

## Innovative Financing for the SDGs

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■ The global community faces a \$2.5 trillion funding gap to achieve the SDGs by 2030. This isn't necessarily due to a lack of capital, but instead, a robust mechanism for linking these private dollars to viable projects. Concordia continued its ongoing programming dedicated to enhancing the financing of the SDGs, with the international community now widely recognizing that innovative financing—or the deployment of new funding sources, the enhancement of efficiency in financial flows, the introduction of integrated thinking to reduce risk, and the creation of results-oriented financial instruments—will be critical to realizing the 2030 Agenda. Concordia's Innovative Financing Coalition (CIFC) Strategic Dialogue, *Supporting the UN Financing for Development Agenda*, brought together key stakeholders across the capital value chain to explore the blended financing space, which many panelists declared the final frontier of innovation in the capital arena.

Blended financing continues to disproportionately favor western and developed markets, with only 6% of all blended transactions landing in least developed countries (LDCs). Investment size is also smaller. Speakers zero'd in on this funding gap and the critical need to get money where it is most needed. One method designed to assess risk and crowd more capital into LDCs, as shared by **Alix Zwane, CEO of Global Innovation Fund**, and applied by her organization, was to tie debt interest rates to the results of a randomized control trial. A second recommendation brought by **Laura Frigenti, Global Head of the International Development Assistance Services Institute at KPMG**, was specific to the role of development finance institutions (DFIs) in catalyzing private funding: multilaterals should invest in the least attractive part of the project

(preparing and designing it) and widen its palate of instruments to withstand additional risk. DFIs can also leverage grants to encourage policy reform that supports derisking investment. An additional influencer of why investing in LCDs is risky deals less with the investment climate and risk threshold, and more so with physical infrastructure: until the infrastructure gap is closed, LDCs will continue to falter in terms of attractiveness.

*“As we think about what to do to make blended finance work, we really need to think about what kind of different, refined strategies we need to have for different typologies of countries.”*

Laura Frigenti

Global Head of the International Development Assistance Services Institute at KPMG

**Jacqueline Novogratz, Founder & CEO of Acumen Fund**, challenged us to “look at investment as the means, not the end”, which enabled the discussion to unpack several of the unintended, partnership aspects associated with blended finance. By virtue of engaging different parties, blended finance can result in shared learnings around impact measurement and risk assessment that empower a full cohort of stakeholders to collectively move forward in their project plans, perhaps even with additional capital that in a more previously-defined project scope would not have been available. It also creates engagement opportunities that strengthen environmental, social, and governance initiatives.



**Sean Cairncross, CEO of Millennium Challenge Corporation (MCC)**, pointed out that projects that leverage MCC funding, for example, also learn about the open procurement process, how to assess value for money, and different methods of evaluating sustainability. This can strengthen capacity for future projects at larger funding points.

Given the complexities of not only external operating environments but also internal relationship aspects, what models do work for blended financing? According to **Mary Ellen Iskenderian, President & CEO of Women's World Banking**, there's value in having an initial first loss provider lined up when attracting additional funders, and leveraging earlier commitments to crowd in additional DFI financing. Private foundations are important early-on partners, often serving as a first loss guarantor, providing debt, reducing transaction costs, supporting technical assistance, and providing 'halfway capital' between traditional investments and grand making capital. And large institutions need to reframe their approach, thinking about the "role of banking as a conduit for change through the allocation of capital", recommended **Elsa Palanza, Global Head of Sustainability & Citizenship at Barclays**. Acumen structures projects that link short and longer-term capital over those that prioritize planning for initial costs only, given the probability that something unplanned will arise midpoint. And in LDCs, it can be useful to plan for 'carve outs' in large-scale investments dedicated to capacity building of local small- and medium-sized enterprises to strengthen future pipelines.

There is an important role for information sharing and peer-to-peer discussions in the creative and flexible world of blended financing. Not only is it valuable to developing shared definitions and



standardizing data sets and metrics, but it is critical for linking up aligned ideas and shoring up entrepreneurial support necessary for the ecosystem. Concordia will continue its CIFIC discussions at each of its regional fora throughout 2020, and leverage its platform towards its goal of facilitating partnerships in the blended finance space.

*“As the technology gets built out, we look forward to a world in which the competition characteristic is dwarfed by the collaboration aspect of how we work together.”*

Joseph Lubin  
Founder of ConsenSys and  
Co-Founder of Ethereum

Also in the innovative financing space—but with a focus on conservation—the 2019 Annual Summit provided a platform to showcase how the World Wildlife Fund's (WWF's) award-winning Panda Labs and ConsenSys have been working on an innovative new blockchain solution where projects can secure funding at scale to help solve the world's most pressing conservation issues. In *Closing the Funding Gap with Blockchain in UN Sustainable Development Goals*, **Joseph Lubin, Founder of ConsenSys and Co-Founder of Ethereum**, joined **Kavita Prakash-Mani, Global Conservation Director for World Wildlife Fund**, to discuss ways in which collaborative governance mechanisms can enable subject matter experts to curate the most effective projects, and match them with funders and investors to bring the solutions to life.



*“It’s at the tipping point right now, where if we don’t act, and if we don’t take really concrete solutions, we will not be able to conserve our environment [...] We have a big gap, and we need all the innovation, new thinking, new ideas, rather than all the traditional ways of working [...] The money exists, but it’s harnessing that money, as well as the ideas.”*

Kavita Prakash-Mani  
Global Conservation Director for  
World Wildlife Fund

The conversation highlighted the \$2.5 trillion gap in investment to achieve the SDGs by 2030, and explored the profound impacts of blockchain, described by Lubin as a next-generation database technology. With the technology representing a revolution in the trust infrastructure of the planet, blockchain can move us from a world of subjective trust foundations, which depend on individuals or centralized organizations, to one of automated and objective trust. WWF’s Panda Labs, in collaboration with Consensys, is working on a number of different initiatives. One of these is OpenSC, which uses blockchain to track the provenance of fish, driving responsible production and consumption with supply chain traceability. A mobile app allows individuals to scan the label in store and determine the exact conditions under which the fish was

caught. Crucially, the blockchain technology ensures that once the data is in the system it remains trustworthy along the entire value chain, with many different actors with different agendas all being part of the same information technology infrastructure. Consensys is also collaborating with WWF to create technologies that drive impact investing, ultimately closing the SDG funding gap. ♦

**Next steps:**

- The money exists, but the issue lies with harnessing that money in an effective way. Hand in hand with this is the need to draw on innovative thinking and new ideas from the bottom up, whether it’s from individuals, millennials, or organizations, in order to drive progress at scale.
- There is an important role for information sharing and peer-to-peer discussions in the world of blended financing, particularly in terms of linking up aligned ideas and shoring up entrepreneurial support.
- Concordia will continue its Innovative Financing Coalition discussions at each of its regional fora throughout 2020, and leverage its platform towards its goal of facilitating partnerships in the blended finance space.