

What's new in Innovative Financing?*

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Abstract

The adoption of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) has, amongst other things, raised the issue of how the activities implemented to help achieve these goals will be financed.

The sheer scale of the funding required is quite breathtaking: the United Nations (UN) has indicated that several thousand billion dollars (USD) will be needed on a yearly basis to achieve the SDGs (UNCTAD, 2014).

Given that Official Development Assistance (ODA) falls far short of meeting these requirements, the core issue is identifying how to channel the major resources available worldwide into financing these goals. As implementing mechanisms that are able to effectively channel the available resources into sustainable development requires innovation, the term “innovative financing” is used when referring to specific mechanisms designed to promote the common good, whilst drawing on private actors and market instruments.

This working document aims to take stock of the main innovative financing for development mechanisms based on a brief review of the literature and the debates at the workshop arranged by FERDI, the Institut du Développement Durable et des Relations Internationales (Institute for Sustainable Development and International Relations, IDDRI) and the French Ministry of European and Foreign Affairs on 20 March 2018.

* On 20 March 2018 in Paris, FERDI (The Foundation for Studies and Research on International Development) in collaboration with the French Ministry of European and Foreign Affairs and IDDRI organised a workshop on innovative financing for development. The debates that took place under the Chatham House Rule provided the content for this working document.

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1. A concept with multiple definitions

The United Nations Development Programme (UNDP, 2012), DGDA & DGI (2014) and the Organisation for Economic Co-operation and Development (OECD, 2015) have reiterated that there is no shared definition of the concept of innovative financing, even though the following definitions do have a lot of common ground.

The Leading group on Innovative Financing for Development defines it as “a mechanism for raising funds for development. The mechanisms are complementary to official development assistance. They are also predictable and stable. They are closely linked to the idea of global public goods and aimed at correcting the negative effects of globalisation.”¹

For the World Bank,² innovative financing “involves non-traditional applications of solidarity, public private partnerships, and catalytic mechanisms” that “1) generate additional development funds by tapping new funding sources (that is, by looking beyond conventional mechanisms such as budget outlays from established donors and bonds from traditional international financial institutions) or by engaging new partners (such as emerging donors and actors in the private sector), 2) enhance the efficiency of financial flows, by reducing delivery time and/or costs, especially for emergency needs and in crisis situations and 3) make financial flows more results-oriented, by explicitly linking funding flows to measurable performance on the ground”.

For the OECD, innovative financing comprises “mechanisms of raising funds or stimulating actions in support of international development that go beyond traditional spending approaches” and share the following characteristics: 1) public sector involvement, 2) transfer resources to developing countries, 3) mobilise additional finance and 4) are of an operational nature (OECD, 2014).

The UN prefers to speak about *initiatives sharing the following characteristics: 1) public sector involvement, 2) transfer of resources to developing countries and 3) innovation in the sense that these mechanisms are used in a new context or incorporate highly original features when compared with classic financing.*

For Boussichas and Guillaumont (2015), there is also a need to question the concept of innovation by differentiating between what is and is not new, reiterating that innovation is sometimes a simple adaptation of long-standing practices to specific situations and aims. These authors have identified three types of innovation and, consequently, three types of innovative financing: i) innovative financing whose primary objective is to generate additional resources for development, ii) financing whose primary objective is to achieve development outcomes, and iii), financing for which the funding arrangements themselves are the innovative aspects.

¹ <http://www.leadinggroup.org/rubrique293.html>

² <http://siteresources.worldbank.org/CFPEXT/Resources/IF-for-Development-Solutions.pdf>

The term “innovative financing” also covers a diverse range of practices and financial mechanisms designed to garner resources for development in addition to aid, and to optimise their impact.

What are the amounts involved? The Dalberg report (DGDA & DGI, 2014) estimates the amount of innovative financing for development mobilised between 2001 and 2013 at USD100 billion, with an annual increase in volume of 11%.

However, as the scope of innovative financing is debatable, it is difficult to calculate a global amount. In this paper, we endeavour to provide figures to enable the reader to gain an understanding of the scale of each mechanism under review. We also mention, where available, the main assessment findings for each mechanism.

The paper is organised into three sections based on the aforementioned three categories.

2. Mechanisms regarded as innovative because of their capacity for mobilising additional resources to support development

There are two distinct groups within this category: i) new tax bases and ii) mechanisms that blend resources.

2.1 New tax bases: potential for increased revenue but non-guaranteed additionality

Although tax is one of the most conventional ways of financing public intervention, looking for new tax bases that raise additional resources for development is particularly innovative. We are particularly referring to tax mechanisms that seek to correct the negative effects of globalisation (see section 1): for example, taxes on plane tickets, financial transactions and mining resources.

Recourse to international taxation to fund development is notably justified by Jean-Pierre Landau (2004) for whom globalisation generates a great deal of wealth. Allocating a fraction of it to combating poverty and inequality and supporting development meets an ethical, social, economic and political imperative, given the instability caused by development gaps in an open world.

Gérardin and Poirot (2011) estimated potential annual income from various international taxes at USD 662 billion: USD 500 billion from tax on financial transactions, USD 125 billion from carbon emissions taxes, USD 20 billion from taxes on the profits made by multinationals, USD 15 billion from a tax on plutonium production, and USD 2 billion from air transport tax.

They also list the potential benefits of international taxation: a sustainable source of funding, a regulatory instrument, an economic stabiliser, etc.

Nevertheless, it has to be said that there are many difficulties involved in implementing this type of tax mechanism. A new tax can be worrying for producers of taxable services and products. As this tax must be applied in as many countries as possible in order to avoid it causing a detrimental

trade diversion, broad international agreement is required, which is often difficult to obtain due to differing ideas about taxation in different countries.

Impact

DGDA & DGI (2014) consider that the air travel tax has had no effect on airlines' income and profits. Equally, it has had no impact on air traffic, travel industry jobs or tourism. In France, the income from the solidarity tax on plane tickets and allocated to development has been capped at €210 million per year since the 2014 Finance Act.

There is more intense debate about the implementation of a tax on financial transactions. Bismans and Damette (2008) assessed the impact of the rollout of a tax on currency exchange transactions (a "Tobin" type tax). They estimated that a 1% increase in the cost of transactions would result in a 0.61% drop in euro/dollar currency exchanges and a 0.55% drop in sterling/dollar exchanges. In their view, this elasticity is good news for those who feel that these transactions tend to be speculative, but bad news for those who fear that such a tax would have dangerous consequences for hedging and liquidity trading. Finally, the authors estimate that 0.02% taxation would generate income of USD 40 billion.

A tax on financial transactions is in the planning stage at the European level, but its rollout has been put on hold because it is proving difficult to reach an agreement. In France, a tax on property transfers has been applied since 2012, each purchase of a share in a French company whose stock market capitalisation exceeds €1 billion is taxed at 0.30%.³ The 2018 Finance Act makes provision for income of €798 million for the tranche allocated to development policy.

