



Summary Report

Compact with Africa (CwA) Peer Learning Seminar on Blended Finance

Blended finance in CwA' countries: Adapting to local context to increase investment

Jointly organized by the Government of Cote d'Ivoire and the African Center for Economic Transformation¹ (ACET)

September 12, 2019, Abidjan, Côte d'Ivoire

The CwA Peer Learning Seminar on Blended Finance was designed to bring stakeholders - government, private sector and development partners - together around the topic of strengthening the local dimension of blended finance. The event was designed to provide an opportunity for CwA countries to learn from the good practice of other countries and discuss how blended finance could be further improved.

Mobilizing additional funds from the private sector is critical to meet the financing needs of the Sustainable Development Goals (SDGs). According to the UN, for developing countries, the SDGs require an investment of approximately USD\$ 4.5 trillion a year between 2015 and 2030, leaving an annual investment gap in the critical sectors of about US\$3.1 trillion. In Africa, and particularly in the CWA' countries, financing infrastructure development is of keen interest due to the need to continue supporting economic growth, which is only possible with appropriate investments.

Thus, developing additional and alternative sources of financing beyond traditional instruments is necessary to meet the financial gap in many countries. The mobilization of large-scale capital by improving the risk-return profile of investments, especially for investment-heavy sectors such as power, renewable energy, telecommunications, water, and agribusiness represents a key opportunity for Africa

The seminar was attended by 130 participants representing ten of the twelve CwA countries, Germany and Japan from the G20 countries, private sector representatives, the international organizations, and DFIs. The event was opened by the Honorable Minister of Finance of Cote d'Ivoire, Mr. Adama Coulibaly after remarks from the Japanese Ambassador and the German Chargés d'affaires. The program proceeded according to the program attached below.

The proceedings were guided by recommendations in the knowledge brief “Strengthening the Local Dimension of Blended Finance - A review of the local approaches and instruments employed by Development Finance Organizations (DFOs)” The report was prepared by ACET, ECDPM, Indiana University and OECD. The recommendations included the following:

Organizational Insights

1. If not already in place, DFOs should make policy on local context explicit and intentional, following from good global practice.
2. If not already the norm, DFOs should develop country or sub-regional strategies that are aligned to national development strategies and avoid ad-hoc investment choices.
3. While some DFOs strive to utilize a deep understanding of their client countries or use local partners and networks, a local presence can enhance the ability to tailor blended finance to the local context and lead to more successful and sustainable financing solutions. When feasible DFOs should ensure a local presence.

¹ With support from OECD, ECDPM, and IFC.

4. DFOs need to ensure systematic consultations with local actors such as civil society, beneficiaries and local commercial investors and the domestic private sector, regardless of whether the client is sovereign or private.

Insights on Partnering with Local Actors

5. DFOs should deepen partnering arrangements with local DFIs, national development banks, Sovereign Investment Funds (SIFs) and local pension funds to better scale-up activities and tailor to the local context. Additional country specific research is needed on the extent that local investors, institutional investors, financial institutions are being crowded-in to blended finance operations.
6. Where local DFIs or development banks do not exist DFOs should explore options for providing technical know-how and financial support to create new local institutions.
7. Where appropriate DFOs should provide support to, and work with, sub-sovereign entities such as local DFIs. They are under-resourced and have the potential in many cases to provide a more robust local solution to development challenges.

Blended Financing Insights

8. There is a clear need to increase the gross and proportional amount of finance in local currency. Efforts to improve the capacity of issuing local currency securities have shown results, yet the demand for cost-effective foreign exchange (FX) solutions to mitigate foreign currency risk for international investors far exceeds the supply. More research is needed on what instruments are best suited to local approaches or which instruments are most effective at crowding-in capital in local currency.
9. More needs to be done to increase the proportion of local finance in blended finance. Engagement with local investors such as banks, investment funds, pension funds and individual investors is happening, but there is very limited crowding-in of local finance especially in low income countries (LICs).
10. Beyond this, in general, more needs to be done to increase the mobilization of private finance by public finance. Over time the share of private finance needs to increase.
11. DFOs must do more to extend greater blended finance to LICs, which may require the institutions to take on more risks and align with development priorities in the poorest countries – and in fragile states.

