Added value of new development instruments: scaling up before impact?

> "We need to take a new step, reach a new stage. I would like for us to think together, in the coming months, of a new name, a new philosophy, new modalities".
>
> **Emmanuel Macron**
> Speech in Ouagadougou, Burkina Faso, 2017[1]

To respond to the scale of Agenda 2030's ambition[2], donors increasingly advocate for a paradigm shift in development cooperation, emphasising the need of using existing funding *strategically* and *efficiently* to *unlock*, *leverage* and *catalyse* other sources of funding. As such, the development community is striving to craft *innovative solutions* with *partner* countries on *high impact* interventions in order to reach the Sustainable Development Goals (SDGs).

With this new era comes the need to change the way the development community is doing business, including its focus and the scale of financing. This approach has underpinned the creation of new development instruments:

The **World Bank's Global Financing Facility (GFF)** was created in 2015 to "drive the transformative change needed to prepare the road to convergence on RMNCAH[3]" (reproductive, maternal, neonatal, child and adolescent health) and to promote "evidence-based, high-impact interventions[4]". Every eligible country will develop Investment Cases (IC) in order to receive GFF funding, outlining the changes that a country intends to make with regard to RMNCAH, and prioritising the set of investments required to achieve these results.

The **World Bank's Pandemic Emergency Financing Facility (PEF)** was created in 2017 to address the challenge in funding the response to the 2014-15 West African Ebola outbreak. The PEF was designed "to provide an additional source of financing to help the world's poorest countries respond to cross-border, large-scale outbreaks[5]" by transferring the risk of a pandemic to the capital market.

The **European External Investment Plan** was created in 2017 to "help boost investments in partner countries in Africa and the European Neighbourhood, to contribute to the UN's Sustainable Development Goals (SDG) while tackling some of the root causes of migration, to mobilise and leverage sustainable public and private investments to improve economic and social development with a particular focus on decent job creation[6]". This will be done "by working through partnerships and finding innovative ways to mobilise public and private investments (...) to ensure that investments have a major development impact[7]".

Global Health Advocates France (GHA) is a global health advocacy organisation dedicated to fighting diseases stemming from poverty and inequality. GHA's mission is to advocate for policy change at the highest political level and mobilise resources to tackle major health threats, build sustainable health systems and enhance health equity. GHA has offices in Paris and Brussels.

This brief is part of a series of policy briefs, which aims at analysing political trends in development finance and informing the decision-making process at the French, EU and global levels. GHA analysed new instruments developed by bilateral, regional and multilateral donors and their compliance with internationally-recognised principles of aid effectiveness. Instruments under scrutiny are: the Alliance Sahel, the EU Emergency Trust Fund for Africa (EUTF), the EU External Investment Plan (EIP), the World Bank's Global Financing Facility for Women, Children and Adolescents (GFF) and the Pandemic Emergency Financing Facility (PEF).

We developed and applied an analytical framework focusing on governance set-ups, agenda-setting processes, stakeholder engagement, types of funding mechanisms, implementation channels, transparency and accountability. Our analysis looked at decision-making and power dynamics both at the global and national levels to understand the design and implementation of these instruments.

We used a mix of literature review, official data and interviews with stakeholders based in Brussels, Paris and Washington, as well as fact-finding missions in Burkina Faso (November 2018), Sierra Leone (January 2019) and Uganda (March 2019). We met with representatives of governments, donors, development agencies, parliamentarians, UN agencies, as well as local and international civil society. We would like to thank all stakeholders who agreed to meet with us in Brussels, Paris, Geneva, Washington, Ouagadougou, Bobo Dioulasso, Kampala and Freetown and gave us first-hand accounts on design, implementation and monitoring of these instruments. A list of people interviewed can be found online in Annex I (www.ghadvocates.eu).

This brief was written by Global Health Advocates France: Chantelle Boduel, Margot Jaymond & Fanny Voitzwinkler

Contact: **info@ghadvocates.org**

The **EU Emergency Trust Fund for Africa (EUTF**) was created in 2015, in a context of what the EU perceived as unprecedented levels of irregular migration towards the European Union[8]. This new funding mechanism aimed to help pool resources to support countries "address the root causes of destabilisation, forced displacement and irregular migration by promoting economic and employment opportunities, as well as combating smuggling of migrants and trafficking in human beings[9]". Although the EUTF was not designed to participate in accelerating progress towards the SDGs, the EUTF claims to "improve migration management in line with the migration related targets of the 2030 Sustainable Development Goals Agenda[10]".

Similarly, the **Alliance Sahel** was launched in July 2017 to facilitate a more efficient coordination of aid among donors in G5 countries (Burkina Faso, Chad, Mali, Mauritania and Niger). The Alliance Sahel aims to strengthen support of development partners in the region, contribute to the region's stabilisation and eliminate poverty by "generating significative and fast impacts" and "innovating in terms of intervention and implementation modalities[11]" with a focus on six thematic priorities (education and youth employment; agriculture, rural development and food security; energy and climate; governance; decentralisation and basic services; and internal security).

What role do these new instruments play in tackling inequalities and ending poverty? What added value do they bring to the development context within which they were created? What is their impact on aid programming and delivery?

Duplicating or redoubling efforts? Challenging the added value of new instruments

These instruments largely fund interventions which already existed:

In January 2019, the Alliance Sahel represented an €11bn portfolio of more than 730 projects over the next five years in the G5 Sahel countries[12]. However, the majority of this portfolio is not new money but corresponds to pre-existing and programmed projects, which were subsequently labelled "Alliance Sahel" if they fitted its objectives and focus sectors.

