



Blended Finance Opportunities & Practices in Tunisia

Specific approaches and local contingencies

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Key questions

- What are the opportunities underlaid by Blended Finance in Tunisia?
- How can we drive more BF resources toward market failures?
- How to improve the local dimension of BF without generating distortion in the marketplace?

General context and objective

- Tunisia depends more and more on external loans and development aid to close its public finance budget and make ends meet.
- Blended finance takes on a particular dimension in this context, even if it seems to be of a very marginal use in Tunisia,
- Some first successful cases, in particular those undertaken within the framework of the KfW are sources of inspiration and learning.
- The objective of this presentation is to share a common view of the Blended Finance practices and to identify conditions and enabling factors to make it a performing asset class of Development Finance.

Blended Finance Principles / Features



1

ANCHOR BLENDED FINANCE USE
TO A DEVELOPMENT RATIONALE

2

DESIGN BLENDED FINANCE TO
INCREASE THE MOBILISATION
OF COMMERCIAL FINANCE

3

TAILOR BLENDED FINANCE TO
LOCAL CONTEXT

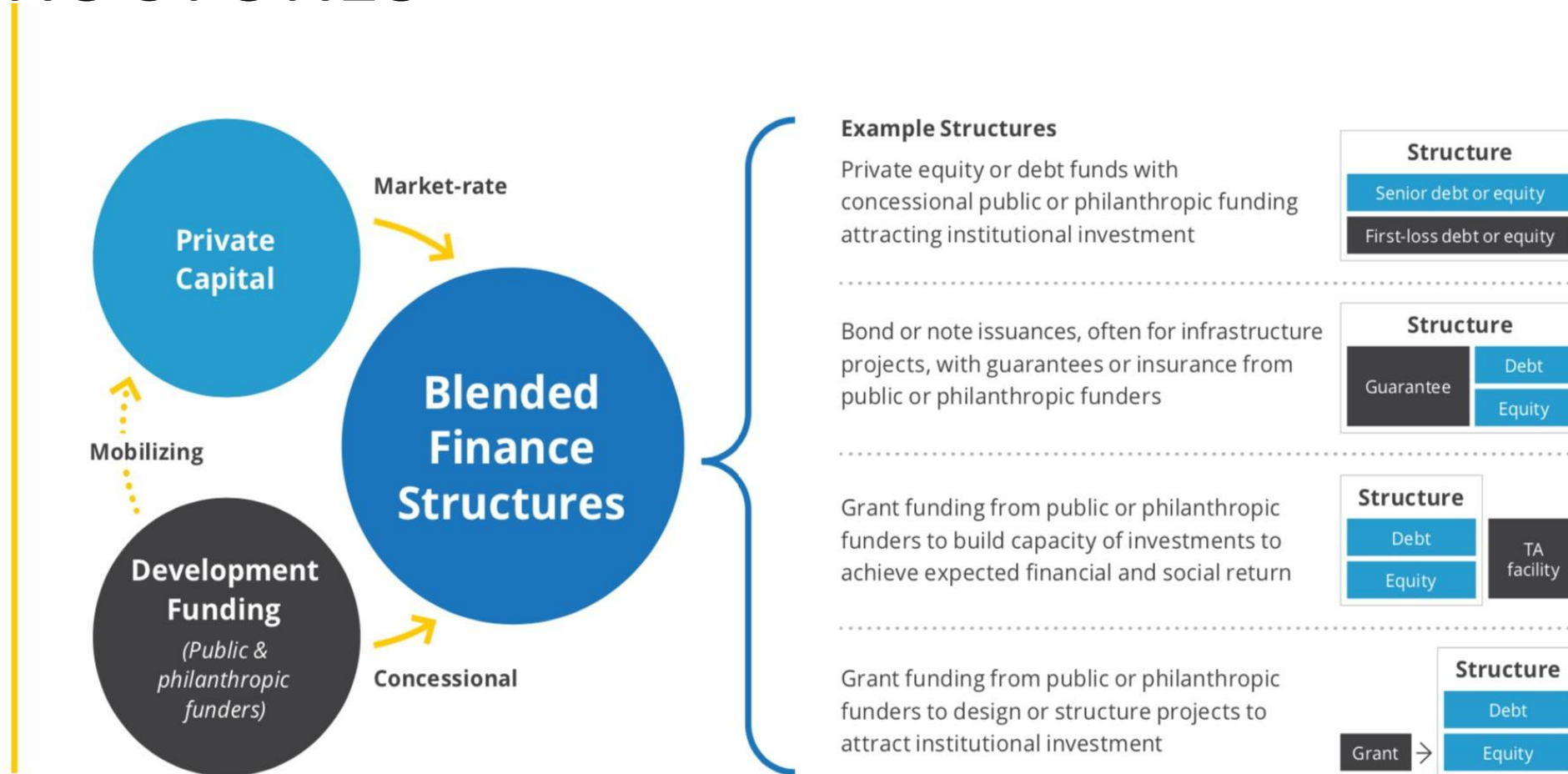
4

FOCUS ON EFFECTIVE
PARTNERING FOR BLENDED
FINANCE

5

MONITOR BLENDED FINANCE
FOR TRANSPARENCY AND
RESULTS

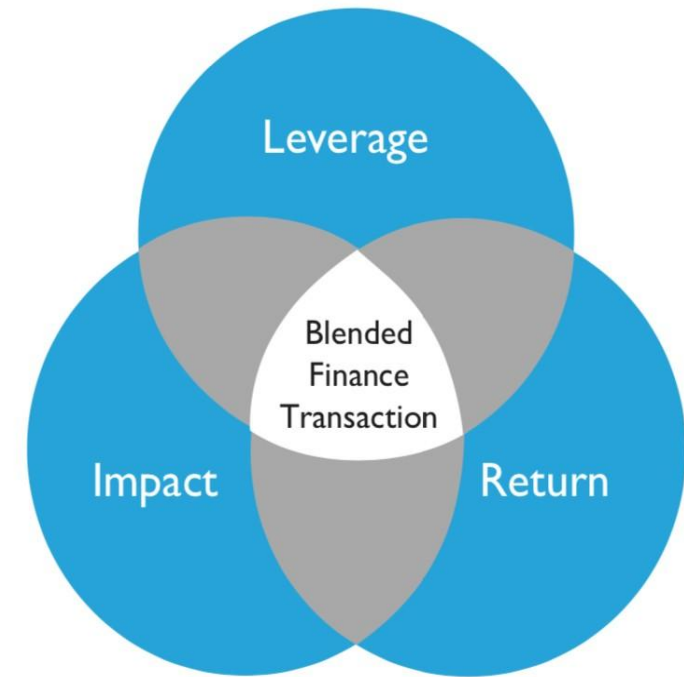
BLENDING FINANCE DEFINITION & STRUCTURES



KEY CHARACTERISTICS BLENDED FINANCE ACCORDING TO CONVERGENCE

Three signature markings that Convergence believes are important to a blended finance transaction

