

Commonwealth Innovative Finance Toolkit



19th June 2014 - Paris

Leading Group on Innovative Finance

Preparing for 2015: the role of innovative financing in
sustainable development and climate change



The Commonwealth



Why Needed?

Comprehensive reference guide to help officials:

understand the range of current and proposed innovative financing mechanisms;

understand how these mechanisms work and their pros and cons;

decide which mechanisms may be most suitable for their needs and understand different experiences;

understand how these mechanisms can be accessed; and

understand how mechanisms can be further adapted/scaled up etc.

A Commonwealth Toolkit - Objectives



One stop shop reference for understanding the range of current innovative financing mechanisms, how to select and access them

Assessment of current mechanisms against a draft set of Commonwealth principles to help policy makers choose sources of finance.

Share knowledge and experience in the use of current mechanisms to help policy makers choose sources of finance

Stimulate debate and thinking about scaling up and adapting current mechanisms across countries, regions etc

Stimulate debate and thinking about new mechanisms

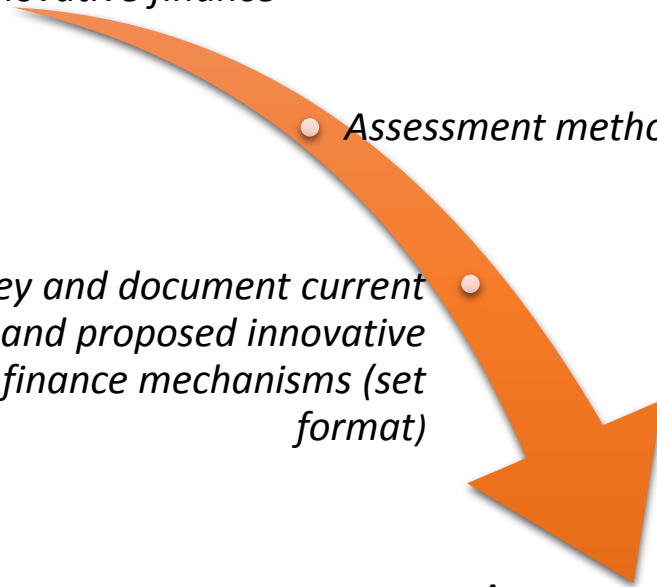
Commonwealth Approach

Draft Commonwealth principles for effective innovative finance

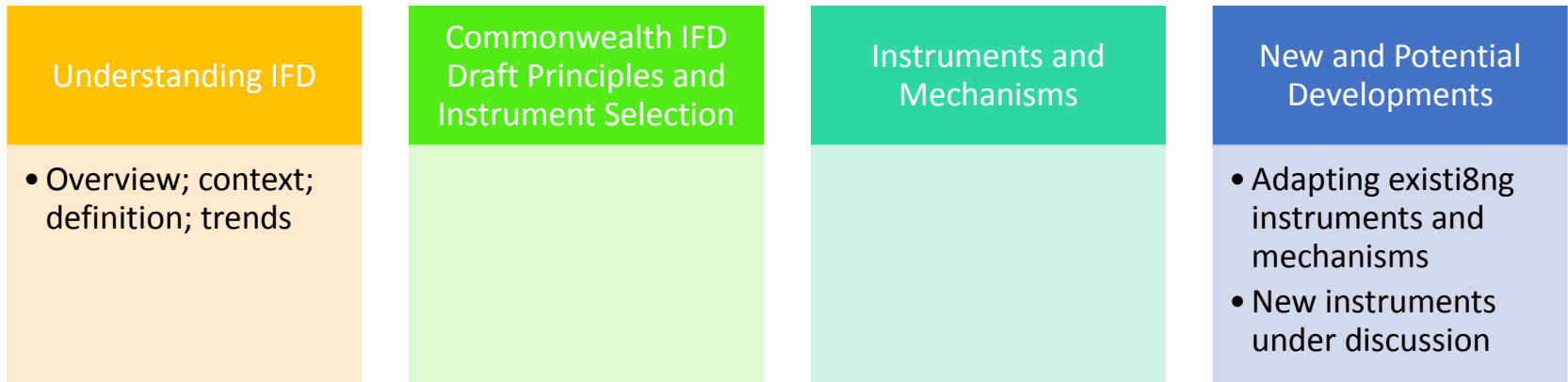
• *Assessment methodology*

Survey and document current and proposed innovative finance mechanisms (set format)








Assess mechanisms according to methodology



Structure of Toolkit



Draft Commonwealth Principles

Draft Principle	Draft Principle
 <p>ADDITIONALITY</p> <p><u>1. ADDITIONALITY</u></p> <p><i>Funds raised add to ODA, or have the potential to do so.</i></p>	 <p>NATIONAL OWNERSHIP</p> <p><u>2. NATIONAL OWNERSHIP</u></p> <p><i>Countries have the scope and capacity to implement the instrument and influence or own the process of implementation.</i></p>
 <p>INTERNATIONAL ALIGNMENT AND HARMONISATION</p> <p><u>3. INTERNATIONAL ALIGNMENT & HARMONISATION</u></p> <p><i>Alignment behind countries' nationally devised development strategies with stakeholders working together, with the capacity to do this.</i></p>	 <p>RESULTS AND ACCOUNTABILITY</p> <p><u>4. RESULTS AND ACCOUNTABILITY</u></p> <p><i>Clear development objectives, benchmarks and outcomes with all stakeholders responsible for achieving stated goals, and reporting transparently with evaluation of data, with the capacity to do this.</i></p>
 <p>PREDICTABILITY & SUSTAINABILITY</p> <p><u>5. PREDICTABILITY & SUSTAINABILITY</u></p> <p><i>Revenues are predictable, sustainable, maintained in downturns, and cost-effective.</i></p>	 <p>PRO-POOR</p> <p><u>6. PRO-POOR</u></p> <p><i>Revenues benefit the poorest directly or indirectly, and do not widen existing inequalities.</i></p>
 <p>DISBURSEMENT</p> <p><u>7. DISBURSEMENT</u></p> <p><i>Funds are disbursed quickly.</i></p>	



