



INNOVATIVE FINANCE FOR MINE ACTION: NEEDS AND POTENTIAL SOLUTIONS





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LIST OF ABBREVIATIONS

APMBC	Anti-Personnel Mine Ban Convention
CCM	Convention on Cluster Munitions
CCW	Convention on Certain Conventional Weapons
DFI	Development finance institutions
DIB	Development Impact Bond
ESG	Environmental, social and governance
Gavi	Gavi, the Vaccine Alliance
GICHD	Geneva International Centre for Humanitarian Demining
Global Fund	Global Fund to Fight AIDS, Tuberculosis and Malaria
GRL	Gearing ratio limit
HFF	Humanitarian Finance Forum
ICMA	International Capital Markets Association
IFFIm	International Finance Facility for Immunisation
IMAS	International Mine Action Standards
ISIS	Islamic State of Iraq and Syria
MDG	Millennium Development Goal
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
UN	United Nations
PEM	Peace-enhancing mechanism
SDGs	Sustainable Development Goals

Innovative Finance

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The Innovative Finance Plenary session at the GICHD Innovation Conference 2023, ©GICHD/Antoine Tardy

EXECUTIVE SUMMARY

The concept of innovative finance includes a wide range of financial mechanisms that aim to achieve development outcomes or impact. The present study examines the needs and funding trends in the mine action sector and the potential application of innovative finance mechanisms to the sector.

Funding for mine action represents a small fraction of overall funding for official development assistance (ODA) and equated to 0.4 per cent of total ODA funding during the period 2011–2022. Beyond this, mine action remains significantly underfunded.

Seventeen countries and territories have reported a combined annual funding gap of at least USD 115 million, solely for the land release aspect of mine action. The overall need is likely to be significantly greater when all affected countries and territories and all pillars of mine action are taken into account and when the funding required to address new contamination from ongoing and new conflicts is included.

Donors that fund mine action are often influenced by new crises and / or major developments in existing conflict settings, which influences both the size of their contributions and how the funds are distributed. This leads to short-term spikes in funding, which adversely affect sustainability and stability in the sector.

The element of ‘innovation’ in innovative finance is the application of existing financial instruments to new markets or the involvement of investors and sources of funding that have not previously been directed to development and humanitarian needs. This study explores two potential innovative finance mechanisms that could be adapted to raise funds for land release: a front-loading mechanism and thematic bonds. The application of such mechanisms to mine action will require the design and implementation of clear governance structures. These should be developed using an inclusive, cross-sectoral approach, adhere to existing sector principles and complement existing sector norms, standards and guidelines.

While there will be unique challenges to the setting up of innovative finance mechanisms for mine action, including a lack of in-sector knowledge of innovative finance and a lack of awareness of mine action among finance actors, such mechanisms have already proven successful in the broader humanitarian aid and development assistance sectors. There is no reason why they cannot be adapted to the mine action sector ultimately to enhance its sustainability, stability and impact.

INTRODUCTION

The concept of innovative finance has gained prominence in the humanitarian aid and development assistance sectors¹ over past decades. Innovative finance was initially developed to address gaps in the funding needed to achieve the Millennium Development Goals (MDGs), as specified in the Monterrey Consensus on Financing for Development 2002,² and then the Sustainable Development Goals (SDGs). Innovative finance draws upon a number of existing and / or new financial mechanisms that can be combined with a view to unlocking new sources of finance.

These new sources of finance have the potential to complement traditional aid and assistance funding streams, thereby accelerating implementation and progress and decreasing the overall dependency of the humanitarian aid and development assistance sectors on traditional funding. The mine action sector is increasingly interested in how innovative finance may be applied to and used within its own line of work.

What is 'mine action'?

Mine action is described in the International Mine Action Standards (IMAS) as 'activities which aim to reduce the social, economic and environmental impact of explosive ordnance'^{3,4}. The IMAS further recognise that 'mine action is not just about demining; it is also about people and societies, and how they are affected by explosive ordnance'.⁵

The objective of mine action is 'to reduce the risk from explosive ordnance to a level where people can live safely; in which economic, social and health development can occur free from the constraints imposed by explosive ordnance contamination, and in which the victims' different needs can be addressed'.⁶ Mine action as a humanitarian endeavour has existed for over 35 years, although demining for military purposes has existed for much longer. Humanitarian mine action originated in 1988 in Afghanistan and was followed by interventions in the early 1990s in Cambodia, Iraq, Mozambique and Angola.⁷

Mine action is considered as comprising five complementary groups of activities:⁸

- Clearance
- Mine risk education
- Victim assistance
- Advocacy
- Stockpile destruction

The IMAS state that a number of other enabling activities are required to support these five pillars of mine action, including the mobilisation and prioritisation of resources.⁹ The present study focuses on the survey and clearance pillar of mine action.



Further details on the scope and limitations of the study are given below.

In terms of international obligations relating to land release, the Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects (Convention on Certain Conventional Weapons (CCW))¹⁰ entered into force in 1983. For States Parties to Protocol V to the Convention,¹¹ there are specific obligations, under Article 3, regarding the marking and clearance, removal or destruction of explosive remnants of war. The Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (Anti-Personnel Mine Ban Convention (APMBC)),¹² which was adopted in 1997, entered into force in 1999. States Parties are required by Article 5 of that Convention to clear and destroy all anti-personnel mines in mined areas. The Convention on Cluster Munitions,¹³ which was adopted in 2008, entered into force in 2010 and also includes survey and clearance obligations, in its Article 4.



NDM-UN26, June 2023 ©GICHD

The application of innovative finance specifically to mine action was first broached at a meeting hosted by Wilton Park¹⁴, in 2018,¹⁵ in preparation for the Fourth Review Conference of the States Parties to the APMBC. In its Action 42, the 2019 Oslo Action Plan,¹⁶ which was adopted by the Review Conference, included a commitment to ‘explore all possible alternative and / or innovative sources of funding’ to address deficits in funding for mine action. Despite that commitment, the annual monitoring of the Oslo Action Plan has not looked at progress in implementation of Action 42.¹⁷ Additionally, only one small-scale pilot project incorporating innovative finance mechanisms for mine action has been undertaken.¹⁸

The present study seeks to assess the feasibility of applying large-scale and individual innovative finance mechanisms to mine action and more specifically to survey and clearance, as those activities are the most costly for the sector. It acknowledges however that other pillars of mine action, such as explosive ordnance risk education and victim assistance, are also significantly underfunded and suggests that they may also benefit from any potential innovative finance mechanisms that could be envisaged for the mine action sector.

The mine action sector currently relies primarily on institutional donor funding. This money originates mainly from a small number of dedicated States, including the United States of America, Japan, Norway and the United Kingdom, as well as the European Union and several of its member States. The study shows that these funding streams fall well below the sector’s needs.

Innovative finance could be used to inject new funding into the mine action sector while simultaneously making use of financial mechanisms that complement traditional funding streams. This would help reduce the sector’s dependency on traditional funding streams and improve the overall stability of its funding.

For the purposes of this study, innovative finance for mine action is defined as:

‘Innovative finance for mine action refers to initiatives that make use of financial mechanisms to channel public and private funds towards mine action to help narrow the funding gap and complement existing funding arrangements in a way that fosters equity, sustainability, efficiency and effectiveness.’



Aim

This study aims to highlight funding challenges within the mine action sector, specifically with regard to land release, and to guide the response to those challenges through potential innovative finance mechanisms that can be explored further by the sector's stakeholders. The objectives of the study are:

To present an overview of funding trends and gaps that affect the ability of countries and territories to make progress towards the completion of land release operations;

To identify why and how innovative financing mechanisms are used in the humanitarian and development sectors;

To assess which mechanisms are the most appropriate and to provide recommendations on how they could be applied to funding for land release.

Methodology and structure

The study used a combination of desktop research and anonymous stakeholder interviews. A total of 25 stakeholders were interviewed: representatives of 7 countries and territories affected by explosive ordnance, 6 international and non-governmental organisations, 4 donor Governments, 2 multilateral institutions and 1 philanthropic foundation and 5 finance and banking experts involved in innovative finance initiatives in other sectors. Most of the stakeholders were selected to ensure that there was a range of perspectives on the needs for funding in the mine action sector, its drivers and the receptiveness within the sector to the potential use of innovative finance mechanisms. The finance and banking experts were selected specifically for their knowledge of the models analysed in this study and their general knowledge of the practical applicability of innovative finance mechanisms in the humanitarian and development sectors.

The desktop research and stakeholder interviews provided clarity regarding the potential for innovative finance mechanisms to be applied to the mine action sector and indicated that there may be a lack of common processes to support practitioners in applying existing innovative finance mechanisms to new markets / sectors.

On that understanding, a five-stage process was developed to be followed in applying innovative finance mechanisms to a new market:

1. Assess the funding trends, gap and needs associated with the humanitarian / development area identified;
2. Assess which innovative finance mechanisms are appropriate for addressing the funding gap or needs identified;
3. Analyse the governance structures required for and the costs, risks and constraints associated with the identified innovative finance mechanism;
4. Identify the stakeholders and the enabling environment required for implementation of the mechanism (including de-risking measures, to avoid rather than manage risks, if required);
5. Establish the governance structure, time frame, resources, policies and processes needed to implement the innovative finance mechanism.¹⁹

The five-stage process is incorporated into the structure of the study as follows:

- **Section A** analyses mine action funding trends over the period 2011–2022. This is done using available data on funding, donor and recipient funding trends, drivers of donor strategies and donor funding priorities. It considers the status of funding needs for land release activities. (Stage 1)
- **Section B** introduces the concept of innovative finance, the potential for it to be applied to mine action to address funding gaps, thereby enabling the completion of land release processes, and how and where innovative finance can play a role. (Stage 2)
- **Section C** assesses the hypothetical application of two innovative finance models to the mine action sector and addresses key considerations in the development of such models. (Stage 3)

Upon selection of one specific mechanism for the mine action sector, further analysis would be needed to complete stage 3 of the assessment process and prepare the ground for stages 4 and 5.

Data

It is important to note that, although mine action has existed for and evolved over several decades, this study has set a specific time frame for its analysis. The period 2011–2022 has been considered as appropriate and sufficient for identifying funding trends and the potential relevance of innovative financing mechanisms. The data was gathered from a number of sources, including:

- Open-source data from *Landmine Monitor* annual reports (for mine action funding);
- Donor strategies, where publicly available;
- Open-source data on the national strategies of mine-affected countries, APMBC requests for extension of the deadline for completing the destruction of anti-personnel mines in mined areas in accordance with Article 5, APMBC Article 7 reports, APMBC statements of country funding needs, CCM requests for extension of the clearance deadline in accordance with Article 4, CCM Article 7 extension reports and CCW Protocol V national annual reports;
- Open-source data from Mine Action Review on the status of explosive ordnance contamination in affected countries and territories;
- Open-source data from innovative finance reports, feasibility studies in other sectors, evaluations of existing models and annual reports from organisations operating innovative finance mechanisms;
- Open-source data from the World Bank, the Organisation for Economic Co-operation and Development (OECD) and online publishers of global statistics;
- Additional data gathered from conferences and events related to mine action and innovative finance.

Study limitations

For the purposes of this study, the funding needs estimated in section A are derived solely from APMBC reports and related national strategies. Data derived from these sources have been used to give an indication of the funding needs and related gaps in the mine action sector.

The mine action sector does not have comprehensive systems in place to collect and report data on funding and needs. This is primarily due to the absence of a formal funding data collection obligation and the lack of a requirement for States Parties to the APMBC, CCM and CCW to report on funding. There is an exception, however, in the APMBC Article 5 extension and the CCM Article 4 extension request processes, where good practice requires States Parties to present time-bound and costed work plans.²⁰

Furthermore, there are inconsistencies in reporting. For example, some philanthropic or private sector funding is not accounted for in *Landmine Monitor* reports. Likewise, there are inconsistencies in the data reported publicly on funding needs per country. While, for the purposes of this study, some of these inconsistencies were addressed through the stakeholder interviews, the exercise of analysis endeavoured to identify broad trends, recognising that inconsistencies or gaps in the data existed.

It is also worth noting that, while the focus of the study is on land release, the funding data outlined in section A reflect contributions for mine action in general. The data on total funding for mine action, which originate from *Landmine Monitor* reports, represent the most complete set of data available and were thus selected for use in the study. Although *Landmine Monitor* reports contain a subsection focused specifically on funding for ‘clearance and integrated clearance programs’, this information is not disaggregated by recipient country / territory, nor by donor. That subsection also includes funding for other activities that form part of integrated clearance programmes (risk education, victim assistance, capacity-building, information management and gender mainstreaming) and is thereby not strictly representative of funding for clearance only.

In section B, the concept of peace bonds is introduced as a type of thematic bond that aims to improve peace in fragile and conflict-affected countries. The development of peace bonds as a new type of thematic bond and their intended implementation in conflict-affected countries make them a useful innovative finance model to assess. They are, however, very new and, as such, comprehensive data on their impact and implementation costs are not yet available. The information on peace bonds has therefore been drawn from a feasibility study on the bonds developed by Finance for Peace, and additional information was gained through interviews and email exchanges with representatives of the organisation.

SECTION A – MINE ACTION FUNDING STATUS AND TRENDS

1. Funding trends

Funding for mine action represents a small portion of overall ODA, which is defined as ‘government aid that promotes and specifically targets the economic development and welfare of developing countries’.²¹ Annual international mine action funding for the period 2011–2022 as a percentage of total ODA funding was approximately 0.4 per cent. The yearly figures are shown in figure 1 below.

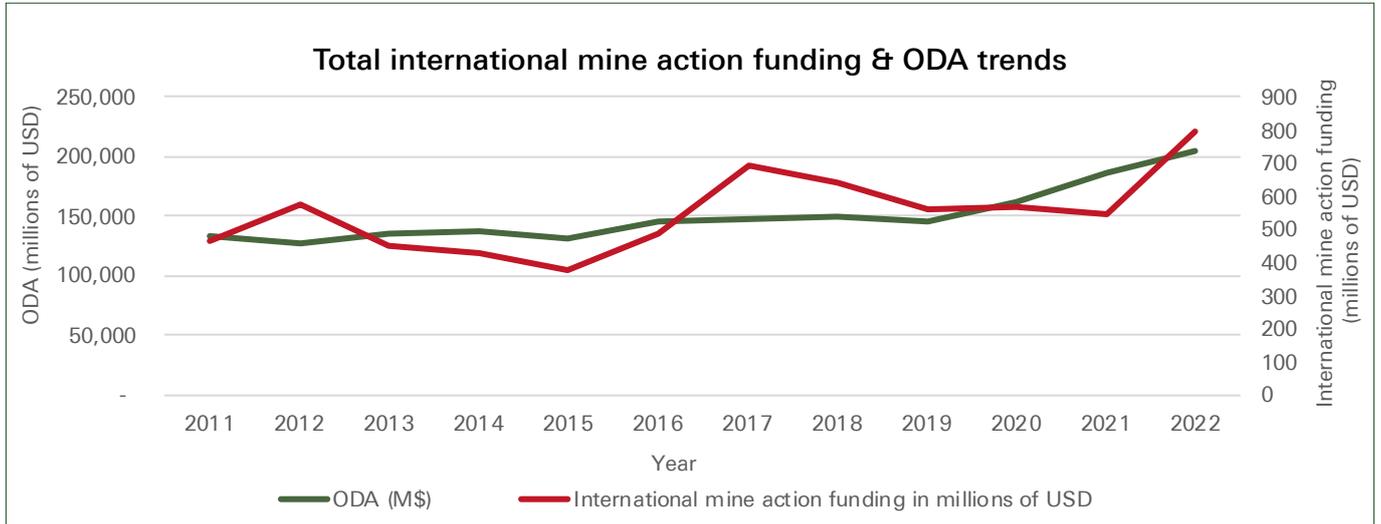


Figure 1: Total annual international mine action funding compared with total annual ODA²² during the period 2011–2022.

According to data from the annual *Landmine Monitor* reports (Figure 2), international funding specifically for mine action, on average, totalled USD 548 million per annum between 2011 and 2022, albeit with significant fluctuations from year to year. After an increase in 2012, a three-year decline in funding is noticeable, followed by a small upturn in funding in 2016 and a more substantial increase in 2017. Following this increase, however, there is another period of decline, with annual funding levels in the years 2019–2021 equating to less than the annual funding level in 2012, 2017 and 2018. The last year reported, 2022, saw a significant increase in international contributions, largely owing to an increase in support for Ukraine following the escalation of the conflict.



Figure 2: Annual international funding for mine action during the period 2011–2022.

Landmine Monitor reports also show that national funding, namely contributions made by affected countries and territories, decreased over the period under review, accounting for, on average, approximately 10 per cent of global funding over the period.²³

Given the significant fluctuations in funding between years, the funding picture alone indicates a gradual increase in annual funding over time. It is also important, however, to look at how the funding was allocated and the impact of inflation. As mentioned above, the funding total for 2022 shows a significant increase compared with previous years. Given, however, that approximately 20 per cent of the funding in 2022 was allocated to Ukraine, the rest of the mine action sector received funding that was below the levels for 2017 and 2018. Funding for mine action in Ukraine represented only 1 per cent of total funding in 2017 and approximately 2 per cent in 2018.

In addition, global funding for mine action is declining in real terms against global inflation. Figure 3, which shows annual international mine action funding compared with inflation-adjusted mine action funding, indicates that global mine action funding was 18 per cent lower in real terms during the period 2011–2022, a difference that equates to USD 1.18 billion.²⁴ Furthermore, funding levels between 2011 and 2022 differ by only USD 55 million when inflation is factored in rather than USD 332 million when it is not. It is important to note that the impact of global inflation varies depending on changes in the exchange rate between donor currencies and the currencies of affected countries.

