



In Search of New Development Finance

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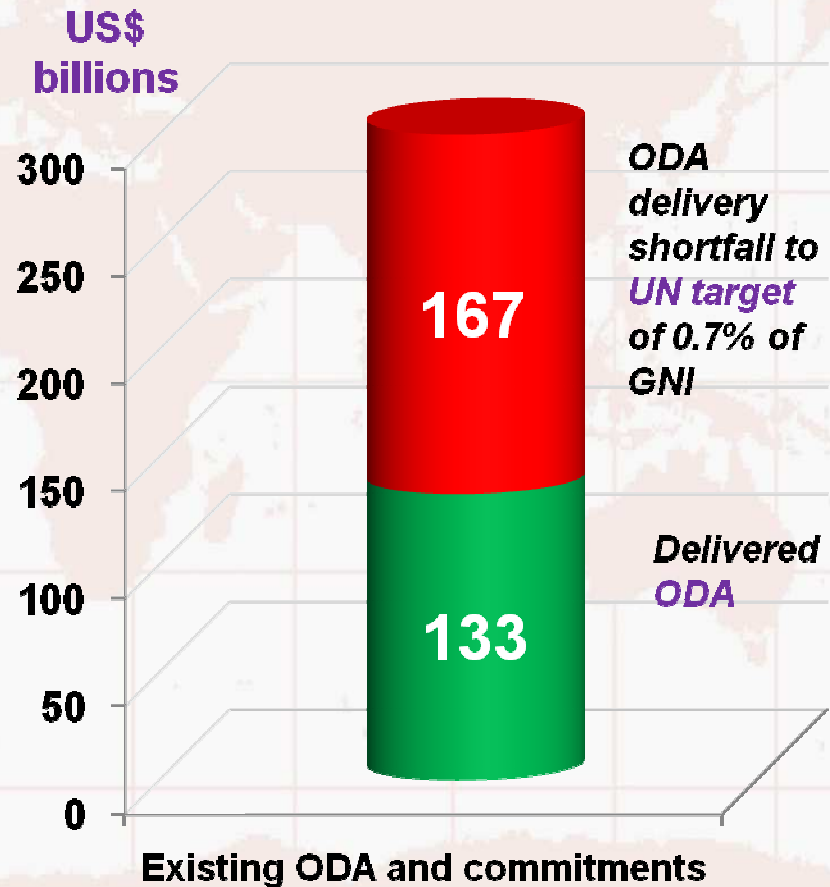
New York
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<http://www.un.org/esa/policy/wess/index.html/>

Why innovative development financing?



- Traditional aid flows fall short of commitments
- Aid flows are volatile
- (Global) development financing needs are vast
- Private sector flows not necessarily address global priorities



What is 'innovative development financing'?