Prospects

The potential tax income goes beyond the above examples in so far as it is possible to envisage other tax bases. The Tbilissi 2015 international forum report on innovative and solidarity financing (Douste-Blazy *et al.*, 2015) records roughly 50 new tax bases or potential voluntary contributions that could generate resources for development. In France and Europe more generally, a tax on containers that was suggested several years ago has not yet materialised, but remains a viable option. Also being studied are a tax on certain activities in the digital sector; implementing voluntary contributions by tourists, notably on hotel reservations; and lotteries to finance development activities.⁴ However, it was noted during the 20 March 2018 workshop that although certain initiatives may be interesting, original and practical, ultimately they mobilise few resources. This was the case with a solidarity lottery rolled out in France a few years ago.

³ See article 235 b ZD of the General Tax

Code:https://www.legifrance.gouv.fr/affichCode.do?sessionId=EE418457FA14475FA0401BD94E8AFF9F.tplgfr31s_1?idSectionTA=LEGISCTA000025515885&cidTexte=LEGITEXT000006069577&dateTexte=20180302

⁴ The link between the fight against tax evasion in developing and developed countries is another potentially significant source of additional funds for development.

Finally, although taxes on plane tickets have been shown to be an additional and predictable source of income for development (DGDA & DGI, 2014), debates at the 20 March workshop emphasised that revenue from taxes specifically implemented for development have not always been added to ODA, contrary to the original aim. This for the most part decreases the considerable potential of additional resources that could be generated by an innovative tax system.

2.2. Mechanisms regarded as innovative because of their search for leverage, such as guarantees⁵ and public and private resource blending

An economy is first and foremost financed by the efforts of its private sector actors, whose strength tends to lie in the businesses and institutions that constitute an enabling environment for the market economy. Therefore, high levels of economic, political and/or climatic risk are negative incentives to private investors. Public intervention may therefore be needed to reduce the exposure of private sector actors to these risk factors and consequently to encourage them to invest in the sustainable development of the economy, notably by subsidising and/or guaranteeing certain financing.

Moreover, in many developing countries, public investment requirements – particularly for infrastructure – remain very high, meaning that the public authorities often have to call upon external public and private resources to fund them.

In both cases, ODA cannot cover the full amount required, but it can be used in initiatives that combine or blend resources in order to make funding operations possible.

The OECD (2018) defines blended finance as an “approach to mix different forms of capital in support of development” and specifies that it involves the “strategic use of public or private investment with a development objective, including concessional tools, to mobilise additional finance⁶ for SDG-aligned investments in developing countries.”⁷

The OECD (2016) believes that this finance is at a turning point and offers development funding bodies the capacity to address the most urgent global issues. In its last report on blending, the OECD (2018) estimated that since 2000, 167 blended finance facilities have been created for a combined total of USD 31 billion.

According to Benn et al (2017), USD 81 billion from the private sector was mobilised by public development financing (including ODA) between 2012 and 2015. Guarantees account for 44%,

⁵ In particular, see Benn et al (2015). Iddri conducted a case study of the guarantees applied to urban area funding (Criqui and Vaillé, 2017)

⁶ The OECD (2018) defines “additional finance” as commercial finance, whether public or private, whose primary aim is not development

⁷ The OECD (2018) has drawn up a list of 10 or so different and complementary definitions used by development funding stakeholders.

syndicated loans and credit lines 19% each, shares in funds⁸ 12%, and direct investment in companies 6%.

Middle income countries received 75% of this funding and the least developed countries only 7%, primarily in the form of guarantees.

Almost two-thirds of private finance was mobilised by multilateral development banks, with the World Bank Group alone accounting for 31% of the total. Bhattacharya et al. (2018) consider that the most effective method of financing development is through the multilateral development banks (MDBs). Looking at the World Bank, where the paid-in capital represents only 6% of its callable capital, and considering an extremely conservative debt to equity ratio of 1:1, the authors calculate that the leverage of MDB loans could reach 16 on investment projects. Furthermore, if borrowing countries attract in parallel the same amount in private resources for these same projects, the leverage could be 32. Finally, for MDBs returning a profit on their investments, the leverage could be further increased and reach a ratio of 1:50 over a decade. The authors conclude that if USD 40 billion were injected into the MDB system, it could potentially generate USD 2,000 billion for SDG-aligned investments.

France is ranked as the third biggest bilateral donor, having mobilised USD 2.8 billion, behind the United States and the UK: the French Development Agency (AFD) mobilised USD 1.7 billion of private finance, primarily due to guarantees, whilst Proparco mobilised USD 1.1 billion, mainly due to shares in collective investment schemes.

Finally, the private finance mobilised is mainly concentrated in three sectors: banking and financial services (33%), energy (25%) and industry (14%). Guarantee systems are the most common tools in these sectors, although credit lines also play an important role in financial services.

For the OECD (2018), development players are using blended finance in an innovative way to mobilise capital. The instruments used go beyond simple loans and donations and instead include guarantees, securitisation, currency hedging and political risk insurance. It establishes five principles for using blending instruments well: i) the subject of the financing must contribute to the SDGs; ii) the public contribution must mobilise additional commercial financing; iii) the financial package must be suitable for and strengthen the local economic and institutional context; iv) the partnership approach must allow for relevant risk sharing; v) follow-up, outcomes and assessments must be transparent and public.

Impact

During the workshop, several examples were given to illustrate the role of blended finance in environments considered unattractive by traditional investors. The agricultural sector in developing countries is a typical example of high-risk investment: agricultural and climatic vagaries

⁸ The OECD (2018) has recorded at least 189 funds (i.e. vehicles in which various actors pool their resources) launched since 2000.

and the sometimes vulnerable economic and political environment of a developing country mean that necessary investments can be high for an uncertain and solely long-term expected return. The implementation of a multi-actor investment structure in tranches, whereby the public institutions take on the first high-risk loss tranche, leaves the mezzanine and senior tranches with lower-risk profiles available for conventional private investors. Public institutions are interested in investing one dollar to unlock four, five or more from private actors (according to the examples cited during the workshop – leverage depends on numerous factors) in a sector that investors traditionally avoid. Lee (2018) suggests that the MDBs should create a special purpose vehicle through their dedicated private sector window. By taking the tranches with the highest risk, the MDBs will see their position evolve from lender to mobiliser.

However, although interest in blended finance is growing and development agencies and banks are increasing the number of initiatives, proof of its actual effectiveness is still thin on the ground. The OECD encourages development institutions to publish their existing assessments.

