



# PUBLIC POLICIES IN IMPACT INVESTMENT

*Impact investment as an international  
development policy instrument*

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# Policies to promote impact investing in development co-operation

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- Few donors have defined a specific SII strategy as part of their broader development co-operation policy.
- Instruments to strengthen the supply of impact capital are the most obvious choice in cross-border transactions.
  - Donors are increasingly testing pay-for-success approaches (incl. SIINCs). Development co-operation is a means to promote SIBs by local authorities.
  - Development finance institutions identify as impact investors, but their impact approach remains quite loose.
- Development assistance remains essential to promote policy reforms towards a more inclusive social economy. The lack of local intermediaries is rarely addressed.
- A two-pronged approach is emerging:
  1. supporting policy reform for inclusive businesses and the social economy (technical co-operation with partner governments); and
  2. directly financing impact-oriented operations thorough investment vehicles are tasked to crowd in private capital towards social enterprises.
- Only 11% of the public SII initiatives in the field of development co-operation included an obligation to evaluate



# Blended Finance

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- Blended finance is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries.
- OECD DAC Blended Finance Principles:
  1. Anchor use to a development rationale
  2. Design to increase the mobilisation of commercial finance
  3. Tailor to the local context
  4. Focus on effective partnering
  5. Monitor transparency and results
- OECD 2018 Blended Finance Funds and Facilities survey
- Blended Finance Evaluation: Governance and Methodological Challenges
- Mapping impact approaches of investment instruments in development co-operation (2020)