

Unclassified

DCD/DAC(2017)9

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

24-Feb-2017

English - Or. English

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

DCD/DAC(2017)9
Unclassified

Blended Finance for Sustainable Development: moving the agenda forward

DAC Meeting, 09 March 2017

This document is submitted for DISCUSSION under Item 8 of the Draft Annotated DAC Agenda [DCD/DAC/A(2017)3].

Paul Horrocks (Paul.HORROCKS@oecd.org); Jens Sedemund (Jens.SEDEMUND@oecd.org);
Wiebke Bartz (Wiebke.BARTZ@oecd.org);

JT03409451

Complete document available on OLIS in its original format

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

English - Or. English

BLENDED FINANCE FOR SUSTAINABLE DEVELOPMENT: MOVING THE AGENDA FORWARD

SUMMARY

This document presents issues and themes based on emerging analysis and thinking with regard to the DAC work programme on Blended Finance in 2017-18¹. It sets out the context for deliverables of the Blended Finance work, highlighting key issues that will be covered by two products in 2017: (1) Principles on Blended Finance in support of mainstreaming and scaling-up of blended finance, and (2) a key report on Blended Finance covering key parameters, opportunities and challenges of blended finance, based on in-depth research. These include topics on the aspects of additional finance and mobilisation, ensuring where possible there is crowding-in versus crowding-out and the importance of focussing on development impact.

In addition, this document lays out the next steps in the delivery of this work, including the engagement and process involved in drafting Principles which will be used to help guide Blended Finance use by DAC members. A report on blended finance will also be developed, building on initial research conducted in 2016. The report will set out the building blocks for Blended Finance and contribute to the broader evidence base in this area. To ensure Blended Finance is addressed within the broader DAC context, linkages and leverage to other work streams such as the measurement work (e.g. on private sector instruments, mobilisation, and TOSSD), and beyond will also be established.

¹ See DCD/DAC(2016)41 and DCD/DAC/RD(2016)3/RD2

Introduction

The overall context

1. 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. Until recently, official development finance and other sources of financing for development were considered largely in isolation. 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.

2. In this context, the role of Blended Finance in mobilising private finance for development results is gaining prominence. At the same time, the increasing emphasis on Blended Finance approaches evokes the need to increase the understanding and transparency of these flows. Initial progress on estimating trends in the Blended Finance funds and facilities has been made through efforts under the World Economic Forum (WEF) - OECD Redesigning Development Finance Initiative (RDFI) and by the Association of European Development Finance Institutions (EDFI), as described in an initial analysis shared with an informal DAC-AGID meeting in October 2016². In addition, OECD DAC surveys on amounts mobilised by private sector instruments begin to highlight what has been mobilised as a result of public interventions in the Blended Finance area (Benn et al., 2016). However, more needs to be done in order to understand the market comprehensively.

3. Blended Finance funds and facilities are an important activity among DAC members, with 140 facilities having been launched in the past 15 years (2000 to 2014), all of which included some measure of concessional support from DAC members and philanthropic organisations. Total assets under management by these facilities were estimated at around USD 30 billion. The strongest focus of Blended Finance facilities was infrastructure and the financial sector, with almost two thirds of total assets under management directed to these sectors. Climate action, in particular, is emerging as an important issue to be addressed through blended finance, with approximately one in five facilities being directed to promoting clean energy. In terms of regional focus, just under half the total assets under management of the facilities considered in this paper, and two out of five Blended Finance facilities, targeted Africa.

4. The increasing prominence of Blended Finance contrasts, however, with a still limited body of evidence, analysis and good practice in this area, as well as increasing concerns from a range of stakeholders about the risks of engaging in commercial transactions with the private sector (ODI, 2015; Development Initiatives, 2016). The lack of a common definition, policy framework and strategic approach on Blended Finance holds back its deployment in the most effective way and prevents a sound assessment of activities against public scrutiny. Ensuring that the scaling-up of Blended Finance approaches are based on a strong theory of change, and a common understanding of what constitutes best practice in this area, will be crucial going forward. Despite increased funds directed at private sector engagement, the capabilities and capacities of donors have not increased correspondingly. In addition, while there is increasing success in attracting more private investment towards development priorities, until there is a measurable and verifiable demonstration of impact, including on poverty reduction, the usage of official development finance in Blended Finance will remain open to scepticism and criticism.

