

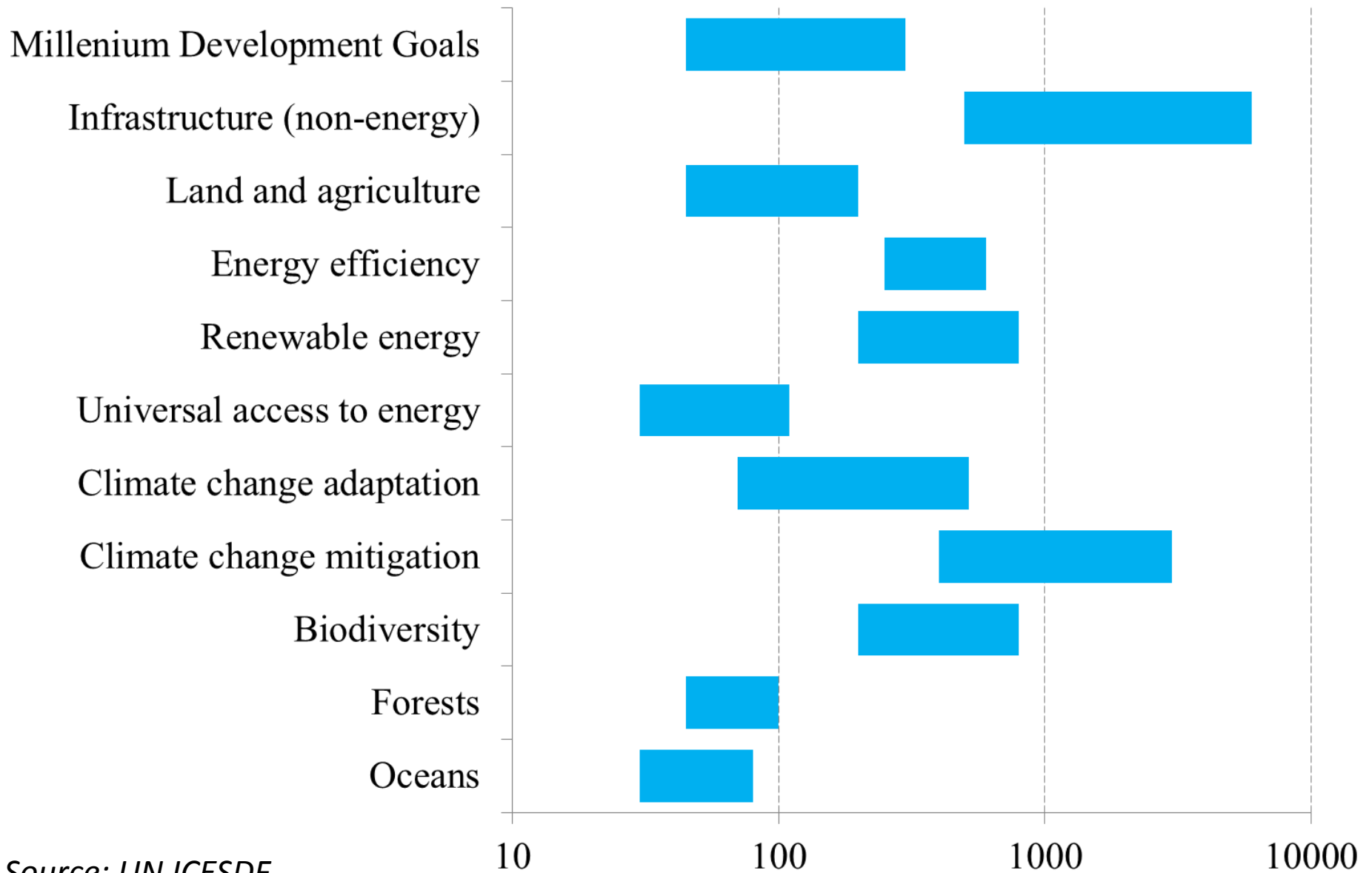
Financing for Development – Element of Global Governance

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Development Finance – role for Development

- Eradication of poverty and hunger, improvement of health and education, provision of access to affordable energy and promotion of gender equality;
- development of infrastructure, rural development, adaptation and climate resilient development, clean energy;
- protection of the global environment and combatting climate change and its impact, as well as support for other global public goods.