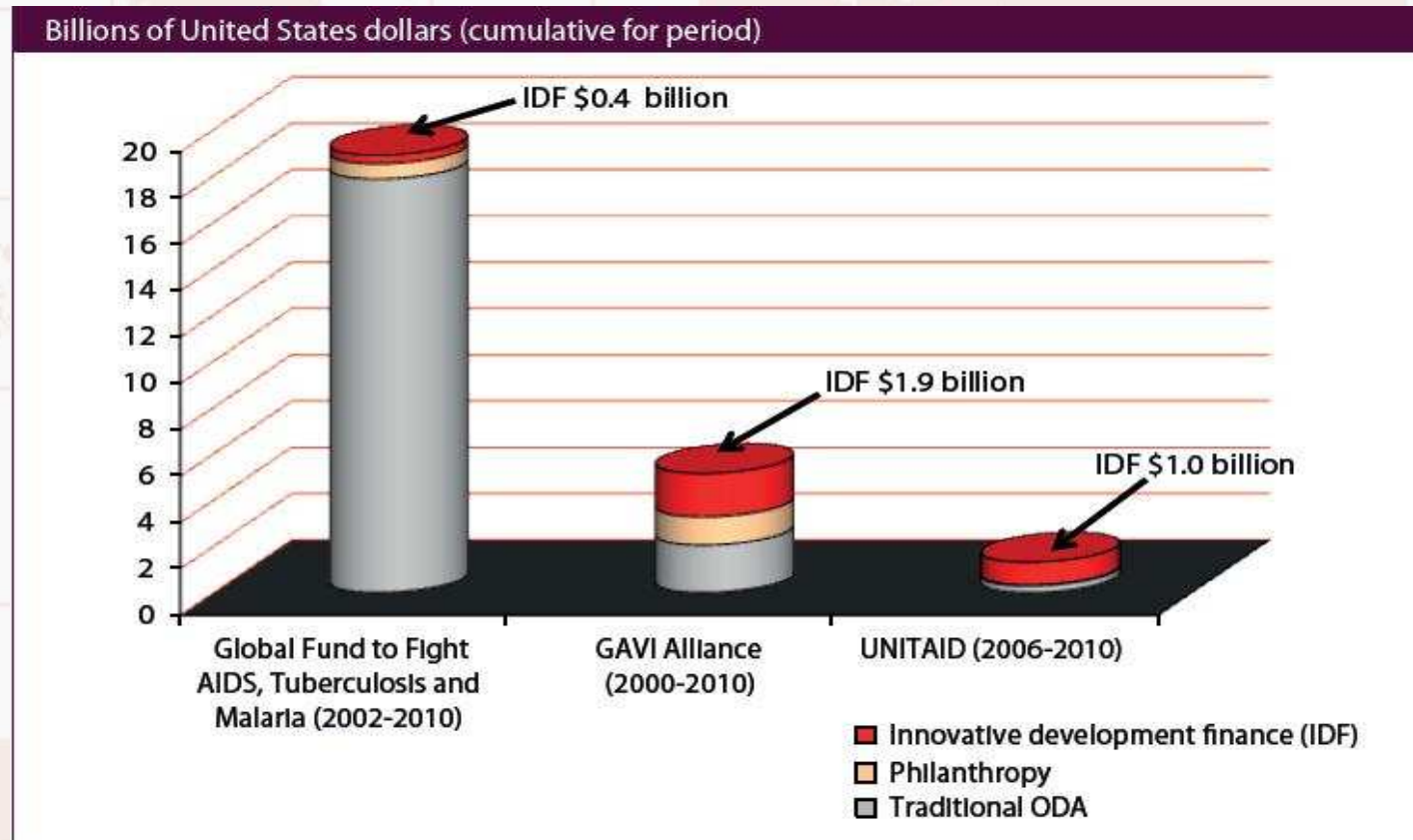


- Different concepts exist
- *Consistent with Leading Group for Innovative Finance*, WESS 2012 focuses on new **international public** finance, that is:
 - Official sector involvement
 - International cooperation and resource transfer to developing countries
 - Innovation in resource collection, allocation or governance
- Desirable features:
 - **Additional** to existing ODA
 - **Stable** and **predictable** financing

Existing mechanisms: only limited additional resources



In total, innovative mechanisms administered **\$5.8 billion in health financing** and **\$2.6 billion in climate financing** over last decade, but of which only several hundred million are additional to ODA.



