



# Welcome to the Economic Development Days 2016!

Vienna University of Economics and Business (WU Wien)



# Development Finance post-2015

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Economic Development Days – June 2016  
Vienna University of Economics and Business (WUWien)

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# 1. What happened in 2015?

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© Disney

“Addis Ababa will shape international cooperation for years to come.”

Wu Hongbo

UN Under-Secretary-General for Economic and Social Affairs and Conference Secretary-General for the Third International Conference on Financing for Development

#FFD3 #Action2015



2015  
TIME FOR  
GLOBAL ACTION  
FOR PEOPLE AND PLANET

[www.un.org/action2015](http://www.un.org/action2015) • [www.un.org/ffd3](http://www.un.org/ffd3)





# SUSTAINABLE DEVELOPMENT GOALS



# Nations Unies

## Conférence sur les Changements Climatiques 2015

COP21/CMP11

### Paris France



## 2. How is the world going to change?

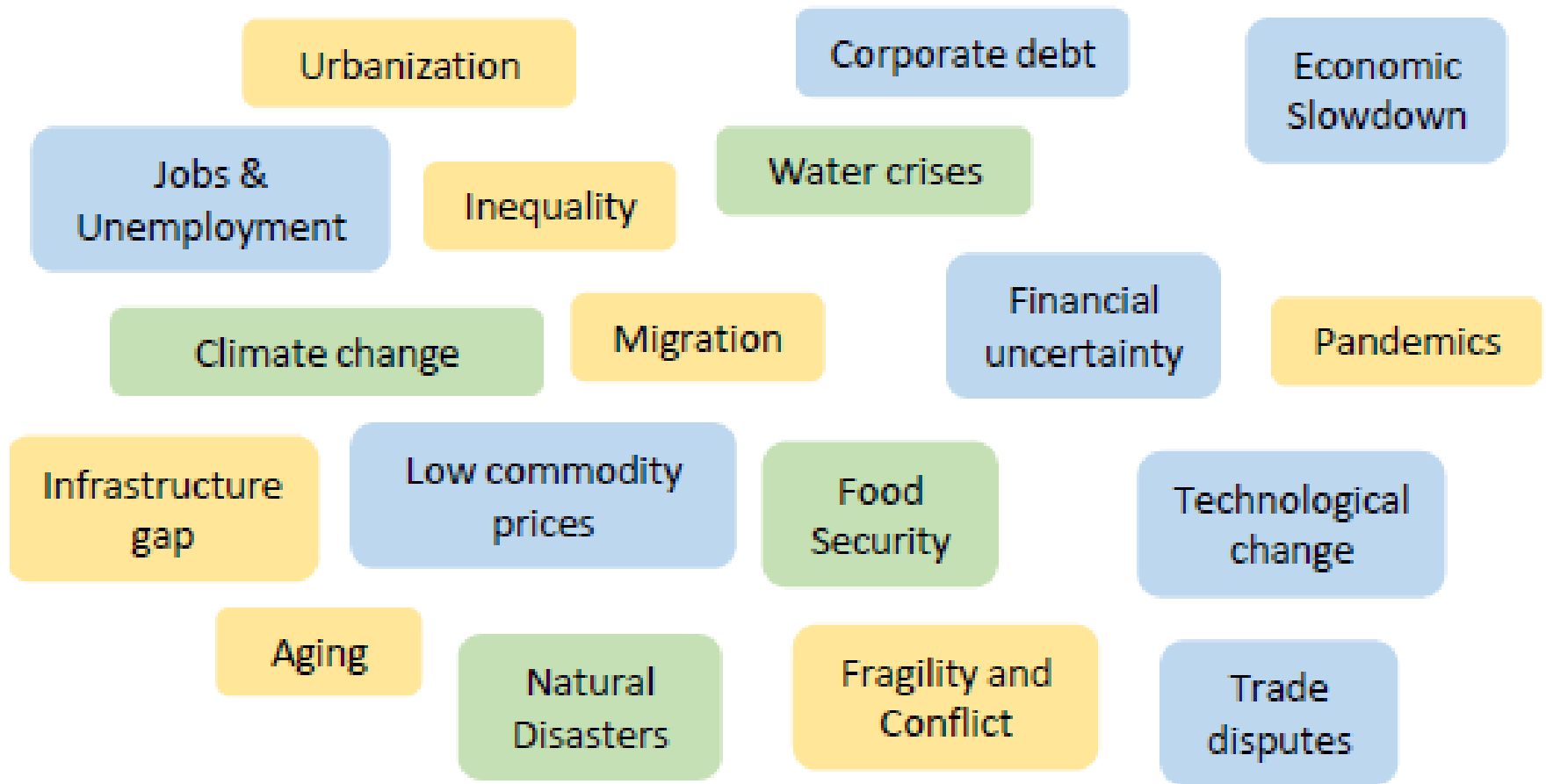
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Source: <http://www.safety4sea.com/ipcc-report-a-changing-climate-creates-risks-but-opportunities-exist/>

