



BLENDED FINANCE FOR SUSTAINABLE DEVELOPMENT

TUAC, 20th March



The context

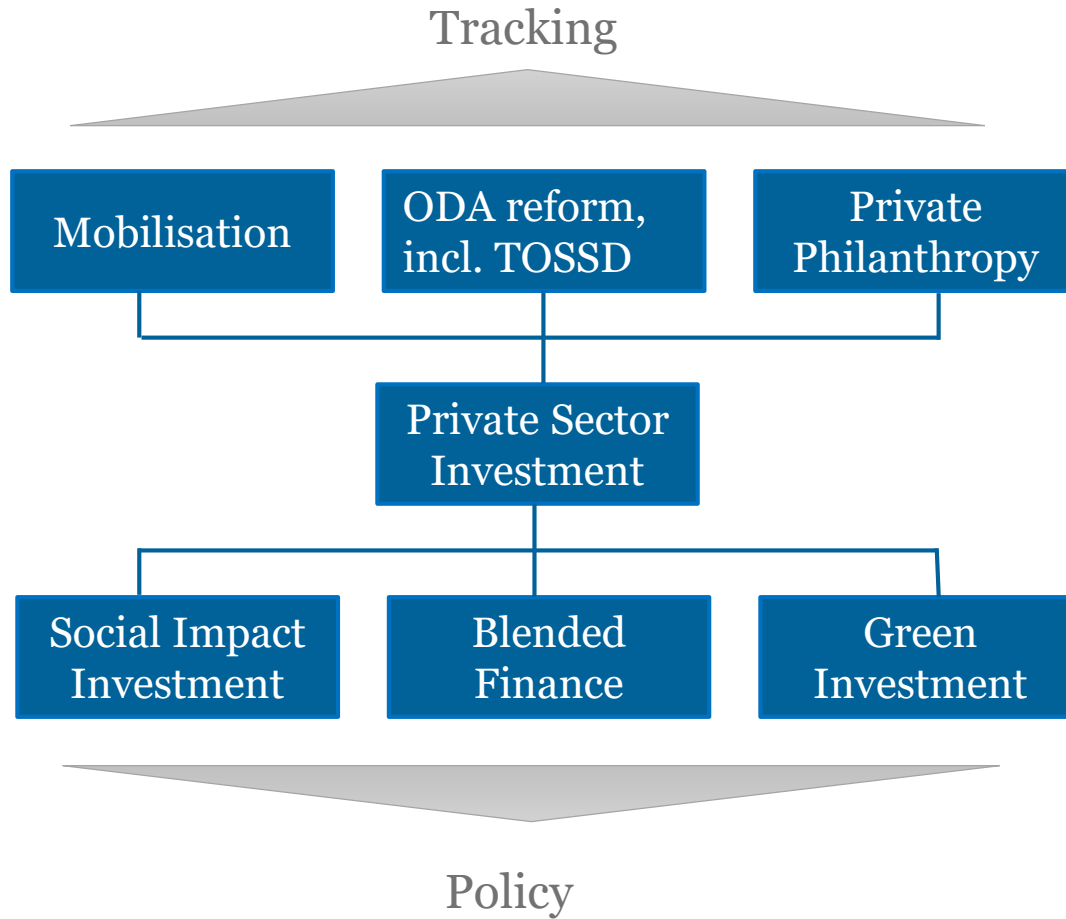
- Within the context of the **Sustainable Development Goal (SDGs)**, the Paris Agreement on **climate change** and the **Addis Ababa Action Agenda** (AAAA), the outlook on development finance has been transformed



- In light of the significant resources needed to reach these global agreements, the focus has shifted towards the catalytic use of **Official Development Finance to mobilise other sources of financing** in support of development outcomes
- Key aspects of this agenda are the mobilisation of **additional** private funds and facilities, all the while ensuring **development impact**
- The OECD Development Assistance Committee (DAC) in February 2016 agreed to develop ‘an **inclusive, targeted, results-oriented work programme**’ on blended finance



