



# MARKETPLACE ON INNOVATIVE FINANCIAL SOLUTIONS FOR DEVELOPMENT

Paris March 4-5, 2010



BILL & MELINDA  
GATES foundation

## Presentation

The Agence Française de Développement (AFD), the Bill & Melinda Gates Foundation and the World Bank will co-host an international Marketplace on Innovative Financial Solutions for Development (MIF), to be held in Paris (Cité des Sciences et de l'Industrie) on March 4-5, 2010. Further details can be found at [www.fininnov.org](http://www.fininnov.org).

The MIF seeks to garner and highlight fresh ideas on the use of innovative financing mechanisms to solve development challenges at local, country, regional, or global levels, with the goal that successful innovations may be scaled up and replicated. It is dedicated to smart, fine-tuned, innovative financial mechanisms for mobilizing, channelling, and spending funds for development issues.

It will bring together development practitioners, donors, philanthropists, social entrepreneurs, academics, representatives from across a range of financial institutions and policy makers, to exchange experience and ideas on innovative development finance solutions.

The main objectives of the event are to:

- advance the agenda on innovative financial solutions for development;
- facilitate knowledge sharing and learning, including South/South learning, on what kinds of innovative financial solutions for development work, what don't, and how to design these solutions to maximize development impact and cost-effectiveness;
- spur the evolution of cutting-edge projects that apply innovative financial mechanisms to development challenges.

The current economic environment points in particular to two major areas where "business as usual" instruments have shown practical limitations: risk management and incentives to achieve development results. The need for better risk management instruments has been outlined by the international financial and economic crisis. Risk is an important determinant of poverty traps, at all levels: individuals, households, enterprises, governments, macroeconomic aggregates. In addition, the instruments that are most widely used in development finance, be it for raising, channelling or spending funds have often poor impact-retrofits. The two topics are also areas where an increasing number of new ideas and solutions have sprouted in recent years.

The MIF will be structured around workshops and a marketplace where innovators can showcase their initiatives and projects. It will provide space for showcasing initiatives, for networking and exchange of ideas and for discussion and policy debate on concrete prospects for further use of innovative technique to finance development.

One of the backbones of the event is a competition launched ahead of the MIF, for innovative financial solutions to concrete development problems. The twenty finalists will be invited to present their proposals at the MIF. Up to five grants will be awarded (\$ 100 000 each).

## Provisional program

### Thursday, March 4, 2010

**9-10.30 am:** Opening plenary

- Opening by **Christine Lagarde**, French Ministry for Economy, Industry and Employment
- Panellists: **Geoffrey Lamb** (Managing Director, Public Policy Operations, Bill and Melinda Gates Foundation), **Jean-Michel Severino** (Director General, Agence Française de Développement), **Axel Von Trotsenburg** (Vice-President of the World Bank, Concessional Finance and Global Partnerships),...

**10.30-11.30am:** Marketplace discovery and coffee break

**11.30-1pm:** Workshops

**1-2pm:** LUNCH

**2-3.30pm:** Workshops

**3.30-5pm:** Marketplace:

- Showcase of the 20 finalists
- Case studies presentations

**5-6pm:** Evening Plenary: Innovative Finance for Climate Change: Challenges for Developing Countries

- Panellists: **Jean-Michel Debrat** (Deputy Director General, Agence Française de Développement), **Rachel Kyte** (Vice-President, International Finance Corporation), other panellists to be confirmed

**6-7pm:** RECEPTION

### Friday, March 5, 2010

**9-10.30 am:** Workshops

**11 am:** Marketplace

- One-on-one with finance experts
- Showcase of the 20 finalists
- Case studies presentations

**1-2:30 pm:** LUNCH

**2:30-4 pm:** Closing Plenary

- Panellists: **Ngozi Okonjo-Iweala**, General Director of the World Bank, **Philippe Douste Blazy**, Under Secretary-General, Special Adviser on Innovative Financing for Development at United Nations and Chairman at Unitaid, **Eckhard Deutscher**, President of the Development Aid Committee, OECD, **Robert J. Shiller**, Arthur M. Okun Professor of Economics, Yale University and other guests