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# Trends Risks Cycles

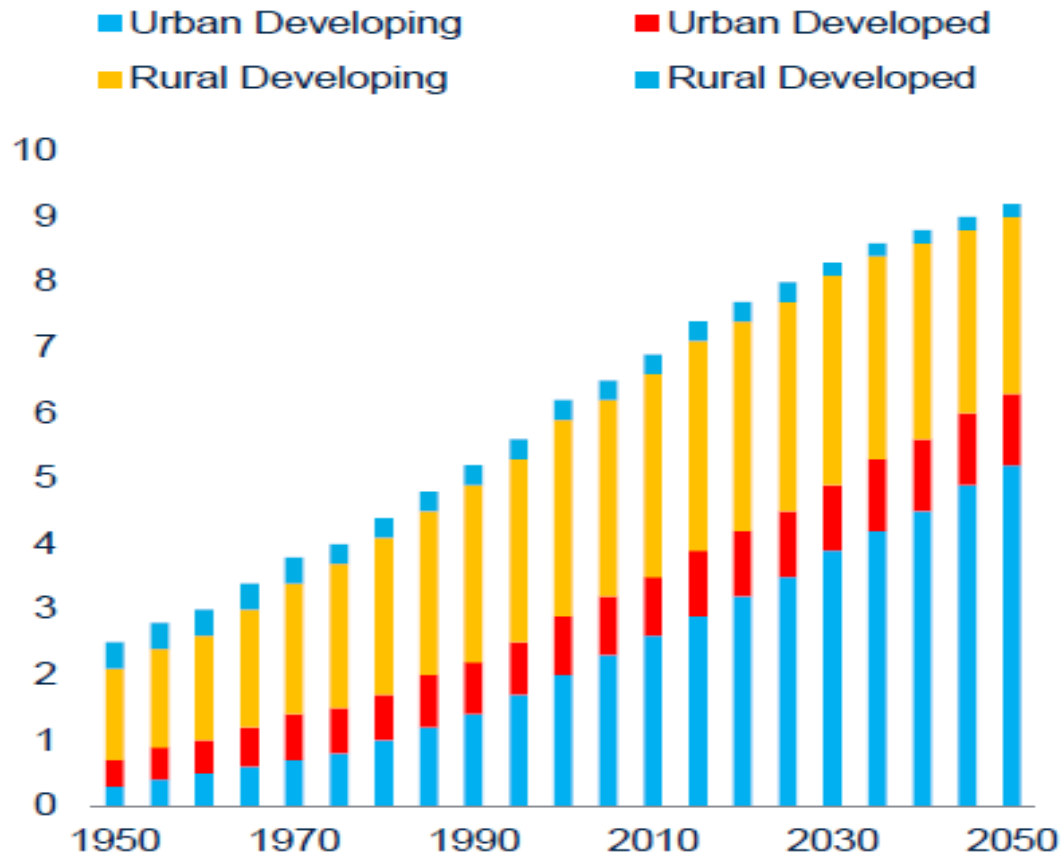


Source: World Bank



# Rapid urbanization

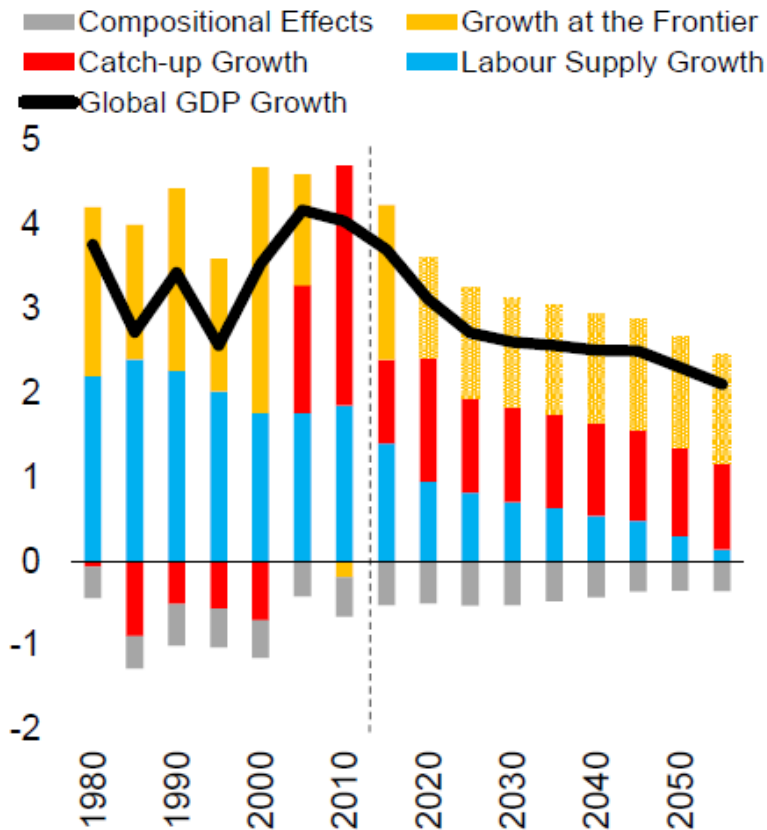
## Urban and Rural population Billions



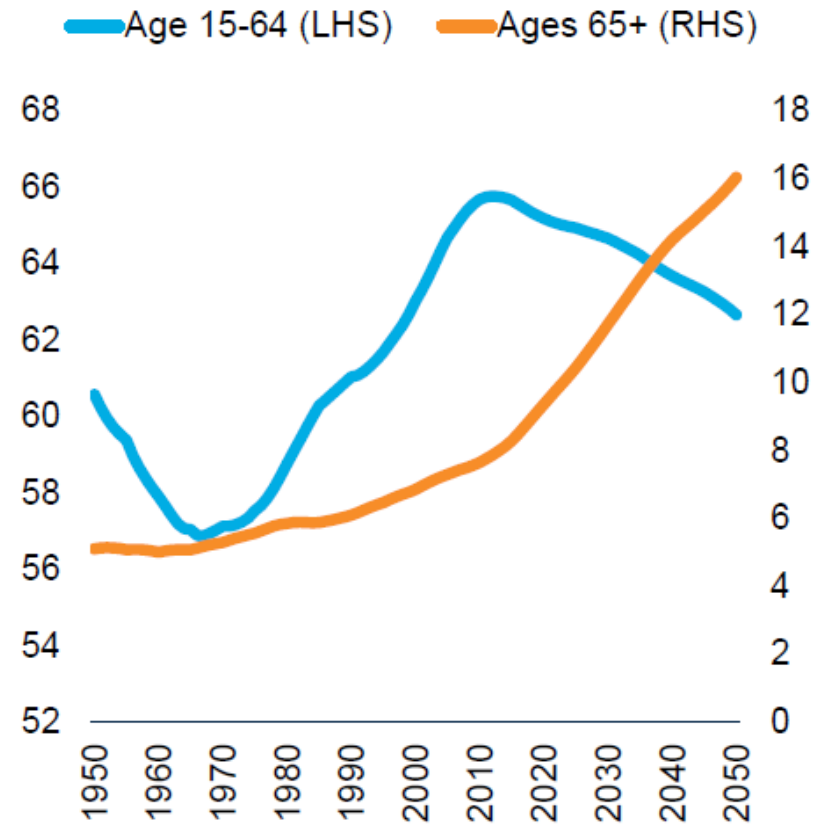
