DOWNLOAD PDF INNOVATIONS IN DEVELOPMENT FINANCE

Chapter 1 : The Fed - Fostering Innovation in Community Development Finance

In seeking out innovative sources of development financing, we looked across a wide range of potential contributors, including citizens, corporations, governments (of both developed and developing economies), and multilateral institutions.

Innovative development finance Innovative development finance The Monterrey Consensus first called for the exploration of innovative sources of finance, and the Doha Declaration and Addis Agenda welcome progress in developing and mobilizing support for innovative sources and mechanisms of additional financing since Monterrey, and invite more countries to join in implementing innovative mechanisms. The Doha Declaration and Addis Agenda also encourage countries to consider replicating and scaling up existing mechanisms and to explore new mechanisms. Innovative development finance There is no one universally agreed definition of innovative development finance IDF. A significant number of such mechanisms have been implemented over the last two decades. The international solidarity levy for airline tickets is by far the single largest resource-raising IDF mechanism operational at this point. Introduced in , it is currently levied on airline tickets in 10 countries, and a large share of proceeds are used to fund the UNITAID drug purchase facility. Yet, overall IDF has so far raised or intermediated only a modest amount of resources. At the same time, some proposed mechanisms such as issuances of Special Drawing Rights SDRs , carbon or financial transaction taxes have the potential to raise large amounts of resources for sustainable development, but remain controversial. It was created in under the leadership of France, Chile, Brazil and Spain. Its current President is Mali. By collecting micro levies from extractive industries in participating countries current champions of the initiative are the Governments of Mali, Niger and the Republic of the Congo , as well as additional contributions from varied partners, a pooled fund will be created to finance efforts to improve maternal and child nutrition in the region. Green bonds Green bonds are an innovative financing instrument that has grown rapidly in use in recent years. They tie the proceeds of a bond issuance to environmental activities, usually by funding projects with positive environmental externalities. It has grown rapidly since then. While the market was initially dominated by development banks, issuers are much more diversified now, including corporate and commercial bank issuances as well as sovereign bonds. The first sovereign green bond was issued by Poland in December , followed by France in January Several developing countries are planning to issue green bonds in Bonds are labelled green by issuers. To support the integrity of the green bond market and maintain trust by investors, the International Capital Market Association has developed Green Bond Principles , providing voluntary guidelines on the use and management of proceeds, processes for project evaluation, selection and reporting. The guidelines recommend external review â€” such as verification or certification by independent and qualified third parties.

Chapter 2 : Innovative financing - Wikipedia

A refugee from Eritrea receives a small cash stipend. A new crop of alternative investment opportunities are emerging that are bringing traditional financial institutions into the development.

