



United Nations
Department of Economic and Social Affairs

Blended finance in the SDG Era

DESA Technical Workshop on the margins of the 5th Biennial High-level Meeting of the Development Cooperation Forum (DCF)

*Wednesday, 20 July 2016
15:00-17:30 PM, Conference Room E
UN Headquarters, New York*

In light of the large volume of financial and non-financial resources needed to implement the 2030 Agenda for Sustainable Development, there is increasing interest in using official development assistance (ODA) to mobilize additional resources for sustainable development, including private finance. The [Addis Ababa Action Agenda](#) (AAAA) defines “blended finance” as activities that combine “concessional public finance with non-concessional private finance and expertise from the public and private sector, special-purpose vehicles, non-recourse project financing, risk mitigation instruments and pooled funding structures.”¹ As noted in the Addis Agenda “an important use of international public finance, including ODA, is to catalyse additional resource mobilization from other sources, public and private”².

However, this increased emphasis is not without controversy. The Addis Agenda emphasizes that to harness “the potential of blended finance instruments for sustainable development, careful consideration should be given to the appropriate structure and use” and that projects “should share risks and reward fairly, include clear accountability mechanisms and meet social and environmental standards.” There are also concerns that a focus on leveraging private financial flows could come at the expense of ODA being used for the poorest and those most in need. As noted in the [2016 Report of the Secretary-General on “Trends and progress in international development cooperation”](#)³, “there is insufficient evidence and ongoing debate on whether “blending” mobilizes additional private flows, supports national sustainable development priorities or increases sustainable development impact”.

A technical workshop on this topic was held in 2015 on the margins of the [DCF High-level Symposium in Incheon, Korea](#) (concept note available [here](#)), which also contributed to the preparations for the [third International Conference on Financing for Development](#) later that year. The workshop discussed opportunities as well as challenges and risks associated with various instruments that would apply ODA in new ways in order to leverage additional private resources for sustainable development. It addressed three main issues: i) conceptual and definitional questions about such terms as blending, leveraging, and private public partnerships (PPPs), which lack a clear and universally accepted understanding⁴; ii) investment areas and sectors where such deals are potentially more suitable (certain infrastructure sectors) and those where they were likely to be less suitable (such as social sectors); and iii) risks and limitations of PPPs, including the challenge of negotiating a fair sharing of risks and returns between public and private actors, the insufficient capacity in many developing countries that have the greatest financing needs to effectively negotiate,

¹ Paragraph 48

² Paragraph 54

³ Paragraph 11. Report Available under: http://www.un.org/ga/search/view_doc.asp?symbol=E/2016/65

⁴ Addis Agenda subsequently described blended finance as combining “concessional public finance with non-concessional private finance and expertise from the public and private sector, special-purpose vehicles, non-recourse project financing, risk mitigation instruments and pooled funding structures.”

undertake and monitor the typically complex and opaque PPPs, cautions raised by the limited financial and development contributions of many past projects, transparency, and environmental and social risks.

The technical workshop concluded that there are indeed relevant opportunities for these blended finance mechanisms, but that these vary by sector and country. The appropriate question is not *whether* these mechanisms should be utilized, but when they are appropriate and how they are best used, a perspective that is reflected in the Addis Agenda. During its 2014-2016 cycle, the [Development Cooperation Forum](#) has provided various platforms to discuss private and blended development cooperation among the relevant actors. Beyond the technical workshop in Incheon (see above), these have included: a [policy brief](#) to deepen the understanding of private and blended development cooperation, a [special event in Addis Ababa](#) and a plenary session in [Kampala](#) alongside the DCF high-level preparatory symposiums and the Third International Conference on Financing for Development; and informal consultations with multiple stakeholder groups engaged in or impacted by private and blended development cooperation.

