Mixed messages: The rhetoric and the reality of using blended finance to ‘leave no-one behind’

By Polly Meeks • November 2017
Acknowledgements

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Executive summary

Blended finance – combining concessional public finance with non-concessional private finance and expertise from the public and private sector¹ – is often presented as a key means of implementation for the UN’s 2030 Agenda for Sustainable Development. However, a growing body of independent analysis shows that the links between blended finance and the achievement of sustainable development objectives are more complex and problematic than they may first appear.

Nowhere is this clearer than in the assertion that blended finance can contribute to the 2030 Agenda’s central objective of leaving no-one behind.

Blended finance has an opportunity cost: every Euro invested in blending is a Euro taken away from other uses. Leaving no-one behind requires dedicated public investments, without which the ‘furthest behind’ are likely to be excluded further still. For example: investments in public services that are equitably accessible to all; in institutions such as the judiciary that can challenge discriminatory norms; and in representative civil society organisations that elevate marginalised voices. Yet none of these investments lend themselves naturally to blended finance, so an increase in blending is also a missed opportunity to support some of the things that matter most to marginalised people. The opportunity cost of blended finance is made even more acute by the fact that blending tends to draw concessional public resources to middle income countries, at the expense of least developed countries where alternative financing options for essential public services are especially scarce.

A leave no-one behind ‘lens’ also exposes the challenges in using blended finance to incentivise better development outcomes through the private sector. If private sector actors are to receive the benefit of public subsidy through blending, they should be required to ensure that the ‘furthest behind’ are the first to benefit from blended finance projects, in line with the ambition of Agenda 2030. Yet past evaluations show this has not always happened: some major blending facilities relied mainly on trickle-down assumptions, rather than on concrete plans to reach the poorest – and so in practice may have exacerbated, not mitigated, marginalisation.

Until the complex realities of marginalisation are fully factored into all stages of the blended finance project lifecycle – including the initial decision on whether to use blending at all – there is a risk that, far from living up to its rhetoric on leaving no-one behind, blended finance will leave some people further behind than ever before.

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We recommend that:

The decision on whether to use blending should rest with the citizens of countries in the global south, not with donors: and the voices of those who have been ‘left behind’, including marginalised women and persons with disabilities, should be given particular attention. Only when such a participatory, southern-led, assessment has found that blended finance is the best way for concessional public finance to support the realisation of economic and social rights – including for marginalised groups – should blending go ahead.

If, based on recommendation 1, blended finance is judged to be the optimal financing method, donors and development finance institutions should put in place all the necessary measures to ensure that blended finance fulfils human rights obligations, including obligations on the rights of marginalised groups. This means comprehensively tackling the barriers that might prevent some populations from benefiting from blended finance projects, and overhauling transparency and accountability so that marginalised people have a say over projects that affect their lives.

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¹ The term “blended finance” is commonly used to describe the combination of concessional public finance and non-concessional private finance and expertise from the public and private sector. It is often presented as a key means of implementation for the UN’s 2030 Agenda for Sustainable Development. However, a growing body of independent analysis shows that the links between blended finance and the achievement of sustainable development objectives are more complex and problematic than they may first appear. Nowhere is this clearer than in the assertion that blended finance can contribute to the 2030 Agenda’s central objective of leaving no-one behind. Blended finance has an opportunity cost: every Euro invested in blending is a Euro taken away from other uses. Leaving no-one behind requires dedicated public investments, without which the ‘furthest behind’ are likely to be excluded further still. For example: investments in public services that are equitably accessible to all; in institutions such as the judiciary that can challenge discriminatory norms; and in representative civil society organisations that elevate marginalised voices. Yet none of these investments lend themselves naturally to blended finance, so an increase in blending is also a missed opportunity to support some of the things that matter most to marginalised people. The opportunity cost of blended finance is made even more acute by the fact that blending tends to draw concessional public resources to middle income countries, at the expense of least developed countries where alternative financing options for essential public services are especially scarce.

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Introduction

This paper explores the relationship between two concepts: the objective of leaving no-one behind, and blended finance. Both are often cited, in different contexts, as central to realising the 2030 Agenda for Sustainable Development.