Origin[edit] The concept "innovative financing for development" was first mentioned and introduced at the International Conference on Financing for Development in The Conference led to what is now called the Monterrey Consensus where signatories acknowledged "â€¦the value of exploring innovative sources of finance provided that those sources do not unduly burden developing countries. Innovative financing mechanisms emerged at the beginning of the twenty-first century [5] as alternative mechanisms to help bridge the development financing gap. Principles of innovative financing mechanisms[edit] Innovative financing mechanisms can be assessed regarding the following principles: Innovative financing mechanisms should significantly increase funding in order to bridge the financing gap necessary to achieve the MDGs. Since these mechanisms were created to fill this gap, innovative financing mechanisms cannot replace Official Development Assistance nor will they be sufficient if certain countries decide to renounce the commitments that they have made. The role of innovative financing mechanisms is to raise new funds for existing organizations and not to add new actors and complexities to the development landscape. Finally, innovative financing mechanisms should be designed to comply with the other principles of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. As of , 13 countries apply such a domestic tax on airline tickets. UNITAID funds projects through implementing partners across the three diseases based on the market impact criteria making medication prices affordable for developing countries. The International Finance Facility for Immunisation IFFIm issues bonds in the capital markets, converting long-term government pledges into immediately available cash resources. The pledges are used to repay IFFIm bondholders. Governments or organizations commit to buy or subsidize the purchase of a certain amount of vaccines at a given price. The AMC has been implemented for pneumococcal vaccines to demonstrate both the feasibility of the AMC mechanism and its impact on accelerating the introduction and mass-production of these vaccines. As of summer , the AMC had supported the introduction of pneumococcal vaccine in 17 developing countries. Thanks to the mechanism, global companies contribute a share of their profits on goods from sales branded with the Product Red trademark. Through this mechanism, the Global Fund facilitates debt negotiation between creditors and debtors. Creditors agree to forgo part of the repayment of the money due to them against the commitment of the debtor to invest an agreed-upon amount on Global Fund-approved programs. Additional funding will go towards improving maternal and child health in the developing world. De-Tax is a "proposal to earmark a share of VAT Taxes generated by participating businesses for health systems development". De-Tax is being discussed by the G20 countries. Currency Transaction Levy CTL is a potential mechanism that would let governments apply a tax on foreign exchange transactions. An expert working group is underway to assess the feasibility of the proposed levy of 0. The tax would be managed through computerized payments made in connection with the settlement of every trade. Auctioning of permits to emit greenhouse gases could be one of the first innovative financing mechanisms earmarked for environmental purposes. Interagency initiatives such as The High Level Taskforce on Innovative International Financing for Health Systems and The Leading Group on Innovative Financing for Development have facilitated coordination processes between actors and is also a platform for introducing new innovative financing mechanisms. They assist governments to put in place micro-surcharges, taxes and public-private partnerships as mechanisms to raise additional funds and finance development projects. They focus specifically on the ICT and telecoms sector, harnessing diaspora flows. Among these key publications are: Innovative Financing has received support from the United Nations through international conferences on Financing for Development and the Doha Declaration on Financing for Development. Retrieved 20 January Organization for Economic Co-operation and Development.

Chapter 3 : Innovative Finance & Impact Investing - The Rockefeller Foundation

innovative financing for development The core of this effort is the I-8/L.I.F.E. group, consisting of the eight innovative finance mechanisms represented here, along with associated.

Written by John Langmore There has for decades been concern to find ways of supplementing ODA with more reliable and preferably automatic forms of financial transfer to developing countries, for their needs for external additions to revenue are often great. The Canadians proposed the term as a compromise which would maintain their proposal for study of a Tobin tax while avoiding provoking opposition from the US which was opposed to such a tax. The special session decided in Paragraph to: Promote, through international action, the mobilization of new and additional resources for social development, inter alia, by: That book is an authoritative foundational document for this issue. That form of words has been repeated in several other conference outcomes. The innovative source which was explicitly discussed at Monterrey was the proposal to use SDR allocations for development purposes. A small conference which was explicitly on the subject of innovative sources was held at Pocantico in May That meeting classified innovative sources in two categories: It also took note of the international efforts, contributions and discussions which by then were under way, including proposals from the Action against Hunger and Poverty; launching of the International Finance Facility for immunization; collecting contributions though airline tickets, and other initiatives in the health sector. The Global Summit fully entrenched the political legitimacy of the innovative sources approach in international discourse. Early in France convened the Leading Group on Solidarity Levies to Fund Development, which tasked itself with exploring such issues and which gave further political momentum to the proposals. Membership of the Leading Group quickly grew steadily to include over 60 states, the main international organisations and NGOs involved in the area. In October 12 member countries of the Leading Group gathered a Taskforce to evaluate the feasibility of contributing to financing for development from a tax on international financial transactions. The Taskforce concluded that [pdf] a Currency Transaction Tax collected at the point of settlement is technically and legally feasible and that the proceeds should be paid into a dedicated Global Solidarity Fund to finance global public goods. It does however seem reasonable to regard new mechanisms which add to ODA as potentially innovative provided they are in fact additional and do not simply replace some other form of ODA. Economic and social development is not the only purpose for which advocates have suggested using innovative sources of financing. There have been a number of other scholarly studies, studies by the European Commission and other multilateral organisations including the IMF into various types of innovative sources of financing. Characteristics of innovative sources of finance often include: The public resistance to them is often relatively low, though interest groups such as banks or pharmaceutical companies are likely to be hostile The revenue can be hypothecated â€” to achieve a particular end in health or education â€” which increases political acceptability Governance is often multipartite including representatives of donor and recipient governments, philanthropists, business and civil society Since there are great differences in the characteristics of sources classified as generating innovative finance the concept has become difficult to define. In any case, once a new means of generating an additional form of finance has become established it is clearly no longer innovative. So is the term useful? The essential requirement in this discussion is that it be in the context of commitment to generation of the additional revenue which is essential to coping with the two major global chronic crises â€” that a sixth of the global population lives in absolute poverty, and that all humankind is threatened with the destructive consequences of greenhouse gas emissions. Achievement of the MDGs and of effective climate change mitigation and adaptation are necessary for the wellbeing of all people.