**4-4:30 pm:** Competition Awards ceremony

**4:30 pm:** Closing remarks

## **Provisional list of Workshops**

1. **Analyzing the Value of Innovative Finance for Development**
2. **Beyond Lending: Diversification of Development Banks' Financing Instruments**
3. **New Instruments : Between Loans and Grants**
4. **Generating Additional Resources for International Development**
5. **Innovating to Enhance Access to Finance: (1) Small and Medium Enterprises**
6. **Innovating to Enhance Access to Finance: (2) Households, Farmers and Micro-enterprises**
7. **Innovating to Enhance Access to Finance: (3) Long Term Finance for Essential Public Infrastructure**
8. **Innovative Financial Solutions for Climate Change Mitigation**
9. **Innovative Finance for Food Security**
10. **Pledge Guarantee for Health (tbc)**
11. **Encouraging Start-up Capital in Low Income Countries**
12. **Index-based Insurance**
13. **Health Micro-Insurance**
14. **Innovation in Micro-Savings**
15. **Financial Solutions for Product Development in Health**
16. **Innovative Practices to Facilitate Migrants Remittances Flows**
17. **Socially Responsible Investment Vehicles and Development Finance**
18. **Incentivizing Corporate Social Responsibility in Developing Countries**

## Marketplace activities

Marketplace activities are a major feature of the MIF. They aim at providing time and facilities for exchanges and discussions with and between participants on pilot initiatives and case studies on innovative finance for development and on financial expertise and experience.

Marketplace activities will take place:

- Thursday , March 4, from 10:30 AM to 11:30 and from 3:30 to 5 PM
- Friday morning, March 5, from 11 AM to 1 PM.

Three categories of activities will be taking place during Marketplace time:

### 1- Showcase of the 20 finalists

Among the 800 proposals received for the MIF competition, 20 have been selected after an evaluation involving 110 experts. These 20 finalists have been invited to come to the MIF and will present their project in the Marketplace, both Thursday and Friday. On Friday, a Jury will be doing interviews and will consult to decide on up to 5 MIF winners.

### 2- Case study presentations

MIF is a unique opportunity to gather and present a large diversity of initiatives and case studies, in a participatory way. A large diversity of institutions, agencies and organizations will present a pilot initiative or case study, with a priority given to those from Developing Countries.

These short presentations will follow a specific schedule during Marketplace time, both Thursday afternoon and Friday.

### 3- One-on-one with financial experts

In an effort to help bridge the Finance Community and the Development Community in an informal and interactive manner, MIF will provide facilities to arrange speed meetings between MIF participants and experts from financial institutions. Commercial and Public financial institutions will be represented by experts in innovative development project financing, in particular in the following areas: better managing volatility, changing Risk/Reward Calculations around Investments in Emerging Markets, mobilizing Social Investment Capital.

These activities will take place on Friday.

