Tri Hita Karana Roadmap for Blended Finance

Summary of Outputs | October 2020

A unified, international framework for mobilising additional commercial capital towards the Sustainable Development Goals (SDGs).

BLENDED FINANCE is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries. It is widely perceived as a key development finance tool to help address challenges associated with scaling up commercial finance for the Sustainable Development Goals (SDGs) in their final decade. Responding to the need for a unified multilateral framework to advance blended finance outcomes, the THK Roadmap for Blended Finance was launched on the sidelines of the 2018 World Bank Annual Meeting in Bali, Indonesia. The value driven framework and guidance developed by the THK roadmap enables stakeholders to act coherently and reinforces their actions at the policy and operational levels.

SHARED VALUES TO ENSURE EFFECTIVE USE & SCALING UP OF BLENDED FINANCE

As the blended finance market grows larger, this shared value system provides guidance on the terms of reference to all blended finance actors, enables improved engagement with the private sector and can ultimately drive alignment and greater efficiency in the market.

- Anchor blended finance into the SDGs
- Commit to using blended finance to mobilise commercial finance
- Design blended finance to move towards commercial sustainability
- Structure blended finance to build inclusive markets
- Promote transparency when engaging in blended finance

THK Roadmap for Blended Finance: Blended Finance & Achieving the Sustainable Development Goals.

An overview of the shared value system and the five action areas.

GUIDANCE BASED ON THE SHARED VALUES

Capitalizing on the strength of a unified, multi-stakeholder approach, five action areas were identified to ensure effectiveness and efficiency in the use and scaling up of blended finance operations, and to help establish the appropriate environment for blended finance.

PRACTICE
Translate a common narrative into good practices.

MOBILISATION
Accelerate mobilisation of private commercial finance by optimising incentives, financial instruments and standardisation efforts.

TRANSPARENCY
Build on efforts to facilitate transparency in the use of blended finance, in particular blended concessional finance.

INCLUSIVE MARKETS
Addressing specificities in the local and international investment climate.

IMPACT
Promote measurement and monitoring of the impact of blended finance investments towards the SDGs.

TERMS OF REFERENCE FOR TURNING THE ROADMAP INTO REALITY

SCALE
Bring together stakeholders across the blended finance ecosystem to develop means and measures to scale the mobilisation of private finance for the SDGs.

IMPACT
Apply a holistic approach to integrating the SDGs into blended finance models, and build a body of evidence that blended finance is an effective tool to achieve impact.

LEARNING
Facilitate exchanges of knowledge and good practices on scaling, impact and innovation in blended finance that encourages implementation and systematic adoption.

INNOVATION
Identify, share and nurture innovative blended finance approaches as well as other innovations that can be scaled through the use of blended finance.

THK Roadmap guidance & tools

Compiling insights and inputs from a broad range of blended finance actors, the THK working groups have developed guidance materials to advance blended finance in the five action areas.

PRACTICE

Governance of Blended Finance Report

A report highlighting best practices for blended finance governance by donor agencies and development financiers at institutional and project levels.

What is Blended Finance?

Stocktaking of the state and role of blended finance, an inventory of blended finance instruments & risk mitigation approaches.

Library of key blended finance publications.

MOBILISATION

THK Mobilisation Working Group Summary Report

A summary of the findings, activities and recommendations of the THK Mobilisation Working Group. The paper establishes key components and recommendations for blended finance to be more successful in mobilising private commercial finance towards the Sustainable Development Goals (SDGs) in developing countries and directs the reader to the best global resources developed collectively as well as by individual working group member organisations.

TRANSPARENCY

Promoting Transparency in Blended Finance Report

A report summarising the findings of a scoping survey, exploring current reporting practices and areas for improvement, and a compendium of transparency resources and case studies that highlight transparency in blended finance. The report provides a useful reference for all blended finance stakeholders to build a common understanding of where we are and what needs to be done to further improve blended finance

INCLUSIVE MARKETS

Building Inclusive Markets Report

A report summarising best practices and case studies related to the enabling environment in developing countries; local capital markets; a mapping of inclusive market deliverables; and development of early-stage pipeline. Leveraging the aggregated intelligence of working group member organisations, it outlines how blended finance can be used as a tool to accelerate inclusive sustainable market development, including the local financial market.

