9 April 2014

EU response to CBD Notification 2013-050

1. Information submitted through the preliminary reporting framework

1.1. Introduction

In line with the global commitment undertaken in Hyderabad, the EU and its Member States re-affirm their commitment to providing robust information on mobilization of resources in support of the implementation of the strategic plan of the Convention on Biological Diversity. We also support the reporting process in a number of developing countries (see for example information on Biofin below) and believe this is essential information to support the resource mobilization process under the CBD.

This submission addresses both contributions from the central EU budget (which in itself is composed of contributions from all EU Member States) and contributions at individual Member State level . All individual submissions are included in annex. The figures and information provided for the central EU budget relate to contributions and activities of the European Union and do not include the contributions and activities of the individual Member States. Most of the central EU funding instruments do not finance the total envelope of projects and individual EU Member States also provide co-financing. The data presented seek to separate out EU level and Member States level biodiversity spending.

This submission builds upon the initial EU and Member States 2012 submission in response to notification 2012-023. Compared to the initial submission, an increased number of EU Member States have submitted reports, the reports span a wider range of resource mobilization indicators, and data submitted have improved in terms of accuracy and timeliness. For example, reports for Finland and Italy differ from the previous because of increased reliance on Official Statistics, whilst the European Commission and some Member States (e.g. France, Germany, Spain and Poland) have developed a specific tracking and reporting methodology for international or domestic flows of financial resources.

1.2. International flows of financial resources

The EU Member States and the European Commission have their own individual methodology for accounting resources. The methodology differs across Member States. This makes it difficult to compile and compare data across the EU. Details are provided on the methodology at EU and Member State level for the sake of transparency and to account for possible differences. There are in particular differences in the way funding linked to Rio marker 1 projects for OECD DAC countries is treated (often this is referred to as indirect flows). Most Member States account for these projects/flows only partially, either by:

- using a common reduction rate (equal or close to 40 %)

- using different rates according to sectoral categorization;

- identifying on a case by case basis the sectoral component of the project which contributes to the conservation and sustainable use of biodiversity significantly, and accounting for this component at a 100 % rate.

However, some Member States still account for indirect flows which contribute significantly to biodiversity objectives in full. In addition, some EU Member States are not OECD DAC members, and therefore do not use the Rio marker methodology.

Overall, at the current stage of reporting, the difference in approaches does not allow for full comparability or for aggregation of contributions from Member States in a meaningful way. However, the European Commission and EU Member States are active in exchanging best practices and discussions on the best way forward and on methodologies are ongoing, to improve the reporting of progress towards the achievement of the Hyderabad global commitment, to which the EU and Member States resolved to contribute, together and for which it does not imply any specific burden-sharing agreement between Member States and/or the EU.

There are a number of initiatives in EU Member States and at EU level, including capacity building and training of relevant officials, to improve monitoring and reporting international biodiversity-related flows, for example to improve the use of Rio markers. There are also several efforts to engage the private sector, although there is not sufficient progress at this stage to translate this into quantitative data, and reported flows focus on ODA. In that context, the EU welcomes the ongoing initiatives in OECD DAC which should help make progress both in improving the use of Rio markers and on measuring private flows.

Progress compared to the 2006-2010 baseline is positive in the EU budget and in many EU Member States. For example in Italy, financial resource flows to developing countries has increased by 60% and Germany has more than doubled its contributions to biodiversity compared to the 2006-2010 baseline; and France has also made an important increase. It is worth highlighting that several Member States had already made important efforts during the baseline period. The Hyderabad commitments have been translated into formal national strategies in many Member States, such as for example in France, with the adoption by the French Development Agency (Agence Française de Développement) of its crosscutting framework of action on biodiversity.

Mainstreaming biodiversity in development sectors is an effective way to increase financial resource flows to developing countries. This is reflected in the relative increase of indirect flows in the EU budget and in many EU Member States.

1.3 Information on the availability of financial resources in each country.

In the EU, Regulation (EU) 691/2011 on European environmental economic accounts (SEEA) provides essential statistics to underpin environmental protection. The latest extension in 2013 includes Environmental Protection Expenditure Accounts, within which expenditure is allocated to environmental domains according to CEPA 2000 classification (Classification of Environmental Protection Activities and Expenditure). This connects to initiatives at national, EU, and international level (in particular the work of the UN Statistical division).

