



RESOURCE

Blended finance: what it is, how it works and how it is used

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Description / Abstract

In recent years, 'blending' has become a common development finance term. The practice combines official development assistance with other private or public resources, in order to 'leverage' additional funds from other actors. There is some confusion about its meaning, how it works, and how it fosters development, as well as a significant lack of project data.

Blending can be problematic: it does not necessarily support pro-poor activities, often focuses on middle-income countries, and may give preferential treatment to donors' own private-sector firms. Projects may not align with country plans, and commonly fail to incorporate transparency, accountability, and stakeholder participation.

This report aims to clarify what blending is, how it works and how it is used, to foster greater understanding of this increasingly prominent development finance mechanism.

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