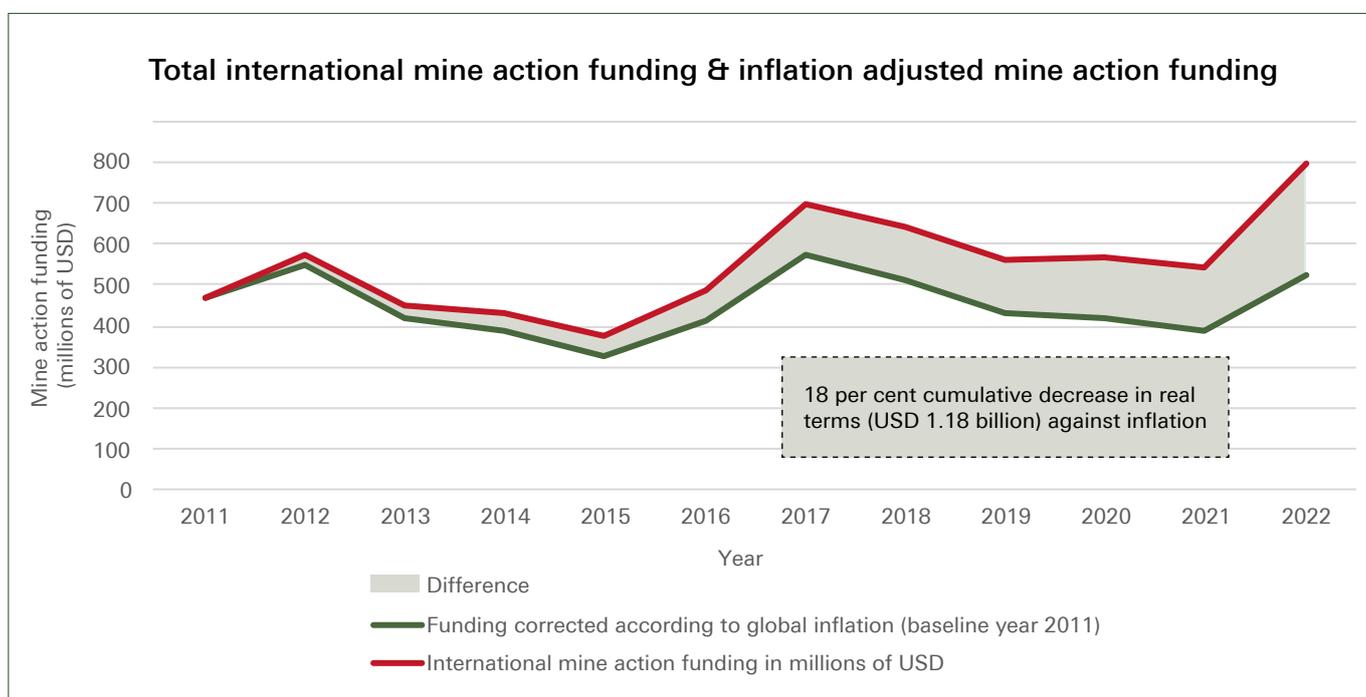


Figure 3: Total annual international mine action funding compared with inflation-adjusted international mine action funding, based on global inflation rates from a baseline year of 2011.



Meanwhile, ODA rose by 2.5 per cent over the period 2011–2019, before an increase of 4.1 per cent in 2020–2021 as a result of funds for vaccinations against the coronavirus disease (COVID-19).²⁵ Mine action funding, however, experienced much more drastic changes from year to year with notable short-lived peaks. Figure 4 compares the annual change in the two categories of funding.

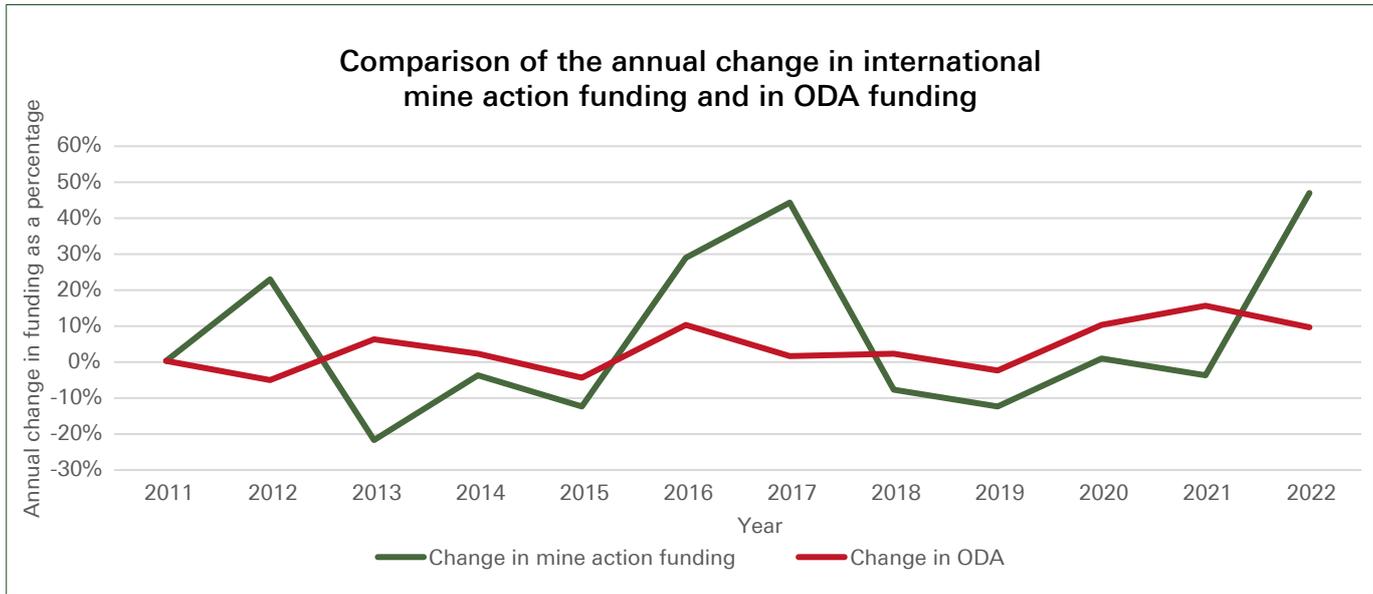


Figure 4: The annual change in international mine action funding compared with the annual change in ODA funding during the period 2011–2022.

Analysis shows that fluctuations in mine action funding can be significantly influenced by emerging or new crises or by significant developments in ongoing conflicts, which can cause notable funding spikes, as seen above in relation to Ukraine. Funding data show other such spikes in response to the humanitarian crisis posed by improvised explosive devices laid by the Islamic State of Iraq and Syria (ISIS) in those countries between 2015 and 2017, many of which functioned as anti-personnel landmines; in 2012 after the battle for Mogadishu in Somalia; and after the 2016 signature of the peace agreement between the Government of Colombia and the Revolutionary Armed Forces of Colombia–People’s Army (FARC–EP).

The 2012 funding spike in Somalia is depicted in figure 5. The main contributors of funds included the European Union (USD 16.7 million) and Japan (USD 4 million). The following year, the funding for Somalia decreased by over 50 per cent and, despite some fluctuations, amounted, on average, to USD 10.8 million per year for the period 2013–2022.

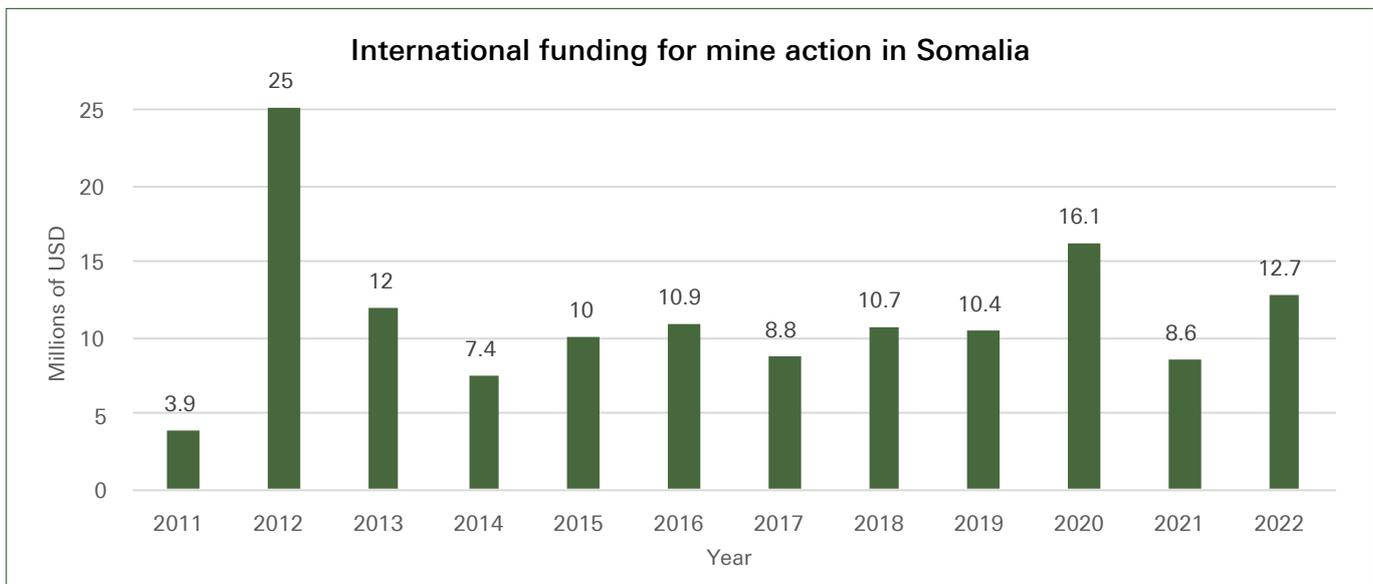


Figure 5: Annual international funding for mine action in Somalia during the period 2011–2022.

The 2017 spike in funding for Colombia shows that the funding that year was more than double the amount received in 2016, as seen in figure 6. In 2016, *Landmine Monitor* stated that ‘the peace process between the Government and the FARC has been a strong incentive for donors to contribute to mine action efforts in Colombia’.²⁶ The main sources of international funding for Colombia in 2017 originated from the United States (USD 21 million, an increase of USD 12.5 million compared with 2016), the Howard G. Buffet Foundation (USD 16.1 million, a new source of funding for Colombia) and Japan (USD 9.2 million, an increase of USD 7.8 million compared with 2016).²⁷ This support quickly tapered off, however, decreasing by nearly 50 per cent in 2018 and averaging USD 33.7 million per year during the period 2018–2022.

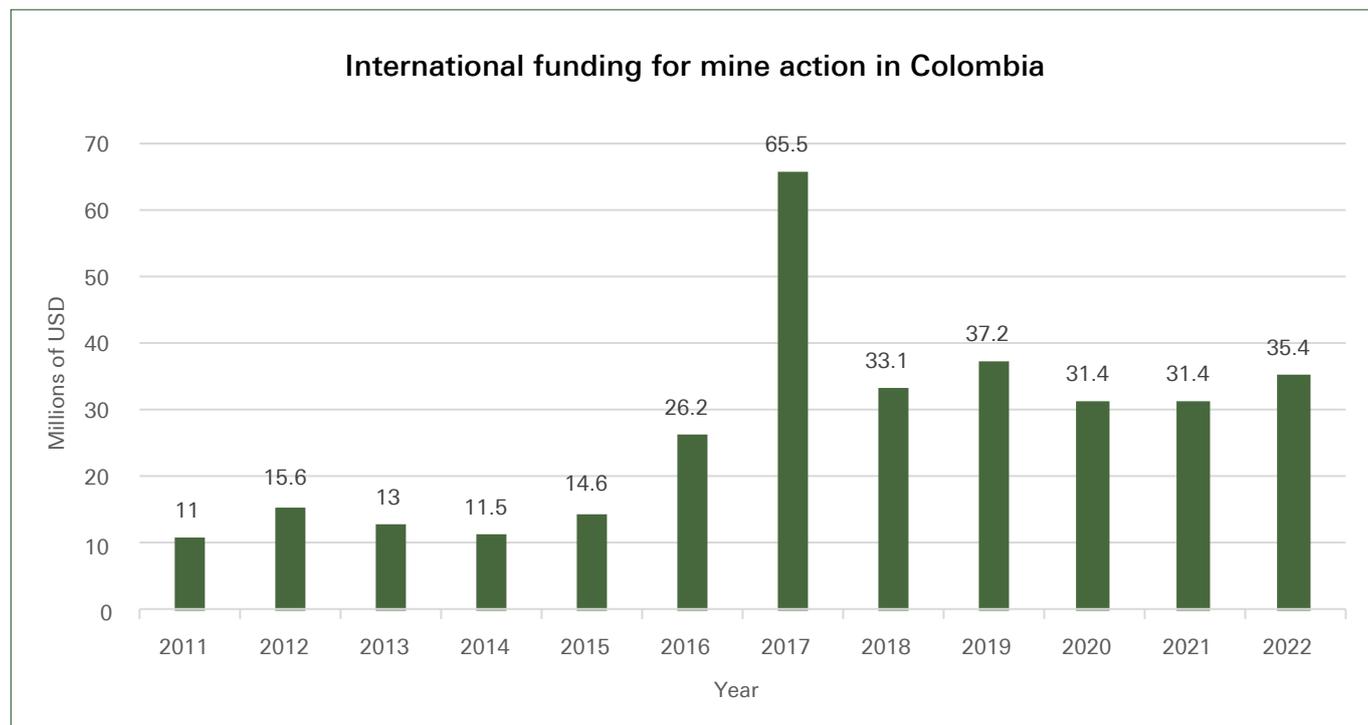


Figure 6: Annual international funding for mine action in Colombia during the period 2011–2022.

Data from *Landmine Monitor 2018*²⁸ show that donors committed USD 190 million in new funding to mine action in 2017, the majority coming from Germany and the United States. The data, however, show that donor support to new crises, such as that in Iraq in 2017, waned quickly, leading to a sharp drop in funding after only two years. The pattern of annual funding for Iraq is shown in figure 7 below.

Reports of funding for mine action in Ukraine since February 2022 show a similar surge as in Iraq, with an increase of USD 141 million for Ukraine in 2022 compared with the previous year. While the stakeholder analysis confirmed that the trend of increased funding continued into 2023, some key donors to mine action in Ukraine indicated that the increase might also be short-lived owing to competing priorities for funding and new emergencies. Figure 7 also shows the pattern of annual funding for Ukraine. There is a surge of support to mine action in Ukraine, beginning almost immediately after the start of the escalation of hostilities, as mine action is one of the first humanitarian activities that donors look to fund to enable further humanitarian relief and recovery.



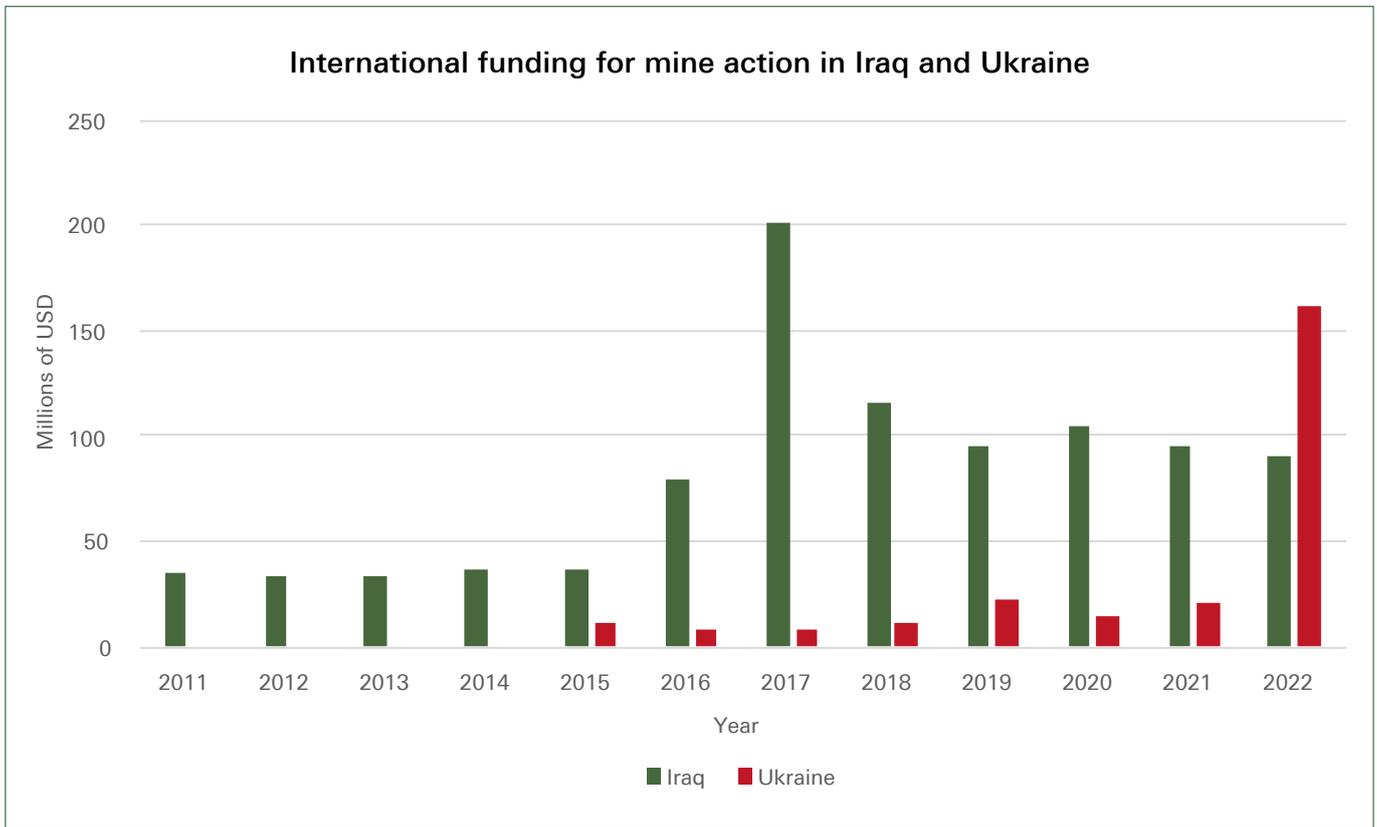
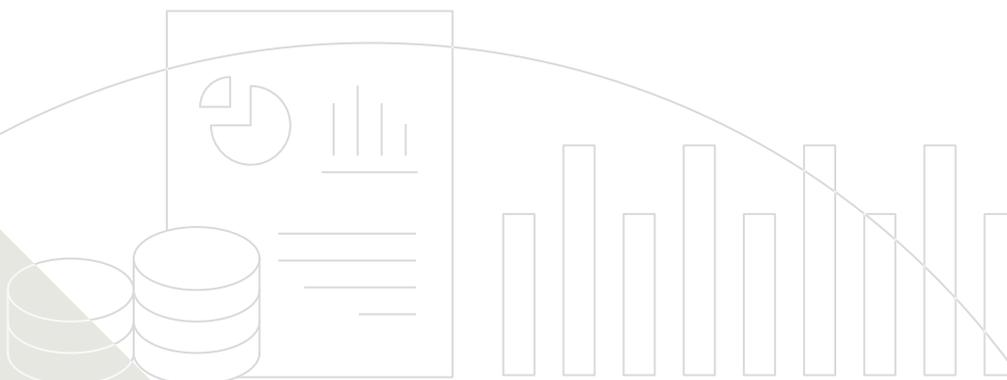


Figure 7: Annual international mine action funding for Iraq and Ukraine during the period 2011–2022.

Research in *Landmine Monitor* for 2022 indicated that funding for the mine action sector reached an all-time high that year, with the situation in Ukraine being a key factor. *Landmine Monitor* also noted significant increases for other countries compared with 2021 totals, notably Afghanistan (USD 16.9 million more), Azerbaijan (USD 9 million more) and, most significantly, Yemen (USD 56 million more). The majority of the increase for Yemen was the result of the formal reporting, for the first time, of the support of Saudi Arabia to Project Masam, despite the funding having been in place for several years according to the Project’s website.²⁹

While the total level of funding to mine action globally increased in 2022, only a few affected countries and territories had the opportunity to benefit from the additional funds. Funding levels to approximately 15 countries and territories declined in 2022 compared with 2021. In 2022, most mine action programmes also suffered from the impact of inflation on operating costs, which resulted in a decline in funding in real terms.



2. Sources of funding

Funding for mine action comes predominantly from high-income countries and multilateral donors, including international and regional organisations. While there are some sources of private and philanthropic funding for the mine action sector, these are not recorded in full in the annual data on support to mine action presented in *Landmine Monitor* reports. Neither are they reported consistently or systematically anywhere else.