“New” sources of innovative Financing

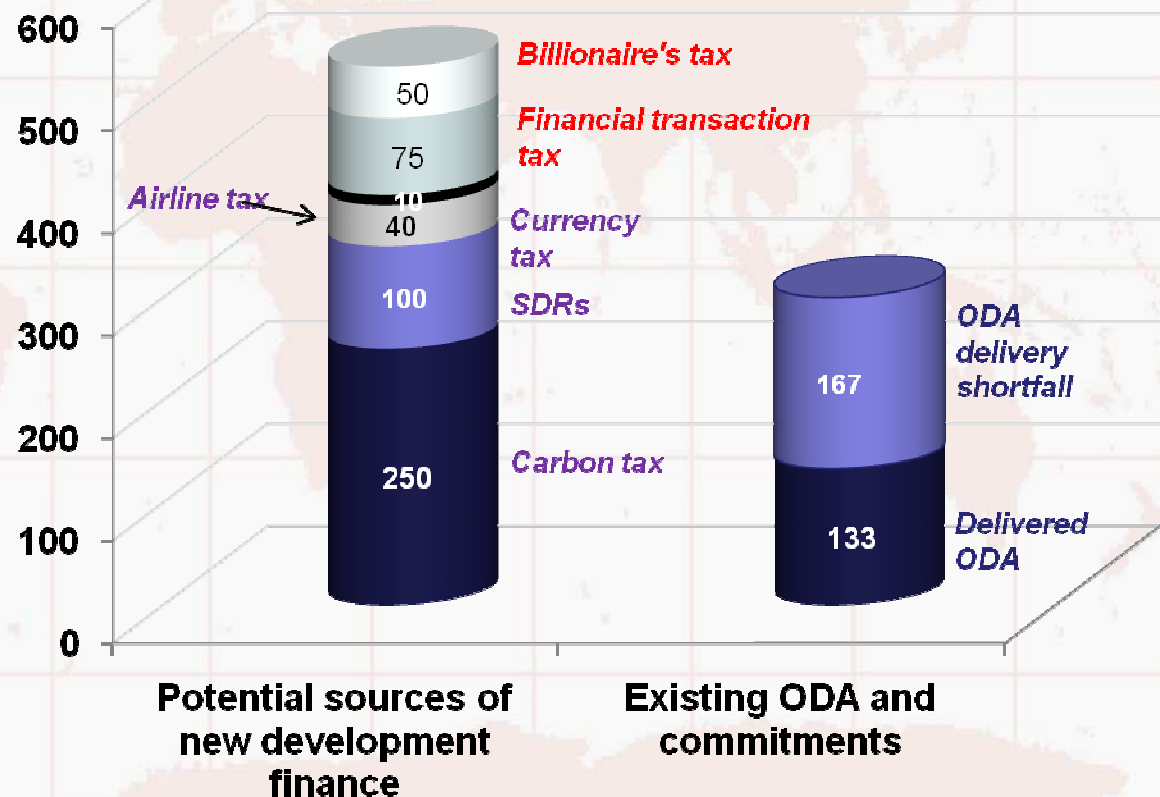


Potential mechanisms

- Internationally coordinated taxes

- Financial transaction tax (FTT)
- Currency transaction tax (CTT)
- Carbon tax
- Airline transportation tax
- Billionnaire’s tax