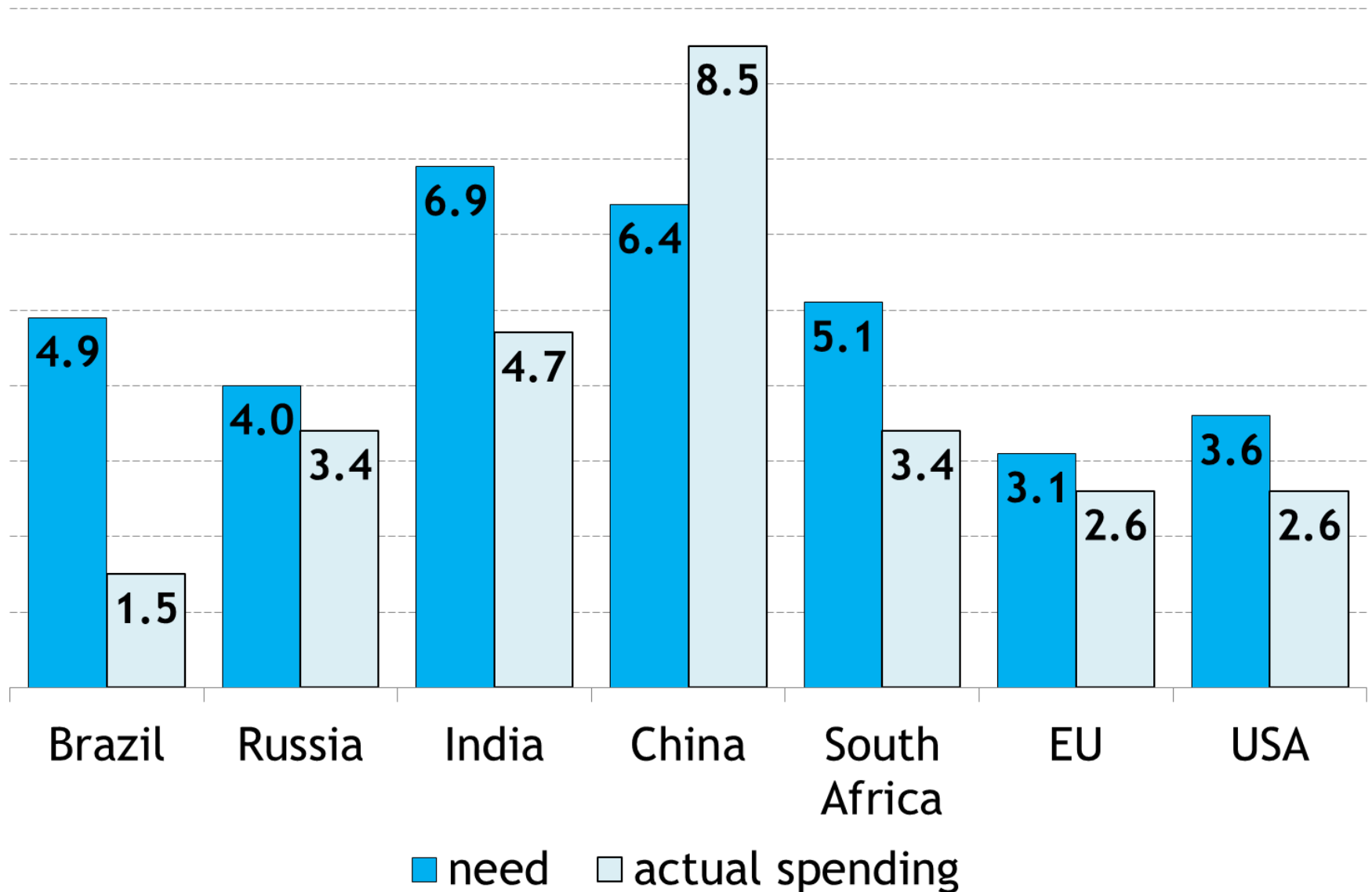
Order of magnitude of investment needs from the literature , \$ billion, annual