In this respect, the OECD (2016) noted the risk of using public funds for initiatives that do not require them. The European Court of Auditors (2014) has noted that whilst blending public donations with loans made by financial institutions is generally effective, the need for donations to make a loan possible was only proven for half of the projects reviewed. An evaluation of blending tools by the European Commission in 2016 stressed that whilst these tools have enabled “new borrowers, previously unbanked, [to be] drawn into formal finance, [...they] have mainly financed small enterprises which already had bank loans.”

The impact of blending on SMEs also hinges upon the financial institution acting as the intermediary. The European Commission (2016) believes that in this respect, “micro-finance institutions may be best placed to reach new, hitherto unbanked, borrowers because they can assess smaller riskier customers, but this does not imply that banks with specialised risk management capabilities adapted to SMEs could not achieve the same.” The UN (2017) and Pereira (2017) have also reiterated that these instruments are primarily used in middle income countries where projects pose fewer risks.

Prospects

The need to allocate worldwide available resources to effective SDG financing is an argument for substantially increasing blended financing initiatives. The debates on 20 March raised interesting questions about the future of these mechanisms.

The first was on spreading the risk, which is the primary objective of blending. This requires financial packages blending private and public resources to be thought about in terms of the portfolio rather than the project.

The debates also pointed out that proper channelling of available funds to sustainable development would benefit from a better correlation between the charge on banks' own funds

and the climate impact of the loans they grant (Bouzidi A., 2017). As Cardebat and Figuet (2009) and Delaite (2012) emphasise, *“the greater the share of the bank’s assets that incorporate sustainable debts, the lower the charge on additional own funds imposed by the authorities. Capital being costly, banks would therefore be encouraged to develop financing for such projects and consequently to encourage borrowers to adopt this behaviour”*.

Several points related to blended financing mechanisms were raised as requiring careful attention. Firstly, maximising leverage could run counter to the desired impact aim. It is therefore not the only criterion for assessing the quality of these mechanisms. Secondly, as the aforementioned assessment conducted by the European Court of Auditors highlighted, attention needs to be paid to sharing risk between the public and private sectors in order to avoid public support being used to guarantee a high rate of return for the private sector. Furthermore, it is important to make sure that international financing institutions are not replacing local financing institutions.

During the workshop, it was also mentioned that few development institutions have the capacity to participate in blended financing mechanisms, particularly in the case of structured financing. Instruments are often divided and can be ill-adapted to the needs of the private sector. Some participants called on development institutions to offer more flexible financing tools so as to better respond to the needs of the private sector.

Finally, several participants noted that the non-financial elements of blending are at least as important as the financial elements in determining efficiency. Standardising procedures would therefore facilitate the rollout of efficient multi-stakeholder partnerships. The quality of the economic environment and the business climate was also mentioned as a key element that cooperation policies should seek to strengthen. Bringing together investment funds and technical assistance funds to support entrepreneurs whose growth is difficult to manage is another form of blended finance and one in which cooperation can also play a role.

3. Mechanisms whose primary objective is to achieve set results

3.1. Investing in social impact

Central to this category of mechanisms whose primary objective is to achieve set results are impact investments. These seek to generate a social and/or environmental impact alongside a financial return. This private equity targets “companies that generate high social impact and/or that are too small to satisfy the requirements of traditional investors.”⁹

Mudaliar et al (2017) estimated the assets managed by impact investors to be worth USD 114 billion worldwide (late 2016). In 2016, impact investment accounted for roughly

⁹ <https://blog.secteur-prive-developpement.fr/2016/06/06/promouvoir-durablement-les-petites-entreprises-africaines-le-defi-des-investisseurs-de-mission/>

8,000 transactions for a total of USD 22.1 billion, of which just 10% benefited Sub-Saharan African companies.¹⁰

The main investment sectors are housing (22%), energy (16%), micro-finance (12%), financial services (10%), agriculture (7%) and healthcare (6%). The respondents are planning to increase their stake in the energy, education and healthcare sectors.

Assets under management are invested in private debt (34%), real assets (22%) and shares (19%). A quarter of investments in shares and 13% of investments in private debt were in Sub-Saharan Africa.

Performance

According to O'Flynn and Barnett (2017), although impact investing is a "burgeoning industry", the authors feel that "the pursuit of meaningful, sustainable and permanent social change through impact investing is difficult to achieve alongside a significant financial return."

There is no shortage of successful examples. In France, the 90/10 funds characterised by savers' commitment to invest up to 10% of their deposits in a solidarity organisation have seen double figure growth over the last few years. In 2016, they reached 15%, with a total investment of almost 10 billion euros from private individuals. It is also worth noting the NovESS fund initiative launched in 2016 by Caisse des Dépôts in partnership with private and public players, Paribas BNP, Paribas Cardif BNP, CNP Assurances, Crédit Coopératif, Ircantec and Mutuelle Nationale Territoriale.¹¹ An example on the African continent is Investisseurs & Partenaires (I&P),¹² an impact investing group gathering three funds representing 75 million euros. To date, I&P are supporting or have supported almost 70 partner companies in 15 Sub-Saharan African countries.

The discussions during the 20 March workshop nevertheless highlighted that the appetite amongst the majority of the investors for short-term high financial returns makes it difficult for social impact investors. The discussions also emphasised that mechanisms for public/private blended financing remain necessary to ensure the rollout of a number of social impact investments. Several speakers were of the opinion that impact investments had not yet reached returns equivalent to those of conventional investments. They did, however, note that accounting for externalities, especially environmental ones, in a company's balance sheet would make impact investments and conventional investments more comparable.

The study undertaken by Mudaliar et al. (2017) compared investors' expectations of the financial performance of impact investments with the reality. It found that in developing countries, half of

¹⁰ At the time of publication, the report estimated that anticipated investment for 2017 would be US\$ 25.9 billion i.e. a 17% increase on 2016.

¹¹ See <http://www.caissedesdepots.fr/la-caisse-des-depots-lance-novess-le-fonds-ess>

¹² These businesses ensure high local added value, hold a strategic position in their markets and belong to diverse sectors, from agro-industry to micro-finance, construction and public works, new technologies, B2B products and services, health etc. See <http://www.ietp.com/en>

those surveyed had experienced more major risk events than forecast. However, only 9% of impact investors stated that financial performance had failed to meet their expectations and only 2% of respondents felt that the measured impact was less than expected.

Prospects

A study by I&P and FERDI (Monteiro, 2016) shows that as social impact investment is particularly suited to financing and achieving the SDGs, it can expect a bright future. Baraton and Severino (2015) comments that the increasing, and in all likelihood sustainable, demand for impact investments is a result of public and private failings: public in the sense that State vulnerabilities make it difficult to finance basic social services (health, education, energy, water, sanitation, etc.), and private because for many years to come, the weakness of developing countries' financial systems will continue to make it difficult to finance young start-ups and SMEs via the market.