Data in *Landmine Monitor* annual reports show that 22 key donors funded mine action over the period 2011–2022, allocating a total of USD 6.3 billion. The full list of donors and their total funding contribution is shown in figure 8.

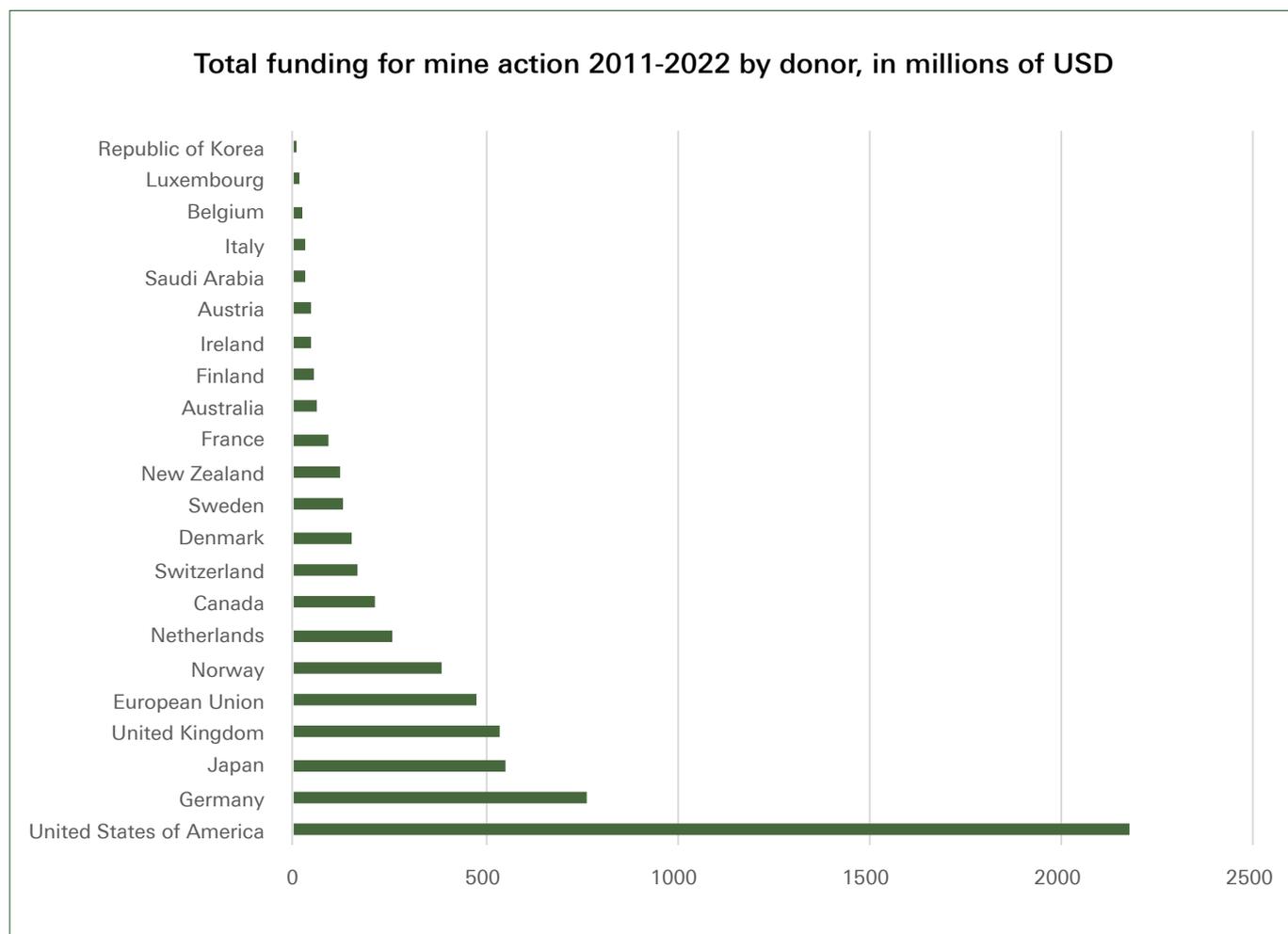


Figure 8: Total cumulative funding for mine action during the period 2011–2022 by donor.

Between 2011 and 2022, the top six donors each year consistently provided over 70 per cent of the annual international funding for mine action. The top donors fluctuated slightly over that period, with Australia, Canada, Switzerland and the Netherlands entering the top six in some years. Since 2017, however, the same six donors have remained at the top: the United States, Germany, Japan, the United Kingdom, the European Union and Norway.

Data in *Landmine Monitor* reports show that, between 2011 and 2022, 19 countries and territories contributed funding to their national mine action programmes and over 50 countries and territories received international funding. The top national donors in terms of total cumulative contributions to their national mine action programmes were Angola (approximately USD 555 million), Croatia (approximately USD 250 million) and Bosnia and Herzegovina (approximately USD 102 million). Even though Angola was the largest contributor to its national programme, there was a sharp decline in national funding between 2014 to 2016 following the crash in global oil prices, as oil is a key driver of the national economy. International funding for Angola and national contributions are shown in figure 9 below.

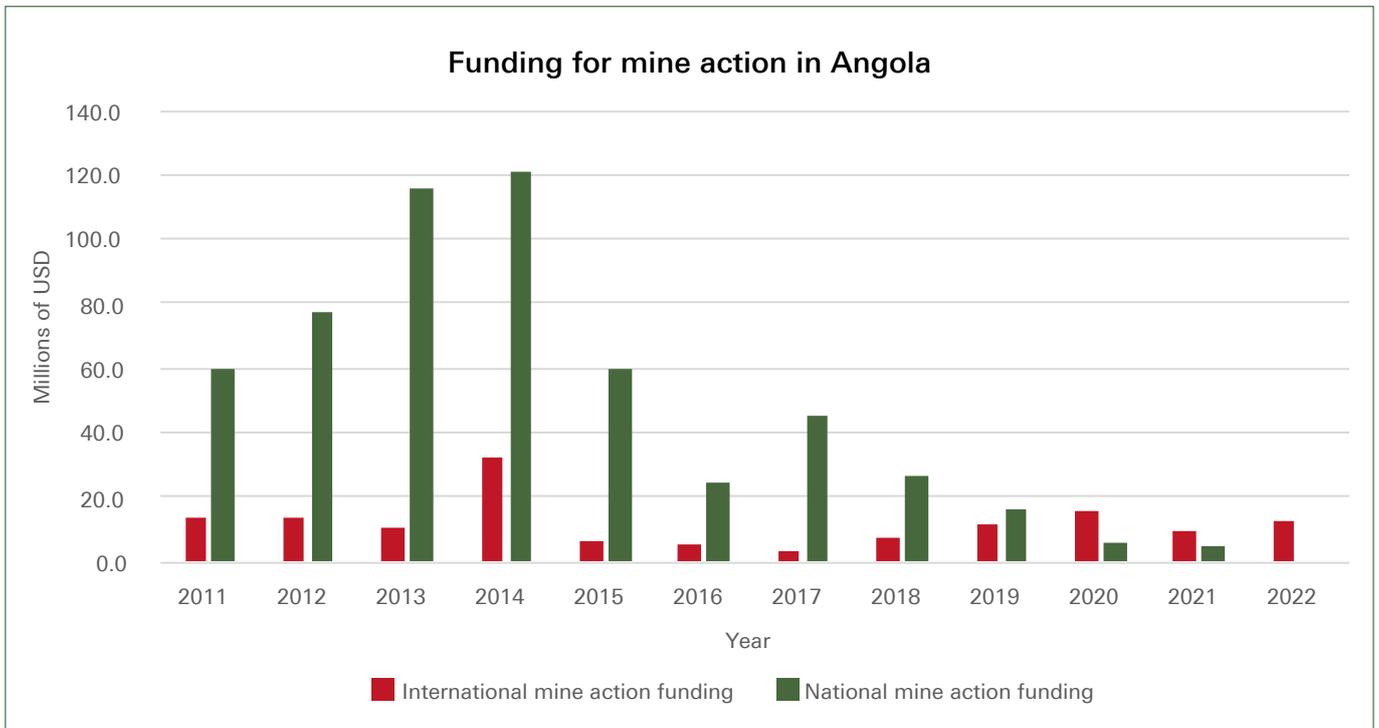


Figure 9: Annual totals of international and national mine action funding for Angola during the period 2011–2022.

Note: The Government of Angola did not report any national contributions in 2022, but Landmine Monitor reported that it provided financial support to the National Agency for Action Against Mines (Agência Nacional de Acção contra Minas, ANAM) and was the largest donor to the HALO Trust in Angola.³⁰

There is also evidence of other donors’ contributions to specific mine action projects going largely unreported in publicly available data. As stated above, the Government of Saudi Arabia first reported funding of USD 33 million to land release in Yemen through Project Masam in 2023.³¹ Project Masam began in 2018, however, and was reported to have cost at least USD 167 million by April 2023.³²

In addition, funding for commercial clearance or verification is not included in the analysis of this study. This is due to a lack of accurate and transparent data on such initiatives and the potential misalignment between commercial activities and mine action. Examples of such projects include surveys, seabed or ground verification activities and clearance aiming to ensure that an area is safe for economic activity such as mining, construction, fossil-fuel exploration or offshore wind farming.

Private funding for mine action is not included in the analysis either, as it is not reported consistently. The recent surge in funding for Ukraine has brought an increase in private sector funding for mine action, either through direct support to the country’s national land release capacity or support to NGOs and commercial clearance organisations. One of the largest private supporters of mine action in Ukraine, the Howard G. Buffett Foundation, reported donations of USD 24 million to Ukraine in 2022.³³





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Existing mechanisms for funding and donor coordination

There are a number of processes in the mine action sector that can influence and drive funding flows and priorities. These include initiatives related to the APMBC and the CCM, UN-coordinated initiatives and initiatives led by donors, affected countries and territories or NGOs.

This study does not attempt to produce an exhaustive list of initiatives, but the following are key mechanisms that have the greatest potential to influence the effective application of donor funding and innovative finance to the completion of land release in mine-affected countries:

- Mine Action Support Group (MASG).
- APMBC Committee on Enhancement of Cooperation and Assistance
- APMBC Committee on Article 5 Implementation³⁴
- Individualised Approach³⁵ or Country Coalition³⁶ processes
- Recipient-country-led donor pledging meetings

Although the APMBC Committee on Enhancement of Cooperation and Assistance has engaged in some discussion on the potential application of innovative finance, owing to the inclusion of innovative finance in the Oslo Action Plan,³⁷ it has yet to become a key part of any of the coordination mechanisms. The existing mechanisms may prove useful in the application of innovative finance, owing to the importance of new funding streams having clear guidelines and governance to ensure that they deliver the required impact. This is explored further in section B.

Stakeholder feedback on funding sources and drivers

Interviews with most of the respondents consulted for this study confirmed that the majority of decisions about global mine action funding allocations are made by international donors. Key drivers for major donors from high-income countries³⁸ are humanitarian needs; development and political agendas and strategies; and the need for transparency regarding aid expenditure to ensure accountability to national taxpayers.

While the donors interviewed acknowledged that the current funding system was imperfect, they highlighted the importance of justifying expenditure on mine action within line ministries. One major government donor, for example, was required to make a competitive internal business case for mine action, solely in terms of development outcomes and achievement of the SDGs. Otherwise, other proposals for ODA allocation would succeed at the expense of mine action.

For the same donor, the provision of funds for a humanitarian response was a major challenge given the difficulty of measuring the development impact of short-term humanitarian outcomes. With mine action primarily seen through a development lens for this donor, mine action is not included in ringfenced humanitarian budgets.

Other donors confirmed the need to make mine action fit within various overarching funding rationales, notably funding categories linked to stabilisation or humanitarian endeavours. This creates challenges for many so-called legacy contexts where, often, there is no longer instability or a humanitarian emergency. Common to all consultations with donors, however, was the need to demonstrate value for money in aid and the need for donors to be seen as responding quickly and tangibly to prevailing issues and crises.

Given that a certain aid scepticism seems to be present in Western Europe, which is one of the largest traditional donor bases for mine action, respondents were of the view that it was crucial for the impact of mine action to be visible and tangible if continued funding for mine action were to be secured among other competing priorities. They also considered that the setting of measurable, concrete milestones and the achievement of outputs were important donor mechanisms for justifying funding for mine action, and the linking of mine action and broader issues, such as women's empowerment and environmental protection, resonated both with the public and with broader aid priorities.

Donors consulted as part of the study reported a strong appetite for informal donor coordination, but stated that the extent to which that was possible was limited by differing national rationales for the funding of mine action. This limited overall alignment between donors for the coordination of funding to specific countries to achieve the same donor objective. Different fiscal years, funding strategies and capacities within line ministries also played a part, making coordination often informal and ad hoc. For States Parties to the APMBC, support for treaty implementation was a factor in providing support for mine action, but was not a sufficient rationale on its own.

Stakeholder feedback on funding trends

Donors, operators and national authorities said that funding trends in the mine action sector were broadly stable for some long-standing programmes, particularly in South-East Asia. Even with limitations on a donor's ability to issue multi-year contracts, a long-term informal commitment to a country, territory or region reportedly brought a feeling of stability, particularly if the commitment came from a top donor, such as the United States of America.

Similarly, the withdrawal of one of the sector's major donors from a country or territory could have a significant effect on an operator's ability to maintain a viable programme. This was a major concern raised by national authorities and affected their ability to implement national strategies and deliver on international treaty obligations.

As an example, although funding for mine action was returning to Syria in the years following the height of the sector's response to ISIS, some of the sector's major conventional donors were deprioritising parts of the Middle East, particularly Lebanon, Iraq and Yemen. This threatened progress and the viability of programmes. Similarly, uncertainty about the continuation of funding to Sri Lanka and Zimbabwe was highlighted as a key impediment to the achievement of completion targets for land release there.

During the consultations, stakeholders indicated that political and donor attention often moved on rapidly as new crises emerged, with surges in funding enabling a large scale-up, but not lasting long enough to permit long-term planning. The situation in Iraq and Syria in relation to the conflict with ISIS was frequently given as an example. Overall, those consulted considered funding for the sector unstable and unpredictable, which supported the findings of the desktop analysis. Furthermore, there was broad agreement on both the causes and impact of the funding volatility.



The following factors were identified as key in causing funding instability and unpredictability:

1. Government procurement cycles and procedures set limits on contract duration and funding commitments, with both often limited to 12-month terms;
2. New emergencies and crises require the revision of existing priorities and the reallocation of funds and commitments, with the most recent example being the situation in Ukraine;
3. End-of-year funding provided when donors have underspent on their budgets requires the scale-up of operations and related procurement to take place at short notice, often without confirmation that the funding will be sustainable.

The key impacts of these factors were identified as follows:

1. Notice periods for staff often come into effect before confirmation of funding from a donor is secured, which requires operators to carry a liability and / or creates instability and uncertainty for large numbers of staff;
2. For operator organisations dependent on income earned from operational implementation contracts, there is uncertainty about the appropriate scale of the body of support staff and their functions;
3. Donor teams and national authorities need to spend a lot of time on compliant procurement, contract management and reporting, which leaves little time to explore new policies and approaches, including in relation to innovative finance.

While traditional mine action donors are often restricted in terms of their contractual commitments, many seek to mitigate this by developing multi-year mine action strategies. While such strategies typically reference support for the implementation of other countries' national strategies on mine action and Convention obligations, they do not typically refer to specific national plans or to the funding needs reported through Convention mechanisms.

3. Recipients of funding

Over 50 countries and territories received international funding between 2011 and 2022, according to *Landmine Monitor* reports. The top 20 recipients are shown in figure 10, which also shows the estimated total funding provided to those recipients over the same period. As mentioned previously, the figures do not include funding from private donors and philanthropy or unreported contributions. Some donor funding is reported as allocated to ‘global’ programmes and, given that the disaggregation of those funds by country or territory is not possible on the basis of publicly available data, it has not been included in the funding totals.

State	State Party to the APMBC? (Yes or no)	Total international funding received during the period 2011–2022 (in millions of USD)
Iraq	Y	956.6
Afghanistan	Y	752.4
Lao People’s Democratic Republic	N	477.9
Cambodia	Y	336.1
Colombia	Y	325.9
Syria	N	322.6
Ukraine	Y	261.0
Croatia	Y	184.6
Libya	N	177.6
Lebanon	N	163.3
Vietnam	N	150.5
Yemen	Y	140.0
Angola	Y	139.1
Somalia	Y	132.6
Sri Lanka	Y	122.9
South Sudan	Y	121.0
Bosnia and Herzegovina	Y	107.5
Democratic Republic of the Congo	Y	78.1
Myanmar	N	66.9
Zimbabwe	Y	62.1

Figure 10: The top 20 recipients of international funding for mine action during the period 2011–2022 (from highest to lowest funding levels).

Over the period 2011–2022, the top 10 recipient countries and territories remained broadly the same, although they differed in order.

From 2011 to 2015, Afghanistan received the most international funding, with Iraq taking over in 2015 in response to the new humanitarian emergency caused by proliferation, by ISIS, of improvised explosive devices that functioned as anti-personnel mines. In 2022, Ukraine became the largest recipient of international mine action funding, receiving approximately 20 per cent of the total global funding that year.

In terms of the distribution of funding, while 60 countries and territories are reported to remain contaminated by landmines, each year, between 2011–2022, more than 70 per cent of the total funding recorded went to the top 10 recipient countries and territories. Over the same period, each year, the top five recipients received over 50 per cent of the total funding.

The profile of the top five recipients shows three key trends. First, the majority of funding typically goes to countries and territories where the humanitarian emergency is most recent, such as in the cases of Afghanistan and Iraq. Second, the majority of funding is typically allocated to countries and territories that have anti-personnel landmine contamination classified by the Mine Action Review as ‘massive’ (covering more than 100 square kilometres) or ‘large’ (covering 20–99 square kilometres), as in the cases of Afghanistan, Cambodia and Iraq. Third, the largest donors have a significant impact on the global funding distribution picture, with the United States being the largest donor to mine action in Cambodia, Colombia and the Lao People’s Democratic Republic.

Funding priorities therefore fluctuate and correspond to the humanitarian needs, to the scale of the contamination or to a donor’s own strategic priorities. Sometimes two or all three of these factors are taken into account when funding allocation decisions are made.

It is important to note that donor strategies do not often make a distinction between funding for countries and territories affected by landmines and those affected by cluster munitions. Similarly, it is not possible to identify clearly the global split between the funding that is allocated to the release of land contaminated by landmines, by cluster munitions or by other unexploded explosive ordnance. Additionally, it is not possible to identify the exact proportion of the total funding that is allocated to each pillar of mine action in each recipient country. Analysis by *Landmine Monitor*, however, shows that, on average, over the period 2011–2022, approximately 60 per cent of the total funding per year was spent on land release and explosive ordnance risk education.



4. Funding needs

The mine action sector holds very few data on the funding needed to complete land release in mine-affected countries and territories. The sources of such data include APMBC Article 7 reports, APMBC statements of country funding needs, CCM Article 4 extension requests, CCM Article 7 reports and CCW Protocol V national annual reports. All States Parties to the APMBC and the CCM are required to submit their respective article 7 reports every year and those with active mine contamination are also required to report against their respective Article 5 (APMBC) and Article 4 (CCM) commitments.