The Regulation also requires the collection of information on the private sector and other flows, and this information is therefore reported by many EU countries. In some cases, information on contribution from households is also provided (e.g. France). In some Member States, information on contributions at regional and local level, or contributions from NGOs are not available and figures are therefore underestimated.

The categories do not allow an easy distinction between direct and indirect flows and Member States therefore report on these categories in different ways, with several Member States only reporting on the total as a result of this constraint while others (such as Germany) are only reporting direct flows.

Many countries made efforts to collect data beyond formal statistics, for example on contributions from research and education (e.g. submission from Finland, Denmark and Poland). These sometimes represent substantial flows. However, distinguishing between direct or indirect flows was not always possible.

In the case of the EU central budget, a specific tracking methodology for domestic financial flows was developed. Although this will only be fully implemented in the current EU budget (2014-2020), applying the methodology ex post to the 2007-2013 budget has produced some first estimates.

Again, there are some positive trends in several EU Member States (e.g. Finland, France, Germany and Poland) as in most Member States and the EU budget, the very significant contribution from agriculture policy, in particular through agri-environment measures, is worth highlighting, as well as, to a lesser extent, from the fisheries sector. This is linked to the past EU reforms in these sectors.

1.3. Information on the steps being taken to implement the strategy for resource mobilization

1.3.1. Regarding the assessment of values of biodiversity, many Member States are involved in TEEB-related initiatives (e.g. Sweden, France, Germany, Spain, United Kingdom, Finland and Netherlands). The European Commission is supporting Member States' work through the Mapping and Assessment of Ecosystems and their Services initiative, which involves a component on valuing ecosystems and their services, and integrating these values into accounting and reporting systems. Support to TEEB work in developing countries is also provided, for example through the UNEP-implemented TEEB national implementation project funded by the European Commission, support to regional and sub-regional capacity building workshops (Sweden) or the bilateral support to national TEEB initiatives from Germany.

1.3.2. Identification and reporting of funding needs, gaps and priorities: there are several initiatives at EU and national level. At international level, the Biofin project funded by the European Commission, Germany and Switzerland, supports the assessment of expenditures, funding gaps and the development of national resource mobilization strategies in 19 countries.

1.3.3. NBSAPs have been, or are in the process of being updated, in many EU Member States (e.g. Belgium, Finland, France, Ireland, Italy, United Kingdom, Spain, Poland, Sweden, Estonia and Denmark), and at EU level, and often include a section on financing biodiversity. A special biodiversity agency is to be set up in France as part of the new national biodiversity law.

1.3.4. Biodiversity and ecosystem services are integrated across sectors in most countries. In some cases, some specific initiatives help support such integration, such as the Natural Capital Committee in the United Kingdom.

1.3.5. Integration of biodiversity and ecosystem services in national budgets is done in some EU countries through undertaking steps towards natural capital accounting – this is for example the case in United Kingdom and France. At international level, many European countries (Netherlands, United Kingdom, Germany, France and Denmark) and the European Commission provide financial support to the WAVES initiative. In addition, in some cases, countries include an annex on environmental expenses, including biodiversity, when reporting on the use of national budgets to Parliament (e.g. Italy). Since 2014, the European Commission publishes an annex which includes a table on biodiversity finance in communications on annual draft budgets, with estimations of how much different funding instruments will contribute to biodiversity objectives.

1.4. Information on Specific issues related to Resource availability

1.4.1. There are several initiatives at national and EU level relating to technical cooperation and capacity building. In general, these are already included in ODA figures under section 1.

1.4.2.1. There are also a number of initiatives to remove, reform or phase out subsidies that are harmful to biodiversity, both at national level (e.g. Finland, France and Denmark) and at EU level through the reform of major EU sectoral policies. In some cases however, this is not about direct mobilization of resources, but reducing the financing gap through providing the right incentives and delivering a net gain for biodiversity. A significant process for doing this is the European Semester, which is the annual governance process of the Europe 2020 Strategy for sustainable, smart and inclusive growth. Under the European Semester process the Commission identifies priorities and communicates them to EU Member States in its Annual Growth Survey. The Commission's 2012 and 2013 country-specific recommendations (endorsed by the European Council) include calls for 12 and 11 Member States respectively to undertake environmental tax reform (which would also contribute to reforming incentives that are environmentally harmful, including for biodiversity). In this context, a report on green fiscal reforms commissioned by the European Commission was recently published [1].