Faced with these needs, the aforementioned performances show that the offer is credible and allows markets to be targeted that up until now have been overlooked. Baraton and Severino (2015) also underscores that public financing institutions see value in a pertinent and socially effective way of supporting the economy and thus for donor countries in particular to increase the efficiency of ODA at limited or even zero budgetary cost. The interest in these types of assets by Argentina's G20 presidency shows their growing international appeal.

Nevertheless, there are many obstacles to developing social impact investing, starting with the difficulty in accurately defining a social impact business, although the recent French ESUS (Solidarity Enterprise of Social Utility) accreditation is helping address this issue. Another difficulty is correctly measuring results and impact, and establishing standards allowing them to be understood. This is certainly an area for public institutions linked to numerous impact investors to explore. Baraton and Severino (2015) see a link between this ability to measure results and impact and the sector's ability to develop: investors expect a successful track record to guarantee the credibility of the approach vis-a-vis new financing challenges. Properly measuring impact also allows investors to better communicate their practices (once the impact is sufficiently positive), making it a positive incentive for development in this sector. Finally, it appears that such development is often held back by an unfavourable legislative and regulatory environment, meaning that there is significant room for progress in this area.

Numerous areas must be considered in order to foster growth in social impact investment. In its white paper on "social business", the Garmeen Crédit Agricole Foundation (2017) offers several ideas, including incorporating a social utility value into a company's income statement. The contractual mechanism would see the State pay for a social service in return for hitting a social performance goal. An alternative would be a fiscal reward, which would still be based on social results. The Foundation itself proposes that *"social impacts can give rise to securitisation mechanisms that can be transformed into financial products that can be listed and exchanged in order to support the mobilisation of important capital without the company having to bear the charge in debt or in its balance sheet"*.

Innovation is thus at the heart of new financing methods for development and is questioning, or even disrupting, how economies operate. As Baraton (2015) states, *“social businesses and impact investors are therefore encouraging us to closely review the theory of the firm as collective action and common good, and to see common well-being as a product of a much larger variety of contributions than we thought possible”*.

3.2. Results-based development financing

These mechanisms make payment subject to achieving a set result. There are a large number of different systems. For instance, funding for an NGO or a private provider based on their results, funding for a government based on the principle of cash-on-delivery aid in accordance with the results achieved by its policy, social impact bonds, performance-based pay for teachers, conditional cash transfers to households subject to household members adopting behaviours that meet specific criteria, or payments based on educational outcomes (R4D, 2016).

Under this type of funding mechanism, the funder transfers the risk to the provider.

In their analysis of results-based financing in the healthcare sector, Mathonnat and Pélissier (2017) stated that it is a highly promising approach, although outcomes are very context-dependent.

R4D (2016) states that these mechanisms are often dependent on foreign aid but deems them to be promising, especially for social sectors such as education, for which there is still very limited experience, apart from conditional cash transfers. Many people are, however, warning against the potential requirement sometimes set by funders to achieve measurable results in the short term and potential disputes about evaluation, performance criteria and goal setting.

Social impact bonds (SIB) are a specific and relatively new form of these mechanisms. They tend to be called development impact bonds (DIB) in developing countries and they aim to get public services delivered by a private sector service provider financed by external investors. The public sector commissioning party reimburses and ultimately remunerates investors based on the results achieved. Return on investment is therefore contingent upon the achievement of pre-defined results and is assessed by an independent authority. These bonds are also contracts (and not bond securities, despite their name). One of the strengths of this type of mechanism is that both the investors and the public authorities are equally keen for the service provider to achieve the expected results.

For DGDA & DGI (2014), DIBs and SIBs are still at the embryonic stage. According to a March 2018 study by the Instiglio group, 138 projects of this type have been launched worldwide, of which 27 are in developing countries. Eight of the 12 projects in Africa are in healthcare. Only a quarter of the projects are actually being implemented, with the rest still under development (the implementation ratio is identical to the other developing countries). Investors have committed a total of USD 64 million to these 12 African projects (USD 125 million for all 27 projects in developing countries).

Impact

The OECD (2016) estimates that DIBs/SIBs are a potential powerful private sector investment vehicle and that by involving investors in results, they can “deliver a social service more effectively and efficiently than other interventions”. This approach is particularly interesting for sectors in which public policy is failing.

It is still too soon to gauge the effectiveness of the SIBs and DIBs in place. However, a World Bank impact evaluation of an education project in the Punjab funded by an SIB found that the mechanism was an effective and low-cost way of improving school enrolment rates (Center for Global Development and Social Finance, 2013).¹³

Prospects

Although these instruments have great potential, discussions during the 20 March workshop highlighted that, to date, there have been few actual development impact or social impact bonds due to the complex implementation procedures and the significant cost of their structuring.

As an example, a note from the social impact company Kois Invest¹⁴ states that structuring an SIB/DIB for the provision of educational services to Syrian refugees in the Middle-East needs to begin at least two years before the project is launched. Kois Invest lists several important elements of a successful SIB/DIB. Operationally: i) the project providers must be fully committed to measuring the impact and the results of their interventions must be measurable; ii) historical data that could be used as a benchmark in measuring impact must be available; iii) ideally, a small tight-knit team from the provider should be dedicated to the project so that all levels of the organisation take ownership of the concept. Financially, the following need to be found: i) governments or large foundations willing to cover part of the structuring costs; ii) stakeholders willing to act as outcome funders; iii) stakeholders willing to guarantee part of the invested capital in order to attract private investors.

Although DIBs/SIBs are nascent, scaling them up is conditioned by several factors, some of which go hand in hand with those already mentioned for a successful DIB/SIB. For Gustafsson-Wright *et al.* (2017), it is important to gather proof of the efficiency of social impact bonds in order to better convince investors and funders. For these authors, in terms of the cost of assessments and data-collection, philanthropy could help cover the initial assessment and thus kick-start this vital knowledge-gathering process. They also believe that a significant amount of effort needs to be invested in educating both public funders and private investors. Moreover, the regulatory framework must be favourable to these types of bonds, both in terms of the opportunities it offers

¹³ Punjab Education Fund: the fund is financed by the Government of Punjab, the World Bank and the Department for International Development (DFID). Private schools are allocated a grant for the number of students they enrol if they deliver free primary or secondary education and the students have a quality assurance test success rate of over 67%. Bonuses are awarded to the best teachers and establishments. The programme covered 1,300 schools in 2013, i.e. approximately 600,000 pupils.

¹⁴ <https://t.co/HuB8itGlpS>

managers of public funds to transfer them to the intermediaries stipulated in the contract and the alignment of the contracts with the regulatory framework for public procurement. Tax incentives are also an important point. Numerous experts and players, including Kois Invest, support the idea of creating results-based payment funds subsidised by several donor countries and/or international foundations. This would enable scaling up of social and/or development impact bonds whilst decreasing transaction costs and providing technical assistance to end users. Gustafsson-Wright *et al.* (2017) also suggest creating a global fund that would gather together as many private investors interested in results-based financing as possible. This would reduce transaction costs and encourage standard social impact investment practices.