The first concept is the 2030 Agenda’s overarching pledge: “no one will be left behind. Recognising that the dignity of the human person is fundamental, we wish to see the goals and targets met for all nations and peoples and for all segments of society. And we will endeavour to reach the furthest behind first.”

The second concept, blended finance, is a mechanism by which concessional public finance is combined with non-concessional private finance and expertise from the public and private sector (Box 1). There is growing traction around the idea that blended finance offers a means to finance significant parts of the 2030 Agenda.

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**Box 1: The basics of blended finance**

**Definition**

Although there is no universally agreed definition of blending, for the purposes of this briefing, we take the definition used in the Addis Ababa Action Agenda, that blending combines concessional public finance with non-concessional private finance and expertise from the public and private sector. Blending is, in effect, a kind of subsidy for commercial actors engaged in development-related work.

**Links to other financing concepts**

- **Public-private partnerships (PPPs)** can be a form of blended finance, if concessional public finance is involved. However, blended finance is broader than just PPPs – it encompasses many different contractual models. Conversely PPPs, because of their specific contractual characteristics, confer a number of risks that are not necessarily applicable to all forms of blended finance. It is therefore simplest to analyse the two concepts separately, and this briefing focuses on blended finance, not on PPPs. PPPs and leaving no-one behind would make an instructive topic for a separate briefing in future.

- **Combining different sources of finance from the public sector** is sometimes described as blending. However such terminology is confusing, as financing that combines different public sources has a quite different risk profile from ‘true’ blending, and in our view it would be helpful to use language that makes the distinction clear, for example using the term ‘pooled financing’. Pooled financing is not included within the scope of this briefing, because the purpose here is to focus on the distinctive risks for leaving no-one behind that arise when non-concessional private finance and concessional public finance are combined.

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**How blended finance works**

Investing in development-related activities in the global south entails perceived risks for commercial actors. Such perceived risks may deter commercial actors from investing altogether – for example, if there is a perception that they have insufficient local knowledge; there are capacity gaps in the local market; there is a risk of significant currency fluctuations; or they are uncertain about the effects of the regulatory environment on their business.

Perceived risks or additional costs can also deter commercial actors from investing in a way that maximises development results. An example might be that the additional costs from connecting remote rural communities to a new electricity grid may not be regarded as sufficiently commercially favourable for the private actor to prioritise it.

Blending aims to offset these risks through a concessional finance subsidy. This can take several forms, depending on the project and the risks in question. For example:

- A grant or a concessional loan offered to the investee, to offset some of the costs of a project.
- Buying shares (equity) in the investee, so that they seem a more attractive proposition for other investors.
- Providing a guarantee that investors will be reimbursed if expected gains do not materialise.
- Technical assistance, to reduce some of the transaction costs that an investor would otherwise forgo for project-related research (e.g. conducting feasibility studies).
This paper comes at a time when blended finance gains ever greater prominence. For example:

- There are extensive references to blending in the Addis Ababa Action Agenda on Financing for Development. Blended finance is a focus within the Financing for Development follow-up process – both through the United Nations Conference on Trade and Development, and through the United Nations Inter-Agency Task Force on Financing for Development, which will examine best practice in blending as part of its 2018 report.

- Blending is a core part of the ‘From Billions to Trillions’ document setting out seven international financial institutions’ plans for financing the 2030 Agenda. These are amplified in the World Bank Group’s recent ‘cascade’ principles for infrastructure financing.

- The Organisation for Economic Cooperation and Development’s (OECD) Development Assistance Committee is developing new aid rules to incentivise greater use of ‘private sector instruments’, which often involve blending.

- Major donors are also stepping up their blending activities, including the EU through the recently agreed EU External Investment Plan, and the World Bank’s International Development Association, which has created a private sector window intended to ‘catalyse’ private sector investment through blending.

This paper aims to make a contribution to debates on these processes. In particular, it seeks to inform the implementation of the EU External Investment Plan, and the development of detailed OECD guidelines on the use of blended finance, which will flesh out some recently agreed high level principles.

