Working Party on Statistics

MAPPING OF SOME IMPORTANT INNOVATIVE FINANCE FOR DEVELOPMENT MECHANISMS

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This note has been prepared by a Secretariat task team on innovative financing for development (IFD) with technical support from the World Bank, for discussion at an experts' meeting on IFD scheduled on 14 March at the OECD. The task team comprised of representatives from three DCD divisions - Aid Effectiveness, Aid Architecture, and Statistics and Monitoring Division.

The paper is circulated to members of the Working Party on Statistics for INFORMATION. Members are welcome to send their comments in writing by 28 February 2011, to the points of contact mentioned below. N.B. The complete document may only be downloaded from OLIS in PDF format.

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MAPPING OF SOME IMPORTANT INNOVATIVE FINANCE FOR DEVELOPMENT MECHANISMS

Overall Approach

1. This note aims to offer an OECD benchmark for regular monitoring and assessment of Innovative Financing for Development (IFD), focusing on the relation of IFD with Official Development Assistance (ODA) and Aid Effectiveness. It builds and expands on a previous overview1 which proposed a first typology and raised preliminary questions concerning IFD from this specific institutional perspective.

2. In a rich and evolving landscape that involves many other stakeholders in designing, managing or analysing IFD, the OECD retains a particular mandate and comparative advantage, especially in: (1) tracking applications of ODA today in IFD; (2) identifying synergies between ODA and other sources of funding and monitoring possible substitution effects; and (3) promoting compliance of these new sources and mechanisms with internationally agreed aid effectiveness principles.

3. This note looks at IFD mainly from the perspective of policymakers and investors coming from the public sector, and acting in the wider public interest. The main interest of such investors from this briefing is assumed to be to take away coherent, compact and comparable information about various mechanisms to generate and mobilise new resources for development and the extent to which they leverage other resources by “catalytic” use of their own limited funding powers, which invariably have an opportunity cost in other, arguably more “traditional” uses.

4. A particular focus, given the central role of the DAC in tracking the use of ODA is to clarify for this audience, and the wider public, whether, how and when ODA is used in such constructs, and with what other flows it is associated, where possible in what amounts.

5. This differentiates the note from some other recent approaches to IFD.2 For example, alternative definitions of IFD often also include new ways to deliver aid (from existing or new sources) to country level. Many of these have “innovative” features, governance arrangements, conditions etc. These can undoubtedly increase the effective use of funds on the ground and thereby bolster support for development


funding indirectly, as well as generating improved outcomes directly. These are clearly important
callations, but not covered in the present paper, in the interest of focus and clarity.

6. Building on the previously proposed typology and in order to bring useful, practical information
for policy makers and a larger public interested in IFD, we have selected schemes that fulfil all of the
following four criteria:

1) **Official sector involvement:** The focus is on mechanisms that involve some clear and visible
stake (including guarantees etc) by the official sector, along with, in most cases, the private and
voluntary sectors. The official sector involvement should be *substantial*, exceeding small
contributions to technical assistance, advisory services, knowledge platforms etc. Mechanisms
that are purely private, such as new forms of philanthropy, remittances and private investments
are excluded when they do not intrinsically require such a public stake. (Annex 1 presents some
mechanisms which involve private voluntary contributions channelled through public or public-
private international institutions, hence derive indirect institutional support from them. These are
very relevant from the wider development policy perspective of course.)

2) **Mobilisation of substantial finance:** The focus is on mechanisms that tap new concessional
sources or enable or bring forward the availability of finance (see categories below). Mechanisms
that do not mobilise major additional funding, but concentrate on the effective use of existing
finance, are excluded, as mentioned above. (Annex 2 presents some examples of mechanisms that
do not mobilise new official funding, but improve the array of financial products of existing
development agencies.)

3) **Ready for Prime Time?** Successful innovations, including in development finance, run through
a number of phases from idea to plan/proposal, piloting, and diffusion and mainstreaming. Our
focus is on early stage, but practical innovations offering some proof of concept – either
technically advanced proposals with wide political support and close to implementation, or
schemes that are implemented but not yet taken to scale. At the opposite ends of the spectrum,
ideas still on the drawing board and long-mainstreamed mechanisms do not make the cut. (Annex
3 provides an overview of some mechanisms that are at idea stage, but have generated interest
and are therefore on our “watch list”.)

4) **Cross-border resource transfers:** The focus is on mechanisms that involve *international* donor
funding, international capital markets or other cross-border transactions. Purely domestic
mechanisms such as local taxes and capital market innovation in partner countries not requiring
or generating international support are excluded. Some of these may become relevant in the
future if they are coordinated on an international level (following the example of the Solidarity
Levy on Airline Tickets) or if they explicitly earmark funds to development assistance (following
the German example of auctioning/sales of emissions permits).

7. These criteria do not mean to suggest that other finance mechanisms are not innovative, but they
were not selected in this note because they were mainly illustrating financial engineering or primarily
designed to increase the effectiveness of aid and did not fulfil the range of criteria we thought were of
particular interest from the ‘public investor’ perspective. This is not intended as an exhaustive overview on
innovative finance.

