

2018 DEVELOPMENT COOPERATION FORUM SIDE EVENT

Organized by UNDESA

Blended financing and LDCs: Implications and opportunities for strengthening broad-based country ownership and leadership

Objective

There is increased interest in using ODA to mobilize additional resources for sustainable development, including private finance, to close the large SDG financing gap. Yet, this emphasis on “blended finance” also raises concerns. Among them: increased reliance on blended financing could weaken country ownership and leadership, one of cornerstones of effective development cooperation. Where public concessional financing is used to leverage private funding it is important to ensure that recipient countries are included in the decision of the allocation of concessional finance. Given that blended finance is often carried out on a project basis, special efforts must be made to fully involve host/recipient governments and ensure transparency and accountability in all phases of the project not to reverse past progress in enhancing the development effectiveness of concessional finance.

To advance effective policy and practice in this rapidly evolving space, the side event will examine how to:

- *Structure and use* blended financing that secures and does not undermine country ownership and leadership?
- *Incentivize* development financing institutions and other major actors in blended financing to align blended finance with country priorities and the 2030 Agenda?
- *Ensure* that project approval processes for blended finance projects are guided by principles of effective development cooperation, including the principle of country ownership?

Format

Discussions will include a briefing segment with short interventions by the panelists, followed by an interactive discussion among participants.



Date and time

Tuesday, 22 May 2018
1:15 pm – 2:45pm



Venue

United Nations Conference Building
Conference Room B
405 E 42nd St
New York, NY 10017



Registration

Access is open to all DCF participants and UN grounds pass holders.

If you plan to attend, please let us know at dcf@un.org



Moderator

Mrs. Shari Spiegel, Chief, Policy Analysis and Development Branch, United Nations Department for Economic and Social Affairs

Panelists

Mrs. Mulenga Musonda-Mulenga, Ministry of Finance Zambia.

Mr. Johan Gély, Head of Division and Head of the Global Programme Water, Swiss Agency for Development and Cooperation, Switzerland

Mr. Jesse Griffiths, Director, Eurodad, European Network on Debt and Development



Background

Developing countries must play a central role in decisions on using ODA for blended financing for development to ensure that the increased use of blended resources does not have the effect of rolling back hard-won gains in untangling aid. Even today domestic firms in donor countries are already the biggest beneficiaries of donors' aid contracts. Where public concessional funds are used to leverage private funding decisions on the prioritization and allocation of scarce public financial resources – including on whether, how and where to use blended finance – should be made as much as possible at the country level, rather at the donor/provider/partner level.

Ensuring country ownership and leadership is especially important given that current trends point to the possible risk that an increased use of blended financing may divert concessional funding from social sectors. Blending facilities and funds have primarily and rightly targeted sectors with a clear business case. There is less targeting of social sectors and sectors with a global public good character, where returns are hard to monetize. Together these trends pose a threat of underinvestment of public finance in the social sector. This is a particular concern for Least Developed Countries and countries in special situations which are most dependent on ODA to complement their limited domestic resources, including to fund basic social services.

Today, blended financing is largely bypassing LDCs and countries in special situations. Donors must ensure that the scaling up of blended finance does not divert funds from LDCs and other countries in special situations. Moreover, further work is needed to explore how blended financing can be structured and used in a way that responds to the special needs of these countries. Such work needs to be coupled with efforts to assist developing countries with the creation of an enabling investment climate to help attract private investment.

Promoting public-private partnerships or investment agreements without a solid legal, regulatory framework and transparent fiscal accounting poses risks: prioritizing interests of investors over the populations involved, increasing costs and reducing coverage of public services. In the first instance, development

cooperation should therefore focus on assisting countries with building an enabling investment climate, including an effective legal and regulatory framework. Once markets have matured, the focus can gradually shift towards more direct support of private projects and programmes. Strengthened policy, legal and regulatory frameworks will help ensure that benefits and risks of partnerships are distributed fairly.

Where public concessional funds are used to leverage private funding, funding needs to be provided and delivered in a manner that secures, rather than undermines, country ownership. This implies that stakeholders should be guided by principles of effective development cooperation. This means ensuring transparency and relying on country systems rather than parallel systems. It also means strengthening accountability by ensuring participation of all key stakeholders, including beneficiaries, in all phases of the programmes and projects.

Quality public consultations throughout the programme/project cycle can provide a more nuanced understanding of the development impact of blended financing. Ex-ante assessments should be carried out and their results published, especially for long-term infrastructure investments where results are difficult to reverse. Appropriate cost-benefit-analysis and feasibility studies can enable upfront efforts to address or avoid possible negative outcomes. Specific mechanisms (grievance mechanisms, ombudsman, other arrangements) need to be put in place that can assess and effectively address and remedy grievances from stakeholders that have been negatively impacted.

Quick links

Report of the Secretary-General on trends and progress in international development cooperation (E/2018/55) [[Arabic](#)] [[Chinese](#)] [[English](#)] [[French](#)] [[Russian](#)] [[Spanish](#)]

2018 Inter Agency Task Force Report on Financing for Development on Financing for Development: Progress and Prospects [[English](#)] [[Français](#)] [[Español](#)] [[العربية](#)] [[中文](#)] [[Русский](#)]

Blended finance in the SDG era – [Summary](#): DESA Technical Workshop

Private and blended development cooperation: Assessing their effectiveness and impact for achieving the SDGs, DCF Policy Brief [[English](#)] [[Spanish](#)] [[French](#)]