To explore the relationship between blending and leaving no-one behind, the paper focuses particularly on disadvantage associated with gender and with disability (Box 2). Taking this approach, the paper identifies two key risks inherent in the idea that blended finance is a suitable instrument to leave no-one behind, and makes recommendations for governments and other development finance actors seeking to ensure their choice of financing models furthers, and never undermines, the 2030 Agenda.
Gender, disability and marginalisation

Women, and persons with disabilities, make up 50 per cent and 15 per cent of the global population respectively. Marginalisation is context dependent, and it would be a major over-simplification to generalise across such large populations and say that all women, or all persons with disabilities, are marginalised.

Nonetheless, both gender and disability are, in some contexts, and in distinctive ways, associated with discriminatory norms, limited power and voice, unequal access to opportunities and unequal outcomes. The result is that, in some already marginalised settings, women and persons with disabilities are often among those left furthest behind. Where gender- and disability- based discrimination intersect, the chances of marginalisation are even higher.

To illustrate:

• Women in low-income settings may also experience particular challenges in enjoying the right to the highest attainable standard of health: as at 2015, the maternal mortality ratio in sub-Saharan Africa was estimated to be around 550 per 100,000 live births.

• A 2011 study on 14 countries in the global south found that in 11 countries there was a significant association between disability and multi-dimensional poverty.

• Analysis of World Health Survey data in 51 countries found that only 42 per cent of girls with disabilities had completed primary school, compared with 51 per cent of boys with disabilities, 53 per cent of girls without disabilities, and 61 per cent of boys without disabilities.

Note – defining discrimination

Discrimination is sometimes understood solely to mean formal or direct discrimination – for example, refusing a job to a person with disability on the grounds of their impairment. For the purpose of this paper we use a more complete definition. This encompasses any act or omission which, in conjunction with other barriers facing certain population groups, means that members of these groups cannot always enjoy their rights on an equal basis with others. An example would be a service that charges user fees, as this is likely to result in discriminatory outcomes for marginalised women and for persons with disabilities who, due to other inequalities, are likely to have less access to cash.

Correspondingly, when we recommend that projects should be implemented in a way that does not discriminate against marginalised women or persons with disabilities, we have in mind not only the prevention of formal discrimination, but also the implementation of a comprehensive gender and disability assessment that enables any indirect barriers facing these populations to be identified, tackled and monitored, with the full participation of marginalised women and persons with disabilities at all stages.
How ‘leave no-one behind’ fits into the wider debate on blending

The rhetoric behind blending

There are many theories of change associated with blending, but most have at their core the following propositions:

**Proposition 1.** The injection of concessional public finance can tilt the balance of risk and reward for commercial investors, and thereby:

a. Incentivise them to provide resources for development activities that they would not otherwise have supported (financial additionality).

b. Incentivise them to conduct existing activities in a way that is better aligned with development objectives (development additionality).

**Proposition 2.** This in turn results in a positive contribution to the 2030 Agenda, including the objective of leaving no-one behind.19

Underlying challenges

At first glance, the logic behind the above propositions seems appealing. Yet, as a growing body of independent evaluations and civil society analyses have found, the underlying assumptions are not as straightforward as they initially appear. For example:

Proposition 1a assumes that it is feasible to distinguish between activities that commercial actors would, and would not, ‘otherwise have supported’. But in practice this distinction can be difficult to draw, as it is very challenging to measure the amount of additional resources that have actually been mobilised.20 This difficulty creates a risk that blending will be used in situations where it does not actually add any value.21

Proposition 2 focuses on the sustainable development benefits of blending, but ignores the sustainable development risks. Past experience shows that blended finance projects can have damaging unintended consequences for development effectiveness principles (e.g. ownership of development priorities by countries in the global south; transparency and accountability), on which the success of the 2030 Agenda depends.22

Proposition 2 also fails to consider alternative uses for concessional public finance that might make a greater contribution to the 2030 Agenda, compared to blending. This misses at least two crucial points:

Blended finance tends to be less suited to social sector investments than to investments in the ‘productive’ sectors: in practice, most blended finance tends to go to activities such as infrastructure for energy, industry, mining and construction; or to banking and financial services.23 So an investment in blending may skew public concessional financing away from sectors such as education and health.24

