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.
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

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

- What are the risks, returns and project attributes that will be most relevant for attracting commercial finance?
- Which water sub-sectors are currently most attractive to commercial finance?
- Which sub-sectors have the potential to become attractive to commercial finance?
Thank you

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