Source: UN World Urbanization Prospects

# Global growth is expected to decline with shrinking share of labor force

**Contributions to global GDP growth, percentage points, avg. over the past 5 years**

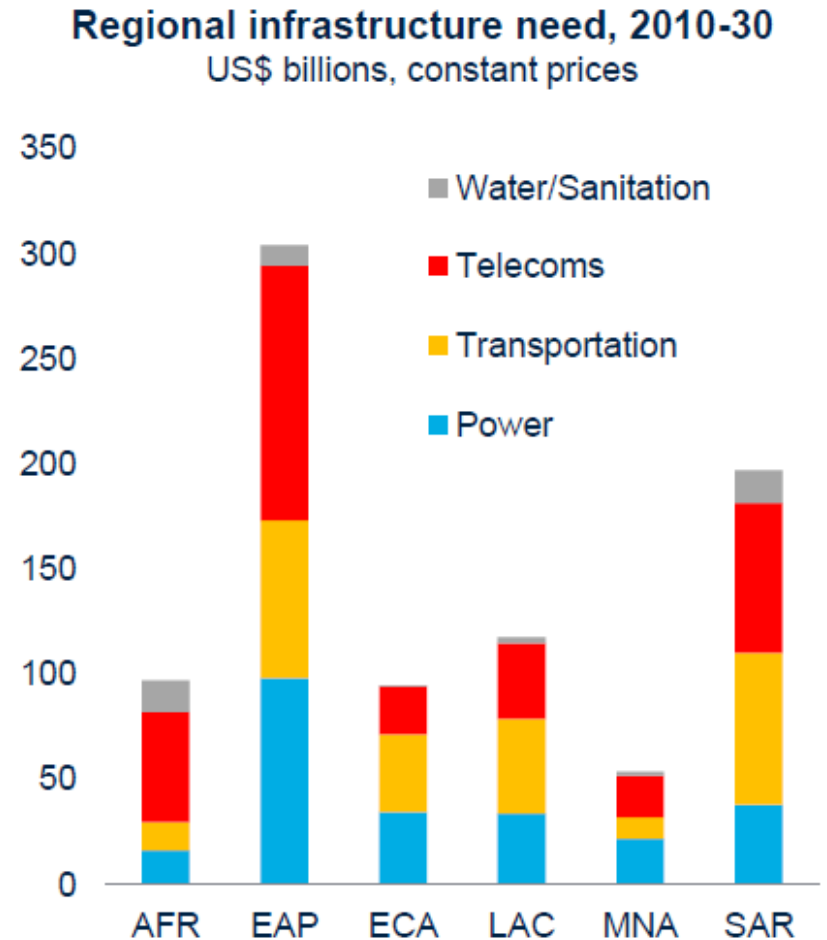