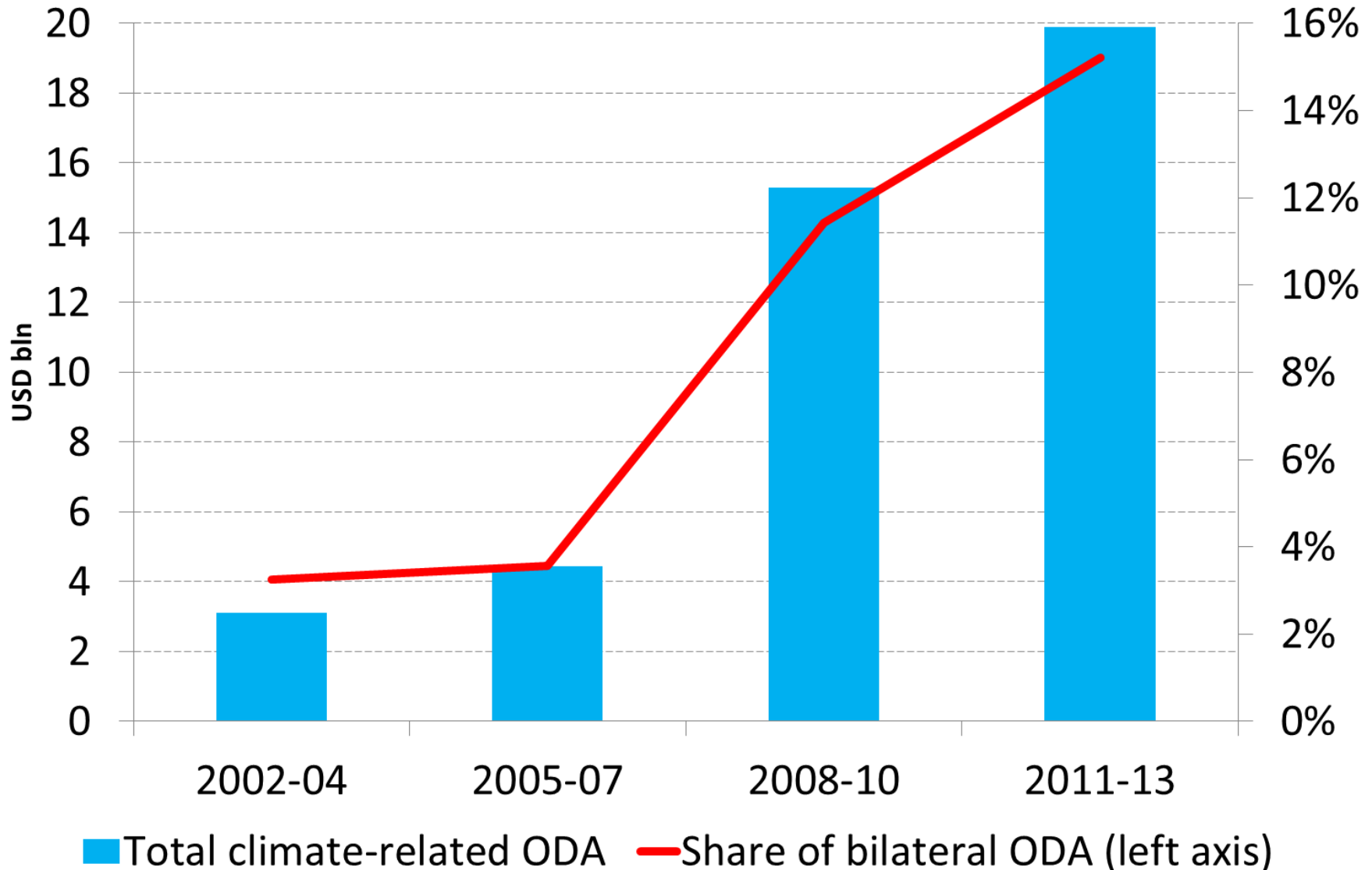
Source: UN ICESDF

Infrastructure need for selected countries

need - 2013-2030, actual spending – 1992-2011, % to GDP, annually



Bilateral climate-related ODA, 3-year annual averages



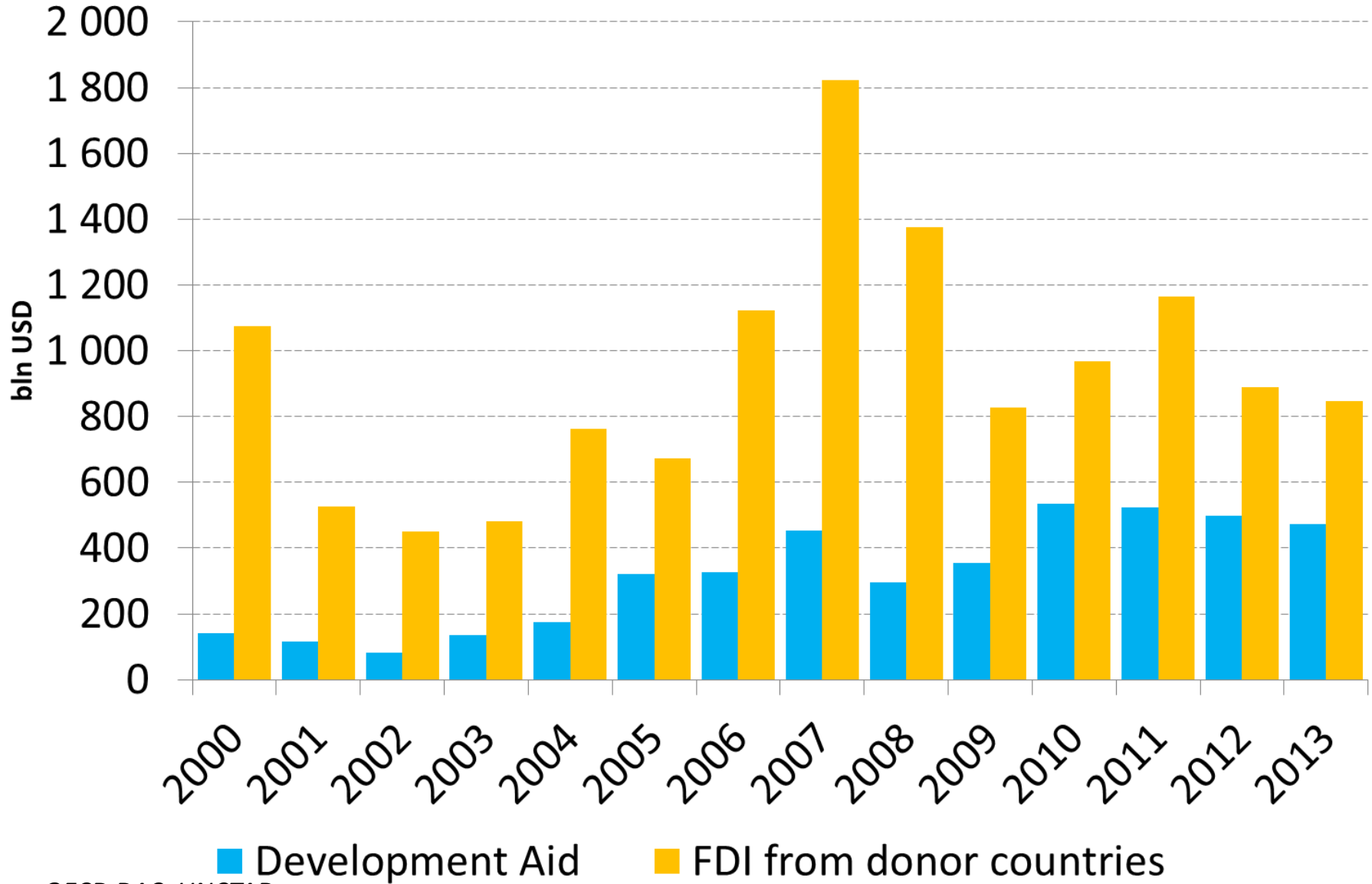
Source: OECD DAC Statistics, June 2015

Climate-related multilateral flows, 2013, USD mln

Multilateral Development Bank	Total climate-related finance
African Development Bank	973
Asian Development Bank	1,150
European Bank for Reconstruction and Development	1,633
European Investment Bank	2,715
Inter-American Development Bank	1,122
International Finance Corporation	1,763
World Bank	4,974
Total MDBs	14,330
Global Environment Facility	806
Adaptation Fund	21
Climate Investment Funds	221
Total multilateral flows	15,378