Chapter 4 : Review of Development Finance - Journal - Elsevier

Development" to be held in Doha from November 28 to December 2, , it seems particularly timely to collect in one book writings on the various market-based innovative methods of raising development finance.

Harriman, the President of the Southern Pacific Railroad, heard the news about the San Francisco earthquake, he led the first train west to assess how the railroad might assist in the recovery. When he arrived in Oakland, he immediately ordered tracks to be laid into the most devastated parts of town to carry out people and debris. He met with local officials to kick-start the rebuilding process, and sent telegrams across the country pleading for both private and public funds. New funds and old-line pension funds such as TIAA-CREF are building greater opportunities for social and environmental impact in their investment funds. Financial institutions such as J. Morgan Chase and Morgan Stanley have created impact investing units within their corporate structure, while Bank of America, Merrill Lynch, Goldman Sachs have led on investing in social impact bonds. Thanks to these and other contributions, impact investing has moved from the margins to the mainstream. While continuing to help develop the field of impact investing, we see two distinct new opportunities for expanding the tools for innovative finance: We believe that the goals of the next wave of social financing innovation are three-fold: Bring in new sources of capital, often from actors that were not focused on mobilizing capital for social or environmental purpose. Increase the amount of the capital marked for social or environmental purpose from existing sources. Or deploy existing capital marked for social and environmental purpose in more effective and impactful ways. Take, for example, the social impact bond SIB. The original innovation of the SIB was its straight-forward value proposition for each of the actors involved: Since The Rockefeller Foundation started funding Social Finance UK to develop this seedling of an innovation, it has been adopted in more than a dozen countries and 19 states across the U. But what has made the SIB such a breakthrough innovation has been its ability to be repositioned and repurposed to fit different applications. These can be used to aid in the prevention of disease, such as malaria or sleeping sickness in the developing world, or other development outcomes where greater support for evidence-based interventions could improve outcomes. The second area we believe is ripe for innovation is in the development and testing of new models that align disparate interests and actors to collaborate and share risk, and increase leverage. Through our initiative, Smart Power for Rural Development , we are pursuing a model that would use new mini grid technology, powered by alternative clean energy sources. The innovation is bringing together three types of customers: An anchor tenant, telecommunications companies that need electricity to run their mobile phone towers and are currently relying on expensive and environmentally polluting diesel; Small enterprises, such as carpenters or agri-businesses, that need electricity to operate and grow, and will pay for reliable electricity; And villagers who can pay only some tiny amount for electricity. Our hypothesis is that securing the telecom as a contractually guaranteed customer can finally make it profitable for smaller-scale energy-services companies to bring electricity to rural parts of the developing world, when many efforts have previously failed. By developing the MOUs with the telecoms, providing both grants and concessionary debt financing to energy-services companies, and by supporting the start-up and growth of local entrepreneurial enterprises, The Rockefeller Foundation is working to de-risk these investments for impact investors and prove that this model can be profitable and scaled in India and across the developing world. This model could be transformative. But to solve challenges as complex as those facing humanity today, we often need a combination of innovations in both models and mechanisms. A version of this post originally appeared on Medium. Tags for this post.