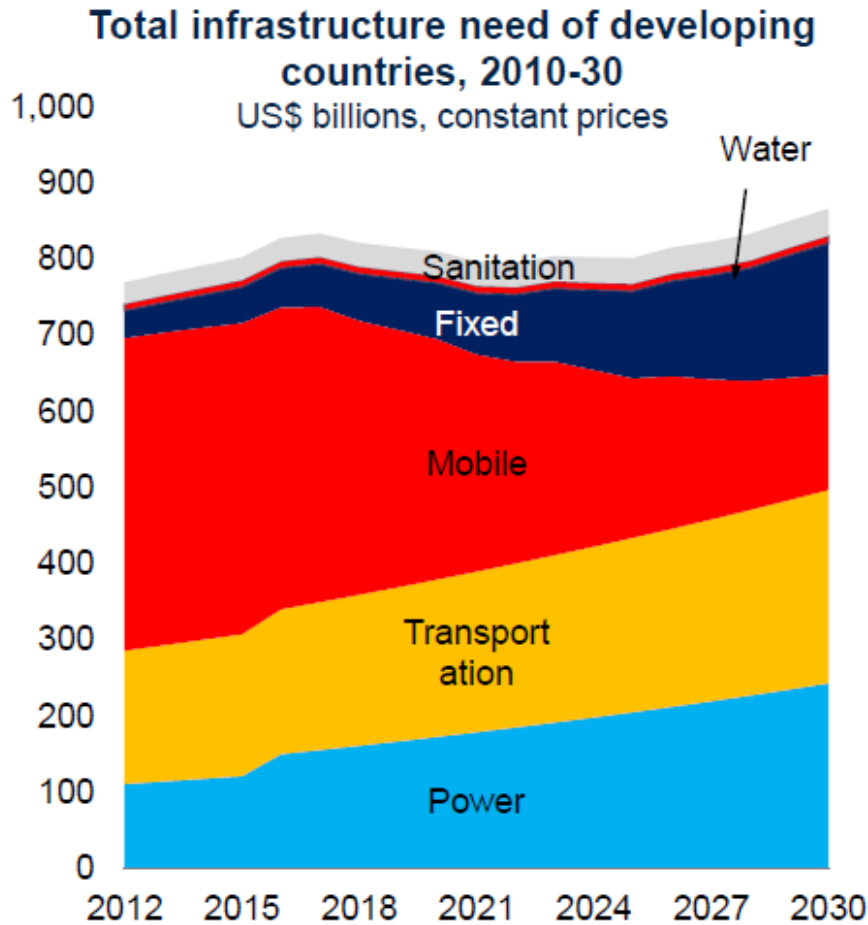


**Global population shares by age cohort, percent**



Source: Lukasz Rachel and Thomas D. Smith (2015) and World Bank

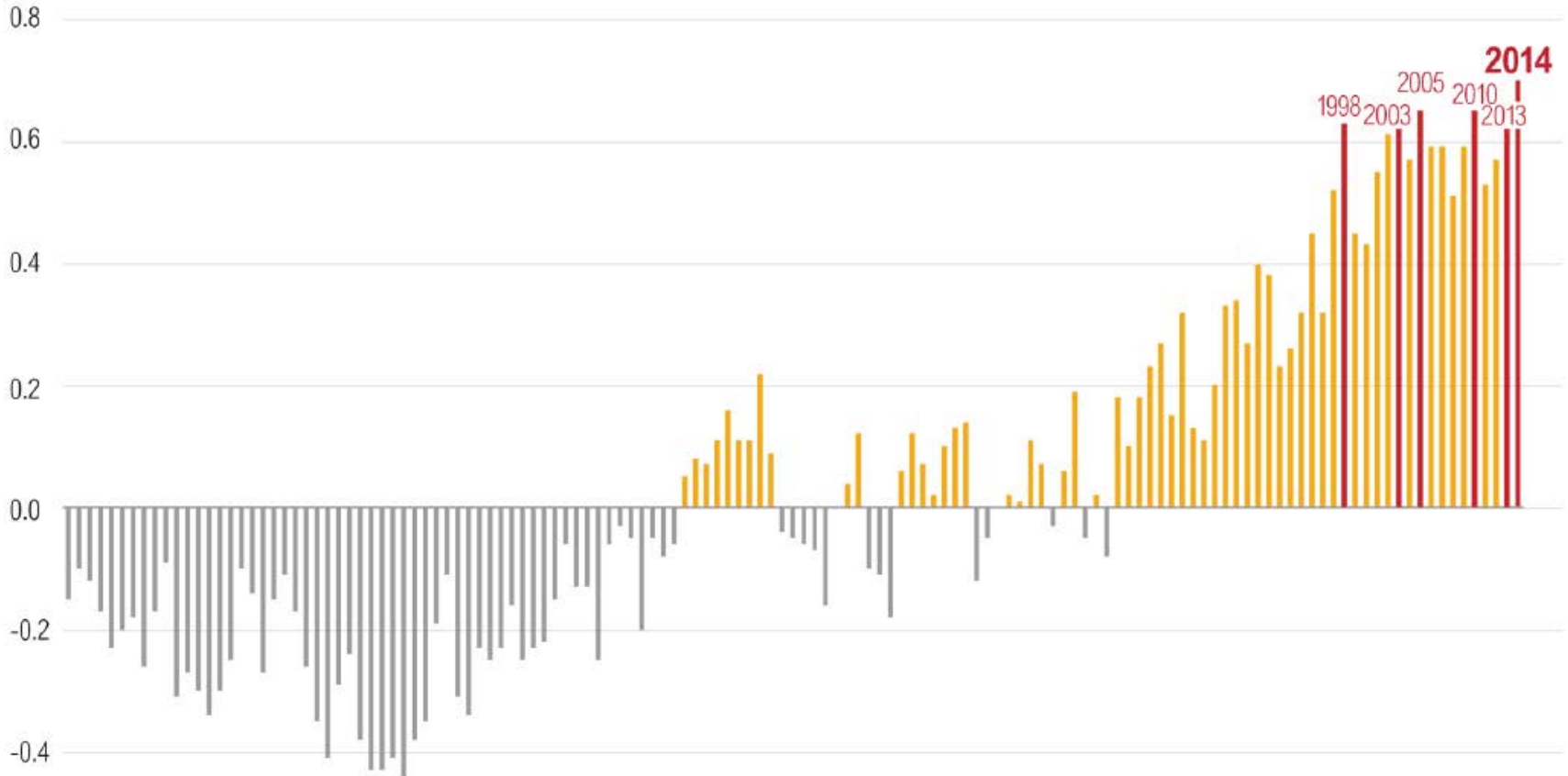
# Continued infrastructure financing needs



