



NORDIC INNOVATIVE FINANCE FORUM

NEW WAYS TO TACKLE AND FINANCE GLOBAL CHALLENGES

The launch of the Nordic Innovative Finance Forum was attended by 70 participants representing a diverse mix of public, private and philanthropic capital along with humanitarian and development actors from four Nordic countries.

Below please find some key take-aways and resources from the presenters in the forum.

Mette Thygesen from Danida: Welcomed the forum and the initiative as she underlined the urgent need to mobilize new sources of financing for the growing humanitarian and development needs. She encouraged forum participants to act jointly, act smarter and to invite new stakeholders in. Danida seeks to be a flexible partner in supporting these efforts.

Charlotte Slente, Secretary General from Danish Refugee Council on forced displacement:

- Forced displacement is increasing. There is now more than 80 million forcibly displaced persons globally, of which more than 26 million are refugees. A refugee now stays displaced for over two decades on average.
- Short term humanitarian financing are in most cases inadequate, in some cases inappropriate to address the increasingly protracted nature of displacement crises.
- With partners, DRC is designing instruments that can make better use of donor financing as catalytic capital to draw in investment finance to provide more sustainable solutions to displacement challenges

Peter Klansø, International Director from Danish Red Cross on natural disasters:

- Natural disasters and their humanitarian and economic consequences are increasing. Traditional funding through appeals is often too little and too late.
- Instead, we set money aside to be able to act immediately after a disaster. We have also started measuring and forecasting risks to be able to act even before disasters strike. This type of data allows us now to build insurance solutions for natural disasters.
- Last week Danish Red Cross issued the world's first humanitarian catastrophe bond for volcanoes and insured immediate humanitarian assistance to people living close to 10 of the most active volcanoes in the world.

Bo Øksnebjerg, Secretary General from World Wildlife Foundation (WWF) on bio-diversity crisis:

- We have no time to wait. Biodiversity loss, nature loss and the humanitarian consequences are at an unprecedented level in the history of mankind.
- A new nature positive economy can generate US\$ 10.1 trillion in annual business value and create 395 million jobs by 2030 and carries immense potential.
- However, a huge investment gap persists (USD 300-400 billion annually) which calls for catalytic capital to unlock impact and additional large-scale private investments. Leveraging its local presence, integrated landscape approach and available seed funding, WWF DK has managed to incubate and develop scalable concepts for bankable nature solutions in the global south. Solutions to adapt to and mitigate nature risks and help our living planet thrive.

Andrej Kirn, World Economic Forum on humanitarian and resilience investing:

- Positive movement among stakeholders to develop and test new financing solutions, but most are still at the experimental stage and have not yet reached scale. This was partly due to a lack of awareness and early-stage facilities among donors and investors and a lack of organizational readiness to drive these projects to scale.
- Need to engage investors and donors at an early stage in these solutions
- Need to change the donor approach to support early-stage design and testing
- Need to strengthen awareness and organizational readiness

Andrej's presentation is attached and below links to a few relevant resources:

[Humanitarian Investing \(weforum.org\)](https://www.weforum.org/publications/humanitarian-investing/)

[Unlocking Humanitarian and Resilience Investing through Better Data \(weforum.org\)](https://www.weforum.org/publications/unlocking-humanitarian-and-resilience-investing-through-better-data/)

[GHD-Organizational-Readiness-Playbook.pdf \(ghdinitiative.org\)](https://ghdinitiative.org/wp-content/uploads/2020/06/GHD-Organizational-Readiness-Playbook.pdf)

Steen Byskov, World Bank Treasury on Structuring bonds to respond to development challenges:

Steen presented four different bond models for responding to humanitarian or development challenges:

- **Catastrophe bonds** as a tool to transfer risk to capital market players. Here insurance premium is paid by a government to insure against a natural disaster/extreme weather in the country. The

risk of a natural disaster is taken by investors. Pay-out is based on parametric triggers for the severity of the hazard.

- **Pandemic bond:** similar structure to catastrophe bond. Insurance premium is paid by PEF (Pandemic Emergency Finance Facility) with coverage of 77 of the poorest countries. This bond was issued in 2017 and triggered for pay-out in the Spring of 2020.
- **Unicef bond:** a frontloading structure pledged by future fundraising from Unicef.
- **Conservation bond:** an impact-linked/results-based structure, where key performance indicator determine how much donors pay and how much investors receive in coupon.

Below a few resources available from World Bank:

Overview of the disaster risk financing platform: [World-Bank-Treasury-Disaster-Risk-Insurance-Platform.pdf](#) and a video overview: [video - disaster risk insurance](#)

General information: <https://treasury.worldbank.org/en/about/unit/treasury/ibrd-financial-products/disaster-risk-management>

The Pandemic Emergency Facility Bond: [pandemic-emergency-financing-facility](#)

Press releases: [world-bank-launches-first-ever-pandemic-bonds-to-support-500-million-pandemic-emergency-financing-facility](#) and [pef-allocates-us195-million-to-more-than-60-low-income-countries-to-fight-covid-19](#) and Q&A [fact-sheet-pandemic-emergency-financing-facility](#)

The UNICEF transaction: [world-bank-bond-expands-support-to-covid-19-resilience-through-the-united-nations-childrens-fund-unicef](#) and Q&A [World-Bank-Bond-Expands-Support-to-COVID-19-Resilience-Through-the-United-Nations-Children-s-Fund-UNICEF-Q-A.pdf](#)

Chris Clubb from Convergence on Blended finance solutions:

Chris mapped innovative finance solutions into three categories

- Solutions that aim to raise additional public finance
- Solutions that aim to mobilize additional private capital
- Solutions that aim at deploying development finance more efficiently and effectively

And discussed the large and growing annual global SDG financing gap of \$2,5 trillion

- Global financial assets equal \$379 trillion and growing at 5% p.a.
- Only 4% of global financial assets are in developing countries (excl China)
- The SDG financing gap is less than the annual growth of financial assets in developed economies
- But huge relative to the financial assets available in developing countries

The risk is often too high for investments in developing countries and therefore there is a need for blended finance facilities to de-risk and catalyze investment capital. Chris provided some insightful examples where donor capital has de-risked investments and catalyzed investment capital:

- Utkrisht Development Impact Bond to fund maternal and newborn interventions in Rajasthan
- Women's World Banking: blended finance fund that will invest in women focused financial services providers in low-income countries and fragile states, with a concessional first loss tranche.

Below a good overview of the toolbox for innovative development finance:

[Innovative Development Finance Toolbox - Convergence Resources | Convergence](#)

Roundtable discussion:

During the roundtable discussion, we heard about the different roles, the challenges and the opportunities seen from different perspectives. Some of the issues that came up were:

- The need and the determination to make blended finance work
- Issues of market distortion, additionality and leverage – not to interfere where markets work
- NGOs have an important role as implementing partners to reach the fragile and difficult places
- Need for better data and better measurement – to show why it matters
- Nordics have what it takes, but we need to see more examples from our part of the world
- The first few examples can be triggers for change and pave the way for future solutions
- Making the solutions work between three sectors – important not to work in silos.

Next steps for Nordic Innovative Finance Forum

This is only the beginning. As we dig into the instruments, solutions and challenges, it is our hope that more stakeholders will join the forum to learn, get inspired, contribute and co-develop new solutions.

In May, we plan to host the first deep dive into *Insurance solutions, cat bonds and risk pooling*. Later on we will dig into impact investing, frontloading and other solutions, and after that host challenge workshops, where we co-develop solutions and financing mechanisms to specific global challenges.