Chapter 5 : Finance, Competitiveness & Innovation

The Monterrey Consensus first called for the exploration of innovative sources of finance, and the Doha Declaration and Addis Agenda welcome progress in developing and mobilizing support for innovative sources and mechanisms of additional financing since Monterrey, and invite more countries to join in implementing innovative mechanisms.

Duke Share Good morning. It is a pleasure to be in St. Louis to open the third biennial Exploring Innovation Conference. His remarks established a framework of collaboration for innovation in community development finance. Since then, this conference has served as a forum for sharing ideas and maintaining the networks that are so critical to this work. Professor Hargadon initially set the stage by explaining that innovation and creativity are not the same. An individual acting alone to solve a problem can be creative, while innovation is the process of adding value by applying a new idea or method to something that is already established. For example, Henry Ford did not contribute the creative energy to invent an automobile. On the same note, Apple did not invent the MP3 player with the introduction of the iPod. Rather, the company used existing technology and a collaboration with the music industry to develop iTunes software, bringing an affordable application of the MP3 to the public. In each of these examples, improving upon a good idea was as important, if not more important, than the initial idea. The message for community development professionals was the importance of collaboration, sharing ideas, and building upon the ideas of others in order to innovate for the benefit of our communities. Times are particularly difficult for residents of our low- and moderate-income communities who are struggling more than ever to support their families, obtain affordable housing, and access basic services. We are here this week to develop fresh approaches to address these persistent problems that are even more widespread today than they were four years ago. Throughout the conference, I hope you will contribute your own best ideas and look for ways to use the ideas of others to improve your own communities and enhance your innovation network. To this end, I would like to talk about efforts underway across the Federal Reserve System and to share some of our ideas and resources. Situated at the intersection of the federal government and private financial institutions, the Federal Reserve System is well-positioned to facilitate collaborative activities among experts in the community development finance industry. Through our network of 12 Reserve Banks across the country, we build relationships with local governments, nonprofits, foundations, academic institutions, and financing entities. We use outreach to connect the creative minds working in community development to generate innovative policy and finance solutions. By adding applied research to the mix, we convene these stakeholders around particular community development topics and disseminate information to low- and moderate-income communities, practitioners, and other interested parties. I realize that collaboration and innovation can sound abstract, so let me offer some examples of issues that the Fed has championed recently, and where we have seen the results of our efforts. Our multifaceted response included guidance to banks, updates to regulations, changes to monetary policy, and analytical research contributions. It also included engagement in national and regional partnerships to inform policy and practices around foreclosure prevention and neighborhood stabilization in communities hard hit by foreclosures. From the onset of the crisis, we called on the expertise of community development professionals within the Federal Reserve System to respond to concerns from homeowners by crafting strategies to enhance foreclosure mitigation, encourage loan modifications, and stave off the rising number of rescue scams. The Fed also strengthened existing collaborations with fellow regulators, community groups, policy organizations, financial institutions, and public officials to discuss innovative methods for preventing unnecessary foreclosures and the negative impact they have on communities. One valuable product of this effort was the development and dissemination of data tools, heat maps, and detailed analysis to identify neighborhoods most at risk of foreclosures and their damaging effects. Equipped with this information, community leaders can better target limited resources to borrowers and declining communities. In , as interest in market-specific responses to foreclosures grew, the Fed developed a conference series entitled "Recovery, Renewal, Rebuilding" 1 in five cities that represented a variety of housing markets--from older, industrial cities with shrinking populations to boomtowns that grew too quickly. Meanwhile, we also launched online Foreclosure Resource Centers at each Reserve Bank that continue to provide homeowners, prospective homebuyers, and community groups with information to help prevent foreclosures and lessen their negative influence on neighborhoods. These centers offer a variety of resources, including an enhanced Foreclosure Mitigation Toolkit, which provides detailed steps and information for localities seeking to develop foreclosure prevention activities. The toolkit also includes a new Foreclosure Recovery Resource Guide to help consumers recover from the foreclosure process. For example, starting in , the Board worked with the Federal Reserve Banks of Boston