5. Against this backdrop, the High Level Meeting of the OECD Development Assistance Committee (DAC) in February 2016 agreed to explore further the role of Blended Finance in delivering the SDGs (OECD DAC, 2016a), which comes under the agreed 2017/18 Programme of Work and

² DCD/DAC/AGID(2016)6, Exploring Blended Finance for Sustainable Development: Definitions and Trends.

Budget³(OECD 2016b). Preliminary research on the taxonomy of and trends in Blended Finance has been presented and discussed (OECD 2016c).

Links to related DAC work

6. The OECD's work on Blended Finance over the next two years will distil and promote best practice and develop guidance that will assist the development co-operation community in delivering development impact from emerging Blended Finance approaches. The work program forms an integral part of the broader OECD policy work on private sector financing for development and therefore links up with a number of Directorates, in particular the Directorate for Financial Affairs but also the Environment Directorate in terms of using blending to encourage green investments. More broadly the work provides a private sector focused link to high level forums such as the Global Forum on Development and the Global Partnership for Effective Development Co-operation (GPEDC). The HLM GPEDC in November 2016 already discussed Blended Finance and going forward the GPEDC is considered an appropriate space to address Blended Finance with a broader stakeholder group.

7. The DAC is actively working on the *tracking* of development finance with and through the private sector and therefore the Blended Finance work needs to incorporate when relevant elements of the Private Sector Indicators work. The private amounts mobilised by official interventions are tracked as of 2017 for guarantees, shares in CIVs and syndicated loans. In the future, the selection of instruments will be extended to direct investments in companies, credit lines and possibly further instruments. Total Official Support for Sustainable Development (TOSSD) is a new international statistical measure that will cover all officially supported resource flows regardless of instrument or level of concessionality. TOSSD will enable the international community to monitor resources supporting the SDGs above and beyond ODA, including private resources that are mobilised through official means. Meanwhile, blended finance provides an essential policy counterpart dimension to both: How to use official development finance effectively to mobilise the most non-development finance with the greatest possible development impact. The outputs of the Blended Finance work, including the publication, will also be used to feed in to the Global Outlook publication.

8. Moreover, OECD's work on social impact investment - the provision of finance to organisations addressing social needs with the explicit expectation of a measurable social, as well as financial, return - is part of the global effort launched during the G8 Social Impact Investment Summit hosted by the UK in June 2013. In 2016, the work has expanded to include a broader set of countries. The work continues to focus on building the evidence base through four work streams: 1) data, 2) case studies, 3) experience sharing workshops, 4) policy. The findings from the four work streams will be pulled together into a report targeted to come out at the beginning of 2018.

9. Similarly, on green investment, DAC's contribution to the new OECD Centre on Green Finance and Investment will explore development finance instruments to mobilise private climate finance and investment in order to identify lessons learned and factors determining their effectiveness. Complementary work will look at the role of development co-operation in supporting enabling environments for green investment in partner countries. The three work programmes - on blended finance, social impact investment and green investment are being developed in close collaboration in order to develop a common understanding of private sector engagement and investment in achieving the SDGs and the Paris Agreement.

³ The Blended Finance work stream under 1,6 of the PWB is foundational

Ensuring Effective Cooperation

10. Beyond the DAC and OECD, the work on Blended Finance is undertaken in close cooperation with other relevant actors. Since its inception, the World Economic Forum has been a central partner for the DAC in this field, in particular given its core function in convening relevant private sector counterparts. The close cooperation continues, not least through the joint support to the Sustainable Development Investment Partnership (SDIP). More recently, a close relationship has been established with Convergence, a platform dedicated fully to advancing Blended Finance solutions. However, to be effectively scaled up further external partnerships will need to be developed particularly with the Civil Society Organizations.