DFOs should foster more innovative approaches, such as

12. More research is needed on systematic evidence on how DFOs can best effectively link economic transformation and an improved investment climate.
13. DFOs activities should be better anchored in and complemented by other development initiatives, notably by development agencies.
14. Developing regional solutions with multiple actors collaborating on delivery solutions, including a pooled regional fund established by DFOs;
15. Further open DFI projects to local participation and have this as a key KPI;
16. Build financial models in targeted sectors for local participation, to include more concessional funding and risk mitigation for this goal.

During the seminar it was widely recognized that blended finance is essential in helping CWA countries make progress in line with the agreed policies matrices, easing financing constraints and attracting investors from G20 countries. However, scaling up blended finance without a good understanding of country's specific context, including perceived risks, may not lead to optimal contributions from all financial institutions, hence leading to lower development outcomes.

Informed by the Senegal and Tunisia country cases which were presented during the seminar, as well as the perspective of all stakeholders, a few primary themes emerged during the seminar. These often

transcended sessions and were seen as areas where concrete action can be taken by all stakeholders. The following key take-aways are not presented in order of priority, but rather may be applied in different ways depending on country context, the approaches of DFIs and the investment needs.

1. Better understanding of what DFIs are doing and better coordination (not reflected in recommendations)

Throughout the seminar it was noted that governments are not always aware of DFI priorities and pipelines, or what products and services DFIs offer in their respective countries. There was a suggestion to create a “compendium” of both activities and services for each country. Related to this, there was generally a sense that DFIs can coordinate better among themselves, again possibly through a repository of projects.

2. There should be a stronger focus on Digital Economy and Digital Infrastructure (not reflected in recommendations)

Participants emphasized the importance of the digital economy – and Fourth Industrial Revolution job creating more generally. During the seminar multiple stakeholders indicated that DFIs could invest more in these areas, rather than – or in addition to - traditional infrastructure and manufacturing. It was also agreed that additional research and analysis is needed to better understand potential investment opportunities, as well as perceived risks, particularly in relatively new areas such as fibre networks.

3. Ensuring consistency of blended finance with national (and regional) priorities and support to national financial market development (related to recommendation #2 and #14)

The seminar validated the report recommendation that DFOs should develop country or sub-regional strategies that are aligned to national development strategies and avoid ad-hoc investment choices. Likewise, development finance should be designed so that blended finance supports local development by facilitating the financing of businesses that create decent jobs. This requires that blended finance supports investments that are aligned with national priorities. The same applies to regional strategies, particularly for infrastructure investment.

4. There is an ongoing need for capacity building within government and among local financial institutions (related to recommendations #6 and #7)

Where appropriate DFOs should provide support and capacity building to, and work with, sub-sovereign entities such as local DFIs and other financial institutions. They are often under-resourced and have the potential in many cases to provide a more robust local solution to development challenges if provided with appropriate capacity and tools. Where local DFIs or development banks do not exist DFOs should explore options for providing technical know-how and financial support to create new local institutions.

5. DFOs should deepen partnering arrangements with local institutions (related to recommendation #5 and #9)

Partnering is particularly important and would include DFIs, national development banks, Sovereign Investment Funds (SIFs) and local pension funds to better scale-up activities and tailor to the local context. Such partnerships were highlighted in the country cases presented by Senegal and Tunisia. Likewise, it was noted that additional country specific research is needed on the extent that local investors, institutional investors, financial institutions are being crowded-in to blended finance operations.

6. Local Finance (related to recommendation #9)



The peer learning seminar participations emphasized the importance of mobilizing commercial finance in a sustainable manner, which requires addressing the risk-return profile of transactions in each country through balanced and sustainable risk allocation between development finance providers and commercial parties. For example, to respond to local conditions there is a need to increase finance in local currencies to mitigate currency risks. More also needs to be done to increase the proportion of local finance in blended finance. Engagement with local investors such as banks, investment funds, pension funds and individual investors is happening, but there is very limited crowding-in of local finance especially in low income countries (LICs).