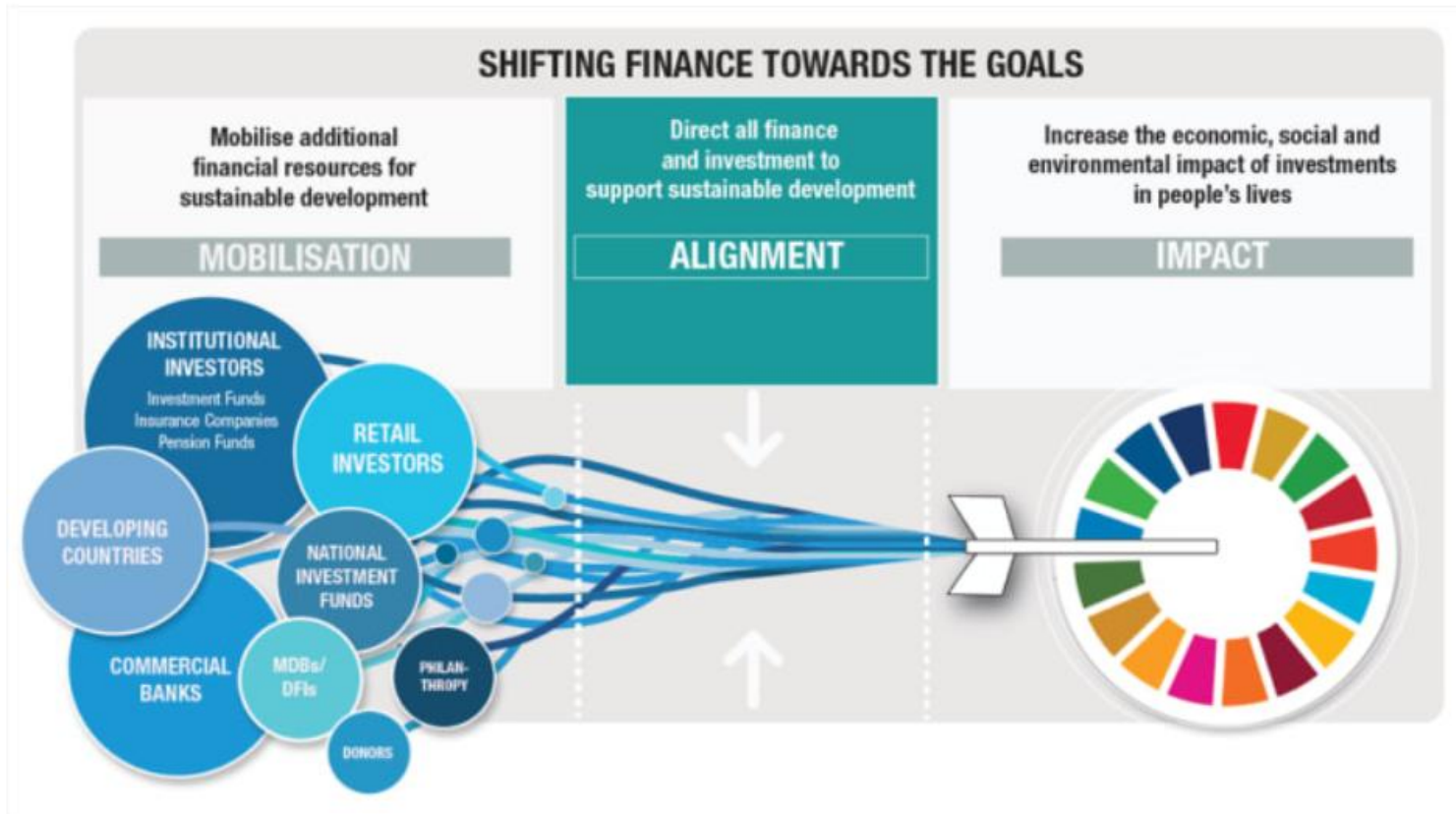
1. **Leverage** - Private sector would not have been mobilized without blended finance intervention
2. **Impact** - Underlying activity contributes to the SDGs in a developing country; however not all parties need to have development intent
3. **Return** - Transaction expected to achieve a positive financial return; returns range from concessional to market rate and depend on the type of private sector investor in the deal



CONVERGENCE IS THE GLOBAL NETWORK FOR BLENDED FINANCE

How Blending Finance?

The OECD 3 steps approach



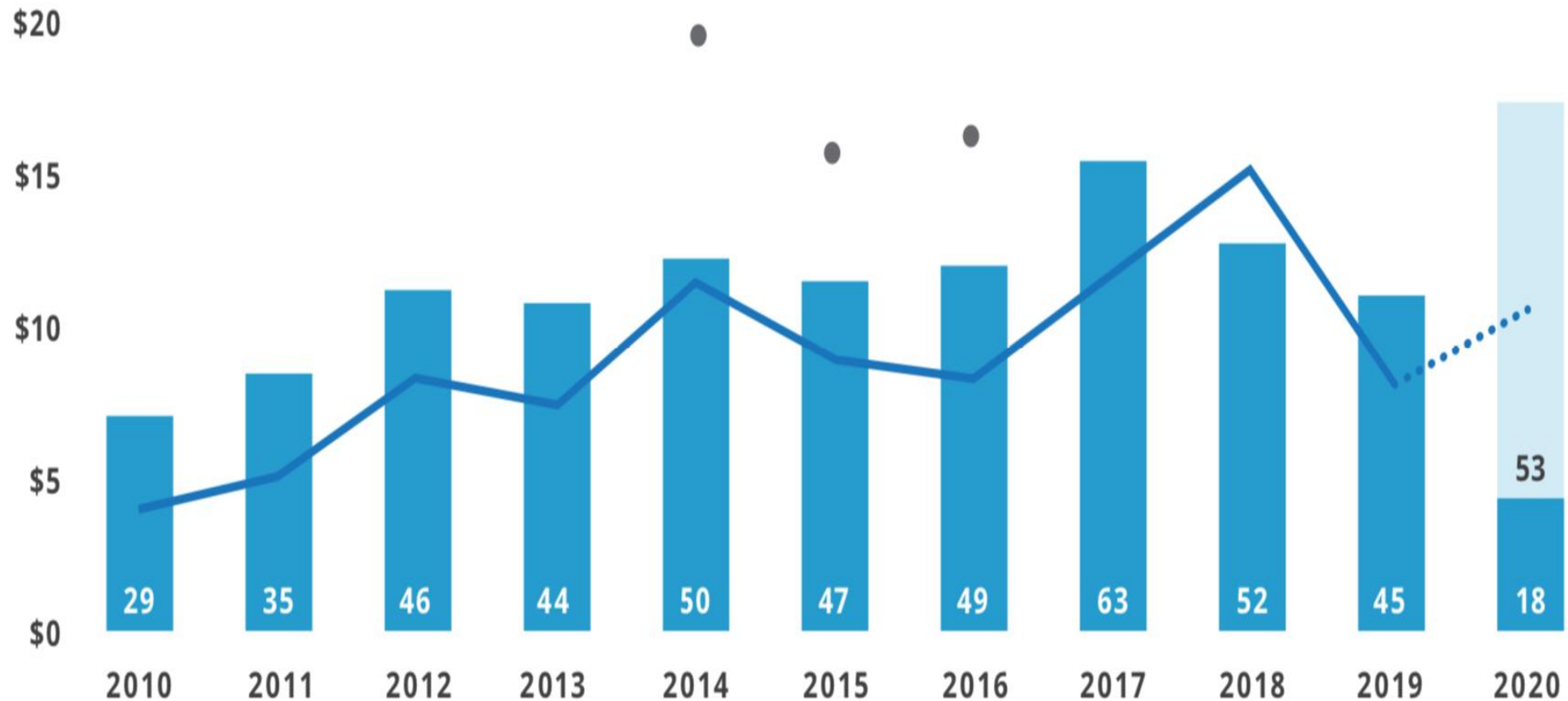
According to Convergence BF represents US\$ 198 billions AUM (2022)

2/3 Infrastructure and Financial sector
1/5 Clean Energy / Climate change
1/2 of Total Asset & 2/5 of BFF target Africa

For every 1 US\$ of MDB/DFI resources invested
0.37 US\$ - 1.06 US\$ of private finance mobilized