11. Moreover, close links have been established with other key actors, notably the Task Force of Multilateral Development Banks (MDBs) under the leadership of the International Finance Corporation (IFC) and the Association of European Development Finance Institutions (EDFI), who work on policies and good practice from the perspective of institutions with the financial instruments and operations used in blended finance. The DAC perspective is defined by its broader mandate on development policy, i.e. looking at Blended Finance from the perspective of overall development policy and the comprehensive development portfolio of DAC members. Whereas DAC members have similar interest for using development resources to mobilise commercial finance for development, the policy frameworks for achieving this could be further developed.

12. The remainder of this paper will set out the key issues shaping DAC work on blended finance. First, it will provide the framework for the DAC approach to blended finance, derived from the overall development finance framework as established by the AAAA, as well as the DAC's specific mandate and competencies. Next, this note will set out several key questions and parameters that will be at the centre of further work on blended finance, before laying out the concrete next steps planned for the DAC in its Blended Finance work.

KEY ELEMENTS FOR DELIVERING A BLENDED FINANCE FRAMEWORK

The international Agenda on private sector engagement and need for a Blended Finance framework

13. A common understanding of what Blended Finance entails is required in order to facilitate the work programme and more generally to identify common policy approaches for blending.

14. As set out above, the AAAA frames the basic rationale for blended finance. The deployment of vast resources is a necessary condition for achieving the SDGs and AAAA. That makes the mobilisation of private finance towards development objectives not a question of choice but one of necessity. The DAC has a unique opportunity in driving this agenda forward. Engaging the private sector effectively, however, will require a strategic and coordinated approach. The basic rationale for Blended Finance is to grow the overall financing pie for development. Hence, a significant parameter to frame Blended Finance is the **development objective** of the flows, i.e. resources with a development purpose or mandate, to mobilise private finance with a commercial rationale that are so far not being applied to development purposes. This alignment of incentives is necessary to move from the ‘billions to trillions’ required in order to achieve these global agendas.

15. From this directly derives the definition of Blended Finance as 'the strategic use of **public or private** investment **with a development objective**, including concessional tools, to mobilise **additional** finance with a commercial motivation for SDG-aligned investments in developing countries'.⁴

Marking Development more investable

16. The definition has several basic implications, two of which are discussed further below. Both relate to the objective of Blended Finance to generate additional funds and finance through crowding-in commercial finance, that does not have a development mandate, into projects or programmes that are development priorities – i.e., to make development (more) investable.

1. Ensuring that finance is mobilised versus financing investments

17. A central point implied by the Blended Finance definition relates to the distinction between mobilising finance from commercial investors, and financing private sector counterparts.

18. There are many instances where official development finance has been and is deployed to commercial actors to facilitate and execute development investments. The traditional approach in development finance has typically been private sector entities seeking to make investments with an important development dimension. In such traditional operations the provider of finance would cover the full external financing needs as sole financier. Such activities remain of critical importance in meeting financing demands, and to provide additional financing where no commercial financing alternative exists.

19. However, the focus of Blended Finance is different. Its objective is to generate additional *supply* of commercial finance that would otherwise be unavailable for financing of SDG-aligned investments. Rather than covering the full external financing needs, development funds are used to crowd-in commercial, 'non-development' finance, to meet as much as possible of the financing required, thereby 'growing the pie' of overall financing available to development priorities.

2. Keeping public support to a minimum level

20. Public or private investments that mobilise additional private capital can include concessional elements. A common form of blending is the use of concessional public funds in order to attract additional non-concessional private capital e.g. an official development assistance (ODA) loan alongside an institutional investor loan. Another form of blending is the use of concessional private funds, for instance grants from private foundations, with non-concessional financing from private investors. In doing so, Blended Finance resembles Social Impact Investing, which can be seen as a sub-form of blending⁵.