1.4.2.2. A number of positive incentive measures have been introduced both at national and EU level, which are also reported under sections 4.2.1 and 4.2.3 (for example on Payments for Ecosystem Services) as there is some overlap. There is a wide range of economic, legal and institutional incentives which have been previously reported under dedicated submissions.

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1 http://ec.europa.eu/environment/integration/green_semester/index_en.htm

1.4.3 Regarding innovative financing mechanisms, it is worth noting that there are two types of initiatives: *innovative sources* of financing ("innovative sourcing"), which help generate new financial flows, and *innovative* mechanisms of financing ("innovative spending") which help maximize the efficiency in the use of resources, their leverage and/or their impact. Hence, innovative financing is both about generating new resources and about providing incentives to catalyse existing resources and direct them towards biodiversity objectives, therefore contributing to reducing the financing gap. There are a number of examples of both types of initiatives in EU Member States. For example auctioning revenues from the EU Emissions Trading Systems helps generate revenues for climate/biodiversity projects in Germany, Finland and Estonia, and is under consideration in some other Member States. Setting entry fees for natural parks or islands is also an example. Habitat/compensation banks are also being explored for example in Spain and France. Under the second category, Payments for Ecosystem Services initiatives are being developed in a number of EU Member States (United Kingdom, France and Finland). Other initiatives such as trust funds and ecolabelling are also being explored. At EU level, policy initiatives such as the Green Infrastructure Strategy and the forthcoming EU No Net Loss initiative demonstrate an increased use of innovative approaches. The development of a Natural Capital Financing Facility to support private investments in biodiversity-related projects is also another innovative approach.

Finally, there are a number of Business and Biodiversity initiatives both at national and EU level (for example the United Kingdom Ecosystem Markets Task Force, the Natural Capital Coalition (-formerly TEEB for Business Coalition , the “Biodiversity In Good Company” Initiative in Germany, the "Business and Biodiversity Initiative" in Spain and the launch of a new phase of the EU B@B platform).

The EU and its Member States are in the process of monitoring and exchanging views on the effectiveness of such experiences, and willing to further exchange views in external fora.

1.4.4. Regarding Access and Benefit Sharing, the EU ABS regulation implementing the compliance measures of the Nagoya Protocol is expected to enter into force in early summer following the formal finalization of the legislative procedure. Based on this, the EU will be able to ratify the Nagoya Protocol ahead of CBD CoP 12. EU Member States will ratify following a schedule prescribed by their national requirements for ratifying international treaties. More specifically Article 13 of the draft Regulation focuses on complementary measures, which includes measures designed to raise awareness of the Nagoya Protocol.

Several EU Member States are engaged in a range of capacity building initiatives, including the multi-donor ABS Capacity Development Initiative. It is worth highlighting that some of the resources committed under these types of initiative may already be accounted for under the ODA category in section one of the report.

2. Information on funding needs, gaps, and priorities;

See section 1.3.2 above.

3. Experiences in applying the preliminary reporting framework

Successes and barriers in reporting and monitoring are referred to in the introduction to section 1.

The new excel sheet format of the preliminary reporting framework is welcome. It could however be improved, for example through including a synthetic table which allows the comparison over different years, and the comparison with a 2006-2010 baseline. There are a number of technical difficulties which would need to be solved (e.g. difficult to enter free text, justifying figures, rounding figures, printing options). In some places (e.g. question 3), the notes could be clearer to help distinguishing amongst categories. The definition of the 'others' category could also be improved; at present there is no way of reporting on household flows. The description of direct and indirect flows could also be improved, with a clearer explanation, and better connection to existing processes, e.g. OECD Rio markers, but also other statistical processes (e.g. UNSD SEEA). It is worth noting that the cell formats should not always be numbers – for example the reform of harmful subsidies do not always generate net additional resources, but may provide better incentives.

