

Webinar

NAVIGATING THE NEXT WAVE OF BLENDED FINANCE FOR FINANCIAL INCLUSION

10 - 11 a.m. (US ET)
December 4, 2018

Photo: Bui Vu Quang, 2016 CGAP Photo Contest



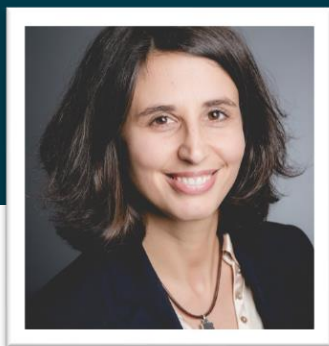
Logistics

1. This is an audio broadcast. Attendee microphones will remain muted during the entire webinar.
2. To ask questions during the webinar, please use the chat box on the right-hand side of the Webex session. Please submit your question at any time during the webinar.
3. To ensure your question is seen by the moderator, select “All Participants” from the drop down menu when sending your question.
4. The webinar recording will be emailed to all attendees and registrants.

Speakers



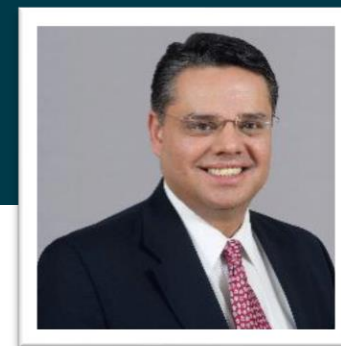
Joan M. Larrea
Convergence



Barbara Scola
CGAP



Milena Bertram
Finance in Motion



Henry González
CGAP

Agenda

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| 1 | Introductions |
| 2 | The State of Blended Finance |
| 3 | Blended Finance in Financial Inclusion |
| 4 | Blended Finance in Practice |
| 5 | CGAP & Blended Finance |
| 6 | Q&A |

The State of Blended Finance

Joan M. Larrea, Convergence



CONVERGENCE

BLENDING GLOBAL FINANCE

BLENDING FINANCE
FOR FINANCIAL
INCLUSION

DECEMBER 2018

www.convergence.finance

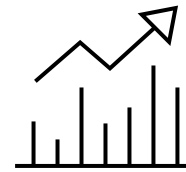
WHAT IS CONVERGENCE?

Convergence is the global network for blended finance. We generate blended finance data, intelligence, and deal flow to increase private sector investment in developing countries.



A GLOBAL NETWORK

We have a global [membership](#) of over 270 public, private, & philanthropic institutions



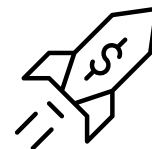
DATA & INTELLIGENCE

Original [content](#) builds the evidence base for blended finance, including data on past deals, trend reports, case studies, region and sector briefs, and webinars.



DEAL FLOW

An online match-making platform for investors and those seeking capital to connect on active deals.



MARKET ACCELERATION

Our [Design Funding](#) program awards grants for the design of innovative vehicles that can attract private capital to global development at scale.



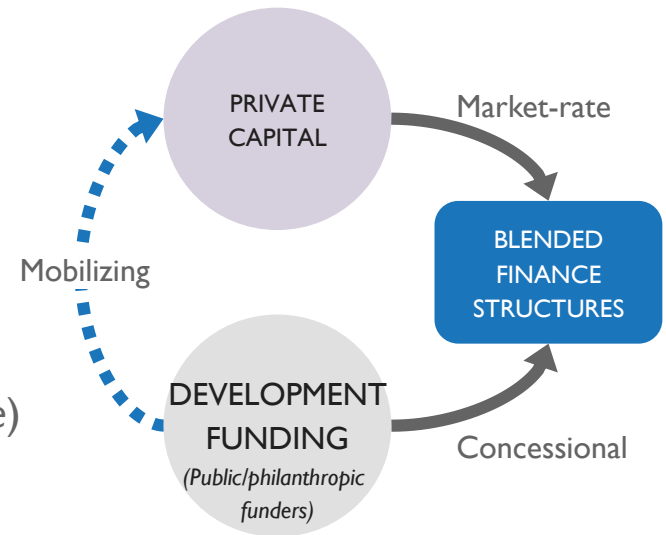
**BLENDED
FINANCE 101**

WHAT IS BLENDED FINANCE?

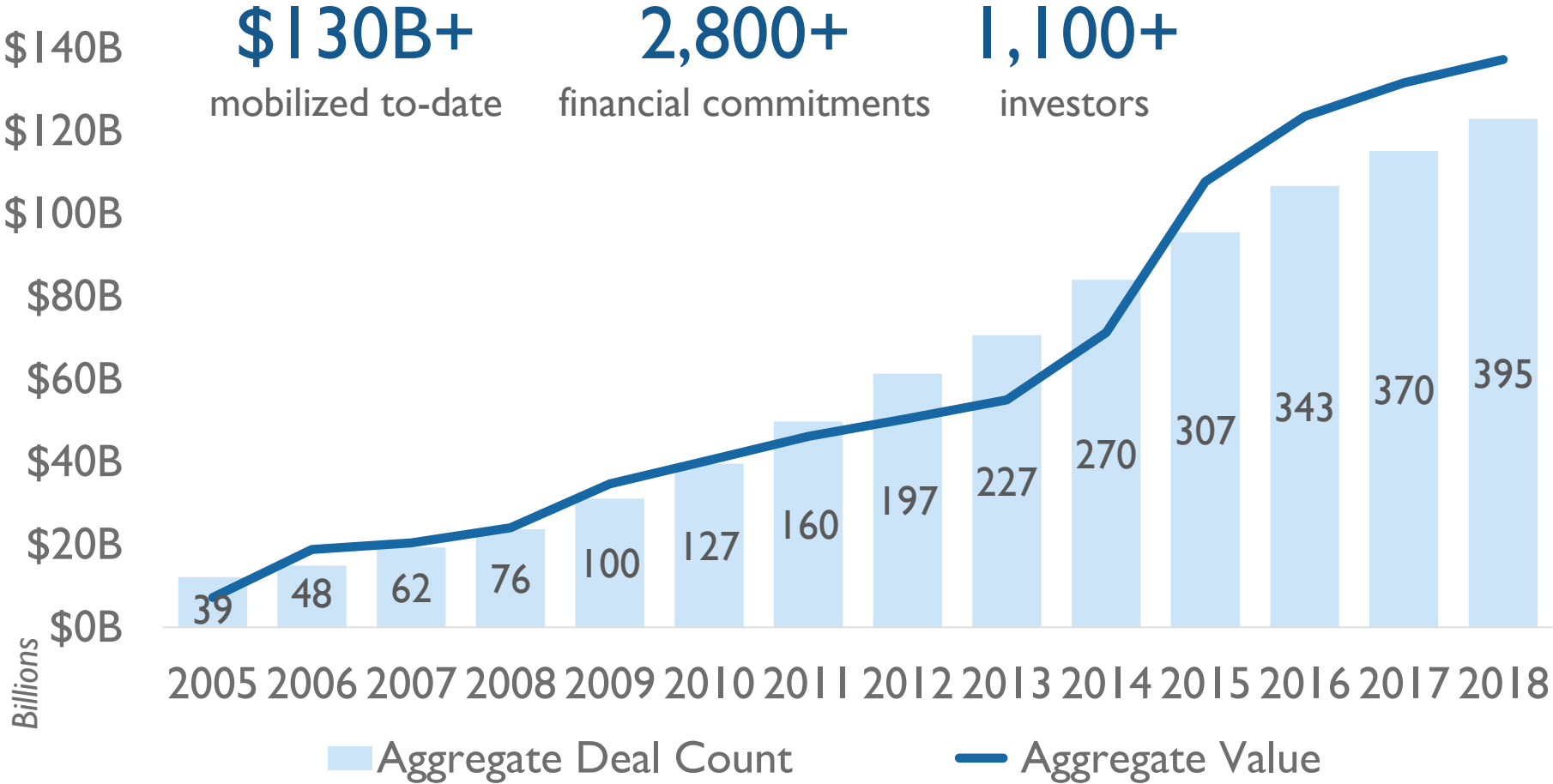
Private investment is crucial to close the \$2.5 trillion annual funding gap threatening the success of the Sustainable Development Goals ([SDGs](#)). One way to attract this private capital is through blended finance – the use of catalytic capital from public or philanthropic sources to increase private sector investment in emerging markets.