21. However, concessionality itself is not a defining criterion for blended finance. Blended Finance can take the form of blending of non-concessional public resources with non-concessional private capital as a part of blended transactions. The key point is the mobilisation of commercial, 'non-development' finance. If this can be mobilised through non-concessional public finance alone, no concessionality should be provided. This is self-evident from the imperative of using scarce public development finance efficiently and avoiding subsidising private sector entities. Moreover, financing without concessionality provided by the development financiers is central to the aim of increasing fully market-based funding solutions for development priorities, and for expanding capacity to fund projects across a portfolio of countries and sectors.

⁴ Defined based on an extended consultation process and a working paper (OECD, 2016c) discussed at the informal DAC-AGID meeting on the 19th of October 2016

⁵ For further information on Social Impact Investing, please refer to OECD (2015).

3. Crowding-in - a safeguard against crowding-out, of critical importance for the ability to mobilise

22. Given the very premise of Blended Finance to mobilise additional, “non-development” finance, for development priorities, it is possible to directly address concerns around additionality and potential crowding-out. As the public resources in Blended Finance don’t function as an alternative financing option to private finance, but as an enabler of private financing that would otherwise not have happened, the concept is built on the very idea of providing additionality through direct crowding-in of ‘non-development’ finance. Moreover, this crowding-in dynamic can often be traced directly and explicitly in Blended Finance transactions.⁶

23. The inherent concept of Blended Finance based on crowding-in and growing the pie is relevant both with regard to development stakeholders concerned about an increased private sector focus and at the same time for commercial investors. For the former, it provides a principal response to concerns about a zero-sum game and potential shrinking pie for development finance. Inevitably, there will be successes and failures with Blended Finance interventions, as is the case in all other areas of development finance. However, as Blended Finance grows the overall resources pie for development it should translate in to growing resources not just for investments financed through blended finance, but for development spending overall.

24. Conversely, the value of Blended Finance to commercial financial investors is also contingent on the principle of crowding in: it makes explicit the focus on making SDG-aligned investments more investable, which is essential for the relevance of this agenda to the investors with a commercial motivation. This, in turn, is a basic condition for mobilising their financing for development as foreseen by the AAAA.

4. Blended Finance in the context of overall development policy

25. Blended Finance good practice and policy is important for institutions that directly execute Blended Finance transactions. At the same time, to realise its potential, safeguard against the considerable number of potential pitfalls, and integrate effectively into their overall development efforts, donors need to have clarity on the role of Blended Finance in their overall policies, and the suite of instruments and approaches at their disposal.

26. The following are a number of key areas, in which further research will shed light on the variety of effective applications of blended finance.

Development finance and subsidies

27. The question of how to balance the provision of concessional development finance with the need to avoid the distortion of competition is a key question for blended finance. There is unanimity by all sides that official development finance, in particular given its scarcity and mandate, should not subsidise the profits of private sector companies.

28. While relevant for individual institutions engaged in Blended Finance, the issue is also particularly relevant from the point of view of development policy overall, and e.g. the degree of concessional resources warranted for Blended Finance given expected development outcomes. As set out

⁶ A recent survey confirmed that private funding in Blended Finance transactions were contingent on the public element. See World Economic Forum, Insights from Blended Finance Investment Vehicles & Facilities, January 2016, accessed at:

http://www3.weforum.org/docs/WEF_Blended_Finance_Insights_Investments_Vehicles_Facilities_report_2016.pdf

above, a corollary point of agreement to the principle of not subsidising private actors is that Blended Finance should imply the minimum degree of concessionality required to enable the (co-)investment of commercial investors alongside development investors. At the same time, it is essential to distinguish between subsidising private sector actors, and funding public good outcomes, and between market-relevant interventions and distortion of competition.