The EIP's European Fund for Sustainable Development (EFSD) is mainly comprised of pre-existing blending operations. About two thirds of the expected public investments of €4.5bn will come from blending facilities, namely the African Investment Facility and the Neighbourhood Investment Facility, which were respectively re-named the African and the Neighbourhood Investment Platforms when the EFSD took over in 2017.

Although not systematic, the EUTF (especially in its inception stages), has allowed for continuity of funding for projects that already existed in country, against a backdrop of decreased envelopes for humanitarian aid[13].

Similarly, several bilateral donors involved in GFF processes in Burkina Faso[14] outlined that the high-impact interventions listed in the newly developed Investment Cases were already being funded and implemented by different donors. The GFF would therefore mainly help to scale up existing interventions.

Leveraging effects – the example of the GFF

The GFF's financing model was created to respond to the challenges posed by the US $33bn annual gap in high-burden, low- and lower-middle-income countries for RMNCAH[15], with the promise to "use modest amounts of grant resources catalytically, bringing programmes to scale by leveraging far greater sums of domestic government resources, IDA[16] and IBRD[17] financing, aligned external financing, and resources from the private sector[18]".

The GFF is supposed to leverage funding from IDA/IBRD at a 1:5 to 1:6 leverage ratio[19]. In Burkina Faso and Uganda, the GFF to IDA leverage ratio represented respectively 1:3.6[20] and 1:4[21]. Further it is unclear for many CSOs if the IDA leverage is a reprioritisation of IDA countries' existing envelope from other sectors towards health, or if it is funds from the IDA health envelope that are re-allocated to specific RMNCAH interventions. To date, this lack of transparency on country leverage data makes it difficult to determine and evaluate where the additional funds for the GFF Investment Cases originate from and hence, their added value.

Instruments miss key sectors, interventions and communities:

Civil society has insisted that the mandate of the Alliance Sahel – originally focused on the six thematic priorities listed above – was missing key levers of development in the region, such as gender and basic human development.[22] Country stakeholders, including bilateral donors, highlighted that the Alliance Sahel has limited added value, in that it aims to accelerate progress in sectors that were already the focus of country strategies[23].

On the GFF, there is a consensus in Burkina Faso that the Investment Case was a missed opportunity to address cross-sectoral issues, particularly the topics of youth and nutrition[24]. In a country where 45% of the population is under 15 years old[25], most stakeholders regret that one of the three costing scenarios for Burkina Faso's GFF Investment Case recommended only 1% of resources be allocated to youth and adolescent health[26]. The risk of setting up another fund that addresses a specific health issue without acknowledging the need for systemic change was also highlighted.

Structurally targeting highly productive sectors and projects with profitable return rates[27], the EIP model is raising concerns as to how it will have pro-poor development outcomes. Its ability to reach the informal sector[28] where the majority of women, young people, and rural populations work, was also questioned[29].

- The informal economy in Sierra Leone was estimated at about 45% of the country's GDP by the World Bank[30].
- In Burkina Faso, informal jobs represent 80% of all jobs in urban areas and 99 % in rural areas[31].
- It is estimated that women represent only a quarter of the formal sector workforce in Burkina Faso[32] and Sierra Leone[33].
- In Uganda, young people represent 95% of jobs of the informal sector (excluding agriculture)[34]. Burkina Faso's youth accounts for 6% of the formal sector[35].

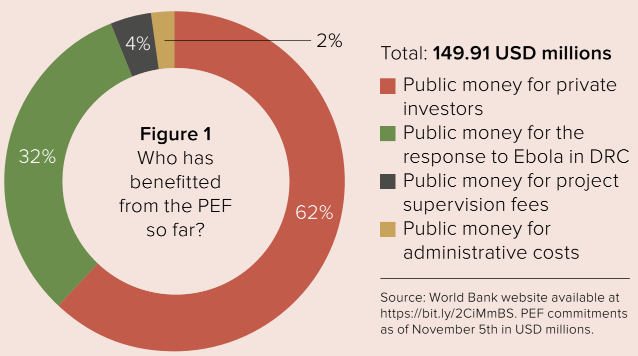
Despite the above statistics, the EIP offers no formalized mechanism for ensuring women, youth and rural populations have equal access to funding, thus failing to reach the SDG objective of "leaving no one behind". When asked about this possibility, EU representatives state that, although no formalised mechanism is being employed to open the EIP to the informal sector, efforts are being made to advertise widely, with the hope of encouraging informal businesses to formalise in order to access funds.[36] Advertising includes a public website and outreach events.

Speculating on disease outbreaks and death: public money for investors or patients? The World Bank's PEF and the Ebola outbreak in the Democratic Republic of the Congo (DRC).

The 2019 Ebola outbreak in the Democratic Republic of the Congo is a test for the PEF, the first phase of which runs from 2017 to 2020. The outbreak is the world's second largest Ebola epidemic on record, according to WHO[37]. It was declared a public health emergency of international concern on July 17th, 2019 and has caused 2,181 deaths as of October 27th, 2019. Yet the PEF, promoted as an "innovative solution" to "provide surge financing" to the world's poorest countries[38] early on during the outbreak cycle[39] will largely go unused.

As of August 19th, 2019, the PEF's cash window[40] approved a payment of US $50mn to UN agencies for their response activities in DRC[41]. In order for the PEF's insurance window[42] to disburse some of its funding, a series of activation criteria first have to be triggered. Most criteria have already been met: a) at least 12 weeks have passed from the date of the start of the outbreak, b) the outbreak has crossed a border and is present in more than one country and c) the amount of confirmed deaths is greater than 250. Yet, two criteria remain to be fulfilled: d) 20 or more confirmed deaths in a second country and e) a sufficient growth rate of new cases[43]. The pay-out methods and risk model of the PEF was developed by the World Bank and three insurance companies (Munich Re, Swiss Re and AIR Worldwide), in consultation with WHO. Because of how these criteria are set up, the activation of the insurance window is blocked until these last thresholds are reached, thereby preventing up to an additional US $150mn from being unlocked for the response[44].