States Parties to the APMBC are encouraged, but are not formally required, to include time-bound and costed workplans in their extension requests. The requests must, however, contain an overview of the financial and technical means available to the State Party to survey and clear anti-personnel mines.³⁹ There is no precise methodology, however, for calculating the cost of workplans. States Parties are not explicitly required to report on funding, cooperation and assistance needs as part of the Article 7 reporting process. For States that are not party to the APMBC, even fewer data are available.

National mine action strategies can be an additional source of data on funding needs. In several cases, the strategies provide the affected country with a means of calculating the funding needed for implementation of its mine action programme, which is then communicated through the reporting mechanisms of the relevant conventions.

As previously stated, the funding needs estimated in the present section are derived solely from APMBC reporting and related national strategies. Data derived from these sources have been used to provide an estimation of the funding needs and related gaps in the mine action sector. The desk analysis of available data on funding needs from the most recent APMBC Article 5 extension requests, Article 7 reports and publicly available national strategies found that only 17 States⁴⁰ had provided an estimate of the cost of completion of

their land release commitments under Article 5. The combined cost reported by those 17 States amounts to some USD 1.69 billion.

Further analysis of the figures reported shows that a broad range of methodologies were used to estimate the costs. For example, some countries and territories seem to apply, to the total suspected hazardous area in the country, an average cost per square metre of land clearance. Others apply a more nuanced approach, distinguishing the cost of survey of suspected hazardous areas from the cost of clearance of confirmed hazardous areas to provides a more accurate cost estimate. More detailed approaches to calculating cost may also be applied in some cases where the necessary data is available, for example by applying different assumptions to the cost of land release depending on the topography, soil, vegetation and mine contamination.

The significant variation in the estimation methodologies implies that the estimates are of varying degrees of accuracy and reliability and that the quality of the data also varies. Although data quality is currently not formally audited, a general assessment made under the scope of this study indicates that only half of the cost estimates are calculated with a reasonable degree of accuracy. It is to be noted that there was a strong correlation between the existence of clear national mine action strategies as well as strong national ownership in a country or territory and the production of a good foundational cost estimate by that country or territory.

In relation to the average annual mine action funding allocated to these 17 States over the period 2018–2022, the cost estimates revealed an annual funding gap of USD 115 million if the parties were to achieve completion of their land release commitments under Article 5 of the APMBC within five years. The funding received by these 17 States represented just 40 per cent of the total mine action funding allocated per year over the period 2018–2022, indicating that 60 per cent of mine action funding went to countries and territories that had not recorded an estimate of their completion costs. Owing to the lack of data on completion costs for several highly contaminated countries and territories, including Afghanistan and Yemen, the funding gap of USD 115 million per annum mentioned above remains exceptionally modest. The figure is significantly below the true amount required across all affected countries and territories.

The estimated funding gap does not take into consideration the funding needed to address new contamination that continues to arise in ongoing conflicts, such as, at the time of writing, in Gaza, Sudan and Ukraine. For Ukraine alone, it was estimated by the World Bank in February 2024 that USD 34.6 billion would be needed to address recent contamination.⁴¹

Stakeholder feedback on national ownership

While there is no single, universally recognised definition of 'national ownership', OECD states that ownership is a key principle of aid effectiveness and defines ownership as the situation whereby 'partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions'.⁴² This notion includes the commitment of donors to 'respect partner country leadership and help strengthen their capacity to exercise it'.⁴³

The consultations with national authorities conducted as part of this study aimed to increase understanding not only of the in-country funding situation for a given national mine action programme, but also of the extent to which current funding modalities facilitated national ownership of the programme.

During the consultations, several national authorities noted that the majority of funding for implementation of their mine action programmes is channelled through international mine action operators or UN-affiliated entities. While the interventions of such organisations are typically designed to support the implementation of national strategies, and while some of the interventions also support local partner organisations, there is often little involvement by the national authority in project design, and projects do not typically support national authorities' financial needs.

Some national authorities expressed the desire for all funding to be channelled through national oversight bodies. Others, however, noted the confidence that donors have in international mine action organisations, particularly given their success in meeting often complex donor-reporting and compliance requirements. The consultations confirmed the finding of the desktop assessment that very few avenues for funding mine action were available to most national authorities.

Meanwhile, several national authorities stated that their overarching priority was to ensure that salaries and other national mine action programme operating costs were covered. In a similar way to donors, national authorities said that they needed to make the case for mine action, which had to withstand domestic fiscal pressure and compete with other priorities.

In terms of advocacy for sufficient funding for national mine action programmes, the Mine Action Support Group (MASG) offers a structured but informal set-up for exchange and coordination among major government donors. Nevertheless, affected countries and territories did not cite the MASG as a key forum for engagement. This was the same in the national reporting; the MASG was not mentioned by any affected State.

According to the stakeholders consulted during the data-collection phase of the study, the priorities, lobbying and general influence of major international mine action operators can significantly affect donors' funding decisions. Donor confidence is also genuinely higher in situations where a national authority works closely with an international NGO or with other relevant bodies that provided support for capacity enhancement in terms of strategic planning or Convention-related reporting.

National ownership was most clearly demonstrated by States with Convention obligations, specifically via the processes for seeking extensions to their deadlines under the APMBC and CCM, reporting and their level of national funding. Overall, the definition of national ownership requires further clarification, beyond simply the demonstration by an affected State that it has national funding and a national strategy and plan in place.

Some respondents underlined that the level of resources allocated to the review of and provision of feedback on Convention reports, particularly APMBC Article 5 extension requests, was far higher than the resources that the affected States themselves were able to allocate to their initial compilation and submission of the reports. Similarly, mechanisms such as the Individualised Approach and Country Coalitions had proved helpful, but there was a feeling among some respondents that Convention processes did not provide sufficient reward, in terms of both receipt of funding allocations and recognition of performance.

For respondents that represented States Parties to the APMBC and CCM, there was a clear acknowledgement of the correlation between the receipt of capacity support for the production of detailed national strategies and compliant reporting and external confidence in the country's mine action programme and its visibility in the sector as a whole.





5. Mine action funding: Key findings for the application of innovative finance

This present section provides a summary of the key findings on the status of mine action funding drawn from both publicly available information and the stakeholder consultations.

1. Funding to the mine action sector fluctuated significantly on an annual basis during the period 2011–2022, with the annual average being USD 548 million. This, however, is a decline in real terms against global inflation, with total international mine action funding decreasing by 18 per cent over the 11-year period.
2. The mine action sector was agile and responsive to new emergencies. Emergency funding for the sector typically followed ODA funding trends, but mine action funding tended to precede ODA spikes and tail off sooner than funding for longer-term reconstruction, development and resilience. Funding for Iraq was a clear example of this, against the backdrop of a funding surge for Ukraine in 2022.
3. The mine action sector would need at least USD 1.69 billion to complete land release in line with APMBC Article 5 deadlines across the 17 affected countries and territories that reported their funding needs. There is a minimum annual funding gap of USD 115 million for these 17 countries and territories. The need for funding would likely be significantly greater if cost estimates were applied to all mine-affected countries and territories.
4. The mine action sector remains overwhelmingly dependent on institutional donor funding, primarily from a small number of dedicated State donors, namely the United States of America, Japan, Norway and the United Kingdom and the European Union and several of its member States.
5. The mine action sector does not sufficiently collect and report information on funding needs in the absence of an obligation to do so, beyond the APMBC Article 5 extension process, which requires an overview of the financial and technical means available to a State Party for the destruction of all anti-personnel mines in mined areas. There is, however, no precise methodology for calculating the cost of workplans.
6. There was no evidence that donors prioritised their provision of funding on the basis of data on the funding needs of affected countries. There was, however, a positive correlation between affected States' inclusion of funding projections in Article 5 extension requests and the existence of a clear strategy at the national level.
7. The affected countries and territories consulted during the study noted that most of the funding that they receive is channelled through international NGOs or the UN, thus giving them limited control over decisions regarding its use. They also highlighted that their key priority is to maintain a functioning and funded national authority. Additionally, they stated that there are few, if any, opportunities for them to access international funding coordination mechanisms or funding sources.

SECTION B – INTRODUCTION TO INNOVATIVE FINANCE FOR MINE ACTION

1. Introduction

As mentioned in the introduction of the study, the concept of innovative finance has gained traction in the humanitarian aid and development assistance sectors over past decades. Since the Monterrey Consensus on Financing for Development, innovative finance has been promoted in the international arena, including by the following groups and through the following declarations:



- **Leading Group on Innovative Financing for Development:** The Leading Group was created in 2006 and comprises 66 participating States, international organisations, foundations, corporations and NGOs. The Group serves as a platform for dialogue and the exchange of good practice on innovative finance mechanisms for development.⁴⁴



- **Doha Declaration on Financing for Development:** This declaration acknowledges that funds originating from innovative finance mechanisms should complement rather than substitute traditional sources of finance and 'should be disbursed in accordance with the priorities of developing countries and not unduly burden them'.⁴⁵



- **UN General Assembly resolution 65/146:** While this resolution reiterates the Doha Declaration, it also stipulates that innovative finance mechanisms should 'aim to mobilize resources that are stable and predictable'.⁴⁶



- **Addis Ababa Action Agenda:** This call to action 'encourages consideration of how existing mechanisms, such as the International Finance Facility for Immunisation (IFFIm), might be replicated to address broader development needs' and encourages exploration of 'additional innovative mechanisms based on models combining public and private resources'.⁴⁷

Innovative finance has therefore been recognised by the international community as offering a valuable contribution to help address the financial gaps in the provision of development and humanitarian assistance. In addition to the international arena, a wide variety of organisations from the development, humanitarian and private sectors have also demonstrated wide cross-sector support and interest in innovative finance. These organisations include the Humanitarian Finance Forum, the Global Impact Investing Network and the Impact Institute. In 2018, an expert assessment reported that, if innovative finance could mobilise assets representing just 1 per cent of global financial markets, it would be sufficient to fill the annual USD 2.5 trillion gap in financing needed to achieve the SDGs in developing countries.⁴⁸

A key premise of innovative finance is that it is intended to complement traditional international resource flows, including ODA, foreign direct investment and remittances, by mobilising and providing access to additional resources that would not otherwise be available. In doing so, innovative finance also supports

stability in funding and in some cases help donors protect existing mine action budgets by linking funding to development impact goals over the medium to long term.

In some cases, innovative finance aims to help address market failures and institutional barriers, such as the risk perceived by investors that investment in developing countries and / or countries experiencing a humanitarian crisis will cause them to lose money, owing to uncontrollable events or insecurity in the country. Innovative finance might also foster broader innovation, enhancing efficiencies and effectiveness.

Depending on the circumstances, innovative finance can also be used to enable transitions and leverage funding across different fields of operation or sectors, such as bringing together public funding and private investment to support innovative social entrepreneurs. The present section sets out the foundations for a variety of innovative finance mechanisms that could be applied to the mine action sector, principally to address the funding gaps identified in section A.



2. Definitions

Despite recognition by the international community of the importance of innovative finance for advancing development, there is no single, globally agreed definition of innovative finance. The term 'innovative finance' has been used to cover a vast range of financial mechanisms that aim to achieve development outcomes or impact. Organisations have created their own definitions of innovative finance, using commonly recognised concepts:



- The **UN Economist Network** states that innovative finance 'includes mechanisms and solutions which increase the volume, efficiency, and effectiveness of financial flows'.⁴⁹



- The **World Bank** defines innovative finance as any financing approach that helps to 'generate additional development funds by tapping new funding sources [...]; enhance the efficiency of financial flows, by reducing delivery time and / or costs [...]; [and] make financial flows more results-oriented, by explicitly linking funding flows to measurable performance on the ground'.⁵⁰



- The **International Labour Organization** defines innovative finance as 'a set of financial solutions and mechanisms that create scalable and effective ways of channelling both private money from the global financial markets and public resources towards solving pressing global problems'.⁵¹



- The **Organisation for Economic Cooperation and Development** has defined innovative financing for development as 'initiatives that aim to raise new funds for development or optimise the use of traditional funding sources. They aim to narrow the gap between the resources needed to achieve the MDGs [and by extension now the SDGs], and the resources actually available'.⁵²

On the basis of these definitions and the results of the analysis of funding needs in the present study, a definition for the application of innovative finance to mine action is proposed as follows:

'Innovative finance for mine action refers to initiatives that make use of financial mechanisms to channel public and private funds towards mine action to help narrow the funding gap and complement existing funding arrangements in a way that fosters equity, sustainability, efficiency and effectiveness.'

It is important to note that innovative finance is not a synonym for financial innovation. Innovative finance makes use of a broad range of financial instruments and assets. The element of innovation arises from the application of existing financial instruments to new markets or to involve new investors and mobilise sources of new funding that have not previously been directed to the identified development or humanitarian needs. An estimated 65 per cent of innovative finance products are derived from established financial instruments such as bonds and guarantees.⁵³

A wide range of financial tools are referred to within the various definitions of innovative finance for development and humanitarian action. Figure 11 provides examples of the key categories of financial mechanisms that may be applied to an innovative finance solution.

Figure 11: Key categories of innovative finance mechanisms.

Category of innovative finance mechanism	Description	Examples
Public-private incentives, guarantees and insurance	Mechanisms that use public funds to create investment incentives for private sector actors, for example by offering advance commitments or subsidies, and new insurance-type facilities to manage, for example, natural hazard or weather risks. ⁵⁴	Index-based insurance; catastrophic risk insurance facilities; State guarantees to repay investors in a development outcome
Front-loading mechanisms	Mechanisms that make public funds available for development earlier than would normally be the case, via the issuance of bonds that are repaid later through committed funding, thereby ensuring the greater availability of up-front funding and more predictability in terms of funding flows.	IFFIm
Other debt-based mechanisms	Mechanisms that convert developing countries' foreign debt at a discount (reducing the cost of repaying the debt) by transferring the debt to another country, on the condition that the developing country contributes a proportion of the debt to the achievement of an agreed development outcome.	Debt swaps, for example Debt2Health (the Global Fund to Fight AIDS, Tuberculosis and Malaria) and debt-for-education swaps
Results- and outcome-based finance	Mechanisms where funds are made available earlier to achieve a specific measurable outcome. Up-front funds are usually provided by private investors, who are repaid their initial investment, plus interest, by another ('outcome') financier / donor once the pre-agreed outcomes have been achieved and verified by a third party.	Development Impact Bonds (DIBs) <i>Note: DIBs are not bonds in the conventional sense, as they do not have many of the characteristics of a conventional bond and repayment is contingent upon achievement of specified outcomes.</i>
Solidarity taxes	Mechanisms that generate funds from new taxes and obligatory charges on expenditure at the point of sale that are subsequently allocated to international development activities and funds.	International airline taxes (used by several initiatives in the public-health sector, like the Global Fund and IFFIm)
Advanced market commitments	Mechanisms involving a binding contract offered by a Government or financial entity used to provide financial incentives to manufacturers.	The Pneumococcal Advance Market Commitment and the COVAX Advance Market Commitment by Gavi, the Vaccine Alliance
Impact investing	Investments made to support the achievement of positive, measurable, social and environmental impact alongside a financial return, such as thematic bonds that offer investors both financial returns and quantifiable social and environmental outcomes.	Green bonds; social bonds
Market mechanisms	Mechanisms that create a market for trade in the output of a environmental development activity (such as the carbon dioxide sequestered, emissions reduced or biodiversity protected) between those who wish to offset their negative impact and those who wish to deliver a positive or restorative impact. In greenhouse gas emissions and particulate trading, there is both mandatory and voluntary trading.	Carbon credits; biodiversity credits

'Blended finance' is another term commonly used in innovative finance in the development and humanitarian sectors. Blended finance is an approach to structuring finance that makes use of public and philanthropic development funding to mobilise and incentivise private sector investment. Blended finance is not an investment approach or an instrument, but a structural approach and, according to Convergence (a global network of entities working on blended finance), it includes four structures:⁵⁵

- **Concessional capital:** Public or philanthropic investors provide funds on below-market terms to lower the overall cost of capital or provide an additional layer of protection to private investors.
- **Guarantee or risk insurance:** Public or philanthropic investors provide credit enhancement through guarantees or insurance on below-market terms.
- **Technical assistance funding:** Technical assistance grants intended to enhance the commercial viability and development impact of the project for investors.
- **Design-stage grants:** Grant funding to support the design or preparation of the project to increase attractiveness to investors.

Innovative finance funds (sometimes also called 'facilities') for development and humanitarian activities may consist of single mechanisms that use a particular financial instrument, such as result-based financing, or they could represent a larger facility encompassing several complementary mechanisms, such as bonds and guarantees. An example of such a mixed financial facility is the 'toolkit' approach to innovative finance used by the Global Fund,⁵⁶ which complements its grant fundraising.⁵⁷

3. Principles of and guidelines for innovative finance

Consultations with stakeholders working on established, successful, innovative finance initiatives highlighted the importance of guidelines for the design and application of such mechanisms. Guidelines help ensure that funds from innovative finance mechanisms are used correctly to achieve the desired impact, while showing appropriate 'additionality'. Additionality refers to the additional benefit brought that could not be achieved through traditional funding methods. As already noted, innovative finance should complement traditional ODA rather than replace it. Additionality can also be achieved through the governance structures that oversee the finance models.

Although there is no universally agreed set of guidance for innovative finance, several sets of principles and guidelines have been developed in relation to a number of individual innovative finance approaches. Examples include the principles of the International Capital Markets Association (ICMA) on green, social⁵⁸ and sustainable bonds, the OECD Blended Finance Guidance and Blended Finance Principles⁵⁹ and the toolkit⁶⁰ of the Kampala Principles on Effective Private Sector Engagement in Development Co-operation.

It is important to note that frameworks of principles developed by third parties are not essential for the application of effective innovative finance mechanisms. They may provide comfort to donors and investors by ensuring that their funds are directed to the intended aim, but, for simple innovative finance structures (such as IFFIm), where funds are either directed to one implementing party or for one clear aim, they may not be necessary. The fund's structure and reporting process may provide all the information that donors and investors need for their due diligence. In such cases, it might be a costly additional burden to sign up to a third-party principle framework as they often require third-party monitoring, which could reduce the cost-efficiency of the finance mechanism.

According to Interpeace (the initiators of peace bonds), the various sets of available principles have not been widely adopted in peace and development contexts, especially in fragile and conflict-affected countries.⁶¹ There is also a diverse and rapidly expanding range of guidelines for environmental, social and governance (ESG) investment.⁶² These guidelines have been criticised as insufficient and poorly managed in some sectors, leading to investments not always achieving their intended developmental or environmental benefit.⁶³



Mine action already adheres to the established humanitarian principles of humanity, impartiality, neutrality and independence, the Core Humanitarian Standard on Quality and Accountability and general good practice in the humanitarian and development sectors. The sector also advocates the prioritisation of approaches that are conflict-sensitive and sensitive to gender, diversity, equality and inclusion considerations and adhere to the 'do no harm' principle.

All of these principles and approaches must be adhered to and followed consistently in mine action activities, including if portions of the sector's funding are derived from innovative finance mechanisms. In addition to the principles already recognised by the mine action sector, innovative finance mechanisms for mine action could benefit from guidelines based on lessons from other sectors that are already applying innovative finance, to ensure that there is the greatest possible impact.