Blended finance transactions should have three signature markings:

1. Expected positive financial return
2. Contribute towards achieving the SDGs
(not every participant needs to have that development objective)
3. Public or philanthropic parties are catalytic
(i.e., improve the risk/return profile to attract the private sector)

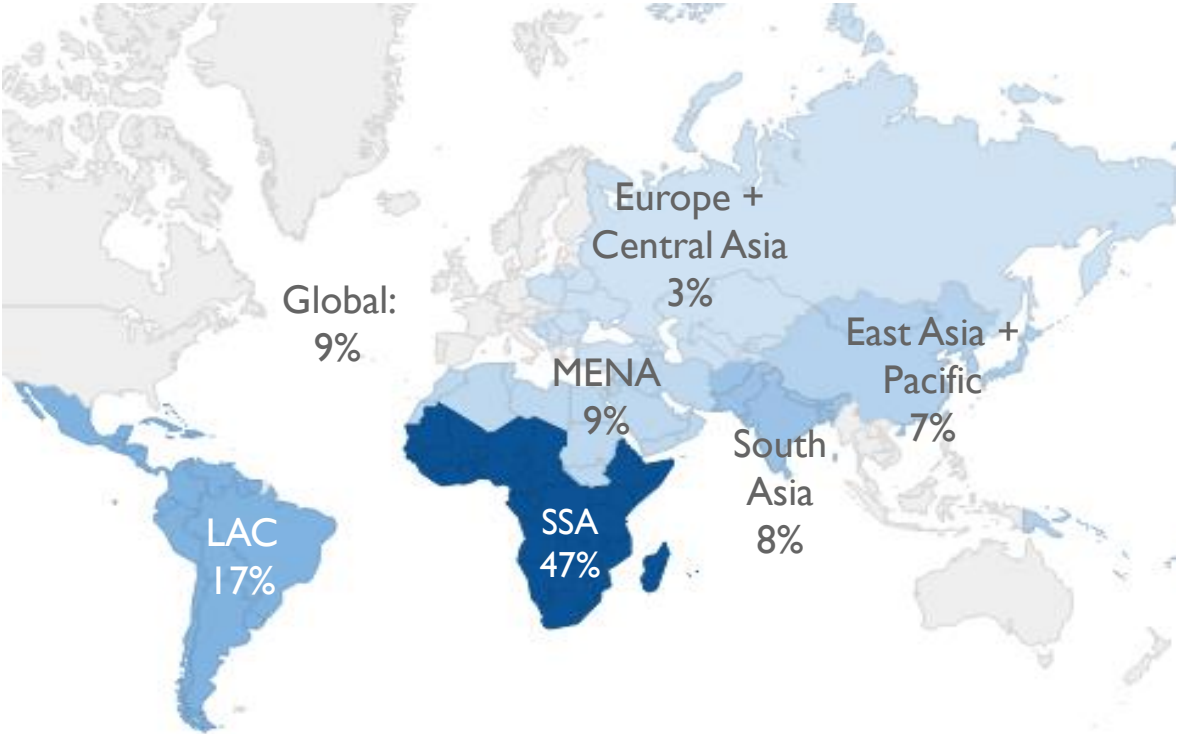


BLENDING FINANCE TRENDS: OVERALL MARKET

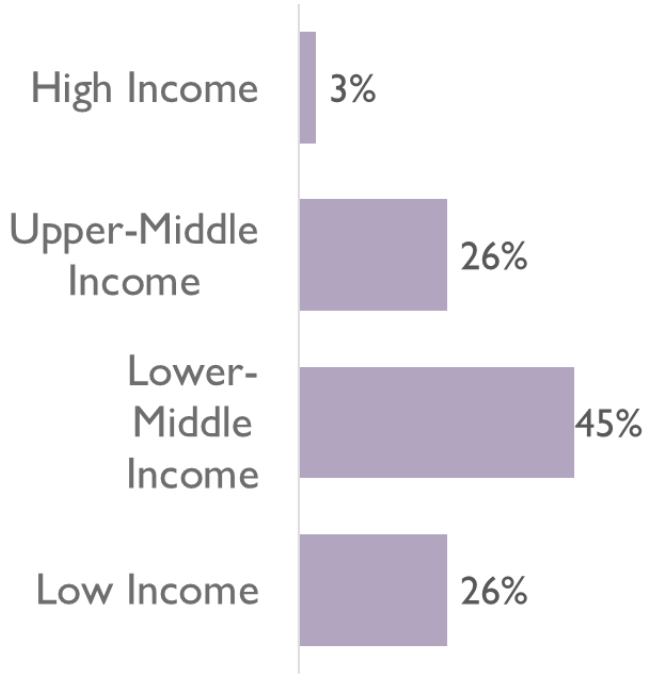


Source: Convergence Historical Data. Note: Data snapshot as of 15 October 2018.

BLENDING FINANCE TRENDS: REGIONS & COUNTRIES



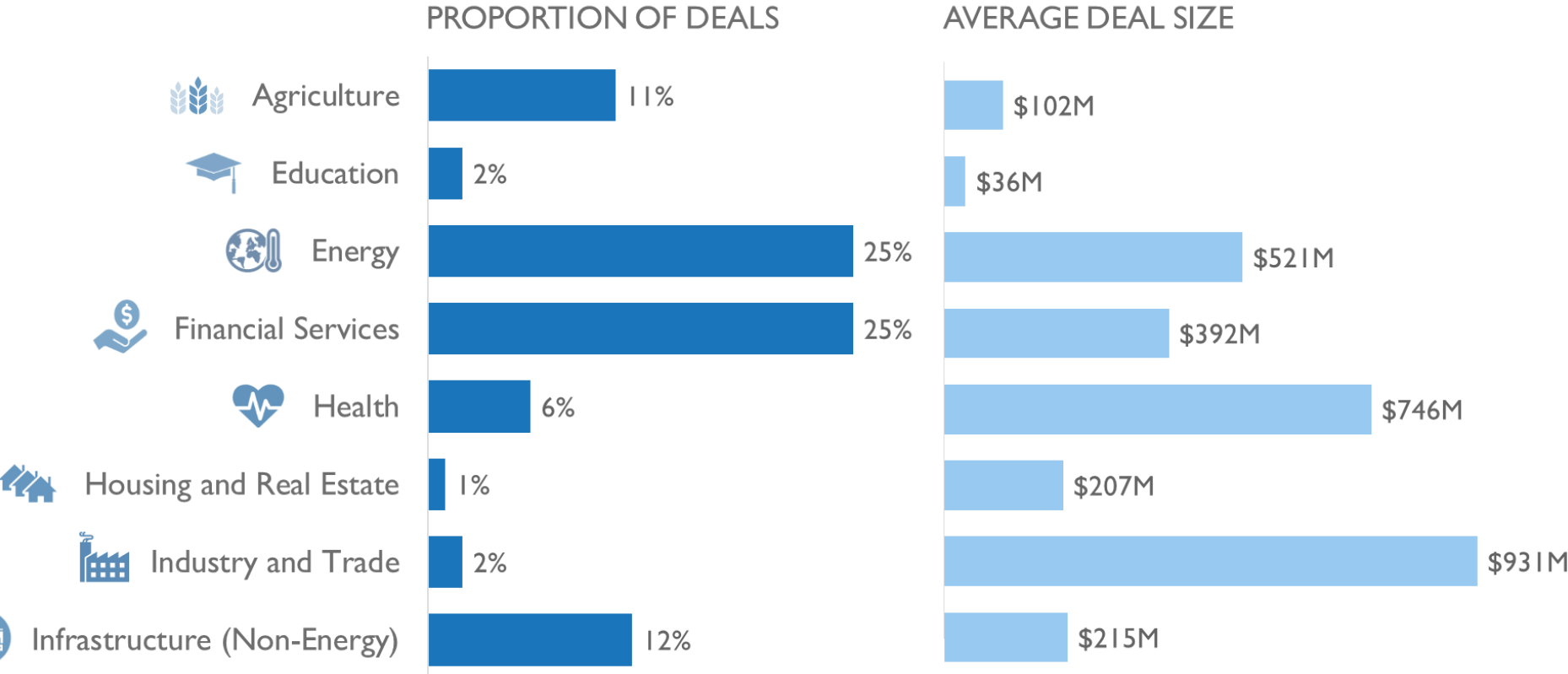
Proportion of deals that target region (deals may target 1+ regions)



Proportion of target countries by income level

Source: Convergence Historical Data (15 Oct 2018)
 Convergence tracks country data by stated countries of focus at the time of financial close, not actual investment flows. Often, countries of eligibility are broader than those explicitly stated.