8. Consultation with potential users will undoubtedly lead to improvement and refinement of these
four criteria and the three categories into which we have grouped the results:
Three Basic Categories of IFD

1. **New Public Revenue Streams**: includes mechanisms that generate concessional funds allocated to international development from new sources such as new taxes, dues, and obligatory charges raised by one or more governments or supranational revenue generating authorities.

2. **Debt-based instruments and frontloading**: includes mechanisms that make public funds (existing or innovative) available for development earlier. They generate liabilities of some sort. Other mechanisms reduce the debt and debt service burden of developing countries allowing higher up-front availability of funding.

3. **Public-Private Incentives, Guarantees and Insurance**: includes mechanisms that use public funds to create investment incentives for private sector actors, for example by offering advance commitments or subsidies, and new insurance-type facilities to manage e.g. catastrophic and weather risk.

9. The categories have been defined to facilitate the analyses of IFD, its relation to ODA and the possible substitution effects. When considering any IFD mechanism within the current DAC statistical system it is necessary to i) clearly distinguish between official vs. private flows; and ii) identify the point at which the flows will be recorded as outflows from donor countries and whether they are provided on concessional terms. Moreover, it should be recalled that DAC statistics measure flows on a cash basis: data are collected on commitments and actual disbursements, whereas pledges and guarantees are not recorded since they do not (yet) constitute flows.

10. Mechanisms that raise new public revenue for international development may, but do not necessarily, increase ODA. If raised under national legislation, the funds would be reportable as ODA when the government allocates and spends them on activities satisfying the usual ODA criteria (bilateral development assistance or contributions to ODA-eligible multilateral agencies). If raised under an international settlement system, no ODA would be involved. However, the allocation and spending of funds by an international agency would be reportable as official multilateral flows for development (concessional or non-concessional as the case may be) and recorded in DAC statistical series on developing countries’ resource receipts. It is important to note that the amount of new revenue raised would not be captured in statistical reporting in any way. Consequently, in cases where the new revenue is fed into a donor country’s general development co-operation budget, it will not be possible to monitor the specific uses of the funds or their additionality vis-à-vis the regular development co-operation budget.

11. IFD mechanisms described as “front-loading” generate public liabilities that are reportable as ODA with several years’ time lag, i.e. when the liabilities fall due. The expenditures are recorded in data series on developing countries’ receipts as and when they arise. In monitoring IFD special attention should be given to front-loading since such mechanisms may endanger future ODA budgets: To release the funds necessary for paying the liabilities, donors may have to reduce their traditional funding approaches (i.e. bilateral country programmable aid). In this case, IFD would not be additional but merely a substitute for ODA.

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3. Official transactions are those undertaken by central, state or local governments or their executive agencies at their own risk and responsibility, regardless of whether these agencies have raised the funds through taxation or through borrowing from the private sector. Private transactions are those undertaken by firms and individuals resident in the reporting country from their own private funds. Private transactions do not count as ODA, but would be included in data on developing countries’ resource receipts.
12. The third category – incentives, guarantees and insurance – falls to a large extent outside the current DAC statistical system. However, work is underway to examine the feasibility of collecting data on such mechanisms in some form. There is great interest in this question because relatively modest investment by the official sector may resolve bottlenecks and market failures, and have a significant catalytic effect on financing available for development.

The Mapping Table

The table below covers a range of IFD mechanisms that meet the four criteria. Mechanisms are ordered along the three categories of innovative finance: new public revenue streams; debt-based instruments and frontloading; public-private incentives, guarantees and insurance. A sample of instruments that provide a wider perspective on innovative finance but are not focus of the note, are described in the annexes.

The table focuses on five topics:

- Initiative describes the main purpose of the mechanism and indicates what it is used for, such as raising of resources, frontloading, or insurance. The column also provides the year when it was established and its official website, if available.
- How does it work? explains the functioning of the mechanisms in broad terms from a financial perspective.
- Financial Flows describe the volume of financial flows that have been generated or that are expected to be generated by the mechanism. The column focuses on the origins of funds and how much funds have been mobilised. Most information, especially future estimates, come from sponsor documentation and should be read with care and this caveat in mind. Flows that constitute a result of the mechanism such as disbursements or payouts of an insurance are covered under development results.
- Development Results reports on some already achieved results or expected future results, if available. The column mostly relies on information by the sponsors of the initiative, has not been verified, and should be read with care. The paper merely provides some indication on the results that can be achieved by the mechanism; it cannot provide a comprehensive discussion of results.
- Is it ODA? discusses to what degree the IFD mechanism generates flows that count as ODA. It also describes if the flows are recorded in any other way in DAC statistics such as OOF or multilateral flows.

