Addis Ababa Accord "zero draft" - Analysis on innovative financing

Innovative financing is explicitly mentioned three times in the Addis Ababa zero draft:

- **Paragraph 43** encourages the use of **innovative tools, including mobile banking and digitalized payments, to promote financial inclusion** of the poor, women and marginalized communities.
  Innovative tools are therefore stressed as a way to reduce inequalities in terms of access to financial services.

- **Paragraph 46** recognizes the **potential of innovative investment models** such as innovative debt funding structures and securization **to increase SMEs' access to financing**.

- **Paragraph 62** recognizes the **progress made to develop innovative sources such as solidarity taxes**, including the financial transaction tax, and **encourages countries to join the Leading group**.

Other innovative approaches appear in the zero draft without being explicitly labelled as innovative financing:

- **Paragraph 52** recognizes the potential of **blended finance** combining concessional and non-concessional resources as well as public and private resources, including PPPs.

- **Paragraph 58** mentions the **catalytic role of ODA** and specific mechanisms allowing leverage effects such as **blended finance and pooled financing mechanisms**.

The LG Secretariat and the Chilean Presidency welcomes the zero draft and the importance given to innovative financing across the document. Innovative financing is appropriately addressed as the LG activities are mentioned as well as a quite large variety of instruments: innovative sources such as solidarity taxes and innovative mechanisms such as carbon market mechanisms, blended finance, pooled financing mechanisms and innovative investment models.

However, we feel that there is scope for progress and that paragraph 62 could reflect more precisely the concept of innovative financing. Indeed, innovative financing is both about mobilizing more money (innovative sources) and make a better use of it (innovative mechanisms) by combining efforts from various kinds of partners while allowing leverage effects.
Besides, we also recommend a specific reference to the airline ticket levy introduced in several countries (Cameroon, Chile, Republic of Congo, Korea,

France, Madagascar, Mali, Mauritius and Niger) to finance global health via the UNITAID initiative.

We therefore propose the following rewording:

62. We welcome the progress made since the adoption of the Monterrey Consensus to develop and mobilize support for innovative sources of additional official financing for development, in particular by the Leading Group on Innovative Financing for Development. We encourage additional countries to voluntarily join in implementing the agreed ~~mechanisms~~ instruments and to help develop and implement additional innovative modalities, including a widening of countries participating in a financial transaction tax, a tax on airline tickets, carbon taxes or market-based instruments that price carbon, taxes on fuels used in international aviation and maritime activities, or additional tobacco taxes. These sources, based on sectors which most benefit from globalization, should be additional, and disbursed in a manner that respects the priorities of developing countries, and does not unduly burden them. We also welcome the current work led by the Leading Group to explore innovative mechanisms based on models combining public and private resources such as green bonds, vaccine bonds, triangular loans and pull mechanisms.

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The LG permanent Secretariat and the Chilean Presidency invite all LG members and partners to share their views and comments on the parts dedicated to innovative financing in the Addis zero draft. The next drafting session of the Addis Ababa Accord that will take place in New York from April 13th to 17th is an opportunity to put on the table our common remarks and amendments proposals to improve the text.