BLENDED FINANCE for WATER INVESTMENTS

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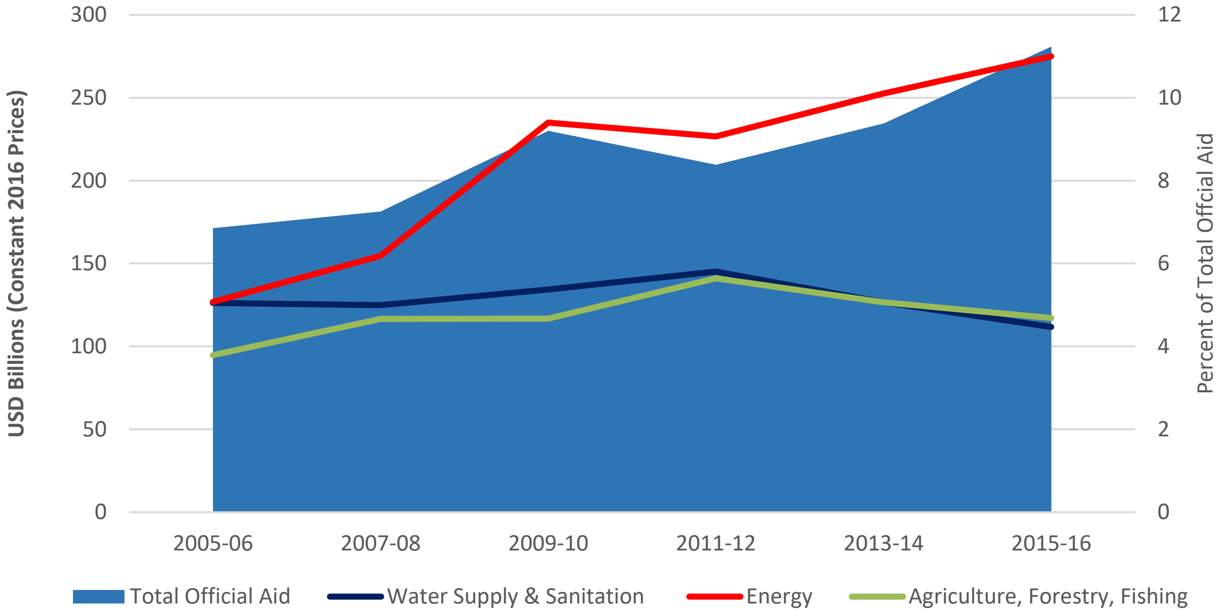
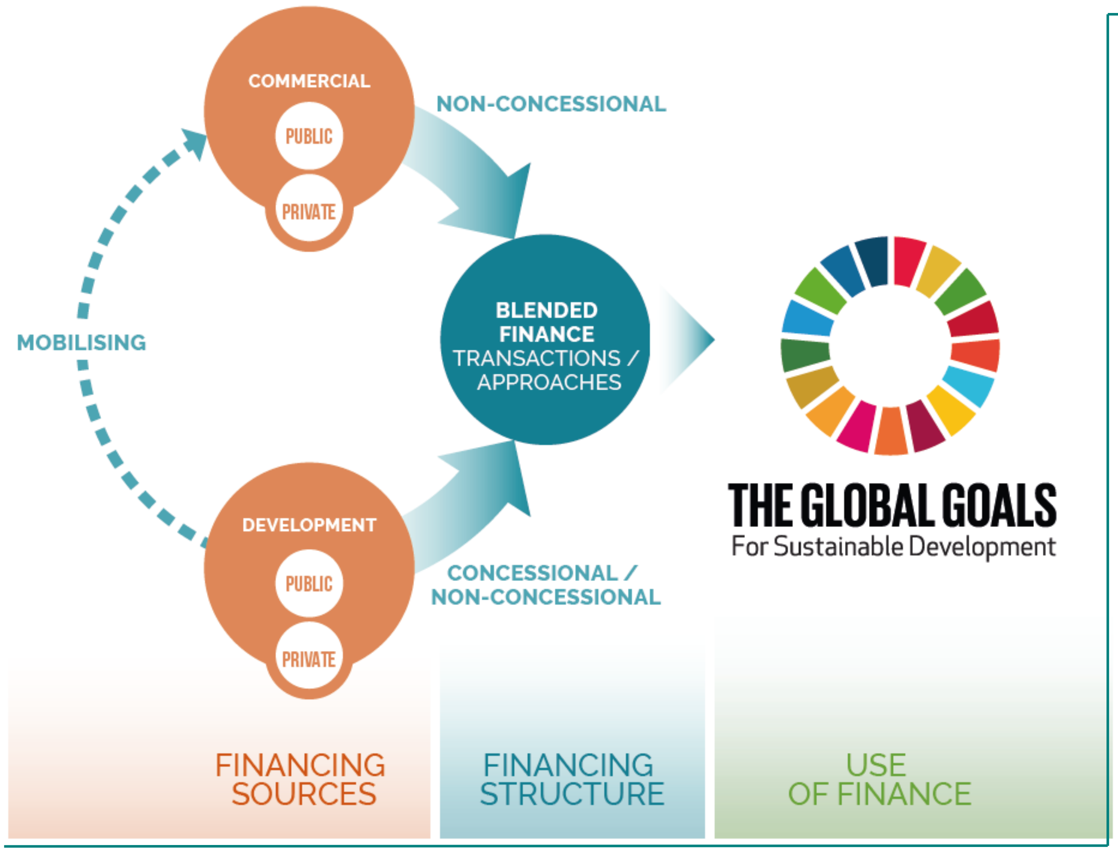
Official aid to water is reducing in relative terms