A three-step approach to financing the SDGs. Source: OECD

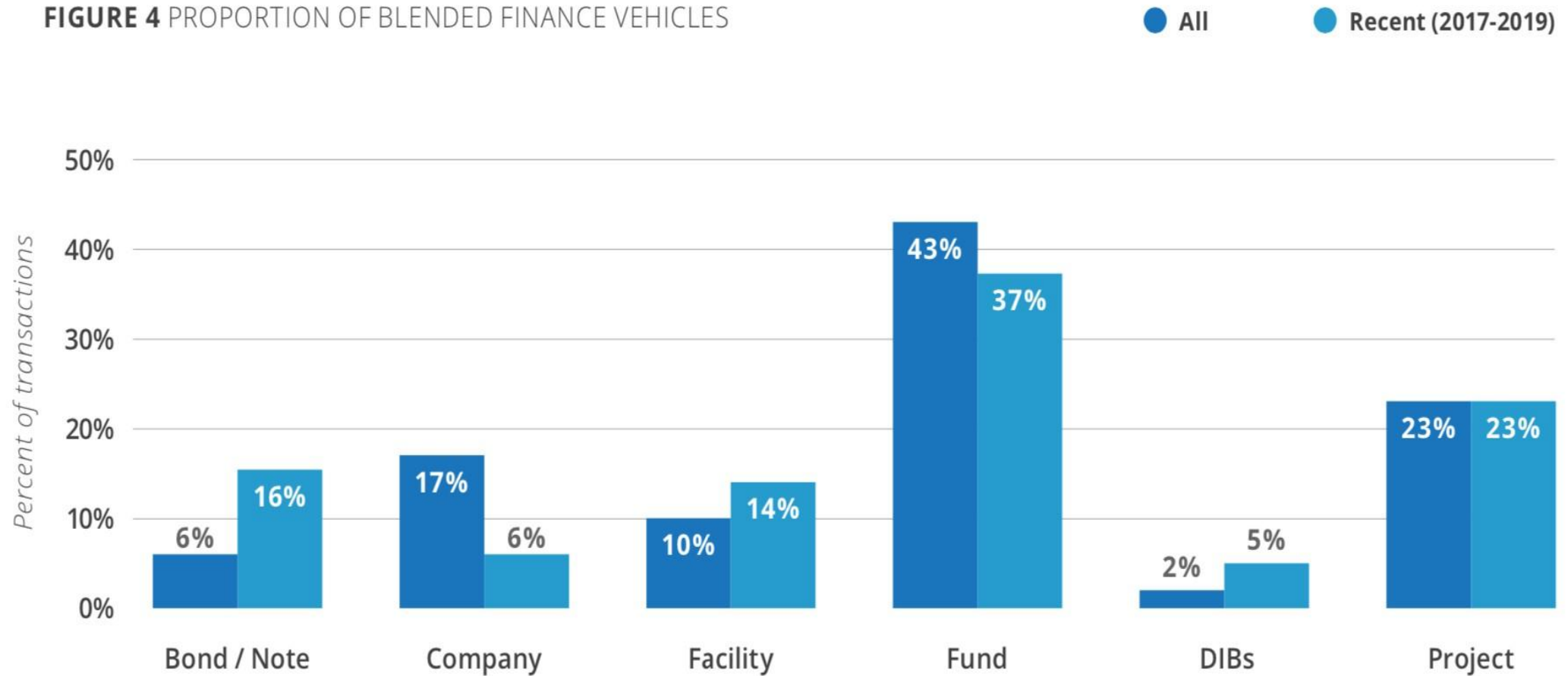
OVERALL BLENDED FINANCE MARKET: \$144 BILLION



Source: The State of Blended Finance 2020, Convergences
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TYPE OF BLENDED STRUCTURES

