Foreword

The Sustainable Development Goals (SDGs) are all about transformation – transformation driven by partnerships, risk-taking and innovation. Getting the finance piece of the SDGs right is essential. There is a lot of exciting progress being made, with new tools and instruments helping to mobilise resources for sustainable development. But we are still not moving fast enough if we are to get more finance aligned with our collective aspiration to leave no one behind.

Too little private finance gets invested in least developed countries (LDCs). As this report suggests, only 6% of private finance mobilised by official development finance benefits LDCs. With the recent downturn in official development assistance to LDCs, too little international public finance is being invested there as well. If current trends persist, development finance will entrench exclusions and inequalities between and within countries, rather than help overcome and transcend them.

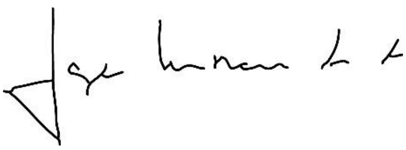
That is why we need new ways of channelling more and better-quality public and private, domestic and international financial flows to the world's most vulnerable countries, underserved communities, and projects in the "missing middle". An underlying question of this report is therefore not whether we should pursue blended finance approaches, but how and when we can make them work better for LDCs and for those furthest behind.

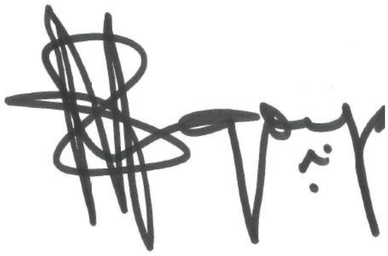
Indeed, as this report highlights through a mixture of hard data and curated guest pieces, where they are appropriate and carefully deployed, blended finance approaches can be an important part of the financing solution for LDCs. They can help to catalyse much-needed additional resources for SDG-aligned projects that private investors would otherwise overlook.

But getting blended finance to work for LDCs requires important step changes. It requires that the development community is willing to experiment more and take more risks to work in challenging environments. It requires ensuring that blended transactions align with national priorities and respect national ownership, and form part of broader SDG financing strategies. It means we need to ensure that a growing use of blended finance does not lead to a decline in the overall share of development finance received by LDCs, where blending has proved to be more difficult. We also need to improve how we measure and report on the SDG impacts of blended operations, and we need more sharing of knowledge.

The research in this report can also help to build bridges between the development and private finance communities. Identifying how best we can achieve our shared objectives, including through blended transactions, is an essential prerequisite for achieving the vision enshrined in the 2030 Agenda.

The stakes are high. The time for action is now. We need to use all options at our disposal to close SDG financing gaps. Our hope is that this report, the second such instalment looking at blended finance in LDCs, prompts a lively debate on what more could or should be done when it comes to applying blended finance effectively and efficiently in a broader range of countries.





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