and Cleveland to produce a publication addressing issues related to the acquisition and disposition of real estate owned properties REO , a term that refers to property owned by a financial institution, typically a bank, after a foreclosure. The publication, "REO and Vacant Properties," 2 is a compendium of papers by national experts that highlight their key ideas regarding the disposition of vacant properties. This year, we created video reports that describe specific strategies for managing vacant properties in Cleveland, Phoenix, and Detroit. The collaborative efforts and information sharing from national housing and community development experts, including those led by our own staff, helped bring these innovative efforts to fruition. For example, as a result of our neighborhood stabilization work, some Reserve Banks partnered with national groups to help declining cities learn how to use land banks as a potential tool to address high rates of foreclosure and vacant properties. Based on the initial success of the Genesee County Land Bank, established in Michigan in , and resources provided by the National Vacant Properties Campaign, land banking is becoming an integral part of community revitalization efforts for many places across the country. For example, the city of Cleveland has used the Cuyahoga County Land Bank as an important tool to address its vacant property issue. Cuyahoga County works with lenders and servicers, including the government sponsored entities GSEs , to access properties quickly after they become vacant. This enables the county to make decisions regarding the REO before it becomes dilapidated or a nuisance for neighboring properties. Because dealing with vacant property is a high profile issue in Cleveland, the Federal Reserve Bank of Cleveland regularly participates in conversations about solutions, such as land banking, and provides research on the neighborhood dynamics of this problem to support communities crafting solutions. The Bank recently released the "Adaptive Policies Needed to Address Changing Foreclosure Landscape" 5 paper to highlight the changing circumstances driving the foreclosure crisis and the need for comprehensive policy approaches that cater to the specific challenges of diverse neighborhoods. For its part, the city of Cleveland has responded to the growing number of vacant properties through the innovative use of data that allows the city to provide neighborhood-specific responses. NEO CANDO developers recognize that limited resources are available to address foreclosure issues, and their data support a systemic methodology for allocating available dollars. Hopefully, others will draw on the experiences with targeted data use in Cleveland just as Cleveland drew on the land banking experience of Genesee County. Small Business Credit Last year, diminishing credit availability for small businesses emerged as a significant stumbling block to the economic recovery. Small businesses are central to creating jobs and to restoring our economic prosperity. In fact, about one-half of all Americans are employed by firms with fewer than employees. Together, the Reserve Banks across the System leveraged relationships with lending institutions, small business owners, and community groups to discuss the changes in small business credit and think about potential solutions. Through this initiative, the Federal Reserve sought to deepen its understanding of the dynamics of the supply of and demand for small business credit, to identify specific credit gaps, and to learn of promising practices and suggestions for improvement. In the course of just five months, the Fed hosted more than 40 meetings around the country and finished with a wrap-up forum in Washington, D. Other meetings were larger in scale, with more formal agendas focusing on a particular aspect of small business financing, such as minority entrepreneurship, the role of Community Development Financial Institutions CDFIs , or federal guarantee loan programs. Several meetings focused on a specific industry, such as auto suppliers. Whether small or large, all of the meetings brought together small business owners, small business trade groups, financial institutions and other private lenders, bank supervision officials, CDFIs, and other small business support service providers to discuss ways to improve the flow of credit to viable small businesses. Although the information obtained through these meetings was anecdotal in nature, common themes did emerge. And the ability to obtain real-time information directly from lenders and potential borrowers has proved invaluable to our understanding of the issues affecting credit availability. Participants in the nationwide meetings recommended improving access for CDFI loan funds to participate as guaranteed lenders in the SBA 7 a program in order to increase the availability of credit to the underserved markets that depend on CDFIs. Later, the Small Business Administration SBA rolled out two pilot programs aimed at increasing the number of loans in these communities. Also, the Small Loan Advantage program is structured to encourage larger, existing SBA lenders to make lower-dollar loans, which often benefit businesses in underserved markets. Such capital would allow CDFIs to price loans to reflect their risk and still offer an affordable rate to small businesses that may not qualify under conventional bank standards and products. One participant recommended that policymakers consider capital models for CDFIs that further leverage private dollars and create innovative incentives for