IMPACT

Checklist for Assessing the Impact of Blended Finance on the Poor

A comprehensive checklist to assess the impact of blended finance on the poor (ex-ante and ex-post) and potential risks of blended finance investments on the poor, aligned with metrics from the IRIS+ database of the Global Impact Investing Network (GIIN).

Alignment between THK checklist & IRIS+ metrics

FOREWORD

Tri Hita Karana is a Balinese philosophy and tradition denoting three ways to attain happiness and prosperity that are aligned with the Sustainable Development Goals (SDGs).

Harmony of people addresses basic social issues such as poverty, education, health, clean and affordable energy, sanitation, water, economic, work, industry and infrastructure growth and inequalities including gender.

Harmony with nature addresses sustainability challenges in urbanization, production and consumption cycle, climate change, and biodiversity.

Harmony with the spiritual calls for our inner strength and faith to bridge peace and collaboration within, across sectors as well as countries.

The Indonesian Government believes that innovative finance pathways, such as blended finance, are critical to the attainment of the SDGs for an emerging economy like Indonesia or other developing economies. The International Community also recognises the Importance of Blended Finance for Policy Makers with both the G7 and G20 referencing Blended Finance in recent Communiques.

Taking a global leadership role in forging new collaboration and partnerships for sustainable development, the Indonesian Government hosted the Tri Hita Karana (THK) Sustainable Development Forum on Blended Finance and Innovation around the International Monetary Fund World Bank Annual Meetings in Bali October 2018. During the event, discussions on the implementation methods of blended finance to help mobilise private financing towards the SDGs resulted in the launch of the multi-stakeholder Tri Hita Karana Roadmap for Blended Finance initiative, one of the widely cited accomplishments from the IMF-WB Annual Meeting 2018.

Building on the 2018 success, during the 2019 UN General Assembly, the Indonesian Government hosted a side event dialogue, "Leveraging blended finance for the SDGs." Indonesia was one of only seven countries to submit, for the second time, a voluntary national review tracking the progress of SDGs. The outlook for the blended financing market to scale and finance the SDGs in Indonesia was shown to be promising.

Indonesia's blended finance initiative and commitment will serve as a model for how SDG aligned projects in the Asia-Pacific region can be financed by a mixture of sources, including those deriving from the private sectors.

The present publication brings together work undertaken since October 2018 by the five working groups established under the THK Roadmap for blended finance. It is the hope that the publication can inspire more and better use of blended finance.

- H. E. Airlangga Hartarto
Coordinating Minister for Economic Affairs, Government of Indonesia

TRI HITA KARANA

SUSTAINABLE DEVELOPMENT GOALS

Tri Hita Karana - Balinese Three Ways to Happiness Bridging 3 Divides

THK Practices Working Group - Summary of Deliverables

PRACTICE

The THK Practice Working Group have produced guidance and tools to ensure the agreed common narrative on blended finance is effectively turned into practice. By generating and sharing good practices, the working group hopes to inspire practitioners and stimulate the expert debate around the state of play in blended finance today.

Tri Hita Karana | Roadmap for Blended Finance

"The idea of the Practices Working Group was to showcase important aspects relevant to a well-functioning blended finance market. Thanks to the long standing experience and expertise in blended finance of the participants in the Working Group, we were able to present best practices in selected areas. Cooperation is key in development support. The sum is more than its parts and this is in particular relevant for blending."

Michael Feith, EU Commission ECFIN,
Chris Clubb, Convergence,
Marika Levena, EIB & Kristina Mikulova, EIB
Co-chairs of the THK Practices Working Group

GOVERNANCE OF BLENDED FINANCE I REPORT HIGHLIGHTS

Showcasing blended finance governance best practices with a focus on the two key stakeholder groups – donor agencies and development

WHY GOOD GOVERNANCE? The OECD DAC Blended Finance Principles represent the gold standard among donors, MDBs, DFIs, philanthropies and the private sector. The primary reason for subscribing to the Principles is accountability, both towards the international community and vis-à-vis donors/shareholders. The report brings the Principles to life by showcasing institutional-level and project-level good governance frameworks deployed by various blended finance provider in a way that meets accepted quality standards and achieves impact.