The OECD's Work

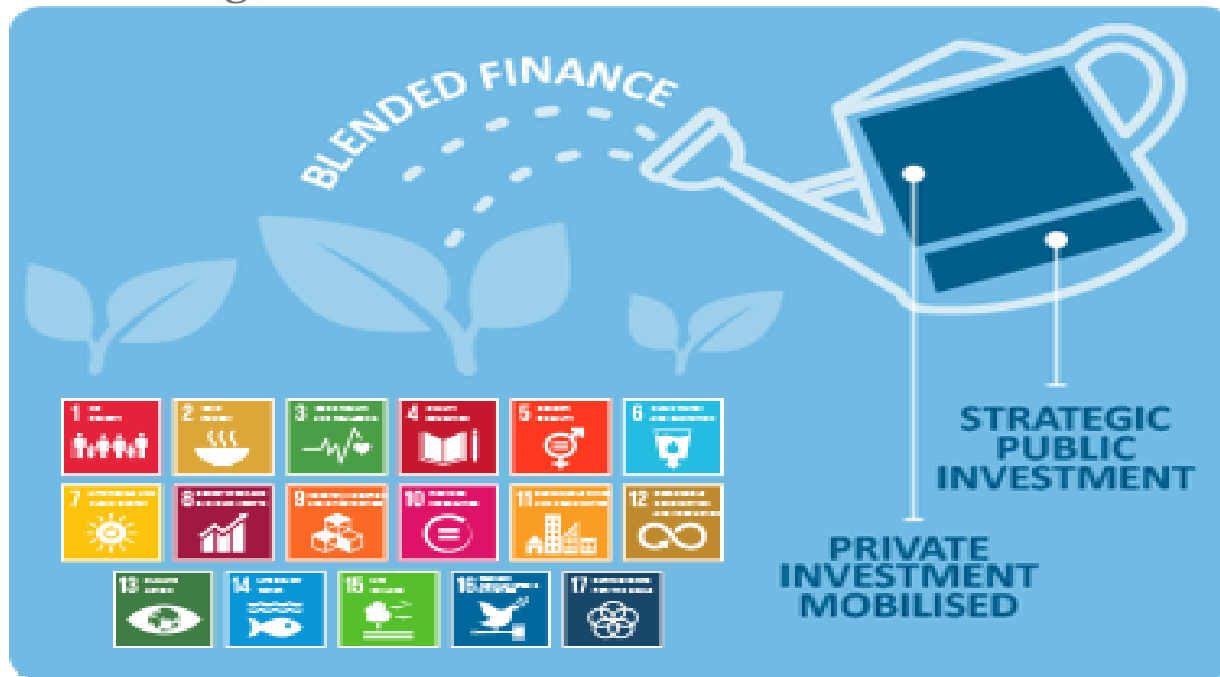


...on/of development finance with and through the private sector



Key Elements of the Framework

Objective: To generate additional supply of commercial finance that would otherwise be unavailable for financing of SDG-aligned investments



Overall development policy: Addressing challenges such as development finance and subsidies, enabling environment, development impact, allocation and targeting

Crowding-in as a safeguard against crowding-out:

Blended finance is providing additionality through direct crowding-in of 'non-development' finance.

Keeping public support to a minimum level:

Public or private investments that mobilise additional private capital can include concessional elements.



Addressing the overarching issues



- Accessing significant pools of private capital
- Aligning definition and concepts in order to inform policy making
- Develop risk frameworks to effectively engage with the private Sector
- Scaling up best practices approaches



- Ensuring risks are addressed and private capital attracted
- Creating markets and ensuring self sustainability
- Effectively tracking blended finance
- Monitoring and evaluating



Work programme in 2017

- Delivering two **key products**:

Principles

- **Goal:** Support the effective use of blended finance, and provide a framework for donors to base their decisions on scaling-up and mainstreaming blended finance