7. Enabling Environment (related to recommendations #12 and #13)

Voices were strongly aligned on the need for DFIs to support the enabling environment with technical assistance, capacity building, financing and partnering arrangements. There is a mixed record among DFIs on strategically linking economic transformation and an improved investment climate to their investment pipelines and portfolios. Given that a sound enabling environment is critical for mobilizing private investment, blended finance should also support country reform efforts to improve business environment and provides channels of achieving development impact in challenging environments. DFOs activities should be better anchored in and complemented by other development initiatives, notably by development agencies.

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Compact with Africa (CwA) Peer Learning Seminar on Blended Finance
12-September 2019, Abidjan, Côte d'Ivoire

Program

| Time | <i>Intervention/Discussion</i> |
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| 8:00 a.m. - 9:00 a.m. | Registration |
| Opening remarks | |
| 9:00 a.m. - 9:05 a.m. | Welcome and Introductions By Dr. Ed Brown, Senior Director, Research & Policy Engagements, ACET |
| 9:05 a.m. - 9:25 a.m. | Opening remarks By: <ul style="list-style-type: none"> ○ Mr. Callegaro Alexandre, « Chargé d'affaires a.i. » Ambassador of Germany to Côte d'Ivoire ○ Honorable Kuramitsu Hideaki, Ambassador of Japan to Côte d'Ivoire ○ Mr. Adama Coulibaly, Minister of Economy and Finance, Côte d'Ivoire |
| Session 1: Overview of Blended Finance and Recommendations | |
| 9:25 a.m. - 9:40 a.m. | Title: Strengthening the Local Dimension of Blended Finance: A review of the local approaches and instruments employed by Development Finance Institutions Moderator: Mr. Lamine Loum, Former Prime Minister of Senegal (TBC) Speakers: <ul style="list-style-type: none"> ○ Rob Floyd, Director and Senior Advisor, ACET; and ○ San Bilal, Senior Executive and Head of Programme, ECDPM |

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| 9:40 a.m.-10:10 a.m. | <ul style="list-style-type: none"> ✓ Presentation of Recommendations from recent report on strengthening the local dimension of blended finance <p>Reactions and Comments from CwA countries followed by open discussion.</p> <ul style="list-style-type: none"> ✓ How to identify and build on local development strategies. ✓ How to strengthen the capacity of local private and public finance institutions. ✓ How to address local market failures, minimize distortion of local markets. |
| 10:10 a.m.- 10:40 a.m. | Coffee Break |
| Session 2: Panel Discussion: The Private Sector – Challenges and Opportunities | |
| 10:40 a.m. - 11:25 a.m. | <p><u>Title:</u> "Private sector expectations and their implications"</p> <p>Moderator: Mr. Tidiane Boye, UNIDO Representative in Côte d'Ivoire</p> <p>Speakers:</p> <ul style="list-style-type: none"> ○ Mr. Nana Osei-Bonsu, CEO of Ghana’ Private Enterprise Federation ○ Mr. Lolo DIBY, Vice-President of the Federation of Small and Medium Enterprises (FIPME, Côte d'Ivoire) ○ Mrs. Charlotte Ndaw SAKO, Senior Operations Officer, International Financial Corporation (IFC) in Côte d'Ivoire ○ Mr. Célestin Tanoh, Francophone Africa representative, “Deutsche Investitions und Entwicklungsgesellschaft (DEG)” (KfW) ○ Mr. Stephane Aka-Anghui, Directeur Exécutif de la Confédération Générale des Entreprises de Côte d'Ivoire - Patronat (CGECI) |
| 11:25 a.m. - 11:40 a.m. | Questions and Discussion |
| Session 3: Blended financing: Countries' experiences - Senegal and Tunisia | |
| 11:40 a.m. - 11:55 a.m. | <p><u>Title:</u> “Policy learning from CWA Country experience”</p> <p>Moderator: Mr. Moller Lasse, Senior Economist / Private Sector Development Advisor, OECD, Paris</p> <p>Speaker 1: Senegal’s Experience</p> <ul style="list-style-type: none"> ○ Mr. Diakhoumpa Serigne Dame, Executive Director in charge of the Fund Raising, the Sovereign Fund for Strategic Investments (FONSIS) <ul style="list-style-type: none"> ✓ Current progress |