Source: OECD DAC Statistics, June 2015

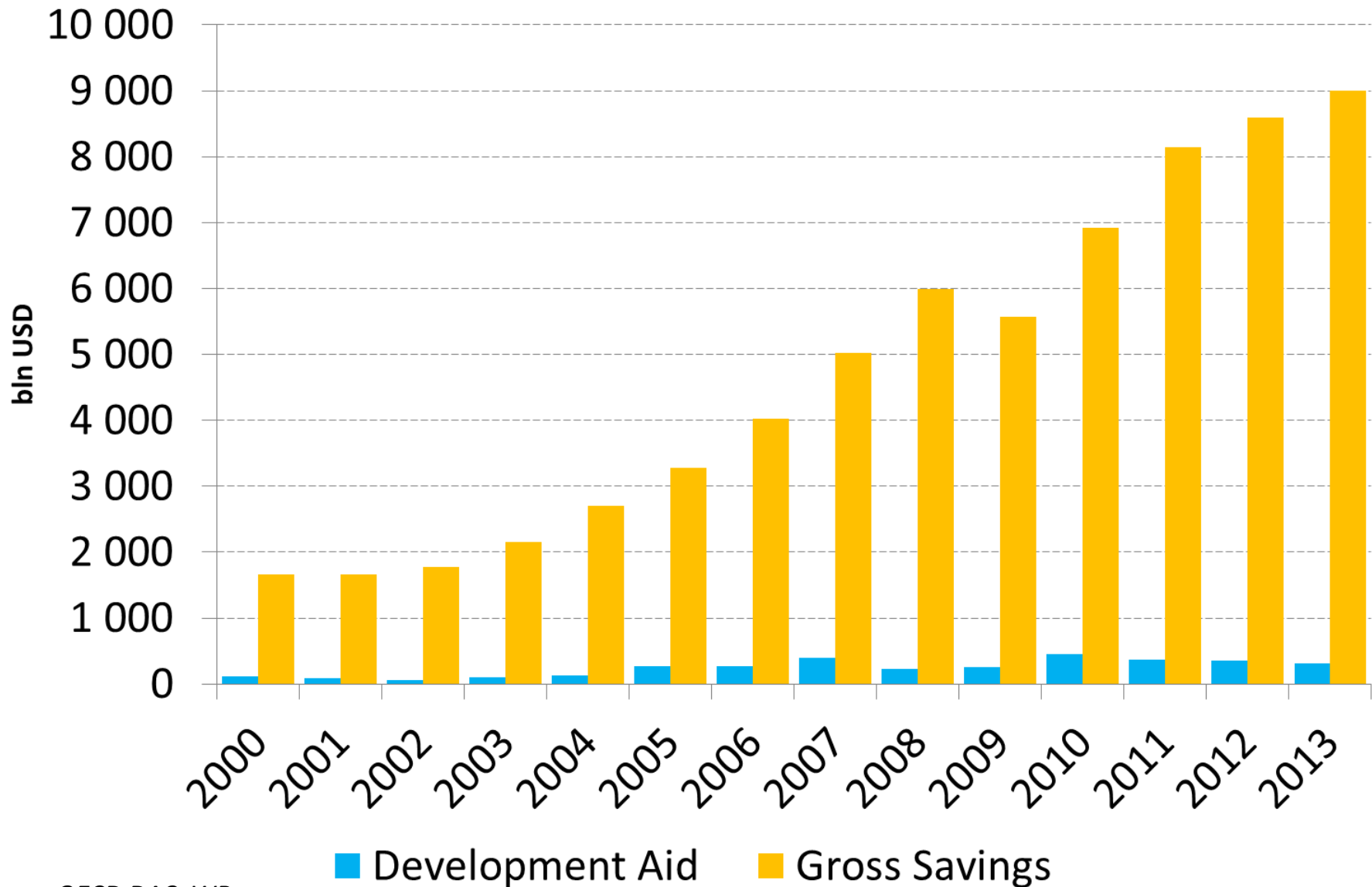
Volume of Development Aid and FDI from Donor (OECD) Countries