For innovative finance mechanisms, certain key characteristics are essential for achieving impact. To facilitate the success of innovative finance in mine action, such mechanisms should:

- **Respond to a clearly identified need:** It is essential first to ensure that any mechanism addresses a specific financial issue (such as a gap or delay);⁶⁴
- **Be simple in structure and provide measurable additionality:** A common characteristic of financial mechanisms that have successfully mobilised significant resources is that they are relatively simple in structure. They can also clearly describe, on the basis of evidence, the financial and social returns for investors and the use of the structures to bring appropriate additional benefit that could not be delivered through traditional funding methods. Such structures must be supported by robust monitoring and reporting, underpinned by the overarching principle of transparency, to be able to show beneficiaries, donors and investors the added value of the model.⁶⁵
- **Make use of blended structures to de-risk investment:** Innovative finance mechanisms often increase investor confidence by transferring risk from investors to institutions that are better placed to bear that risk and catalyse funding from mainstream investors. Such institutions may include Governments, banks or development finance institutions (DFIs).⁶⁶
- **Be cost-efficient:** A variety of measures can be taken to ensure that innovative finance mechanisms are cost-efficient in their implementation, such as the limiting of overhead costs by optimising and ensuring coordination among existing structures. While the cost-efficiency measures to be undertaken may be specific to the particular mechanism, general cost-efficiency instils confidence in and encourages buy-in from stakeholders and ultimately ensures the sustainability of the mechanism.
- **Be cost-effective:** The economic value of the financial assistance provided to beneficiaries through innovative finance mechanisms should always exceed the total cost associated with the mechanism, regardless of fluctuating market conditions. For example, in the case of the vaccine front-loading mechanism used by IFFIm, for each USD 1 spent on immunisation in low- and middle-income countries, USD 52 is saved in health-care costs, lost wages and lost productivity owing to illness and death. Given this substantial return on investment, the implementation costs associated with the IFFIm front-loading mechanism (described in section 4.1 below) and interest payments can all be covered.⁶⁷
- **Have strong stakeholder buy-in:** Strong, stable buy-in from all relevant stakeholders is crucial for success. Funding recipients and all other stakeholders need to have lasting confidence in the mechanism and its supporting structures.

4. Application of innovative finance mechanisms to mine action

To ensure that these principles and characteristics are considered and integrated from the outset, the present study proposes a five-stage process to be followed in seeking to apply innovative finance mechanisms to a new market. This process is outlined in figure 12.



Figure 12: Five-stage process to be followed in applying innovative finance mechanisms to a new market.

As stated in the introduction, this study focuses primarily on the first two stages of the process, in sections A and B above, and give a broad overview of the components listed in stage three as applied to two specific mechanisms in section C.

In relation to stage one, section A identified that the mine action sector has a significant funding need, which is unmet by current funding models. Funding needs should be assessed in the context of the target country as they vary across affected countries and territories, especially in relation to the level of contamination, the political, economic and conflict situation, national capacities and the extent to which the mine contamination problem is understood.

As stated in section A, the mine action sector requires at least USD 1.69 billion to complete land release in just 17 mine-affected States. In addition, Ukraine alone requires billions of dollars to address new contamination, and an estimated USD 34.6 billion is needed for land release according to the latest figures.⁶⁸ It is therefore clear that there are significant financial gaps that cannot be filled by current funding modalities. Innovative finance mechanisms can, in principle, be applied to address some of them and to complement existing funding streams.

The mine action sector could benefit from a range of innovative finance mechanisms, creating a new market for such mechanisms. In that way, the mine action sector could be compared to other development and humanitarian sectors that have already embraced the application of a variety of innovative finance mechanisms, such as the public-health, peacebuilding and the environmental sectors.

Given the wide range of potential innovative finance mechanisms, as outlined in figure 11, the scope of this study was narrowed to focus on just two of them. The criteria for selecting the two mechanisms were those that had:

- The greatest potential to demonstrate significant additionality to traditional funding models;
- Potential for scalability and / or replicability;
- Potential for application in fragile and conflict-affected environments.

The mechanisms that were selected for further study are:

- **Front-loading mechanisms:** As mentioned above, front-loading allows for public funds to be available earlier than they would be through traditional funding mechanisms. The IFFIm model has been selected for analysis.
- **Thematic bonds:** These bonds are a type of impact investment. The peace bond has been selected for analysis.

The following sections provide an overview of these two mechanisms. Section C then provides an assessment of how these mechanisms may be applied to mine action.

4.1 Mechanism 1: Front-loading facility – International Finance Facility for Immunisation

IFFIm is a multilateral development institution established as an innovative finance mechanism to accelerate rapidly the mobilisation and distribution of funds for immunisation. It came into operation in 2006, and proceeds raised through IFFIm support Gavi. The following information is drawn from the *IFFIm Resource Guide 2023*.⁶⁹

Need

IFFIm was established in response to a decline in global immunisation programmes in the late 1990s, which meant that nearly 30 million children in developing countries were not fully immunised against deadly diseases. Despite improvements in science that brought new vaccines to the market, such vaccines were not affordable to lower-income countries.⁷⁰

Vaccine delivery has a significant, positive effect on public health and the economy. Similar findings to those of the IFFIm cost-effectiveness study, which reported that, for every USD 1 spent on immunisation in low- and middle-income countries, USD 52 was saved on healthcare and increased economic productivity because people lived longer and healthier lives, were obtained in an independent evaluation conducted in 73 countries where Gavi has run immunisation projects.⁷¹

Structure

The front-loading mechanism of IFFIm uses legally binding long-term pledges of funding from 11 donor Governments, eight of which also currently fund mine action. IFFIm has leveraged pledges of USD 9.5 billion from the Governments of Australia, Brazil, Canada, France, Italy, the Netherlands, Norway, South Africa, Spain, Sweden and the United Kingdom.

The funds pledged by these donor Governments originate from a variety of sources, some of which can be considered innovative finance mechanisms themselves. For example, the second largest donor to IFFIm, the Government of France, has committed to funding the mechanism in three instalments via its Solidarity Fund for Development, which is financed by the tax imposed on air passenger transport between 2006 and 2021, on the model of a solidarity tax, and its '110' budget programme', which provides economic and financial development assistance originating from the French Treasury.⁷²

IFFIm uses the World Bank as its treasury manager, which issues bonds on the basis of these long-term binding commitments from donor Governments. This means that the World Bank borrows funding from private investors and uses the donor Governments' long-term binding pledges to repay the investors their initial investment (principal repayment), along with interest (coupon payment), once the bonds mature, at the end of the pre-agreed investment period.

The proceeds of the bonds provide the up-front funding required in a much shorter time frame than would be possible with bilateral funding alone. The bonds are seen by investors as attractive, owing to the high credit rating of IFFIm and therefore the high level of trust that it has in its donors to fulfil their funding commitments. This high creditworthiness of IFFIm and its donors also enables IFFIm to borrow money at a lower cost as investors are willing to make a lower return on less risky investments. Gavi, a public-private partnership that brings together a range of actors, including implementing countries, donor countries, UN-affiliated agencies, the World Bank and private sector partners, is the sole recipient of the funds.

The IFFIm model provides reassurance to investors, particularly in terms of its ability to deliver on interest payments and principal repayments for the bonds issued by raising those bonds against a percentage of the overall pledges only. The remaining funds held by the IFFIm treasury are used as a reserve to ensure that there are always sufficient funds to repay investors for bonds that have matured. The size of this reserve is determined by the IFFIm gearing ratio limit (GRL).

According to the *IFFIm Resource Guide 2023*, 'the GRL is currently set so that the value of outstanding borrowings, less cash held by IFFIm, does not exceed 73.1% of the present value of outstanding pledges. Setting the GRL at this level indicates that IFFIm can withstand donor payments being reduced by up to 26.9% and still be able to repay bondholders in full'.

Figure 13 shows the structure of IFFIm and the financial flows between its key stakeholders.





Figure 13: IFFIm operating structure and financial flows.

Image: Gavi and IFFIm, from IFFIm Resource Guide 2023.

The funds raised by the IFFIm vaccine bonds are disbursed to immunisation programmes implemented by Gavi. The Board of Trustees (directors) is responsible for determining the strategic plans of IFFIm, overseeing the implementation of such plans and monitoring the functions that are outsourced to Gavi and the World Bank;⁷³ IFFIm has no employees. The operating overheads of the model have been estimated to be between 4.1 and 4.6 per cent of the value of the pledges over its lifetime according to an evaluation in 2011⁷⁴, and as low as 2.1% in 2022 by a recent evaluation by the UK Foreign Commonwealth and Development Office, including governance and treasury management costs.⁷⁵

Figure 14 shows how the front-loading mechanism works, in converting long-term pledges by donors into bonds raised on the capital market.

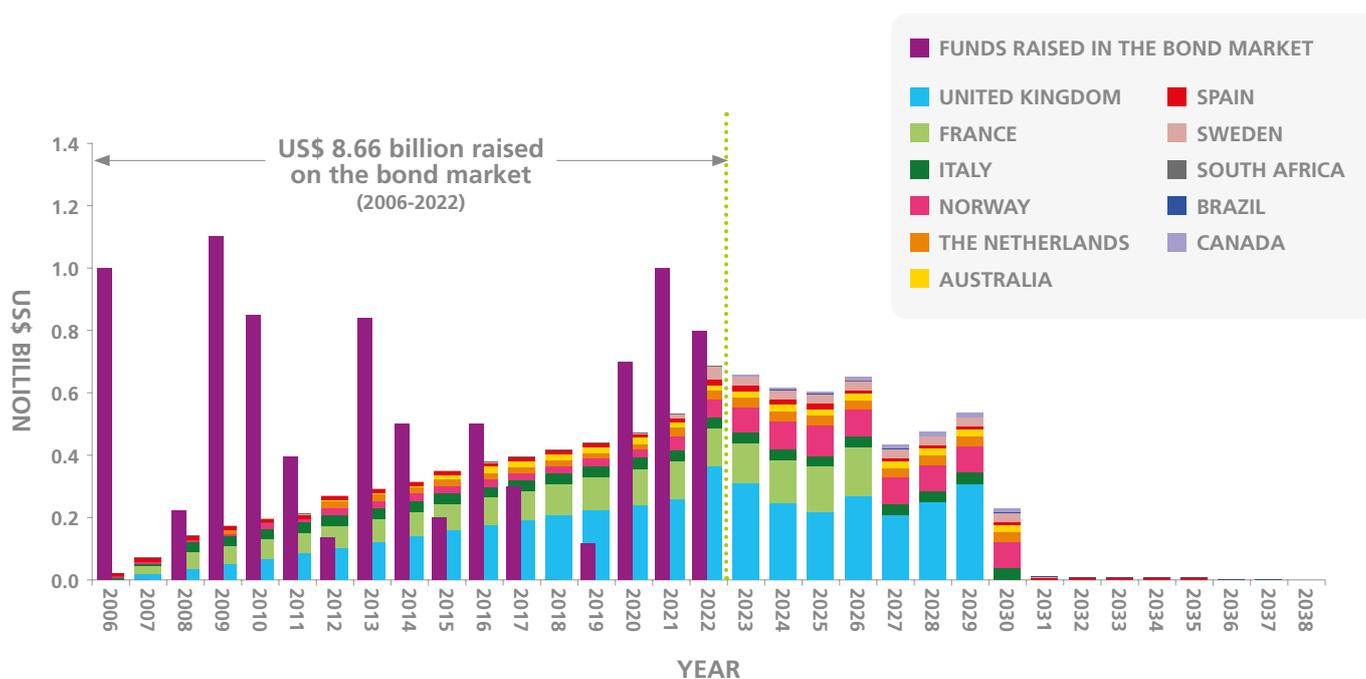


Figure 14: IFFIm front-loading mechanism.

Image: Gavi and IFFIm, from IFFIm Resource Guide 2023.

Outcomes

IFFIm raised USD 9.5 billion in government pledges between 2006 and 2023, committed over a 32-year period, and has issued USD 8.7 billion in bonds until 2023. IFFIm has provided 18% of Gavi's overall resources to carry out vaccination programmes across 57 countries and avert more than 17 million future deaths due to preventable diseases.⁷⁶ IFFIm has received several accolades and awards for its innovation, effectiveness and its ability to deliver the following key benefits to the global health sector:⁷⁷

- Provision of accelerated funding to maximise impact and reduce the cost of interventions in a flexible way, with Gavi able to draw down funds as and when it needs to;
- Provision of long-term, predictable funding that enables the vaccine market to develop efficiencies, such as the planning of vaccine manufacture;
- Enhancement of national ownership to give affected countries and territories a seat at the table through the Gavi governance structure;
- Provision of a cost-efficient offer to donors to spread their contributions over future years, yet still having an enhanced and immediate impact;⁷⁸
- Provision of a facility that enables donors to make funding commitments to front-loading models from outside their mine action budgets, including blending that financing with other sources of funding such as solidarity taxes.

Since its inception, IFFIm has contributed to the vaccination of more than 1 billion children, enabling the vaccination of some 80 million more children since 2006 than would have been possible through the use of regular aid-financing mechanisms. An independent evaluation conducted in 2011 confirmed that the model was successful, low-cost and efficient and recommended that the programme be expanded.⁷⁹

In 2020, the IFFIm model was able to react swiftly to the global COVID-19 pandemic. IFFIm was able to generate USD 500 million for the COVAX initiative in only six months, through new bonds.

The IFFIm Board of Trustees, which has been engaging with the mine action sector since 2018, has recognised the potential applicability of the IFFIm model to the mine action sector given its quantifiable and finite nature, its ability to access new funding sources and its complementarity with existing funding systems.

4.2 Mechanism 2: Thematic bonds – peace bonds

Peace bonds, launched in 2023 by Finance for Peace,⁸⁰ are a new form of bond, like a social bond, designed by the peacebuilding sector to enhance peace and stability and contribute to the SDGs. Finance for Peace considered that interventions that enhanced peace and stability could bring together a wide range of potential assets through dedicated financial mechanisms. The information in this section is drawn from the feasibility study for the peace bond released in 2022 and from interviews with representatives of Finance for Peace.⁸¹

Need

According to Finance for Peace, more than 80 per cent of humanitarian crises are now driven by conflict, with over 1.8 billion people living in 57 fragile and conflict-affected countries. It is widely recognised that the successful achievement of the SDGs will depend on the world's ability to address the drivers of conflict and that there is a significant lack of finance to support peacebuilding initiatives in conflict-affected countries.

Finance for Peace identified both a significant gap in private sector investment in SDG 16⁸² and an opportunity for the creation of blended finance structures that would lower risks for and incentivise investment by the private sector, with a view to delivering peace-enhancing projects in fragile and conflict-affected areas.

The feasibility study on peace bonds estimates that the combined global economic loss due to war and conflict amounts to approximately USD 14.4 trillion (based on purchasing power parity calculations by the Institute of Economics and Peace) or roughly 10.5 per cent of gross world product. Conversely, peace can bring economic benefits of a 35 per cent increase in gross domestic product, on average, for the worst-affected countries.⁸³

Structure

Peace bonds are a sustainable debt instrument.⁸⁴ In a similar way to green bonds and social bonds, they build on the growing private debt market where bonds (structured loans) are sold to investors by a bond issuer. In return for lending money, the investor receives interest payments (coupons) in addition to the repayment of the amount of the original loan (principal) at an agreed date. The bond issuer repays the principal plus interest on maturity of the bonds.

Peace bonds structures can differ depending on the issuer of the bonds. For example, they could be issued by a corporate / commercial entity, by the countries in which the projects are taking place (sovereign or government-issued bonds) or by a mix of corporate entities, international organisations and development finance institutions (DFIs). According to Finance for Peace, all three types of structure are currently under development with different actors. Structures could also feature donor risk-sharing mechanisms such as guarantees, political risk insurance or co-financing (blended peace bonds).

The proceeds of peace bonds are used for projects that achieve verifiable peace impacts, referred to as 'peace-enhancing mechanisms' (PEMs). Three key investment areas in which peace bonds might generate high additionality through PEMs have been identified. These are energy; water resources and water, sanitation and hygiene; and agriculture and food security.

At the time of writing, Finance for Peace stated that the variety of bonds under development would deliver projects in different ways; some bonds were project-

specific, while others would work on a portfolio investment basis, meaning that the bond would raise funds for multiple interrelated projects and supporting PEMs. The inclusion of PEMs in projects related, for example, to energy infrastructure, aimed to have a direct impact on peace and conflict risk in the target countries, thereby reducing the risk to the energy infrastructure, improving its cost-benefit ratio and giving investors returns, while contributing to enhancing peace.

The returns generated by the economic activities undertaken through the investment project (such as new energy infrastructure), enhanced by the PEM projects, would create the liquidity needed to repay the principal investments, plus interest, to bond holders on maturity, regardless of whether the bond issuer was a corporate / commercial entity, a governmental entity or a mix of entities. The entity that would repay the investors would differ depending on the type of project chosen.

The best way to explain how a peace bond works is through a case study. The following case study was cited by Finance for Peace in its peace bond feasibility study and is one of the projects under development. A graphic illustration of the peace bond is shown in figure 15.

CASE STUDY: GHANA-BURKINA FASO PEACE BOND



Overlooking Nabou, Southwest Burkina Faso, West Africa ©Matthieu / Adobe Stock

The project proposed is a 50-megawatt solar plant to be constructed in northern Ghana that would deliver energy to Burkina Faso through a power purchase agreement between the two countries. The project has the potential, through the provision of reliable renewable energy, to benefit one million people in Burkina Faso (based on per-capita consumption), which is the equivalent of 5 per cent of the population and to cover 14 per cent of the country's energy needs. The capital structure would comprise 70 per cent debt and 30 per cent equity.

The solar plant would generate 65 megawatts of energy per year and raise an annual revenue of USD 8.7 million. The total cost of investment in the plant (excluding the PEMs) would be USD 35 million, to be paid back to investors over six years. The addition of PEMs to the project could directly address key conflict risks and key risks associated with the project and could measurably reduce the risk premium on the debt financing of the project, thereby improving the net present value of the project by USD 6 million. This would also create USD 4.4 million in surplus value that could be used for more PEMs in northern Ghana and Burkina Faso to address conflict drivers.

The feasibility study states that a variety of PEMs would seek to enhance peace in the following six ways:

1. By improving State–society relations and trust in Burkina Faso through the improvement of energy delivery to underserved rural communities;
2. By reducing competition for natural resources in rural areas through the earmarking, in the power purchase agreement, of energy for use by specific underserved rural communities. These benefits have the potential to complement the development objectives of peacebuilding and food-security actors;
3. By strengthening cross-border ties between Ghana and Burkina Faso and enhancing regional economic integration, which would further boost the resilience of regional diplomacy and cross-border cooperation;
4. By improving horizontal (inter- and intracommunity) and vertical (community–State) trust and cohesion in northern Ghana through the introduction of peace-responsive land acquisition processes, connected participatory dialogue and long-term benefit-sharing mechanisms (training, maintenance, local governance support, etc.);
5. By increasing resilience to violent conflict through the sharing of benefits, community engagement and the earmarking of conditional additional funds for peace actions in agreed areas of need;
6. By demonstrating the certainty of the operational environment to other investors, potentially stimulating future investment to meet other development needs and further incentivising cooperation.