N.B. The mapping table has been put together with technical support by the World Bank. The information was collected mostly through a desk review from publicly available documents from December 2010 to January 2011, supplemented with some interviews by the OECD. Note that most information comes from sponsors of the innovative finance mechanism and not from objective evaluations. It has been tested for plausibility and discussed by technical staff. However, the document should be read with the necessary care. All sources of information and assumptions are explained in the footnotes. Information is kept close to its original form, has not been not simplified and streamlined to reflect the broad variety of mechanisms.
### MAPPING TABLE

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| **Two Percent Share of Proceeds from issuing new Certified Emission Reduction Units (CERs):** | Two percent of CERs issued under the Clean Development Mechanism (CDM) are allocated to an Adaptation Fund Account. The Trustee, currently the World Bank, monetizes these CERs on behalf of the Adaptation Fund, keeps proceeds in trust, and disburses them on instruction by the Adaptation Fund Board. | • $130.5 million monetized, from inception to October 2010.  
• CER inventory is at €14.3 million to €19.5 million.  
• Future monetization until 2012 may generate €110-150 million.  
• From 2013–2020 the Adaptation Fund may accrue another 107 million CERs. | • The first projects were approved in September 2010: projects in Senegal and Honduras totalling $14.4 million, and project concepts in Guatemala, Madagascar, Mongolia, Nicaragua, Pakistan and Solomon Islands totalling $30.5 million.  
• No project funds have been disbursed. | • No ODA is involved unless the CDM project was funded by ODA, in which case the two percent share has already been reported in the project cost. (The share of proceeds is not raised under national legislation. There is no additional transfer from a donor country.)  
• The outflows from the Adaptation Fund count as official multilateral concessional flows for development. |
| **Auctioning/Sales of Emission Permits (2008):** | Under the EU ETS governments can auction and/or sell emission permits to emitters or allocate them for free.  
Auction revenue accrues to Member States.  
Germany raised some €1.5 billion in 2008 and 2009 and allocated €327 million to support international climate finance in developing countries.  
EU ETS could generate €2.2 billion to €2.9 billion per year.  
From 2013 on, when auctioning will be the rule, a multiple could be raised every year. | | • The EU Directive recommends that at least half the revenue should be used to fight and adapt to climate change, mainly within the EU, but also in developing countries.  
• Only Germany has made explicit commitments to use funds for development assistance. | |
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| **Carbon Emissions Trading** (2005):         | An emissions cap is set for industrialised countries under the Kyoto Protocol. If a country exceeds its emissions limits, it has to purchase additional ones. The CDM allows industrialised countries to finance projects for reducing emissions in developing countries (JI in countries in transition) and to add these Certified Emission Reduction units to its Kyoto limits. | Between 2004 and 2009 agreements for CDM transactions totalling some $25 billion (2 billion tons of carbon equivalent, tCO2e) and JI agreements totalling some for $1.5 billion (128 million tCO2e) have been signed. | The primary objectives are a reduction of carbon emissions, or mitigation of climate change. Some positive contributions to infrastructure, access to clean energy with less health impact, employment opportunities, and access to electricity are expected. | • Donors can report their official concessional support for CDM projects as ODA.  
• However, where projects generate CERs, the value of CERs at a reference price should be deducted from ODA as and when CERs accrue to the donor. (The CERs can be considered as a return to donors.) |
| **Global Currency Transaction Tax** (proposed): | The tax would apply to foreign exchange transactions on all major currency markets at point of settlement. Countries with global financial centers would not be burdened disproportionally. The proposed tax rate is 0.005 percent. | A Committee of Experts estimates annual revenues of $25 billion to $34 billion for the four major currencies (dollar, euro, yen and sterling). If the tax was applied at both ends of the transaction, revenues would increase significantly. | • Development results would depend on the use of funds.  
• The Committee of Experts suggests using the funds for international development and environmental crises through a new, dedicated financial facility, a “Global Solidarity Fund”. | • If funds were raised under national legislation, they would count as ODA when spent for development (activities satisfying the usual ODA criteria).  
• If funds were raised through an international settlement system, there would be no transfers from donor countries and thus no ODA. The outflows from the dedicated fund may count as official multilateral concessional flows for development. |

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8 The European Union Emissions Trading Scheme (EU ETS) accepts limited amount of CDM emissions permits (Certified Emissions Reduction or CERs) to fulfil the EU emission targets.
10 This description is based on the proposal of the Expert Group to the Leading Group’s, which seems to have the greatest political support. Other financial transactions taxes have been proposed recently such as the Financial Activities Tax (FAT) by the IMF. The FAT would be a national tax generating funds for national budgets.
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<td>Solidarity Levy on Airline Tickets (2006):</td>
<td>In France, airlines are responsible for collecting the levy as an addition to existing airport taxes. Passengers in transit are exempt. The tax ranges from $1 for economy to $10 and $40 for business- and first-class tickets. Different rates are set by other participating countries (Chile, Madagascar, Mauritius, Niger and the Republic of Korea).</td>
<td>• France raised €544 million from July 2006 to December 2009. 90 percent of proceeds have been allocated to UNITAID and 10 percent to IFFIm. • Contributions to UNITAID by other countries that participate in the Levy were $29 million between November 2006 and 2009.</td>
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<td>The Levy is about 50%-60% of UNITAID’s budget and contributes to its results proportionally, including: • Treating about 285 000 children for HIV/AIDS; • 6200 MDR-TB, 785 100 first line TB treatments; • 55 million ACT treatments • 20 million bed nets; • price reductions of up to two-thirds for medicines.</td>
<td></td>
<td>• The funds are raised under national legislation and count as ODA when spent for development (i.e. when contributions are made to UNITAID and IFFIm).</td>
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13 In 2009, revenues from the Levy were 62 percent of total revenues. For the 2010 budget, UNITAID expects the share of revenues from the Levy to be about 54 percent. Norway is allocating a part of its air tax on carbon dioxide to UNITAID. If included in the calculation, the share from proceeds from levies on air travel is about 10 percent higher for both years.

