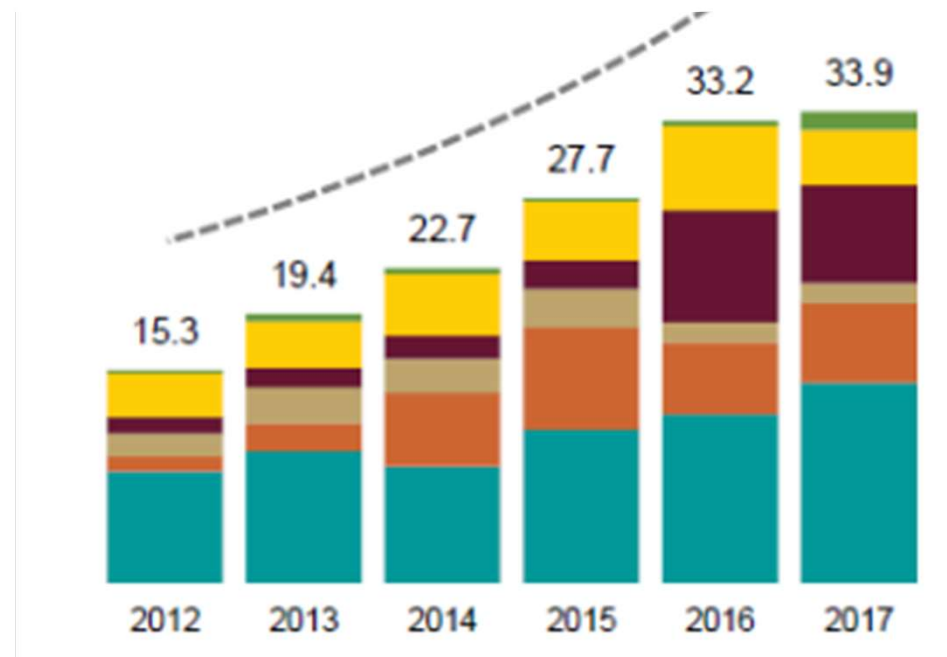


Evidence.
Ideas.
Change.

Blended finance trends

- Ramping up but not at scale
- Concentrated in MICs, esp UMICs
- Concentrated hard sectors
- MDBs mobilise 2/3rds, bilaterals mobilise 1/3