BLENDING FINANCE TRENDS: SECTORS



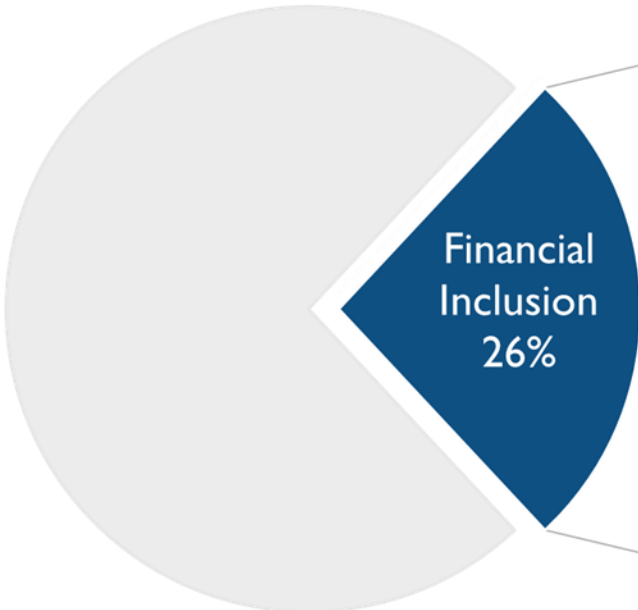
Source: Convergence Historical Data (15 Oct 2018)



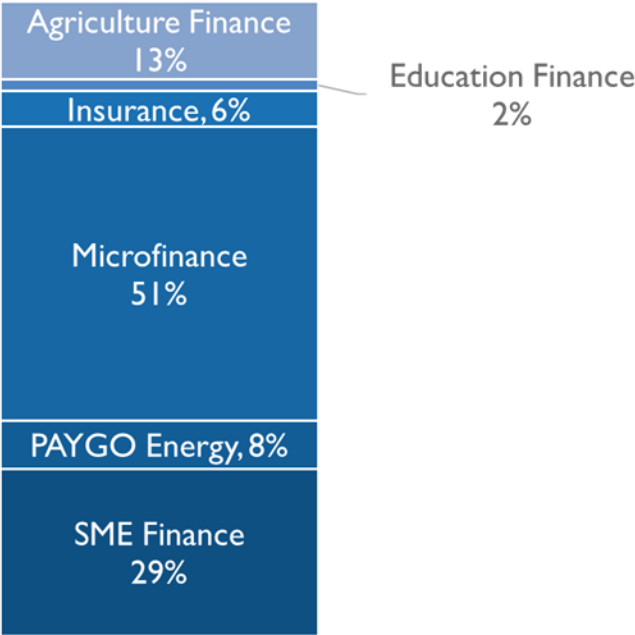
BLENDED FINANCE FOR FINANCIAL INCLUSION

BLENDING FINANCE FOR FINANCIAL INCLUSION

PROPORTION OF ALL DEALS

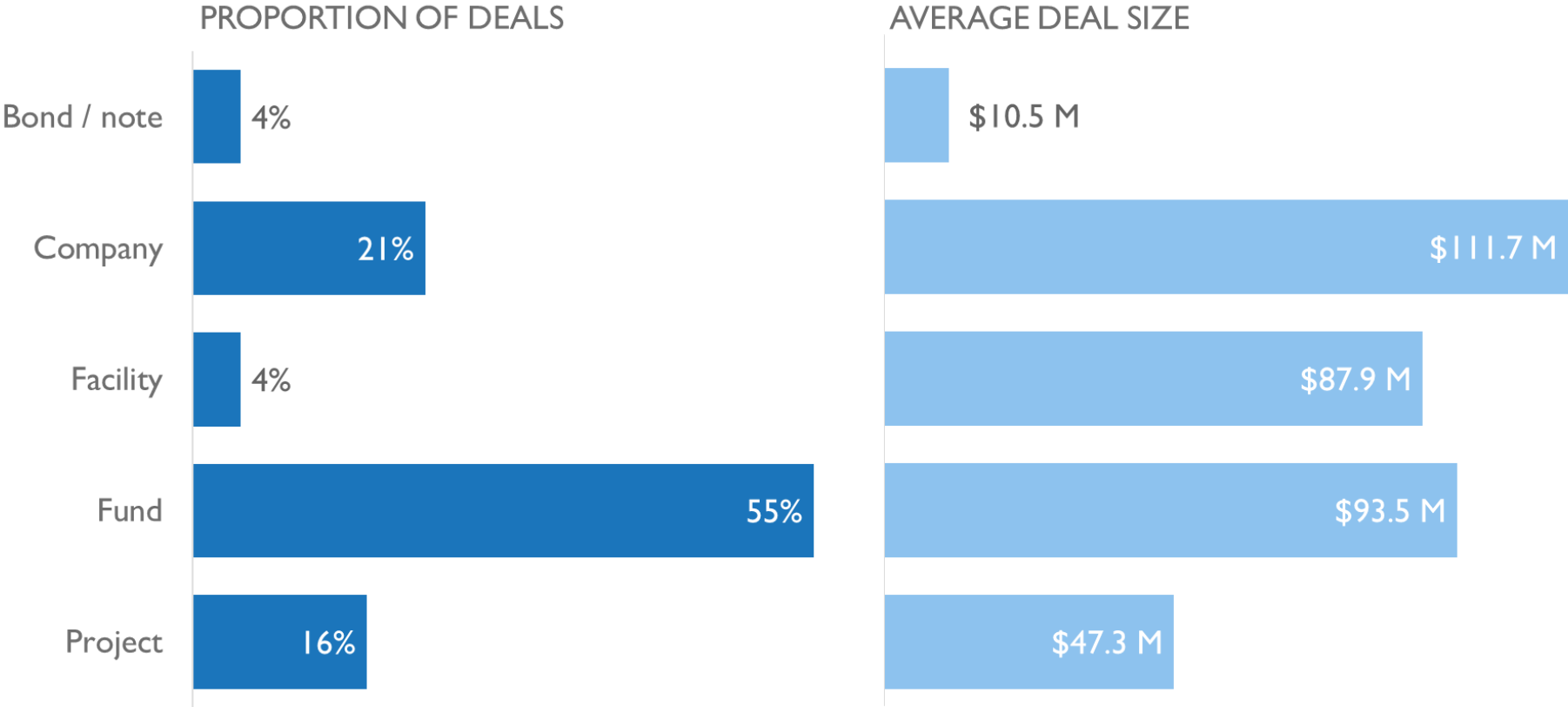


PROPORTION OF FINANCIAL INCLUSION DEALS



Source: Convergence Historical Data (27 Nov 2018)