Source: World Bank, Global Development Horizons, 2013

# Climate change

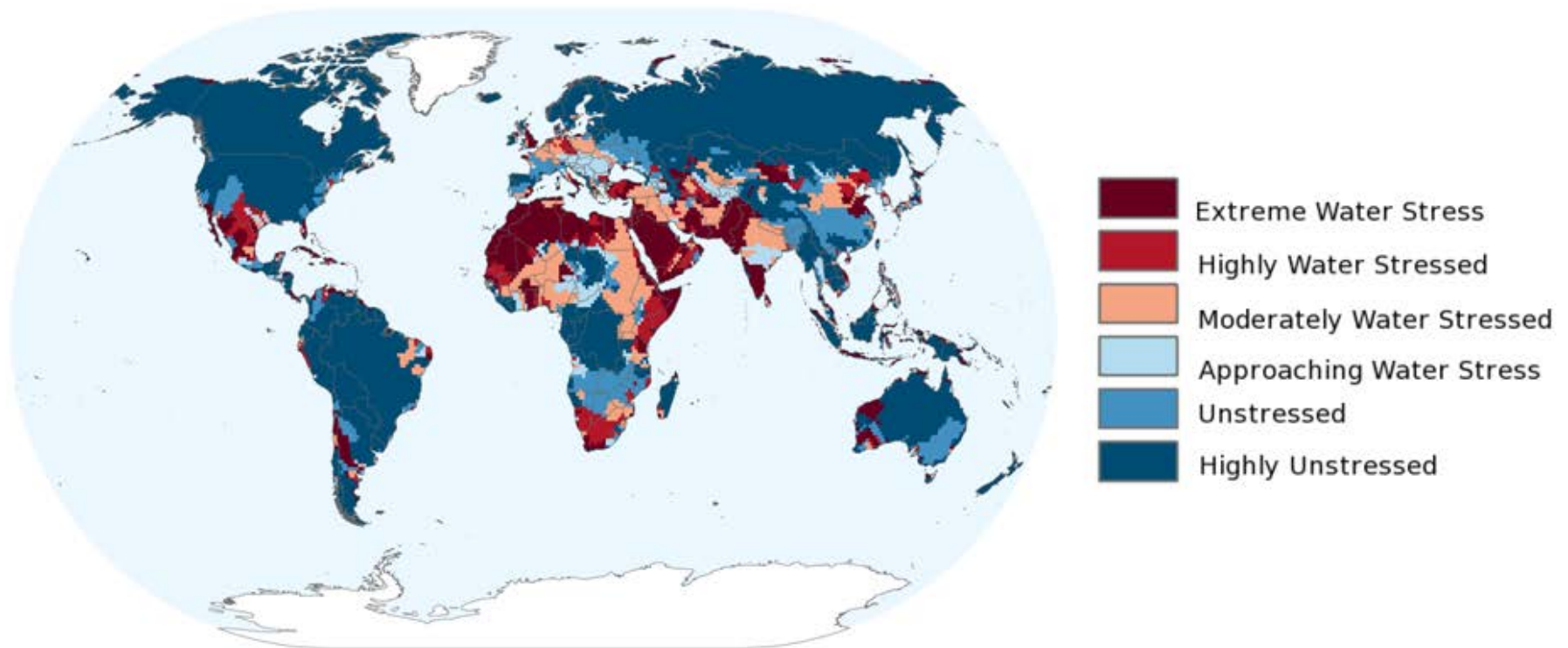
Global Temperature Annual Anomalies 1880-2014\*