The payments for project implementation are made in stages based on PEM milestones and an agreed schedule. The bond investors are repaid their principal investment plus interest from the revenue of the solar plant and the energy sold through the power purchase agreement. The proposed model also includes a designated bank to act as a trustee for the transfer of funds.

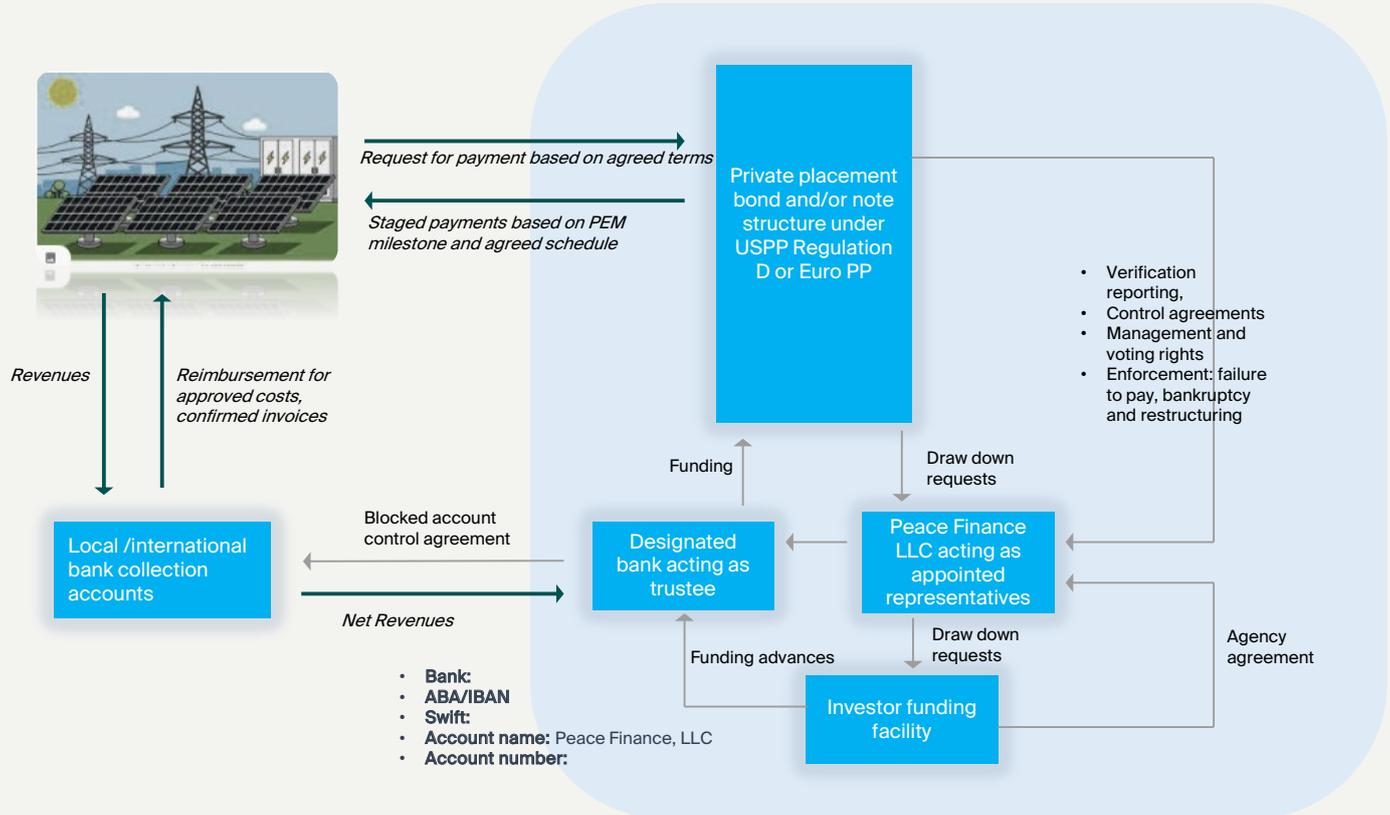


Figure 15: Structure of the Ghana–Burkina Faso renewable-energy peace bond.

Image: Gavi and IFFIm, from IFFIm Resource Guide 2022.

Peace bonds also apply a robust set of principles and standards for the governance and delivery of the finance.⁸⁵ Viable peace-enhancing projects are selected, monitored and assessed according to the criteria established in the Peace Finance Impact Framework.⁸⁶ A third party monitors, against predetermined criteria, how the proceeds of the peace bonds are applied and assesses adherence to the operating principles and standards. The bond issuers then provide investors with up-to-date information about the use of proceeds, the impacts achieved and the changes in key peace and development metrics.

In terms of the potential investors, the peace bond feasibility study found that sovereign investors are crucial, given their ability to influence corporate governance while boosting corporate social responsibility.⁸⁷ Sovereign investors include States themselves as well as structures that are inherently tied to the State, such as central banks, public pension and pension reserve funds, national development banks and sovereign wealth funds.

Finance for Peace estimates that family offices, insurance companies, high-net-worth individuals and retail investors could also be interested in peace bond investments. The scope of the initiative, however, has an impact on the investor audience. Sovereign investors are normally more likely to invest in larger initiatives and would require large peace bonds, whereas private investors such as family offices and high-net-worth individuals would be more attracted to smaller peace bonds.

The operational overhead costs of a peace bond depend on the issuer, structure and end projects for which the bonds are to be used. Consultations with Finance for Peace indicated that the fees related to bond issuance and advisory services are 1–2 per cent on average, but could increase to 3 per cent if, for example, the bond is a more complex or has a blended structure designed to reduce the risk for the investor. Bond structures typically aim to cover the overhead costs through the proceeds generated by the bonds.

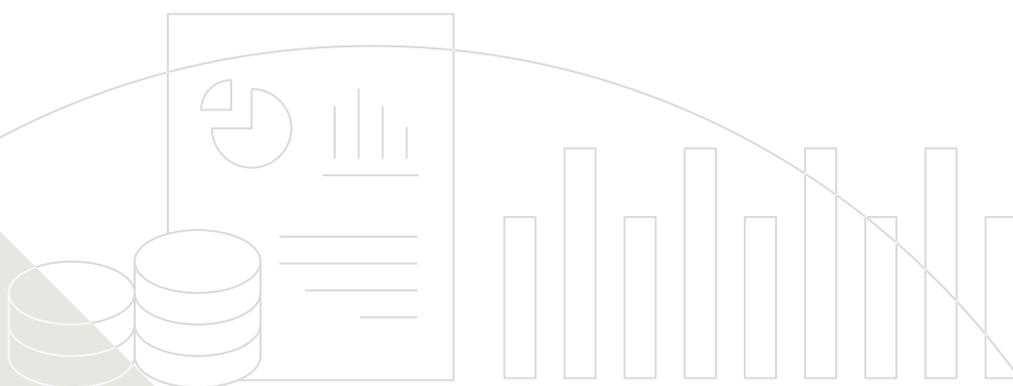
Outcomes

According to a representative of Finance for Peace, at the time of writing, two peace bonds had been developed and had raised USD 220 million for PEMs in West Africa linked to energy production. An additional bond seeking to raise over USD 3 billion was in the early stages of development. While it is too soon to quantify the outcomes of these peace bonds, the mine action sector could learn from the approach that Finance for Peace has taken in developing these new innovative financing mechanisms to attract much needed new funding for PEMs.

Finance for Peace focused in particular on establishing the right preconditions for the peace bonds to be successful and on avoiding the pitfalls encountered by some new financial approaches that start without clear guidance and governance. In June 2023, Finance for Peace launched the Peace Finance Impact Framework⁸⁸ and established a Peace Finance Standards Committee to guide the verification of peace bonds. This focus on governance and principles to guide the new financial products for peacebuilding will be critical to their success.

The Peace Finance Impact Framework includes a certification scheme that Finance for Peace hopes ‘can be considered an international best practice for labelling Peace Bonds and Peace Equity investments and allows investors, Governments and other stakeholders to identify and prioritise conflict sensitive and peace-positive investments and avoid peace, social and green washing’.

Considering the complex nature of working in conflict-affected countries and territories for both the peacebuilding and mine action sectors, the mine action sector could be guided, in its the application of innovative finance to mine action, by the work done to develop these governance standards and monitoring mechanisms for peacebuilding.



While the peace bonds under development at the time of writing focused primarily on energy and water management,⁸⁹ the inclusion of agriculture and food security in the key investment areas identified also make peace bonds (or similar thematic bonds) an interesting prospect for the mine action sector. This is particularly the case for locations in which mine action has a rural development outcome and in contexts where it could contribute to enhancing resilience.

Other examples of thematic bonds include:

- **Green bonds:** These are bonds that finance projects with positive environmental impacts. Examples include projects related to renewable energy, energy efficiency, clean transportation, wastewater management and climate-change adaptation.
- **Social bonds:** These are bonds that finance projects that address a social issue and / or aim to achieve positive social outcomes. Project focus areas include food security, socioeconomic advancement, affordable housing, access to essential services and infrastructure.



Peace bonds, green bonds and social bonds all fall under the broad term of environmental, social and governance (ESG) bonds and investment and, as mentioned, are guided by a variety of different guidelines. The term ‘SDG bonds’ is used for bonds that aim to deliver projects relating to specific SDGs, while sustainability bonds are a category of bond that encompass both green and social intended outcomes. It is important to note that SDG bonds are not the same as sustainability-linked bonds, which support companies in achieving their sustainability goals.

The present study assesses, in section C, the feasible application of a thematic bond to support land release for agricultural purposes and the enhancement of food security. While this study focuses on land release, social bonds could also be highly relevant for other mine action pillars, such as victim assistance or explosive ordnance risk education, and additional research thereon would be worthwhile.



4.3 Mine action stakeholder input and feedback on innovative finance

Donor engagement

Overall, awareness of innovative finance has increased significantly in the mine action sector since its inclusion in the APMBC Oslo Action Plan. A study commissioned by the Foreign, Commonwealth and Development Office of the United Kingdom has helped raise general awareness of innovative finance in the sector.⁹⁰

At the time of writing, the European Union, the Netherlands, Switzerland and the United Kingdom had committed political and financial support to the scoping and development of innovative finance within the mine action sector, including for work in Ukraine through the United Nations Development Programme. Furthermore, consultations with the German Federal Foreign Office confirmed that innovative finance would be included in its 2024–2027 humanitarian mine action strategy. Broader consultation with donors revealed that their interest in innovative finance was driven primarily by a desire to secure new funding and means of financing for the sector to complement their own direct funding.

Innovative finance projects

The only operational project currently involving innovative finance in the mine action sector is a development impact bond funded by the United Kingdom and implemented by the operator Apopo in Cambodia, in partnership with Cordaid. The initiative combines land release with follow-on agricultural activities, with three investors providing up-front funding for the project and receiving a 7 per cent return on their investment from the backing donor once the agreed mine action and follow-on agricultural outcome milestones have been met.⁹¹

A key benefit to the donor is that a known and familiar development impact bond model is being applied to mine action, demonstrating innovation in the sector. This was highlighted at the GICHD Innovation Conference 2023 in Geneva.⁹² Stakeholder feedback confirmed that the project had not brought significant new money to the mine action sector, but it had played an important role in demonstrating donor engagement to underpin diplomatic commitments to innovative finance.

National authorities

In 2023, Cambodia made a commitment to raise new funds from the private sector to address its multimillion-dollar shortfall for land release through a combination of private donations and public–private partnerships.⁹³ Lebanon has also explored and implemented partnerships involving the private sector, but neither country has yet used large-scale innovative financing models in these endeavours.

While Ukraine attracted the largest level of private investment in mine action in 2022, notably from the Howard G. Buffet Foundation and from major agricultural companies and others, this primarily involved direct funding for implementation of mine action activities, the purchase of equipment and capacity-building. Ukraine, which in 2022 became the country with the largest mine action programme globally, is also working actively to pursue innovative finance models that involve the private sector, multilateral development banks and government partners.

Only one of the representatives of a mine-affected country consulted, the national demining programme of which was implemented by the Ministry of Defence, stated that the country had no interest in exploring innovative finance as it considered its national demining programme to be sufficiently funded through bilateral agreements. Conversely, most of the other representatives expressed interest in any opportunities to increase funding and bring increased stability to national land release programmes and the operators working in their countries.

Most of the representatives of national mine action authorities consulted said that they did not have a high level of awareness or understanding of innovative finance models. They stated that a key factor in this was their limited capacity to explore such endeavours and the need for constant focus on ensuring national budgetary provision for their core costs.

Operator and expert input

Mine action operators vary in the extent to which they are engaged in developing innovative finance. Of the major international operators, only the HALO Trust has included innovative finance in its strategy.⁹⁴ The HALO Trust has prioritised policy and thought leadership on innovative finance since it was first raised as a potential funding modality by the former Department for International Development of the United Kingdom at Wilton Park in 2018.⁹⁵ The HALO Trust considers innovative finance as complementary to traditional funding models and recognises that governance structures could enable national authorities to have more of say in the overall direction of the mine action sector.

As noted above, at the time of writing, Apopo was the only organisation implementing an innovative finance project for mine action, in Cambodia. Apopo has publicly cited four main benefits of the project, demonstrating innovation and the agricultural development impact of mine action. These are:

- Creation of a financial incentive for demining operators to collaborate closely with agricultural development partners and activities;
- Development of a geotagged impact database for agricultural projects on demined land, which could be a model across the sector;
- Clear demonstration, in a measurable way, of the links between mine action and agriculture;
- Attractiveness to the private investors and foundations investing the initial risk capital.

Representatives of other operators and NGOs consulted as part of this study broadly welcomed the work on innovative finance undertaken to date and agreed that there was a need to find ways of bringing new funding to the mine action sector to address the substantial deficits in funding at the national and global levels. Some expressed the need for greater understanding of the potential role and application of innovative finance in the sector, particularly the need for:

- Confirmation that innovative finance models would bring additional funding to the sector and not detract or replace the current bilateral funding that underpins it;
- Clear and transparent governance structures, including clarity regarding the ethical track records of potential investors and private sector partners in the innovative finance structures;
- Quantification of the potential cost of and the time required to set up and run innovative finance structures and the ethical implications of generating returns for investors.

SECTION C - APPLICATION OF TWO INNOVATIVE FINANCE MODELS TO MINE ACTION

As mentioned, a wide range of innovative finance mechanisms have already been applied to meeting other needs in the development and humanitarian sectors. Innovative finance mechanisms are already being applied to conflict-affected countries and certain models, such as front-loading, have successfully delivered significant new financing at the scale required by the mine action sector.

It is important to note, however, that the same general principles that apply to mine action projects will need to be applied to innovative finance mechanisms for mine action to ensure that any new funding is used as efficiently and effectively as possible. Adherence to humanitarian and development principles and good practice, for example, will remain key, as will the application of specific guidelines to the development of innovative finance mechanisms to ensure that they bring additional benefit and complement traditional means of funding.

Stakeholder feedback from mine-affected countries and territories, mine action operators and donors showed that there was significant interest in exploring innovative financing mechanisms for mine action and agreement that current funding models alone were not able to meet the sector's funding needs.

There was a strong appetite to explore a wide range of innovative funding mechanisms as detailed in figure 11 above. It is likely that different models will apply to different mine-affected countries or needs, but the present study will explore the application of two of the models: front-loading and thematic bonds.

1. Funding need assumptions

As outlined in section A, the funding allocated to the 17 countries and territories that have reported their minimum funding needs to achieve completion of their land release commitments under Article 5 of the APMBC represents just 40 per cent of the sector's current funding, which means that the other 60 per cent goes to contaminated countries for which there is no current or accurate cost estimate for completion. Excluding the significant funding needs for Ukraine, it is reasonable to estimate that the funding gap for the sector could be at least double the quantified USD 115 million annual shortfall. It is to be recalled that this estimate reflects only data from the APMBC reporting mechanism and, as such, does not include the need for funding to release land contaminated by cluster munitions and other explosive ordnance.



This study has thus used an informed estimate of USD 200 million as the minimum amount needed per year for the completion of land release. This indicative amount will be used in each of the innovative finance models explored, although it is likely that the real funding gap for the mine action sector is much larger. The models below show how the respective innovative finance mechanisms could help raise this indicative figure of USD 200 million as a minimum, by accessing new sources of finance to complement the funding already obtained from current donor sources. An increase of USD 200 million represents an increase of about 36 per cent in the current average annual funding provided to the mine action sector, which is estimated to be about USD 548 million.

2. Examples of models applied to the mine action sector

MODEL ONE: FRONT-LOADING

Structure of the model



The front-loading model, which is based on the IFFIm mechanism, as outlined above, would require legally binding funding commitments from donors, respecting the principle of additionality and thus comprising funds that were separate from those already allocated for mine action. These legally binding funding commitments would be used to issue bonds that were then sold on the capital markets to accelerate the acquisition of funding by the mine action sector. Upon maturity, the bond interest would be paid and the bond principal would be repaid to investors using the funds derived from the binding donor pledges, as in the case of the IFFIm model as described above.

Front-loading is a highly scalable model. Just as IFFIm was able to evolve to address new emergencies and raise additional funds for the COVAX initiative, a front-loading model for land release in one or several countries could be scaled up to address additional needs in the mine action sector. The urgent need for large-scale funding for Ukraine, in addition to the 17 countries and territories mentioned above, could be addressed by a single front-loading mechanism. Such a mechanism could also be expanded to include a preparatory fund to respond to urgent humanitarian crises in mine action in new or protracted conflicts.

While, for the purposes of the present example, the front-loading model uses the lowest estimate of the funding need (USD 200 million per year), evidence from IFFIm has shown that it would be feasible for a front-loading model to raise USD 2 billion per year or more to address future funding needs and facilitate rapid emergency responses. At a larger funding level, a frontloading mechanism would achieve greater economies of scale to cover the operating costs of the model and therefore be more cost-effective.

The faster disbursement of funds in comparison with traditional funding would enable land release to take place sooner, helping multiple mine-affected countries to return all contaminated land to use more quickly, thereby achieving a greater economic and social impact for the same value of committed funds.

Such a model would comprise of the following elements:

- **Donor pledges:** For an annual funding requirement of USD 200 million, the model could be based on pledges from six major mine action donors⁹⁶ that would commit a total of USD 1.6 billion in legally binding pledges. This amount would be spread over a period of 20 years, meaning that donors would, collectively, make annual payments of USD 80 million. If shared equally, this would make their annual contribution about USD 13 million each.
- **Treasury manager:** The structure would require a treasury manager, such as the World Bank or a regional investment bank, to issue bonds backed by the legally binding donor pledges. The bonds would bring up-front finance of an estimated USD 200 million per year (a 36 per cent increase in average annual mine action funding) to accelerate land release.
- **Fund disbursement:** The proceeds of the bonds would be disbursed through a pre-established governance structure, which would allocate the funds based on needs, in accordance with predetermined criteria (developed through an inclusive process by the governance structure). Funds would then be disbursed in a planned and stable manner, avoiding short-term funding drops and spikes that hinder mine action efficiency. More details on governance structures are set out below.