Even if the objective was to finance infrastructure, there are strong arguments that concessional public finance might achieve more if it was instead used to mobilise additional public resources for infrastructure development.25 And even if the aim was to increase investment levels, it is a false dichotomy to suggest that blending is the only use of public funds that can increase investment: traditional uses of public money are extremely important – after all, businesses need healthy, educated workers.26

Blended finance and leaving no-one behind

The assumption that blended finance contributes to leaving no-one behind is a critical one. The ‘leave no-one behind’ principle is fundamental to the whole 2030 Agenda, as the principle’s high profile in the text, and its selection as the theme for the 2016 High Level Political Forum, attest. The principle’s recognition of multiple intersecting oppressions and inequalities marks a significant departure from the Millennium Development Goals. Many governments have expressed vocal support for the principle, notably the UK, through its own ‘Leaving No One Behind promise’,27 and its particular policy focus on disability.28 Indeed, such is the prominence of ‘leave no-one behind’ in discourses on the 2030 Agenda that, even if other objectives of the Agenda are achieved, it seems unlikely the process will go down in history as a success if inequality and discrimination are left unchecked.

The ‘leave no-one behind’ principle is also where some of the broader challenges inherent in blended finance are exposed most starkly. Tackling extreme marginalisation is one of the most ambitious and complex objectives of the 2030 Agenda. Nowhere could the criticality of concessional public finance, development effectiveness principles and human rights obligations be clearer. This in turn makes the experience of marginalised populations a revealing lens to profile the risks that blending poses to the concessionality and quality of finance for the 2030 Agenda more broadly.
Dedicated investment is needed to tackle the economic and social inequalities that leave some populations behind. Depending on the context, this is likely to include investment to:

Eliminate inequalities in access to services, by providing quality public services free of charge, even for the most marginalised people, and by ensuring that specific services are in place to respond to the circumstances of particular populations (e.g. childcare for women who face high care burdens, sign language interpretation for people with hearing impairments, etc.).

Combat discriminatory norms and practices, by strengthening key public institutions – for example, investing in a well-functioning judiciary, to ensure that the perpetrators of gender-based violence are brought to justice.

Challenge prevailing power imbalances, by funding civil society organisations that channel the collective voice of disempowered groups (e.g. women’s rights organisations, organisations of persons with disabilities).

However, these activities do not lend themselves well to blending. If implemented equitably in a way that supports the rights of the very poorest, none of them are likely to offer much prospect of short-term commercial returns, so it is hard to achieve the alignment between public and private sector priorities on which blending relies.

This means that every Euro of concessional public finance allocated to blending is likely to be a Euro less for critical activities that tackle the root causes of marginalisation. In donor countries that impose a cap on official development assistance (ODA), an increase in finance for blending is likely to mean an outright reduction in finance for these other purposes.

The opportunity costs of blending are likely to be exacerbated by the fact that blended finance tends to be used more in middle income countries than in least developed countries, so any donor-driven increase in blending is likely to divert further concessional public finance away from the poorest countries, at a time when ODA to least developed countries is already declining overall. In turn, any diversion of public concessional finance away from least developed countries is prone to have a disproportionate effect on financing for public services and other investments that tackle inequality, since least developed countries have substantially lower tax revenues, and hence fewer alternative finance sources for such investments if concessional public finance from donors is withdrawn.

A challenge: whose priorities count?

Advocates of blending might argue that, in directing finance towards sectors that lend themselves to commercial returns, such as economic development and infrastructure, they are respecting the priorities of governments in the global south, consistent with the development effectiveness principle that ‘developing’ countries should have ownership of development priorities. The development plans of some governments in the global south do indeed place a strong emphasis on the productive sectors.

But this argument has two problems. First, it would perhaps be disingenuous for certain providers of blended finance to argue that their main motivation was the ownership principle. If country ownership was the real priority, then the choice over whether to use blending would be made on a country-by-country basis by national citizens, not imposed top-down through large donor-driven facilities. In addition, even if blending aligns at headline level with many of the priorities of governments in the global south, governance and implementation structures for blended finance facilities have repeatedly been criticised for a lack of alignment with national plans, strategies and systems. A recent analysis of three major blending facilities found that the majority were “not designed in a way that contributes to the ownership of developing countries and alignment with national plans and strategies,” and the evaluation of EU blending facilities found that at times they fostered parallel procedures, rather than using those of governments in the global south.

