



## 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 Transformation<sup>1</sup> (ACET)

September 12, 2019, Abidjan, Côte d'Ivoire

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

Blended finance - an approach to mix different forms of capital in support of development - has proven to be an important solution to mobilize private investments for the SDGs in developing countries.

Blended finance is also 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.

Blended finance is defined as the strategic use of development finance for the mobilization of additional external finance, with 'additional finance' referring primarily to commercial finance. It consists of combining donors concessional finance alongside development finance institutions (DFIs)' own account finance and/or commercial finance from other investors, to mobilize private resources. The mains actors include DFIs<sup>2</sup>, multilateral organizations, private investors, and governments.

The objective of this peer learning event is to bring stakeholders - government, private sector and development partners - together around strengthening the local dimension of blended finance. Development finance institutions, multilateral institutions and representatives of G20 countries will attend the event in addition to CwA government officials. The event will provide an opportunity for CwA countries to learn from the good practice of other countries and discuss how blended finance could be further improved.

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<sup>1</sup> With support from OECD, ECDPM, and IFC.

<sup>2</sup> Example of DFIs: the African Development Bank (AfDB), the International Finance Corporation (IFC), the Asian Development Bank (ASDB), the Asia Infrastructure Investment Bank (AIIB), and the Islamic Corporation for the Development of the Private Sector (ICD), etc.

The conference will start with presentations on the importance of blended finance, why it is particularly relevant to CwA countries, and how blended finance can support Africa's economic transformation. The second section will focus on the key issues related to blended finance and particularly local context. Some research findings will be discussed, including those from ACET, OECD and the MDBs. Country case presentations (Senegal and Indonesia) will emphasize approaches that help make blended finance work and to better manage perceived risks. A third session will be dedicated to the challenges DFIs face and what they are doing to address local conditions that impact their ability to provide financing. The final session will emphasize the priorities to increase blended finance in CwA countries through a panel discussion including CWA countries, international organizations, DFIs, and private sector (special guest).

The following messages may guide the discussions

- **Structure blended finance to local context: Ensuring consistency of blended finance with national priorities and support to national financial market development.**

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. 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. When engaging in blended finance, DFIs would benefit from making the local context a priority which may lead to more successful and sustainable financing solutions.

- **Design blended finance to increase the mobilization of commercial finance: Ensuring additionality for crowding in commercial finance.**

To effectively increase financing for development, blended finance needs to ensure additionality by being used only where commercial financing is not currently available in each country context. Blending finance should also explicitly focuses on opportunities to crowd in financing from commercial sources into transactions that deliver development impact.

- **Focus on effective partnering for blended finance: Allocating risks in a targeted, balanced and sustainable manner.**

Mobilizing commercial finance in a sustainable manner 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.

## Indicative Agenda

### G20 Compact with Africa (CWA) Peer-learning Seminar on Blended Finance

#### *“Blended finance in CWA’ countries: Adapting to local context to increase investment”*

A seminar jointly organized by the Government of Cote d’Ivoire and the African Center for Economic Transformation (ACET)

September 12, 2019, Abidjan, Côte d’Ivoire (CIV)

Time	Intervention/Discussion
8 :00 am-9 :00 am (1h)	<b>Registration</b>
<b>Opening remarks and Keynote Address</b>	
9 :00 am- 9:30 am (30 mn)	<p><i>Opening remarks</i></p> <p><b>Speakers:</b></p> <ul style="list-style-type: none"> <li>✓ Ambassador of the Federal Republic of Germany</li> <li>✓ Ambassador of Japan</li> <li>✓ Minister of Economy and Finance of Côte d’Ivoire</li> </ul>
9 :30 am - 10:00 am (30mn)	<p><b>Overview of blended finance and recent developments</b></p> <p>“Blended financing in CWA countries: recent developments and opportunities”</p> <ul style="list-style-type: none"> <li>✓ Understand blended finance and key players;</li> <li>✓ Design blended finance to support local development;</li> <li>✓ Prioritize the local context in developing blended finance.</li> </ul> <p><b>Speakers:</b> Organization for Economic Cooperation and Development (OECD)</p>
10 :00 am- 10 :40 am (40mn)	<p><b>Key issues related to blended finance, particularly local context.</b></p> <p>“<i>Why the international community must adapt to different national contexts</i>”</p> <p>Outline research findings from ACET, European Centre for Development Policy Management (ECDPM), and OECD, etc.</p> <ul style="list-style-type: none"> <li>✓ How to identify and build on local development strategies.</li> <li>✓ How to strengthen the capacity of local private and public finance institutions.</li> <li>✓ How to address local market failures, minimize distortion of local markets.</li> </ul> <p><b>Speakers:</b> ACET</p>
10 :40 am- 10 :50 am (10mn)	Coffee Break
10 :50 am - 11 :30 am (40mn)	<p><b>Panel discussion 1: the private sector</b></p> <p><i>“Private sector expectations and their implications”</i></p> <p><b>Speakers:</b> General Confederation of Enterprises of Côte d’Ivoire - Patronat (CEGCI, CIV), Federation of Small and Medium Enterprises (FIPME, CIV), Ghana’ Private Enterprise Federation, IFC in CIV, Germany Ambassador in CIV.</p> <p><b>Modérateur :</b> UNIDO Representative in CIV</p>

11:30 am-12 :30 pm (1h)	<p><b>Panel Discussion 2: The priorities</b></p> <p><i>“What are priorities to improve blended finance in CwA countries”</i></p> <p><b>Speakers:</b> FMI National Representative, World-Bank country director, CI, Professional Association of Banks and Financial Institutions (APBF, CIV), Egypt, Federal Ministry for Economic Cooperation and Development (BMZ)</p> <ul style="list-style-type: none"> <li>✓ Ensuring additionality for crowding in commercial finance;</li> <li>✓ Allocating risks in a targeted, balanced and sustainable manner;</li> <li>✓ Ensuring public transparency and accountability on blended finance operations.</li> </ul> <p><b>Moderator:</b> CWA Advisory Panel Member</p>
12:30 pm- 1:30 pm (1h)	<b>LUNCH</b>
1:30 pm- 2:30 pm (1h)	<p><b>Panel discussion, The DFI perspective</b></p> <p><i>“The challenges the DFIs face and what they are doing to address local context”</i></p> <p><b>Speakers:</b> Development Bank of south Africa, GIZ, African Development Bank (AfDB), KfW Development Bank (KfW)</p> <p><b>Moderator:</b> AfDB</p>
<b>Blended financing: Countries’ experiences, Senegal and Indonesia</b>	
2:30 pm - 2:50 pm (20mn)	<p>Senegal</p> <ul style="list-style-type: none"> <li>✓ Current initiatives;</li> <li>✓ Challenges;</li> <li>✓ Policies</li> </ul>
2:50 pm- 3:10 pm (20mn)	<p>Indonesia</p> <ul style="list-style-type: none"> <li>✓ Current progress;</li> <li>✓ Challenges;</li> <li>✓ Policies</li> </ul>
3:10 pm- 3:50 pm (40mn)	<p>Open discussion and knowledge sharing: Reactions from CwA countries</p> <p><b>Moderator:</b> International Finance Corporation (IFC)</p>
3:50 pm- 4:00 pm (10mn)	Coffee Break
4:00 pm- 4:15 pm (15mn)	<p><b>Wrap up.</b> Key takeaways and recommendations.</p> <p><b>Speakers:</b> ACET</p>
4.15 pm- 4:30 pm (15mn)	<p><b>Conclusion remarks</b></p> <p>Ministry of Finance of Côte d’Ivoire</p>