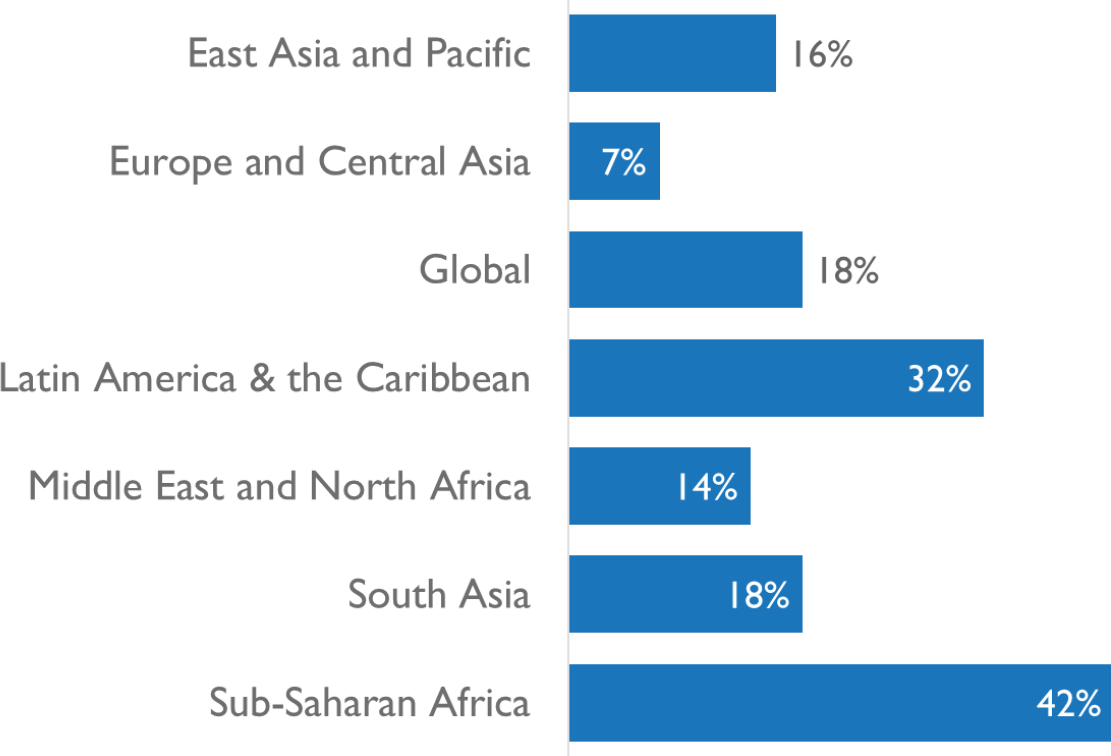
FINANCIAL INCLUSION: DEAL TYPE & SIZE



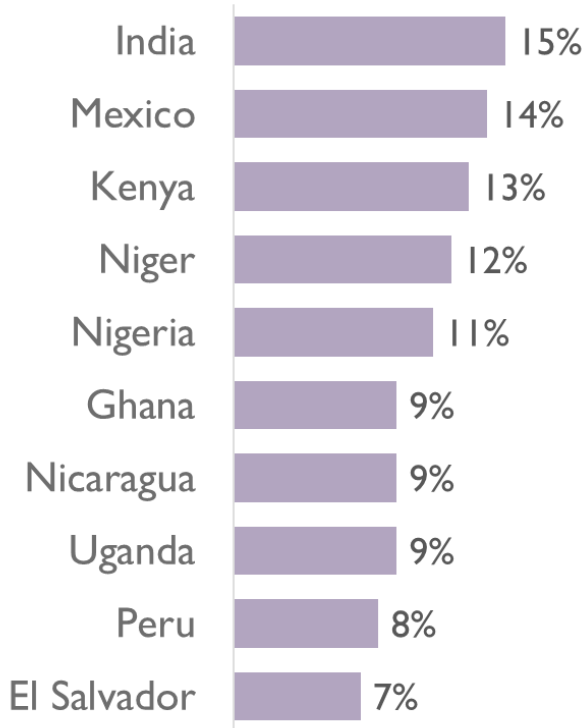
Source: Convergence Historical Data (27 Nov 2018)

FINANCIAL INCLUSION: TARGET REGION & COUNTRIES

PROPORTION OF DEALS

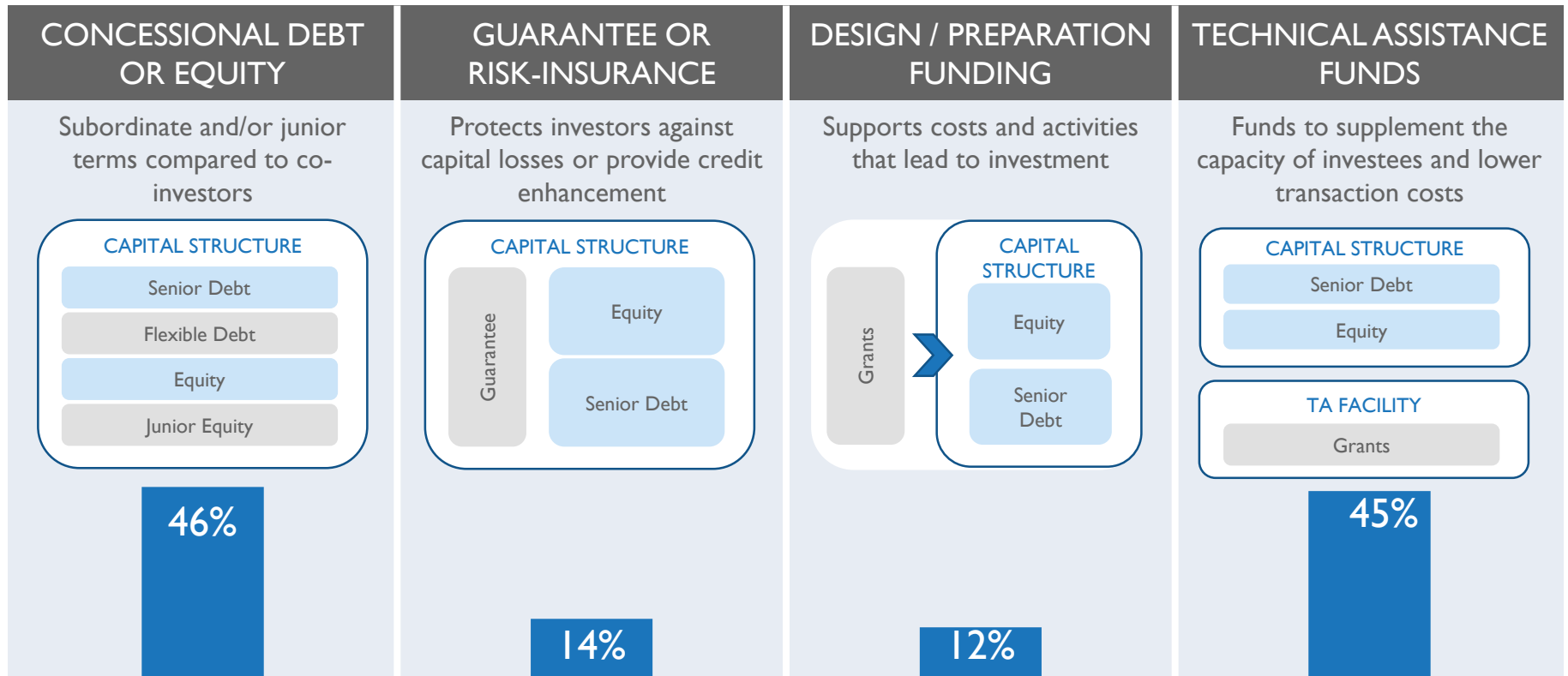


PROPORTION OF DEALS



Source: Convergence Historical Data (27 Nov 2018)

FINANCIAL INCLUSION: BLENDING ARCHETYPES

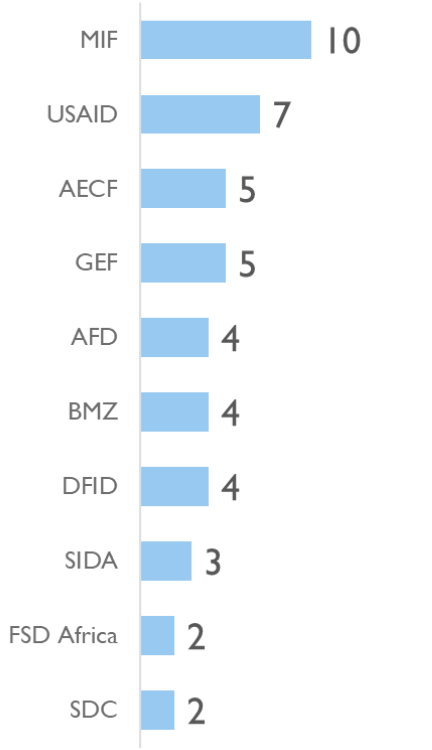


Proportion of deals aligned to blended finance approach

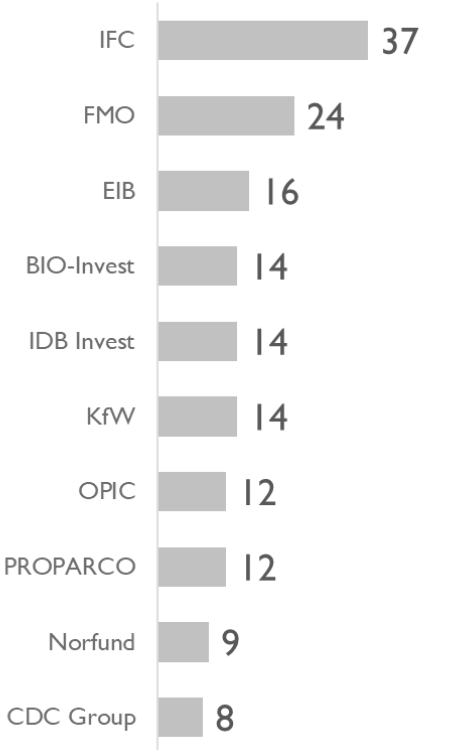
Source: Convergence Historical Data (27 Nov 2018)