## Competition: the 20 finalists

Proposal Title	Organization	Country of Implementation
Using Debt to Link Livelihood Improvement and Environmental Conservation Initiatives	Advanced Conservation Strategies <a href="http://www.advancedconservation.org">www.advancedconservation.org</a>	South Pacific
TAMADERA: Providing Access to Microsavings and Microinsurance for Low-Income Households in Indonesia	Allianz SE <a href="http://www.allianz.com">www.allianz.com</a>	Indonesia
Laos Offshore Asset-Backed Cross-Border Bond Issuance	Asian Development Bank <a href="http://www.adb.org">www.adb.org</a>	Laos & Thailand
Round-up Online Payments Initiative for Microcredit	Babyloan <a href="http://www.babyloan.org">www.babyloan.org</a>	Across Developing Countries
Natural Catastrophe Protection for the Development Bank of Jamaica's Agricultural and MFI Loan Portfolio	CaribRM, Development Bank of Jamaica <a href="http://www.caribrm.com">www.caribrm.com</a> ,	Jamaica
Savings Card: Increasing Savings by Re-Framing it as an Impulse Purchase	Center for Innovative Financial Design <a href="http://www.ifmr.ac.in/cifd">www.ifmr.ac.in/cifd</a>	India
Financial Engineering for SMEs: Merging the Flexibility of NGOs and the Internet Banking Facility of Banks	Coalition of Socially Responsible SMEs in Asia <a href="http://www.aa4se.com">www.aa4se.com</a>	Philippines
Purchase Order Finance for Bio-Trade Value Chains in the Northern Amazon Region of Bolivia	Crimson Capital <a href="http://www.crimsoncapital.org">www.crimsoncapital.org</a>	Bolivia
OneRemit: Mobile Authentication System for Indo-Nepal Remittance	Ekgaoon Technologies, Nirdhan Utthan Bank, <a href="http://www.ekgaoon.com">www.ekgaoon.com</a>	Nepal & India
Proving the Value of New Mobile Money Solutions to Microfinance	Grameen Foundation <a href="http://www.grameenfoundation.org">www.grameenfoundation.org</a>	Kenya
Using Simple Weather Securities to Insure Rain-Dependent Farmers in Ethiopia	IFPRI, Nyala Insurance Company <a href="http://www.ifpri.org">www.ifpri.org</a>	Ethiopia
EcoTRA: Financing through Eco Housing Trust and Retention Accounts	International Institute for Energy Conservation <a href="http://www.iiec.org">www.iiec.org</a>	India
New Fund for Pro Poor Carbon Project Developers	Nexus, GERES <a href="http://www.geres.eu">www.geres.eu</a>	Across Developing Countries
Tailored Financing for Smallholder Rubber Farmer Joint Ventures	Outgrowers to Shareholders, <a href="http://www.supportliberia.com/">http://www.supportliberia.com/</a>	Liberia
Index-based Crop Microinsurance and Mobile Technologies to Face Climate Risks in Sri Lanka	Planet Guarantee, Mercy Corps <a href="http://www.planetguarantee.org">www.planetguarantee.org</a>	Sri Lanka
Mobilizing Private Insurers to Equip Rural Organizations to provide Microinsurance	Redsol, Acting for Life	Mexico
Financial Guarantee Insurance Company for the Developing World	Results for Development Institute (R4D) <a href="http://www.resultsfordevelopment.org">www.resultsfordevelopment.org</a>	Across Developing Countries
Pay it Forward: Carbon Bundling and Accelerated Energy Lending in Nepal	SNV, <a href="http://www.snvworld.org">www.snvworld.org</a>	Nepal
A Results Based Postpaid Model for Funding Education, Health and Environmental Services	UC Development Services <a href="http://www.yousee.in">www.yousee.in</a>	India
Fighting Rural Poverty One Ton (of Carbon) at a Time: Diversifying Rural Incomes by Increasing Small Farmer Access to the Carbon Market	Wildlife Conservation Society <a href="http://www.wcs.org">www.wcs.org</a>	Uganda & Rwanda

## **Appendix 1: QUESTIONS AND ANSWERS**

### **1- Why an international event on “Finance Solutions for development”?**

In the current global environment, the development community needs to intensify its search for ways to increase the volume of financial flows contributing to development and to enhance their impact on the ground. Innovative financial solutions for development are ways (i) to increase the pool of available sources of development funding (ones that go beyond traditional sources such as budget outlays from established official aid organizations, conventional bonds issues by development banks or common ways to call for donations) or (ii) to better tailor financial instruments to development needs, at the level of households/individuals, firms or governments..

The Marketplace on Innovative Financial Solutions for Development (MIF) will complement and enhance the efforts of the national and international development communities to improve development finance efficiency, such as:

- The aid efficiency agenda coordinated by the OECD, which focuses primarily on ways to increase efficiency of sovereign Official Development Assistance (cf. 2005 Paris and 2008 Accra declarations).
- The wider international “Financing for Development” (Monterrey- Doha) agenda, coordinated by the United Nations. The FfD initiative insists on the need for the donors to seek more aggressively synergetic effects with private flows, using instruments such as Public–Private Partnerships, venture capital, cofinancing, and guarantees and other risk mitigating instruments, and supporting the raising of innovative sources of finance<sup>1</sup>.
- The Leading Group on Innovative Finance, an informal group of over 55 countries and international organizations, which coordinates an international reflexion principally on innovative sources of development finance. The Leading Group contributed to the design and implementation of several innovative mechanisms to mobilize funds, such as (i) the airline solidarity taxes, which financing a drug purchasing facility, UNITAID, or (ii) the pilot International Financing facility (IFFIm) which allow to frontload funds for the investment in vaccination campaigns, or (iii) the Advance Market Mechanism (AMC), which provides incentives to the pharmaceutical industry to develop new vaccines by guaranteeing their future purchases.