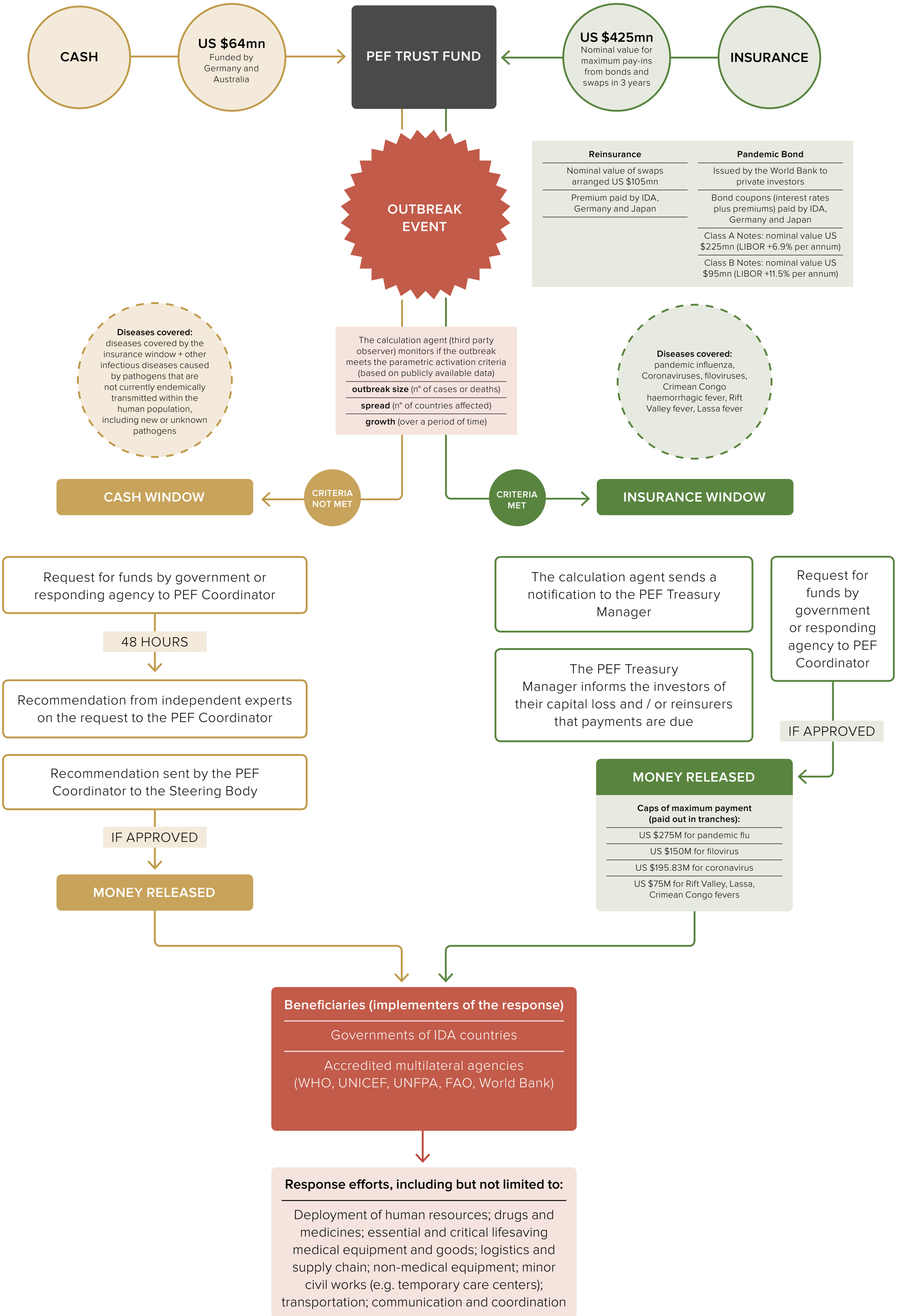
In order for the PEF model to work, it has to be attractive to investors, which means it is designed to reduce the likelihood of pay-outs, one of the risks being that they come in too late in the outbreak cycle and end up making a smaller difference than if the resources had been unlocked earlier[45]. If the insurance window is not triggered before July 2020, investors will get the entirety of their money back with a minimum of 6.9 to 11.5% annual interest[46] (see Figure 1).



Source: World Bank website available at https://bit.ly/2CiMmBS. PEF commitments as of November 5th in USD millions.

As of July 2019, investors could have already received up to US $64mn[47] in profits funded by public money[48]. Furthermore, the insurance window of the PEF incurs a US $19mn loss per year[49] – the difference between the payment of insurance premiums and other fees (US $39mn per year) and the expected coverage of the insurance (US $20mn per year).[50] IDA countries, the purported beneficiaries of the mechanism, ultimately bear the cost of this annual loss. Indeed, the amount of money from IDA, Germany and Japan used to finance coupons would have otherwise gone directly to reducing poverty and reaching the SDGs in IDA countries. Under the narrative that public money should be used to catalyse additional investments from private finance, the PEF shows how the private sector has succeeded in mobilising public funds to increase its sales of financial services, in this case in the shape of insurances.

HOW DOES THE PEF WORK?



How do these new instruments fare against aid effectiveness principles?

To accelerate progress towards the SDGs and to ensure greater impact and value for money, these new instruments claim renewed and innovative ways of working with increased efficiency, coordination and harmonisation. How does this translate into the programming and implementation stages at country level? How does this new way of doing aid align with existing aid effectiveness principles[51]?

A disconnection between design in donor countries and implementation in recipient countries

The gap between what donors advertise at capital level and the extent to which stakeholders are actually able and willing to change their working methods is striking across countries and instruments.