the private sector to partner with experienced CDFI fund managers with strong risk-management capacity. The regulations for both of these programs are currently under development. At this point, I am pleased to tell you that recent anecdotal evidence leads me to believe that conditions are improving for small businesses. Although no definitive data source exists, the combination of a variety of recent survey results paints a picture of increasing optimism about future sales and business conditions and a corresponding easing of credit availability for small businesses. Going forward, we will coordinate a series of regional forums for financial institutions and CDFIs on the use and deployment of small business programs authorized in the Small Business Jobs Act and on sharing information about issues and successful practices at a national level. In addition to providing information to regional forum participants, we will seek to use these forums to gather information on best practices, trends, and any barriers to the successful implementation of these federal programs. Because jobs and the needs of low- and moderate-income communities remain a priority for us, we will continue to foster collaborative efforts in hopes of additional innovative responses. Community Data Initiative The Federal Reserve has a long history of using anecdotal information gathered from businesses within the Reserve Districts to better understand underlying regional economies and economic conditions. One of the lessons to be learned from the role of subprime lending in the recent crisis is that it is equally important to pay attention to underlying trends in segments of the economy, such as low- to moderate-income communities or small businesses. The anecdotal information we collect from community advocates and development professionals is quite valuable, but it will be even more actionable if we have a framework for systematically collecting, studying, and disseminating the information. To address this need to identify early warning signs of future economic challenges, we are testing several initiatives to collect information from practitioners and others working directly in the communities. This effort, known as the "Community Data Initiative," is intended to provide a systematic approach to gathering and disseminating on-the-ground intelligence on current conditions and emerging challenges facing low- and moderate-income communities. Insights from the data will inform existing processes at the Fed and provide useful information to low- and moderate-income communities. In order to achieve this new data collection and analysis objective, a number of the Reserve Banks are leveraging their own research resources to survey, poll, or otherwise collect information about communities in their District. At the Board, we are also conducting our own surveys to help validate the District results. Although the project is in its infant stage, I would like to share some initial findings from two of the Reserve Banks that are already participating in the process. Leaders from banks, nonprofits, community-based organizations, foundations, local government, and the private sector are asked about the conditions and trends affecting low-income households. The lack of jobs was the dominant theme in the first year of data collection, with the majority of respondents identifying unemployment as the primary cause of new distress in the housing sector as increasing numbers of residents struggled to make mortgage or rent payments. One survey participant stated that "prolonged unemployment and underemployment are causing a huge growth in the number of low-and moderate-income individuals and communities. Unemployment is now the driving force behind most of the other crises we are facing. The top three issues in the spring data release were employment opportunities, access to housing, and home foreclosures. The jobs issue surfaced again, with a focus on the need for training, when a participant stated: There are jobs available in the Washington, D. As we continue to improve the tools we use, we hope to continue to engage each of you in the conversation. In the past, collaboration often required outlays of scarce time and financial resources to attend face-to-face meetings. We are increasingly exploring ways to use technology to effectively expand our reach. For example, the System is using live web-streaming to share key conferences through a YouTube channel as well as sharing information through webinars. In addition, the Federal Reserve Bank of Atlanta has introduced a series of podcasts with information on topics from foreclosure responses to perspectives on real estate. Conclusion It is clear that it will take all of us working together to solve the problems that face communities today. Collaboration among government, nonprofits, and our partners in the private sector should focus on innovative ideas that can address the changing conditions of our communities. As the nature of problems change, we all need to be flexible and modify our responses. Remember Professor Hargadon and his theory about innovation? Well, he also stated that "social network theory divides the world into nodes and ties. You are a node with ties to other people you know. The people you know have ties to each otherâ€¦. If you can talk to a wide range of people, you are broadening your entire world, the more people you know, the more likely you are to be successful and happy. This has been proven. And I hope the Federal Reserve System continues to be a node of innovation with ties to each of you.