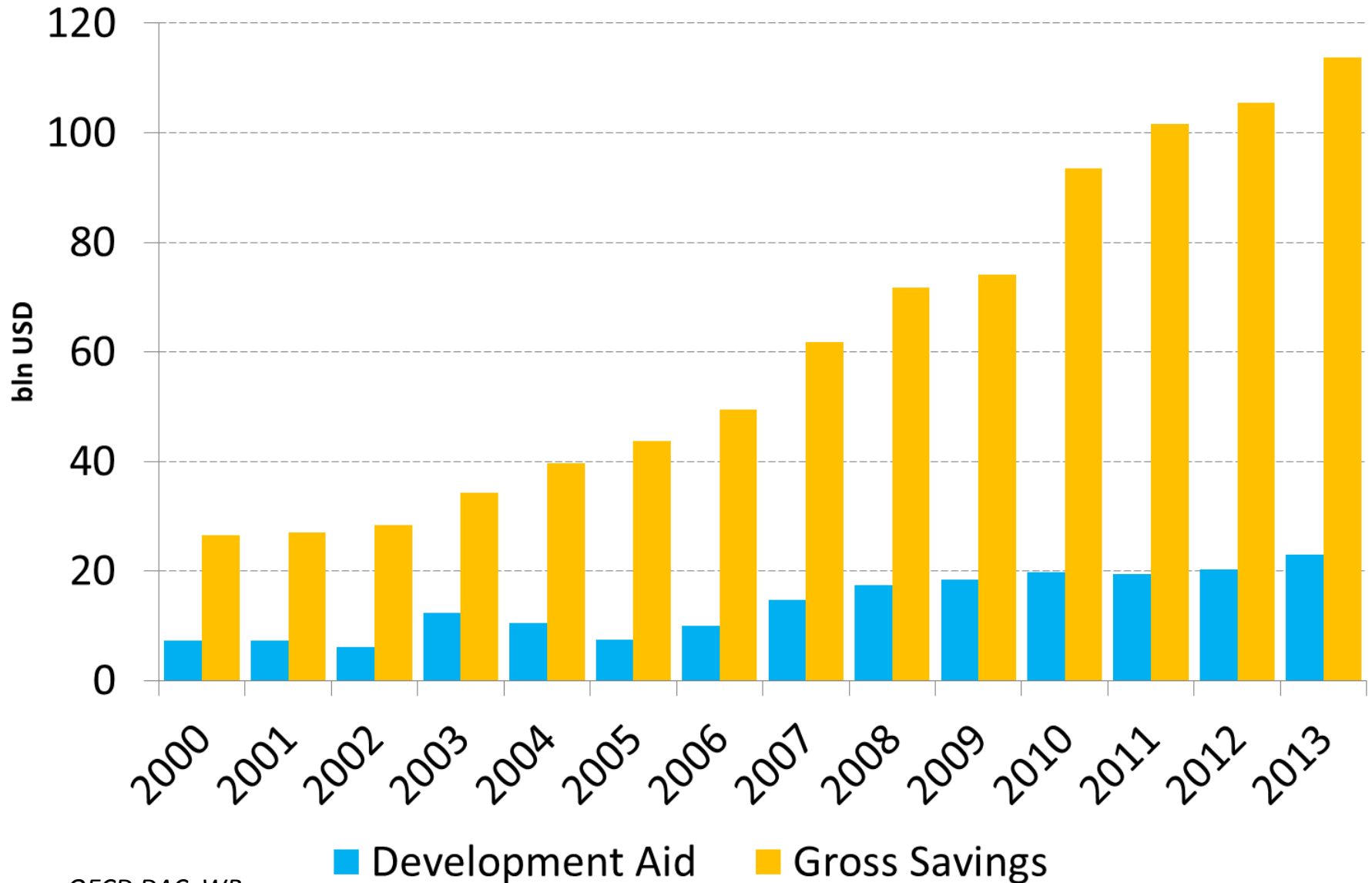
■ Development Aid

■ FDI from donor countries

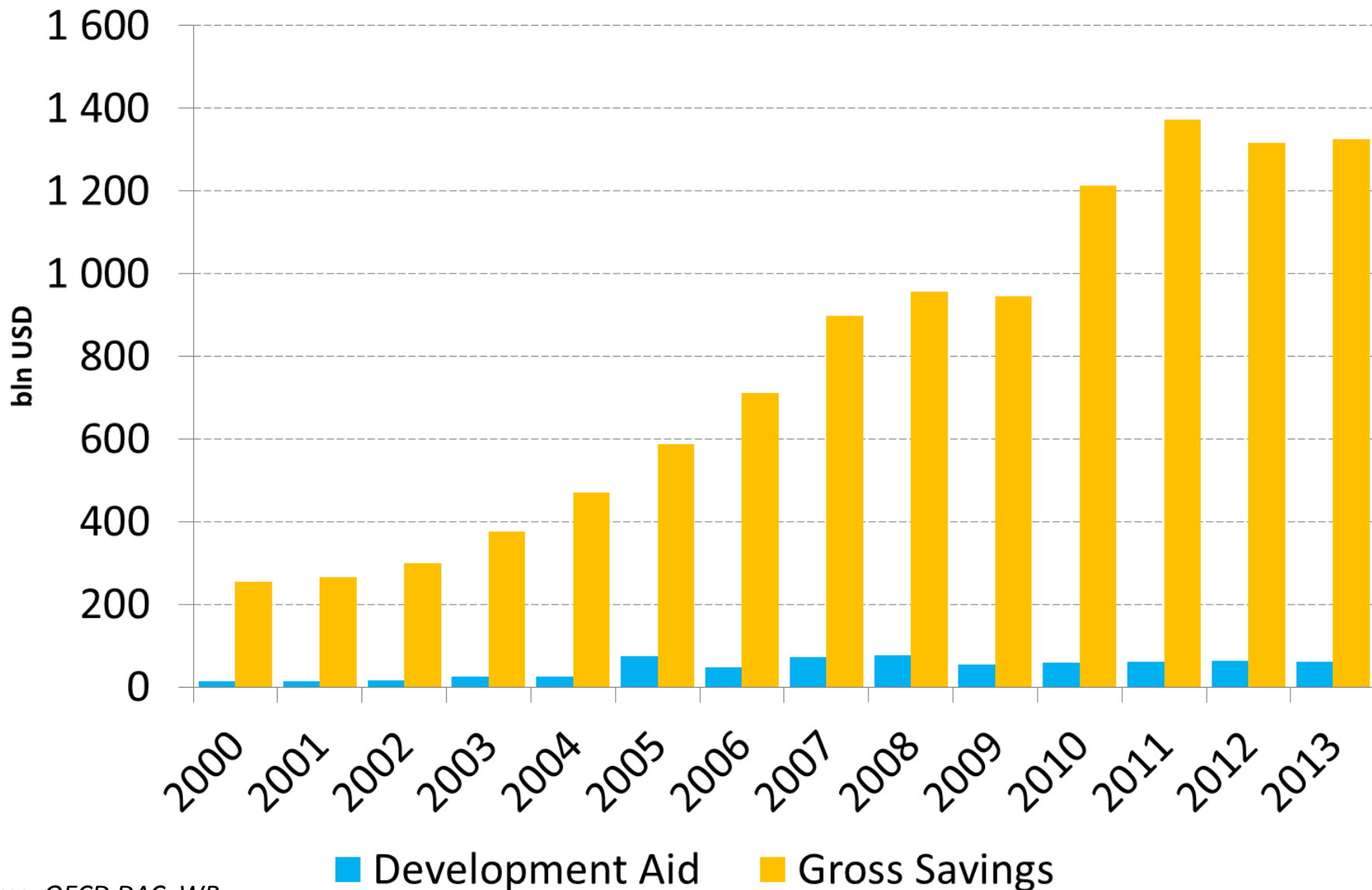
Volume of Development Aid is negligible comparing with GNS in Recipient Countries