Amounts mobilised by year and instrument, 2012-17
USD billion



Source: OECD mobilization survey 2012 to 2017

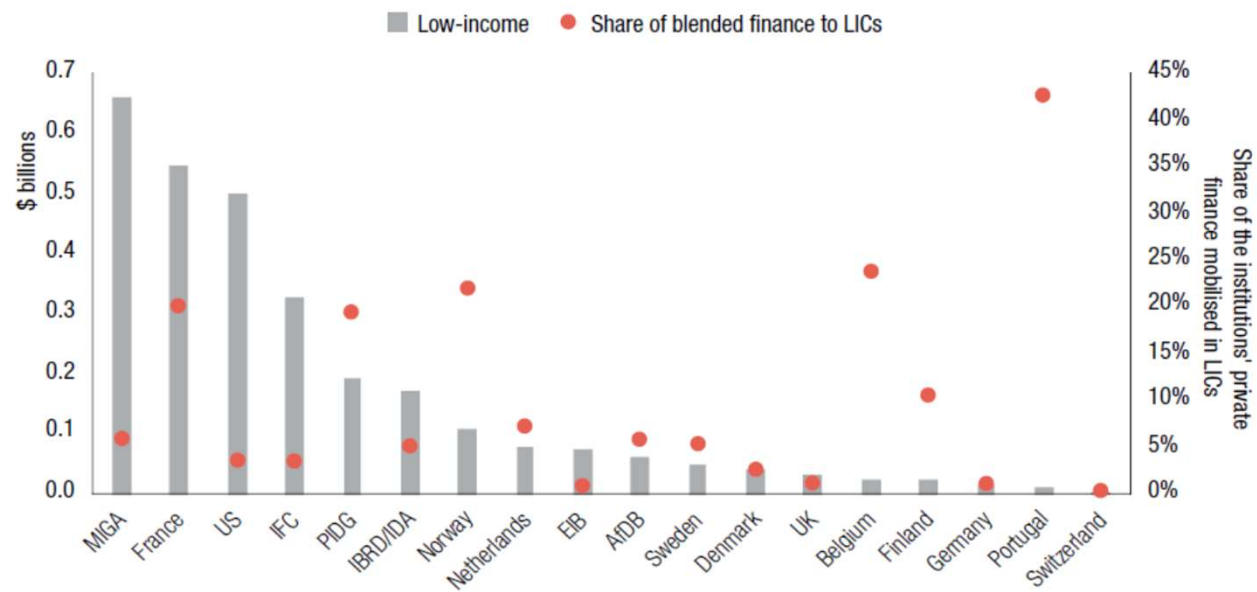


Evidence.
Ideas.
Change.

■ Guarantees ■ Syndicated loans ■ Shares in CIVs ■ Direct investment in companies and SPVs ■ Credit lines ■ Simple co-financing

Who is mobilising private finance in LICs?

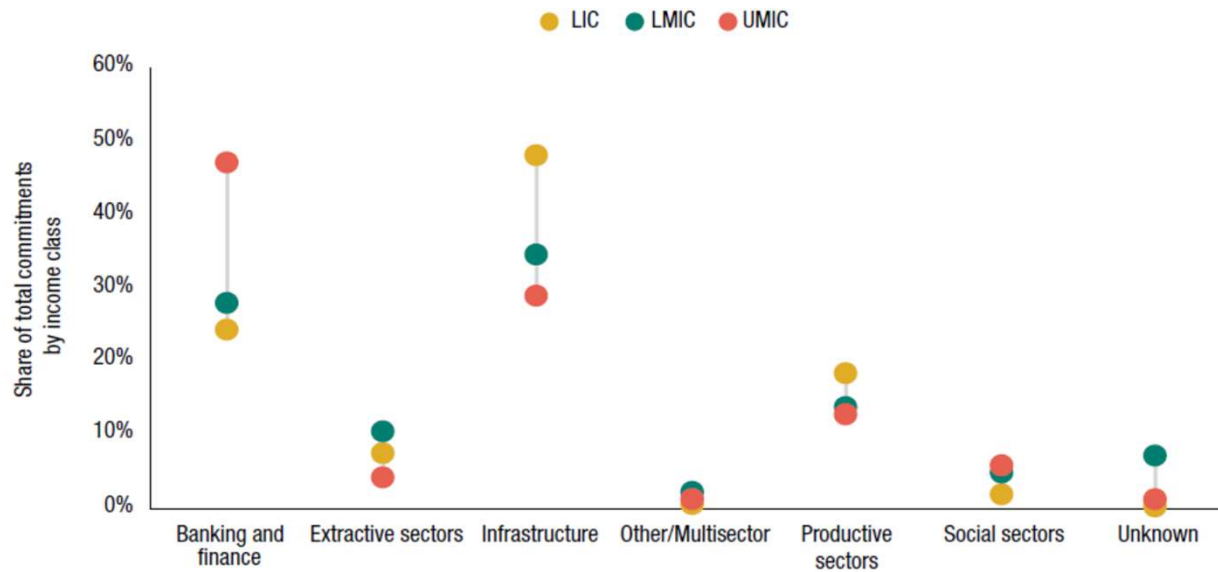
Figure 8 Private finance mobilised in LICs, 2012–2015



Source: Authors' calculations based on the OECD semi-disaggregated dataset (OECD, 2017).