In Burkina Faso, the Alliance Sahel was described by country offices of development agencies as a political communication tool pushed down by headquarters with unclear directives[52]. In country, the instrument adds yet another layer of coordination in sectors where donors were already meeting regularly. Main development agencies displayed confusion about the Alliance Sahel labelling process, having received no information from their head offices as to which of their projects had been labelled and why[53].

Regarding the EIP, EU Delegation representatives in country were concerned by the challenge of implementing the EIP in fragile and low-income countries[54], acknowledging many of the concerns raised by civil society[55]. They also highlighted the limited capacity and resources of the EU Delegations to engage with any monitoring and grievance mechanism. However, at the headquarter level, the EIP Secretariat staff confirmed that EU Delegations were expected to play a role[56]. This suggests a discrepancy between what the technical level and development experts believe will be possible under the EIP, and what EU representatives are claiming in Brussels.

In Burkina Faso and Uganda, EU Delegation representatives were under less political pressure from Brussels regarding the implementation of the EUTF as a way to stem irregular migration to the EU, as both countries are not migration priorities for the EU[57]. In both cases, the focus on resilience and human development was stronger than on stemming irregular migration to Europe, pulling away from the narrative pushed by Brussels. This allowed EU Delegations to better align EUTF funds to countries' needs and contexts.

The disconnect between the design and implementation levels raises the question of alignment to national strategies and priorities. It also questions the nature of those instruments on whether they are a response to country-specific situations and needs, or a sole response to donors' political interests.

When efficiency overrules effectiveness and long-term impact

Some of these instruments go through their own financial management and programming processes in order to ensure quick disbursement and rapid results. The EUTF's requirements for the disbursement of funds are more flexible than the National Indicative Programmes (NIPs). Although the EU maintains that they consult partner governments about EUTF programming, the EUTF does not require official government approval in the same way as the NIPs, allowing for faster design, disbursement and implementation of projects.

The framework documents of the Alliance Sahel highlight the focus put on the acceleration of implementation and effectiveness of projects, to reach specific targets after one, three and five years to ensure rapid results, even in the least secure zones, by providing visible and measurable changes in the short term at the local level.

The trend of moving away from "on-budget"[58] support towards "off-budget"[59] programming was also confirmed in Burkina Faso (2015), Sierra Leone (2014) and Uganda (2012). Justification of this shift includes corruption, transparency, poor governance, but also lack of efficiency[60].

In 2015 in Burkina Faso, donors shifted away from a health pool-funding mechanism managed by the Ministry of Health to project-led approaches. Increased earmarking of funds left Regional Health Directorates with unfunded priorities. Regional Health Directorates could previously use the funds of the health basket based on their annual regional priorities, which was deemed a best practice. After 2015, they had to revert from a needs-based approach to adapting to donors' priorities in order to have an adequately funded annual budget[61]. Since the 2012 corruption scandal in Uganda[62], donors have moved from budget support to project support with little transparency in terms of amounts and sectors funded, leading to an incomplete picture of the total health spending in country.

Off-budget aid is harder to track, less transparent and less predictable. Recipient countries have little to say about which areas are prioritised, thus it is harder to know if it aligns with country budgets and priorities, and it is harder to know if there is duplication with what other donors may be funding off-budget, making harmonisation difficult. Harmonisation is also difficult with the tendency of these new mechanisms to add coordination layers by wanting to position themselves as the main convening power. This furthers aid fragmentation and creates new silos.

Because these new mechanisms favour their own procedures and programming requirements, they are burdensome for national actors and miss the opportunity of simplifying coordination and aligning support on government processes. By bypassing country systems, budgets and procedures, donors are opting for fiduciary risk management at the expense of aid effectiveness and long term impact. They create their own parallel systems, which impedes programmatic and financial sustainability and raises questions about what impact donors are actually looking for.

Efficiency over equity
Zooming in on performance-based financing

"Performance-Based Financing" (PBF) is a form of incentive increasingly pushed by donors within their health financing mechanisms. It is a scheme that links rewards (in this case: funds) with performance. Health providers receive funds on the basis of their performance to meet certain pre-defined targets or undertake specific actions.

The GFF uses PBF incentives as an entry point for health financing reform discussions and as a tool to improve utilisation and coverage of targeted maternal and neonatal health services, boost the quality of care, strengthen health systems and enhance donor alignment[63]. Many of the GFF's ICs and their related World Bank project documents include PBF schemes.

In Uganda, the way districts and facilities (which benefit from the PBF scheme of the GFF) are chosen is questioned by civil society. Performance of a specific facility – and therefore its capacity to deliver results – is prioritised over addressing structural issues linked to overall poor health systems' performance[64]. In order to reach indicators, facilities where burdens are highest are chosen to be a part of the scheme. For instance, facilities in the capital city of Kampala were chosen over facilities on Victoria Lake islands because more women would give birth in the capital[65].

Civil society worries that performance-based financing will not benefit the facilities which need support to improve their delivery of quality healthcare, and that the scheme is thereby inequitable. These concerns are echoed by a body of literature which is less optimistic than the World Bank and the GFF on the promises of PBF, and specifically on its impact on equity. Criticism also outline the risk of shifting the responsibilities to individual performance rather than addressing systemic health issues[66].