29. In essence, public policy and funding has a clear role in shaping and, as appropriate, creating markets with strong public good dimensions. The caveat is that intention does not equal success. Public policies and funding intended to achieve policy outcomes can be inefficient, wasteful, and detrimental to the actual objective of supporting and creating a market that caters to the public good objective, especially if they undercut effective competition. Development policy and financing evidently affect directly key public good delivery and markets in developing countries – whether through Blended Finance or other interventions. Donor policy needs to be built on an explicit understanding of the inter-linkages between providing support for development outcomes and impacts on markets and competition. This will be central to an effective use of Blended Finance, and donor resources more generally.

Blended Finance and the enabling environment for private sector investments

30. Blended Finance is essentially addressing the direct mobilisation of additional commercial finance for development but donors also have an important role to use ODA catalytically by supporting an enhanced enabling environment for private investments in developing countries. Blended Finance is not a substitute for a sound policy framework. Without a sound policy framework, with institutions and capacity to match, private investment will remain fundamentally constrained. Though Blended Finance can be used to pursue policy objectives while framework conditions are being improved

31. Blended Finance, in fact, offers the scope for complementarity with efforts to enhance the enabling environment. Beyond the impact on specific transactions, Blended Finance can be instrumental for a local investment framework: Even a perfect policy framework can struggle to attract investments if there is no track record for private investors – and as long as that is the case, the reform effect may be undercut, and eventually discredited, by a chicken-and-egg situation. By helping to take concrete investments with private finance participation across the line, Blended Finance can be instrumental to rewarding policy reform in the absence of a previous track-record.

Development impact

32. A first crucial dimension is development impact of Blended Finance instruments. Ultimately, the growth in the volume of development finance has to be accompanied by adequate quality in terms of aid effectiveness, and is in the interest of all parties involved: Official investors have to ensure that public money is employed effectively, private investors have to address their clients increasing demand for sustainable investment, beneficiaries and their governments should have access to the most effective financial tools available. In addition to looking at existing impact measurement frameworks, further research will explore evidence on the impact of Blended Finance transactions, based on project and programme evaluations.

Allocation and targeting

33. The allocation and targeting of Blended Finance projects and programmes is needed to ensure effective development outcomes. Traditionally, Blended Finance is associated primarily with projects in upper-middle-income countries and sectors such as infrastructure. At the same time, the crowding-in principle implies a dynamic logic and exit hypothesis: Blended Finance should successively enter new markets and sectors, and exit ‘established’ Blended Finance markets, consistent with the premise that

commercial investors can and should eventually take over in full, thereby allowing Blended Finance to serve both as market pioneers as well as revolving source of funding in order to enter new markets.

34. Two key variations are central to steering the overall allocation and targeting of Blended Finance in donor development portfolios: (1) the degree of concessionality of the public investment, and (2) the development status of the country, will allow a tailor-made approach for blended finance. Based on the hypothesis of effective Blended Finance creating market solutions, both should evolve over time. To realise this ambition, policies and guidance will be required that set out, within an overall strategy for resources allocation, objectives, criteria, and assessment mechanisms.

The basic question from a policy perspective – impact through substituting for a market, or through creating a market

35. Ultimately, the fundamental question for donors is how to maximise the impact on their development objectives with a given amount of development finance, and what role Blended Finance has in this regard. The ‘traditional’ approach – not just in private sector interventions – was essentially to use official development finance as a substitute for the absence of functioning markets. Blended Finance aims to create these markets, and make them self-sustainable. Given the invariable links of donor actions on this, a better understanding of the opportunities, risks and trade-offs related to the two approaches will be important for donor policy.

ADDRESSING THE CHALLENGES AND REALISING THE OPPORTUNITIES

36. Based on the challenges and issues raised, further work in 2017 is intended to deliver to the DAC the following:

- **Principles** to support the effective use of blended finance, and provide a framework for donors to base their decisions on scaling-up and mainstreaming blended finance,
- **Policy insights** presented in a major report on blended finance, that includes the following:
 - An improved understanding of Blended Finance and a common perspective across the development policy community, including on key opportunities and challenges,
 - best practice insights derived from Blended Finance case studies, and
 - an evidence base of data that will further allow the tracking of blended finance, including trends and evolution.

