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What are the real blockages to financing SDG 6?

Setting the scene

Blended finance for WASH in lower income areas, the latest numbers

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Three main characteristics that define blended finance mechanisms (OECD, 2015)

- **Leverage**: Development finance, public and philanthropic funds are used to attract private capital.
- **Impact**: Investments aim to achieve social, environmental and/or economic outcomes.
- **Returns**: Private investments expect to have financial returns which match with market expectations.

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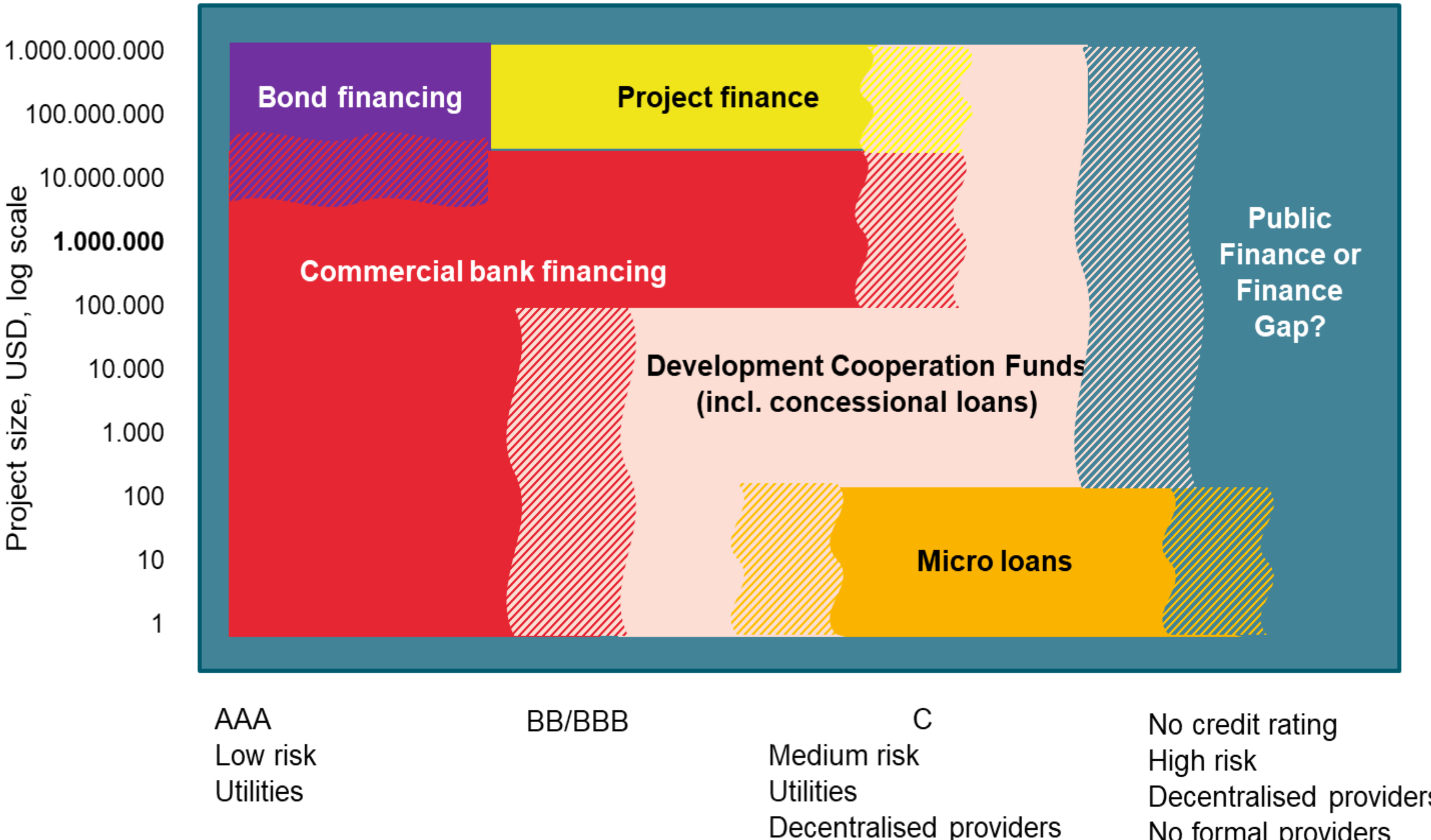
My simplified definition of blended finance…

Blended finance is about using public money to de-risk investments and thus make them more attractive to private money.