The simplified model in figure 16 illustrates how USD 1.6 billion pledged by donors over 20 years could leverage the USD 200 million required per year over eight years. For the purposes of modelling, front-loaded funds have been presented as flatlined across the eight years. In reality, the funding levels and bonds issued may fluctuate from year to year, but the end result should nonetheless be stable up-front funding that mine-affected countries can draw on and use to deliver land release sooner that they would otherwise.

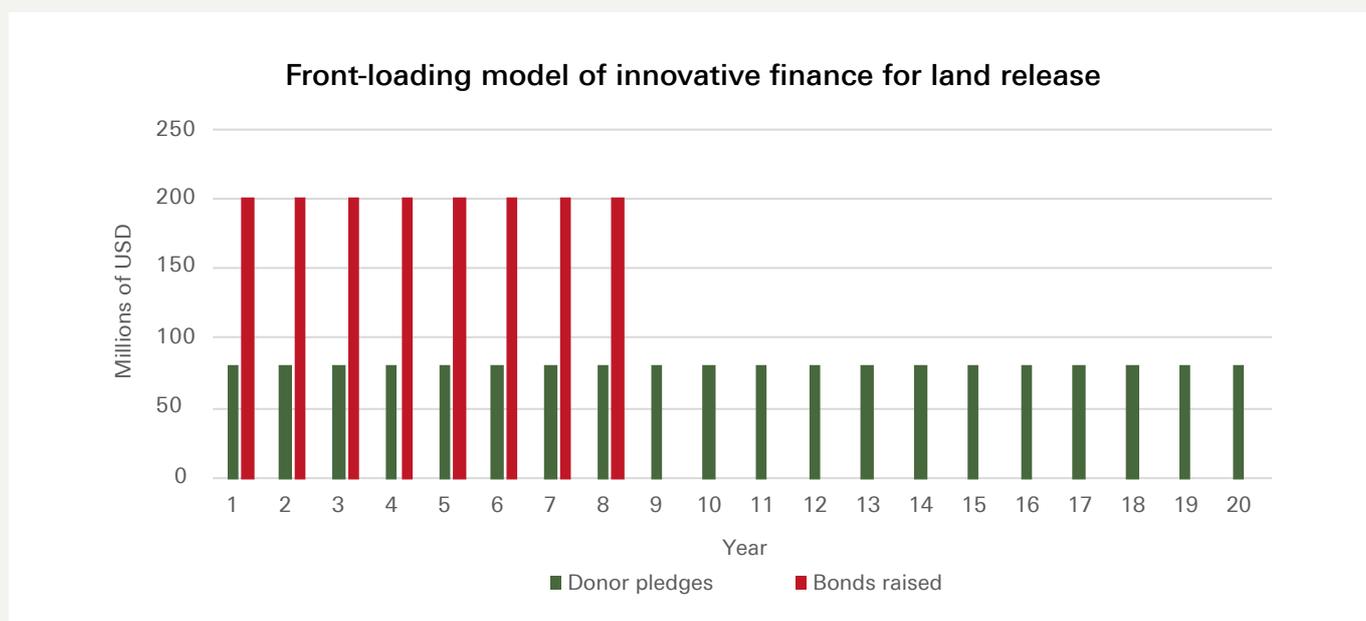


Figure 16: A front-loading model of innovative finance for land release.



GICHD's visit to Colombia ©GICHD

Governance



A front-loading mechanism would require an entity through which the funds from bond proceeds would be channelled in order to be disbursed to relevant operational stakeholders. As mentioned, all IFFIm bond proceeds are directed to Gavi, which manages disbursement and the delivery of vaccines.

The Gavi Board is a partnership that includes implementing country Governments, civil society organisations, private sector partners, donor country Governments, research agencies, the World Bank, the Bill and Melinda Gates Foundation, the UN Children's Fund (UNICEF), the World Health Organization (WHO) and vaccine manufacturers. Such a partnership model enables Gavi to deliver immunisation programmes at scale. In addition, it can leverage not only IFFIm funds, but also other sources of funding, and buy vaccines at scale, improving value for money and the efficiency of delivery. Its governance and way of working balances efficiency and effectiveness with stakeholder equity.

While there is no equivalent to Gavi in the mine action sector at present, an alliance comprising entities similar to those on the Gavi Board could be formed to ensure the balanced representation of affected countries and territories, donors and key stakeholders. Only a moderate capacity to manage grants would be needed for the management of funding requests and disbursements, similar to that of a traditional donor. Management overheads would be reduced by pooling resources of multiple donors and the management of funds over a longer period than most bilateral donor contracts. Further information on running costs is set out below.

Potential benefits of a front-loading mechanism



- Frontloading enables affected countries and territories to realise the economic and social benefits of removing mines earlier than would have been possible without the use of such a mechanism.
- Provides accelerated funding disbursement to maximise impact and reduce the total cost of completing land release by achieving economies of scale in operations. An annual increase in donor commitments of USD 80 million (15 per cent of the annual average funding to the sector of USD 548 million) could result in an annual net increase of USD 200 million of accelerated finance being available for land release (36 per cent of the annual average).
- Enables stable and predictable funding streams, giving affected States a better chance of achieving completion and delivering on their mine action strategies. For States Parties to the APMB or the CCM, it would accelerate progress towards fulfilment of their legal obligations.
- Could reduce management costs for donors by using a pooled fund management structure, which would avoid large up-front costs and allow contributions to be spread over time.
- Provides the possibility of scale-up to address new mine action funding needs or replication to create a new fund using the same structure.
- Enables more-efficient procurement of mine action equipment and, potentially, facilitate research into and the development and adoption of innovative solutions across the sector.
- Provides a facility for donors to make additional funding commitments outside, and in addition to, their mine action budgets, including blending it with other sources of funding, such as solidarity taxes (as used by France in its pledges to IFFIm). This could enable donors' mine action budgets to be directed in a strategic and focused manner to complementing the front-loading model.

Potential risks



- **Credit risk:** The finance facility's credit ratings are closely tied to the credit rating of its donors and the management of its treasury. The management of a base of highly rated donors would be key to managing this risk.
- **Liquidity risk:** This could be mitigated in a similar way as by IFFIm, namely by maintaining enough liquidity to repay the investors (with the accrued interest) once the bonds mature. A mine action facility could maintain a minimum level of liquidity to be able to provide payments to investors for a 12-month period equating to the interest payments due to bondholders plus repayment of their principal investment for maturing bonds).⁹⁷
- **Market risk:** This arises from fluctuations in both interest rates and foreign exchange rates. Again, the IFFIm risk mitigation measure could be applied to a mine action model. It uses interest rate and currency swaps, whereby donor pledges and bonds are swapped into USD rates to maintain consistency in fund management.
- **Lack of transparency and accountability:** This is a risk for any large fund (innovative, bilateral or multilateral). A core risk mitigation measure would be a clear governance structure to manage the distribution of funds (as detailed above).
- **Sector inertia:** Without political will from donors, affected countries and territories and operators, the mine action sector would not be able to generate sufficient support to fund and implement the model, and it would not reach the scale needed to provide additionality.

Costs



There are two key factors that influence the cost of operating a front-loading model: the cost of its financing and cost of fund management. IFFIm advises, given the costs associated with running a front-loading model, that such a model is suitable only if the total amount of funding to be mobilised is USD 100 million or more. This is because a certain magnitude of funding is needed to gain access to low-cost credit on the capital markets. The size and credit rating of IFFIm mean that it is able to leverage low-cost finance on a large scale.

The creditworthiness of a front-loading mechanism for mine action would be dependent on the credit ratings of its donors. This would have a bearing on confidence in the model and on the value of and return on the bonds as the greater the creditworthiness of the mechanisms, the lower the financial return investors are willing to receive. For example, the initial credit rating of IFFIm was AAA, but this was downgraded to AA following the financial crash in 2008–2009, when several of donors' credit ratings were also downgraded.

Changes in credit rating can lead to an increase in interest rates on bonds or a loss of investor confidence. In the case of IFFIm, however, thanks to its strong track record and sound treasury management, it was able to mitigate these risks and minimise any financial impact. IFFIm also states that in some cases it received lower-cost finance than donors would normally be able to access directly. Cost inefficiencies were mitigated by the GRL, as referred to in section B, and the investment strategy of IFFIm.

Once the bonds mature, typically after three to five years in the case of IFFIm, investors are repaid their principal investment plus agreed interest. The first bonds of IFFIm, in 2006, raised USD 1 billion, with a return of 5 per cent over five years.⁹⁸

Other costs are incurred owing to the management of the funds (through the treasury manager) and their disbursement (through the governance model). As previously stated, the governance model for mine action could draw on pre-existing, voluntary, coordination mechanisms and a small funding proposal and fund management structure (much like a donor's own management set-up for mine action programmes).

As stated in section B, IFFIm operating costs, for donors, were calculated to be between 4.6 and 2.1 per cent most recently of the total amount pledged. These figures are inherently dependent on the amount received in donor pledges and on certain operational expenses, such as treasury management and legal fees, which have a minimum cost. The larger the scale of the model, therefore, the lower the operating costs as a percentage of donor pledges. IFFIm uses strategic investments in times of strong market activity to offset its operating costs, reducing them by an estimated 2–3 per cent. For the purposes of using this model for mine action, if an informed estimate of 5 per cent were to be applied to the operating costs to cover minimum expenses, the cost of finance and fund management would be approximately USD 4 million per year. If the scale of the model were larger, however, the operating costs as a proportion of the total would of course be lower.



NPA clearance site, Bosnia and Herzegovina, 2018 © Johannes Müller

MODEL TWO: MINE ACTION AGRICULTURE BOND

A thematic bond could be applied to mine action in several different ways, given the diverse range of uses for land that has been cleared. As identified in a 2017 study by GICHD and the United Nations Development Programme,⁹⁹ land release has direct links to six SDGs, including access to food and agricultural productivity, access to healthcare, access to housing, transport and public spaces and access to safe drinking water. The study also highlighted that land release has indirect links to a further eight SDGs, showing the breadth of outcomes that result from removing explosive ordnance contamination and returning land to use. As such, thematic bonds could be applied to mine action to support activities that deliver a positive social or environmental outcome, in addition to delivering a return for the investor on the basis of the economic activity enabled by the project outcome.

Mine action bonds could be linked to land uses which can deliver measurable economic impact and returns on investment (otherwise referred to as 'bankable' activities) post-land release, such as the development of renewable energy, improved infrastructure, education and public health services, climate-change adaptation and environmental protection. This study has chosen to investigate further the application of a bond linked to land release that is followed by activities to enhance agricultural productivity. Agriculture is a prominent use of released land in many mine-affected countries. The release of agricultural areas and facilitation of the development of infrastructure such as irrigation systems can enhance food security, improve health, reduce poverty and ultimately support economic growth.

In countries contaminated by explosive ordnance, survey and clearance of agricultural land are frequently the key first steps in regenerating or enhancing food systems that have often been severely affected by conflict. In Ukraine, for example, production of grain and rapeseed decreased by 30 per cent in 2022 owing to the effects of the ongoing conflict.¹⁰⁰

The HALO Trust reports that over 60 per cent of the land released in 2022 and 2023 across operations in 19

mine-affected countries was categorised as agricultural land.¹⁰¹ A mine action and agriculture bond could be developed to cover the USD 200 million needed per year, but its application would depend heavily on context-specific factors, such as the economic potential of the agricultural land, the debt profile of the countries in which the bond would be applied and its structure. The following section will not therefore propose a specific funding breakdown for such a thematic bond, but rather provide an overview of how the model and structure could be applied to mine action for agricultural land at an appropriate scale to meet the funding need.

Structure of the model



The development of a thematic bond begins with the building of a clear case for credible and sustainable investment. This is usually achieved through a bond or financing framework. This framework must outline how the proceeds of the bond will be used, the processes for selection of, reporting on and evaluation of the projects and the procedures for management of the proceeds. Green bonds, social bonds, peace bonds and other forms of ESG bonds will all have similar frameworks prior to issuance of the bond.

As for a peace bond, a thematic bond for mine action and agriculture could be issued by a sovereign (the mine-affected Government), a commercial entity, a DFI, or a combination of entities all playing different roles in a blended structure. In the proposed model, outlined in figure 17 below, the bond is blended with de-risking mechanisms such as a guarantee from a DFI or donor Government.

The proceeds of the mine action and agriculture bond would be channelled to projects integrating land release activities and post-release, economic agricultural activities. These would be measured and monitored by independent third parties against agreed impact indicators, and investors would receive the information via bond issuers' reports. The positive economic impact on the affected country would support the financing of the repayment of the bond principal, plus interest, to bondholders upon bond maturity (typically, for mid- to long-term maturities, five or ten years). In the event of a deficit, a DFI or donor Government guarantor would cover the cost of repayment, if the mine-affected State were unable to repay the investors.

It is important to note that the economic activity facilitated by the land release under the envisaged agricultural bond alone may not, depending on the structure of the bond, bring in 100 per cent of the funds required repay to the investors. As stated above, however, buy-in to this mechanism by the mine-affected State is likely as the released land would eventually lead in the long term to the generation of more than the amount needed to repay the cost of the debt. In that sense, the mine-affected State would also be investing in its own development through land release.

The release of agricultural land that is deemed to be of low agricultural productivity or value (namely land used for subsistence agriculture) would not, in principle, be seen as highly bankable (generating significant economic return or macro-economic impact with which to attract investment). Nevertheless, such land often has significant social and humanitarian value. For example, small-holdings or community farmland may be the main source of livelihood for some mine-affected communities and the presence of mines poses a significant threat to the people who live near or use that land.

A successful mine action agriculture bond would therefore need to be structured in such a way that it funded the release of land of varying degrees of economic productivity. This balance of project outcomes

is common in thematic bonds. For example, in one of the peace bonds, the more economically productive projects effectively subsidise the projects that are less economically valuable, but still highly valuable in terms of producing social and peace-enhancing benefits.

Activities could be added to increase the economic, social and environmental impact of the release of land deemed less economically productive. Such additional activities could enhance resilience to climate change or environmental protection, for example through the application of sustainable or regenerative farming practices to the land. Smallholder farmers could also receive additional support to improve their ability to integrate into the national food system, for example through improvements to storage, transport and trade infrastructure in rural areas to increase the value of their produce.

The Government of the country in which the project is implemented could also provide other political or economic incentives that would enable the bonds to achieve an even greater impact, connecting land release with other efforts to improve agriculture and food security in the country. One example could be the provision of a tax concession for sustainable agriculture, irrigation or similar value-enhancing investments that would take place on the released land.

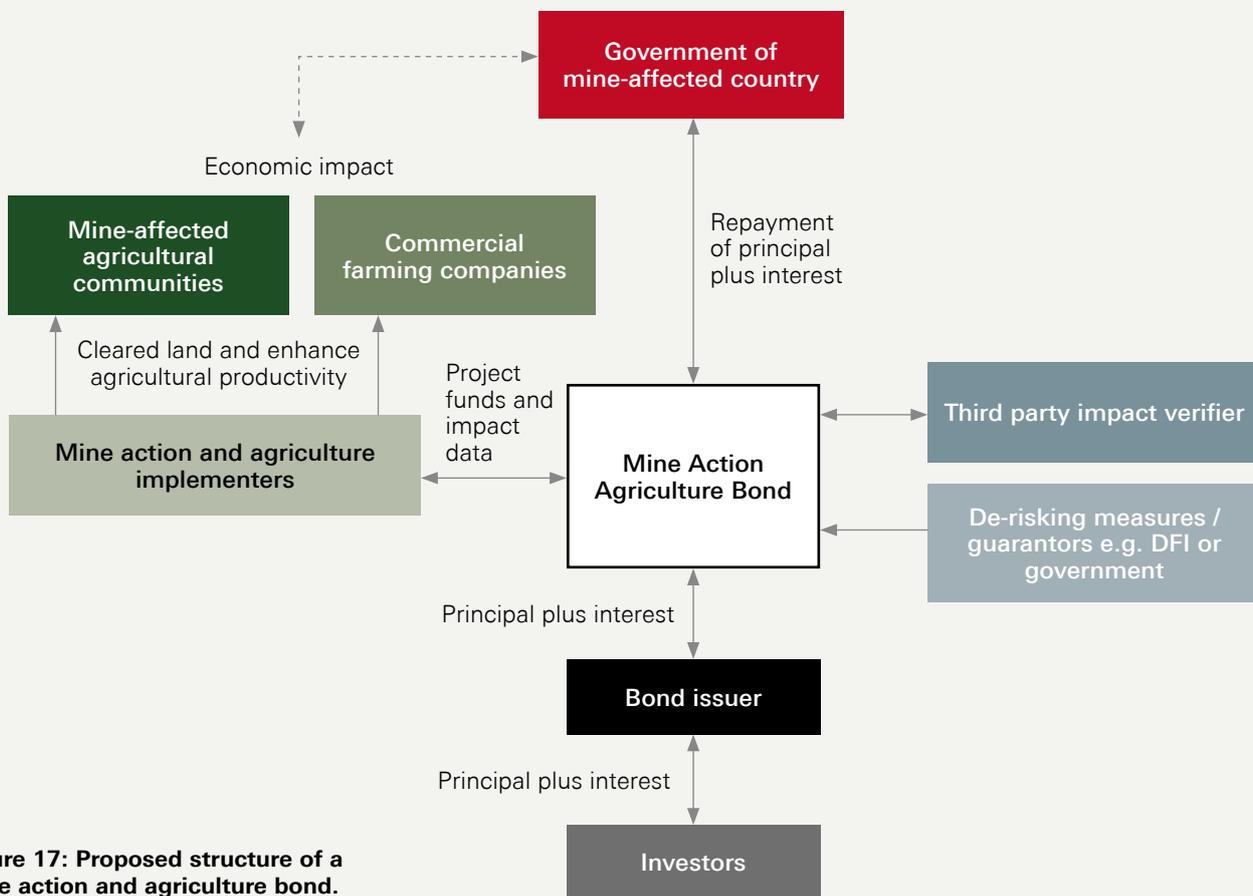


Figure 17: Proposed structure of a mine action and agriculture bond.



Joint Quality Management in Mine Action course with The HALO Trust in Ukraine, 2022 ©GICHD

Governance



A new bond would require a clear set of guidelines, principles and agreed impact indicators to ensure accountability and that the proceeds of the bonds delivered the intended outcomes. As Finance for Peace has done for peace bonds, the mine action sector could develop a clear set of investment guidelines and agreed principles against which future impact investment in the sector could be held to account. Such guidelines would need to include eligibility criteria for projects and implementers to ensure that the benefits of land release activities did not have unintended negative impacts, such as land appropriation, the exacerbation of conflict or the exclusion of certain groups (notably women and minorities).

As with the front-loading model, the management of proceeds could be done with a moderate grant-management capacity (to include the procurement and overarching management of the funds disbursed). This management capacity could be overseen by the affected State or by a third party such as a DFI and funded using the proceeds of the bonds. Under the bond model, this could be a more modest capacity than under the front-loading model if the proceeds of the bond are to be distributed among only a few small projects in one country, rather than across multiple countries. The bond would also require third-party verification to monitor that the funds were being spent effectively and to measure and report on pre-agreed impact indicators. This could be done by an auditing or monitoring and evaluation company.