Provide a policy and best practice framework for DAC members to operate through

Policy insights

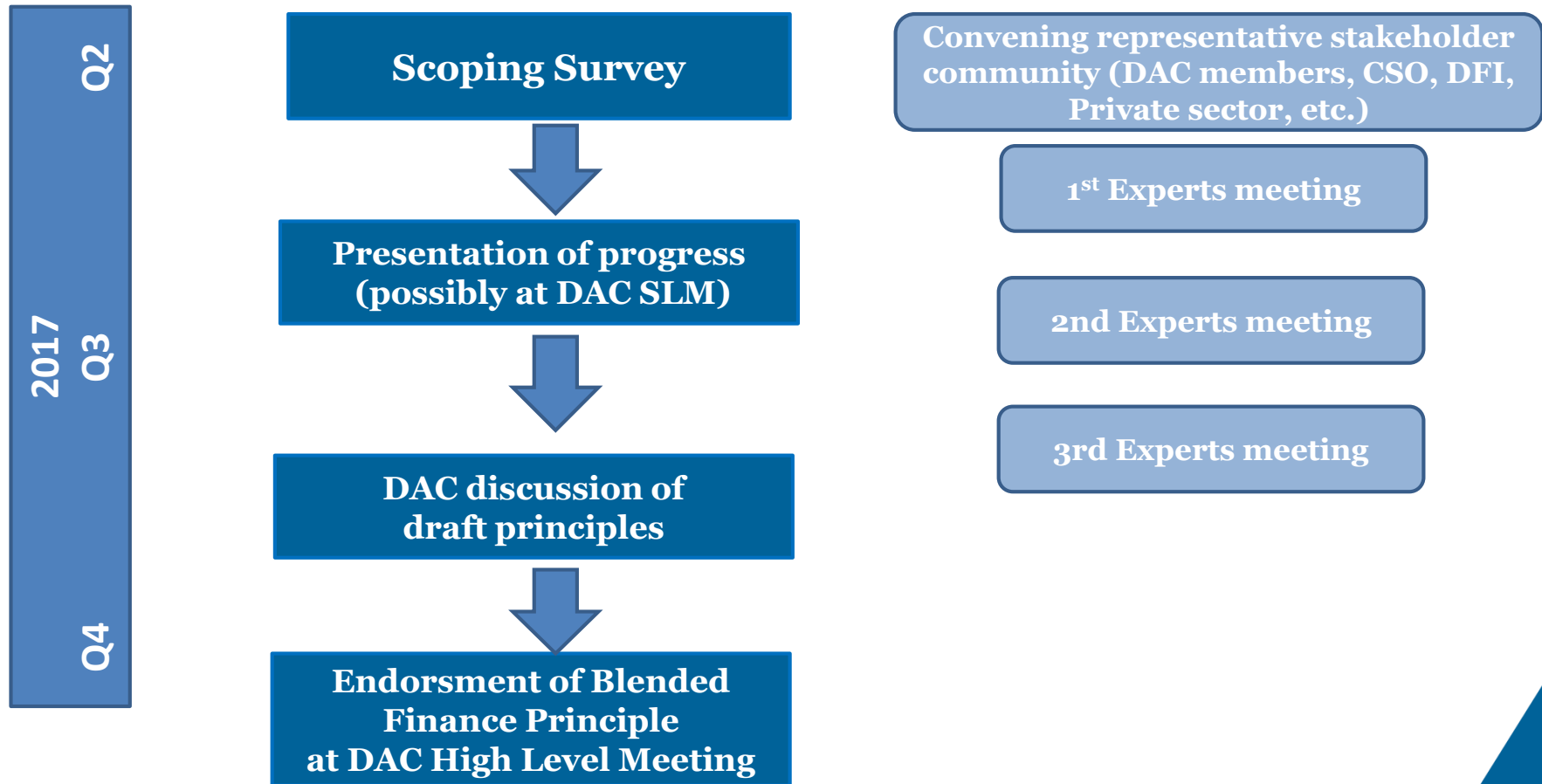
- **Goal:** Major report on blended finance
- Improved understanding of Blended Finance and a common perspective across the development policy community
- Best practice insights derived from Blended Finance case studies
- Evidence base of data that will further allow the tracking of blended finance, including trends and evolution.

Provide guidance and policy learnings to DAC Members



Process for Developing Principles

Overview of steps

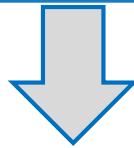




Next Steps

Principles

- **Survey** to seek member views on the central elements and policy questions that principles should cover (March)
- Convening of a **stakeholder group** to provide input and guidance throughout the process of developing Blended Finance principles between formal discussions in the DAC



Endorsement by the DAC at High Level Meeting at the end of 2017

Policy insights

- **Survey** on Blended Finance instruments including a quantitative dimension and a qualitative dimension
- **Case studies** on specific Blended Finance instruments and transactions



Present to the DAC at the end of 2017



Annex: Outline of the report

- **Chapter 1:** SDGs and the imperative of Blended Finance
- **Chapter 2:** Understanding blended finance: Definitions and concepts
- **Chapter 3:** Challenges and progress in tracking Blended Finance
- **Chapter 4:** Recent trends in blended finance
- **Chapter 5:** Blended Finance models and instruments
- **Chapter 6:** Blended Finance in practice - insights from project level case studies
- **Chapter 7:** Monitoring and evaluation of Blended Finance approaches
- **Chapter 8:** The future of Blended Finance