

## 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
<b>Guarantee mechanisms</b>	<p><b>AMC (Advanced Market Commitments):</b> 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.</p>	<p>The <b>World Bank</b> holds donor payments and assumes financial risks. A multilateral management is ensured by the executive board of <b>GAVI (Global Alliance for Vaccines and Immunization)</b> to whom funds are transferred. GAVI is responsible for the partnership with pharmaceutical companies.</p>	Canada 	200 million USD
			Italie 	635 million USD
			Norway 	57 million USD
			Russia 	80 million USD
			United Kingdom 	485 million USD
			<b>TOTAL</b>	<b>1,45 billion USD</b>
	<p><b>Agriculture Pull Mechanism (AGPM) Initiative:</b> 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.</p> <p>4 specific areas are aimed at: Inputs/Increasing Yields, Outputs/Post-harvest Management, Livestock and Nutrition.</p>	<p>The AGPM Initiative is still going through a <b>scoping phase</b> governed by four bodies:</p> <ul style="list-style-type: none"> <li>- A Steering committee (Canada, USA, Gates Foundation and other donors);</li> <li>- An Expert Advisory Group;</li> <li>- 4 Thematic Groups;</li> <li>- <b>A Secretariat led by the World Bank that provides technical and coordination support to all bodies.</b></li> </ul>	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>

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

	<p>health sector. The <b>Global Fund to fight Aids, tuberculosis and malaria</b> receives the funds and is in charge of reallocating them.</p>	<p>charge of choosing the projects to finance.</p>	<p>Germany/Pakistan  </p>	<p>40 million € debt cancellation of which 20 million € is allocated to the Global Fund (nov. 2008)</p>
			<p>Germany/Ivory Coast  </p>	<p>19 M € debt cancellation of which 9.5 million € is allocated to the Global Fund (sept. 2010)</p>
	<p><b>Debt-for-Nature</b>  A conversion of official debt system. A partnership between 2 countries that allow reinvesting in environmental projects.</p>	<p><b>WWF</b> plays a role of advocacy to encourage countries to participate. The funds levied are reallocated to WWF.</p>	<p>France/Madagascar  </p>	<p>20 million USD (2008)</p>
			<p>France/Cameroon  </p>	<p>25 million USD (2002)</p>
			<p>United States/Peru  </p>	<p>40 million USD (2002)</p>
<p><b>Taxes based on globalized activities</b></p>	<p><b>Solidarity levy on air ticket:</b> a mechanism that relies on a system of mandatory contributions for each air passenger deducted by a State when the ticket is purchased.</p>	<p>Partaking countries sit at the executive boards of multilateral organizations to which funds are allocated: <b>UNITAID, Global Fund, GAVI.</b></p> <p>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.</p>	<p>Benin  </p>	<p>Payment to UNITAID</p>
			<p>Brazil  </p>	<p>50,4 million USD*</p>
			<p>Cameroon  </p>	<p>1,7 million USD to UNITAID</p>
			<p>Chile  </p>	<p>25,118 million USD to UNITAID</p>
			<p>Cyprus  </p>	<p>1,579 million USD*</p>
			<p>Congo  </p>	<p>1,09 million USD to UNITAID</p>
			<p>France  </p>	<p>997,195 million USD to UNITAID</p>
			<p>Guinea  </p>	<p>49 000 USD*</p>
			<p>Jordan  </p>	<p>Payment to Global Fund</p>

			 Luxembourg  Madagascar  Mali  Mauritius  Niger  South Korea  Spain  Gates Foundation	<p>1,9 million USD*</p> <p>27 000 USD to UNITAID</p> <p>928 000 USD to UNITAID</p> <p>7,032M USD to UNITAID</p> <p>281 000 USD to UNITAID</p> <p>7,5 million USD to UNITAID and GAVI</p> <p>58 million USD to UNITAID*</p> <p>50 million USD to UNITAID</p>
	<b>Tax on airline CO2 emission</b>	Funds are partly reallocated to <b>UNITAID</b>	 Norway	13 million € in 2011
<b>Citizen contributions (individuals and companies)</b>	<b>GAVI Matching Fund:</b> A public-private partnership. Contributions to <b>GAVI</b> 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 <b>GAVI</b> whose executive board ensures a multilateral management.	 United Kingdom	50 million £
			 Gates Foundation	50 million USD
	<b>Product (RED) initiative</b> 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

	<p>to finance programs to fight aids, tuberculosis and malaria.</p> <p>Main beneficiaries are Rwanda, Ghana, Lesotho, Swaziland, south Africa and Zambia.</p>		<p>Dell Gap Nike Penfolds Starbucks</p>	
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*\*Budgetary contributions based on what an air ticket levy would bring in.*

## Examples of other instruments for development

<b>Belgium</b>	<p><b>Belgian Fund for Food Security:</b> 20% of the revenues of the national lottery is allocated each year to this fund, which allows financing food security programmes in partner countries.</p> <p><b>Several counterparts: Belgian Technical Cooperation, Belgian NGO's, UN-organizations.</b></p>	<p><b>250 million € over 5 years as of 2010</b></p>
<b>Canada</b>	<p>The <b>Global Trade Liquidity Program:</b> works through global and regional banks to help fill an important gap in trade financing in developing economies.</p>	<p><b>200 million USD</b></p>
	<p>The <b>Private Sector Window of the Global Agriculture and Food Security Program</b> 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.</p>	<p><b>50 million USD</b></p>
	<p>The <b>Financial Mechanism for Climate Change facility</b> 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.</p>	<p><b>291,5 million USD</b></p>
<b>France</b>	<p><b>C2D (debt reduction contract for development)</b> 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.</p>	<p><b>1,8 billion USD between 2000 and 2015</b></p>
<b>The Netherlands</b>	<p><b>The Fair Climate Fund:</b> 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.</p>	<p><b>4.37 million € (government)</b> <b>1.65 million € (ICCO)</b> <b>Loan from ING: 4.3 million €</b></p>

	<b>Health Insurance Fund (HIF) / Investment Fund for Health in Africa (IFHA) / Medical Credit Fund</b> 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.	<b>100 million USD up to 2013</b>
	<b>TREFI - The Capital Tool Company</b> , 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.	<b>450 000 Euros</b>
	<b>The Infrastructure Development Fund (IDF)</b> 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.	<b>256 million Euros</b>
<b>The Netherlands and Germany</b>	<b>The Currency Exchange Fund (TCX)</b> 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.	<b>50 million USD (NL) 40 million USD (Germany)</b>
<b>World Bank</b>	<b>The Caribbean Catastrophe Risk Insurance Facility</b> 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.
	<b>World Bank Forest Carbon Partnership Facility</b> 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.	<b>447 million USD</b>
<b>World Bank, Austria, Ireland, Netherlands, Sweden, Switzerland</b>	<b>The Private Infrastructure Development Group</b> 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 <b>10, 5 billion USD</b>
<b>EU</b>	<b>The EU-Africa Infrastructure Trust Fund (ITF)</b> 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.	<b>170,2 M Euros</b>
	<b>The Neighbourhood Investment Facility (NIF)</b> 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.	<b>417,7 M Euros</b>