

OECD – GIZ Conference: Closing the gap for water in line with SDG ambitions: the role of blended finance

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“Troubled waters? Four risks to consider in blended finance for WASH”

- Polly Meeks

The chances are, if you’re reading this post, you don’t need any convincing that financing safe water, sanitation and hygiene is a crucial issue. But how to source this finance is an urgent and open question. Here I set out four key risks that I hope will be factored into discussions on blended finance at the OECD-GIZ conference in Eschborn this week, and beyond.

This post draws on [a more detailed briefing](#) by the European Network on Debt and Development (Eurodad), produced as a contribution to the debates on blended finance around this year’s World Water Week.

Risk one: leaving people and countries behind. Water poverty is discriminatory – we know it hits some geographies and demographic groups harder than others. If you’re [a woman with a disability, in a rural area of a Least Developed Country](#) such as Bangladesh or Uganda, the odds of accessing safe water and sanitation are stacked against you.

Reaching these under-served populations is key to meeting Sustainable Development Goal 6 [‘Ensure availability and sustainable management of water and sanitation for all’]. But doing so means prioritising “[the very projects which are least likely to attract private investors](#)”, as there is little prospect of short-term commercial returns. The UN Inter-Agency Task Force on Financing for Development recently made [a similar observation](#).

Public finance gets round this problem. It’s often said that public finance will be insufficient to meet the SDGs’ infrastructure needs. But, [as a recent Eurodad paper argued](#), the evidence doesn’t bear this out. Solutions such as clamping down on tax dodging, and meeting commitments on Official Development Assistance, could mobilise significant public resources. Too much focus on mobilising the maximum quantity of private finance risks distracting from the urgent challenge of putting these public financing solutions into practice – as well of from the need to drive up infrastructure quality.

Risk two: undermining local ownership of development priorities. Like any other form of development cooperation, blended finance should support the priorities of countries in the global south – as the [OECD Blended Finance Principles](#) make clear. But the evidence (summarised in our [briefing](#)) highlights a range of challenges with governance structures, accountability, and policy conditionality that mean this has not consistently happened in practice.

Risk three: doing more harm than good. [Studies have shown](#) the risks of unintended environmental, social and fiscal consequences from blended finance – and [exposed](#) how shortcomings in transparency and redress mechanisms can make matters worse. As yet there’s little detailed research on such risks specifically in the water and sanitation sector. But given the strong links between water, sanitation, health and household finances, if projects in this sector do go sour, the repercussions are likely to be particularly severe.

Risk four: no clear added value. Blending uses scarce development finance resources, often diverting them from other purposes. Without evidence of added value, such diversion is very difficult to justify. Unfortunately, as [a recent report by the OECD](#) recognises, the evidence base on the outcomes and impact of blended finance is not yet persuasive: “Little reliable evidence has been produced linking initial blending efforts with proven development results”.

This shortage of evidence makes the OECD’s current work on blended finance in the water sector all the more welcome.

Some contributors to the conference [have written](#) that the challenge of financing SDG 6 is like filling a series of buckets with water, while also plugging their leaks. I agree that filling more buckets is vital. But Eurodad’s analysis highlights that it’s not only the number of buckets – but also the quality of the water that’s in them, and the fairness of how it’s distributed – that really counts for reaching the SDGs.

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