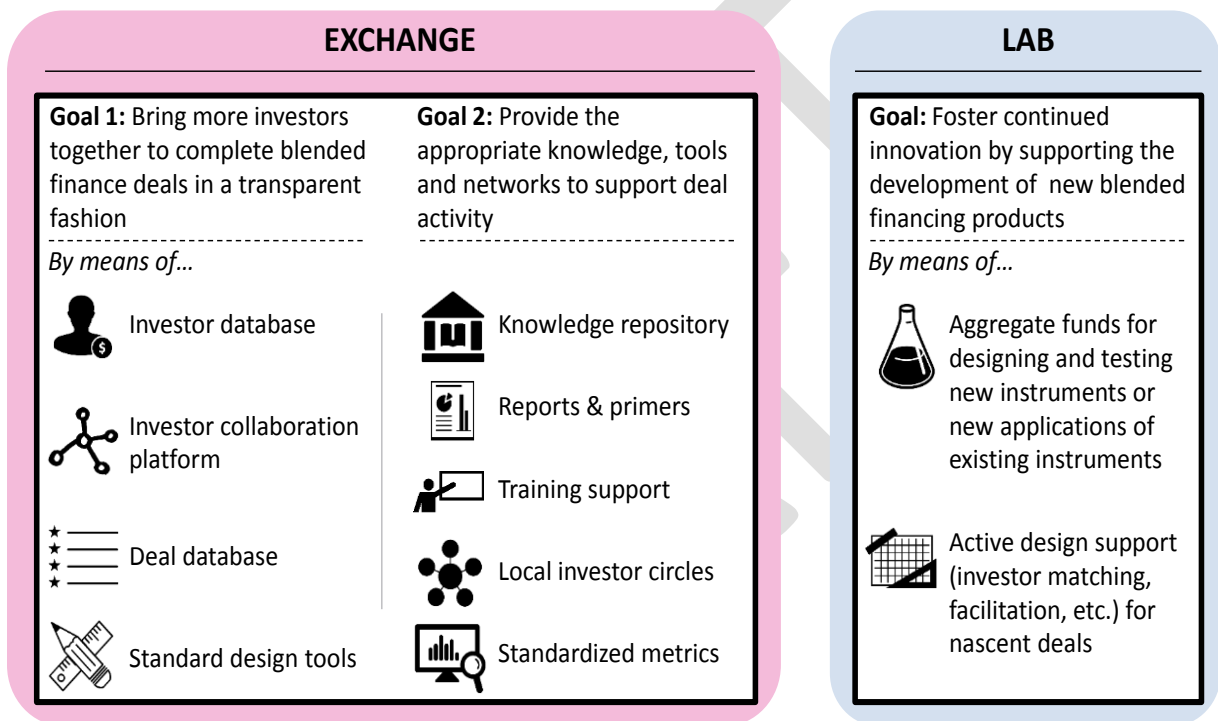


THE GLOBAL FINANCE EXCHANGE

THE GLOBAL INVESTMENT MARKETPLACE FOR SOCIAL ADVANCEMENT

CONCEPT NOTE — FEBRUARY 2015

What it is: The Global Finance Exchange (GFX) seeks to modernize development finance to meet the post-2015 global development challenges by serving *new markets* with *new financing products* and through *new investment partnerships*. GFX consists of two complementary entities:



Vision: GFX aims to accelerate progress towards sustainable development goals by building the definitive global development finance marketplace, and:

- **Increase the use of established instruments by new actors, particularly in the private sector.** Development finance mechanisms that have received widespread use (e.g., guarantees) will grow as commercial investors increasingly participate in blended public-private financing structures.
- **Expand successful financing pilots into new markets.** Development finance institutions (DFIs) will build on mechanisms that worked in one sector and deploy them in new sectors and markets; promising mechanisms include blended capital investment vehicles, advance market commitments, and other performance-based financing mechanisms.
- **Foster continued innovation within development by creating new financing products and tapping new growing sources of financing.** The public and private sectors will continue to develop and support newer financing mechanisms such as development impact bonds, with increasing participation from other private sector investors and implementing partners. In addition, new sources of sustainable and predictable financing can be raised and leveraged for development

financing: for example, \$100B can be raised annually by mobilizing diaspora savings and giving, and by reducing remittance and recruitment costs. Just as importantly, remittances can further be leveraged via future-flow securitization of remittances, enhancing sovereign ratings, and linking remittances to financial savings and insurance.