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<sup>1</sup> Doha Declaration on Financing for Development Dec 2008, See in particular §23, 27, 28, 51, 78

## 2- Is the timing of this event appropriate?

The current crisis has de-legitimized financial innovation, by exposing the dangers of poorly regulated national and international finance. The temptation might be to argue that innovative finance is too sophisticated for developing countries and that development finance should stick to fine tuning the use of the simple, traditional instruments. This would be a mistake: (i) the use of the “traditional” instruments has not protected developing countries from severe crises, the 1980s debt crisis providing a clear example of the excesses linked to an improper use of rather simple lending instruments. (ii) the debate on aid effectiveness recalls that the traditional use of grants and concessional loans has not been sufficient in solving developing countries’ problems; (iii) “innovative development finance solutions” does not imply the use of highly sophisticated financial instruments of the latest generation. In the multidirectional search required for development solutions, there is a rationale in exploring further the added efficiency that financial engineering can bring.

## 3- What value added is expected?

“What will be the value added of this particular event, in an environment where plethora of international meetings are called?” is a relevant question. It has several answers:

- Innovative development finance mechanisms are sprouting in various spheres which are too often vertically segmented. A good example is the health sector; innovations of which can provide valuable insights to other sectors through a crosscutting approach.
- As mentioned above, the event will allow highlighting a dimension of development finance efficiency (fine tuned financial engineering) which has been under-rated and for long time rather left aside in the global debate on aid.
- This highlighting will, in turn highlight the need for a review of the ODA measurement system and for a new paradigm in approaching development aid.
- Anchoring the event on concrete solutions is absolute requirement. In this regard, the experience and research of the three institutions on innovative finance appear to offer good a range of specifics and transactions of interest to the global community. A large reservoir of concrete innovative financing experiences, carried out by a variety of other stakeholders seems also to exist and that the proposed high profile tripartite partnership will attract.
- The “market place” approach will stimulate the latter attraction power.

## **Appendix 2: ABOUT THE PARTNERSHIP BETWEEN AFD, THE BILL AND MELINDA GATES FOUNDATION AND THE WORLD BANK FOR THIS EVENT**

The World Bank is engaged in a wide range of initiatives relating to Innovative Financing. It has engaged in a stock-taking and methodological investigation of the current landscape of innovative finance. It has also been leading in research or development on many categories of innovative mechanisms such as facilitation and optimization of developing countries access to international financial markets<sup>2</sup>, the piloting of market mechanisms to address systemic risks such as natural catastrophes or climate risk in agriculture, as the geothermal exploration risk, etc... It is also deeply involved in innovative intermediation tools such as the (Catastrophe) Deferred Drawdown Options; local bonds markets support mechanisms (GEMLOC), Carbon finance.

The Bill and Melinda Gates Foundation has supported the concept development and piloting of numerous landmark innovative finance transactions over the past several years, including the International Finance Facility for Immunization (IFFIm); Debt2Health – the debt swap mechanism mobilizing resources for HIV, TB and malaria via the Global Fund; the Advance Market Commitment for vaccines (in progress now); and in partnership with the IFC, African Development Bank and DEG, a double-bottom line private equity fund for health in Africa. Within the specific areas of its international focus – health, agriculture, microfinance, water and sanitation – the foundation expects to continue its search and support for efficiency-increasing and resource-mobilizing innovative finance transactions. .

Over the last years, AFD Group has diversified its financial products, including a sub national/non sovereign financing window with discrete ranges of concessionality, guarantee mechanisms, equity funds, support to local financial sectors to address the “missing middle” (mesofinance), contingent lending, and has introduced a countercyclical sovereign loan instrument. It also participates in instruments such as the Caribbean Catastrophe Risk Insurance Facility (CCRIF), alongside the World Bank, and in TCX a foreign exchange protection mechanism. AFD’s priority areas for research and development in innovative development finance include (i) enhancement of sovereign bond issues, (ii) flexible financing tools to facilitate shocks absorption or providing better focused result incentives (such as “Cash on Delivery” ) and (iii) guarantee and insurance mechanisms.

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<sup>2</sup> The recent book “Innovative Financing for Development” outlines the potential of a wider use of securitized market instruments such as GDP-indexed bonds, diaspora bonds, bonds linked to future receivables, and by the promotion of shadow sovereign ratings.