FINANCIAL INCLUSION: TOP INVESTORS

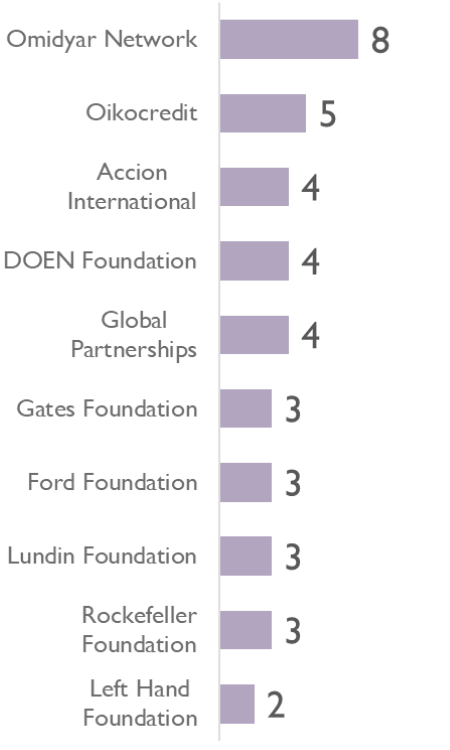
DEVELOPMENT AGENCIES



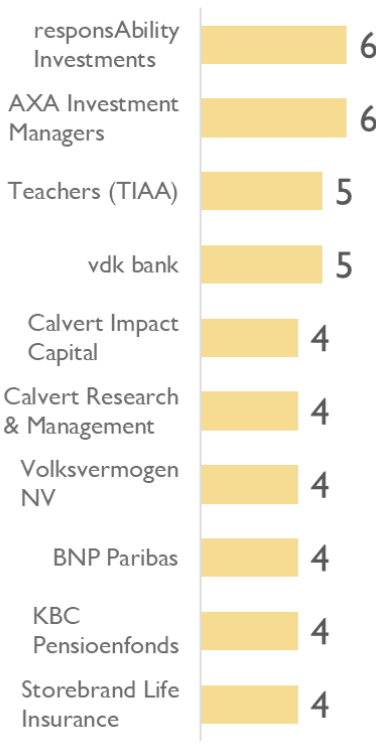
MDBS AND DFIS



PHILANTHROPIC INVESTORS



PRIVATE INVESTORS



Source: Convergence Historical Data (27 Nov 2018)

THE FUTURE OF BLENDED FINANCE



BLENDED FINANCE HAS ENTERED THE MAINSTREAM



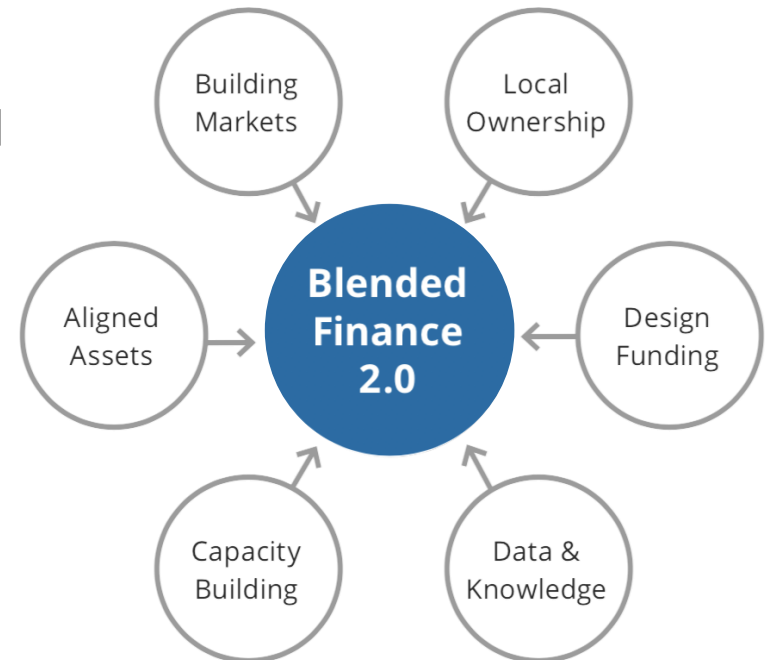
HEALTHY SKEPTICISM STILL EXISTS



BUT IT IS NOT A PANACEA...