National ownership of the delivery of the bond is key and should be supported by clear governance and oversight structures. It may be beneficial for the mine-affected country to also invest in the bond itself to encourage other investors by proving its commitment to taking on the risk of the project.

Potential benefits



While the added value and benefits of a mine action and agriculture bond are context-specific and therefore difficult to quantify in the abstract, below is a list of potential benefits of the mine action agriculture bond model:

- Complements traditional means of mine action funding and brings additional funding to the sector, leveraging the private sector through alignment of mine action with bankable outcomes.
- Enhances non-bankable development outcomes and agricultural and food-security resilience for mine-affected communities, including the potential enhancement of resilience to climate change.
- Enhances national ownership and national funding commitments, reducing mine-affected countries' reliance on aid.
- Supports the development of more sustainable economic activity through leveraging private and public capital.
- Offers the opportunity for replication to create new bonds for mine action and other bankable outcomes dependent on each country context.

Potential risks



- **Credit risk:** The bond's credit ratings would be closely tied to the credit ratings of its issuers and mechanisms for guarantees. The involvement of countries with good credit ratings in its implementation and the inclusion of de-risking mechanisms such as guarantees would help to mitigate this risk.
- **Liquidity risk:** Given that bonds are a debt mechanism, there would be a chance that the intended recipient country defaulted on the debt and was unable to repay it. Investments may be secured for investors through de-risking provided by the guarantor (DFI or donor Government), but the overall project could also fail and the investment not bring its intended benefits.
- **Market risk:** This arises from both interest rate and foreign exchange rate fluctuations. Bonds could be issued in a range of currencies to mitigate fluctuations, or the funds raised could be swapped into USD or EUR rates to ensure consistency in fund management.
- **Lack of transparency and accountability:** This is a risk for any large fund (innovative, bilateral or multilateral). A core risk mitigation measure would be the establishment of a clear governance structure to manage the distribution of funds, together with clear guidelines and principles for the bond management.

Debt swaps



A new debt mechanism such as a bond may not be suitable for heavily indebted countries that already struggle to service their current debts or that might not be able to support the bond to achieve its intended positive economic impact. Such countries may want instead to consider alternatives such as debt swaps.

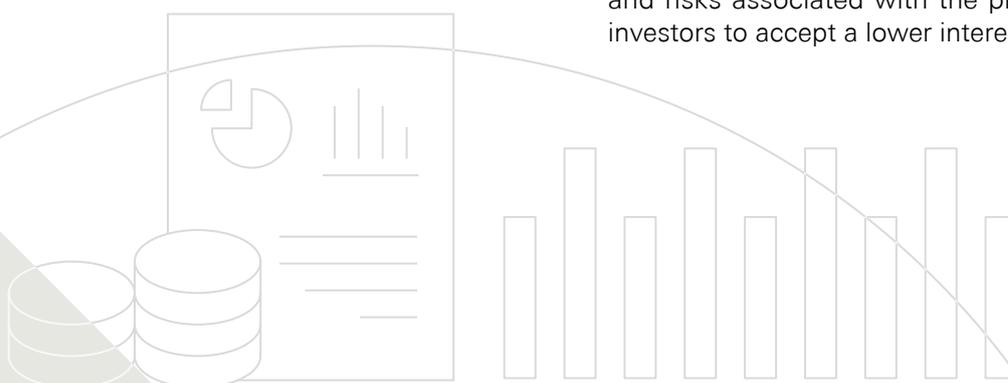
Debt swaps bring an advantage to indebted countries, which might be able to swap their debt with a credit (often at a heavily discounted rate of up to 50 per cent) and repay their debt to the creditor through the implementation of a land release and agriculture programme. Debt swaps often reduce the total cost of the debt that needs to be repaid to the creditor, as a proportion of the debt is forgiven in return for a positive social impact. In essence, this means that the mine-affected country spends less on servicing its existing debt at the same time as receiving the economic benefits that come with land release.

Costs



Using the example of peace bonds, as well as some green and social bonds, it is likely that the operating costs of mine action bonds would be similar to those of the front-loading model (at approximately 4–5 per cent). The costs of a bond include the those of its financing (the interest to be repaid to investors) and of associated financial and transaction services (including the costs of the issuer bank, interest rate, currency management, liquidity management and third-party verification). Costs could vary depending on the type of issuer, the investor profile, the bankability of land released and other economic incentives in place in the country.

As with IFFIm, many development bonds aim to cover operating costs through their proceeds. Additionally, a blended approach, whereby the Government of the affected State, donors or DFIs provide concessional capital or guarantees, could also reduce the costs and risks associated with the project and encourage investors to accept a lower interest rate.





GICHD's visit to Cambodia, 2022 ©GICHD

CONCLUSION

The funding gap in the mine action sector is currently so large that it cannot be addressed solely, and in a timely manner, through traditional means of funding. Beyond this, the allocation of current funding is primarily based on a competing donor priorities rather than on the established need, particularly when new and / or significant changes in situations come into play. This is demonstrated by the fact that the top five countries and territories in terms of the mine action funding received during the period 2011–2021 obtained 50 per cent of the total funding for the sector.

A range of innovative finance mechanisms that are complementary to traditional funding mechanisms have proved themselves effective when applied in other humanitarian aid and development assistance contexts. These mechanisms are supported by a significant number of the same donors that currently fund mine action. These existing models provide relevant benchmarks for the implementation of innovative finance within the mine action sector.

Innovative finance mechanisms could help to address the current funding gap in the mine action sector. They would contribute to providing stable funding, effectiveness and efficiency, which are prioritised by the mine action sector and required to achieve States' diverse political commitments, such as those under the APMBC.

Innovative finance mechanisms can be set up in a manner that leads to affected countries and territories having not only more direct access to the funding, but also an enhanced role in decisions on how the funds are allocated. Innovative finance mechanisms should therefore be carefully considered for practical implementation in the mine action sector.

The political will to develop large-scale innovative financial mechanisms has been also identified as a critical requirement. The right timing, for affected countries and territories and for donors, for the development of such a mechanism is therefore an important factor in ensuring enhanced engagement, cooperation, learning and interest. The current context in Ukraine provides the mine action sector with one such moment. Given that funding needs and political interest are so high, they could prompt the exponential growth of awareness of and appetite for the application of innovative finance mechanisms to mine action at the global level.

While the focus on Ukraine may help feed the overall appetite, innovative finance solutions must continue to be sought for all interested affected countries and territories, the funding needs of which are equally important.

RECOMMENDATIONS

On the basis of the data and information collected and analysed during the course of this study, the following set of recommendations has been formulated to support the mine action sector, including affected countries and territories, mine action organisations and donors, in making informed decisions about the implementation of innovative finance mechanisms.

1. Develop an enabling framework to drive innovative finance for mine action.

National mine action authorities, mine action organisations and donors must be informed about innovative finance and have access to relevant resources and expertise. This is important for the development of effective resource mobilisation plans to support national strategies, informed decision-making about the design and application of innovative finance projects and appropriate governance and measurement of the impact of such projects. Such an enabling framework could take various forms, such as, but not limited to, guidelines and a road map established by a coalition of motivated individuals within the sector, in cooperation with partners from the wider finance, development and humanitarian sectors.

To build a strong foundation for such an enabling framework, it is recommended that the sector:

- Improve the quality and availability of national data on the funding needs of national mine action programmes;
- Develop and facilitate access to a central body of information resources, including on the array of innovative financial mechanisms that could be used, given that operational contexts are diverse and it is likely that no one option would be suitable in every context;
- Facilitate the enhancement of capacities in innovative finance within the mine action sector, including for national mine action authorities, mine action organisations and donors (relevant information could be incorporated into existing capacity enhancement and training programmes);
- Continue to commit to and support the traditional funding models that have characterised the sector to date, and which will continue to be vital to the funding landscape of the sector in the future, given that innovative finance is a tool intended to complement such traditional funding models rather than replace them;
- Ensure greater consistency in reporting on donor funding for mine action on an annual basis, including from private and philanthropic sources.

2. Develop agreed principles and guidelines for the governance and implementation of innovative finance within the mine action sector.

The development of agreed principles within the mine action sector should be transparent, inclusive and ensure accountability throughout. It should involve outreach to, and active engagement by, all sector stakeholders to ensure buy-in and robust and transparent risk management, including through ethical frameworks. It should also ensure that the development and use of innovative finance mechanisms ultimately leads to an increase in cost efficiency and cost-effectiveness across the sector.

To develop these principles and guidelines, it is recommended that the sector:

- Engage in efforts to increase the inclusion and active participation of diverse mine action sector stakeholders, particularly national mine action authorities, in the development of good practice frameworks to ensure equity and the involvement of affected countries and territories in decision-making processes;
- Focus the development of innovative finance any governance principles to complement existing approaches to good practice in the humanitarian, development and mine action sectors (including IMAS);
- Establish guidance on clear governance of how the funding is spent, as this is vital to mitigate risks and ensure confidence and buy-in; regardless of the structure of the financing model, governance structures should be transparent, balanced, ethical and equitable and be designed specifically to increase the efficiency and effectiveness of mine action.



GICHD's visit to Kosovo, 2021 ©GICHD/Giovanni Diffidenti

3. Systematically and transparently engage with the private sector.

Private sector and capital-market stakeholders are essential for the development of innovative finance mechanisms for the mine action sector. Their engagement is also key to attracting and engaging potential investors in new innovative finance mechanisms.

To strengthen engagement with the private sector, it is recommended that the mine action sector:

- Engage in awareness-raising and exchange within and outside the mine action sector to enhance the sector's receptiveness to facilitating appropriate and accountable levels of financial return for investors through the implementation of innovative finance mechanisms;
- Provide support to traditional government donors in engaging national or regional banks and development financial institutions that have the potential to play a significant role in innovative finance mechanisms;
- Consistently engage in outreach to, and learn from, other sectors that have successfully engaged the private sector in the delivery of impact, including the sectors highlighted in this report;
- Mine action organisations should continue to engage in fully cross-sectoral public-private partnerships to facilitate the sharing of experience among the full range of sector stakeholders;
- Make an effort to speak the language of the private sector when engaging with its stakeholders in order to make mine action accessible to a wider audience.

Recommended immediate next steps:



1. Harness the current political will and interest in Ukraine as a springboard for application of innovative finance to the mine action sector, capitalising on donor and private sector interest that can then be directed to the establishment of innovative finance mechanisms for the broader mine action sector. Context-specific models for Ukraine should be developed, tested and applied.
2. In parallel, the front-loading and thematic bond models analysed in section C should be further investigated, and steps 4 and 5 of the process to be followed in applying innovative finance mechanisms to a new market should be undertaken to establish mechanisms for the mine action sector as a whole.
3. While this study focuses specifically on funding for the land release component of mine action, additional research should be undertaken into innovative finance mechanisms that may be relevant for other mine action pillars, such as the use of social bonds to support funding for victim assistance and / or explosive ordnance risk education.



ENDNOTES

1 Humanitarian aid and development assistance can be described as follows: “Humanitarian aid is designed to save lives and alleviate suffering during and in the immediate aftermath of emergencies, whereas development aid responds to ongoing structural issues, particularly systemic poverty, that may hinder economic, institutional and social development in any given society, and assists in building capacity to ensure resilient communities and sustainable livelihoods.”

“From humanitarian to development aid,” Humanitarian Coalition, accessed March 19, 2024, <https://www.humanitariancoalition.ca/from-humanitarian-to-development-aid#:~:text=Humanitarian%20aid%20is%20designed%20to,given%20society%2C%20and%20assists%20in.>

2 UN, International Conference on Financing for Development, Monterrey, Mexico, March 18–22, 2002, *Monterrey Consensus on Financing for Development*, 2003, https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.198_11.pdf.

3 Explosive Ordnance is defined in IMAS as “encompassing mine action’s response to the following munitions: Mines, Cluster Munitions, Unexploded Ordnance, Abandoned Ordnance, Booby traps, Other devices (as defined by CCW APII) Note: Improvised Explosive Devices (IEDs) meeting the definition of mines, booby-traps or other devices fall under the scope of mine action, when their clearance is undertaken for humanitarian purposes and in areas where active hostilities have ceased.”

4 IMAS, *IMAS 04.10 – Glossary of mine action terms, definitions and abbreviations*, Second Edition, Amendment 11, January 17, 2023, <https://www.mineactionstandards.org/standards/04-10/>.

5 Ibid.

6 Ibid.

7 GICHD, *A Guide to Mine Action*, Fifth Edition, 2014, <https://www.gichd.org/fileadmin/uploads/gichd/Media/GICHD-resources/rec-documents/Guide-to-mine-action-2014.pdf>.

8 These five pillars of mine action (available at <https://www.unmas.org/en/5-pillars-of-mine-action>, accessed March 19, 2024) have evolved over time with regard to the terminology used. For example, “clearance” has been expanded to “land release” and “mine risk education” has been expanded to “explosive ordnance risk education”.

9 IMAS, *IMAS 04.10 – Glossary of mine action terms, definitions and abbreviations*, Second Edition, Amendment 11, January 17, 2023, <https://www.mineactionstandards.org/standards/04-10/>.

10 “The Convention on Certain Conventional Weapons,” United Nations Office for Disarmament Affairs, accessed March 19, 2024, <https://disarmament.unoda.org/the-convention-on-certain-conventional-weapons/>.

11 Ibid.

12 “History and Text,” APMBC, accessed March 19, 2024, <https://www.apminebanconvention.org/en/the-convention/history-and-text/>.

13 Diplomatic Conference for the Adoption of a Convention on Cluster Munitions, May 19–30, 2008, CCM/77, https://www.clusterconvention.org/files/convention_text/Convention-ENG.pdf#page=5.

14 An executive agency of the Foreign, Commonwealth and Development Office of the United Kingdom of Great Britain and Northern Ireland.

15 “Events – A mine-free world: challenges and opportunities in realising the 2025 aspiration (WP1616),” Wilton Park, accessed March 19, 2024, <https://www.wiltonpark.org.uk/event/a-mine-free-world-challenges-and-opportunities-in-realising-the-2025-aspiration-wp1616/>.

16 Fourth Review Conference of the States Parties to the APMBC, November 26–29, 2019, *Oslo Action Plan*, APLC/CONF/2019/5/Add.1, <https://www.osloreviewconference.org/fileadmin/APMBC-RC4/Fourth-Review-Conference/Oslo-action-plan-en.pdf>.

17 The most recent monitoring guide is *A Guide to the Oslo Action Plan and Results of 2023 Monitoring: Survey and Clearance* and is available at https://www.mineactionreview.org/assets/downloads/A_Guide_to_the_Oslo_Action_Plan_and_Results_of_2023_Monitoring.pdf. Previous annual monitoring reports are also available on the website of Mine Action Review.

- 18 Information on the innovative finance initiative for mine action is available at <https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/INDIGO-POJ-0291/#:~:text=Intervention,it%20aims%20to%20clear%20approx.>
- 19 This five-step process is an original concept developed by Symbio Impact Ltd.
- 20 States Parties submitting Article 5 extension requests are required to provide within their requests a budget that outlines the national contribution and the external funding required. States Parties are also encouraged, albeit not obligated, to share information on funding gaps during Meetings of the Parties and meetings on their Individualised Approach.
- 21 “Official development assistance (ODA)”, OECD, accessed March 19, 2024, <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm>.
- 22 The ODA figures are derived from the OECD statistics platform <https://stats.oecd.org/Index.aspx?DataSetCode=TABLE2A> (accessed March 19, 2024).
- 23 “Landmine Monitor,” Landmine and Cluster Munition Monitor, accessed March 19, 2024, <https://www.the-monitor.org/en-gb/our-research/landmine-monitor.aspx>.
- 24 “Global inflation rate from 2000 to 2022, with forecasts until 2028”, Statista, October 2023, accessed March 19, 2024, <https://www.statista.com/statistics/256598/global-inflation-rate-compared-to-previous-year/>.
- 25 Development Initiatives, *ODA 2020–2021: Key Trends Before and During Emerging Crises - Briefing*, 2022, <https://devinit.org/resources/oda-2020-2021-key-trends-before-during-emerging-crises/> and Ahmad, Yasmin, et al., “Six decades of ODA: Insights and outlook in the COVID-19 crisis,” OECD Development Co-operation Profiles, 2023, <https://www.oecd-ilibrary.org/sites/5e331623-en/index.html?itemId=/content/component/5e331623-en>.
- 26 International Campaign to Ban Landmines and the Landmine and Cluster Munition Monitor, “Extraordinary pledges to support mine action in 2016,” 2016, p. 6, accessed March 19, 2024, https://www.the-monitor.org/media/2388355/2016-Pledging-Conferences-fact-sheet_final.pdf,
- 27 Landmine and Cluster Munition Monitor, *Landmine Monitor 2018*, 2018, p. 80, https://www.the-monitor.org/media/2918780/Landmine-Monitor-2018_final.pdf.
- 28 Ibid., p. 2.
- 29 “Project Masam”, Project Masam, accessed March 19, 2024, <https://www.projectmasam.com/eng/>.
- 30 Landmine and Cluster Munitions Monitor, *Landmine Monitor 2023*, 2023, <http://www.the-monitor.org/en-gb/reports/2023/landmine-monitor-2023/support-for-mine-action.aspx>.
- 31 “Project Masam,” Project Masam, accessed March 19, 2024, <https://www.projectmasam.com/eng/>.
- 32 “Masam: Saudi project clears Houthi land mines in a land where ‘every step might kill you’”, *Arab News*, April 3, 2023, accessed March 19, 2024, <https://arab.news/pgasm>.
- 33 The Howard G. Buffet Foundation, *The Howard G. Buffet Foundation: 2022 Annual Report*, p. 46-48, <https://www.thehowardgbuffettfoundation.org/wp-content/uploads/2023/04/2022-HGBF-Annual-Report.pdf>.
- 34 Article 5 of the APMBC provides that “each State Party undertakes to destroy or ensure the destruction of all anti-personnel mines in mined areas under its jurisdiction or control”. “History and text,” APMBC, accessed March 19, 2024, <https://www.apminebanconvention.org/en/the-convention/history-and-text/>.
- 35 “This approach aims to facilitate a platform for individual affected states to provide – on a voluntary, informal basis – detailed information on the challenges it faces and its needs with the aim of fulfilling the remaining obligations of the Convention in an effective and expedient way. It provides an opportunity to connect with the donor community (including possible partners for South-South or regional cooperation), mine action operators, and other stakeholders.”
- “APMBC – Cooperation and Assistance – Individualised Approach,” APMBC, accessed March 19, 2024, <https://www.apminebanconvention.org/fileadmin/APMBC-DOCUMENTS/Meetings/2017/IM17-e-Individualised-Approach-Cooperation-and-Assistance-Committee.pdf>.

- 36 This approach revolves around coordination in the destruction and clearance of cluster munitions and other explosive remnants of war and seeks to include, in an informal platform, all relevant actors, including the affected country, donor States, international organisations, operators on the ground and other relevant experts. In principle, this approach is coordinated jointly by the affected country and a donor country. CCM, Seventh Meeting of States Parties, Geneva, September 4–6, 2017, *Country Coalitions to Promote the Implementation of the Convention on Cluster Munitions*, CCM/MSP/2017/8, accessed March 19, 2024, <https://www.clusterconvention.org/files/presidency/Country-Coalitions-paper.pdf>.
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