- While official aid has **increased overall,** the share of water as a percentage of all aid flows has **declined from 5% in 2005-06 to 4.5% in 2015-16**

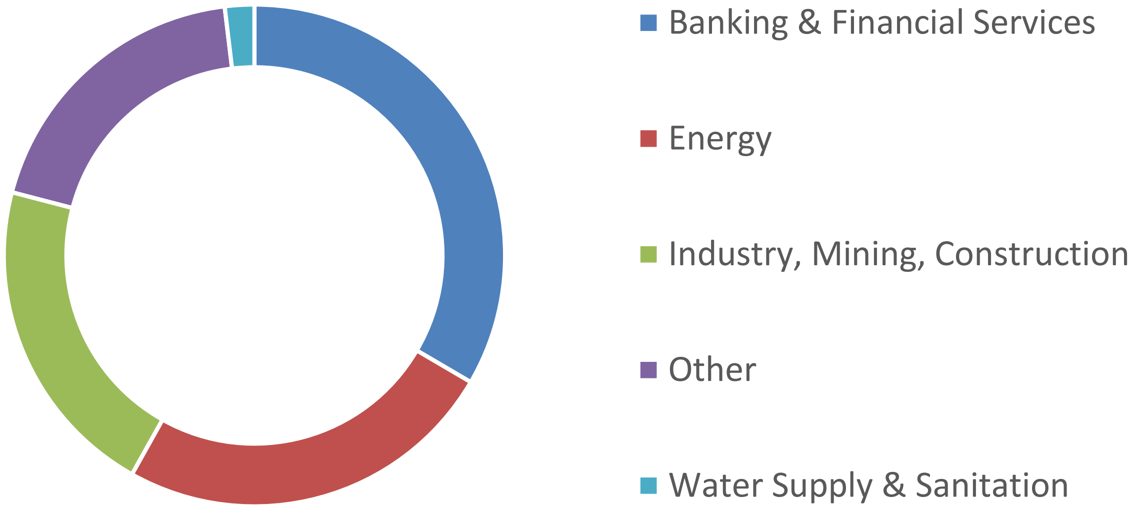
Blended finance can help bridge the investment gap for the SDGs, but requires a common framework



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.

Sector-wise overview of blended finance



- A 2016 OECD Survey showed that, in 2012-15, **USD 81.1 billion was mobilised from the private sector** by official development finance interventions, however only **1.9% was for the water sector**

OECD DAC Blended Finance Principles present a blueprint for better blending

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

Source: OECD DAC Blended Finance Principles

A spectrum of water-related investments

- Sub-sectors vary considerably in terms of their potential to generate cash flows and attract commercial finance

Attributes of investments that influence their suitability for blended finance

Risks	Returns	Project Attributes
Macroeconomic and business risks	Cash-flow generation	Greenfield vs. brownfield
Regulatory and political risks	Developmental return	Scalability
Technical risks		Size
Environmental/social risks		Transaction costs
		Tenor/Longevity

- Does the investment support development objectives?
- Can the risk-return profile of the investment be designed to attract commercial finance?

Questions for discussion

- Which risks, returns and project attributes are the most relevant for attracting commercial finance?
- Which water sub-sectors are currently most attractive to commercial finance? Which ones have the *potential* to attract commercial finance?
- Based on your experience, what would it take to make these sub-sectors more attractive? Is there a role for governments?

Thank you

More on OECD's work on blended finance:
http://oe.cd/blended

More on the Roundtable on Financing Water:
http://oe.cd/water-roundtable