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| Debt2Health (2007):         | A Debt2Health swap is a conversion of official debt at a discount. An official creditor cancels bilateral debt (in countries that do not qualify for HIPC debt cancellation). In turn, the debtor pays a portion of the debt – so far in all implemented swaps fifty percent – to the Global Fund. The Global Fund uses this contribution for projects in the debtor country. | By 2010 some €160 million in debt2health swaps have been agreed.  
• 2007: Germany and Indonesia, €50 million  
• 2007: Germany and Pakistan €40 million  
• 2010: Australia and Indonesia, AUS75 million.  
• 2010 Germany and Côte d’Ivoire, €19 million. | Debt2Health contributes proportionally to Global Fund results.  
• In Indonesia, with approved grants of almost $400 million, the Global Fund financed 17 617 people currently on ART, treatment of 800 057 new smear-positive TB cases, and distribution of 2 million nets.  
• Most areas of Pakistan are now polio-free; cases declined from 117 in 2008 to 89 in 2009.  
• Progress in Nigeria has been slower, but reported cases of the virus have begun to decline.  
• Official contributions by donor countries would count as ODA when the donor transfers funds to the trust fund. If buy-downs are not triggered and funds are returned to donors, they are recorded as negative ODA.  
• Contributions by foundations do not qualify as ODA, but would be recorded as private grants. | • Debt cancellation (one portion of swap) is reportable as ODA grant for debt forgiveness. For ODA debt, only forgiven interest counts as new net ODA; for other debt, forgiven principal and interest count counts as new ODA.  
• Debt conversion (the other portion) is reportable as ODA grant for debt conversion. Depending on the origin of debt (ODA, OOF or private), either converted interest, or converted interest and principal, counts as a new ODA flow.  
• Global Fund spending from debtor payments should not be recorded in DAC statistics because they are net flows to developing countries, and the cancellation and conversion operations that have facilitated them are already reportable as bilateral ODA.  
18 Recording the multilateral outflow would lead to double-counting.  
| IDA Buy-Down (also referred to as credit buy-down, 2003): | Before the country receives an IDA credit, a donor commits to buy down principal and interest in the future. Required funds are held in trust until the credit is bought down. Because the net present value of IDA credits is smaller than the book value, 1 dollar of donor funding leverages about 2 dollars in IDA funding. | Since 2003, IDA buy-downs in Pakistan and Nigeria received almost $150 million from the Gates Foundation, UN Foundation, Rotary International, and the U.S. Centers for Disease Control, to buy-down more than $300 million in IDA credits.  
• Most areas of Pakistan are now polio-free; cases declined from 117 in 2008 to 89 in 2009.  
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| **IBRD Buy-Down** (also referred to as loan buy-down, 2002):  
Increases the concessionality of IBRD loans by buying down a part or the full amount of their principal and interest, where it is justified by global public goods or cross-border externalities. | A donor commits to blend an IBRD loan with a grant. Required funds are held in trust (China) or governed by a bilateral agreement between donor and recipient (Botswana). Later, debt is bought down, in the case of Botswana triggered by predefined results. | • An IBRD buy down with China (2002) increased the concessionality of a 104.0 million loan with a $37.4 million UK grant.  
• Two more buy downs were implemented in China: A $100 million IBRD Loan with $34.4 DFID grant for education and a $100 million IBRD Loan with $32.45 DFID grant for rural development.  
• A $50 million loan for HIV/AIDS to Botswana (2008) was supported by a results-based $20 million buy-down funded by the EC. | • The IBRD buy-down for TB control in China exceeded targets for case detection and cure rates, treated close to 1.6 million new patients, and cured nearly 1.5 million patients.  
• The IBRD buy-down for education contributed to near universal enrollment by 2009. 2.4 million students have benefited, 19% of them from ethnic minorities.  
• So far, results reports have not been published for the other two buy-downs in China and Botswana. | • Official contributions by donor countries count as ODA when donors transfer funds to the trust fund. If buy-downs are not triggered and funds are returned to donors, they are recorded as negative ODA. |

| **International Finance Facility for Immunisation (IFFIm, 2006):**  
Funds immunisation programmes by frontloading development assistance (making it available up to 20 years earlier) and increasing its predictability. | IFFIm issues bonds in the capital markets backed by legally binding donor commitments to pay grants over the next 20 years. Funds are used to finance GAVI immunisation campaigns. | By end of October 2010:  
• donor commitments to IFFIm amounted to $5.9 billion (UK, France, Italy, Norway, Spain, Netherlands, Sweden, South Africa).  
• bond issuances amounted to $2.6 billion. | By end of September 2010, IFFIm programmes of $2 billion had been approved; $1.2 billion had been disbursed to recipients.  
• GAVI estimates that IFFIm had saved more than 3 million lives by 2008.  
• The WHO projected that more than a million additional lives will be saved in 2009 and 2010. | • Official contributions by donor countries count as ODA when donors transfer funds to IFFIm. These cover set-up costs, administration and payments to meet bond interest and principal, during the life cycle and at maturity of bonds. |