Infrastructure largest blended finance sector in LICs

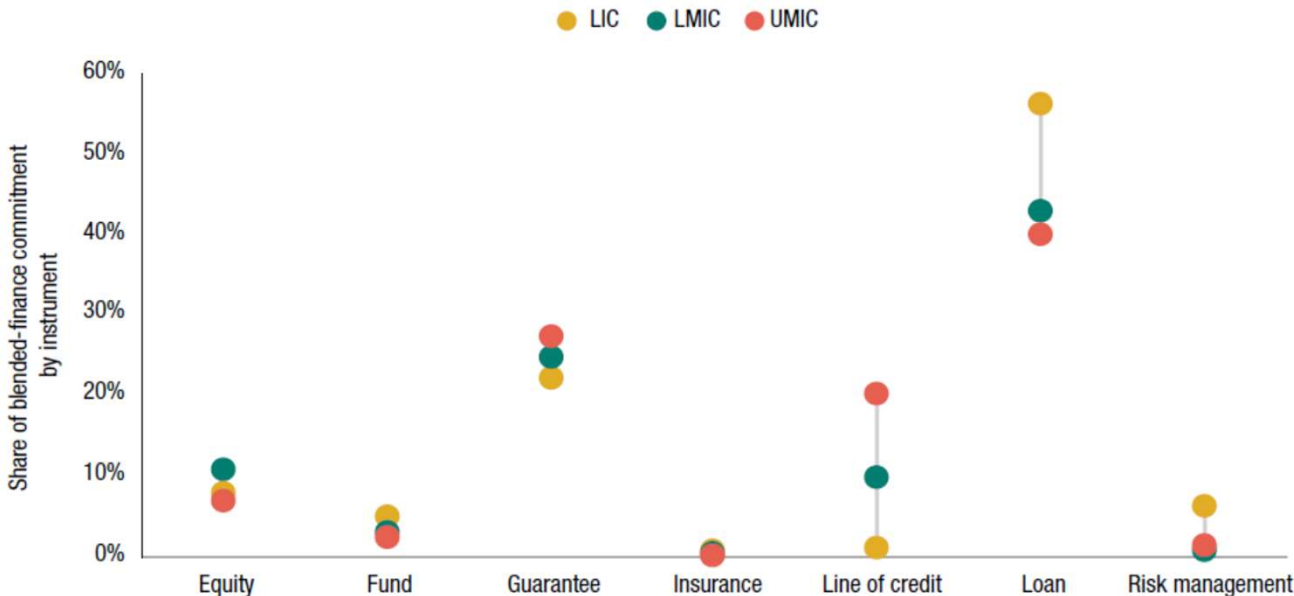
Figure 12 Commitments to mobilise private finance by sector (selected MDBs and DFIs), 2013–2017



Source: Authors' calculations based on the ODI dataset.

Debt finance most common instrument in LICs

Figure 14 Commitments to mobilise private finance by instrument (selected MDBs and DFIs), 2013–2017