There have also been several additional discussions on blending development cooperation with private finance, especially in the context of public private partnerships for infrastructure. These include discussions at the first meeting of the Global Infrastructure Forum in April 2016 and in the context of guidelines for PPP contracts spearheaded by the United Nations regional economic commissions, such as the Economic Commission for Europe, the World Bank Group, the OECD, as well as other fora. In Addis, governments committed to “holding inclusive, open and transparent discussions when developing and adopting guidelines and documentation for the use of public-private partnerships”⁵. This commitment represents an important pledge to bring these various strands of work together and develop a more systematic, inclusive and broad knowledge base.

The present Technical Workshop, organized by the Financing for Development Office and the Office of ECOSOC Support and Coordination of DESA, intends to further advance these discussions among stakeholder experts. It will feed into one of the main plenary sessions ([Session V](#)) of the High-level Meeting of the Development Cooperation Forum, entitled “Development cooperation by the private sector, other non-state actors and blended development cooperation” (Friday, 22 July 2016, 11:00 – 13:00, ECOSOC Chamber). The deliberations will also inform ongoing work in the UN system on these issues, in particular by the [Inter-agency Task Force on Financing for Development](#).

Focus Questions

- Under which circumstances and in which areas is it most appropriate to blend concessional public with private finance? How can such instruments be monitored in a transparent manner, identifying accurately public effort, the amount of private financing leveraged and contribution to sustainable development?
- How could development cooperation support the strengthening of national capacities – legal and regulatory framework; institutional framework; operational capacity; supporting investment climate; and financial facilities⁶ – to prepare and run the workable structure for blended finance instruments and manage diverse stakeholder activities effectively?
- What needs to be done to build a knowledge base on PPPs and to share lessons at a regional and global level? How can we ensure that appropriate lessons are learned from successful and failed PPP experiences in both developed and developing countries?

⁵ Paragraph 48

⁶ Based on the six categories of the Infrascopes Index, [Inaugural Report](#) of the IATF, p.18. Available here: <http://www.un.org/esa/ffd/publications/inaugural-2016-iatf-report.html>

Format

Moderated interactive discussion (2.5 hours), featuring presentations by speakers (5-7 minutes each)

Welcome remarks

Navid Hanif, Director, Office for ECOSOC Support and Coordination, UNDESA

Moderator

Shari Spiegel, Chief, Policy Analysis and Development Branch, Financing for Development Office, UNDESA

Panellists

Paddy Carter, Research Fellow, Overseas Development Institute (ODI)

Laurence Carter, Senior Director, Public-private Partnership Group, World Bank Group

Désiré Vencatachellum, Director, Resource Mobilization and External Finance, African Development Bank

Rose-Lourdes Elysee, Chief of the Central Management Unit of Public-Private Partnership, Ministry of Economy and Finance, Haiti

Geoffrey Hamilton, Chief of the Public-Private Partnership Programme, Economic Commission for Europe

Jesse Griffiths, Director, European Network on Debt and Development (Eurodad)

Background documents

- Secretary General's report on trends and progress in international development cooperation, E/2016/65 ([all language versions](#))
- 2016 Development Cooperation Forum (DCF) Policy Briefs ([all language versions](#)):
 - No. 6 Assessing the suitability of different development cooperation modalities for greater effectiveness and impact post-2015
 - No. 7 Private and blended development cooperation: Assessing their effectiveness and impact for achieving the SDGs
- Summaries of DCF High-level Symposiums in [Republic of Korea](#), [Uganda](#) and [Belgium](#)
- [Inaugural report of the Inter-Agency Task Force on Financing for Development](#), "Addis Ababa Action Agenda: Monitoring commitments and actions" (2016)
- "PPPs and the 2030 Agenda for Sustainable Development: Fit for Purpose?" by Jomo KS, Anis Chowdhury, Krishnan Sharma and Daniel Platz). UN DESA Working Paper No. 148. February 2016. (available from http://www.un.org/esa/desa/papers/2016/wp148_2016.pdf)