Principles to ensure an effective framework for policy-makers and a market reference

37. The Blended Finance work programme aims at addressing the key themes laid out in the preceding section in order to enable DAC members to obtain the insights and guidance necessary to take well-informed, strategic decisions on the scaling-up and mainstreaming of blended finance. There are currently no policy-level principles for Blended Finance⁷, despite considerable resources flowing towards Blended Finance instruments and need for effective coordination amongst donors in order to ensure institutional coherence as well as efficient private sector engagement.

⁷ MDS and EDFI are in the process of updating the 2013 Principles for using Blended Finance(<http://www.ebrd.com/downloads/news/roundtable.pdf>), however, these are very much at the operational level.

38. The development of Blended Finance principles will assist governments to engage in this area and provide a framework on which they can base their activities. Crafted effectively and adopted in to action, principles can contribute to driving the necessary best practices that underpin their effective use and are essential for a broader adoption of blended finance. The aim is for the principles to be formally endorsed by the DAC High Level Meeting at the end of 2017. The principles will form the basis for further work on Blended Finance, and will be used as a framework around which DAC Members can improve their capacities for Blended Finance, including the design and implementation of their engagement with the Private Sector.

Policy insights

39. The work on developing principles will be complemented by a major report to establish a common reference framework for Blended Finance. Initial work for this report was conducted in 2016⁸, and complementary analytical work will provide an in-depth assessment of key conceptual and policy questions related to blended finance. See Annex A for a preliminary outline of the report.

Next steps

40. In advancing this work, the Secretariat is seeking to draw on the input and mobilise the policy experience and capacities of the DAC membership, in addition to building out its informal network of experts and practitioners from the public and private side.

41. To this effect, the following steps are being prepared:

- A survey to seek member views on the central elements and policy questions that principles should cover. This is expected to be issued in early 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. To ensure a balance of views and concerns are reflected, this group will include representatives from different constituencies, based on the willingness and ability to contribute. The first convening of the group is envisaged to be held subsequent to the returns of member surveys, in the second half of April.
- A survey on Blended Finance instruments, to capture more recent activities in this area since the previous survey that covered data up to 2014. This will incorporate both a quantitative dimension and a qualitative dimension, depending on data available adding in particular a focus on the performance of Blended Finance funds and facilities. Efforts will be made to assess the development impact performance, both at the fund level but also at the investor level. This analysis will be used to investigate what kind of monitoring and impact evaluation schemes are being used by DAC members and fund managers. This survey will, where possible, link up to the Mobilisation survey being undertaken in order to ensure effective coordination. The initial results of the survey are expected at the end of June and analysis will be finalised by August.
- Complementing the work on funds and facilities, will be case studies on specific Blended Finance instruments and transactions. The focus will be on the structure and mandate of specific funds, facilities and projects in order to understand further their focus on specific economies and sectors, as well as how key criteria such as additionality and development are addressed.

⁸ DCD/DAC/AGID(2016)6, Exploring Blended Finance for Sustainable Development: Definitions and Trends.

42. In addition to these activities, broader data collection efforts on mobilisation by the Secretariat are also directly relevant to the work on Blended Finance. From 2017 onwards the OECD will track the amounts of private money mobilised by official investment in syndicated loans, shares in collective investment vehicles (CIVs)⁹ and guarantees in the Creditor Reporting System (CRS). This will substantially expand the data captured and evidence base for Blended Finance transactions in a systematic way.

QUESTIONS TO THE COMMITTEE

1. Do Members support the orientation of further work as set out in this note? Which aspects do you consider as particularly relevant, and are any key dimensions missing?
2. Which Members would be interested to identify and support a participant for the informal stakeholder group, which will work with the Secretariat, in developing principles for the use of Blended Finance for sustainable development?
3. Which Members would be willing to participate in a survey to review priorities and strategies on blended finance, including a focus on safeguards, performance and impact monitoring?
4. In addition to existing partners and collaboration, which further key processes or fora should the DAC aim to reach out to or engage in with regard to its Blended Finance work?