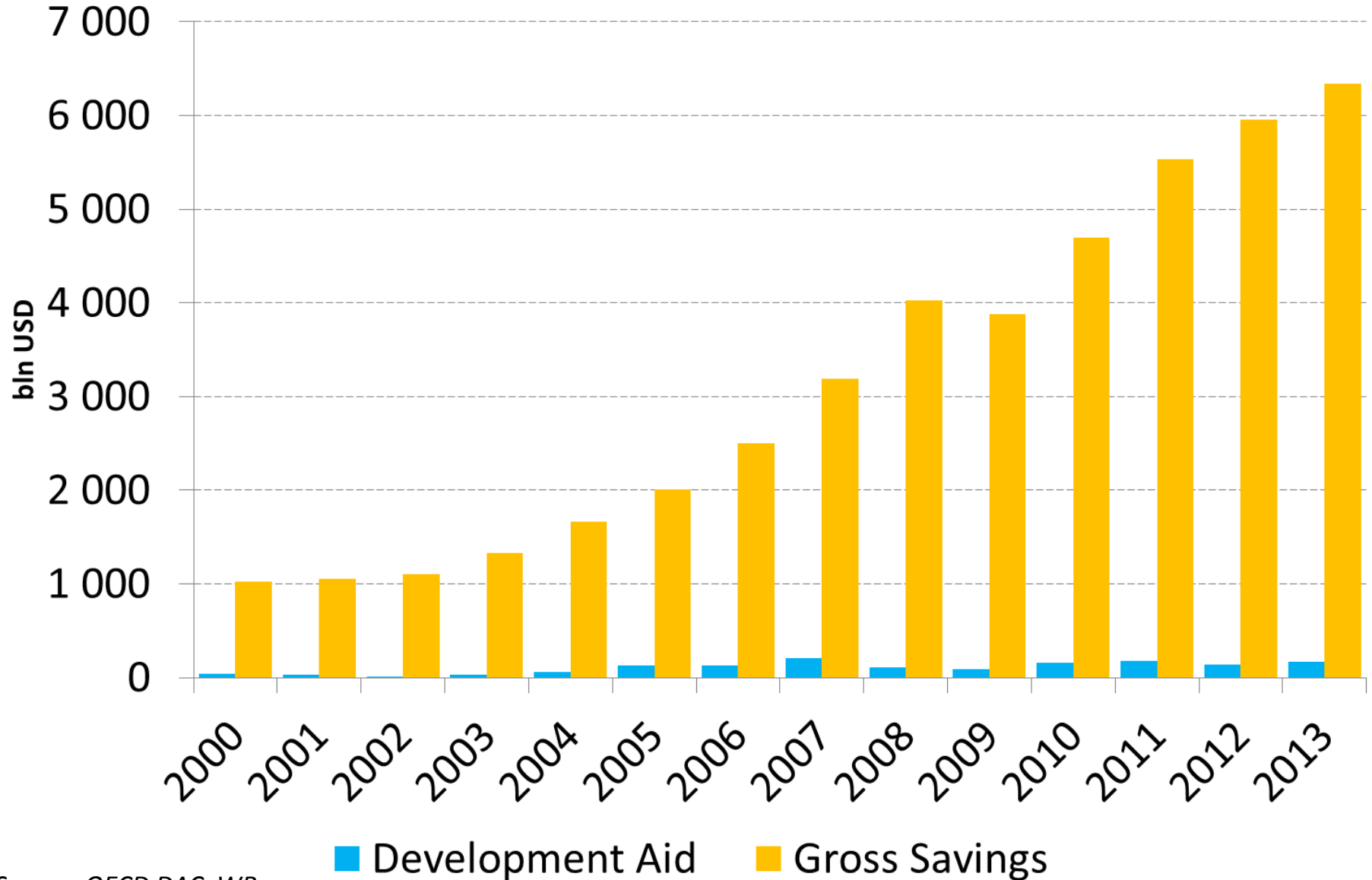
...however, in in Low Income Countries Development Aid plays larger role



Development Aid and Savings in lower-middle income countries



In upper-middle income countries it plays even smaller role



Little value – but positive long-term impact

- Empirical evidence, if modeling the lags involved in aid effectiveness and adjusting for quantitatively large negative reverse causal effect of per capita GDP growth on foreign aid, shows positive effect on growth
- Bruckner shows that 1% increase in foreign aid increases real GDP per capita by 0.1 p.p.