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Chapter 6 : Innovative Financing for Development: A New Model for Development Finance? | UNDP

The China-led Asian Infrastructure Investment Bank (AIIB) is reshaping the landscape of development finance, UNCTAD economist Daniel Poon has told a seminar on South-South cooperation run by Africa 21, a Geneva-based think tank that has observer status with the UN trade body.

Shaping the next generation of financing solutions to unlock private capital for social good. Overview Global philanthropic funds, even when combined with the development or aid budgets of governments, add up to billions of dollars. Private capital is urgently needed in order to fill this gap and address pressing global challenges. To attract more private capital, The Rockefeller Foundation is pursuing innovative finance solutionsâ€"the use of financing mechanisms to mobilize private sector capital in new and more efficient and scalable ways to solve social, economic, and environmental problems globally. The cost of implementing these agreements, however, are astronomical. The critical question is: The Rockefeller Foundation is committed to using our philanthropic risk capitalâ€"through both grants and program-related investments PRIs â€"to develop and scale the next generation of innovative finance solutions that are needed to close the gap between global development funding needs and the resources that are currently available. We call this initiative Zero Gap. Working at the intersection of finance and international development, Zero Gap provides one model for how the development community can support and de-risk new and innovative financing mechanismsâ€"including financial products and public-private partnershipsâ€"to mobilize large pools of private capital that have the potential to create out-sized impact. The Zero Gap portfolio is working to: Create the next generation of innovative finance vehicles capable of mobilizing capital from the private sector to fund the SDGs. Create large-scale blended finance funds to accelerate investment toward the SDGs and the impact they seek to achieve. We plan to accomplish this objective by seeding blended capital vehicles using PRI funds. The portfolio is a collection of bold ideas that we have sourced from around the world for how to scale funding for critical development objectives, such as energy access in Sub-Saharan Africa or restoring natural infrastructure in the Americas. A core value of Zero Gap is that finance can be a powerful tool for good. Imagine a forest resilience bond investing in wildfire prevention in California; a micro-levy that creates a stable funding stream for alleviating malnutrition in Africa; or insurance being harnessed to not only respond to the next Ebola crisis, but also to ensure better preparation for disease outbreaks. Zero Gap Portfolio The Rockefeller Foundation is supporting a number of innovative financing mechanisms that deliver positive social, economic, and environmental outcomes. Highlights of the portfolio include: Forest Resilience Bond â€" A pay-for-performance mechanism for private investors to invest in forest restoration that prevents wildfires and increases water outputs in drought prone areas in California. Outbreak and Epidemic Insurance â€" An insurance product to provide African nations with timely resources to contain the spread of deadly pathogens at the first signs of a disease outbreak. Extreme Climate Facility â€" An insurance product to provide African nations access to finance for climate adaptation projects. The product will track the climate change through an index and make trigger insurance payouts as countries show signs of climate change. Disaster Recovery Lending Facility â€" a new risk management mechanism to increase the capacity of microfinance institutions to lend in post-disaster situations. Impact Investing The Rockefeller Foundation has a long history in supporting innovations that seek to catalyze private sector investment for social and environmental good. Since then, the Foundation has worked to build the infrastructure for the impact investing field to take hold.