Second, and more fundamentally, internationally-agreed development effectiveness principles state that development priorities should be democratically owned, and that they should be “consistent with our agreed international commitments on human rights, decent work, gender equality, environmental sustainability and disability.”

In other words, there is more to the ownership principle than following the priorities of governments alone. To be democratic, ownership needs also to respect the priorities of citizens (and, for that matter, the priorities of the full range of government ministries – gender and disability, as well as finance and enterprise). And to be consistent with agreed international human rights ‘commitments’, all states have obligations to: take deliberate, concrete steps to the maximum of their available resources in order to achieve rights progressively over time; ensure that they do not make retrogressive steps in realising rights; and provide basic, essential levels of rights, such as free and compulsory primary education or basic health services, in a non-discriminatory manner.

If allocating large amounts of concessional public finance to blended finance facilities detracts from states’ abilities to meet these obligations, then ultimately it risks undermining human rights-based democratic ownership, whatever the stated priorities of the government might be.
Risk 2: Leaving people behind in the design and implementation of blended finance projects

Blended finance may not meet all of the priorities of disadvantaged populations, but this does not mean that – if a blended finance project is taking place – disadvantaged populations should not be prioritised for inclusion within it. On the contrary: equal access to the intended benefits of blended finance projects, such as jobs or infrastructure – without discrimination on the basis of gender, disability, or any other ground – is a fundamental part of leaving no-one behind.38

Equal access is not a given. Both women and persons with disabilities face a complex mix of economic, social and political barriers that can limit their opportunities. Overcoming these barriers may entail extra costs (from the costs of providing tailored training, to the costs of supporting locally-led interventions that tackle discriminatory social norms),39 which may not be attractive to private sector actors. But this also represents an opportunity for blended finance. Here is surely a clear case where an injection of concessional public finance would have the potential to ‘incentivise private sector actors in a way that is better aligned with development objectives’ (proposition 1b at the start of this paper), by helping them meet the costs of including disadvantaged populations, and hence align their work to the ‘leave no-one behind’ principle.

Yet in practice, as the following paragraphs set out, this opportunity has not always been taken.

Exacerbating inequalities
Some past blended finance projects have missed important chances to include marginalised people. In so doing, they are likely to have increased their relative marginalisation still further. An independent evaluation of seven major European Union blending facilities between 2007 and 2014 found that “gender was rarely targeted” – even in sectors such as financial inclusion, where there are known to be significant gender disparities.40 The same evaluation found that many projects did not have explicit plans to reach the poorest, as they instead relied on an assumed trickle-down effect (although some steps are now being taken to address this).41 Similarly, a review of the Dutch government’s engagement with the private sector between 2005 and 2012 – a portfolio that included blended finance – found that the poorest groups had proved “hard to reach.”42

On the surface, more recent developments seem to offer some hope of increased inclusion for women in blended finance projects – but significant implementation questions remain, while disability and other forms of marginalisation are still largely overlooked.

• The newly agreed European Fund for Sustainable Development (EFSD) includes ‘gender equality and the empowerment of women’ among its objectives, and requires that the European Commission report annually on the gender impact of all operations under its guarantee fund (Box 3).43 However, the European Fund for Sustainable Development Regulation does not go into detail on how it will ensure gender equality, and stops short of institutionalising checks and balances such as mandatory gender-disaggregated monitoring data, or a centralised grievance mechanism where abuses can be raised.

• The World Bank’s International Finance Corporation (IFC) has launched a dedicated blending facility for women entrepreneurs, the Women Entrepreneurs’ Finance Initiative.44 The design of the facility includes positive elements, such as a focus on certain qualitative enablers of women’s economic empowerment (e.g. skills, access to networks), as well as access to finance. But it is not yet clear whether the facility will provide the full range of intensive interventions needed to make markets accessible for the most marginalised of women, or whether in the drive to deliver quantified results, it will focus on those who – though living in poor regions – are relatively easier to reach.45

