

MASG Intervention: Innovative Finance for Mine Action

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I. Background

- The mine action sector has long been plagued with chronic underfunding, undermining its overall stability and sustainability. It is important to remember that for traditional funding streams from institutional donors, which characterize the mine action sector's funding landscape, the Good Humanitarian Donorship (GHD) principles remain relevant more now than ever. These are centred around:
 - Principled humanitarian action;
 - Respect for and promotion of International Humanitarian Law;
 - The importance of needs-based assistance;
 - Accountability to affected populations;
 - Predictable humanitarian funding;
 - Coherence of donor action;
 - Primacy of civilian response;
 - Support to multilateral coordinated humanitarian action.
- While the continued use of traditional funding streams remains essential for the sector, it is important to **continue to strengthen good donorship** while also **seeking alternatives to complement these traditional funding streams** – notably innovative finance mechanisms.
- Accordingly, the GICHD has conducted the study, “Innovative Finance for Mine Action: Needs and Potential Solutions”, which:
 1. assesses the funding situation in the mine action sector
 2. analyses how innovative finance mechanisms have been successfully employed in other humanitarian aid and development assistance sectors and
 3. provides an overview on how such mechanisms may be applied to mine action.

II. Key Findings

Funding Landscape:

- Mine action funding saw an all-time high in 2022 at over USD 700 million; approximately 20 per cent of this funding was however allocated for Ukraine alone, with the rest of affected countries receiving funding that was collectively below the levels for 2017 and 2018.
- Fluctuations in mine action funding, often influenced by new crises or significant developments in ongoing conflicts, can lead to **short-term funding spikes**. These spikes challenge the sector's sustainability and stability, as countries struggle to effectively absorb and utilize sudden increases in funds (and sees operations disrupted when donor interest moves away and funds are abruptly cut).

- While 60 countries and territories are reported to remain contaminated by landmines, each year, between 2011–2022, more than **50 per cent** of the total funding recorded went to the **top 5 recipient countries and territories**.

Funding Gap:

- An assessment of the funding needs for mine action was conducted across 17 mine-affected countries and territories, chosen based on their provision of cost estimates for completing land release commitments under Article 5 of the APMBC. The combined reported cost for these 17 entities totals approximately USD 1.69 billion. Comparing this to the average annual mine action funding from 2018 to 2022, there emerges an **annual shortfall of USD 115 million** if these countries are to meet their land release commitments within five years.
- This figure **underestimates the actual funding gap**, as it does not include several highly contaminated states like Afghanistan and Yemen, which lack detailed cost assessments. Notably, Ukraine, which requires an estimated USD 34.6 billion for land release according to the RDNA3, was also excluded from this assessment.

Innovative Finance:

- The study defines innovative finance for mine action as *initiatives that make use of financial mechanisms to channel public and private funds to help narrow the funding gap for mine action and complement existing funding arrangements in a way that fosters equity, sustainability, efficiency and effectiveness*.
- The study explores two mechanisms that have been successful in other humanitarian aid and development assistance sectors and could be applied to mine action:

1. Front-loading

- Uses **long-term, legally binding government pledges to issue bonds** on the capital markets, directing the proceeds to fund mine action immediately, similar to the International Finance Facility for Immunisation (IFFIm) approach for vaccines.
- Enables quicker achievement of mine action goals by allowing donors to "**act now and pay later**", crucial for addressing the immediate threats to life and development posed by land contamination.
- Features an **inclusive governance structure** that ensures accountability and transparency, providing stable and predictable funding. This setup empowers mine-affected countries by giving them a significant role in fund allocation, **enhancing national ownership and supporting local efforts** within the mine action sector.

2. Thematic bond – Mine Action Agriculture Bond

- This approach involves using bonds to fund land clearance activities that prepare the land for farming. The money invested in these bonds can be paid back through the financial gains from the agricultural activities that take place after the land is cleared.
- It is critical to establish clear rules and criteria for the projects and those running them to make sure that the land clearance does not lead to negative outcomes like land theft, increased conflict, or the exclusion of certain groups.

- **Bottom line:** 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.

III. Main Conclusions

- **We need to move from discussion to action:** The application of innovative finance specifically to mine action was first broached in 2018 and, despite a dedicated action to exploring innovative sources of funding in the 2019 Oslo Action Plan, not much progress has been made since.
- **The mine action sector is at a pivotal moment:** The sector is facing many challenges, including chronic underfunding, leading to lack of both funding stability and predictability which ultimately impact efficiency and effectiveness of operations, as well as the multiplication of new and protracted conflicts with new contamination. With the current funding levels and mechanisms alone, the sector simply cannot keep up.
- Innovative finance, as proved successful in other sectors, **can and should be explored for the mine action sector, particularly the front-loading mechanism** which operates at the scale needed to address the significant funding gap across the sector.
- The political will to develop large-scale innovative financial mechanisms is critical. The **current context in Ukraine provides the mine action sector with such opportunity.** 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.

IV. Next Steps

- The GICHD is committed to advancing this work and will be focusing on testing innovative finance mechanisms to address global challenges in mine action. In terms of immediate next steps:
 1. The full study will be officially launched **this Wednesday, May 1st** and available to the public on the GICHD website (colleagues are distributing cards with QR codes accordingly).
 2. The GICHD is organizing alongside the Humanitarian Finance Forum and the Mine Action Finance Initiative (MAFI) a **virtual roundtable** to discuss the potential for the application of the front-loading mechanism to the mine action sector on **May 21st**. This event will include stakeholders from the development finance sector, including the current Chair of IFFIm and former Treasurer of the World Bank.
 3. The GICHD is collaborating with MAFI and the Ministry of Economy of Ukraine to develop and pilot innovative finance mechanisms for the Ukraine context, with the aim to scale the mechanisms for the entire mine action sector. The Ministry of Economy will be participating in the aforementioned roundtable and we will be outlining together next steps following this.