Categorisation and coverage of instruments and mechanisms

Bonds

- Diaspora Bonds
- GDP-linked bonds
- Sovereign bonds issued on international markets
- Green bonds

Loans & Guarantees

- Countercyclical concessional finance
- Development Policy Loan Draw Down Option
- Catastrophe Risk Draw Down Option
- IDA/ IBRD Buy Downs
- Guarantees

Public Revenue

- Domestic Financial Transaction Tax
- Domestic Carbon Tax
- Curbing Illicit Flows

Insurance

- Caribbean Catastrophe Risk Insurance Facility
- Weather Index-based Insurance

Vertical Funds

- GAVI Alliance
- Global Fund
- Adaption Fund
- Global Digital Solidarity Fund





ECONOMY



EDUCATION



ENVIRONMENT &
CLIMATE CHANGE



FOOD SECURITY



HEALTHCARE



ICT



INFRASTRUCTURE

3.2. Bonds

Diaspora Bonds	A	P	P	P	P	P	A
GDP indexed bonds	A	P	P	P	P	P	P
Local currency bonds	A	P	P	P	P	P	A
Green Bonds	P	P	A	P	P	P	P

3.3. Loans and guarantees

Countercyclical finance	A	P	P	P	P	P	P
DPL DDO and CAT DDO	A	-	-	-	-	-	-
IDA / IBRD Buy downs	P	P	P	P	A	P	P
Guarantees	-	P	P	P	P	P	A

3.4. Public revenue

Domestic financial tax	A	A	P	P	A	P	P
Domestic carbon tax	A	P	A	P	P	P	P
Curbing illicit flows	A	P	P	P	P	P	P

3.5. Insurance

Weather index-based insurance	A	-	-	-	-	-	-
Caribbean catastrophe risk	A	-	-	-	-	-	-

3.6. Vertical Funds

	-	A	A	P	A	A	P
--	---	---	---	---	---	---	---

Assessment Methodology

All ✓'s

High Impact



A mix of ✓'s and ✗'s

Medium Impact



All ✗'s

Low Impact



Example: Assessment Diaspora Bonds - Use of Icons



Structure of Write Up

- About
- First Considerations
- Operation
- Assessment against principles
- Contacts



3.2. Bonds

Diaspora bonds	H	H	H	M	M	M	H
GDP Indexed bonds	H	H	H	M	M	M	H
Local currency bonds	H	H	M	H	L	M	M
Green bonds	H	H	H	H	M	H	M

3.3. Loans and guarantees

Countercyclical finance	M	H	H	M	H	H	M
DPL DDO and CAT DDO	H	H	M	H	M	H	M
IDA / IBRD Buy downs	L	H	M	H	M	H	L
Guarantees	H	H	H	M	M	M	L

3.4. Public revenue

Domestic financial tax	H	H	M	M	M	L	H
Domestic carbon tax	H	M	H	L	M	L	H
Curbing illicit flows	H	M	M	M	M	M	H

3.5. Insurance

Weather index-based insurance	L	M	H	M	M	M	M
Caribbean catastrophe risk	L	H	H	M	H	M	H

3.6. Vertical funds

GAVI Alliance	L	M	M	M	M	H	H
Global Fund	L	M	M	M	L	H	L
Adaptation Fund	H	M	M	M	M	H	L
Global Digital Solidarity Fund	M	H	M	M	M	H	L

Discussion



Feedback on handbook and proposed approach

- Peer review
- Future collaboration Phase II?

Views on Principles

- Desirability
- Applicable to all forms of finance provided by all stakeholders?

Impact of work of OECD on new ways to measure and monitor external development finance

- Relevance of additionality
- Incentives for quantum's and modalities of development finance
- Will definition be important post-2015 in light of OECD work

Instrument coverage and categorisation

Presented by: Samantha Attridge
Head,
Finance and Development
Policy,
The Commonwealth

Email: s.attridge@commonwealth.int
Tel: +44 (0) 20 7747 6325

19th June 2014



Definition

	EU	Leading Group on Innovative Financing for Development	Open Society Institute	OECD *	UNDESA	World Bank	WHO
Application of funds							
Development related	✓	✓	✓	✓	✓	✓	✓
Major public sector element				✓	✓		
Includes smaller projects		✓	✓			✓	✓
Type of innovation							
Innovative mobilisation	✓	✓	✓		✓	✓	✓
Innovative delivery	✓		✓		✓	✓	✓
New use for existing source	✓		✓		✓	✓	✓
Source of finance							
Includes purely private	✓					✓	✓
Includes purely domestic			✓			✓	✓
Involves cross border flows			✓	✓	✓		
Other qualities							
Additional to ODA	✓	✓	✓		✓	✓	✓
Predictable and stable		✓	✓				
Counter-cyclical		✓	✓				
Major concessional element				✓			
Ready to be implemented				✓			