This type of mechanism is also used in the environmental sector (although currently only on a small scale). An environmental impact bond, linked to a green infrastructure, is characterised by an interest rate correlated to achieving a measurable environmental goal. Investors are therefore rewarded based on achieving previously determined set results. This type of structure can be replicated by correlating public debt and the interest rate to a Pay for Failure mechanism (whereas SIBs/DIBs are a Pay for Success mechanism): *“if an environmental goal is not achieved, the return on the bond increases. In other words, political decision makers are held to their promises. If they fail, additional financial remuneration is foreseen and will be paid to investors”* (Bouzidi *et al.*, 2017). This is interesting because it enables financial interest to be aligned with environmental concerns. This is not the case for green bonds, as defaulting on green obligations does not carry any consequences (see below).

The difference between impact investments and social impact bonds resides mainly in the fact that the former concern businesses with a commercial purpose potentially supported by public funds for the social impact that they endorse. In contrast, SIBs are characterised by the innovative method of financing a public policy without the supplier necessarily looking for maximum profit. An impact investment fund therefore attracts investors who prioritise investing in a business, whereas an SIB/DIB attracts those prioritising an outcome. A hybrid model (whereby the two approaches are blended) was presented during the 20 March workshop.¹⁵ In other words, investing in a business whose social return is high in the short term but financial return is potentially only high over a longer period (for example, a sanitation business in a low income country). In this case, the impact investors would receive payment on the basis of the social impact the business makes and only later on the conventional business financial results. This model has not yet been implemented.

¹⁵ See Rob Mills' (Social Finance) presentation on this topic:
http://www.ferdi.fr/sites/www.ferdi.fr/files/b2t_thoughts_paris_march_2018.pdf

3.3. Themed bonds

A themed bond is a debt instrument issued by a public entity or a company in order to finance projects in a specific sector presenting new features. The term “green bonds” is used in the environment sector (by far the majority of themed bonds). As La Tribune underlines,¹⁶ *“the difference compared with classic bonds is the undertakings made by the issuer about the precise usage of the funds raised. The funds must be used for projects with a positive environmental impact”*.

Themed bond yield is therefore not directly based on a pre-defined result, unlike the previous mechanisms, but is underpinned by the fact that bond issuers will direct investors to specific goals with a high social or environmental return.¹⁷

According to the Climate Bonds Initiative, green bonds are now worth close to USD 900 billion worldwide and a quarter of them are “labelled” by an NGO (the rest are deemed to be “climate-aligned” bonds). However, they account for less than 1% of the world bond market. The OECD has calculated that an annual investment of USD 6,800 billion is needed to meet the 2°C global warming target, whilst the Climate Bonds Initiative estimates that green bonds will only mobilise USD 250 billion in 2018.¹⁸

Performance and impact

For DGDA and DGI (2014), green bonds have yields comparable to classic bonds and have consequently managed to channel capital into low-carbon infrastructure. The success of the green bonds issued by the World Bank and distributed in Europe by the retail banks,¹⁹ notably BNP, demonstrates on the one hand environmentally aware citizens and on the other the feasibility of green financing. The reasons for their success could lie in the simplicity of the offer, the sense of security associated with the issuer and the quality of the reporting on the use of funds raised by the bonds. In fact, green bonds are linked to an indicator (the Ethical Europe Climate Care Index set up in 2015 by BNP Paribas, Solactive AG and VIGEO) that selects companies based on their carbon footprint and the strength of their energy transition strategy.²⁰

Prospects

However, developing themed bonds is still subject to certain constraints, the first being their definition. Whilst both the International Capital Market Association (ICMA) and Standard & Poor’s green bonds index (launched in 2014 in collaboration with Thomson Reuters and Climate Bonds Initiative) have a published definition of green bonds, there is no international legal standard in

¹⁶ <https://www.latribune.fr/entreprises-finance/banques-finance/qu-est-ce-qu-un-green-bond-760714.html>

¹⁷ This type of financing could also have been placed in the first category of innovative financing.

¹⁸ See <https://www.climatebonds.net/> and http://www.lemonde.fr/economie/article/2017/12/11/finance-verte-a-quoi-servent-les-green-bonds_5227923_3234.html

¹⁹ See <http://treasury.worldbank.org/cmd/htm/World-Bank-Launches-the-New-Green-Growth-Bond-for-Retail-Investors-Belgium-Luxembourg.html>

²⁰ See <https://luxembourg.greengrowthbond.com/fr/lindice-ethical-europe-climate-care/#acceptLicense>

place. Consequently, the lack of a standard precisely defining green investment blurs the way in which multinationals use the income from these bonds. This uncertainty is hindering their development (DGDA and DGI, 2014). Bouzidi *et al.* (2016) recall that green bonds have a defect: there is generally no counterpart if there is a default on the green element. Regulation was another constraint raised during the 20 March workshop discussions. European regulation of the insurance sector (Solvency II) aims to match own funds demanded from insurance and reinsurance companies to the risks they incur in their activities.²¹ This legislation, which is legitimate in terms of the need to guarantee the financial stability of the insurance sector, could be adapted to create favourable incentives for investments promoting the public good. Similarly, these investments could be enhanced through a specific tax.

A quick assessment of the mechanisms whose primary objective is to achieve set results shows that supply and demand for this kind of instrument is growing. There has been a growing number of analyses of these mechanisms, such as OECD's, over the last few years, contributing to a better overall understanding and the progressive adoption of a common language by all stakeholders in development financing. Use of results-based financing should continue to increase in the coming years, provided that several obstacles are overcome. The first is that implementing results-based financing often involves high transaction costs, both in terms of finance and time. Simplifying procedures and standardising practices would streamline and optimise the use of these mechanisms. Another obstacle is the low awareness of what does or does not work. Knowledge needs to be amassed, particularly by conducting more assessments and making them publicly available. This would allow more precise rules on additionality, cost-efficiency and measuring results to be established. These assessments must also enable negative externalities such as possible distortions in the market to be identified and ultimately allow for the real use of the public subsidies employed to be determined. A third obstacle, linked to the previous, is the difficulty institutions have in sharing their failures, as this would lead to a better understanding of how to optimise these instruments. During the 20 March workshop, participants also highlighted the need for public tenders for research into social impact to better include the notion of results and impact. This would encourage private bidders to take better account of the public good in their proposals.

4. Mechanisms whose funding arrangements give them innovation potential

4.1. Original debt management arrangements

Innovation when financing an economy can take the form of bespoke debt management mechanisms such as contingent financing (for instance, GDP-indexed bonds and other countercyclical instruments²²) and debt swaps.