Source: National Oceanic and Atmospheric Administration, World Resources Institute

# Pressure on water resources is growing

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Projected levels of water stress in the 2080s under SRES A1B emissions scenario simulated by HadCM3 due to population, climate change and carbon dioxide effects of plants

Source: UK Met Office

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# Challenges ahead

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1. Sustainable health and welfare systems for aging population
2. New jobs and new sources of growth and trade
3. Public and private capital for productivity growth
4. Urban management for sustainable cities
5. Private expertise/ funding for infrastructure/ urban services
6. Shift in public/ private spending from fossil fuels to renewables and energy efficiency
7. Adaptation of agriculture to a changing climate
8. Disaster risk preparedness and mitigation of macro-shocks
9. Protecting the poor and displaced from fragility and violence

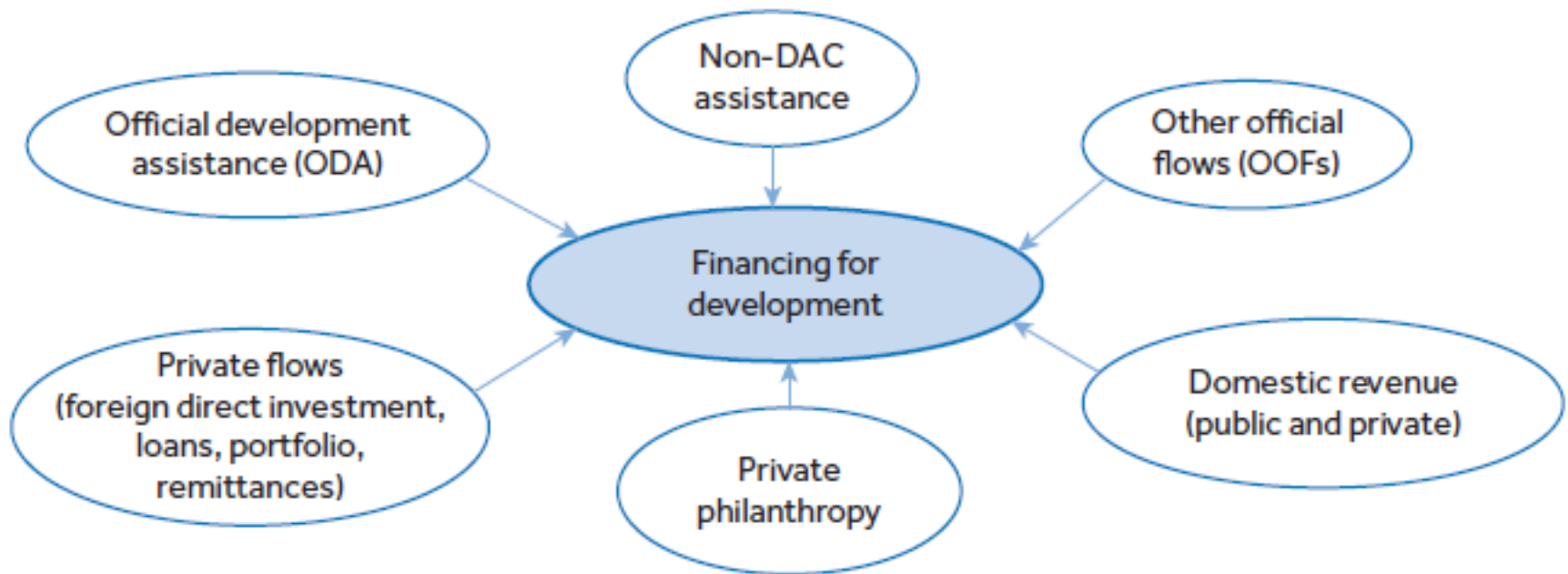
# 3. Development finance responding

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# Sources of development finance