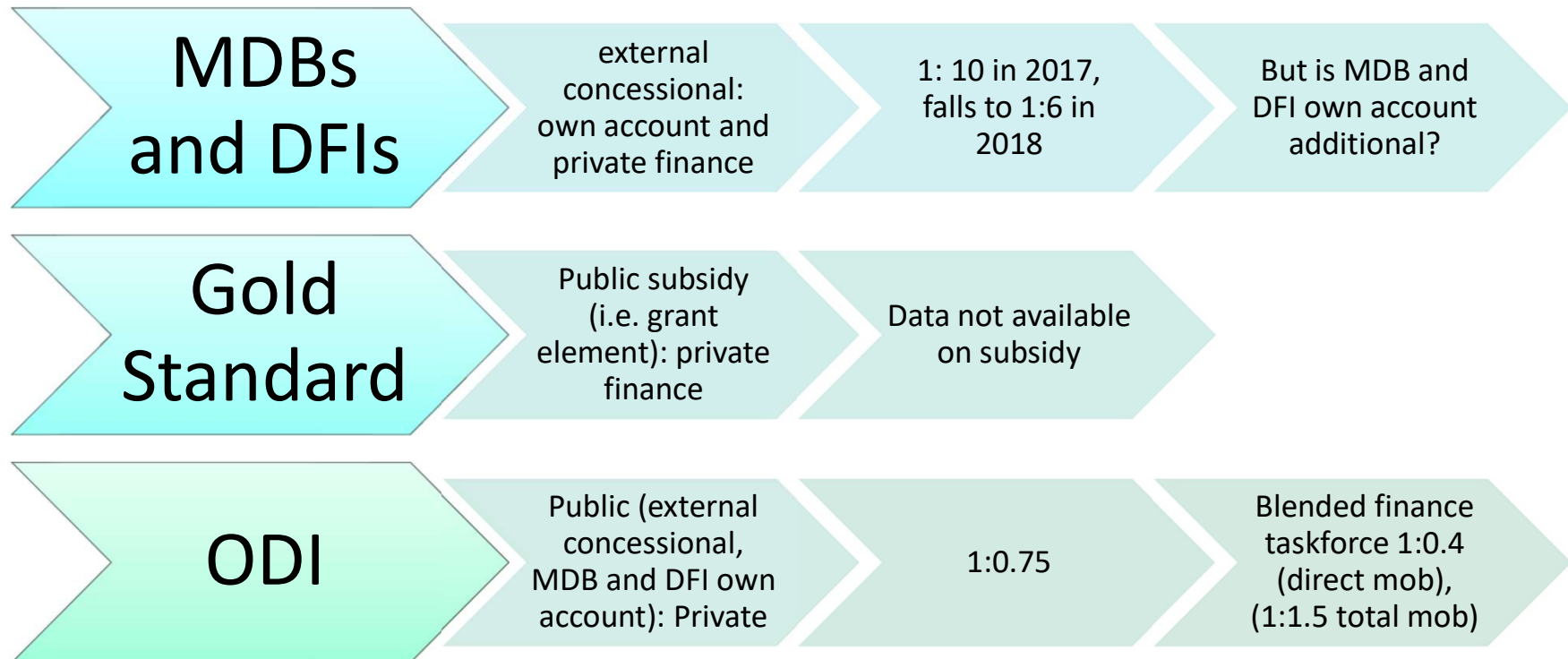


Source: Authors' calculations based on the ODI dataset.
Note: ADB data not available by sector; AfDB data not available



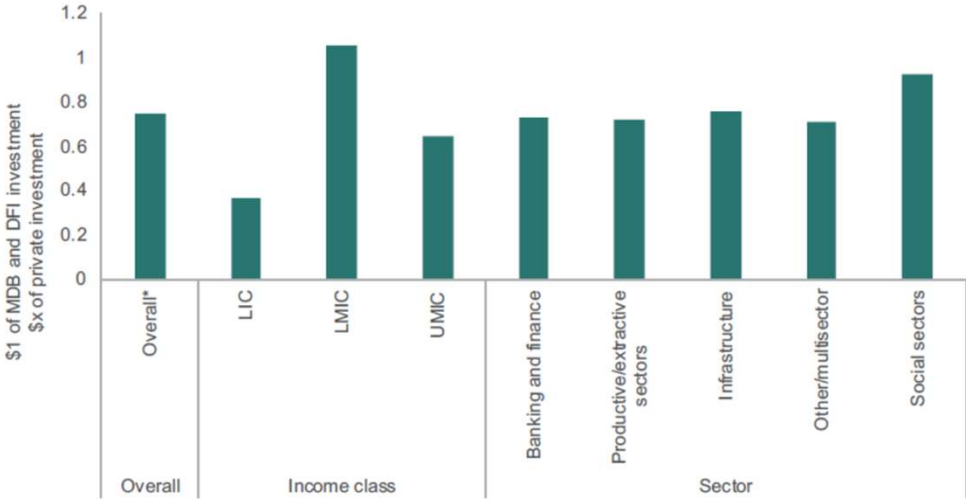
*Leverage
ratios*

Leverage Ratio Calculations – different approaches



Limited potential of blended finance in LICs

Figure 3 Leverage ratios by category and sector, nine selected MDBs and DFIs, 2013–2015