²¹ See https://fr.wikipedia.org/wiki/Solvabilit%C3%A9_II

²² See Panizza (2015) in particular.

GDP-indexed bonds are a new instrument with two plus points: *“they give issuing countries countercyclical leeway and enable investors to capitalise on the reduced risk of states defaulting”* (Cabrillac et al, 2016). However, these authors stress the barriers to this instrument being developed: i) countries using this sort of instrument may be regarded as a rule as less solvent, ii) uncertainty regarding price setting and iii) the availability of reliable accounting data.

AFD’s older mechanism – **countercyclical loans** – enable the borrower to tailor their repayments to their payment capacity. These loans can, for example, be partly indexed to export revenue. They have the advantage for the borrower of enabling them to better absorb an exogenous shock and are therefore of particular interest to highly vulnerable countries.

The last UN Inter-Agency Task Force on Financing for Development (UN 2017), reiterating the G20 working group on international financial architecture’s recent statement, claimed that *“establishing investor confidence in these instruments remains a challenge.”*

Debt swaps, such as the AFD contracts for debt relief and development (C2D), involve converting the debt into a development project: *“once a Heavily Indebted Poor Country has signed a C2D with AFD, the country continues to service its debt until repayment. At each payment on the due date, AFD transfers the equivalent amount to the country in the form of a grant. This amount is used to finance poverty reduction programmes.”*²³ This type of contract can be tailored to all sectors. Debt for nature swaps are one example. A foreign debt in international currency is partially acquired, often at a lower price than its nominal value, and converted into a debt in the local currency. This debt service is then used to finance climate change adaptations or to protect biodiversity. Historically, it has generally been international NGOs that have issued this type of product, with the financial backing of one or more international donors. A public trust or a public and private trust fund then receives the debt in the local currency and manages its allocation. This facility has several advantages: it usefully reinvests the debt service in the country; it creates a positive incentive in indebted countries that are reluctant to invest in environmental conservation; and it attracts other development partners that appreciate the context around projects financed through this mechanism.

As Tancrède Voituriez (Iddri) reminded participants during the 20 March workshop, since the first debt swaps for nature in Bolivia in 1987, the mechanism has remained niche, with only USD 2 billion raised in this way. The low number of such transactions could be explained by a failure to meet the required conditions which may include a tailored regulatory framework, sufficient credibility of indebted governments, or even personal leadership from the Head of State. Furthermore, mediating between the expected impact and the cost of setting up these swaps may also be a deterrent.²⁴ Finally, debt swaps may be viewed as tools favouring moral hazard, since less scrupulous borrowers can believe that were their country to be too heavily indebted, it would be

²³ <https://www.afd.fr/fr/le-c2d-un-mecanisme-pour-soulager-les-pays-endettes>

²⁴ For further information on how debt for nature swaps work, see <http://www.undp.org/content/sdfinance/en/home/solutions/debt-for-nature-swaps.html>

offered a debt swap. Given this risk, Bouzidi *et al.* (2016) suggest implementing “debt for policy performance swaps”, which would link debt reduction to achieving set results (for example, the goals of the COP 21 Intended Nationally Determined Contributions (INDC)) against which the country would be held accountable.

Diaspora bonds are amongst the many other innovative debt financing instruments. These bonds tap into migrants’ savings, provided that the issuing government is able to guarantee the mechanism. According to Ketkar and Ratha (2011), “*there is limited awareness about this financing vehicle. Whilst India and Israel have been at the forefront in issuing diaspora bonds, many other nations also have large diaspora communities in the world and could benefit by issuing such bonds.*”

4.2. Original healthcare funding arrangements

The need to finance healthcare in developing countries has led to the creation of several brand new mechanisms. The issue now is how to replicate them to finance other sectors, including education.

The International Finance Facility for Immunisation (IFFIm) IFFIm involves the issuance of bonds that a group of funders undertake to reimburse in the long term in order to finance the immediate provision of vaccines that developing countries are unable to fund by themselves.

For Pearson *et al.* (2011), the feasibility test has been passed with flying colours. IFFIm has proven itself to be financially effective because of the low cost of vaccinations. However, the authors of this evaluation noted that IFFIm has not fully exploited the model’s potential. It is currently smaller than expected because of limited donor pledges, whilst the initial start-up cost is high. Moreover, IFFIm is heavily dependent upon a small group of donors.

In 2017, the International Commission on Financing Global Education Opportunity proposed creating an education facility modelled on the way IFFIm works.

Pearson *et al.* (2011) warn that replicating IFFIm in other sectors could be difficult. For Ketkar (2012), it would be difficult to recreate the conditions that led to IFFIm’s success. IFFIm received exceptional institutional backing, notably from the World Bank, and was able to capitalise on the pro bono involvement of law firms and financial institutions in its early days. It could prove difficult to recreate these conditions and there is no reason to believe that these companies will commit to new international financing facilities. Moreover, since most of the donors are encountering budgetary constraints, there is no guarantee that they will commit once again as they did with IFFIm.

Replicating IFFIm in the education sector could also prove difficult because of the inherent nature of education: for instance, the effectiveness of private schools in some countries is making for a contentious debate. Furthermore, whereas vaccination costs are supposed to be going down over

time because of the immediate positive spin-offs generated, the cost of education is set to remain high, thus making the IFFED funding objective more difficult to achieve.

Finally, AFD has highlighted the fact that IFFIm's financial rating has been downgraded, which has reduced the flexibility offered by this mechanism.

The Advance Market Commitment (AMC) The AMC is a mechanism seeking to create a market, with donors pledging to finance the long-term purchase of vaccines in order to encourage laboratories to develop these vaccines and sell them at affordable prices.

According to DGDA and DGI (2014), the AMC experience demonstrates that whilst financial yields are comparable to those of a classic market, it proves very difficult to set a fair price and it is hard to know whether low-cost producers would have been attracted anyway, even without AMC rollout.

4.3. Innovative climate financing

Many instruments to finance efforts to combat climate change are in existence.²⁵ In addition to those already mentioned (green bonds, debt for nature swaps, etc.), there are the carbon offsetting mechanisms based on market principles and schemes such as REDD+ for forests, which involve payment for environmental services.

For Angelsen (2015), assessment of the REDD+ initiative (for forests) shows that the implementation of payment systems for environmental services can prove tricky. REDD+ is heavily dependent on aid due to the inadequate nature of the carbon market. This means that the initiative is running risks comparable to those of the performance-based aid financing systems (see above).