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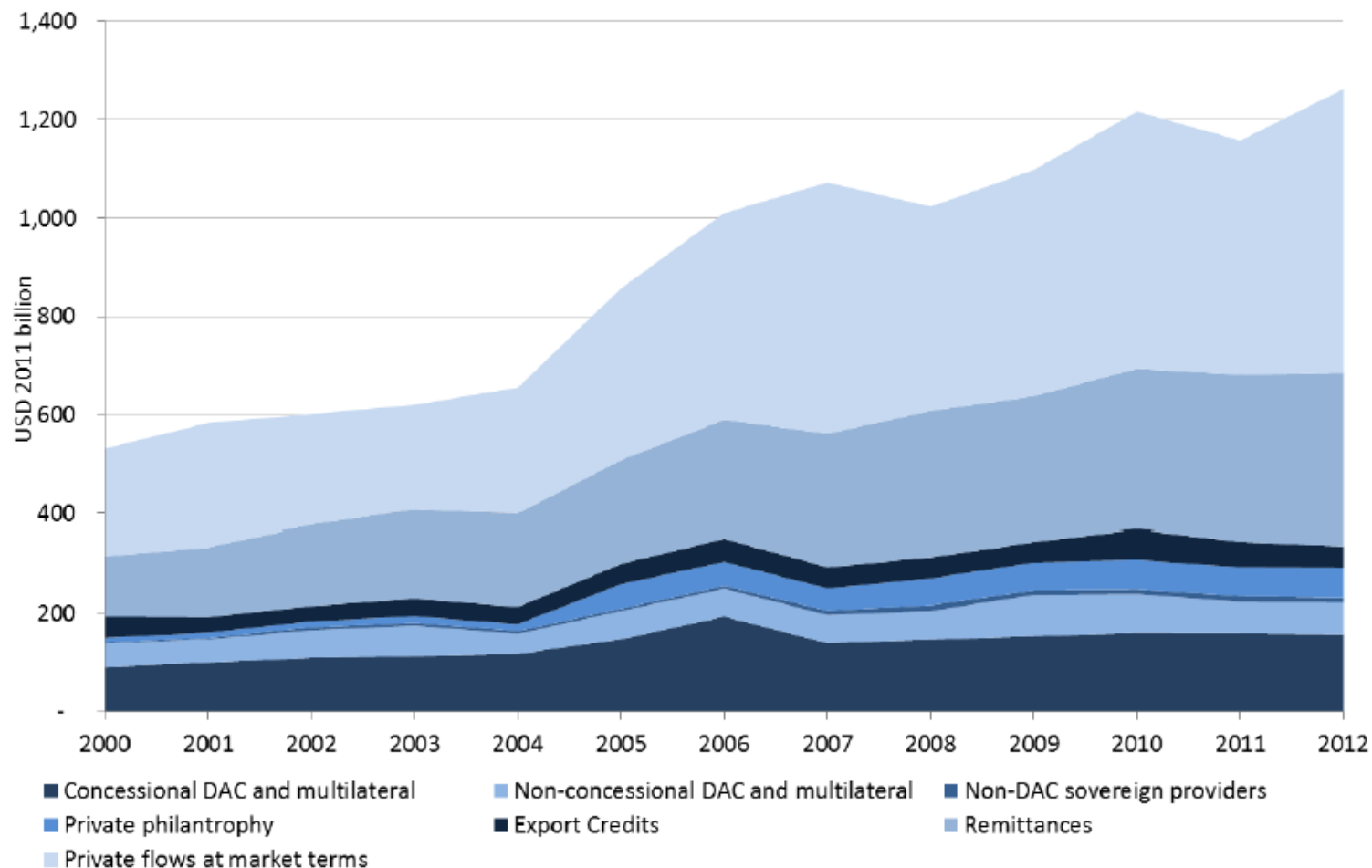


Source: The Commonwealth, Innovative Finance for Development, Bhinda et al., 2014

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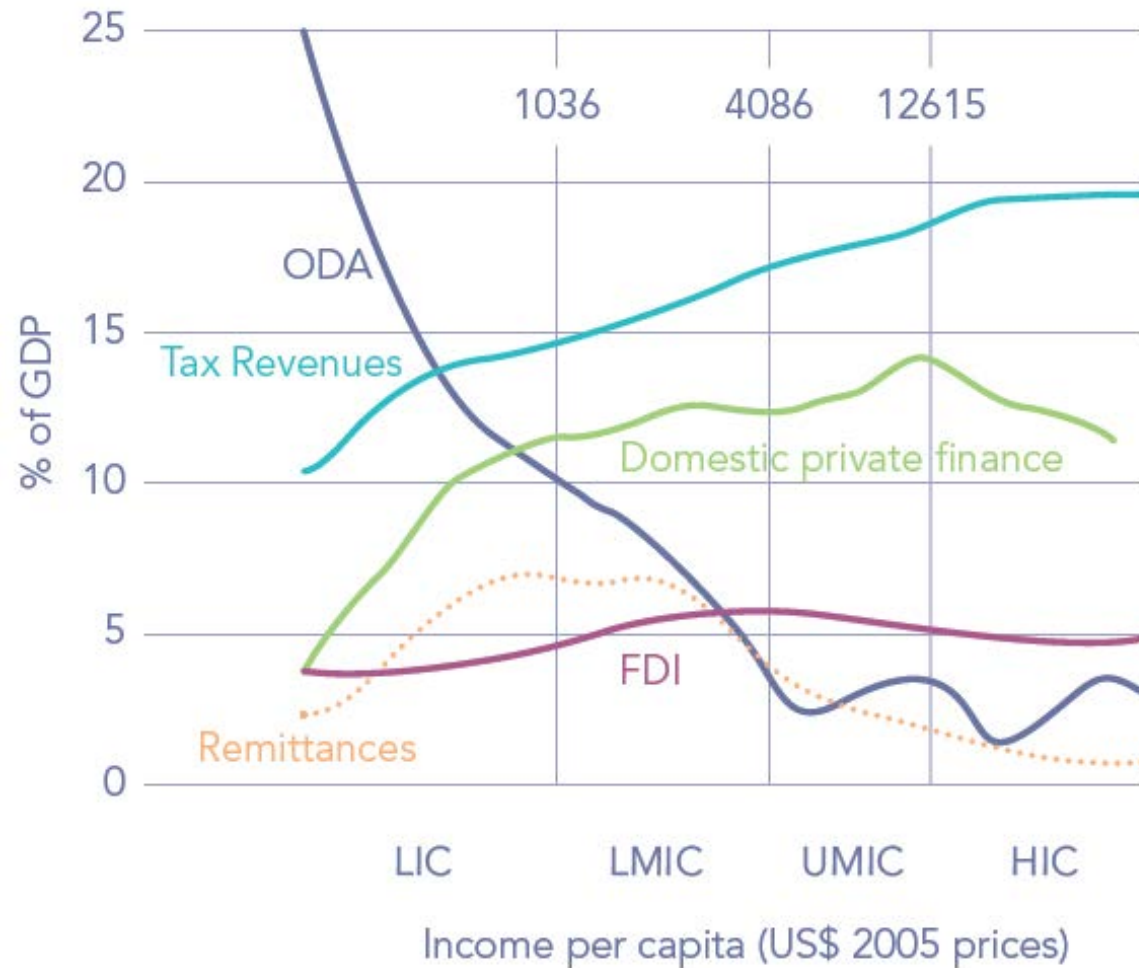