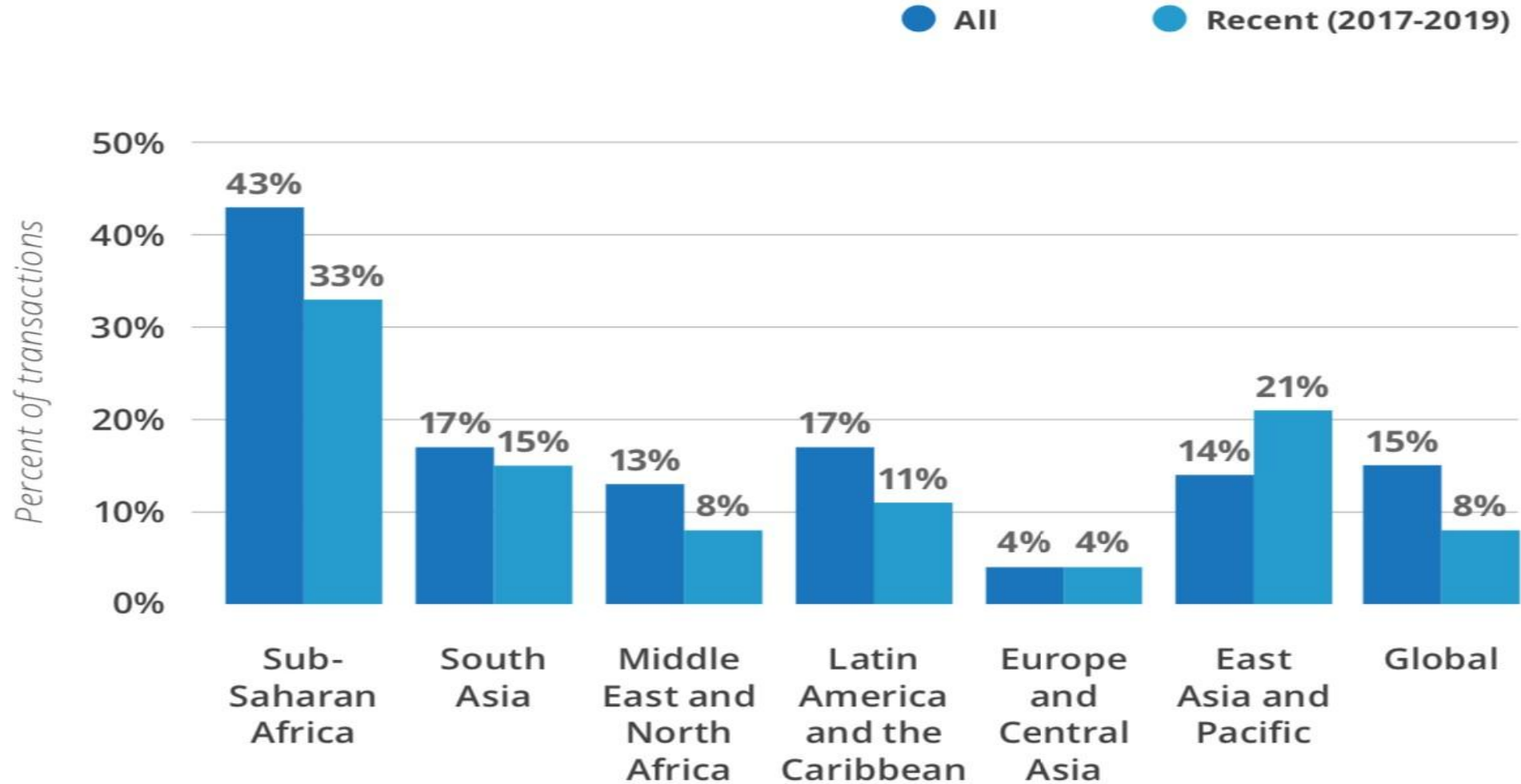
FIGURE 4 PROPORTION OF BLENDED FINANCE VEHICLES



Source: The State of Blended Finance 2020, Convergences

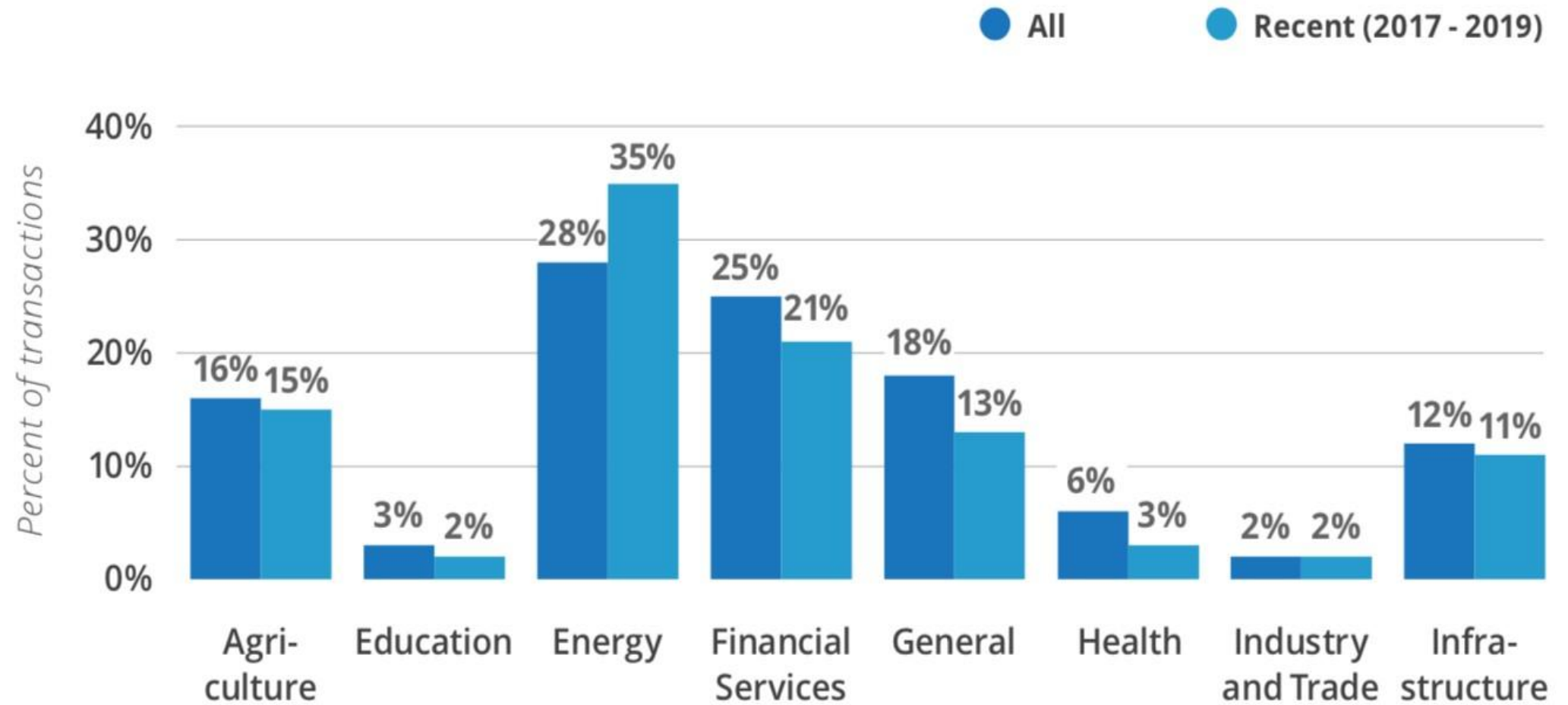
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REGIONAL FOCUS