Who decides on projects?

AfDB		ADB		IADB		EBRD		WB	
USA	5.3	Japan	15.7	USA	30.0	USA	10.0	USA	16.1
Japan	5.5	USA	15.6	Argentina	11.2	UK	8.5	Japan	7.5
Germany	5.2	China	6.5	Brazil	11.2	Italy	8.5	China	4.8
France	5.1	India	6.4	Mexico	7.2	Japan	8.5	Germany	4.4
UK	4.7	Australia	5.8	Japan	5.0	Germany	8.5	France	3.9
Canada	3.6	Canada	5.3	Venezuela	4.1	France	8.5	UK	3.9

Loan portfolio of some MDBs by sector

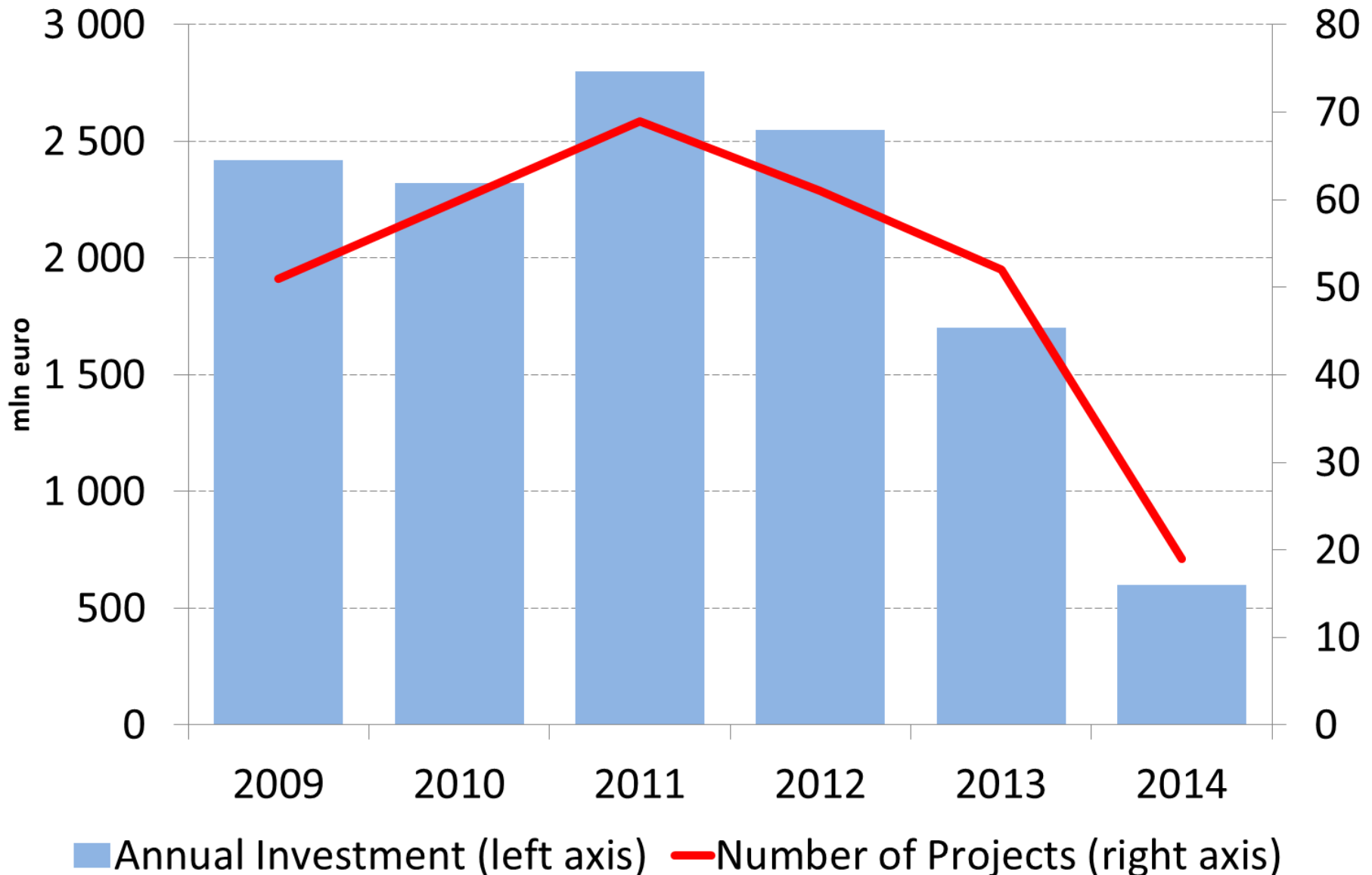
% of total, bln USD. 2014	ADB		AfDB		WB		EBRD		IADB	
	% to total	bln USD	% to total	bln USD	% to total	bln USD	% to total	bln USD	% to total	bln USD
Agriculture and natural resources	6	3	12	1	7	12	13	3	4	3
Education	4	2	2	0	8	13	-	-	1	1
Energy	27	15	29	2	16	25	19	4	8	6
Finance	14	8	18	1	5	7	32	6	23	17
Healthcare and social security	0	0	6	0	8	13	-	-	15	11
Industry and trade	2	1	1	0	4	7	13	3	5	3
Public management	10	5	-	-	22	33	-	-	16	12
Transport and communication	25	14	20	2	18	28	23	4	17	13
Water Supply and Other Municipal Infrastructure and Services	9	5	6	0	11	16	-	-	10	8
Multisector	3	2	6	0	-	-	-	-	0	0
TOTAL	100	56	100	8	100	154	100	19	100	145