Parametric (or index) insurance is another side of climate financing that is supported by innovation. It involves the *"use of a parameter correlated to a client's damages or losses. A wide variety of risks can be covered through parametric insurance, such as adverse weather affecting businesses or causing crop losses."*²⁶

Clarke *et al.* (2015) highlight how the frequency and severity of extreme climate events has risen sharply with increasingly more costly consequences for both human well-being and productive assets. In fact, developing countries have had to implement financing and insurance strategies against the risk of natural disaster in order to deliver a timely, predictable and efficient response to climate shocks in relation to its cost. The creation of the African Risk Capacity (ARC) in 2012 by the African Union demonstrates how the international community can respond to this need. ARC's *"goal is to help member states improve their capacities to better plan, prepare and respond to extreme*

²⁵ There is ample literature on financing tailored to the problems faced by poor small farmers when contending with climate and other risks, notably index-based insurance, flexible savings schemes, and bespoke credit designed to help people cope with the risks of natural disasters. See <http://www.ferdi.fr/fr/programme-projet/assurer-les-paysans-pauvres>

²⁶ <https://www.axa.com/en/newsroom/press-releases/axa-launches-axa-global-parametrics>

weather events and natural disasters".²⁷ ARC offers its member states, *inter alia*, a mutual index insurance mechanism against climate risks and has 33 African member states.²⁸ It is supported by the biggest international donors and several insurers have joined it such as Axa. As Clarke and Hill (2013) emphasise,²⁹ the risk sharing and timely payments implied by the cooperative nature of ARC contribute significantly to its potential advantages outweighing its estimated operating costs. This ratio would be 4.4 times higher than a traditional assistance mechanism for each country hit by a climate event. Accordingly, after a crisis, "this means one dollar spent on early intervention through ARC saves four and a half dollars spent after a crisis is allowed to evolve."³⁰

However, the 20 March discussions showed how low the demand is for parametric insurance, especially given the limited financial capacity of many developing countries. This calls for international donors to offer support by subsidising the cost of insurance premiums, at least during the first few years whilst the insurance systems grow sufficiently to be fully operational and permanent. Finally, for the majority of the other mechanisms, collecting historical data allows the index-based insurance parameters to be refined, and as such is a condition for their deployment.

4.4. Technologic innovation for development financing

The digitalization offers new opportunities of mobilization and use of funds for sustainable development. This paper is not intended to exhaust the subject, this one being broad and a theme of research in its own right. However, some technological innovations must be cited as they should upset the financing for development, and we refer the reader to some relevant bibliographic references for further information.

The rapid growth of the mobile telephony market and the mobile Internet in the developing countries, particularly in Africa, offers users numerous new financing solutions, for both households and companies. During the workshop, Yves Eonnet (Tagpay³¹) underlined that a vast majority of the African population has no bank account, which is an obvious problem to perform any transaction. With the emergence of the Fintech startups (business that aims at providing financial services by making use of software and modern technology³²), this population, whose mobile phone equipment rate is very high and continues to increase significantly, can now have access to advanced banking services. "*Paying wages electronically with bank card, mobile phone or any other technology, allows poor populations to access banking and financial services and reduce corruption*"³³. Rwanda and Kenya are among the most advanced countries in the public services digitalization^{34, 35}.

²⁷ <http://www.africanriskcapacity.org/>

²⁸ Dated 15 October 2017: <http://www.africanriskcapacity.org/2016/10/29/arc-agency-treaty-signatories/>

²⁹ Study mentioned by Karina Whalley (Axa Global Parametrics) during 20 March workshop

³⁰ <http://www.africanriskcapacity.org/2016/10/29/how-arc-works/>

³¹ <http://tagpay.fr/>

³² <https://www.investopedia.com/terms/f/fintech.asp>

³³ <https://ideas4development.org/numerisation-paiements-croissance/>

³⁴ https://www.forbesafrique.com/le-financement-du-numerique-au-coeur-des-preoccupations-de-l-Afrique_a3140.html

The digital revolution also allows for implementation of secure payment services between poor unbanked and essential service providers. Castilla-Rubio et al. (2016) mention a set of examples such as the Kenyan company M-Kopa Solar - provider of solar electricity to poor households - where payments are made by mobile, which facilitates their collection. In this area, Berthélemy and Béguerie (2016) expose also number of innovative funding/payment solutions by users (solutions "pay as you go") that can be done through new technologies.

Digitalization has finally numerous other impacts on the financing of economies, the revolution of the "blockchain" being an example in the making. "*Digital database containing information (such as records of financial transactions) that can be simultaneously used and shared within a large decentralized, publicly accessible network*"³⁶, the blockchain offer a wide range of opportunities for the financing for development (Danida, 2017). For instance, the use of a cryptocurrency for the transfer of remittances could reduce the costs of transfer by 75% and reduce the transfer time from 12 days to 12 hours. It applies to all transactions, regardless of whether these are commercial transactions or aid. Transparency and quickness promised by the blockchain technology suggest that potential important aid efficiency gains are possible, in particular when this aid has to be urgently disbursed or when the risk of embezzlement and corruption is high. "Crypto-platforms" can also offer banking services and financial products, thus making it possible to remove number of intermediaries between borrowers and holders of capital. If Danida (2017) see many other opportunities in the blockchain, the authors however temper their enthusiasm by recalling that this technology is still very immature.

Finally, we should also remember that, if the mobile phone is very widespread on all continents, an important part of the world's population has only phones offering only voice calls and SMS and that "*the internet remains unavailable, inaccessible, and unaffordable to a majority of the world's population*" (World Bank, 2015). The latest available data from the World Bank reported an Internet access rate of 46 percent (2016)³⁷, which limits the development of the technologies mentioned above, although this rate is rising quickly in many developing countries.

³⁵ These innovations in how to finance development can lead to many benefits. For example, for Tidhar Wald (Better Than Cash Alliance), the use of electronic payments has allowed the Coca-Cola company to reduce the risk of robberies on its deliveries by trucks in Nigeria: <https://ideas4development.org/numerisation-paiements-croissance/>

³⁶ <https://www.merriam-webster.com/dictionary/blockchain>

³⁷ <https://data.worldbank.org/indicator/it.NET.user.ZS>

5. Conclusion

Without claiming to be exhaustive, this paper presents an analysis of the financial weight and the efficiency of the main innovative financing mechanisms.

A first lesson is that although these funds may appear large, exceeding hundreds of millions of US dollars over the last 15 years and with sustained annual growth, they need to be considered in the context of the needs assessed by the United Nations, whose unit of account is 1 trillion a year. Furthermore, there is a broad range of not only the different kinds of mechanisms but also the financial volumes they represent.

This paper sorts the mechanisms into three categories according to whether the innovative feature is found in how they generate additional resources for development; in looking for an impact on development; and/or in the funding arrangements. This is just a schematic classification and can be discussed.

