

Peer review of existing innovative financing for development



After the limits of traditional official development aid (ODA) were highlighted during the United Nations Conference of Monterrey on development financing (2002), innovative financing proved to be essential in international debates as ways to achieve the objectives of poverty reduction and conservation of global public goods.

These financing mechanisms are innovative in three ways: (1) by their stable and predictable collection mode; (2) they are complementary to ODA; (3) by the multilateral management of mobilized resources.

About twenty countries already set up one or more innovative financing mechanisms so far. Thanks to them, around 6 billion USD have been raised since 2006. This peer review, commissioned to the Permanent Secretariat during the 9th Plenary Session of Bamako, is open to changes and amendments with the assistance of all the Leading Group partners.

Families	Stable and predictable collection mode	Multilateral management	Contributors	Funds levied
Guarantee mechanisms	AMC (Advanced Market Commitments): a public-private partnership between donor countries and pharmaceutical companies. Donors commit funds to guarantee the price of vaccines once they have been developed. These commitments provide vaccine manufacturers with an incentive to invest in late stage vaccine development and expand manufacturing capacity. In exchange, these companies provide the vaccines at a reagreed long-term price to developing countries.	The World Bank holds donor payments and assumes financial risks. A multilateral management is ensured by the executive board of GAVI (Global Alliance for Vaccines and Immunization) to whom funds are transferred. GAVI is responsible for the partnership with pharmaceutical companies.	Canada 	200 million USD
			Italie 	635 million USD
			Norway 	57 million USD
			Russia 	80 million USD
			United Kingdom 	485 million USD
			TOTAL	1,45 billion USD
	Agriculture Pull Mechanism (AGPM) Initiative: a public-private partnership based on financial incentives from the public sector rewarding successful innovations of the private sector designed to enhance smallholder welfare and improve food security in developing countries. 4 specific areas are aimed at: Inputs/Increasing Yields, Outputs/Post-harvest Management, Livestock and Nutrition.	The AGPM Initiative is still going through a <u>scoping phase</u> governed by four bodies: - A Steering committee (Canada, USA, Gates Foundation and other donors); - An Expert Advisory Group; - 4 Thematic Groups; - A Secretariat led by the World Bank that provides technical and coordination support to all bodies.	Australia 	<i>To be determined</i>
			Canada 	100 million USD <u>announced</u>
			United Kingdom 	<i>To be determined</i>
			United States 	<i>To be determined</i>

			Italy 	601 million USD over 20 years
			The Netherlands 	114 million USD over 8 years
			Norway 	264 million USD over 15 years
			South Africa 	20 million USD over 20 years
			Spain 	240 million USD over 20 years
			Sweden 	38 million USD over 15 years
			United Kingdom 	1.63 billion £ over 20 years
			TOTAL	3,4 billion USD levied between 2006 and 2011 for GAVI. Donors' financial commitment until 2030: 5,8 billion USD.
Market mechanisms	Reallocation to development projects dedicated to the adaptation to climate change of part of the revenues of the European Union Emission Trading System (EU ETS) .	A multilateral management at the European level could be considered if more countries decided to take part to this mechanism.	Germany  (Special Energy and Climate Fund)	340 million € between 2008 and 2010. (3.2 billion € expected by 2015)
			France (as of 2013) 	<i>To be determined</i>
Debt for development swaps	Debt2Health A mechanism that relies on a partnership between 2 countries: the first country (creditor) accepts to cancel a bilateral debt in exchange for the second country (debtor) to reinvest it in development projects in the health sector. The Global Fund to fight	The Global Fund plays a role of intermediary between the two countries. The executive board of the Global fund (composed of donors, beneficiaries, private sector and civil society) is in charge of choosing the projects to	Australia/Indonesia  	54.6 million € debt cancellation of which 27.3 million € is allocated to the Global Fund (july 2010)
			Germany/Indonesia  	50 million € debt cancellation of which 25 million € is allocated to the Global Fund (sept. 2007)

	health sector. The Global Fund to fight Aids, tuberculosis and malaria receives the funds and is in charge of reallocating them.	charge of choosing the projects to finance.	Germany/Pakistan  	40 million € debt cancellation of which 20 million € is allocated to the Global Fund (nov. 2008)
			Germany/Ivory Coast  	19 M € debt cancellation of which 9.5 million € is allocated to the Global Fund (sept. 2010)
	Debt-for-Nature A conversion of official debt system. A partnership between 2 countries that allow reinvesting in environmental projects.	WWF plays a role of advocacy to encourage countries to participate. The funds levied are reallocated to WWF.	France/Madagascar  	20 million USD (2008)
			France/Cameroon  	25 million USD (2002)
			United States/Peru  	40 million USD (2002)
Taxes based on globalized activities	Solidarity levy on air ticket: a mechanism that relies on a system of mandatory contributions for each air passenger deducted by a State when the ticket is purchased.	Partaking countries sit at the executive boards of multilateral organizations to which funds are allocated: UNITAID, Global Fund, GAVI . UNITAID's model is based on long-term funding commitments and the purchase of high volumes of medicines and diagnostics. This helps stimulate increased production, which creates economies of scale that drive prices down. In turn, this means that UNITAID and its partners can provide more medicines and treatments with the same budget.	Benin 	Payment to UNITAID
			Brazil 	50,4 million USD*
			Cameroon 	1,7 million USD to UNITAID
			Chile 	25,118 million USD to UNITAID
			Cyprus 	1,579 million USD*
			Congo 	1,09 million USD to UNITAID
			France 	997,195 million USD to UNITAID
			Guinea 	49 000 USD*
			Jordan 	Payment to Global Fund