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| | <ul style="list-style-type: none"> ✓ Challenges ✓ Policies directions |
| 11:55 a.m.- 12:10 p.m. | <p>Speakers 2: Tunisia’s Experience</p> <ul style="list-style-type: none"> ○ Ms. Olfa Chamari, Head of Management Unit by Objectives, Ministry of Finance, Tunisia ○ Mrs Nejia Gharbi, Deputy Executive Manager of the Tunisian Deposit and Consignment Fund <ul style="list-style-type: none"> ✓ Current progress ✓ Challenges ✓ Policies directions |
| 12:10 p.m. - 1:00 p.m. | <p>Open discussion and knowledge sharing: Reactions from other CwA countries (Benin, Burkina Faso, Côte d’Ivoire, Egypt, Ghana, Guinea, Morocco, Togo)</p> |
| 13:00 p.m. - 2:00 p.m. | Lunch |
| Session 4: Panel Discussion: The Priorities for Blended Finance | |
| 2:00 p.m. - 2 :45 p.m. | <p><u>Title:</u> “What are priorities to improve blended finance in CwA countries”</p> <p>Moderator: Mr. Mustapha Nabli, CWA Advisory Panel Member, Former Minister of Planning and former Governor of the Tunisian Central Bank</p> <p>Speakers:</p> <ul style="list-style-type: none"> ○ Mr. Jose Gijon, IMF Resident Representative, Côte d'Ivoire ○ Mr. Labas Bamba, Directeur de Banque de Financement de la SIB, Professional Association of Banks and Financial Institutions (APBEF, Côte d'Ivoire) ○ Mrs. Sherine.El Sharkawy, Deputy Minister for Economic Affairs, Egypt ○ Mr. Jane Feehan, Head of Office of the European Investment Bank (EIB) Côte d'Ivoire ○ Mrs. Coralie Gevers, World Bank Country Director, Côte d’Ivoire, Benin, Guinea, and Togo <ul style="list-style-type: none"> ✓ Ensuring additionality for crowding in commercial finance; ✓ Allocating risks in a targeted, balanced and sustainable manner; ✓ Ensuring public transparency and accountability on blended finance operations. |

2:45 p.m.-3:00 p.m.

Questions and Discussion

Session 5: Panel Discussion: The DFI Perspective

3:00 p.m. - 3:50 p.m.

Title: “The challenges the DFIs face and what they are doing to address local context”

Moderator: Mr. El Hadj Bah, Chief Policy Economist, African Development Bank (AfDB)

Speakers:

- Mr. Matthieu Discour, Regional, Director for the Gulf of Guinea, French Development Agenda, Abidjan
- Mr. Wegoki Mugeni, Manager, Syndication & Co-Financing Division, AfDB
- Ms. Aida Gebrehiwet, Technical Advisor on Macroeconomic Advice for Poverty Reduction, GIZ, Benin
- Mr. Andreas Fikre-Mariam, Director KfW Office, Côte d'Ivoire

3:50 p.m. - 4:10 p.m.

Questions and Discussion

4:10 pm- 4:30 p.m.

Coffee Break

4:30 p.m.- 4:40 p.m.

Wrap up: Key takeaways and recommendations.

By Dr. Ed Brown, Senior Director, Research & Policy Engagements, ACET

4.40 p.m.- 5:00 p.m.

Concluding remarks

By Honorable Adama Coulibaly, Minister of Economy and Finance, Côte d'Ivoire