Whilst the literature and the workshop experiences demonstrate the ability to efficiently generate additional resources by introducing new tax bases, the effects on the target market cannot be neutral, and these taxes are likely to be highly contentious – as was the case when debating a tax on financial transactions. They also show that additionality to ODA is not always guaranteed, thereby limiting the potential resources that can be mobilised through innovative taxes. When mobilising private resources for development, blending resources appears to have a significant role to play in financing development in environments that are less attractive to investors. Blending is a source of hope for more efficient use of public resources, particularly ODA, thanks to the potential for significant leverage. However, the effectiveness of blended instruments in mobilising private resources is primarily a concern for middle income countries where the risk factors are still moderate. Consequently, blending does not seem to solve the challenges posed by the most significant vulnerabilities. Moreover, the growing enthusiasm for blended financing instruments is partially qualified by the challenge of demonstrating, sometimes, real added value in using public funds to complete a transaction.

In terms of results and impacts, the mechanisms analysed in this paper represent an interesting and complementary approach to the previous mechanisms. Private equity for impact allows social impact and a financial return to be combined, particularly in relatively high-risk environments. In moving from a “niche” to a “burgeoning industry,” including in developing countries, impact investments have not disappointed. Their financial performances have met the majority of investors’ expectations, despite not doing as well as conventional investments. Investors are showing an increased interest in this type of financing, even if questions remain over their ability to generate sustainable impact alongside high returns.

Results-based financing is another promising approach which includes the new and distinctive social and/or development impact bonds. These mechanisms have the advantage of aligning

investors' interests with those of the public authorities. This approach is particularly interesting for sectors in which public policy is failing. These instruments, however, are still at the embryonic stage and their structuring costs are high. Mechanisms for blending resources offer a possible solution to these costs, which may enable these kinds of bonds to really take off in the near future, but it is still too soon to gauge their effectiveness.

For such results-based instruments, measuring their impact is crucial for their future. Given the high costs and the need to standardise methodologies for measurement and assessment, international cooperation is expected to bear part of the costs and establish norms agreed and accepted by all stakeholders.

Themed bonds that channel funds to a specific goal, rather than to a measurable result to be achieved, complete the set of results-based instruments. The most important themed bonds, green bonds, only represent 1% of the world bond market and still fall far short of the estimated annual funding needed to combat climate change. Whilst their yields are comparable to conventional bonds, the lack of a standard to regulate the use of the funds raised is likely to generate mistrust amongst investors and also curb their expansion.

Finally, we have considered, perhaps somewhat artificially, a last group of mechanisms characterised by their innovative application arrangements. This includes contingency financing which allow borrowers to handle temporary difficulties. However, merely using this type of mechanism can harm a borrower's financial reputation. Another innovative debt management mechanism, debt swaps, remains a tool with strong links to the concept of ODA. It allows useful reinvestment of debt service and, in the case of nature for debt swaps, creates a positive incentive for indebted countries that are reluctant to invest in environmental conservation. However, it is still a niche area and is likely to encourage moral hazard. The health sector has pioneered the development of specific tools that are well worth replicating in other sectors such as education. IFFIm is one such example, which inspired the International Commission on Financing Global Education Opportunity (2017) to recently propose The International Finance Facility for Education (IFFEd). Although IFFIm can be regarded as a success, despite a few limitations, it will probably be difficult to replicate the conditions necessary for success, especially since the education sector has specific features that make applying this type of mechanism even more challenging. The same can be said for other health-specific mechanisms. Many of these mechanisms depend on aid, in the same way as those specific to the environmental sector, such as REDD+ type payments for environmental services but also parametric insurances where demand has to be supported whilst the supply is available and structured

We can't conclude this paper without mentioning all innovative arrangements of financing for development related to the digitization of the economy. A growing proportion of unbanked population now has a mobile phone, which greatly promotes financial inclusion and their access to a set of essential services. By requiring fewer middlemen, these new arrangements of transaction also help reduce corruption. Beyond this reality already widely palpable in many developing

countries, particularly in Africa, the revolution of blockchain suggests a broad scope of opportunities for the financing for development, although this technology remains still very immature and its development faces many challenges.

By providing additional resources for development, covering certain risks, providing affordable resources to financial intermediaries, and generating positive economic incentives, the very diverse innovative financing mechanisms for development address a raft of practical problems encountered by development players.

However, many of these mechanisms have not yet reached a critical size to be taken as serious responses to financing needs for sustainable development. Some are still dependent upon ODA, which demonstrates the important role played by donors in getting this type of investment off the ground. Finally, the majority of the assessments referred to in this paper mention the importance of a stable and favourable regulatory and political context for investors and social businesses. Without this, developing mechanisms to promote the common good backed by private players and market instruments is pointless.

Annexes

List of participants – 20 March 2018 workshop

Surname	First Name	Institution
Angély	Christophe	Foundation for Studies and Research on International Development (FERDI)
Basile	Irène	Organisation for Economic Co-operation and Development (OECD)
Bazy	Marie-Elodie	KOIS Invest
Beijmo	Joachim	Organisation for Economic Co-operation and Development (OECD)
Billal	San	The European Centre for Development Policy Management (ECDPM)
Boisson	Thomas	Ministry of Economics and Finance (DG Trésor)
Bouquet	Caroline	Mirova - Natixis
Bourat	Marie Laure	Société Générale
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de Nicolay	Alix	Helen Keller International
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Dommartin	Anne-Charlotte	Ministry for Europe and Foreign Affairs
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Guichandut	Philippe	Grameen Foundation - Crédit Agricole
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Hehemann	Patric	Federal Ministry for Economic Cooperation and Development (BMZ)
Hodgson	William	National Assembly
Jashi	Mariam	Leading Group on Innovative Financing for Development
Javakhishvili	Gocha	Embassy of Georgia
Kanneganti	Sneha	Global Financing Facility, World Bank
Karsenti	René	The International Finance Facility for Immunisation (IFFIm)
Lampert	Sam	Dalberg
Langendorff	Cyrille	Crédit Coopératif
Lasfargues	Bérénice	Organisation for Economic Co-operation and Development (OECD)
Legué	François	Ministry for Europe and Foreign Affairs
Maspoli	Pierre	AFD - Agence française de développement
Maysonave	Sophie	Ministry for Europe and Foreign Affairs
Milde	Philip	GIZ - Deutsche Gesellschaft für Internationale Zusammenarbeit
Mills	Rob	Social Finance
Monteiro	Samuel	Investisseurs & Partenaires
Moussy	Hugues	International Institute for Educational Planning (IIEP) - Unesco
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Olympie	Jérôme	Ministry for Europe and Foreign Affairs
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Perez de la Vega	Paloma	European Investment Bank (EIB)
Petit	Jérémie	Ministry for Europe and Foreign Affairs
Pierre	Cyrille	Ministry for Europe and Foreign Affairs
Pruvost	Pauline	GHA - Global Health Advocates
Sallé	Jon	Cerise
Sanchez-Almorox	Auriane	Ministry for Europe and Foreign Affairs
Sciau	Julien	AFD - Agence française de développement
Serre	Julien	World Food Programme
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