A note on the evidence base on disability
Most of the following analysis relates to gender, rather than disability, for the simple reason that it is very rare to find any mention of disability in donor documents, or in independent analyses on blended finance projects. This in itself is telling, and indicates just how little acknowledgement the ‘leave no one behind’ concept gets in mainstream discourses on blending. From the evidence’s very silence on disability, it is probably safe to assume that persons with disabilities tend to face even greater exclusion from blended finance projects than marginalised women.
• In October 2017, the OECD’s Development Assistance Committee adopted Blended Finance Principles for Unlocking Commercial Finance for the SDGs. The principles include a general statement that blended finance should maximise development outcomes and impact, alongside an acknowledgement that blending “should be based on high corporate governance, environmental and social standards, as well as internationally recognised responsible business conduct instruments.” But the principles say nothing explicit about opportunity costs, about compliance with human rights obligations incumbent on donors [as opposed to simply corporate responsibility standards], or about gender and marginalised minorities.

• A working group of major development finance institutions (DFIs) recently published updated principles on the use of blended finance. The principles have broadly the same strengths and shortcomings as the OECD principles discussed above. On the positive side, they are accompanied by some more detailed narrative, which includes slightly more explicit language on opportunity costs and gender. However, this language is brief and largely occurs outside the main text of the principles. As such, it is likely to be overshadowed by the principles’ overall emphasis on the economic dimensions of blending, and its influence on donor or DFI behaviour is therefore likely to be limited.

Box 3: Selected commitments on gender and human rights in the European Fund for Sustainable Development (EFSD) Regulation

These commitments will require careful monitoring during the implementation phase. In particular, it will be important to monitor that the focus on human rights extends to the elimination of discrimination against minority groups such as persons with disabilities. Key references in the Regulation include the following:

**Article 3: Purpose**

1. The purpose of the EFSD as an integrated financial package, supplying financing capacity in the form of grants, guarantees and other financial instruments to eligible counterparts, shall be to support investments and increased access to financing, primarily in Africa and the European Neighbourhood, in order to foster sustainable and inclusive economic and social development and promote the socio-economic resilience of partner countries ... with a particular focus on sustainable and inclusive growth, on the creation of decent jobs, on gender equality and the empowerment of women and young people, and on socioeconomic sectors and micro, small and medium sized enterprises while maximising additionality, delivering innovative products and crowding in private sector funds.

**Article 9: Eligibility criteria for the use of the EFSD Guarantee**

1. The financing and investment operations eligible for support through the EFSD Guarantee ... shall support the following objectives:

(a) contributing to sustainable development in its economic, social and environmental dimensions, and to the implementation of the 2030 Agenda and, where appropriate, the European Neighbourhood Policy ... promoting in particular gender equality and the empowerment of women and young people, while pursuing and strengthening the rule of law, good governance and human rights.

2. The EFSD Guarantee shall support financing and investment operations which address market failures or sub-optimal investment situations and which:

(i) are implemented with full respect for internationally agreed guidelines, principles and conventions ... as well as international human rights law.

**Article 16: Reporting and accounting**

1. The Commission shall submit an annual report to the European Parliament and to the Council on the financing and investment operations covered by the EFSD Guarantee. That report shall be made public. It shall include the following elements:

(c) an assessment ... of the additionality and added value, the mobilisation of private sector resources, the estimated and actual outputs and the outcomes and impact of financing and investment operations covered by the EFSD Guarantee on an aggregated basis ... that assessment shall include a gender analysis of the operations covered based on evidence and data broken down by gender, where possible.
**Doing harm**

What is more, some blended finance-funded projects have not only exacerbated inequalities between women and men – they have also been associated with direct infringement of other rights, in a way that is likely to have hit marginalised people hardest. There is a growing body of evidence on the adverse impacts of certain blended finance projects for whole communities of people living in poverty. These include the alleged grabbing of indigenous communities’ agricultural land in Mexico;49 the imposition of unaffordable user fees at a hospital in Zimbabwe;50 and forced evictions to make way for a highway in Kenya.51 Although this was not documented in detail in these cases, it is likely that marginalised women and persons with disabilities – who tend to have less access to financial resources and to intangible support such as information and networks – would be among those who suffered most.52