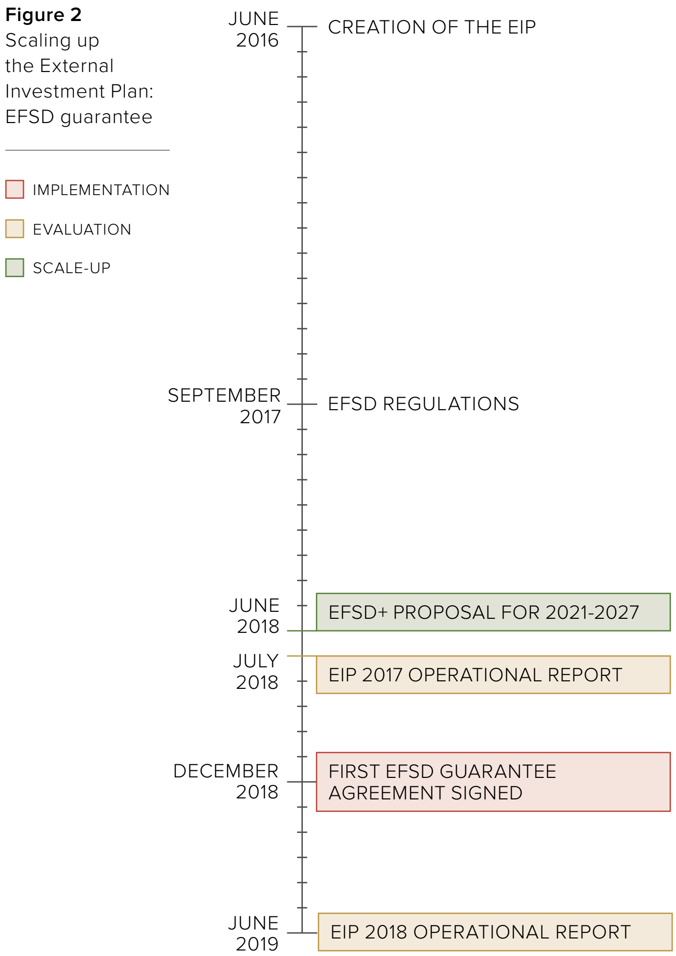
With limited additionality in mandate and type of support, financing and ways of working, it seems that the rhetoric around innovativeness is mainly being used to repackage old ways of doing aid into a new development paradigm. Many of these instruments were actually described by different stakeholders as "reinventing the wheel and painting it another colour" or "business as usual dressed a different way"[67].

Scaling up before demonstrated impact

Although these instruments are being criticised for their lack of added value in the development landscape they are all being significantly scaled up before they have undergone adequate impact assessments.

To date, €3.7 out of €4.5bn of the EFSD has been allocated, of which €2.2bn through blending operations and €1.5bn for the 28 EFSD guarantees[68]. Since only one of the 28 guarantees has been signed at the time of publication[69], the impact of the EFSD cannot be assessed. However, the draft of the next European Multiannual Financial Framework (MFF) for 2021-2027[70], published in May 2018, has already suggested a scaling up into a European Fund for Sustainable Development Plus (EFSD +), with a proposed guarantee capacity of up to €60bn for operations, with a provisioning rate ranging between 9% and 50% (see Figures 2 and 3).

Figure 2
Scaling up the External Investment Plan: EFSD guarantee



The European Council conclusions of June 28th, 2018, calls EU Member States "to contribute further to the EUTF with a view to its replenishment[71]" and the proposal for the next MFF suggests a target of 10% in the Neighbourhood, Development and International Cooperation Instrument (NDICI) to tackle the root causes of irregular migration. This would represent almost €9bn of the €89.2bn budget of the NDICI, which is double the amount of the resources currently allocated to the EUTF (€4.6bn) (see Figure 3).

Figure 3
Securitisation and privatisation of aid in the next EU budget proposal (2021-2027)

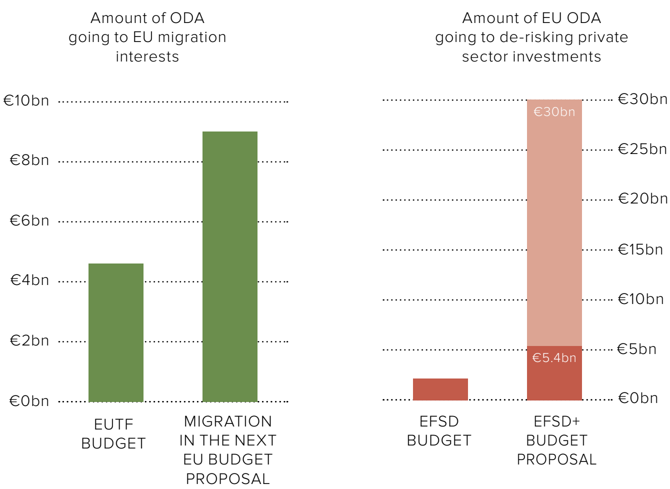
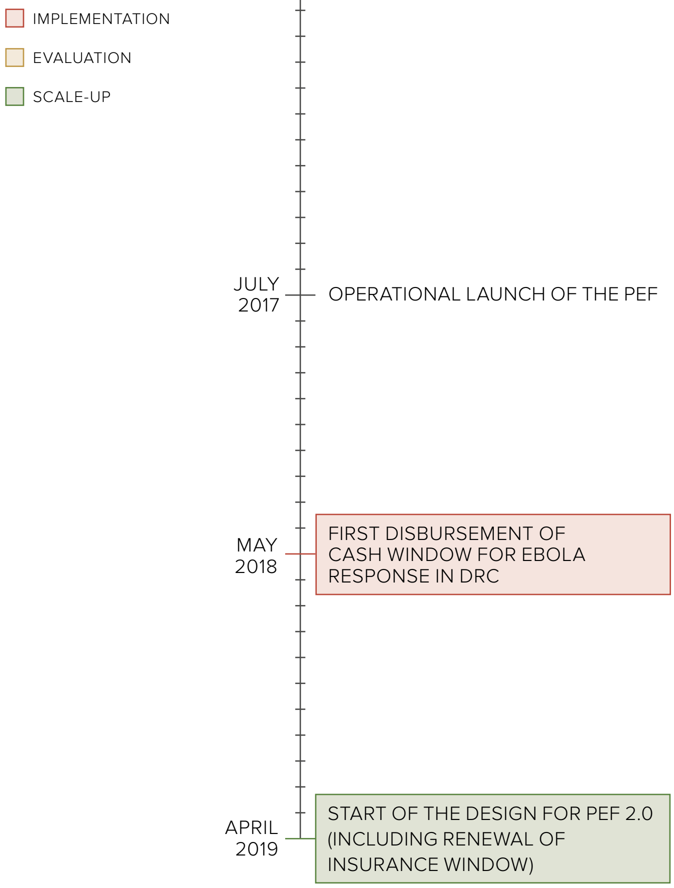