REFERENCES

- OECD (2015), *Social Impact Investment – Building the Evidence Base* (Preliminary Report), OECD Publishing, Paris. <http://www.oecd.org/sti/ind/social-impact-investment.pdf>
- OECD Development Assistance Committee (2016a), *Communique of the High Level Meeting of the DAC*, 19 February 2016. <http://www.oecd.org/dac/DAC-HLM-Communique-2016.pdf>
- OECD (2016b), *Development Finance: Blended Finance Work Areas in 2017-18*, DCD/DAC(2016)41

⁹ CIVs are funds or facilities in which different actors pool their resources to subsequently own equity.

ANNEX: PRELIMINARY OUTLINE OF REPORT 'EXPLORING BLENDED FINANCE FOR SUSTAINABLE DEVELOPMENT' (WORKING TITLE)

The aim of this report is to explore the key concepts and building blocks of Blended Finance as it is being applied within the context of development co-operation to support the delivery of the SDGs in developing countries. The report will set out the 'landscape' of blended finance, exploring definitions, policies, actors, instruments, and monitoring of Blended Finance approaches. It will contribute to a growing evidence base in this area, and establish how Blended Finance complements and fits within other approaches in delivering effective development finance.

- **Chapter 1: SDGs and the imperative of Blended Finance**

This chapter will describe the imperative for Blended Finance within the context of the Addis Ababa Action Agenda, the SDGs, and the Paris Agreement. It will outline the investment gap faced by developing countries in delivering the SDGs, and consider the potential for Blended Finance within this context. It will also review the potential sources of capital that could be redeployed towards development goals through blending instruments and approaches. The chapter will also look at Blended Finance as one approach within the context of development co-operation and private sector engagement.

- **Chapter 2: Understanding blended finance: Definitions and concepts**

This chapter will explore the main building blocks of Blended Finance and propose a definition of blending within the context of development co-operation. It will also explore two key parameters underpinning blending: concessionality and additionality, and highlight the main actors, policies and approaches to blending.

- **Chapter 3: Challenges and progress in tracking Blended Finance**

This chapter will highlight challenges and issues in tracking blended finance, building on insights from efforts to track amounts mobilised by the private sector within the DAC statistical system. It will also briefly review what data systems exist to track blended finance, including the mobilisation of private finance, what data these systems provide, and what the gaps are.

- **Chapter 4: Recent trends in blended finance**

This chapter will consider recent trends in donor support for Blended Finance and amounts mobilised to build a picture of the size and state of the Blended Finance 'market'. It will build on surveys conducted under the OECD-DAC Redefining Development Finance Initiative and the Association for European DFIs, and present results from a new survey of Blended Finance funds and facilities.

- **Chapter 5: Blended Finance models and instruments**

This chapter will describe the main risks and obstacles facing private investors, and outline a range of instruments that can be used in Blended Finance in order to facilitate private investment. It will also describe common financial structure / facilities, using examples to illustrate how different approaches come together.

- **Chapter 6: Blended Finance in practice - insights from project level case studies**

This chapter will present selected cases of Blended Finance at the project level in order to better understand the nature of Blended Finance instruments being applied, how they work, and any potential impacts. Based on these cases, this chapter will highlight implementation challenges and lessons learned related to project development, structuring, private sector engagement, and impact.

- **Chapter 7: Monitoring and evaluation of Blended Finance approaches**

This chapter will review common frameworks applied to the M&E of blending, including exploring the theory of change underpinning donor approaches, and the indicators and measurement systems in place to track the performance and outcomes of blended finance.

- **Chapter 8: The future of Blended Finance**

The final chapter will highlight the progress made, key obstacles that remain and policy questions that need to be addressed in order to ensure Blended Finance is implemented in the most effective way in order to deliver development goals.