Source: The State of Blended Finance 2020, Convergences

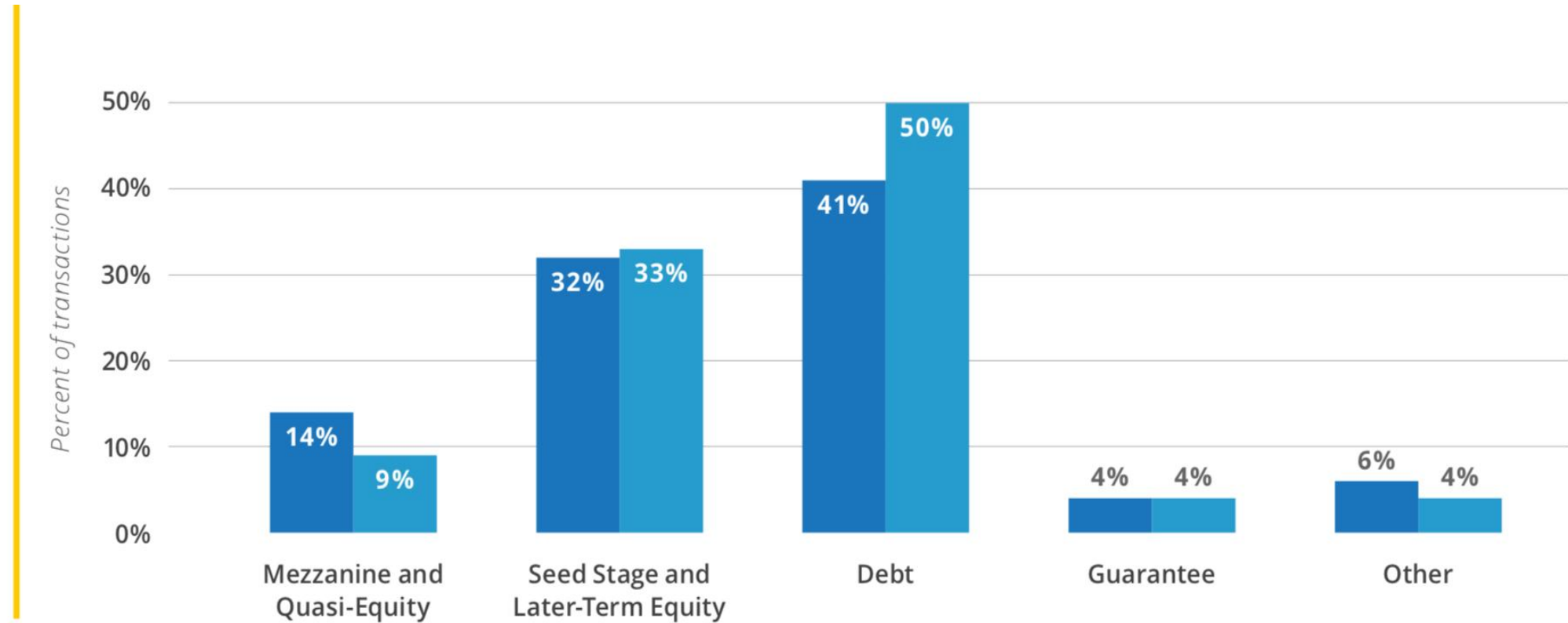
SECTORIAL FOCUS



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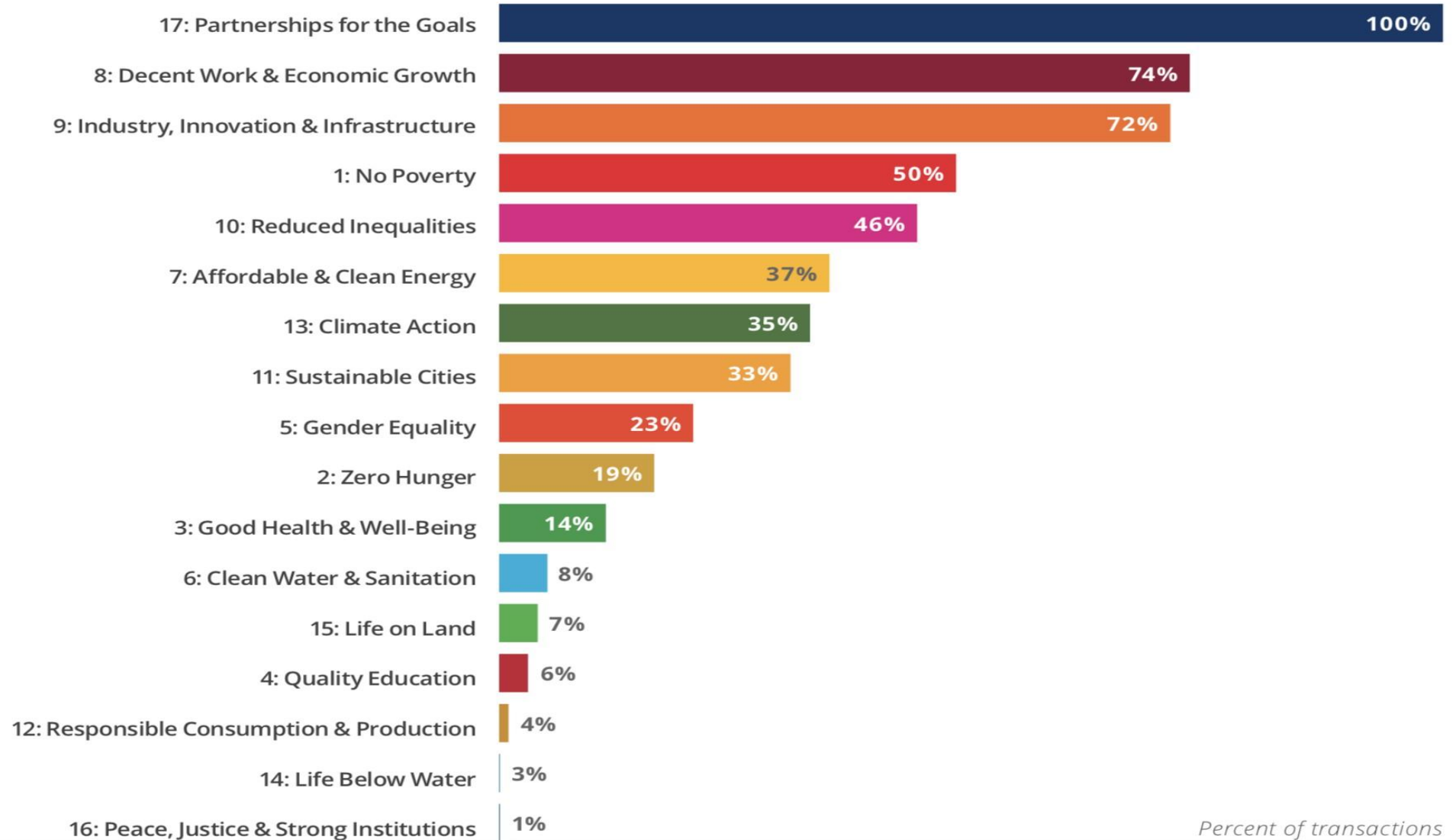
TYPE OF ASSET CLASS



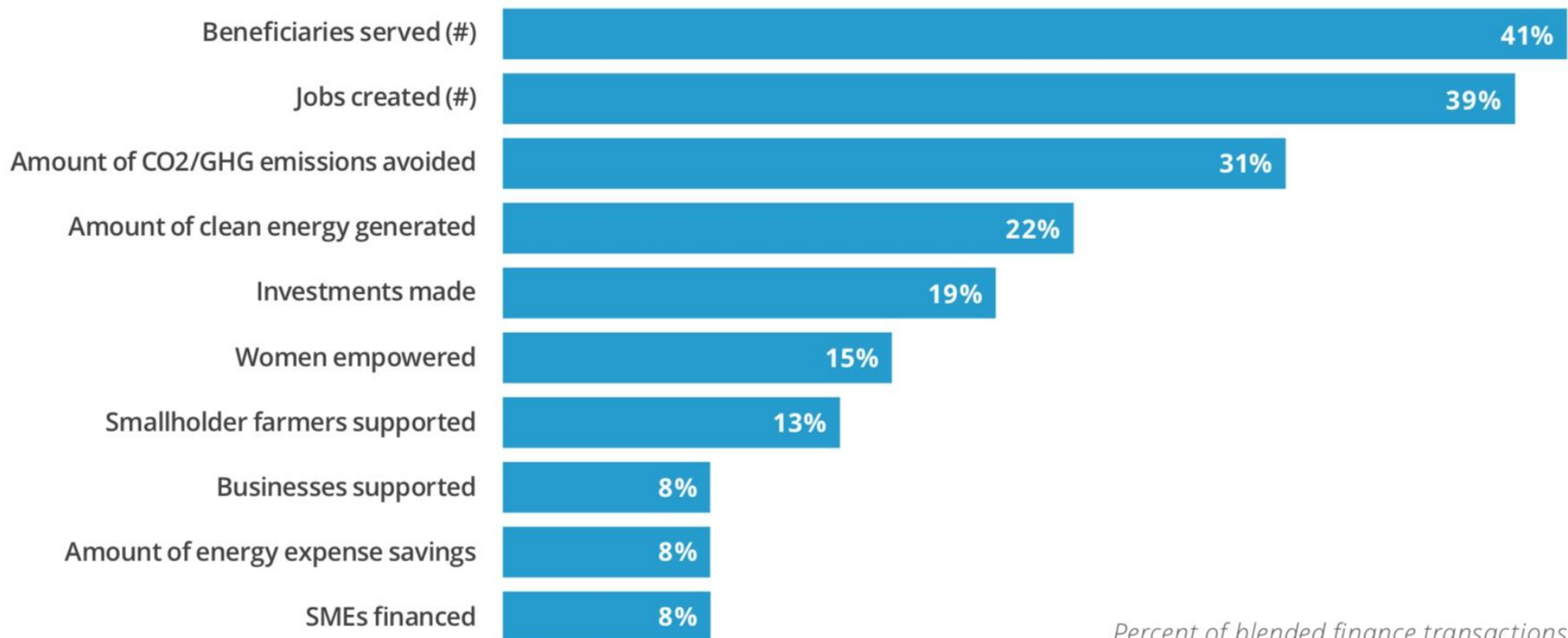
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BLENDED FINANCE & SDG ALIGNMENT



MOST COMMON IMPACT METRICS (OUTPUTS)