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24 www.iff-immunisation.org  
26 Source: World Bank  
29 Source: World Bank  
24 Source: [http://www.iff-immunisation.org/donors.html](http://www.iff-immunisation.org/donors.html)  
25 Source: [http://www.iff-immunisation.org/pdfs/IFFIm_booklet_EN.pdf](http://www.iff-immunisation.org/pdfs/IFFIm_booklet_EN.pdf)  
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<td><strong>Pilot Advance Market Commitment (AMC, 2009):</strong></td>
<td>The AMC promises a future donor co-payment, contingent on vaccine delivery, thereby creating incentives to engage in research, development, production, and distribution of a specified vaccine. The World Bank holds donor payments on its balance sheet, assuming the financial risk of donor payments. After payments are made, it passes them on to the GAVI Alliance.</td>
<td>Donors (Italy, UK, Canada, Russia, Norway, Gates Foundation) have committed a $1.5 billion subsidy and GAVI has committed an additional $1.3 billion of its own funds through 2015.</td>
<td>• By 2020, the pilot AMC will have helped immunise estimated 700 million children and prevent 2.8 million deaths. • Acceleration could prevent another 4.9 million deaths. • Other estimates expect prevention of 7 million childhood deaths by 2030.</td>
<td>• Official contributions by donor countries count as ODA when donors transfer funds to the World Bank. • Contributions by foundations do not qualify as ODA, but would be recorded as private grants.</td>
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<td>for pneumococcal vaccines helps making these vaccines available and affordable in developing countries by reducing investment uncertainty for manufacturers. <a href="http://www.vaccineamc.org">www.vaccineamc.org</a></td>
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<td><strong>Affordable Medicines Facility-malaria (AMFm) (2010):</strong></td>
<td>The Global Fund negotiates the price of ACTs, and subsidises it to lower the cost to first-line buyers. First-line buyers are expected to pass on a proportion of the subsidy to enable patients to buy ACTs.</td>
<td>By end of September 2010, AMFm had received $212.5 million in contributions from UNITAID, the UK and the Gates Foundation.</td>
<td>• AMFm may save estimated 174 000 to 298 000 lives per year, delay resistance to artemisinins, and increase access by reducing consumer prices of ACTs from $6–$10 to $0.20–$0.50. • In 2010, importers pay up to 80 % less than in 2008-2009.</td>
<td>• Official contributions to AMFm by donor countries count as ODA when donors transfer funds to the Global Fund. • Contributions by foundations do not qualify as ODA, but would be recorded as private grants.</td>
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<td>is a global subsidy, managed by the Global Fund, designed to expand access to artemisinin-based combination malaria therapies (ACTs). <a href="http://theglobalfund.org/en/amfm">theglobalfund.org/en/amfm</a></td>
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30 The World Bank holds donor payments on its balance sheet, assuming the financial risk of donor payments. After the payments are made, the Bank will pass them to the GAVI Alliance. WHO has established technical criteria that the vaccine must meet; UNICEF will handle procurement and distribution. Once AMC funding is depleted, the manufacturer continues to provide the product at an established price for a specified period of time. World Bank (2010). Innovative Finance for Development Solutions: Initiatives of the World Bank. Washington
33 [http://www.vaccineamc.org/pneu_amc.html](http://www.vaccineamc.org/pneu_amc.html)
35 Source: The World Bank, Trustee to the Global Fund.
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<td><strong>Caribbean Catastrophe Risk Insurance Facility (CCRIF)</strong> (2007):</td>
<td>CCRIF is a parametric mutual insurance facility controlled by participating governments. It pools countries’ risks by retaining reserves and by transferring the remaining risks to the market where it purchases reinsurance and catastrophe swaps.</td>
<td>• Total premium payments of some $20 million per year, some supported by bilateral donors and IDA.</td>
<td>In 2009/2010 CCRIF’s aggregate exposure was about $600 million. Payouts of about $32 m since inception.</td>
<td>• Contributions by official donors to the CCRIF trust fund and subsidy of premium payments qualify as ODA.</td>
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<td>is an example of a sovereign insurance pool that provides access to affordable coverage against natural disasters for immediate budget support after a major earthquake or hurricane. <a href="http://www.ccrif.org">www.ccrif.org</a></td>
<td>• Contributions by Bermuda, Canada, EU, France, Ireland, UK, Caribbean Development Bank and IBRD of some $67.5 million to a Multi-Donor Trust Fund that supports operating expenses, insurance payouts, and reinsurance costs.</td>
<td>$1 million, Dominica and St. Lucia, 2007</td>
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<td>Facilities for Pacific Island Countries and Central America are under preparation.</td>
<td>In 2009/2010 CCRIF’s aggregate exposure was about $600 million. Payouts of about $32 m since inception:</td>
<td>$6.3 million, Turks and Caicos Islands, 2008</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• $7.75 million, Haiti, 2010</td>
<td>$4.2 million, Anguilla, 2010</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• $1.1 million, St Vincent and the Grenadines, 2010</td>
<td>$3.2 million, St. Lucia, 2010</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• $8.5 million, Barbados, 2010</td>
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<tr>
<td><strong>Sovereign Index Insurance</strong></td>
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<tr>
<td>• <em>Weather Index Insurance for Ethiopia</em> (2006): provides contingency funding to Ethiopia in case of extreme drought with support by WFP and USAID</td>
<td>The payment would have been triggered when an index of rainfall data from March to October rainfall was significantly below historic averages.</td>
<td>A USAID grant financed the premium payment of $930,000.</td>
<td>Insurance has not been triggered. The maximum payout of $7.1 million would have provided funds to protect the livelihood of up to 62,000 households.</td>
<td>USAID grant to finance the premium payment qualifies as ODA.</td>
</tr>
<tr>
<td>• <em>Weather Index Insurance for Malawi</em> (2008) provides funding to Malawi in case of severe drought. It transfers a portion of the risk to the capital markets with support by UK and World Bank.</td>
<td>The contract is an option on a rainfall index that links rainfall and maize production. The payout is triggered if the index falls to 10% below the historical average.</td>
<td>• The UK financed the premium payment.</td>
<td>The coverage of the 2008/2009 pilot was about $5 million, the coverage of the 2009/10 contract $4.4 million.</td>
<td>Premium payments by the UK qualify as ODA.</td>
</tr>
</tbody>
</table>