Figure 4
Scaling up the PEF



The PEF secretariat in the World Bank is planning on launching PEF 2.0 which will start in July 2020, once PEF 1.0 bonds are mature (see Figure 4). To date, the PEF has not delivered on its main public health promises of making essential surge financing available for pandemic response and minimise its health and economic consequences, nor has it proven to encourage and strengthen ongoing efforts toward better country preparedness. It did however help to create a market for pandemics up to secondary trading market[72]. Investors started speculating on the price of the bonds a few weeks after the outbreak of Ebola in DRC, thereby speculating on the likelihood of a health pandemic. The modelling for the PEF 2.0's new insurance bonds and swaps poses several questions on the nature of the model. Should the criteria be reduced for a more rapid triggering of the insurance window, the coupons would become more expensive as the investors would be compensated for a higher risk (higher probability that an outbreak would trigger the PEF). In that situation, the PEF could disburse earlier on the outbreak cycle, but would be more costly in public funds.

Conclusion

Although there has been no publication of any impact evaluation or results report, more and more public funding is being used to scale up mechanisms that have not proven their development impact. These new mechanisms call into question not only what effective *means,* but also *who* aid is effective for. The framework within which successful and quality aid is measured is skewed when the aid effectiveness agenda is neglected: quick fix solutions risk becoming the norm over long-term sustainable impacts.

Investments in human development can yield high public returns in the mid-to-long-term, even if they bring no immediate financial return on investment. Meeting the SDGs will require more public investments, allocated in a sustainable, long-term manner. This will require the meaningful engagement of local governments, parliaments, civil society and communities in the definition, implementation, monitoring stages.