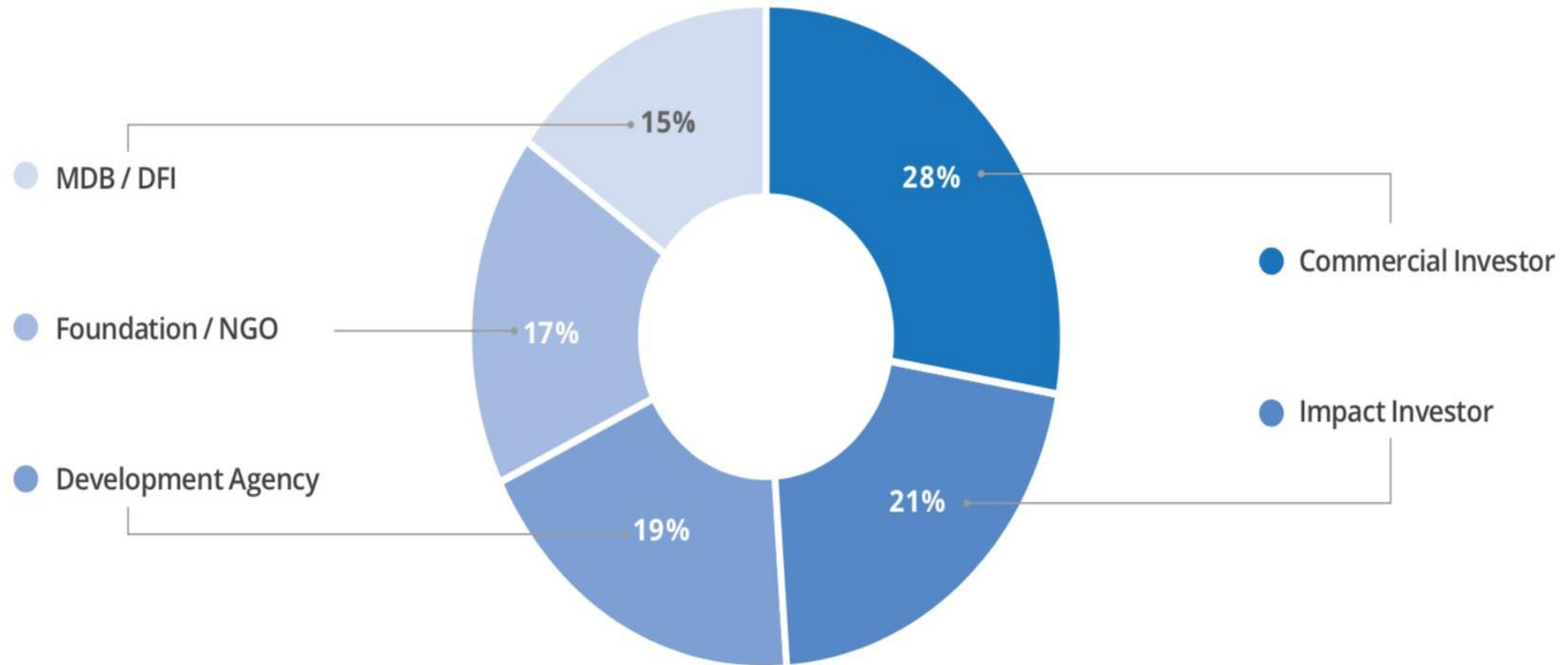


Percent of blended finance transactions

Source: The State of Blended Finance 2020, Convergences

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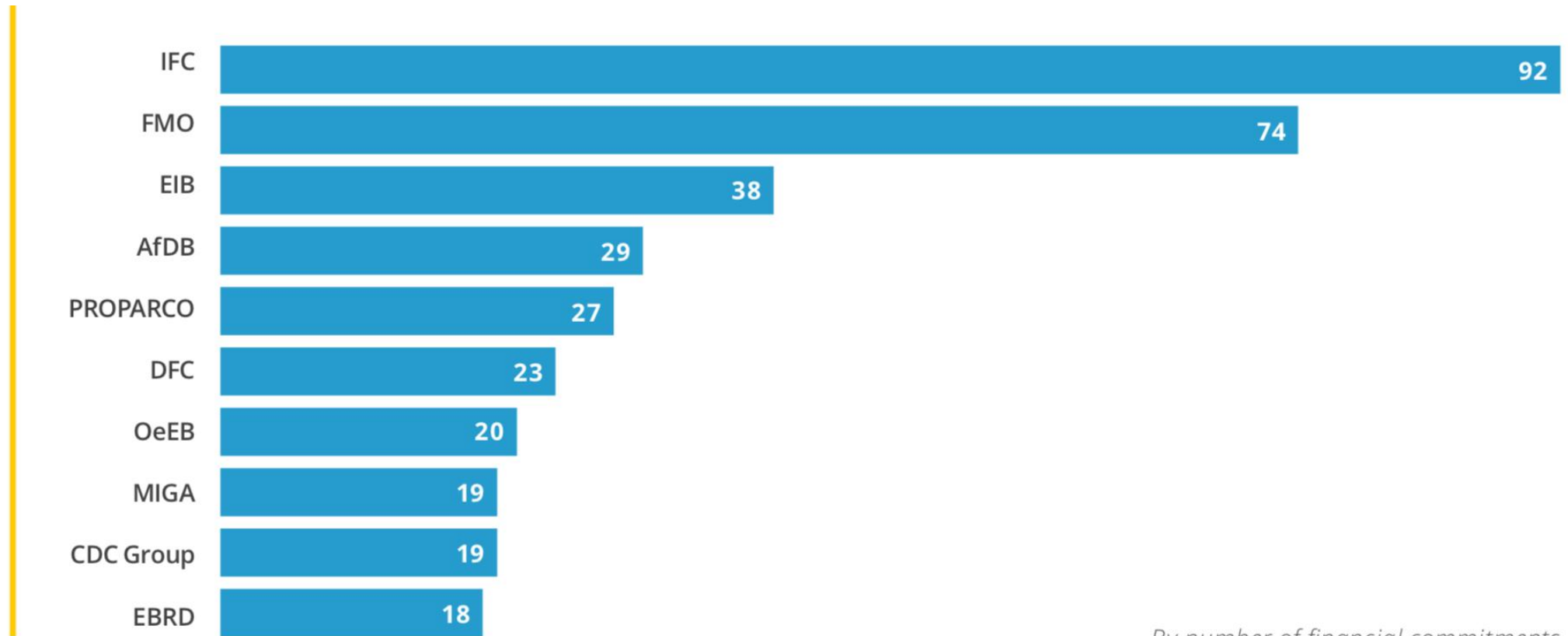
TYPE OF FUNDERS



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KEY MULTILATERALS/DFIS IN BLENDED FINANCE

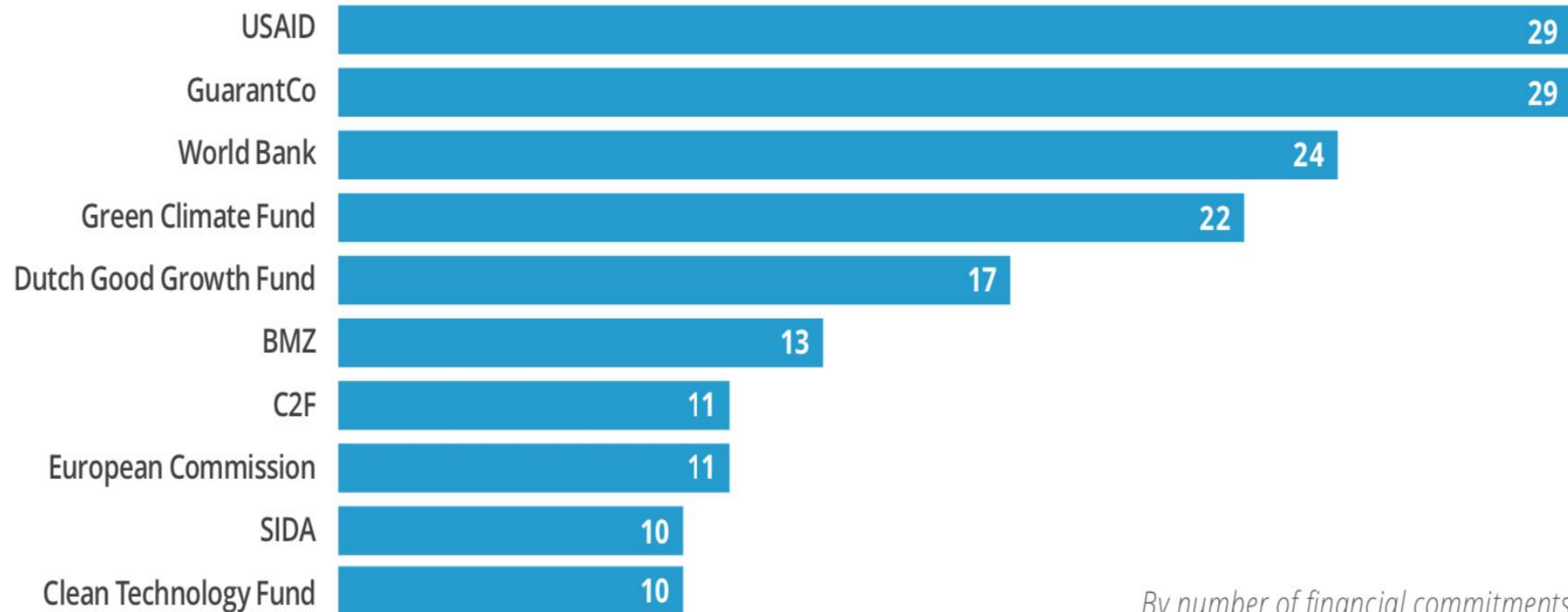


By number of financial commitments

Source: The State of Blended Finance 2020, Convergences

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KEY DEVELOPMENT AGENCIES IN BLENDED FINANCE



By number of financial commitments

Source: The State of Blended Finance 2020, Convergences

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FUTURE OF BLENDED FINANCE



BLENDED FINANCE HAS ENTERED THE MAINSTREAM



HEALTHY SKEPTICISM STILL EXISTS



BUT IT IS NOT A PANACEA...