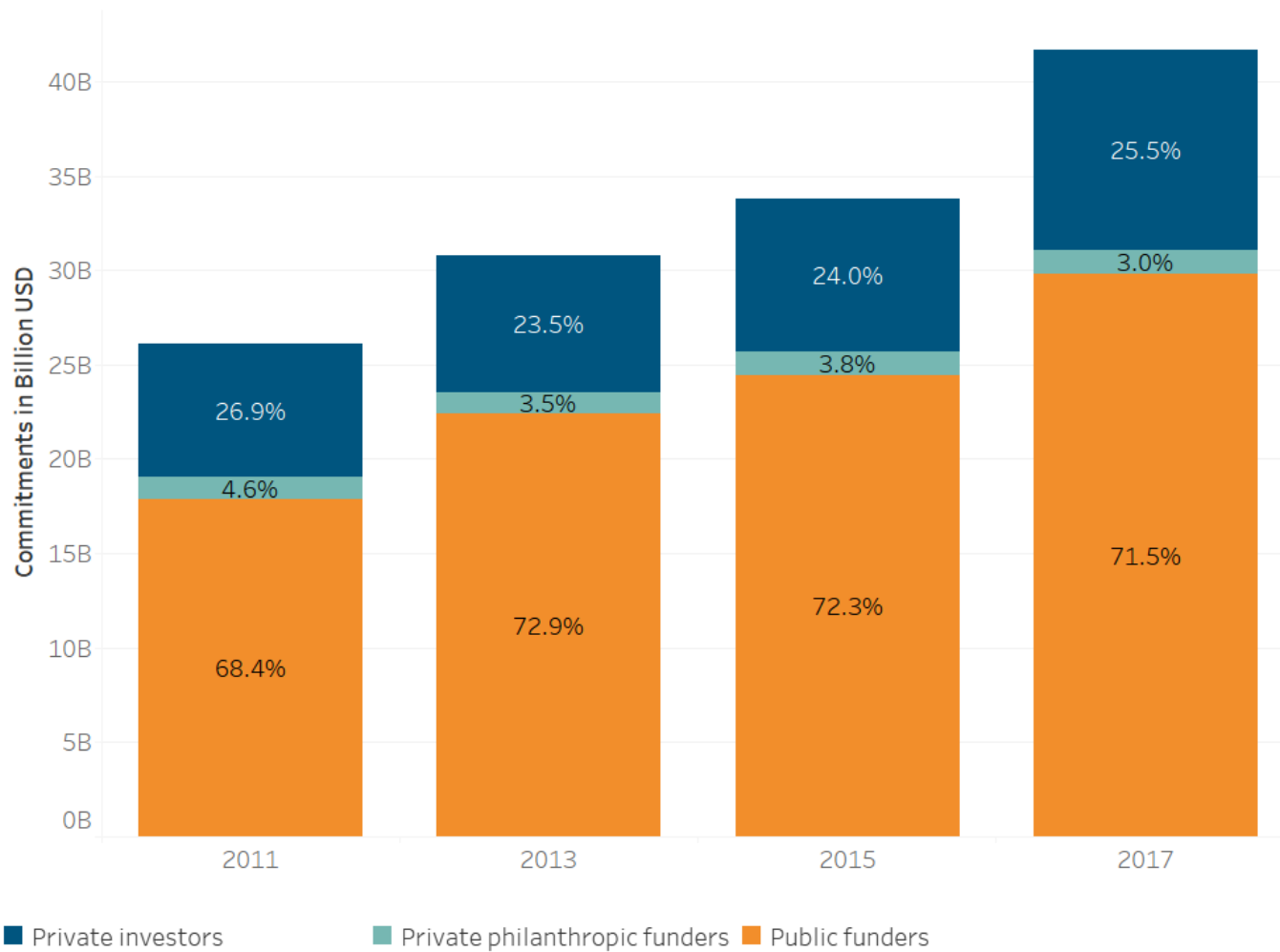
TIME FOR BLENDED FINANCE 2.0



Blended Finance in Financial Inclusion

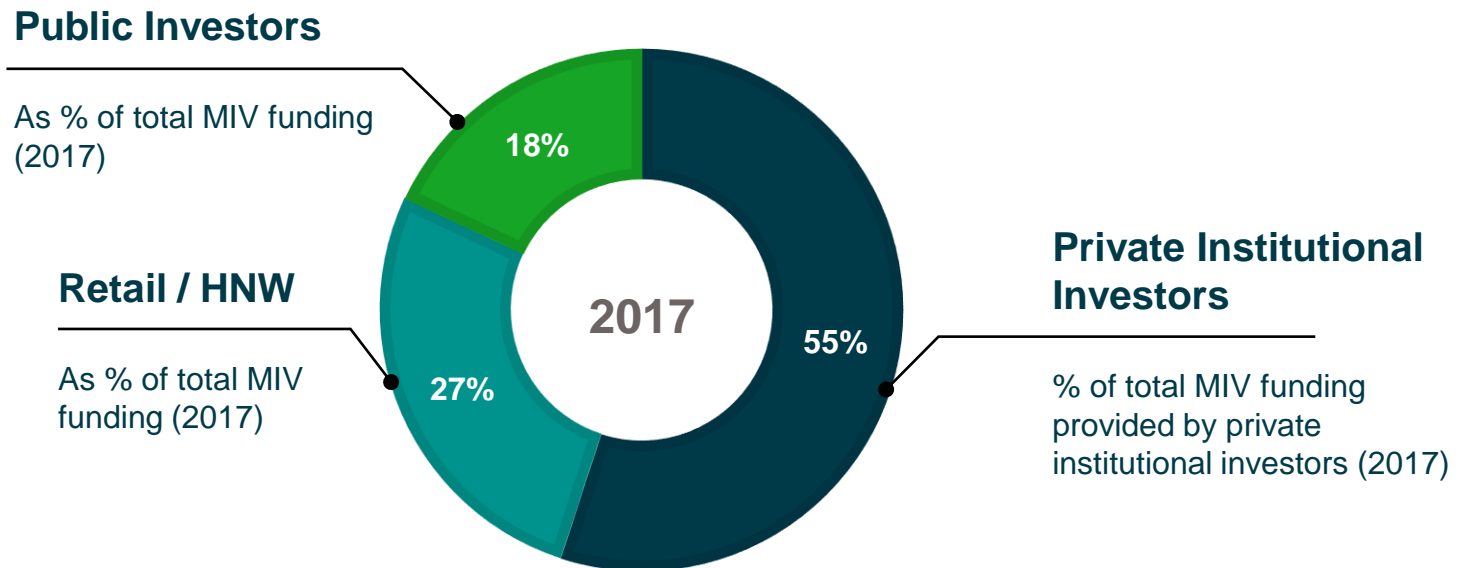
Barbara Scola, CGAP

Private investors: an established funding source for financial inclusion



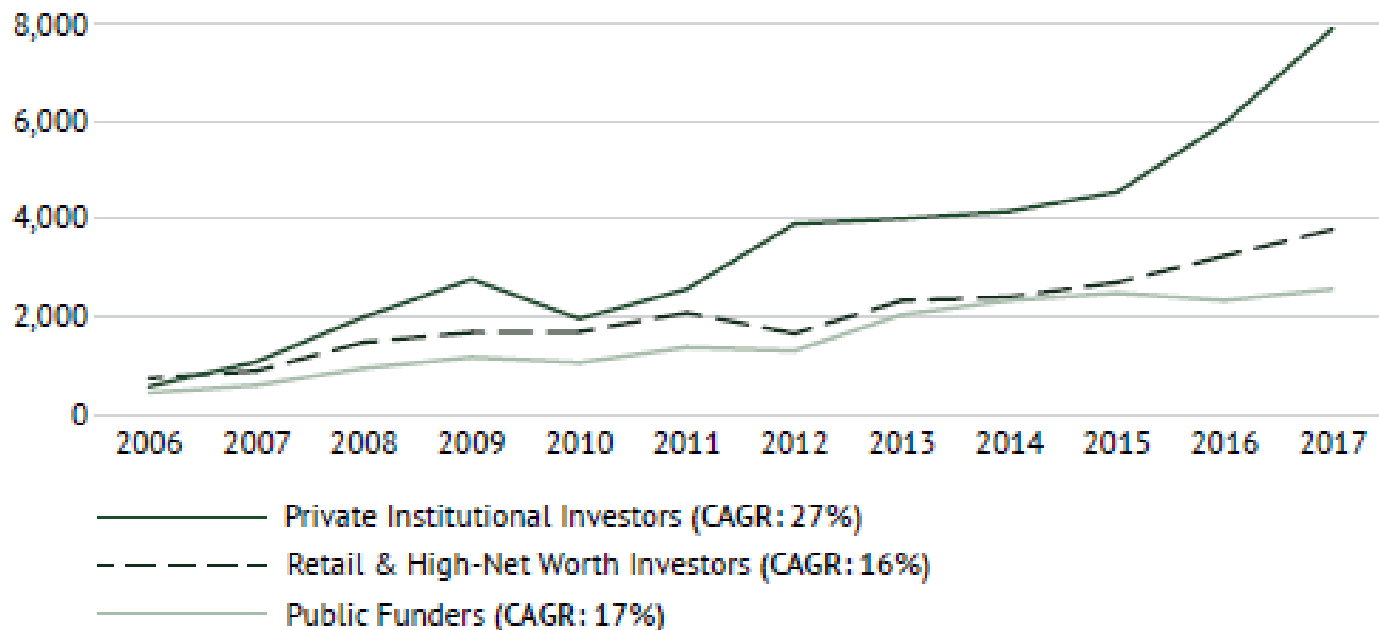
Microfinance investment vehicles (MIVs): An effective mechanism to channel private investments to financial inclusion

MIV Funding Sources in 2017
(% of Total Investors)



MIVs: The share of private investments keeps growing

FUNDING SOURCES 2006-2017 TRENDS (USD million)¹⁰



Some FI lessons for blended finance 2.0

Transparency matters

Standardized performance indicators helped build transparency and credibility

Infrastructure matters

Hedging facilities, data providers, rating agencies, labels, etc. facilitated growth