Weak transparency over blended finance projects also limits the ability of victims to hold donors accountable for any human rights abuses that take place. Blended finance tends to be shrouded behind commercial confidentiality clauses, and is often channelled through European public development banks53 and DFIs, and thence through financial intermediaries – none of which have strong track records on transparency.54 Redress comes from the financial institutions’ own mechanisms, some of which do not abide to the highest standards.55

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**Case study: Northern Uganda – Transforming the Economy Through Climate-Smart Agribusiness (NU-TEC)**

The UK Department for International Development (DFID)’s NU-TEC project seeks to strengthen the agricultural economy in Northern Uganda, through a combination of technical assistance and finance. This is a complex project that combines several approaches and financing modalities. One of the modalities is blending – i.e. the use of DFID funds to provide capital and technical assistance which, over the longer term, are intended to combine with and generate additional private investment in the project’s supported activities.

The project illustrates both the opportunities and the challenges in using blended finance as a tool to leave no-one behind.56

The project is unusual for an intervention involving blended finance, in that it sets out explicit plans “to directly improve the lives of the vulnerable”, using a definition of “vulnerability” that encompasses both gender and disability.57 Plans include: research on the respective barriers that may prevent women and persons with disabilities from equitably accessing the agricultural economy; activities targeted towards particular value chains, or activities in which women or persons with disabilities are active; and gender- and disability-disaggregated monitoring of project results.

It remains to be seen how far the ambition of the project’s plans will be sustained through implementation (early Annual Reviews raise some questions).58 Nonetheless, the project demonstrates some of the important ways in which identity-based disadvantage should be considered in the design of any large-scale blended finance intervention.

The project also illustrates the limitations in what blended finance can achieve for disadvantaged people. By its nature, the project focuses mainly on the actions of relatively large private sector actors within the market system. As the project business case recognises, the wider system already has entrenched inequalities – for example, the cash crop sector is currently dominated by men.59 DFID plans to put in place some basic measures to mitigate these inequalities, but tackling them comprehensively would require a much wider portfolio of interventions – from supporting equitable access to education, to building civil society advocacy capacity – than lend themselves to financing through blending. And in the absence of a clear strategy for addressing these dimensions too, there is a risk that – despite its efforts to reach out to disadvantaged populations – the project could end up exacerbating existing inequalities overall.
Conclusion and recommendations

A ‘leave no-one behind’ lens brings into sharp focus some of the issues that civil society organisations have been highlighting around blended finance – including the importance of listening to voices from the global south about financing priorities; the serious potential consequences of diverting concessional public finance from other uses; the importance of maximising opportunities for development additionality; and the fundamental need to align blended finance with human rights obligations. And unless such a lens is applied to all finance for the SDGs, the 2030 Agenda will fail to deliver on its headline pledge.

Yet, based on the risks set out in this paper, blended finance is on course to leave women experiencing marginalisation, persons with disabilities, and potentially many other disadvantaged populations, behind – unless it is accompanied by the safeguards below. These recommendations draw on recommendations in previous Eurodad papers on blended finance and on ownership of development priorities, drawing out in more detail their implications for the rights of marginalised groups.

Deciding whether to use blended finance

1. The decision on whether to use blending should rest with the citizens of countries in the global south, not with donors: and the voices of those who have been ‘left behind’, including marginalised women and persons with disabilities, should be given particular attention. Only when such a participatory, southern-led, assessment has found that blended finance is the best way for concessional public finance to support the realisation of economic and social rights – including for marginalised groups – should blending go ahead.

Planning and implementing blended finance projects

2. If, based on recommendation 1, blended finance is judged to be the optimal financing method, donors and development finance institutions should put in place all the necessary measures to ensure that blended finance fulfils human rights obligations, including obligations on the rights of marginalised groups. Specifically, they should:

   a. Target those who have been left behind. Donors and development finance institutions should assess the barriers that may prevent marginalised women, persons with disabilities, or other disadvantaged populations from benefitting fully from project outcomes. They should put in place a comprehensive funded plan to address these barriers – including if necessary complementary projects, financed through ODA rather than blending, to address upstream barriers such as social norms or a lack of access to education. They should monitor projects’ contribution to reducing social inequities, including through gender- and disability-disaggregated data.

   b. Overhaul transparency and accountability, so that marginalised women, persons with disabilities, and other disadvantaged populations participate meaningfully in the appraisal, implementation, monitoring and evaluation of all projects. All information should be made automatically available on a timely basis and in accessible formats, with a carefully justified and limited regime of exceptions. Independent, user-friendly and accessible complaints mechanisms with effective follow-up should be available from the outset of projects, with the option to take legal action in the case of severe transgressions.