In addition, GFX would **complement and collaborate with** related convening fora such as the World Economic Forum and OECD-DAC's Redesigning Development Finance Initiative; coordinating bodies such as the Leading Group on Innovative Financing; and impact investing networks like the Global Impact Investing Network. GFX will also seek to support existing and new high-level convenings to engage stakeholders from key donors, DFIs and the private sector to move the development finance agenda forward with action; develop targeted partnerships for new platforms, including GFX; and create awareness of new products and instruments, as well as new resources such as Analytics.

Who is currently involved: An initial set of partners has come together to translate this vision into reality, by committing capital, expertise and networks, and build on the momentum of existing innovative and blended financing initiatives:

- **The Government of Canada:** Committed funding to seed the design and launch of GFX, host the GFX, invest Canada's capital and scale up the global innovation ecosystem.
- **World Economic Forum:** Contribute insights, analysis and collaborative opportunities emerging from the ReDesigning Development Finance Initiative. Leverage its convening power to organize public-private events as well as offer its virtual platform for on-line collaboration.
- **Global Development Incubator:** Serving as the initial host to launch GFX.
- **Dalberg Global Development Advisors:** Contributing expertise and networks from working on the frontlines of development finance across emerging and frontier markets.

A roadmap for collective action: We are now seeking to assemble a core Founding Group and Steering Committee, and over the next three months an advisory council to promote and expand GFX's reach and impact. The Founding Group and Steering Committee will shape the design of GFX and anchor its key components by contributing:

- **Expertise:** Help us assemble and create the world's leading knowledge, data and tools for innovative financing.
- **Pipeline:** Identify and share promising investment opportunities to design and deploy innovative financing.
- **Capital:** Provide concessional capital to pilot and scale innovative financing mechanisms that can, in turn, unlock further financing from public and private investors.

We aim to have initial discussions with a core Founding Group in January and February 2015, share the initial concepts at World Economic Forum on Africa in Cape Town in June 2015, and announce GFX's upcoming launch at the Third International Conference on Financing for Development in Addis Ababa in July 2015.

Why GFX matters to:

- **Impact investors and foundations:** Deal flow and access to opportunities at much larger scale than any one individual foundation or investor could support.
- **Donors:** Access to deal flow, and increased scale and leverage through private sector financing; accelerated uptake of new instruments, products and technology for development; better knowledge sharing on what works and what does not.

- **Intermediaries and businesses:** Increased support and capacity to structure and market project finance proposals; improved matchmaking and better networking opportunities to reach beyond traditional aid providers.
- **Institutional investors:** Standardized investment data, and transparent risk/return/impact profiles for established and new asset classes (such as green, infrastructure and/or social bonds).

The opportunity, and challenge: The transformative potential of new and innovative forms of finance for development has never been greater, driven by the emergence of significant sources of capital and capacity over and above Overseas Development Assistance (ODA), as well as the real investment opportunities at the intersection of sustainability and markets. New sources include private flows of funds, be it foreign direct investment (FDI) or via individuals through remittances for developing countries, private investors who are increasingly seeking opportunities for sustainable investments both domestically and in growing markets around the world, and impact investors who are managing larger amounts of capital as more investors seek to achieve impact with financial return. Alongside these capital sources are opportunities for even greater impact through associated transfer of technology, capacity and access to global value chains. **And yet there is no effective, global mechanism to attract, enable and leverage these new sources of capital and capacity.**

Time for action: We are at a tipping point, and the opportunity is now to dramatically accelerate the evolution of development finance. Over the years, through success and failure, we have learnt a great deal about how to effectively deploy finance towards global development challenges. ODA is positioned to play a new and catalytic role for other sources of financing for international development, both public and private. The need to find even more effective ways to finance the Sustainable Development Goals is an opportunity for investors, intermediaries and businesses to come together for meaningful action and:

- **Unlock more and better financing for global development efforts** through:
 - Producing data and analytics that show the most effective way to design and deploy financial instruments for different types of global development opportunities and challenges;
 - Profiling investment opportunities and providing collaboration tools, to enable like-minded investors to connect and get more deals done in less time at lower cost; and
 - Matching investments with guarantees, insurance, and other risk management tools to increase private investor confidence to move into new markets;
- **Unleash demand and support the development of ‘bankable’ projects’** by:
 - Equipping more investors with knowledge and tools pursue more innovative forms of development finance, through sharing term sheets, product designs, and case studies;
 - Profiling investors and providing networking/matchmaking opportunities to reach beyond traditional development finance providers; and
 - Funding efforts to design and innovate new ways of applying financial instruments to emerging global development goals.

GFX. The Global Investment Marketplace for Social Advancement.