Scale matters

Today, a large share of assets are managed by top 10 fund managers

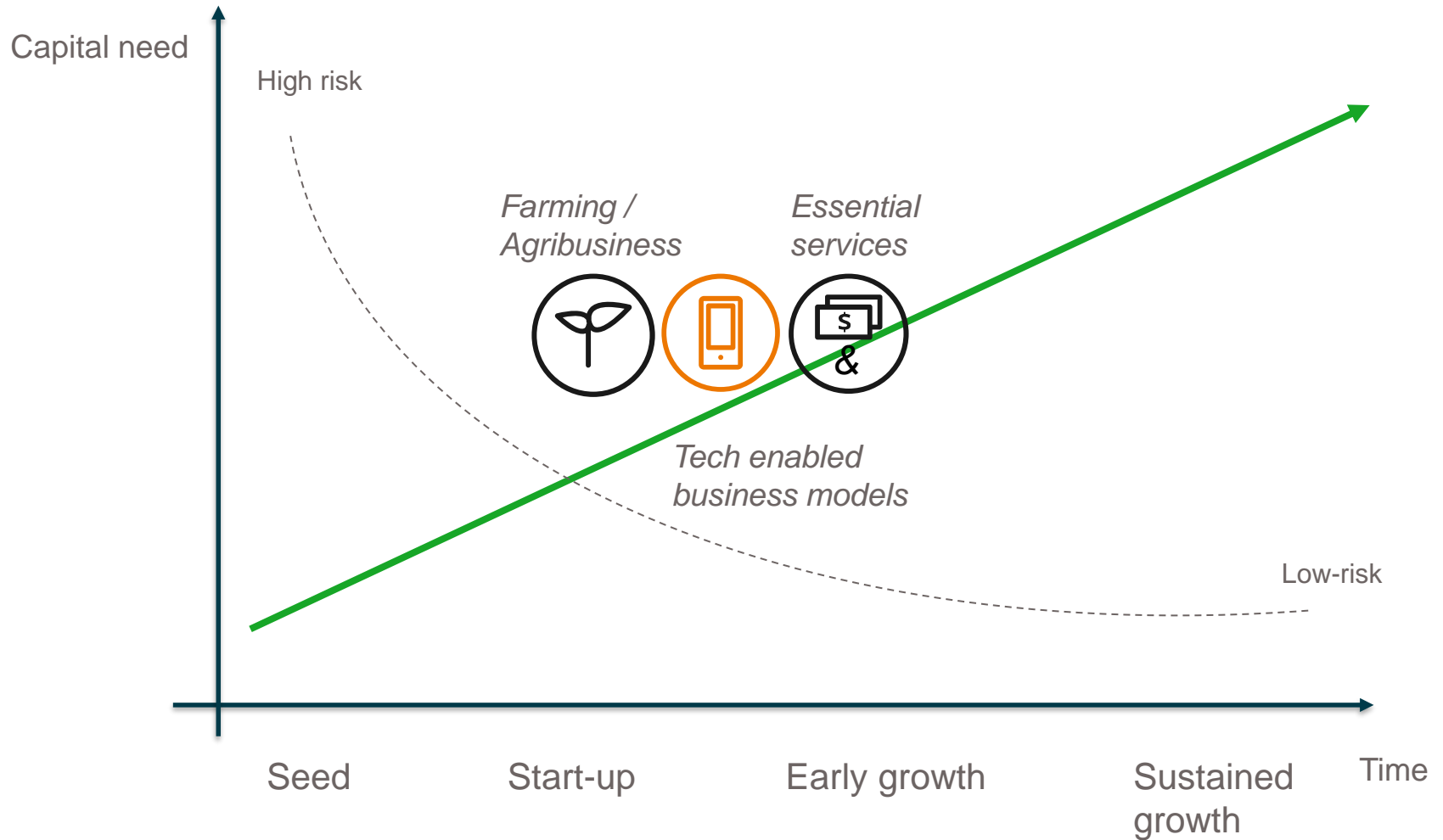
Crowding-in matters

Public investors need exit strategies

Diversification matters

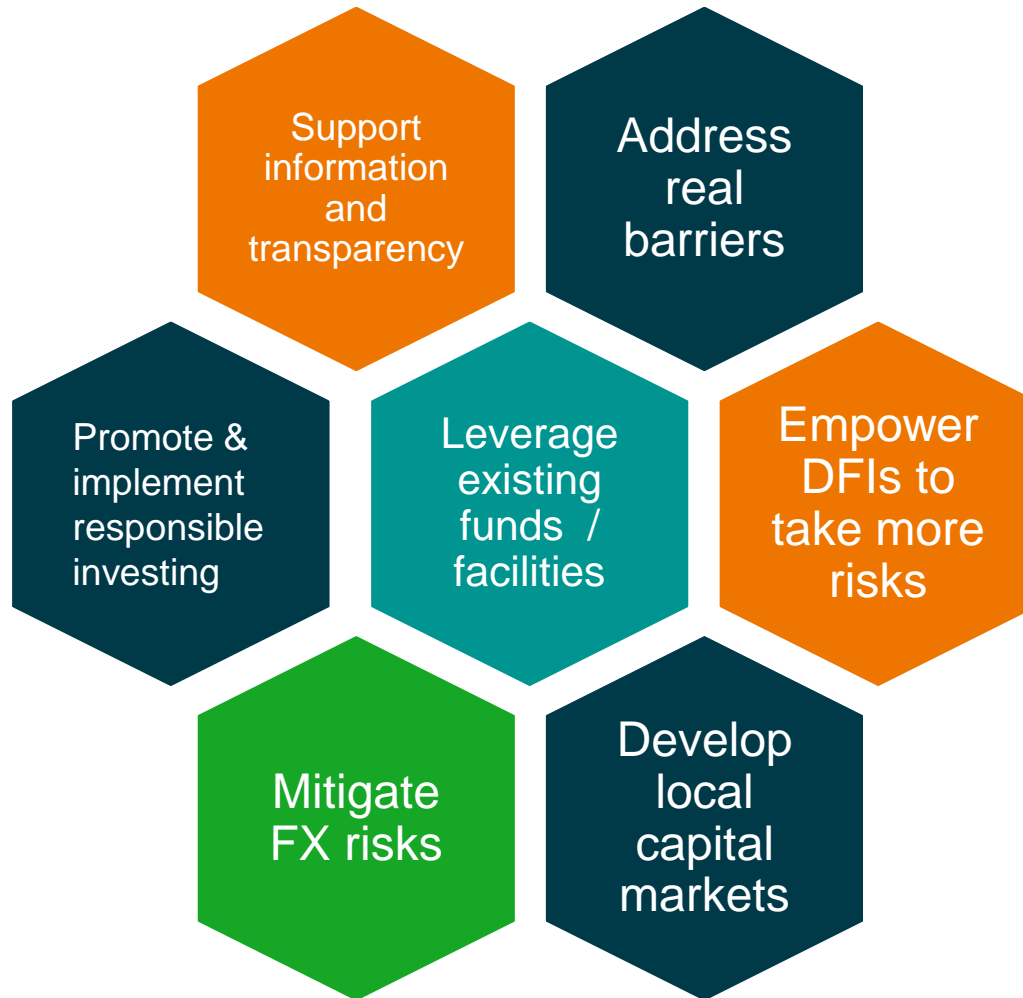
Tapping into new sectors via MIVs is challenging, but key for future growth

Opportunities for blended finance in financial inclusion



More funding, better results?

Considerations to optimize the use of public funding



Blended Finance in Practice

Milena Bertram, Finance in Motion




financeinmotion
INVESTING IN DEVELOPMENT

FINANCE IN MOTION AT A GLANCE



One of the largest impact asset managers with offices in **17** countries



Nearly **EUR 2 bn** assets under management



Outstanding **12-year** track record of 570+ investments with a cumulative volume of nearly EUR 4 bn



850+ technical assistance projects



123 partner institutions in 27 countries



180+ staff members and more than 40 nationalities

PROMOTING DEVELOPMENT IN LINE WITH THE UN SUSTAINABLE DEVELOPMENT GOALS

Green Finance



Energy finance via financial intermediaries and via direct investments in renewable energy project companies



Conservation and climate finance via financial intermediaries and direct investments



Conservation and climate finance via direct investments in sustainable forestry projects



MSE and housing finance via financial intermediaries



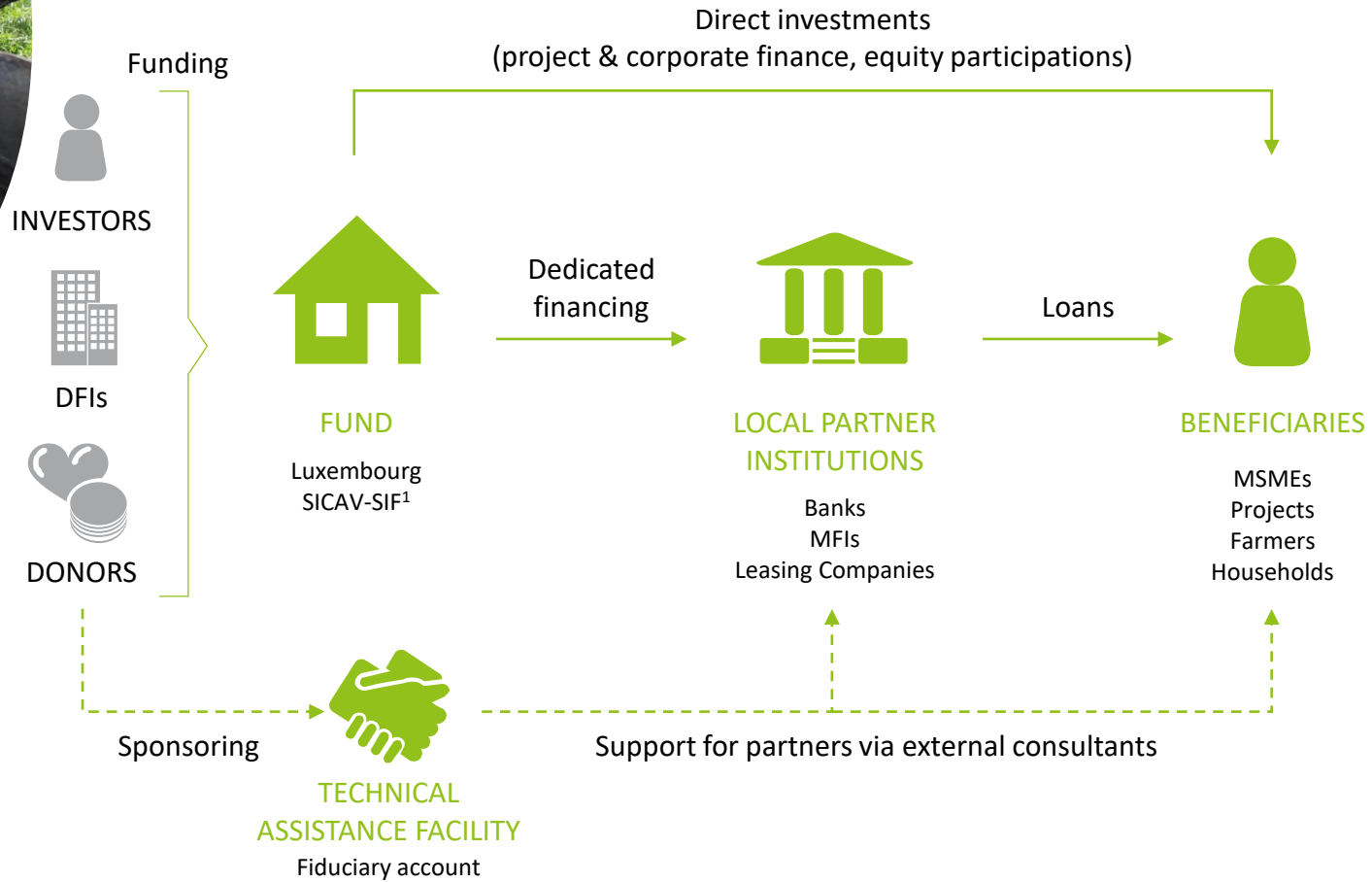
MSME and housing finance via financial intermediaries, including equity investments, into financial sector enterprises

MSME Finance





HOW OUR FUNDS WORK



¹ Due to the majority interest of the public sector most funds are exempt from AIFMD.