Date of publication: November 2019

ENDNOTES

1 Translation from Emmanuel Macron's speech in Ouagadougou, November 2017, on his ambition for a renewed relationship with Africa. Original verbatim: « Nous devons passer une nouvelle étape, franchir encore un nouveau seuil. Je souhaite que nous réfléchissions dans les prochains mois avec vous peut-être à un nouveau nom, à une nouvelle philosophie, à des nouvelles modalités d'action. » Source : Elysée, 2017. Discours d'Emmanuel Macron à l'université de Ouagadougou. Available at: https://bit.ly/2q3PMFz
2 At our current pace, the international community is not on track to meet any of the 17 Sustainable Development Goals (SDGs) by 2030. According to the latest Report of the Secretary-General on SDG Progress, the extreme poverty rate is projected to be 6% in 2030. We are missing the target for ending poverty, hunger is on the rise for the third consecutive year, and progress in health has stalled or is not happening fast enough with regard to addressing major diseases. Efforts need to be accelerated, especially for those who are left behind – including the youth, rural populations and women. Source: United Nations, 2019. Report of the Secretary-General on SDG Progress 2019. Special Edition. Available at: https://bit.ly/2MUox9w
3 World Bank, 2014. Concept Note: A Global Financing Facility in Support of Every Woman Every Child, page 1. Available at: https://bit.ly/2owBehq
4 Global Financing Facility, 2015. Business Plan: Global Financing Facility in Support of Every Woman Every Child., page viii. Available at: https://bit.ly/31UgTjy
5 World Bank, 2019. Brief: Pandemic Emergency Financing Facility: Frequently Asked Questions. Available at: https://bit.ly/2BUiATv
6 European Commission, 2019. What is the EU's External Investment Plan. Available at: https://bit.ly/36fqtkx
7 European Commission, 2017. Your guide to the EU External Investment Plan, page 7-8. Available at: https://bit.ly/2NinZZY
8 European Commission, 2019. Migration and Home Affairs. Irregular Migration and Returns. Available at: https://bit.ly/2q2KGJw
9 European Commission, 2019. The EU Emergency Trust Fund for Africa. Available at: https://bit.ly/2NZpI6O
10 European Commission, 2019. EUTF, Themes, Improved Migration Management. Available at: https://bit.ly/2JxHFlb
11 Alliance Sahel, 2017. Founding Document: French-German Council of Ministers, page 1. Paris, July 13, 2017. Available at: https://bit.ly/2PsiudV
12 Alliance Sahel, 2019. Home page. Available at: https://bit.ly/2JxVczv
13 Global Health Advocates, 2017: Misplaced Trust: Diverting EU Aid to Stop Migration. Available at: https://bit.ly/2WlcSnh
14 Interviews with bilateral donors contributing to the investment case in Burkina Faso, November 2018.
15 Global Financing Facility, 2015. Business Plan: Global Financing Facility in Support of Every Woman Every Child., page vii. Available at: https://bit.ly/31UgTjy
16 The International Development Association (IDA) is the concessional window of the World Bank, which provides loans and grants for programs in low income countries. Source: World Bank, 2019. What is IDA? Available at: https://bit.ly/320ElGJ
17 The International Bank for Reconstruction and Development (IBRD) is a global development cooperative, owned by 189 member countries, which provides loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries. Source: World Bank, 2019. Who We Are: The IBRD. Available at: https://bit.ly/2opZmlC
18 Global Financing Facility, 2019. Financing model. Available at: https://bit.ly/2MVdMn9
19 Global Financing Facility, 2017. Factsheet. Maximising Impact: How the GFF Trust Fund Complements and Adds Value to IDA, page 3. Available at: https://bit.ly/32YluSe
20 In Uganda, the GFF Trust Fund contributed US $30mn and IDA contributed US $110mn to the Uganda Reproductive, Maternal and Child Health Services Improvement Project. Source: World Bank, 2018. Health, Nutrition & Population Global Practice, Report No: PAD1795. Page . Available at: https://bit.ly/2qTSpdy
21 In Burkina Faso, the GFF Trust Fund contributed US $20mn and IDA contributed US$ 80mn to the Health Services Reinforcement Project. Source: World Bank, 2018. Health, Nutrition & Population Global Practice, Report No: PAD2720. Page . Available: https://bit.ly/2oq6VZy
22 Oxfam, 2019. Sahel: lutter contre les inégalités pour répondre aux défis du développement et de la sécurité, Available at: https://bit.ly/345QTTQ ; or Action Against Hunger, 2018. SAHEL: pour une nouvelle approche du développement. Available at: https://bit.ly/36fwY6V
23 Interviews with development agencies and civil society organisations in Burkina Faso in November, 2018.
24 Interviews with development agencies and civil society in Burkina Faso, November 2018.
25 World Bank, 2019. Burkina Faso: Data. Population 0-14 years (% of total population). Available at: https://bit.ly/2otbjan
26 Global Financing Facility, 2018. Burkina Faso: Amélioration De La Sante De La Reproduction, De La Mère, Du Nouveau-Né, De L'enfant Et De L'adolescent, De La Nutrition Et De L'état Civil Dossier D'investissement page 91. Not yet available online.
27 Interviews with EU representatives in Brussels indicated that the countries both suffer from banks which do not readily lend because it is perceived too risky. They explained that most banks have an interest rate of 15-20%, meaning they will only finance things with a very high return rate, limiting the ability to leverage funds. These interest rate ceilings are excluding a large portion of the population from accessing formal credit services-including the poor, micro and small businesses or sections of the economy that do not see immediate and high return on investment, such as social sectors or sectors with moderate or seasonal growth.
28 The informal sector is defined by the EU as the "part of the economy - including enterprises, jobs, and workers - that is not regulated or protected by the State". This generally refers to unregistered establishments and household enterprises, which have no social security. Since these establishments are not registered, they do not access the financial tools of the formal economy. They are not regulated. Source: European Commission, 2019. Sectors, Human Development, Informal Economy. Available at: https://bit.ly/32XYnrM
29 Interviews with civil society in Sierra Leone, January 2019 and Uganda, March 2019
30 United Nations Economic Commission for Africa, 2015. Economic and Statistics Division: A Report of the Informal Economy in Sierra Leone, page 2. Available at: https://bit.ly/2MWvFSR
31 World Bank, 2018. Jobs Diagnostic: Burkina Faso, page 6. Available at: https://bit.ly/2MQtxfb
32 Burkina Faso, 2016-2020. Plan national de développement économique et social, page 7. Available at: https://bit.ly/335MZKs
33 Statistics Sierra Leone, 2017. Population and Housing Census, page 23. Available at: https://bit.ly/2BPXJkk
34 European Commission, 2019. Jobs And Growth Compact For Uganda: Supporting Job Creation and Economic Growth In Africa, page 12. Available at: https://bit.ly/2Wi29Kg
35 Radars Info Burkina, 2019. Economie au Burkina Faso : Un forum pour formaliser le secteur informel. Available at: https://bit.ly/36eqzlZ
36 Interviews with development agency in Sierra Leone in January, 2019 and in Uganda, in March 2019.
37 WHO, 2019. Ebola in the DRC: Health Emergency Update. Available at: https://bit.ly/31UILUI
38 The PEF is designed to provide coverage to all IDA-eligible countries (the World Bank's fund for the poorest countries). The list of IDA countries is available here: https://bit.ly/336STeJ
39 World Bank, 2017. The Pandemic Emergency Financing Facility: Protecting People, Protecting Economies. Brochure, page 1. Available at: https://bit.ly/2MTUgrk
