

## G8 Facts: International Finance Facility (IFF)

### What is the IFF?

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At the G8 Summit, world leaders will discuss the possibility of an International Finance Facility designed to quickly raise the funds needed to meet the Millennium Development Goals by 2015. Originally proposed by the British government in 2003, the IFF would allow greater sums of aid money to be delivered today and paid for tomorrow. It represents an innovative strategy that uses international financial markets to “frontload” aid, directing more money to the world’s neediest countries quickly and in a predictable manner.

### Why is the IFF important?

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We can help people in poverty seize the opportunity to improve their own lives. For those living in the world’s poorest countries, this requires an investment of aid greater than ever before. Estimates suggest that the amount of development assistance must be doubled and delivered quickly to ensure universal primary education, end the crippling cycles of hunger and poverty, and win the fight against HIV/AIDS.

At the 2002 International Financing for Development conference in Monterrey, donor countries reaffirmed their commitment to increase Official Development Assistance (ODA) to 0.7% of their respective gross national incomes – a good start toward achieving the MDGs. However, many countries face tight budgets and difficult internal politics that keep them from immediately reaching these levels. An International Finance Facility could help countries work around these constraints to get aid where it is urgently needed. The IFF would turn long-term promises into immediate resources, allowing us to tackle the root causes of poverty today.

### How will it work?

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While many details of the proposed IFF have yet to be worked out, we now know that:

- **The IFF will fund short-term aid by issuing bonds.** IFF bonds, essentially IOU contracts obligating the IFF to repay the buyer with interest, will be sold to individual investors worldwide starting in 2006. Bond sales are expected to provide an extra \$50 billion a year in development assistance needed now to meet the MDGs by 2015.
- **IFF bonds will be guaranteed by donor pledges.** Donor countries will pledge increasing amounts of aid, aiming toward the target of 0.7% of gross national income reaffirmed during the Monterrey conference. Countries also will be encouraged to give grants, not loans.
- **Donor countries will repay bonds by meeting their international aid commitments.** Starting in 2015, donor countries will be legally bound to make good on their pledges. The IFF will use this money to repay bondholders.

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- **Aid will be delivered as it is now, only with more funding.** The development funds raised from bond sales will be used by existing aid organizations, both international and country specific.
- **The IFF will dissolve once donor countries repay their commitments in 2030.**

Proponents of the IFF claim that this kind of mechanism could provide a huge leap forward for aid effectiveness. When large amounts of money come into a developing country in a predictable and coordinated way, aid workers don't have to worry if the next check they need to finish their project will come through or not. Coordinating aid among many donors would provide this kind of stable and predictable financing for multiyear projects. Yet many questions remain about the benefits of the IFF, including how this coordination will be achieved.

## What does this mean for the U.S.?

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The IFF would demand greater future investments in development than the Bush Administration is prepared to support. Some of America's G8 partners have already set out a timeline for achieving the goal of designating 0.7% of their respective gross national incomes for aid; the U.S. has no such timetable. Joining the IFF would put tremendous pressure on the U.S. to match the commitment level of our partners.

Fortunately for the Administration, U.S. domestic budgetary processes would make joining the IFF next to impossible. The IFF could make a tremendous difference in the global effort to create a more sustainable, secure, and equitable world, but the U.S. must not let budgetary procedure stand in the way of helping now those who need it most.

## About Citizens for Global Solutions

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Citizens for Global Solutions envisions a future in which nations work together to abolish war, protect our rights and freedoms, and solve the problems facing humanity that no nation can solve alone. This vision requires effective democratic global institutions that will apply the rule of law while respecting the diversity and autonomy of national and local communities. We work to build political will for our vision in the United States by educating Americans about our global interdependence, communicating global concerns to public officials, and developing proposals to create, reform, and strengthen international institutions such as the United Nations.