TIME FOR BLENDED FINANCE 2.0



Sophistication of the BF instruments

- Concessional loans
 - State guaranty
 - Subsidized interest rate
 - Composite loans
 - Flat or structured debt

- Collective Investment Vehicles
 - Institutional Funds
 - Equity Funds

Integrated approach....

Addressing market failures while strengthening investment capacity through policy reforms at the national level.

Dealing with complexity:

- ✓ Multiple stakeholders/ Sharing and addressing risk
- ✓ Multiple scopes/ Sharing and addressing expectations and targets
- ✓ Multiple themes/ Sharing and addressing realities and challenges.

Blended Finance evaluation

There is a need for a common framework and evaluation criteria for BF:

- ✓ **Method of calculation for concessionality level**
- ✓ **Scorecard model with impact KPI for both investors and beneficiaries**
- ✓ **A tool for tracking additionality on the marketplace**
- ✓ **Measurement ex post of the effective added value and the project cost**
- ✓ **Anchoring to local dimension rating as a selection criteria for funding**

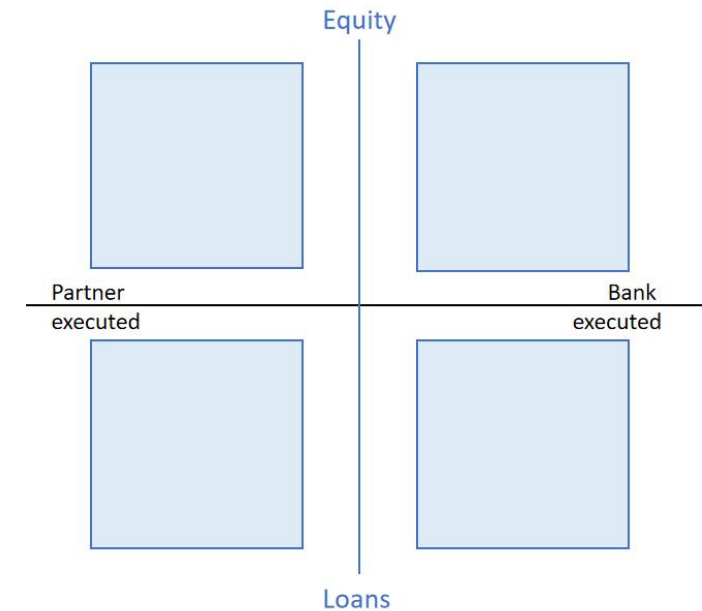
Good practices to anchor BF to local context

1. Stakeholders' consultation / Alignment with local development strategy / supported by public policy
2. Providing Technical Assistance /dealing with local contingencies
3. Demonstration effect (first loss capital, first of its kind investment,...)
4. Syndicating with local DFIs to mitigate risk
5. Exploring innovative solutions to attract more institutional investors
6. Driving additionality like issuing securities in local currency to trigger commercial finance traction
7. Scaling up with local actors to ensure higher impact on local markets
8. Integrating specific reforms as investment condition
9. Synergizing with local ecosystem
10. Knowledge transfer & cross borders fertilization to make the investment sustainable
11. Communicating on targeted SDGs
12. Public accountability like putting the instrument under local financial market authority supervision

Development Finance Taxonomy

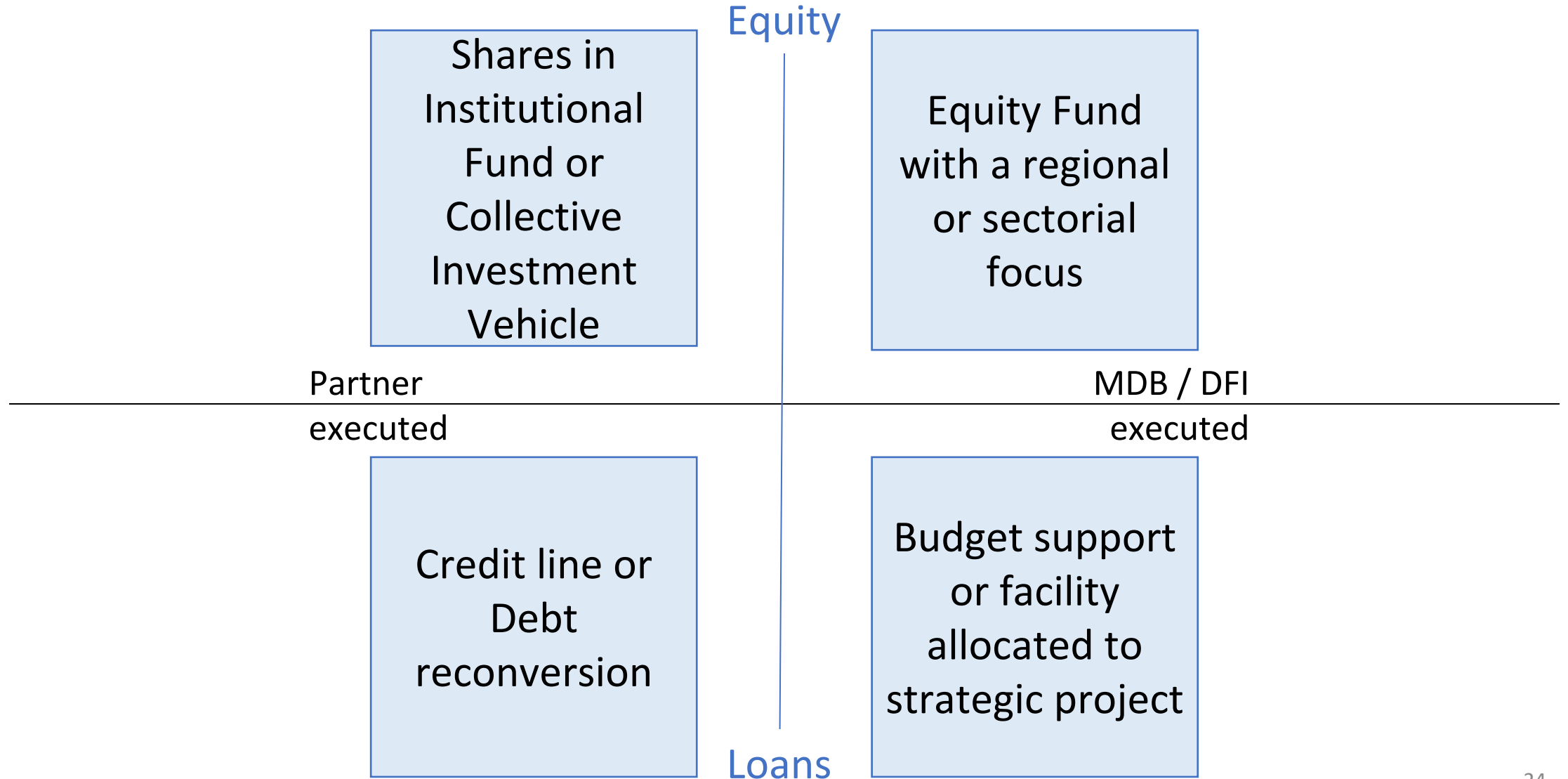
- MDB/DFOs are using a wide diversity of instruments:
 - Equity funds
 - shares in CIV
 - Concessional loans
 - Direct investment
 - Credit lines...
- Multiple Practices patterns

A distinction of Financial instruments by mandate and by business model gives a 4 quadrants taxonomy.