DONOR AGENCIES

National governments that endorse the Principles ensure compliance by providing independent oversight and quality assurance. At the **institutional level**, the two prevailing models for good governance are the direct model and the delegated model. At the **project level**, donors' appraisal and monitoring/evaluation mechanisms for blended finance projects differ from regular ODA projects by focusing on additionality, mobilisation/leverage and long-term financial sustainability.

The most important "new" element in donors' ex ante analysis for blended finance projects is the consideration of minimum concessionality

DEVELOPMENT FINANCIERS

Each development financier has a unique mandate that sets strategic direction for the use of blended finance to deliver the SDGs. In recent years, most MDBs and DFIs have integrated practices inherent in the OECD Principles into their existing blended finance governance frameworks and have also elaborated more specific DFI Enhanced Principles for Blended Finance. MDBs and DFIs took stock of progress in implementing these BF governance frameworks in 2019.

A Library of key blended finance publications from 2016-2019

CASE STUDIES

- Direct institutional approach: JICA and Canada's IAIP program
- Delegated institutional approach: European Commission
- Institutional approach: African Development Bank
- Project-level process: European Bank for Re-construction and Development
- Project-level process: European Investment Bank

TOP 10 COMPONENTS OF BLENDED FINANCE GOOD PRACTICES

1. **Improve community understanding of when Blended Finance is a good development tool**
2. **Develop community agreement on good practices aligned to 5 OECD Principles**
3. **Practical tools available to the development community to support their activity in blended finance**
4. **Collaboration within development community**
5. **Alignment between development agencies, MDBs and DFIs**
6. **Clear and coordinated message and engagement with private investors**
7. **Agreement and engagement between government in developed and developing countries**
8. **Strong understanding of private investor investment criteria**
9. **Good practices to mobilise private investment**
10. **Availability of development funds for blended finance – clear identification and dissemination**

WHAT IS BLENDED FINANCE? I RESEARCH NOTE

An overview of blended finance – concepts, definitions, actors, instruments – and stocktaking of the current state and role of blended finance in scaling up private investments for development.

- The paper addresses the ambiguity and variety in the **ways blended finance is defined** by highlighting how different organizations and actors (donor organisations, the OECD, MDBs and DFIs) define it.
- Recent **trends** highlighted include a decline in the proportion of blended finance transactions targeting least developed countries (2010-2018) and only 2-4% of cross-border finance flowing to developing countries (2010-2016) associated with blended finance. These trends demonstrate the need to further mobilise additional resources from both private and public actors.
- An overview of **blended finance actors** covers International organizations and Donor Governments, Philanthropic foundations and NGOs, Private investors and commercial companies & Multilateral Development Banks and Development Finance Institutions.
- The report concludes with a comprehensive inventory of **blended finance instruments**, definitions and use for mitigating risk in blended finance transactions.

MOBILISATION

Mobilisation Working Group - Summary Report Highlights

Blended finance flows including catalytic development finance is $14-18 billion annually – similar levels over 2015-2019. This Summary Report aims to identify blended finance activities that can boost this mobilization.

KEY BARRIERS IMPEDING PRIVATE INVESTMENT INTO DEVELOPING COUNTRIES

- High Country Risk
- Remuneration for the risk
- Scale
- Financial intermediaries & investment channel
- Investment access