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40 A US$20 million cat swap between IBRD and CCRIF was the first derivative transaction to enable emerging countries to access the capital market to insure against natural disasters.

41 Source: CCRIF Annual Reports 2007-2010. [http://www.ccrif.org/content/publications/annual-reports/annual](http://www.ccrif.org/content/publications/annual-reports/annual).


45 Cummins and Mahul (2009).


47 IDA entered into a derivative transaction with Malawi and simultaneously into a mirroring, back-to-back transaction with a market counterpart. World Bank GFDRR Risk Financing Case Study. December 2010. Weather Derivative in Malawi.
### Annex I: Voluntary Contributions using public or public-private channels

<table>
<thead>
<tr>
<th>Initiative</th>
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<th>Financial Flows</th>
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<tbody>
<tr>
<td><strong>Product(RED) – or (RED, 2006)</strong> raises funds for HIV/AIDS programs in Africa of the Global Fund. <a href="http://www.joinred.com">www.joinred.com</a></td>
<td>(RED) receives a share of profits from the sales of (RED) branded products; it is an example of cause-related marketing and a consumer-based income-generating initiative with 12 partner corporations.</td>
<td>As of December 2009, (RED) has generated more than $150 million for the Global Fund.</td>
<td>“More than 5 million people have been impacted by (RED) supported Global Fund grants.”</td>
<td>Funds are voluntary private contributions and do not qualify as ODA.</td>
</tr>
<tr>
<td><strong>Massivegood, a pilot Voluntary Solidarity Contribution (2010)</strong> raises funds for UNITAID <a href="http://www.massivegood.org">www.massivegood.org</a></td>
<td>Travelers can make a $2 micro-contribution for travel services when they book travel services.</td>
<td>Massivegood raised almost $200,000 micro-contributions as well as matching funds and donations as of June 2010.</td>
<td>Under implementation – too early to report on results.</td>
<td>Funds are voluntary private contributions and do not qualify as ODA.</td>
</tr>
<tr>
<td><strong>Eco 3Plus Note (2007) and Green Bond (2008)</strong> issued by the World Bank, raise funds from investors that demand financial and social returns. <a href="http://www.treasury.worldbank.org">www.treasury.worldbank.org</a></td>
<td>• Eco 3Plus Note: Coupon is linked to an equity index focusing on alternative energy, water and waste management, and reduction of pollution. • Funds for the Green Bond are used for climate change mitigation and adaptation projects.</td>
<td>• In 2008 three Eco 3Plus Notes raised a total of $333 million. • From 2008-2010 the World Bank raised almost $1.5 billion with Green Bonds.</td>
<td>• Eco 3Plus Notes contribute to IBRD lending and therefore to IBRD results. • Green Bonds contribute to IBRD lending related to climate change and therefore to the results the IBRD achieves.</td>
<td>Bond issuance does not qualify as ODA. Onlending of funds to IBRD borrowers can be reported as multilateral non-concessional outflows (assimilated to OOF).</td>
</tr>
<tr>
<td><strong>Global Fund Investment Products</strong> raise funds by receiving a portion of revenues generated from licensing co-branded financial market indexes which can serve as a basis for Exchange Traded Funds (ETFs). (2010)</td>
<td>The Dow Jones Global Fund 50 IndexSM has been established. It measures the performance of the largest companies that support the mission of the Global Fund. So far the Index has been licensed db X-trackers, an ETF of Deutsche Bank. The Global Fund receives a portion of the licensing fee.</td>
<td>Estimates on flows including potential future flows are not available.</td>
<td>Proceeds from the portion of the licensing fee will proportionally contribute to Global Fund results.</td>
<td>Funds are private contributions and do not qualify as ODA.</td>
</tr>
</tbody>
</table>

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49 Source: [http://www.joinred.com/red/#impact](http://www.joinred.com/red/#impact). (RED) constitutes a (small) portion of Global Fund resources which finance ARV treatment for more than 145,000 HIV+ people, preventative antiretroviral treatment for more than 84,000 HIV+ pregnant women to reduce the risk of transmission of HIV to their babies and HIV testing and counseling of 4.8 million people.  
50 Massivegood is run by the Millennium Foundation for Innovative Finance for Health. Funds are channeled through UNITAID.  
52 Massivegood has not achieved results on the ground. It claims that $1 will provide a HIV test kit for a pregnant woman, $10: will buy an insecticide-treated mosquito bednet, $20 will provide tuberculosis treatment, $100 will provide HIV treatment for a child for a year.  
### Annex II: Improvement of the Array of Financial Products of Existing Development Agencies without Major Involvement by Official Donors