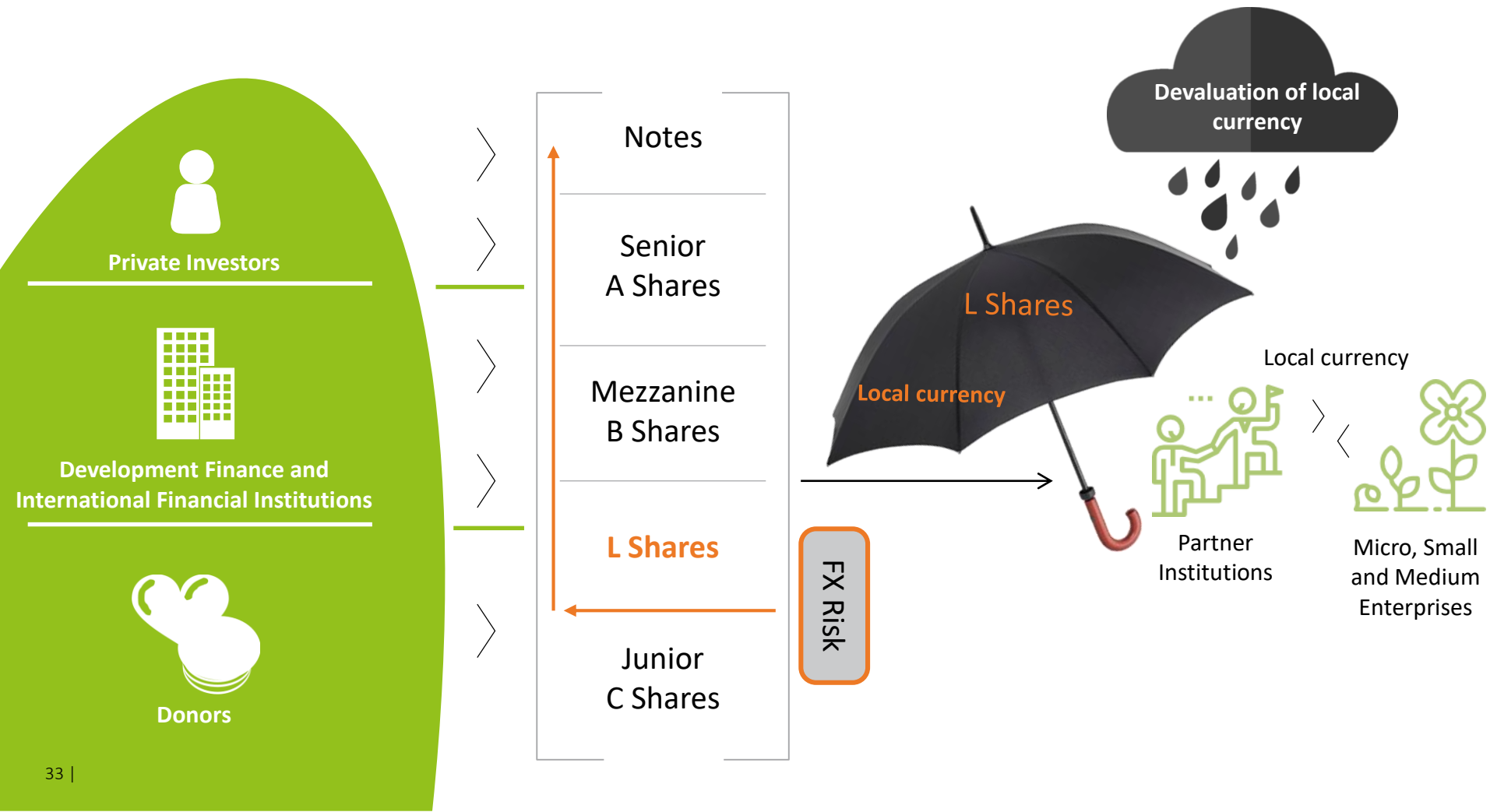
WHY SET UP A BLENDED FINANCE VEHICLE



- ✓ The asset and/or geography require catalytic capital
- ✓ The blended structure helps kick off the fund
- ✓ The fund addresses market failures
- ✓ It allows for efficient use of public resources
- ✓ It facilitates innovative instruments
- ✓ It increases outreach and impact

BLENDED FINANCE IN ACTION

Facilitating LC lending – SANAD Fund for MSME



CGAP & Blended Finance

Henry Gonzalez, CGAP

Some Reflections towards Blended Finance 2.0

- **Dilution of Financial Inclusion:** The experience / lessons learned of financial services (inclusion) is somewhat underplayed in the current blended finance momentum.
- **Investments shadowing market development:** Most of the focus is on leveraging of capital or de-risking. Very little on enabling market systems and gaining more capacity.
- **International focus:** There is not much work on local market development as much of the experience is on cross-border funding.
- **SDG alignment:** There is interest to use the SDGs as the framework for accounting impact on blended finance.

Areas of Potential CGAP Research

- **Key Areas to deepen blended finance research in Financial Inclusion (FI):**
 - ✓ Scaling new sectors, emerging business and leveraging innovation
 - ✓ Catalyzing local private capital and market development
 - ✓ Investment readiness, technical expertise and operational capacity of investees.
- **Financial Inclusion Lessons:** Draw lessons from the FI industry that could be translated to the key areas mentioned above.

Q&A

Please submit your comments and questions using the chat box on to right. Please send to “all participants” to ensure everyone sees your question. Thank you!

Thank you

Read more at:

www.cgap.org/research/publication/navigating-next-wave-blended-finance-financial-inclusion



Navigating the Next Wave of Blended Finance for Financial Inclusion

Blended finance is at the heart of the discussion on how to attract private investors to drive the important SDG-related agenda to finance the Sustainable Development Goals (SDGs) (SDG 2016). In financial inclusion, the use of blended finance is not new and has attracted private investments from international and local sources for the SDG. How will the most recent emphasis on using blended finance to mobilize private capital for development affect funding for financial inclusion? The brief presents opportunities for the use of blended finance and points to areas that deserve further attention to optimize the use of blended finance sources to achieve sustainable financial inclusion.

Box 1. What is blended finance?
The Committee for Economic Cooperation and Development (OECD) defines blended finance as the strategic use of development finance to the mobilization of additional finance toward the SDG. A blending instrument is a financial instrument that leverages the impact of development finance to attract private investment. The OECD defines a blending instrument as a financial instrument that leverages the impact of development finance to attract private investment. It is typically a loan, a guarantee, or a risk-sharing instrument. Blended finance can be used to finance a wide range of activities, including infrastructure, health, education, and social services. It can be used to finance a wide range of activities, including infrastructure, health, education, and social services. It can be used to finance a wide range of activities, including infrastructure, health, education, and social services.

Advancing financial inclusion with blended finance
Financial inclusion is an important pillar of the SDGs, and it is a sector that is well suited to blended finance. Blended finance instruments can be used to finance a wide range of activities, including infrastructure, health, education, and social services. It can be used to finance a wide range of activities, including infrastructure, health, education, and social services. It can be used to finance a wide range of activities, including infrastructure, health, education, and social services.

1. OECD Development Co-operation Directorate (2016), *Blended Finance: A Guide to the Practice*, Paris: OECD Publishing.
2. World Bank (2016), *Blended Finance: A Guide to the Practice*, Washington, DC: World Bank Publications.
3. CGAP (2016), *Blended Finance: A Guide to the Practice*, Washington, DC: CGAP Publications.
4. CGAP (2016), *Blended Finance: A Guide to the Practice*, Washington, DC: CGAP Publications.
5. CGAP (2016), *Blended Finance: A Guide to the Practice*, Washington, DC: CGAP Publications.
6. CGAP (2016), *Blended Finance: A Guide to the Practice*, Washington, DC: CGAP Publications.

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