Grand Bargain Strategic Dialogue on Innovative Financing

Summary Note – 24 June 2024

Grand Bargain Ambassador Michael Köhler convened this strategic dialogue, with the support of ICRC, the Humanitarian Innovative Finance Hub, the World Economic Forum and EU/DG ECHO. The meeting, which was hosted at the ICRC, brought together practitioners and decision-makers with the aim of taking stock of the progress and impacts of innovative financing efforts to this point as well as identifying barriers and enablers to scaling-up innovative financing models and approaches.

The day's discussions were opened by Ambassador Michael Köhler, the ICRC Director for Resource Mobilisation, Olivier Ray, and the World Bank's Geneva Representative, Maria Dimitriadou. They evoked the need to better highlight the impacts of innovative financing models already in use, and to dispel myths around the subject of innovative and private sector finance – in particular that it will effortlessly 'solve' the humanitarian funding gap. They highlighted the contexts where innovative financing may be most useful, particularly in protracted crises as part of a handover strategy to development actors, and emphasised the need to use the Grand Bargain as a primarily humanitarian forum but one which can help develop cross-sectoral collaboration with development and other actors.

> ***Humanitarian Innovative Finance*** *(HIF) reflects a range of financing models and approaches that leverage humanitarian capacity and funding (grants) to catalyze capacity, partnerships and financing (capital) from the development, local and private sectors. At its core, HIF aims to broaden the resource base in fragile settings, generate efficiencies, and achieve more sustainable impact on affected populations - reducing needs and providing humanitarian exit strategies over time.*

The event was split into three broad parts – understanding the existing practice, working on challenges and enablers, and setting out a workplan for the way forward. To set the scene for discussions on scaling up innovative finance models, Dalberg Advisors Partner Layusa Isa-Odidi presented a typology of existing mechanisms and models, based on a preliminary catalogue of case studies developed by the Institute for Management Development (IMD). The typology highlighted that the greatest successes had been in the WASH, livelihoods, and energy/climate sectors to date, often in displacement contexts, with the private sector mainly being involved as a delivery partner on the ground (through local private operators). Asked what the needs were in order to scale up existing pilots, participants noted that more attention needs to be paid to the role of states, who can provide the mandate for development/humanitarian actors to work together in conflict areas, while humanitarians should develop an 'elevator' pitch to sell their unique skillset and experience to public and private investors. All successful models deployed had required some form of blended finance, alongside technical assistance, but the pipeline of projects/investment vehicles was still too narrow, and more funding would be required to develop concrete solutions which can attract investment. It was noted that 'humanitarian' investment projects faced three challenges – how do they generate revenue? Navigating the trade-off between the complexity of the product and the time needed to deliver impact; and the need for standardised products to be able to increase ticket size and attract development bank finance Several participants highlighted the need to provide a more detailed evidence base on finance-backed projects, including on how they can provide return on investment and how the risk is shared. The link to the localisation agenda was also emphasised, with local actors, particularly the local private sector, being integral to many models. DG ECHO highlighted the donor perspective that the key missing piece is the political messaging around innovative finance, specifically what are the impacts and where are they more impactful than traditional funding? Lastly, it was noted that the links to the international private sector were still quite weak (little representation in the room) and that there was still a translation gap between highlighting humanitarian or even development impacts and the financial language and impacts required by international capital.

The challenges to scaling up innovative finance were clearly laid out in the initial session and correlated with those identified by the World Economic Forum at the meeting of its Humanitarian and Resilience Investing (HRI) community (held two weeks prior). Essentially these revolved around a lack of a solid evidence base on impacts and value of innovative finance to help convince political decision makers and investors on the models; limited funding available for unlocking and sourcing investment projects; and fragmentation on pipeline development (developed project by project, organisation by organisation, partner by partner). The majority of the ensuing conversation focussed on the funding needs with humanitarian actors supporting the creation of a pooled fund or more flexible funding to help deliver technical assistance and partnerships with public and private investors.

While the challenges were largely known, less attention has in the past been paid to the enabling work already ongoing to address these issues, including through the HRI-led initiatives to build [organisational readiness for humanitarian investing](). This involves ***building the narrative*** around innovative finance - making a convincing business case for finance projects; ***changing the culture*** – becoming more comfortable working with new partners and evolving understanding of how to generate impact; ***generating a credible pipeline*** – developing projects and partnerships, sharing knowledge on and aiming to scale up successes; and ***expanding funding and financing*** – working to make funding less fragmented, more flexible and predictable, and exploring de-risking solutions for new sources of finance.

In breakout groups, participants were asked to highlight how these enabling factors could be taken forward and what role the Grand Bargain could play in supporting this. Key suggestions revolved around the need to deepen the evidence base and to reach out to and speak the language of stakeholders not currently as engaged in this process e.g. private sector, development actors, states. Some recommendations for how to do this included developing simplified messaging on the impact and value of innovative finance, tailored to various stakeholder groups, including the political level of humanitarian and development actors. While it was agreed the evidence base should be developed, deepening what exists would not be enough, it needs also to speak to new audiences, and help to translate between humanitarian, development and private sector interests and priorities. The day's discussions highlighted the divergence of expectations even within the assembled stakeholders on what would constitute a success or impact and sharpening the evidence base to highlight the impact, value and risks (and mitigations) of innovative finance projects for different audiences would be important. Even within the humanitarian sector there is need for more alignment – between innovative finance specialists, political leadership and the field. Holding a subsequent event in the field, looking at potential innovative finance approaches in a specific country context was mentioned as one potential means of bridging this gap. Equally, recognising the value of the Grand Bargain as a unique platform that brings together key humanitarian actors, the World Bank, the OECD, and UNDP, the participants suggested that it could play a role in helping to develop this common humanitarian narrative first and foremost, whilst also seeking outreach to other forums and actors. To help traverse the fragmented approaches, the Grand Bargain could also help to centralise conversations on exchange of best practice, funding availability and how to provide 'humanitarian technical assistance' to investment projects. This would serve as a first step in preparing the political conversation, defining ambitions, and addressing the political challenges ahead to reach concrete results by 2026—the end of the GB 3.0 iteration.

Concluding the session, Grand Bargain Ambassador Köhler reflected that the day's discussions had shown that there is an emerging body of evidence of the value and impact of innovative financial instruments for helping to address humanitarian needs, as captured in the IMD background document and in the day's discussions. However, it is also clear that work remains to be done, not least on generating pipeline, developing the value proposition, learning new 'languages' to speak to investors, and match making between humanitarians, development actors and private sector. Recalling the need to quickly assess what progress could be made under the Grand Bargain before 2026 without duplicating ongoing initiatives in other fora, it was proposed and agreed that:

- The work to develop the evidence base and political messaging should begin straight away, led by the Overseas Development Institute (ODI), supported by a core group of participants to the meeting with a view to seek a mandate from the Grand Bargain principal level meeting in October to explore opportunities to scale-up innovative finance for humanitarian assistance.
- The ICRC Head of Delegation in Democratic Republic of Congo offered to host a projects-based follow-up event in Kinshasa in January 2025, to help anchor the discussion on concrete case studies at the country level.
- This would be followed by the instigation of a community of practice (CoP) by Signatories who are willing to champion this area of work within the GB. The CoP would develop and refine the work on the most promising models, and better define the scaling ambition and political asks. Building on this preparatory work, a high-level caucus could be considered in 2025 to generate concrete commitments from key stakeholders.