The explanatory text should make it clearer when there is a risk of double counting.

Finally, it would be useful if the explanatory text for the different categories made an explicit reference to the relevant goals of the Resource Mobilisation Strategy (e.g. goal 7 on ABS is about raising awareness, and promoting exchange of good practices).

4. Views and lessons learned on possible risks and benefits of country-specific innovative financial mechanisms, including possible principles and safeguards for their use;

The EU and its Member States provided comprehensive information on examples of innovative financial mechanisms in use within the EU in their response to notification 2011-069, as well as some possible guiding principles. Concrete experiences are also described in the individual preliminary reporting framework submission and summarized in section 1.4.3 above. On possible principles and safeguards, the EU and its Member States also provided a number of comments and suggestions in their response to notification 2013-25. A wealth of material is also included in the OECD report on mechanisms for scaling up biodiversity finance, including suggestions on possible safeguards for each category of financing mechanisms. The work of the Leading group on innovative financing can also provide some useful inputs in the CBD discussions. For example, annex 1 clarifies the scope of innovative financing, identifies sub-categories of innovative financing initiatives, and proposes some guiding principles to design, adopt and diffuse innovative financing as part of a toolbox for financing. It clarifies that different financing mechanisms may serve different objectives and be considered for implementation by countries, institutions, private sector actor and citizens depending on different policy motivations, political traditions and levels of development. It highlights that resource mobilization is not only an issue of quantity of resources but also an issue of quality of resources that are made available, and that beyond bringing in "more money", innovative financing can also generate "smarter money". The key principles proposed could be a useful discussion for moving forward within the biodiversity community, including promoting multi-stakeholder approaches involving public and private actors from different levels of development; benchmarking existing financing and designing new financing tools to address unsolved problems; diffusing and capitalizing on successful innovative financing. This could form a good basis for discussion in the first instance in the 2nd Quito Dialogue.

5. Any other pertinent information of relevance to the implementation of Goals 2, 5, 6, 7 and 8 of the strategy for resource mobilization

Based on the information submitted through the preliminary reporting framework (section 1), it is clear that the EU and its Member States are using a number of mechanisms from the available tool box for resource mobilization. These contribute in particular to goal 2 on national capacity and domestic priorities, goal 5 on mainstreaming, goal 6 on capacity building, goal 7 on access and benefit sharing, as well as goal 8 on enhancing global engagement for resource mobilization. As explained in section 4, activities under goal 4 on innovative financing mechanisms are also relevant.

Annex 1: Discussion paper on innovative financing proposed by France in the context of the Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF) (not discussed or coordinated at EU level).

Since the first Monterrey discussions, innovative financing have gained importance in the international debates on financing for sustainable development. This type of financing introduces promising approaches to financing and has been successfully tested by number of sustainable development actors, including in the private sector. Innovative financing have been included in the discussions on financing for sustainable development, and more recently in those on the means of implementation of the post-2015 agenda. This concept paper attempts first to clarify the scope, interest and added-value of innovative financing, building on international practices. Innovative financing appear as part of the multiple options to be included in "*an effective Sustainable Development Financing Strategy to facilitate the mobilization of resources and their effective use in achieving sustainable development objectives*". After setting this rationale, it then proposes some guiding principles to design, adopt and diffuse innovative financing in the toolboxes of sustainable development actors.

I. What are the scope and interest of innovative financing?

1. Defining the scope of innovative financing

The field of innovative financing for sustainable development has evolved considerably, led in particular by new initiatives and ideas. Many actors, including the private sector, have engaged into innovative financing, even if there is currently no shared comprehension of the concept and contours of this notion.

Innovative financing constitute a wide set of options to mobilize resources and achieve more effectively sustainable development objectives. Beyond their specificities and keeping in mind their great variety, they can overall be seen as means for most actors from the sustainable development community to expand their traditional financing toolboxes. Different innovative financing may serve different objectives and be considered for implementation by countries, institutions, private sector actors and citizens depending on different policy motivations, political traditions and levels of development.

Two sub-categories of innovative financing initiatives have recently been identified: (1) Innovative sources of financing ("innovative sourcing") which help generating new financial flows for sustainable development that may come from various economic sectors; **(2) Innovative mechanisms of financing** ("innovative spending") which help maximizing the efficiency in the use of the resources, their leverage and / or their impact.