TOP 10 RECOMMENDATIONS FOR BLENDED FINANCE TO SIGNIFICANTLY INCREASE PRIVATE INVESTMENT MOBILISATION

1. Donors to allocate 2-3 times current levels of funding to blended finance
2. Donors should collaborate on blended finance, including co-funding blended finance vehicles
3. Donors to actively support traditional partners in extending partnerships with local, regional and global capital markets
4. Cluster solutions around standard approaches for scaling mobilisation, multiple approaches for bespoke development impact on smaller scale
5. More project level solutions required to make individual SDG projects bankable/investible to mobilise private investment
6. Create more funding and risk sharing to support local financial intermediates to finance more SDG projects at local level
7. MDBs and DFIs should establish explicit, stretch targets for private investment mobilisation
8. Standardisation of blended finance approaches, offerings and documentation to crowd in private investment
9. Increase cooperation between donor/development communities and private finance communities to seek alignment of interests
10. Better usage/harmonisation of project preparation facilities/early stage engagements to create larger universe of investible/bankable projects

THE MOST EFFECTIVE APPROACHES FOR MOBILISATION

Based on a review of the he Convergence Blended Finance Historical Database and the following reports - Mobilization of Private Finance by MDB and DFIs 2018, DFI Working Group on Blended Concessional Finance for Private Sector Projects, the OECD Blended Finance Funds & Facilities, the OECD Global Outlook

TOP 8 COMPONENTS OF EFFECTIVE PRIVATE INVESTMENT MOBILISATION

1 Private sector investment: Segmentation and investment criteria
Determines 5 priority investor segments to mobilise through blended finance and their investment mandate/criteria

2 Blended finance structures to mobilise private finance at scale
It is critical that blended finance practitioners deploy the most effective blended finance solutions to mobilise investment at project & portfolio level.

3 Financial intermediation for blended finance
Blended finance requires financial intermediaries for success. The direct & indirect financial intermediation chains are identified as well as the needs at each level.

4 Mobilisation to less explored sectors
Getting the investor community to co-operate is key to developing solutions that include fields such as water and sanitation, gender, ocean conservation.

5 Larger universe of bankable/investible SDG projects
Mismatch between SDG Investment Gap and observations from banks, MDBs, DFIs and institutional investors; "there are not enough bankable/investible deals"

6 Standardisation
Private investors require standardisation of the description of the investment opportunity, of financing agreements and blended finance approaches.

7 Marketplaces
High fragmentation of investment opportunities and limited electronic market-places where private investors can go to identify the investment opportunities.

8 Incentives for blended finance
The development community has to create investment assets to capture the surge of interest in investment aligned to SDGs in developing countries.

Tri Hita Karana | Roadmap for Blended Finance

"Implementing the Agenda 2030 is about making use of different parties' knowledge, experience and capital. Blended finance has the ability to create investible assets aligned to private investors' growing appetite for sustainable investment strategies, and open the floodgates for global financial and capital markets to invest in new assets and geographies that will narrow the $2.5 trillion SDG Investment Gap."

Chris Clubb, Convergence, Karin Lindblad, Sida, Lukas Schneller, SECO
Co-chairs of the THK Mobilisation Working Group

For blended finance to mobilise additional private investment that would otherwise not occur, a systemic understanding of private investment is required.

The THK Mobilisation Working Group aims to... "where possible, accelerate mobilisation of private commercial finance by optimizing incentives, financial instruments and standardization efforts"

Development Activity	Non-Concessional Development Finance	Concessional Development Finance
Instruments	Financial Instruments (Loans, Equity, Guarantees and Insurance)	Grants and Risk Capital (Financial Instruments)
Approaches – Project level	Co-investment in projects financed by DFIs: Since DFIs employ business model of only [35]% financing of a project, then additional 65% required. Two types: • Project sponsor finance • Parallel external finance (e.g.,local bank) Co-financing directly mobilised by DFI (e.g., A-B loans)	• Grants • Guarantees • Insurance • Results-Based finance • Subsidy • Project Preparation Facilities • Project Specific TA • Investment Grants
Approaches – Portfolio Level	Financing mobilised by DFI into portfolio of DFI projects (e.g. IFC, MCPP)	Catalytic/concessional capital into funds – grants, debt, equity • Catalytic / concessional Guarantees • Catalytic / concessional Insurance
Approaches – Institutional level	Full recourse funding at DFI level (e.g., private sector debt into DFI, such as IFC issuing a Green Bond)	• Not Applicable

The state of play and findings presented in this paper are based on existing research, analysis of available databases, a survey of select blended finance stakeholders and an analysis of 'best practice' case studies in select institutions.