				Luxembourg	1,9 million USD*
				Madagascar	27 000 USD to UNITAID
				Mali	928 000 USD to UNITAID
				Mauritius	7,032M USD to UNITAID
				Niger	281 000 USD to UNITAID
				South Korea	7,5 million USD to UNITAID and GAVI
				Spain	58 million USD to UNITAID*
				Gates Foundation	50 million USD to UNITAID
			Citizen contributions (individuals and companies)	Tax on airline CO2 emission	Funds are partly reallocated to UNITAID
GAVI Matching Fund: A public-private partnership. Contributions to GAVI from companies, foundations, their customers, employees and business partners can be matched by donor countries. Funds are allocated to immunization projects in the poorest countries.	Funds are allocated to GAVI whose executive board ensures a multilateral management.			United Kingdom	50 million £
				Gates Foundation	50 million USD
	Product (RED) initiative Several companies committed themselves to create specific products (RED) branded. Part of the revenues from the sale of these products are reallocated to the Global Fund	Multilateral management is ensured by the Global Fund's executive board.	American Express Apple Beats by Dr. Dre Belvedere Vodka Bugaboo Converse		161 million USD levied since 2006

	to finance programs to fight aids, tuberculosis and malaria. Main beneficiaries are Rwanda, Ghana, Lesotho, Swaziland, south Africa and Zambia.		Dell Gap Nike Penfolds Starbucks	
--	--	--	--	--

**Budgetary contributions based on what an air ticket levy would bring in.*

Examples of other instruments for development

Belgium	Belgian Fund for Food Security: 20% of the revenues of the national lottery is allocated each year to this fund, which allows financing food security programmes in partner countries. Several counterparts: Belgian Technical Cooperation, Belgian NGO's, UN-organizations.	250 million € over 5 years as of 2010
Canada	The Global Trade Liquidity Program: works through global and regional banks to help fill an important gap in trade financing in developing economies.	200 million USD
	The Private Sector Window of the Global Agriculture and Food Security Program uses loans, guarantees, equity investments, and advisory services to help fill a long-term financing gap faced by small and medium sized agri-businesses and farmers in poor countries.	50 million USD
	The Financial Mechanism for Climate Change facility provides concessional financing and technical assistance to catalyze climate change projects in developing countries that would not otherwise happen due to market barriers preventing sponsors or other financiers from making those investments.	291,5 million USD
France	C2D (debt reduction contract for development) Partnership between two States to negotiate the reduction of the debt on one condition: reinvestment in projects dedicated to poverty reduction. Beneficiaries: Bolivia, Burundi, Congo, Ghana, Mauritania, Mozambique, Nicaragua, Rwanda, Tanzania, Uganda.	1,8 billion USD between 2000 and 2015
The Netherlands	The Fair Climate Fund: The ICCO (the Netherlands-based interchurch organization for development cooperation) Fair Climate Fund builds biodigesters in India and South Africa for which it generates Emission Trading Rights (VERs and CERs). These are then sold to or traded with private investors. The revenues flow back into a fund which is used to build new biodigesters. Public funds are used to scale up the total concept of the FCF with commercial loans and are subordinated to security provided by ICCO.	4.37 million € (government) 1.65 million € (ICCO) Loan from ING: 4.3 million €

	Health Insurance Fund (HIF) / Investment Fund for Health in Africa (IFHA) / Medical Credit Fund A funding mechanism for developing health insurance for people on low incomes or working in the informal sector, and for improving and expanding healthcare capacity.	100 million USD up to 2013
	TREFI - The Capital Tool Company , a private institution that has developed a web-based system that combines credit collection with finance tools, allowing suppliers and financiers to support SMEs. The model is innovative in the way it allows suppliers to extend financing to SMEs at a greatly reduced cost.	450 000 Euros
	The Infrastructure Development Fund (IDF) encourages the private sector to invest in private or public-private infrastructure projects in developing countries by providing risk capital (for up to 20 years) in the form of loans, shares, investment in international or multilateral infrastructure funds and development grants.	256 million Euros
The Netherlands and Germany	The Currency Exchange Fund (TCX) is the first facility in the world to provide a solution to the currency risk to which local entrepreneurs and financial institutions in developing countries.	50 million USD (NL) 40 million USD (Germany)
World Bank	The Caribbean Catastrophe Risk Insurance Facility allows for timely access to funds following a catastrophic natural disaster in the Caribbean and is the world's first disaster insurance facility. Established by the World Bank in 2007.	Ex: CCRIF made a payment of 7,75 million USD to Haiti 14 days after the earthquake.
	World Bank Forest Carbon Partnership Facility is a global partnership focusing on reducing emissions from deforestation and forest degradation, conserving and enhancing forest carbon stock and promoting sustainable management of forests. The FCPF helps tropical and subtropical forest countries develop REDD systems and policies and provides them with performance based payments for emission reductions.	447 million USD
World Bank, Austria, Ireland, Netherlands, Sweden, Switzerland	The Private Infrastructure Development Group is a coalition of donors mobilising private sector investment to assist developing countries to provide infrastructure vital to boost their economic development and combat poverty.	Private sector investment commitments of 10, 5 billion USD
EU	The EU-Africa Infrastructure Trust Fund (ITF) is a multilateral infrastructure fund operated by the EU member states and the European Commission. Its aim is to stimulate regional infrastructure projects in Africa in order to promote regional integration and economic growth.	170,2 M Euros
	The Neighbourhood Investment Facility (NIF) is financial mechanism aimed at mobilising additional funding to cover the investment needs of the EU Neighbouring region for infrastructures in sectors such as transport, energy, the environment and social issues. The NIF also supports the private sector particularly through risk capital operations targeting Small and Medium-sized Enterprises.	417,7 M Euros