2. Innovative financing: generating "more money" and "smarter money" in a new financing context

a. Innovative sourcing: new means to generate "more money"

Innovative financing were officially first mentioned after the Millennium Summit at a high level in 2002 during the United Nations Conference of Monterrey on financing for development. Following the 24th Special Session, the UN General Assembly, a group of four countries (Brazil, Chile, France and Spain) decided in 2004 to explore innovative financing initiatives; a decision which led to the constitution of what would eventually be the Leading Group on innovative financing in 2006 and to the creation of innovative mechanisms such as UNITAID or the IFFIm. Innovative financing were historically based on the willingness of governments to find new ways to complement the existing financial flows for development, including Official Development Assistance (ODA). They were stemming from a demand perspective, aimed at filling the gap to attain the Millennium Development Goals (MDG) and at raising additional resources. They were also designed as a way to address market failures, to stabilize and improve the predictability of aid funding and also to redirect, through marginal contributions, the important and growing benefits resulting from globalized activities to fund global public goods and international solidarity.

Since those initial discussions, numerous innovative initiatives have been implemented to raise more resources for sustainable development. To complement existing resources for development, different mechanisms have been set in many countries. Since its inception in 2006, the airline tickets contribution has, for example, raised more than €1,3Bn in France and has been adopted or considered in many other countries (Cameroon, Chile, South Korea, Madagascar, Mali, Mauritius, Niger, Republic of Congo, Nigeria), to fund UNITAID or the Global Fund. The French Financial Transaction Tax levies more than 700M€ per year of which 15% percent is currently allocated to development purposes with no or marginal adverse effects on markets. Contributions from the European CO_2 Emission Trading System (ETS) adopted in some European countries were partly used by countries like Finland to fund development programs (80M€ in 2012-13). Many lotteries have been set in European countries to fund directly or indirectly development causes, while raising awareness on these issues (ex. Belgium, Netherlands, United Kingdom). Innovative financing initiatives are however not limited to the public sector. ProductRED initiative has allowed raising money and awareness on the Global Fund against AIDS, Malaria and TB with the participation of firms like American express, Starbucks or Nike. Challenges to financing NGOs have led banks or private companies to introduce voluntary contributions through special debit cards. Citizen-based crowdfunding initiatives are increasingly used, through grants, loans or even equity, as a source of funding for development purposes that represent markets of several billions of USD.

b. Innovative spending: new means to raise "smarter money"

Engaging into sustainable development is not only an issue of quantity of resources but also an issue of quality of the resources that are made available.

Beyond bringing in "more money", innovative financing have allowed to generate "smarter money". Pushed by the need to improve our financing practices, innovative financing have expanded our toolboxes to tackle unsolved issues and increased our means to address more efficiently development challenges and market failures.

Innovative financing allow increasing the efficient and effective use of resources. Reducing poverty and protecting global public goods with constrained resources are challenges that imply even higher levels of efficiency and effectiveness in our financing strategies. Innovative financing solutions were also designed in this way. Mechanisms based on *leverage effects* (blending mechanisms, matching funds, etc.) increase the capacity to combine and increase the total resources of different actors. *Result-based mechanisms* allow incentivizing beneficiaries and implementing actors, therefore improving development results and ownership of policies. The result-based debt buy-downs set up by JICA and the Gates foundation with Pakistan in the field of polio is a good example: if predefined and agreed polio implementation targets are met, the Gates Foundation will repay JICA's loan to Pakistan, therefore incentivizing the best implementation of the program and freeing future Pakistan's resources. Investment products linking the provision of returns to results are another example been developed and increasingly sought by institutional investors who are looking at impact investing schemes for development purposes[2]. *Risk transfer mechanisms and new insurance mechanisms* limit the impact of exogenous shocks to which actors from developing countries are exposed to and constitute an efficient way to avoid stepping back on development progresses due to high risk exposures. Such mechanisms include financing products like the weather indexed insurances developed by agencies like USAID, the very concessional countercyclical loans offered the Agence Française de Developpement[3] or government-led facilities such as the Caribbean Catastrophe Risk Insurance Facility (CCRIF). This particular facility provided, for example, to Haiti approximately 50% of the total aid received in the first 10 weeks in the form of direct liquidity after the earthquake in January 2010.