> *A call for increased transparency is found in several international efforts and recognized in the development effectiveness agenda as a building block of accountability, better coordination and effective targeting and use of resources. Notably, in a THK survey conducted in June 2019, 90% of respondents supported the need for more transparency in blended finance.*
>
> Meghan Watkinson, Global Affairs Canada
> Kruskaia Sierra-Escalante, IFC
> Co-chairs, THK Transparency Working Group

KEY ISSUES HIGHLIGHTED BY THIS RESEARCH:

1. **Agreement that greater transparency in blended finance is needed** but debate about how far to go and how to overcome potential risks.
2. **Potential for improvement in all aspects of transparency** without undermining competition in the process of delivering better information
3. **Project/activity level transparency remains particularly problematic** due to legal limitations & market driven practices.
4. **Impact data remains limited** but is key to building an evidence base, understanding what works & supporting inter-institutional learning
5. **Need for improved input information on** instruments, concessionality level, volume/rationale for use of concessional finance, volume of other development finance, additionality, private finance mobilised, investee type & host country sector of intervention.

TRANSPARENCY IN BLENDED FINANCE:

The availability, accessibility, comprehensiveness, comparability, clarity, granularity, traceability, reliability, timeliness and relevance of both ex-ante and ex-post information regarding the use of public and private capital in blended finance transactions.

CASE STUDIES

IFC's enhanced concessionality disclosure for improved governance

PHOTO CREDIT : IFC

Undermining fiscal policy of sovereign governments

Small Loan Guarantee Program: value of transparency for scaling up effective use of blended finance

PHOTO CREDIT : IFC

PIDG Results Monitoring Database: project level data on blended finance transactions in the infrastructure sector

DFI Working Group data compilation for transparency of blended concessional finance for private sector

BENEFITS OF INCREASED TRANSPARENCY

Despite the challenges and complexities of increasing transparency in practice, there are clear benefits:

- Builds trust and improves learning within and across implementers; **strengthens the case for more investment;**
- Enables better **understanding of risk and return** expectations;
- **Supports decision-making** on the effectiveness of blending as a financing for development tool;
- **Facilitates more effective engagement** in the market by all relevant actors; and
- **Minimises asymmetries of information** where possible, thus encouraging a more competitive playing field.

TRANSPARENCY STAKEHOLDERS

The multi-stakeholder nature of blended finance deals means that investments, especially blended concessional finance, require additional considerations with respect to transparency as compared to traditional donor-recipient aid transactions. The report lists all relevant blended finance stakeholders, the specific transparency attributes that they are looking for/ need and those which they are able to supply/ make available.

TRANSACTION/ACTIVITY-LEVEL DATA IS NOT ALWAYS AND FULLY AVAILABLE

This tends to be explained by legal obligations and market driven practices that limit the public disclosure of information. There is also tension between standardisation of concessional pricing, which considers the bespoke nature of each project and disclosing terms/conditions of an investmenton against being able to minimise concessionality on such investment.

TRANSPARENCY WORKING GROUP RECOMMENDATIONS:

- **Strengthen dialogue and collaboration around needs and responsibilities of all blended finance actors**
- **Establish the respective roles and responsibilities of stakeholder groups**
- **Harmonise minimum reporting requirements for all stakeholders emphasising public availability of information**
- **Establish a common blended finance reporting standard that is fit-for-purpose & fit for all actors**
- **Enhance access to information on existing blended finance facilities and investments**

Building Inclusive Markets | Report Highlights

INCLUSIVE MARKETS

Addressing the specificities of local and international markets, this report investigates opportunities to deepen and widen existing markets to reach underserved segments of the population and create an economy with more diversified services and new investment opportunities.

Tri Hita Karana | Roadmap for Blended Finance

"The THK Inclusive Markets group has explored instruments and approaches that help create, develop & deepen sustainable markets. To address the severe socio-economic consequences of the Covid pandemic, now is the time to deploy blended finance and other innovative mechanisms at scale to create new opportunities, amplify synergies and foster collaboration to achieve the SDGs."