Source: Annual reports of the MDBs

EBRD in Russia

- Starting from July 2014 EBRD is unable to approve new investments in the Russian Federation due to guidance given by the majority of the EBRD's Board of Directors
- The EBRD remains present in Russia to support existing projects and our clients

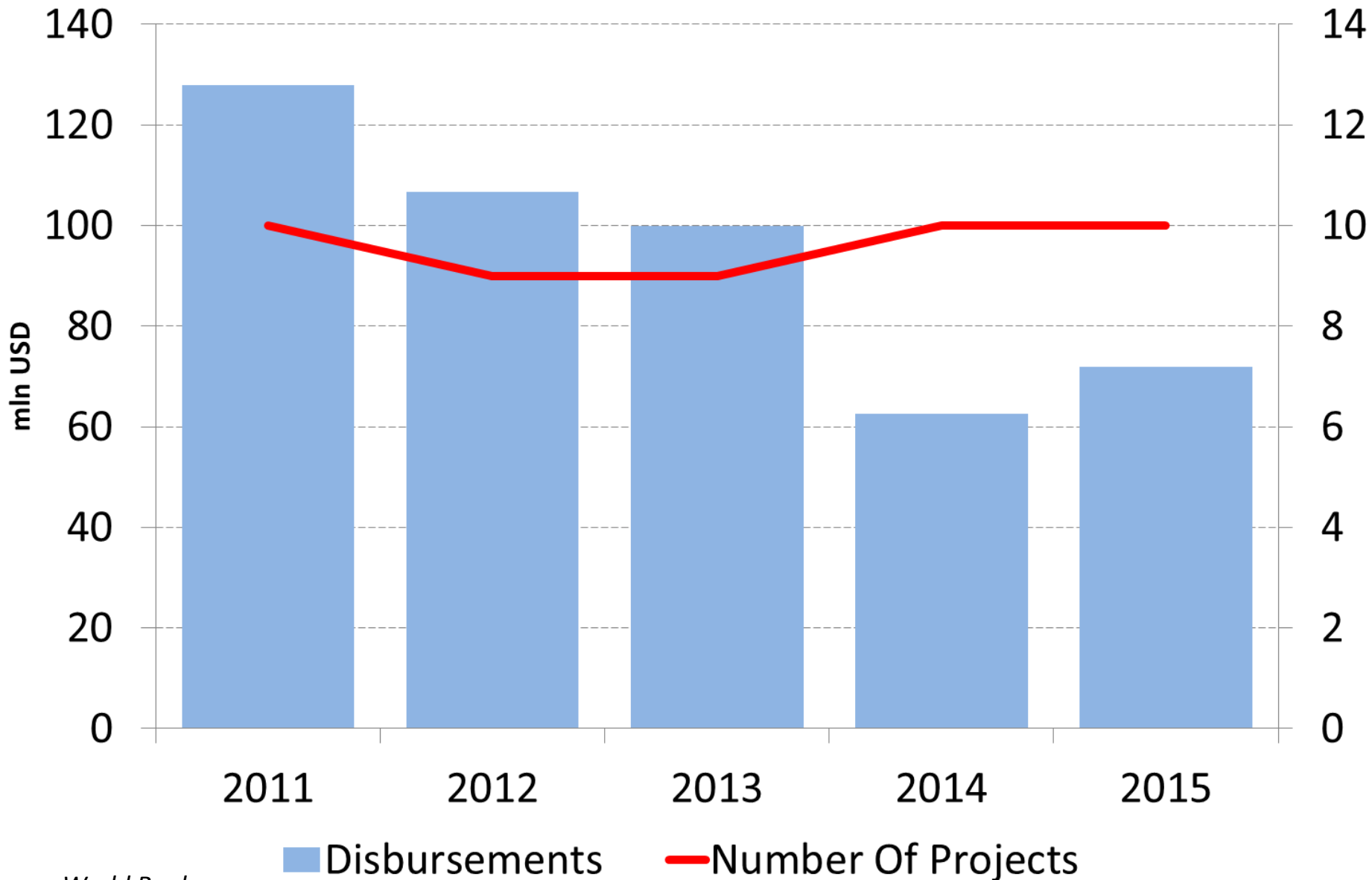
EBRD investment in Russia



WB in Russia

- Nine Russian projects, ready for approval, have "hung up" in the World Bank;
- Two of them - in energy efficiency sphere, two – in humanitarian sphere, one environmental project etc.;
- “New projects for Russia will be considered by the World Bank’s Board of Directors when the bank is ready to approve them”
- + GEF!

WB investment in Russia



Sanctions by IFIs on Russia act contrary to development of Global Public Goods

1. Institutional change delay is wrong for Global Governance;
2. Delay of Energy efficiency and Global Climate projects – damage to Global Public Goods;
3. However, investments in Russia are not fully blocked and Russia keeps financing development.

Future of Development Finance

- Given the lack of support from international organizations and developed countries, emerging economies establish their own financial institutions.
- China - Asian Infrastructure Investment Bank.
- BRICS countries – ratification of New Development Bank
- Mission is to “mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries”.