A simplified framework for discussing blended finance

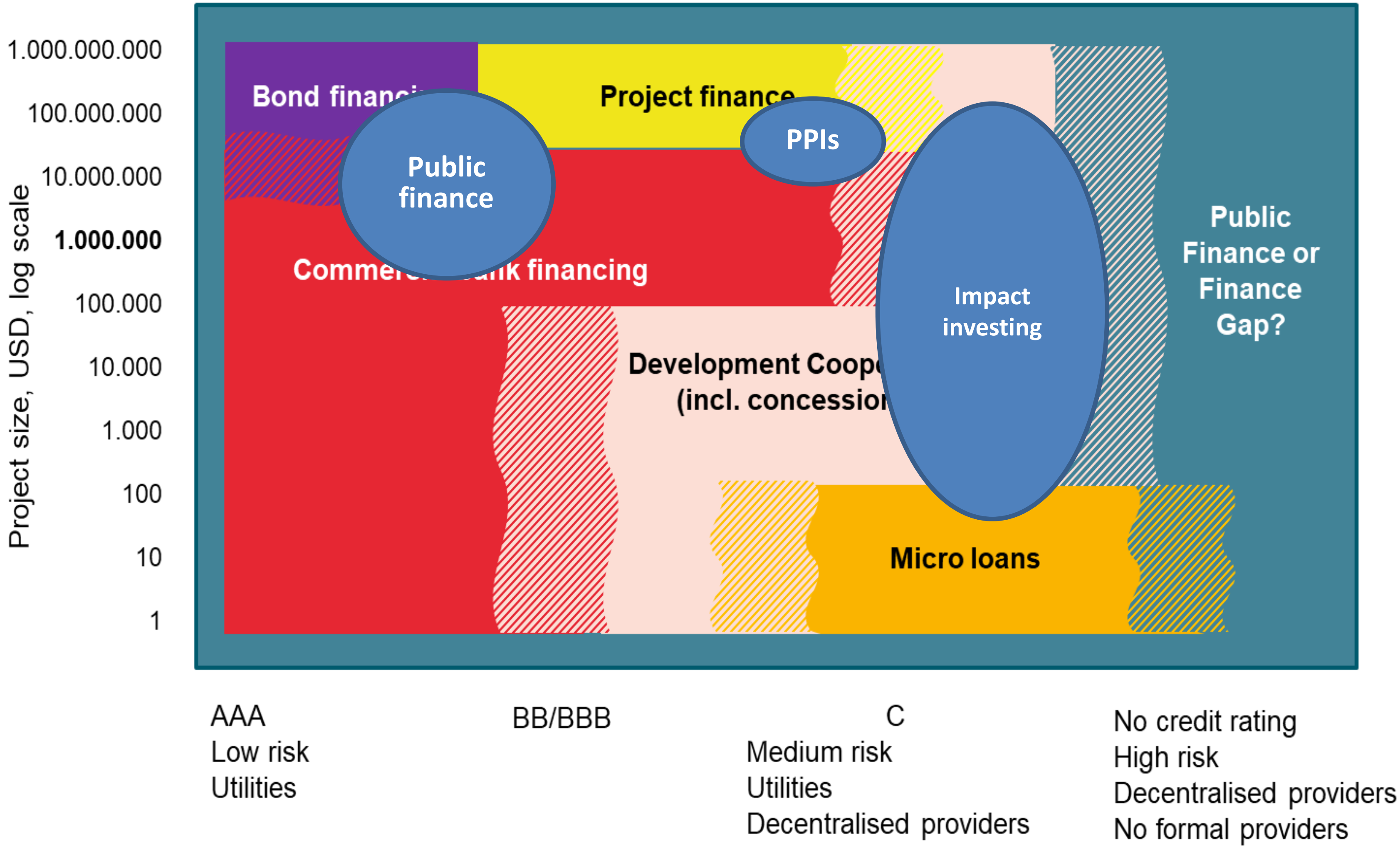


Source: Gietema, van Oppenraaij and Fonseca (2017) for the 2017 International Amsterdam Water Week

Some numbers

- Financial gap of USD 114 billion per year only for CapEX (Hutton and Varughese, 2016)
- Share of W&S in blended finance 1.9% roughly equivalent to US$ 1.5 billion (OECD, 2018)
- Share of W&S in impact investing 4% (GIIN, 2018) roughly equivalent to US$ 9.2 billion of AUM
- Share of (public) guarantees in W&S to mobilise private capital, unknown
- **Share of all of these in least developed countries, unknown**
- ODA flows to WASH in 2015 to LDC = USD 13 billion (OECD-DAC)

Work in progress…



Source: Rieiro, Fonseca and Moriarty (2018, forthcoming)

A reminder from yesterday's sessions on blended finance…

- If private finance is to be "crowded in" to the poorer countries, a sizeable part of what is invested, will need to go to strengthening the enabling environment: people, skills and performance.

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Three themes for discussion

1. What are the main bottlenecks that need to be removed to attract additional finance (public and private) for poor/informal areas?

2. Bottom-up blended finance for poor/informal areas? A new area for NGOs to lead and/or initiate?

3. “Softening” microfinance? Scaling up from HHs to service providers? What blends are possible?

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