Frode Neergaard, WEF
Co-chair of the THK Inclusive Markets Working Group

FOCUS AREA 1 ENABLING ENVIRONMENT | PROMOTING A SOUND ENABLING ENVIRONMENT AND INVESTMENT

Legal & Regulatory impediments to Blended Finance. This focus area emphasises the importance of a regulatory environment conducive to stimulating sustainable market development, recognises key constraints and distills good practices and lessons learned regarding key regulatory reforms. Macro risks, weak regulatory environments, lack of market transparency, and illiquid investments pose barriers to bringing private investment to developing countries. Policy instruments such as reducing capital controls and streamlining company and collateral registration and ownership requirements may improve the enabling environment for blended finance transactions. Where government measures to regulate cross-border funds transfers have had a dampening effect on global investment flows, clarifying these rules to international banks would facilitate movement.

INCLUSIVE MARKETS ARE...

...marketplaces that generate access to economic opportunities for all, and create shared prosperity across all social groups, sectors and geographic areas by focusing on long-term sustainable development. Blended finance enables and accelerates the creation of inclusive markets.

FOCUS AREA 2 LOCAL CAPITAL MARKETS | ACCELERATING INCLUSIVE SUSTAINABLE MARKET DEVELOPMENT

Blended Finance as a Tool for the Deepening and Widening of Local Capital Markets With the goal of expanding financing opportunities for borrowers, lenders, and investors in mind, this focus area emphasises the need for inclusive sustainable development of local capital markets. Underdeveloped local capital markets and limited access to finance for banks, companies and segments of the population in developing countries remains a key challenge for unlocking new markets and facilitating new investments. Blended finance can support inclusive sustainable development of local capital markets by exploring the role of various stakeholders, including national and sub-regional DFIs and development banks in mobilising private sector investment by employing, replicating & scaling blended finance approaches.

FOCUS AREA 3 MAPPING INCLUSIVE MARKET VEHICLES

Reviewing blended finance solutions for creating and deepening inclusive markets, this focus area defines inclusive markets vehicles as those reaching underserved segments of the economy with limited or no access to markets or financing opportunities and where blended finance can be a tool for mobilising additional financing to create inclusive markets. Leveraging Convergence's database, a high-level analysis of blended finance transactions aligned to inclusive markets financed and launched to date is presented. Convergence has identified approximately 500 blended finance transactions that have reached financial close across multiple sectors, regions, and development themes. There have been more than 1,100 unique organizations that have provided 3,700 financial commitments to these structures.

CASE STUDIES

Fintech Investment: Zoona Mobile Money System in Zambia

NB Between 2018 to present, Zoona restructured their business model presented in this THK Building Inclusive Markets report case study

PHOTO CREDIT: ZOONA

Corporate Sustainability Bond: Tropical Landscapes Finance Facility supporting green growth in Indonesia

PHOTO CREDIT: TLFF/SHUTTERSTOCK

Private Agricultural Sector Support Trust - financial sector deepening in Tanzania

PHOTO CREDIT: PASS TRUST

GET FiT - Global Energy Transfer Feed-in-Tariff program in Uganda

PHOTO CREDIT: GET FIT UGANDA

Strengthening Market Structures Frontclear - Building a repo market in Kenya

African Local Currency Bond (ALCB) Fund

PHOTO CREDIT: ALCB FUND

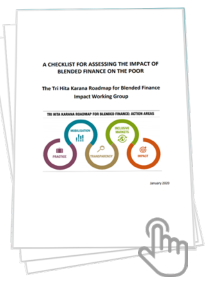
FOCUS AREA 4 EARLY STAGE PIPELINE

Blended Finance Targeting Early Stage Projects in Sub Saharan Africa | This section focuses on the lack of bankable projects in Sub Saharan Africa (SSA) and fosters connection between owners of early stage projects with the appropriate providers of development capital in order to successfully unlock SSA's pipeline potential. Investors argue that private capital is not flowing to developing countries due to a lack of bankable or investment ready projects. Private capital tends to shy away from early stage investments due to the higher risk at this project stage. A recent survey by the Sustainable Development Investment Partnership (SDIP) and partners highlights an estimated $2.35 billion available in the coffins of 47 project preparation facilities and funds surveyed with approximately $800 million available exclusively for project development support in Africa. The SDIP Africa Hub objective is to create a sustainable flow of commercially attractive SDG projects that enable private capital to flow at the scale needed to address urgent development needs in the continent.