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td><strong>Securitization of Future Flow Receivables</strong> (Mexico, 1987)</td>
<td>Securitization pools future receivables from commodity trade, airline tickets and/or credit cards in order to back the issuance of securities. Securitization reduces investors’ risks and may allow financing at a lower interest rate. Potential official involvement through subsidies.</td>
<td>The three main credit rating agencies have rated more than 400 transactions in low and middle income countries. More than $80 billion have been raised between 1992 and 2006.</td>
<td>No analysis of aggregate development impact available.</td>
<td>Proceeds from securitization do not qualify as ODA since these do not involve concessional funds from official donors. Subsidies for setting up a securitization, technical assistance, and administrative costs by official donors may qualify as OOF if they support international development.</td>
</tr>
<tr>
<td>• Residential Mortgage-backed Securities to provide affordable home loans (IFC in South Africa, 2001)</td>
<td>The structure involved the securitization of 6,462 residential mortgages.</td>
<td>$128 million securitization with $1.5 million IFC investment in subordinated tranche.</td>
<td>First residential mortgage-backed securities in SA that contributed to development of housing finance sector.</td>
<td>Proceeds from securitization do not qualify as ODA. Subsidies by IFC are recorded as multilateral non-concessional outflows (assimilated to OOF).</td>
</tr>
</tbody>
</table>
| • Securitization of student tuition payments to finance expansion/modernization of private university (IFC in Chile, 2003) | • University transferred right to receive future tuition payments to Special Purpose Vehicle (SPV).  
• SPV issued bonds.  
• Bondholders received an IFC guarantee for up to 30% of outstanding principal. | • $23 million bond issue denominated in inflation-indexed local currency, with an 8-year maturity  
• Backed by $6.9 million partial credit guarantee by IFC. | • Helped private university to raise capital.  
• Contributed to development of domestic capital markets and expansion of the local currency financing for educational institutions. | Proceeds from securitization do not qualify as ODA. Subsidies by IFC are recorded as multilateral non-concessional outflows (assimilated to OOF). |
| • Securitization of agribusiness secures current and future sales receivables of agricultural and industrial conglomerate (IFC in Peru, 2005) | A trust domiciled in Peru receives sales revenues and Trustee makes allocation to bondholder account. IFC provided a PCG that covers principal and interest. | $25 million securitization of current and future receivables with IFC partial guarantee for up to 30% of the outstanding principal | Contributed to development of local capital markets. | Proceeds from securitization do not qualify as ODA. Subsidies by IFC are recorded as multilateral non-concessional outflows (assimilated to OOF). |

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60 IFC Fact Sheets for selected structured and securitized products. Universidad Diego Portales. [http://www.ifc.org/ifcext/treasury.nsf/AttachmentsByTitle/SF_UDP/SFILE/UDP.pdf](http://www.ifc.org/ifcext/treasury.nsf/AttachmentsByTitle/SF_UDP/SFILE/UDP.pdf)
## MAPPING TABLE

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<tr>
<td><strong>Contingent loans</strong> provide liquidity in case of macroeconomic shocks.</td>
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<tr>
<td><strong>A Development Policy Loan Deferred Drawdown Option (DPL DDO)</strong> is a committed credit line by the World Bank (2002).&lt;sup&gt;62&lt;/sup&gt;</td>
<td>DPL DDO provides liquidity to IBRD borrowers in case of adverse economic events. A DPL DDO allows postponing drawing down a loan for a defined time period.</td>
<td>2002-2003 two DDOs for Latvia and Chile totaling $220 million have been approved. After a review of the instrument in 2008, new DPL DDO have been approved including for Indonesia ($2 billion), Mauritius ($100 million) and Costa Rica ($500 million).</td>
<td>None of the DPL DDO have been drawn down. Still, for example the DPL DDO for Indonesia ensures access to resources in case markets failed to provide financing at reasonable cost.&lt;sup&gt;63&lt;/sup&gt;</td>
<td>DPL DDOs are based on standard IBRD lending products and qualify as multilateral non-concessional outflows (assimilated to OOF) when disbursed.</td>
</tr>
<tr>
<td><strong>Catastrophic risk (Cat) DDOs</strong> by the World Bank provide bridge financing in case of a natural disaster (2008).</td>
<td>A Cat DDO provides liquidity up to USD 500 million or 0.25% of GDP (whichever is less) in state of emergency due to a natural disaster.</td>
<td>After a reform of the product in 2008, within a year 12 DDOs for a total of $5.3 billion have been approved&lt;sup&gt;64&lt;/sup&gt; including for Colombia ($150 million), Costa Rica ($65 million) and Guatemala ($85 million).</td>
<td>2009-2010 Costa Rica, Guatemala, and Colombia drew down CAT DDOs to finance reconstruction after an eruption of a volcano, earthquake, tropical storm, floods and landslides.&lt;sup&gt;65&lt;/sup&gt;</td>
<td>Cat DDOs are based on standard IBRD lending products and qualify as multilateral non-concessional outflows (assimilated to OOF) when disbursed.</td>
</tr>
</tbody>
</table>
| **Contingent Credit Facility**<sup>66</sup> by the Inter American Development Bank and first Contingent Loan to the Dominican Republic (2009) | Loans are disbursed rapidly upon verification that a hurricane or earthquake of severe catastrophic intensity has occurred to meet extraordinary expenditures that arise during emergencies. | • The credit facility has a volume of $600 million<sup>68</sup>  
• First loan provides access to a $100 million loan to the Dominican Republic.<sup>69</sup> | No results yet. | Contingent IDB loans qualify as non-concessional outflows (assimilated to OOF) when disbursed. |