Source: Authors' calculations based on ODI dataset and OECD mobilisation survey



*The need for a
more tailored
approach*

Ideas for a different approach

Use more in LICs

- use more blended concessional resource in LICs v UMICs

Invest more in riskiest parts of capital structure

- through more use of subordinate instruments

Fund project preparation, early-stage financing

- More use of grant financing

Smaller ticket size investment

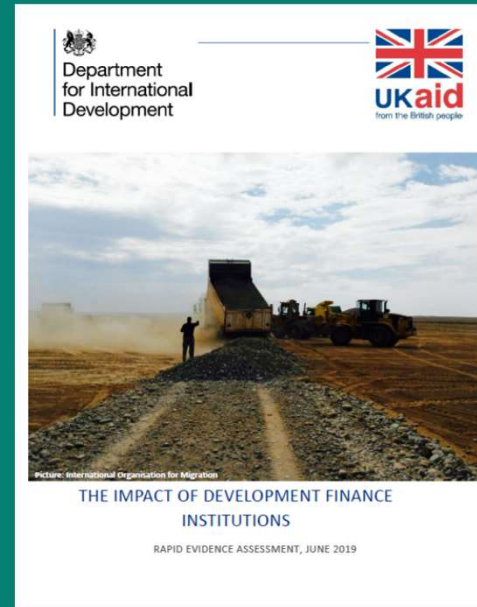
- Better construct blended finance solutions

Reduce foreign ex risk for end beneficiary

- More blending in local currency financing

Reduce rate of return

- on concessional finance provided to blend



Development Impact

Development Impact – what we know and don't know



Positive impact on increased incomes through job creation: strong evidence



Positive impact on access to infrastructure, goods and services: moderate evidence



Positive impacts on poverty, gender, youth, job quality: weak evidence



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The screenshot shows the ODI website profile for Samantha Attridge. At the top, the ODI logo and tagline 'Evidence. Ideas. Change.' are visible, along with a search bar and social media icons for Facebook, Twitter, LinkedIn, and YouTube. A navigation menu includes Home, Our work, About ODI, Publications, Events, Experts, Fellowship Scheme, Blogs, and Media hub. Below the navigation, a secondary menu lists: About ODI, Strategy, Leadership, Jobs, Our finances, Terms and conditions, Privacy policy, and Contact details.

The profile section for Samantha Attridge includes a profile picture, her name, title 'Senior Research Fellow', and a short bio: 'Samantha is a Senior Research Fellow, with a particular interest in innovative finance, mobilisation of private capital, sovereign debt management and debt sustainability and global economic and financial governance. She is currently leading ODI's research on blended finance.' There is a 'Show biography' button and a search bar for her publications, events, projects, and blogs.

The 'Publications' section features three items:

- Impact of development finance institutions on sustainable development
- The impact of development finance institutions: rapid evidence assessment
- Blended finance in the poorest countries: the need for a better approach

The 'Blogs' section features four items:

- Samantha Attridge: Three things Development Finance Institutions can do to help reduce poverty
- Samantha Attridge: Blended finance: what donors can learn from the latest evidence
- Helena Wright, Samantha Attridge: How can European development finance institutions align with the Paris climate goals?
- Samantha Attridge: Can blended finance work for the poorest countries?

The 'Media coverage' section at the bottom lists two items:

- Inside DFID's £90M investment in FSD Africa (7 October 2019, Devex)
- New report casts doubt on World Bank 'billions to trillions' agenda (11 April 2019, Devex)