IMPACT

THK Checklist for assessing the impact of blended finance on the poor

Many blended finance providers have responded to the SDG objective of “reaching the furthest behind first” by prioritising investments with direct benefits for the poor or an indirect impact through contributions to market creation and/or changing the behaviour of market actors in ways that expand markets for the poor. While blended finance providers must find some way of measuring investment impacts on the poor, comprehensive measurement frameworks that include specific indicators for impact on the poor are costly and time-consuming to develop and implement. Many public and private providers lack credible and practical means to identify whether poor beneficiaries profit (or suffer losses) from proposed and selected investments resulting in poorly-informed project selection for those interested in targeting the poor, and weak ex-post impact measurement.



Responding to these challenges, the THK Impact Working Group designed the Checklist for assessing the impact of blended finance on the poor as an intentionally comprehensive tool that offers blended finance providers a way to assess impact on the poor for most kinds of transactions.

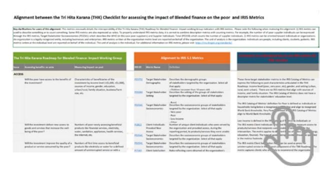
Tri Hita Karana | Roadmap for Blended Finance

“Driven by the SDG’s objective to reach the poor first, many blended finance activities focus on the goal of poverty reduction. The underlying causal claim is that sustained periods of high investment will lead to increased productivity, resulting in job creation and ultimately poverty reduction. However, without measuring the impact, we have little or no evidence if this or other underlying causal claims hold true.”

Nancy Lee, CGD & Magdalena Orth, DEval
Co-chairs, THK Impact Working Group

ASSESSING BENEFITS EX-ANTE AND MEASURING IMPACT EX-POST

The Checklist describes what needs to be assessed ex ante and measured ex post to assess impact in 7 key areas using the Global Impact Investing Network’s (GIIN) IRIS+ framework – an existing standardized metrics framework applied by a broad range of investors and stakeholders. To assess whether ex ante assumptions or predictions are supported by evidence, some form of credible ex post impact measurement is necessary for every blended finance investment.



Metrics crosswalk detailing the inter-operability of the THK Impact Working Group Indicators with IRIS+ metrics.

Guidance on how to use IRIS+ metrics alongside the THK checklist for assessing the impact of blended finance on the poor

The THK Impact working group uses the DAC Evaluation Criterion

DEFINITION OF ‘IMPACT’

as the extent to which the intervention has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects.

ASSESSING RISKS: EX ANTE

Blended finance transactions involve a multitude of investors and actors, whose interests are not necessarily aligned. The underlying causal chains leading from the blended finance investment to reduced poverty are long and can imply a risk of incorrect assumptions or unintended effects on the poorest and most marginalized. Putting risk assessments at the forefront of investment decisions is critical to taking into account who is set to benefit from the investment and how to best mitigate adverse effects.

ASSESSING BENEFITS EX-ANTE AND MEASURING IMPACT EX-POST *(extract only, see full checklist)*

Categories	Assessing benefits: ex-ante	Y/N	Measuring impact: ex-post
Access	Will the poor have access to benefits of the investment? …		Characteristics of beneficiaries of the investment …
Affordability	Will the investment increase the affordability of key goods/ services that raise productivity or well-being? …		Changes in costs of products consumed by the poor that are provided by the investment …
Income and wealth benefits	Will the investment add value to assets held by the poor? …		Change in value of assets (e.g., land, livestock, financial assets) held …
Basic need and vulnerability	Will the investment reduce food insecurity for the poor? …		Food insecurity as measured by food consumption patterns for the poor …
Empowerment and capacity building	Will the investment help formalize economic activity in which the poor participate? …		Indicators of formalization of jobs for poor beneficiaries …
Standards	Will the investment conform to international standards that protect poor consumers or producers? …		Internationally recognized labor and social standards protecting poor producers or consumers …
Market building and finance mobilization	Will the investment introduce a new product/ service/ asset previously unavailable to the poor? …		Numbers of poor accessing new products, services, or assets …