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2 See for example www.thegiin.org or www.impactspace.org

3 To cope with the negative effects that some exogenous shocks may exert on country's ability to serve its debt commitments, the Agence Française de Développement has issued very concessional countercyclical loans that allow for flexible disbursements when shocks take place.

Innovative financing are however used differently depending on challenges faced by specific sectors. For example, tailored financing mechanisms have untangled the capacity to address structural challenges in the field of health: predictability of resources of international taxes and of *IFFIm* bond issuances have allowed UNITAID and GAVI to shape markets and obtain lower prices for drugs and vaccines and the *Advanced Market Commitment* on pneumococcal vaccine has accelerated the introduction of this important vaccines for developing countries 10 years ahead. Following an investment rationale, IFFIm bonds issuances also constituted a frontloaded solution to the immunization challenges faced by the poorest countries. In the field of climate change, WB has issued more than USD 4Bn of Green bonds (designed with the Skandinaviska Enskilda Banken (SEB)) which meet with the demand of liquid AAA-rated fixed income investment products to fund adaptation and mitigation objectives[4]. Different risk transfer mechanisms to cope with rising costs due to extreme climate events to protect individuals, communities and nations exist or are being designed.

c. Innovative financing in the new context of sustainable development financing

Today new actors, new instruments, new objectives and better knowledge have modified the sustainable development's financing playing field, inducing significant changes and innovations. More 'financing products' are available for the whole sustainable development community (IFFIm, AMCs, crowdfunding, microinsurances, etc.) and the various international fora on aid effectiveness have set better guiding principles, while the undergoing revision ODA's definition may incentivize all traditional donors to improve the use of these new financing instruments. Sustainable development field can now count on new active funding actors, sometimes actively engaged into innovative financing (emerging countries, private and sovereign investors, foundations, etc.). More generally, development paths and situations of countries in the world have diversified, with emerging countries experiencing high levels of growth whilst some countries still struggle to raise the living standards of their population. Innovative financing have been however adopted both in least developed countries and in emerging countries (ex. Airline tickets tax in Mali, IFFIm in South Africa, crowdfunding solutions in Kenya or Haiti).

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4 Other multilateral institutions and important private companies, such as the European Investment Bank or Electricité de France (EDF), have also engaged into issuing Green bonds.

In the context of the Post 2015 discussions, innovative financing constitute a set of tools to cope with new challenges and evolutions. Sustainability challenges have become an unavoidable priority which entails new needs and solutions that include innovative financing, as explored by the report presented to the G20 Ministers' of Finance on climate finance presented in October 2011 [5]. Moreover, many pilot initiatives are being tested around the globe to find innovative financing solutions to old challenges (ex. the Global Heath Investment Fund brings together public and private investors within an innovative financial structure [6]). These initiatives are increasingly based on the identification by researchers of the correct obstacles to be addressed to fight poverty or foster a durable, green and inclusive growth.

II. From proof-of-concept to implementation: key principles to design, adopt and diffuse innovative financing

1. Promote multi stakeholder approaches

In accordance with Busan principles, innovative financing should rely on a multi-stakeholder approach involving public and private actors from different levels of development. Numerous innovative financing initiatives have proven to be applicable in different development contexts and can contribute to the ownership by beneficiary countries of programs and to the adoption of best practices in their development financing strategies.

Public actors from many countries have been, for example, responsible for the implementation of innovative sources of financing such as solidarity taxes, contributions from the carbon market or lotteries. The air ticket levy – already implemented in 8 African countries – raised new funds for global health (more than 1 billion Euros allocated to UNITAID) while helping various developing countries starting reinforcing their own fiscal policies, illustrating the Monterrey principle of each country's responsibility for its own development. The Belgian Fund for Food Security has levied more than 88M€ for food security projects, linking citizens to development causes. In France, these innovative sourcing initiatives have been extended to the field of water and sanitation to local governments and water agencies that may collaborate with other local governments and fund initiatives going up to 1% of their water and sanitation budgets ("1% eau"). Where environments allow it [7], **private actors** have also proven to be key actors to address sustainable development challenges, through the design of or the participation to innovative mechanisms. Solidarity-based debit cards allowing for financing specific causes or organizations and initiatives such as Product(RED) are private based but may benefit to public actors (ex. Global Fund against HIV/AIDS, Malaria & TB). Private actors are attracted to these innovative structures by the perspective of financial returns from their investments into development through social businesses, impact investing or as part of their Corporate Social Responsibility programs.