Chapter 7 : calendrierdelascience.com | Keep an eye on China's innovations in development finance

At the Exploring Innovation Conference on Community Development Finance, St. Louis, Missouri Share It is a pleasure to be in St. Louis to open the third biennial Exploring Innovation Conference.

Background[edit] Economic theory has much to say about what types of securities should exist, and why some may not exist why some markets should be " incomplete " but little to say about why new types of securities should come into existence. One interpretation of the Modigliani-Miller theorem is that taxes and regulation are the only reasons for investors to care what kinds of securities firms issue, whether debt, equity, or something else. The securities may trade at different prices depending on their composition, but they must ultimately add up to the same value. Furthermore, there should be little demand for specific types of securities. The capital asset pricing model , first developed by Jack L. Treynor and William F. Sharpe , suggests that investors should fully diversify and their portfolios should be a mixture of the "market" and a risk-free investment. However, Richard Roll argued that this model was incorrect, because investors cannot invest in the entire market. This implies there should be demand for instruments that open up new types of investment opportunities since this gets investors closer to being able to buy the entire market , but not for instruments that merely repackage existing risks since investors already have as much exposure to those risks in their portfolio. If the world existed as the Arrow-Debreu model posits, then there would be no need for financial innovation. The model assumes that investors are able to purchase securities that pay off if and only if a certain state of the world occurs. Investors can then combine these securities to create portfolios that have whatever payoff they desire. The fundamental theorem of finance states that the price of assembling such a portfolio will be equal to its expected value under the appropriate risk-neutral measure. Academic literature[edit] Tufano and Duffie and Rahi provide useful reviews of the literature. The extensive literature on principalâ€"agent problems , adverse selection , and information asymmetry points to why investors might prefer some types of securities, such as debt, over others like equity. Myers and Majluf develop an adverse selection model of equity issuance, in which firms which are trying to maximize profits for existing shareholders issue equity only if they are desperate. This was an early article in the pecking order literature, which states that firms prefer to finance investments out of retained earnings first, then debt, and finally equity, because investors are reluctant to trust any firm that needs to issue equity. Duffie and Rahi also devote a considerable section to examining the utility and efficiency implications of financial innovation. This is also the topic of many of the papers in the special edition of the Journal of Economic Theory in which theirs is the lead article. The usefulness of spanning the market appears to be limited or, equivalently, the disutility of incomplete markets is not great. Allen and Gale is one of the first papers to endogenize security issuance contingent on financial regulation â€"specifically, bans on short sales. In these circumstances, they find that the traditional split of cash flows between debt and equity is not optimal, and that state-contingent securities are preferred. Ross develops a model in which new financial products must overcome marketing and distribution costs. Persons and Warther studied booms and busts associated with financial innovation. The fixed costs of creating liquid markets for new financial instruments appears to be considerable. Black and Scholes describe some of the difficulties they encountered when trying to market the forerunners to modern index funds. These included regulatory problems, marketing costs, taxes, and fixed costs of management, personnel, and trading. Shiller describes some of the frustrations involved with creating a market for house price futures. Examples[edit] Spanning the market[edit] Some types of financial instrument became prominent after macroeconomic conditions forced investors to be more aware of the need to hedge certain types of risk. Interest rate swaps were developed in the early s after interest rates skyrocketed Credit default swaps were develeoped in the early s after the recession beginning in led to the highest corporate-bond default rate in since the Great Depression.

Chapter 8 : Innovative sources of development finance - Devpolicy Blog from the Development Policy Cent

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This book shines a light on the main focal areas of the international 'finance for development' agenda and outlines innovative approaches to enhance economic growth and development finance to contribute towards realizing global sustainable development goals.

Chapter 9 : Innovations in Finance for Social Impact - The Rockefeller Foundation

An exploration of the risks and benefits of providing development finance in emerging markets and developing economies (EMDEs).