# Developing countries' external resources



Source: The New Development Finance Landscape, OECD, 2014, based on data from OECD, World Bank, Hudson Institute, UNCTAD

# Which financial flows are most important?



Source: WDI data (FDI, ODA, remittances and tax revenues) for all WDI countries, 1980-2012, log scale but labels converted from logs. European Report on Development, EU, 2015.

# An evolving multilateral development architecture



Source: Adapted from World Bank

# Business Model of MDBs: Finance ++

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- ▶ **Financial leverage**
  - ▶ Paid-in capital leverages resources from capital markets
- ▶ **Private-finance and investment**
  - ▶ Getting policies right
  - ▶ MDBs/DFIs can be innovators, intermediaries, co-investors, honest brokers, thus crowding in private finance (leverage)
- ▶ **Policy guidance, technical assistance and knowledge**
  - ▶ Work with governments (e.g. on investment climate reform, domestic resource mobilization, public sector management)
  - ▶ Can help translate SDGs into country level targets, policies, programs
- ▶ **Safeguards, public goods, commons**
  - ▶ Environmental, social, governance safeguards
  - ▶ Transparency, procurement, anti-corruption
  - ▶ Support of global and regional PGs and commons (e.g. climate change mitigation, management of shared natural resources)

Source: Adapted from From Billions to Trillions, MDBs, April 2015

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# Financing the post-2015 SDGs

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- ▶ **Areas for action (supply side)**
  - ▶ Redirect **concessional assistance** towards the most vulnerable and least creditworthy countries, with the lowest tax capacity (LICs, some LMICs)
  - ▶ Raise far more of **market-related public borrowing**, especially through MDBs and bilateral official loans, for countries doing relatively better (UMICs, most LMICs)
  - ▶ Improve the ‘deal flow’ for **private finance** through reducing distortions to uses and unblocking regulatory obstacles to wider access (all DCs)
- ▶ **In addition, address demand side constraints**
  - ▶ Increase **absorptive capacity**
  - ▶ Ensure **debt sustainability**
  - ▶ Generate more **bankable projects**

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Source: adapted from Kharas, Prizzon, Rogerson (ODI), Financing the post-2015 SDGs



Thank you!

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# Sources

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From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance. Prepared jointly by AfDB, ADB, EBRD, EIB, IDB, IMF, WBG for the April 18, 2015 Development Committee meeting.

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- ▶ [http://www.developmentandtheprivatesector.org/report/files/assets/downloads/IFI\\_and\\_Development\\_Trough\\_the\\_Private\\_Sector.pdf](http://www.developmentandtheprivatesector.org/report/files/assets/downloads/IFI_and_Development_Trough_the_Private_Sector.pdf)

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- ▶ <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9374.pdf>

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Sustainable Development Goals Website

- ▶ <https://sustainabledevelopment.un.org/sdgsproposal>

The New Development Finance Landscape: Developing Countries' Perspective (WORKING DRAFT presented at the OECD workshop on development finance on 25 June 2014), June 2014.

- ▶ [http://www.francophonie.org/IMG/pdf/the\\_new\\_development\\_finance\\_landscape\\_master\\_19\\_june.pdf](http://www.francophonie.org/IMG/pdf/the_new_development_finance_landscape_master_19_june.pdf)