- Use of IMF Special Drawing Rights (SDRs) for development





Realizing the potential

- **Double dividend** from taxing public bads



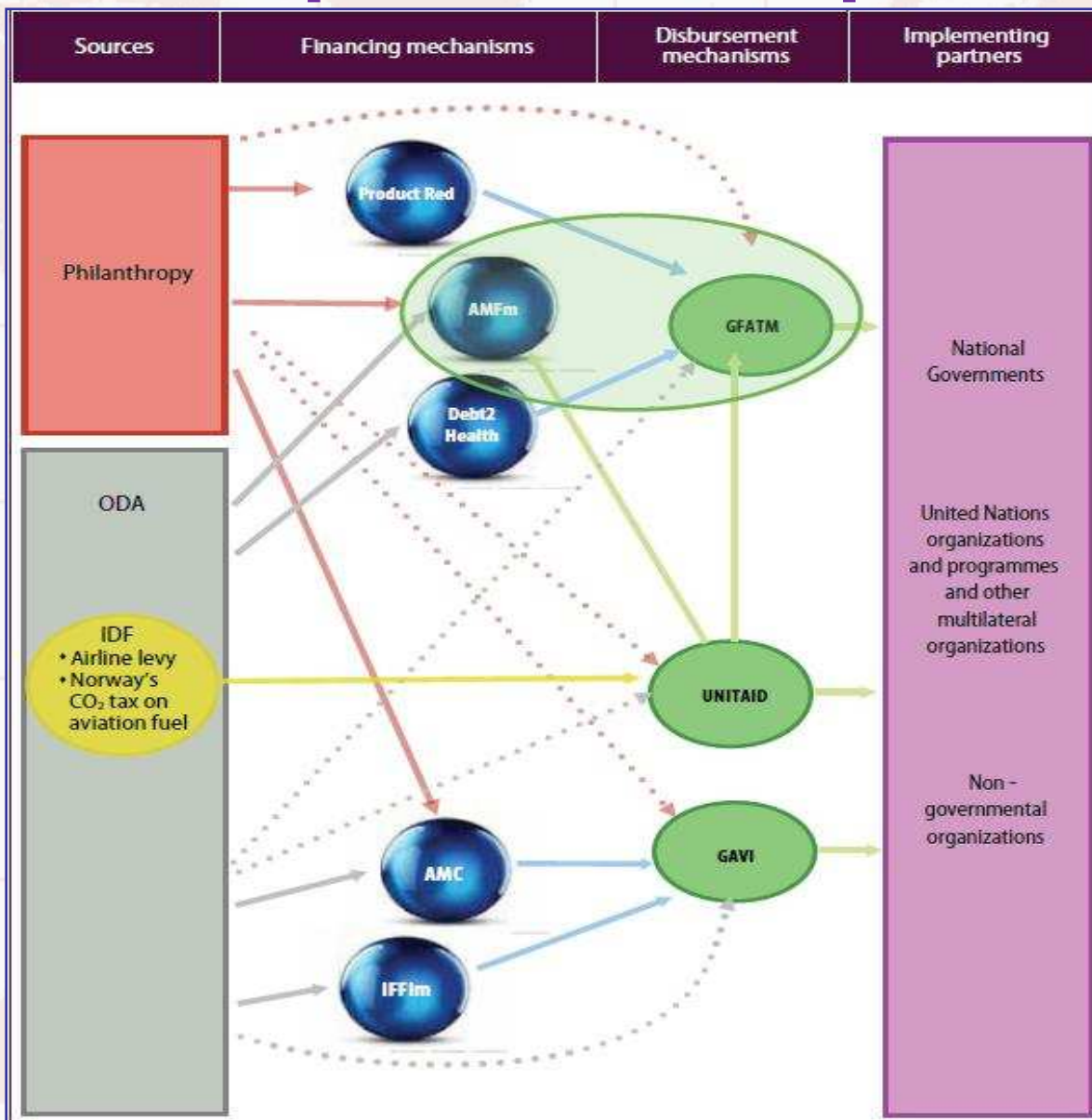
- But to realize potential **political agreements** needed for:
 - (a) coordinated implementation
 - (b) allocation of revenue for development and global public goods

Existing innovative development finance



- **Complex landscape of innovative finance:**
 - Innovative **sources** of development finance (e.g. solidarity levy on airline tickets)
 - Innovative **intermediation** mechanisms (e.g. IFFIm); *restructure existing resources to better match funding and needs*
 - Innovative **distribution** mechanisms (e.g. Global Fund, Climate Funds)

A complex landscape ...



Disbursement of existing innovative development finance



- Tied to **specific purposes** in health and climate finance
- Health:
 - Disbursed by vertical health funds
 - Mechanisms generally successful in meeting their stated goals and saving lives
 - But... vertical funds sometimes at odds with national health system strengthening
- Climate finance:
 - Numerous funds are being set up, which risks worsening fragmentation

The effectiveness of disbursement mechanisms is key



- Need to consolidate global funds
- Governance structures must ensure adequate representation of recipient countries
- Importance of compliance with agreed aid effectiveness principles, and alignment with national development strategies
- Financing is for global needs that benefits both developed and developing countries
 - Importance of partnerships between donors and recipients
- Need political will and international agreements



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