Development Finance

4 Quadrants Taxonomy



Equity

Which BF category is more suitable while considering an investment?

How to attract more resources to the selected BF vehicle?

Partner
executed

MDB / DFI
executed

How to anchor local dimension to BF instrument?

How to make sure there is no market distortion with the BF instrument?

Loans

Is Tunisia a good ground for BF?

- Tunisian capital market has traditionally played a marginal role in allocating financial resources to the productive economy,
- With the COVID crisis, lack of liquidity has become more acute.
- MSMEs are facing a lot of impediments to enter the market, leading to poor investment flows

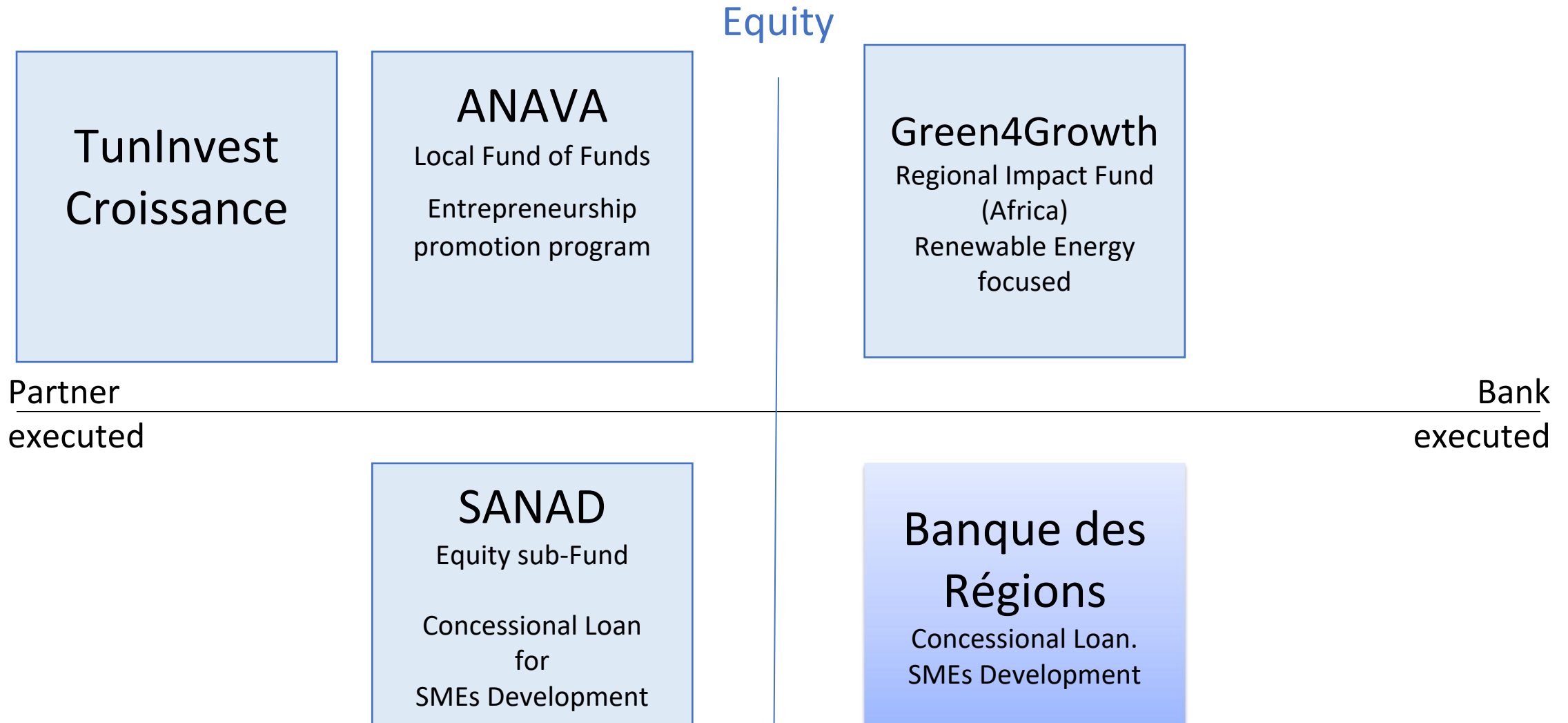
BF could adress these failures and attract development finance to boost local capital market and accompany the needed reforms of the financial sector.

Examples

		Principle 1	Principle 2	Principle 3	Principle 4	Principle 5
ANAVA	Local Fund of Funds					
Tuninvest Croissance	Equity Fund					
SANAD	Fund for MSME					
Green4Growth	Regional Facility					
Banque des Régions	Promotional loan					

	not yet in place
	partially compliant
	compliant

Taxonomy of Blended Finance. Examples from KfW



ANAVA

Local Fund of Funds

Entrepreneurship
promotion program



ANAVA

Local Fund of Funds

Entrepreneurship
promotion program

Project or Program name	Equity mechanism for the promotion of Start-ups (Fund of Funds ANAVA)
Short Description	<p>The FoF has been structured through a Task Force consulted by BPI France in regular exchange with potential shareholders. The governance structure is based on a recommendation by BPI France and follows the principle: "Public Shareholding – Private Management". Therefore, the FoF will be managed by the fund management company Smart Capital S.A., which has recently been established by Tech'invest, a company owned by Tunisie Telecom, CDC and other public minority shareholders.</p> <p>The first closing of the FoF is foreseen in 4th quarter 2020 with an amount of up to 75.0 million EUR. Caisse de Depots et Consignations (CDC) will act as the public investor (financed with a credit line by the World Bank of up to 45.0 million USD). Together with the contribution of the EU of up to 15.0 million EUR, KfW seeks to invest an equity contribution of up to 20.0 million EUR on behalf of the German Government. KfW is seeking to provide up to 4.0 million EUR for accompanying measures that could include technical assistance to the fund management, support to communication and visibility and realisation of the fund management incubator.</p>
Total engagement / period	<p>Envisaged equity participation of KfW on behalf of the German Government: 20 million EUR</p> <p>2020-2040</p>
Institutional Partners	<p>Public Tunisian Stakeholders include the Ministry of Communication, Technologies and Digital Economy (MTCEN) and the Caisse de Dépôts et des Consignations (CDC) in its role as sponsor (Public Anchor Investor). The Ministry of Development and International Cooperation (MDCI) is involved and has sent a formal request for financing to KfW.</p> <p>Since end of 2017 KfW also participated in the so called Comité de Pilotage where the Tunisian Task Force has informed and exchanged with potential institutional investors (CDC, World Bank/IFC, AfD/Proparco, KfW, EU). Thus, alignment and coordination amongst DFI's is ensured through this platform.</p>
Portfolio sub-loans (Tunisia)	-
Portfolio sub-equity funds (Tunisia)	The Fund of Funds has not yet been founded and therefore no investments in VC Fonds have been conducted.

GreenFor Growth

Regional Impact Fund
(Africa)
Renewable Energy
focused



Banque des Régions (Tunisie)

Concessional Loan.
SMEs Development



Thank you for your attention !