Until the mixed messages around blended finance and leaving no-one behind are untangled, and until proper safeguards are in place, blending – far from delivering the SDGs – risks undermining the 2030 Agenda, by leaving some people even further behind than before.


6 This briefing defines public-private partnerships as arrangements involving: a medium or long term contractual agreement between the state and a private sector company; the private sector supplying assets and services that would traditionally be provided by the government; and some form of risk sharing between the public and the private sector. This is the definition used in previous Eurodad research, including María José Romero, “What lies beneath: a critical assessment of PPPs and their impact on sustainable development”, 2015, http://www.eurodad.org/files/pdf/1546450-what-lies-beneath-a-critical-assessment-of-ppps-and-their-impact-on-sustainable-development-1454105097.pdf.

7 “Addis Ababa Action Agenda of the Third International Conference on Financing for Development.”


19 Sometimes, proponents of blending suggest that the added value of concessional public finance can be measured by the ratio of non-concessional finance involved, relative to their injection of concessional finance – the higher the ratio, the more value added. But in fact the opposite is often true: a high ratio can actually mean that, against the total scale of financing for the project, the contribution of concessional public finance was insignificant, and is unlikely to have added any significant value in terms of influencing commercial financiers’ decisions (see Javier Pereira, as above).

20 For example, a recent evaluation of seven major EU blending facilities found that in almost half of the cases examined, there was no clear reason articulated for the use of blending. European Commission, Evaluation of Blending, December 2016, http://ec.europa.eu/europeaid/sites/devco/files/evaluation-blending-volume_1_en.pdf.


23 A further, related, complication is that as a general rule, blending tends to be more suitable for middle income countries than for least developed countries, and so an increase in the use of blending has potentially serious implications for donor commitments on aid allocations to least developed countries.


References
This includes donor governments, as states are obliged to fulfil their extra-territorial obligations, as set out in the Maastricht Principles on Extra-territorial Obligations of States in the Area of Economic, Social and Cultural Rights. This means that states are obliged to respect, protect and fulfill economic, social and cultural rights both within and beyond its borders that have effects on the enjoyment of rights outside the state’s territory. This relates to international cooperation — whether aid or technical cooperation, as this needs to comply with human rights standards.

This does not detract from governments’ obligation to fulfill the rights of all women and persons with disabilities, including the small minority who may never be able to access the productive sectors fully, for example because of very severe impairment.

Private sector actors should also be required to conduct comprehensive

Including on the basis of age, race, ethnicity, migratory status, geographic location, sexual orientation and gender identity, and other characteristics relevant in national contexts. (This list was taken from Sustainable Development Goal 17.18, but I have added sexual orientation and gender identity). For an illustration of the ways in which marginalised persons with disabilities may suffer most when access to services and assets is scarce, please refer to Institute of Development Studies’ “A Private Affair: shining a light on the shadowy institutions giving public support to private companies and taking over the development agenda”, 2014, http://www.eurodad.org/files/pdf/1546237-a-private-affair-shining-a-light-on-the-shadowy-institutions-giving-public-support-to-private-companies-and-taking-over-the-development-agenda.pdf

For example, the Agence Française de Développement and KFW Entwick lungsbank

Including the most marginalised, ”January 2017, https://open-docs.ids.ac.uk/opendocs/bitstream/handle/132456789/12729/A%20typology%20of%20market%20based%20approaches%202019_01.pdf?sequence=632

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The European Network on Debt and Development (Eurodad) is a network of 46 civil society organisations (CSOs) from 19 European countries, which works for transformative yet specific changes to global and European policies, institutions, rules and structures to ensure a democratically controlled, environmentally sustainable financial and economic system that works to eradicate poverty and ensure human rights for all.

www.eurodad.org
Contact

Eurodad
Rue d'Edimbourg 18-26
1050 Brussels
Belgium
Tel: +32 (0) 2 894 4640

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