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In December 2010, Colombia drew down $150 million to address a crisis caused by floods and landslides (World Bank Press Release. December 28, 2010. [http://go.worldbank.org/M0XZ06QLV0](http://go.worldbank.org/M0XZ06QLV0)).


## MAPPING TABLE

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</thead>
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<tr>
<td>Index-based livestock insurance for Mongolia (2005) [70]</td>
<td>The Insurance protects herders against livestock mortality, provides them with liquidity after a disaster; and helps the government to transfer part of its fiscal risk to the reinsurance market. The Insurance is based on an index of livestock mortality rates. Herders bear the cost of small losses. Larger losses are covered by an insurance pool and the largest losses are born by the government that has access to a contingent credit line from the World Bank.</td>
<td>• Technical assistance by Japan ($1.3 million, PHRD), World Bank and First Initiative. • $5 million IDA credit to be triggered if facility reserves are insufficient to pay all claims. • Premium volume increased from $98 thousands to $153 thousands [73]</td>
<td>• The insured loss increased from $4.5 million in 2006/07 to $6.2 million in 2008/2008. [74] • Number of animals insured increased from 246 thousand to 309 thousand. • The 2009/10 season resulted in the largest payments of more than $1.3 million. [75]</td>
<td>• Technical assistance (and potential premium payments) by official donors count as ODA. • IDA credits are recorded as multilateral concessional outflows (assimilated to ODA).</td>
</tr>
</tbody>
</table>


[77] Source: AFD

### Countercyclical Loans (CCL, 2008)

by the French Development Agency (AFD) adapt sovereign debt service obligations to the ability to meet these obligations. [76]

Concessional loan with a reduced grace period from 10 to 5 years. The borrowing country can draw upon the remaining grace period when an adverse shock occurs.

2008-2010 AFD has signed 8 CCL agreements with Burkina Faso, Mali, Mozambique, Senegal, and Tanzania totaling almost €200 million. [77]

Flexible grace period becomes relevant only after 5 years. None of the loans was implemented long enough to reach the flexible grace period. No results yet.

Provided they are concessional, bilateral loans by the AFD, including countercyclical loans, qualify as ODA.
### MAPPING TABLE

#### Annex III: Mechanisms at Idea Stage

<table>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Eco, forest, or carbon securitization (proposal)</strong></td>
<td>Investments in ecosystem services potentially would generate funds to (partially) repay investments. Security is issued on the capital markets, potentially guaranteed by donors, and repaid from future flows.</td>
<td>No financial flows yet. No financial models/estimates available</td>
<td>No result estimates available.</td>
<td>Proceeds from securitization would not qualify as ODA since it involves private, non-concessional funding. Bilateral subsidies to establishing securitisation arrangements may qualify as ODA. Guarantees may qualify as ODA when called.</td>
</tr>
<tr>
<td><strong>Product Development Partnership Financing Facility (PDPFF) (proposal)</strong></td>
<td>Proceeds from sale of bonds would support R&amp;D. The funds to back and repay bonds would derive from royalties from sales and donor-funded premiums linked to sales of PDP vaccines in low-income countries. Potentially requires donor guarantee.</td>
<td>Proponents estimate that revenues from a PDPFF between 2010 and 2040 would range from $2.2 to $6.9 billion for the three PDPs Areas, IAVI, and MVI. Backed by donor guarantees, they yield a net present value of $0.9 to $2.3 billion.</td>
<td>Depends on vaccine developed and roll out. PDPFF would only finance R&amp;D but not production and distribution of vaccine.</td>
<td>Proceeds from bond issuance would not qualify as ODA since it involves private, non-concessional funding. Subsidies by sovereign donors may qualify as ODA. Donor guarantees would qualify as ODA when called.</td>
</tr>
<tr>
<td><strong>The De-Tax (proposal)</strong></td>
<td>The De-Tax would combine two elements: Governments would give one percentage point of VAT revenues by businesses associated with the initiative. Businesses would, on a voluntary basis, give a share of their profit if they wish to co-finance development projects.</td>
<td>It has been estimated that the De-Tax could raise $2 billion annually if 26 countries participate. Italy estimated annual revenues between €100-€150 million for Italy only.</td>
<td>No result estimates available.</td>
<td>Proceeds from earmarked VAT, when spent by official donors on development assistance, would count as ODA. Voluntary contributions by the private sector would not count as ODA.</td>
</tr>
</tbody>
</table>

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78 Forest Backed Bonds Proof of Concept Study, Forum for the Future and EnviroMarket Ltd for IFC and DfID, August 6, 2007