

SESSION NOTE

Blended finance: mobilising green investment in emerging economies

25 October 2017 – 15:30 – 16:50

Mobilising significant private sector resources is paramount to limiting the rise in global temperature at the end of this century to well below 2 degrees. Broad and bold partnerships between governmental and non-governmental, international and domestic actors are critical in accelerating actions that deliver socio-economic development and low-emission, climate-resilient infrastructure with sustainable cities designed for citizens, while protecting biodiversity and our natural landscape. The lion's share of infrastructure investment needs –USD 4 trillion per year until 2030 – is required in developing countries and emerging economies¹. For developing countries in Asia only, climate-proof infrastructure investment needs amount to USD 1.7 trillion per annum until 2030². Estimates from 2010 project the infrastructure investment need in Africa at USD 93 billion per year until 2025³. However, private investors are not engaging in infrastructure projects in developing countries in the magnitudes required largely due to high real and perceived risks of investment exacerbated by weak regulatory and policy frameworks for investment. For sustainable infrastructure, such as renewable energy projects, efforts to promote energy efficiency and urban transport systems, these barriers are exacerbated by a lack of experience and awareness of clean technologies in developing countries.

Blended finance has the potential to mitigate risks for private investors and bridge the viability gap for infrastructure projects in developing countries. By using public development finance in targeted structures and mechanisms that either provide a 'risk cushion' or preferential returns, blended finance can bring in new investors to support delivering on the SDGs. This session will look at some of the key policy questions related to blending in the context of green investment in emerging economies, highlighting the role of key development finance actors and raising awareness of some of outstanding challenges for mobilizing investment.

Useful links

- ADB (2017), "Catalysing Green Finance: A Concept for Leveraging Blended Finance for Green Development Facility", Manila, <http://dx.doi.org/10.22617/TCS178941>.
- Business & Sustainable Development Commission and Convergence (2017), "The State of Blended Finance", Working Paper, available at <https://convergence.finance/knowledge-detail/1qdtFkf5Fq86S4u8U4G8YU>.

¹ The Global Commission on the Economy and Climate (2016), *The Sustainable Infrastructure Imperative. Financing for Better Growth and Development*, Washington and London.

² ADB (2017), *Meeting Asia's Infrastructure Needs*, Manila.

³ AFD and the World Bank (2010), *Africa's Infrastructure. A Time for Transformation*, Washington, DC.

- Crishna Morgado, N. and B. Lasfargues (2017), "Engaging the Private Sector for Green Growth and Climate Action: An Overview of Development Co-Operation Efforts", *OECD Development Co-operation Working Papers*, No. 34, OECD Publishing, Paris, <http://dx.doi.org/10.1787/85b52daf-en>.
- OECD (forthcoming), "Policy Perspectives Blended Finance: Mobilising resources for Sustainable Development and Climate Action in developing countries", OECD Publishing, Paris.
- OECD (forthcoming), "Making Blended Finance Work for the SDGs", OECD Publishing, Paris.
- OECD Blended Finance work: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/blended-finance.htm>
- OECD Centre on Green Finance and Investment: www.oecd.org/cgfi/.
- 4th OECD Green Investment Financing Forum: www.oecd.org/cgfi/forum/
- OECD Development Assistance Committee: <http://www.oecd.org/development/developmentassistancecommitteeedac.htm>.