ASSESSING RISKS: EX ANTE *(extract only, see full list)*

Categories	Assessing risk: ex-ante
Financial sustainability	Is there a high risk that the investment is not financially sustainable? …
Access to goods and services	Will the investment increase living expenses for the poor, including costs for food or housing? …
Physical harm	Will the business model underlying the investment expose the poor to physical insecurity? …
Equality	Is there a high risk that the investment will increase inequality among those impacted by the investment? …
Climate change	Will the investment expose the poor to greater risk from climate change, such as increasing their dependence on products increasingly threatened by climate change? …
Financial status	Will the investment increase vulnerability of the poor with regard to adverse income shocks that can be controlled? …
Aid effectiveness	Will the investment conflict with, or undermine, the country’s poverty reduction strategy? …

THE VALUE AND FUTURE OF THE THK ROADMAP FOR BLENDED FINANCE

- THK Team, Organisation for Economic Cooperation and Development (**OECD**), Development Cooperation Directorate (**DCD**)

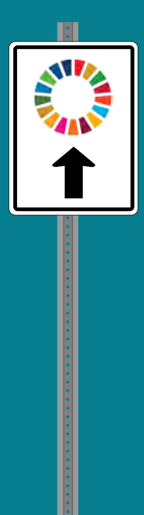
Established in Bali, Indonesia, in October 2018, the THK Roadmap for Blended Finance is a unique platform for international dialogue on blended finance. It brings together stakeholders from all over the world, including donor agencies, development finance institutions, multilateral development banks, civil society organisations, philanthropic foundations, private sector stakeholders, and impact investment communities. The Roadmap's high number of participants is a testimony both to the interest in blended finance at the international level, and the need for an open forum where individuals from a broad range of institutions can meet and exchange views on blended finance.

This publication represents a significant milestone in the work of the THK Roadmap. It highlights key outcomes of the five working groups established under the THK umbrella in 2019, and provides easy access to THK products and deliverables for anyone interested in blended finance. The drafting of the publication was supported by Canada, and we would therefore like to thank Global Affairs Canada for making this important endeavour possible.

We would also like to thank Indonesia for their key role in establishing the THK and for their active involvement and continued support to the Roadmap. The OECD have assisted in the process, and we are very proud to have been facilitating the work of the THK Roadmap. The numerous meetings, workshops and events arranged and held over the last two years have brought together many diverse stakeholders and have constituted a robust frame for fruitful discussions as well as for the production of a whole range of deliverables on blended finance that are now available as public goods on the THK resource hub

The THK Roadmap for blended finance is at a critical juncture, with the Covid-19 crisis having placed unprecedented challenges on the international Development Finance community. The economic and social recovery needs are massive, especially in developing countries and emerging economies.

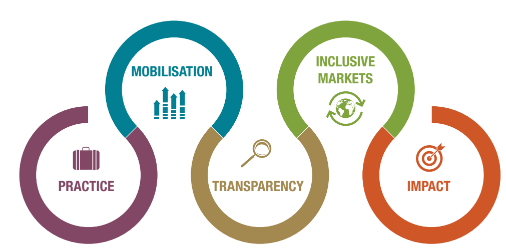
Development finance – including blended finance as one important tool in the toolbox – will have to meet these challenges by playing an even more effective and influential role in recovering from the pandemic. Now, more than ever, is the time for international dialogue, coordination and collective action to ensure more and better use of blended finance.



The THK Roadmap is already serving this purpose, and it is hoped that the Roadmap can help to ensure that Blended Finance continues to deliver development outcomes in the years to come.

All relevant actors are invited to join the Roadmap, and to contribute within this shared value system and the respective guidance.

Contact us at: DCD.BlendedFinance@oecd.org



Tri
Hita
Karana

Roadmap
for
Blended Finance