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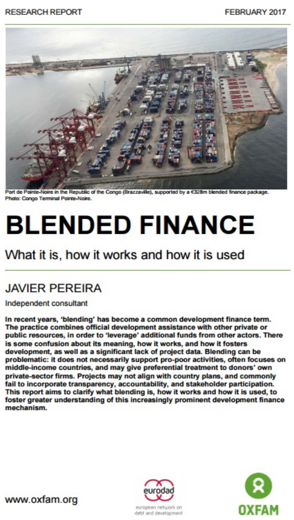
RESEARCH REPORT FEBRUARY 2017

Port de Pointe-Noire in the Republic of the Congo (Brazzaville), supported by a €328m blended finance package.
Photo: Congo Terminal Pointe-Noire.

BLENDED FINANCE

What it is, how it works and how it is used

JAVIER PEREIRA
Independent consultant

In recent years, 'blending' has become a common development finance term. The practice combines official development assistance with other private or public resources, in order to 'leverage' additional funds from other actors. There is some confusion about its meaning, how it works, and how it fosters development, as well as a significant lack of project data. Blending can be problematic: it does not necessarily support pro-poor activities, often focuses on middle-income countries, and may give preferential treatment to donors' own private-sector firms. Projects may not align with country plans, and commonly fail to incorporate transparency, accountability, and stakeholder participation. This report aims to clarify what blending is, how it works and how it is used, to foster greater understanding of this increasingly prominent development finance mechanism.

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In a report co-published with Oxfam International, Eurodad focuses its new piece of research on blended finance. Combining official development assistance (ODA) with other private or public resources, in order to ‘leverage’ additional funds from other actors, “blended” finance has become a common development finance term over the last few years.

However, there is a level of confusion around the way this development finance mechanism operates, coupled with a relative lack of data from blending projects. With an aim to shed light on this concept, the report clarifies what blending is, how it works and how it is used. It identifies areas that are crucial to maximize the development impact of blending projects, while providing an assessment of the associated quantitative and qualitative risks.