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[5] Work on this paper was coordinated by the World Bank Group, in close partnership with the IMF, the OECD and Regional Development Banks (AfDB, ASDB, EBRD, EIB, IaDB).

[6] The Gates Foundation and the Swedish International Development Cooperation Agency (SIDA) have committed to partially offset potential losses in the Fund.

[7] France is, for example, about to adopt a new regulation to encourage and ease the creation of crowdfunding platforms and based this regulation update on a benchmark of existing practices and regulations.

Whenever innovative sourcing or spending may benefit from it, Public and Private Partnerships have been at the core of some innovative financing initiatives. Pull mechanisms such as the Advanced Market Commitment for the Pneumococcal Vaccine elaborated by GAVI or AgrResults developed by the World Bank rely on many partners that elaborate win-win solutions. Socially Responsible Investments such as IFFIm involve private investors, GAVI and countries ranging from United Kingdom and France to South Africa and Brazil. Conditional Buy-Downs for loans initiatives now involve multiple actors going beyond debtors and creditor and illustrate the fact that financing tools may also be adapted and combined to increase results (ex. JICA-Pakistan-Gates Foundation polio buy-down agreement combines Debt2health and conditional transfers). Other examples include the Malaria Performance Bond (MPB) which is a pilot Development Impact Bond based on a PPP designed to increase funding for, and the efficiency of, malaria interventions through a pay-for-performance mechanism. This initiative is led by the Mozambique Ministry of Health with the collaboration of locally active extractive industry companies (e.g. Anglogold).

2. Benchmark existing financing and design new financing tools to address unsolved problems

Innovative financing should be designed with the view to bring solutions to problems that remained unsolved through traditional financing means. Innovation isn't an objective per se: as in the examples shown in the above sections, it should deliver results and add value in the contexts and sectors where it is used. Different methodologies have been developed in sectorial approaches but they could be expanded and deepened to other sectors and on a crosscutting perspective (ex. Global health financing initiative & Brookings 2008 joint report on innovative financing for health).

Benchmarking of traditional and innovative financing should be encouraged. Traditional tools can indeed sometimes be effective and innovations may not always work. Thorough analyses must therefore be encouraged to map what exists, identify what works, why it works and in which context its use is best adapted. Such benchmarking exercise entails ex ante and ex post evaluations, to allow for feedback loops and comprehensive approaches to new and traditional instruments.

3. Diffuse and capitalize on successful innovative financings

Successful innovative financing initiatives should be better diffused. Bilateral, multilateral or private actors actively engaged into the design of innovative financing diffuse their innovations but common knowledge and use of the best practices stemming from these innovations remains limited. This can be explained by multiple factors such as differing financing traditions, the complexity of the architecture of sustainable development financing or the high information and learning costs that most actors face. It can also be explained by the lack of adaptable, easy-to-use and widely spread platforms that could help the different actors match their financing needs and challenges with the existing offer of financing tools. This situation leads many actors to put important efforts and resources in designing separated pilot initiatives, while failing to foster synergies, to take stock of existing initiatives to improve their policies and to adopt best practices.

Since innovation design is a costly trial and error process, the benefits of successful innovations should be collectively taken over by the development community. In the absence of the right incentives or mechanisms, the cost and risks associated with the design and diffusion of good innovative financing remains a barrier to testing new solutions and to extending the use of existing successful practices. Even if successful innovative financing are not adaptable to all contexts, better diffusion of proven concepts should be sought. Knowledge sharing and diffusion among development partners of best practices and tools for financing needs to be improved, for example through adapted platforms and fora. These remain today specialized and fragmented, with the notable exception of some informal international platforms such as the Leading Group for Innovative Financing or some exceptional fora, which should be scaled up.