40 The cash window is funded by donors (Germany and Australia) and helps in cases where trigger criteria for the insurance window have not been met (when an outbreak has not crossed a border or for pathogens not covered under insurance).
41 World Bank, 2019. Statement: The Pandemic Emergency Financing Facility pays out an additional US $30mn to support the Ebola response in the Democratic Republic of Congo. Available at: https://bit.ly/2Nn8MH1
42 The insurance window of the PEF provides coverage of up to US $425mn to all IDA-eligible countries for diseases that are listed by WHO as likely to cause major epidemics if contagion spreads across national borders (new pandemic influenza, SARS, MERS, Ebola, Marburg and Crimean Congo haemorrhagic fever, Rift Valley fever, and Lassa fever).
43 The formula to calculate the growth rate of the outbreak – which must be superior to zero – as well as the other parametric triggers can be found in the PEF Prospectus. Available at: https://bit.ly/32klpqN
44 The pay-out would first be of US$ 90mn and would reach the cap of US $150mn at a total of 2,500 deaths. Source: World Bank, 2017. PEF Operational Manuel, page 7. Available at: https://bit.ly/34g9EE3
45 Olga Jones, 2019. Pandemic bonds: designed to fail in Ebola, in Nature Magazine. Available at: https://go.nature.com/2WnLlS0
46 Depending on the Class of Notes and on the risk level of the bond
47 Calculation of the interest rate from ALFM Holding (Hong Kong) Ltd, assuming a USD-LIBOR-BBA rate of 2.21% (15 July 2019), a funding margin fixed at -0.40% and a risk margin of +6.90% for Class A Notes and +11.5% for Class B Notes. Post-market price for the rate of interest is thereby +8.71% for Class A Notes (nominal amount US$ 225 million) and 13.31% for Class B Notes (nominal amount US $95 million).
48 "The payment for bond coupons is covered in part by the PEF and in part by the World Bank. The portion paid by PEF is funded by the donor governments". Source: webpage of the Pandemic Emergency Financing Facility: Frequently Asked Questions accessible at https://bit.ly/2C9PMXx
49 Of which US $17mn/year is profit of the reinsurers and investors and US $2mn/year is income of the World Bank.
50 According to Olga Jonas, Sr. Fellow, Harvard Global Institute
51 The 2005 Paris Declaration on Aid Effectiveness and the 2011 Busan Partnership for Effective Development Cooperation established aid effectiveness principles to improve aid quality and transparency: partner country ownership and leadership, donor alignment with partners' strategies, harmonisation of donors' actions, managing for results, and mutual accountability. Declaration available at: https://bit.ly/36hAy06
52 Interviews with government representatives and development agencies, in Burkina Faso in November, 2018.
53 Ibid.
54 Interviews with development agencies in Burkina Faso, November 2018 and Uganda, March 2019.
55 Act Alliance EU, 2017. Joint CSO letter to Stefano Manservisi, Director General for International Cooperation and Development. Available at: https://bit.ly/36kZ94q
56 Interview with EU representative in Brussels, April 2019
57 Interviews with development agencies in Burkina Faso in November, 2018, Brussels in February and Uganda in March, 2019.
58 Budget support is an aid modality through which ODA is given directly to a recipient country government – either through general budget support, or to an earmarked budget line, through sector budget support. There are several benefits to budget support: this ODA increases the resources available to the recipient country to implement its own budget according to its own procedures and strategies (thereby respecting the principles of ownership by the country and alignment on its procedures), it reduces fragmentation and lowers transaction costs (thereby respecting the principle of harmonization of donor action).
59 In countries where the risks posed by weak institutions and corruption are deemed too high to favour budget support, donors tend to go through off-budget support, meaning that they provide ODA to their own projects, or to projects implemented by multilateral organisations or implementing NGOs, thereby by-passing national budgets and procedures, giving country governments no control or oversight over off-budget assistance.
60 Interviews with development agencies and civil society in Burkina Faso in November, 2018, Brussels in February and Uganda in March, 2019.
61 Interviews with government official in Burkina Faso in November, 2018.
62 Human Rights Watch, 2013. Letting the Big Fish Swim: Failure to Prosecute High-Level Corruption in Uganda. Available at: https://bit.ly/2WkpPxE
63 Global Financing Facility, 2017. Sixth Investors Group Meeting. Available at: https://bit.ly/2pUswdD
64 Interviews with civil society and government representatives, Uganda, March 2019.
65 Interviews with government representatives, Uganda, March 2019.
66 Paul E, Albert L, Bisala BN, et al., 2018. Performance-based financing in low-income and middle-income countries: isn't it time for a rethink? In BMJ Global Health. Available at: https://bit.ly/31WlyQM; and Valéry Ridde, Lara Gautier, Anne-Marie Turcotte-Tremblay, et al., 2018. Performance-based Financing in Africa: Time to Test Measures for Equity, in International Journal of Health Services, Volume: 48 issue: 3, page(s): 549-561. Available at: https://bit.ly/31XNEwc Turcotte-Tremblay et al. International Journal for Equity in Health (2018) 17:109
67 Interviews with civil society, in Burkina Faso, November 2018 and Uganda, March 2019.
68 European Commission, 2019. EFSD Operational Report 2018. Available at: https://bit.ly/2PsuiNI
69 European Commission, 2019. Progress so far. Available at: https://bit.ly/2pbyu9z
70 European Commission, 2018. A Modern Budget for a Union that Protects, Empowers and Defends: The Multiannual Financial Framework for 2021-2027. Available at: https://bit.ly/2MYogCp
71 European Council, 2018. Conclusions of the European Council meeting 28 June 2018, page 3. Available at: https://bit.ly/2Wmqw9A
72 If the PEF Prospectus disclaims that there is no assurance that a secondary trading market will develop, PEF bonds are sold on secondary markets, where investors can take a view on whether the bond prices reflect the risk of epidemic outbreaks or not (Source: World Bank, 2017. Prospectus Supplement, page 102. Available at: https://bit.ly/2BR1dmz). Some investors may be short selling them in the belief that the likelihood of a pandemic outbreak is higher than bond holders estimate. Therefore, some investors could have a direct economic interest in seeing a large health pandemic happen (Source: World Bank and Global Health Financing, 2017. Health as a "global public good": creating a market for pandemic risk. Available at: https://bit.ly/2Ws2ABU). Secondary markets have been reported for the Pandemic Bond which covers Ebola, at 75% or even lower than 40% of the value they were issued at in July 2017, indicating that investors could be reacting to the ongoing Ebola outbreak in the DRC and to the risk of having the parametric criteria being triggered, and are acting to avoid investment losses (Source: Artemis News, 2019. Pandemic cat bond remains at-risk as Ebola virus spread continues. Available at: https://bit.ly/2MUHade). This could create a potentially significant profit for the secondary investor who buys the bond at a discount as pointed out by Lorcan Clarke in Medium, research fellow at the London School of Economics. Indeed, if the parametric trigger is not met and no pay-out for the response is made, then their $75 investment will become $100 in July 2020 (Source: Lorcan Clarke, 2019. Four features of the World Bank's Pandemic Emergency Financing Facility — Structuring, Pricing and Trading Pandemic Risk in Medium. Available at: https://bit.ly/31VRbLx).