

# The Future of External Development Finance



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# What is development finance?

» Intentionality to support the SDGs

## Official

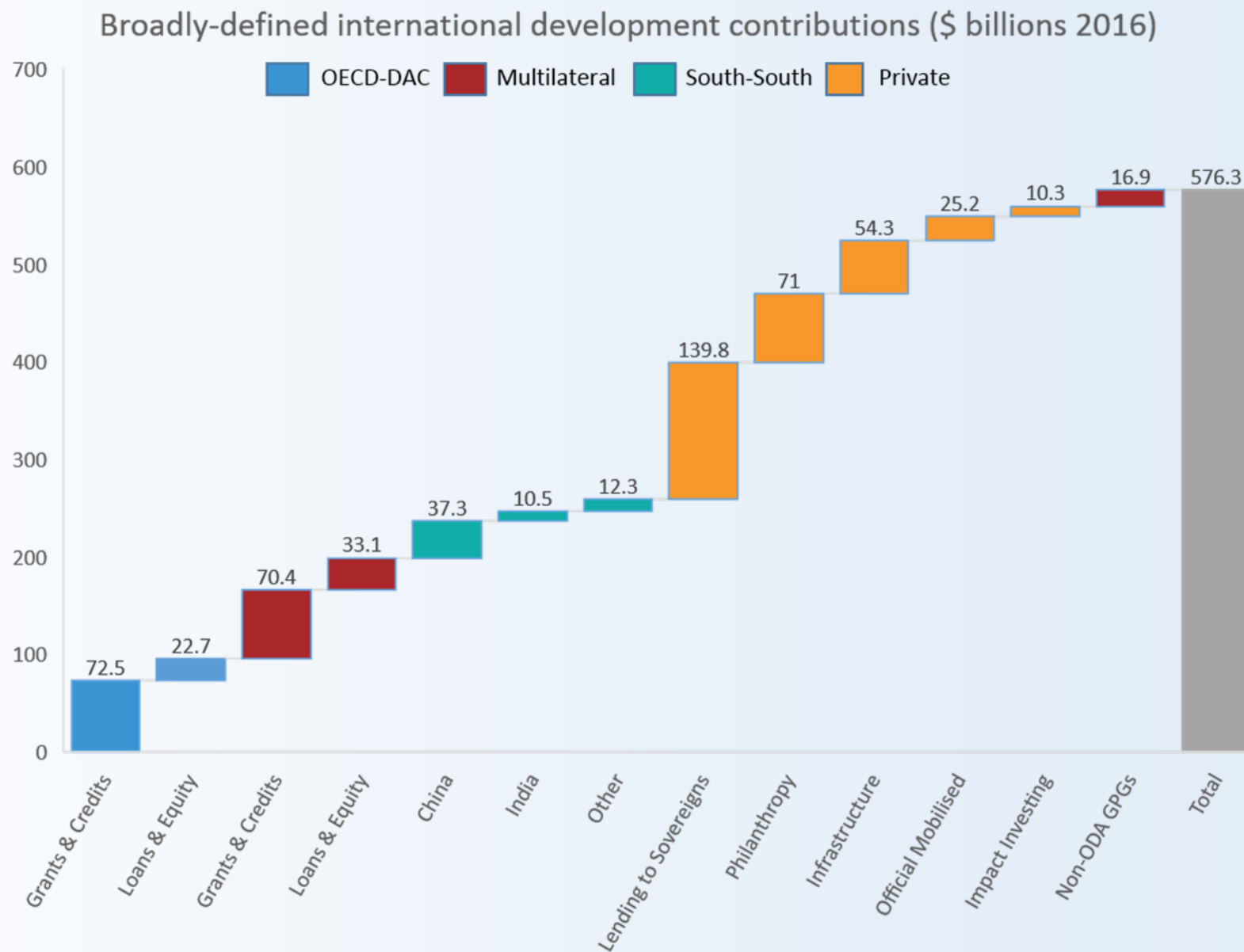
- Aid (multilateral and bilateral)
- Non-concessional loans  
(multilateral and bilateral)
- South-South Cooperation

## Private

- Sovereign borrowing
- PPPs (official mobilized capital)
- Private infrastructure
- Impact Investing
- Philanthropy

# External Development Finance (2016)

US \$ 576.3 billion



# Four issues for development finance

1. The role of **bilateral** and **multilateral** agencies
2. Development finance flows from **emerging markets** (China)
3. Mobilization of **private capital** (especially in infrastructure)
4. Models for funding **global public goods** and norms

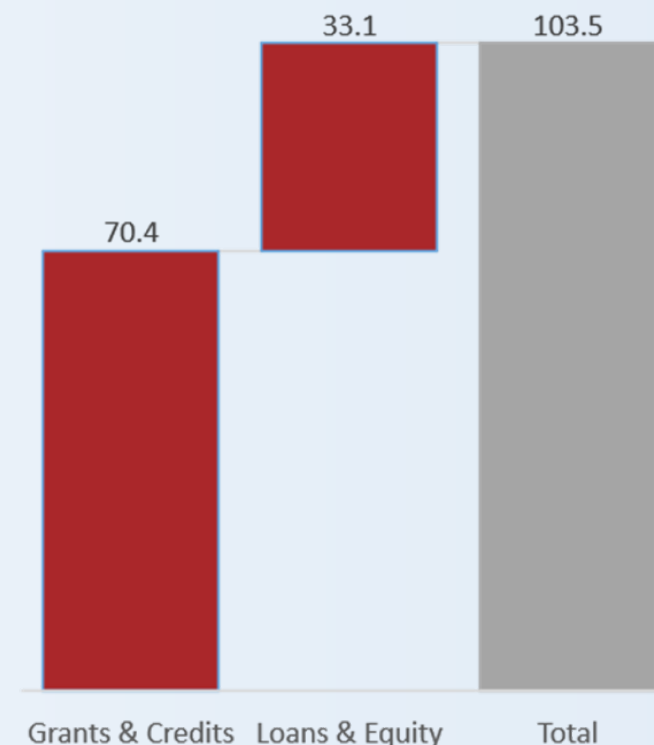
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# Multilaterals

- Multilaterals are trusted, have country presence, deep knowledge pools, scale, and GPGs
- In practice, they are most effective in maximizing efficiency and reducing the burden on recipients (QuODA)
- ...and are most suitable for operating in fragile states.
- But, they are at best holding their own in development finance and at worst constrained by risk averse stakeholders.

Multilateral Flows



## *There is no going back to the old multilateralism.*

(EPG Report, “Making the Global Financial System Work for All,” 2018)

- Multilaterals are the only institutions that can be rapidly scaled to match the urgency of the situation.
- They can increase impact by developing scalable, system-wide approaches, not just projects.
- Multilateral governance reform is key.

## *The ambition is in the doing.*

(EPG Report, “Making the Global Financial System Work for All,” 2018)

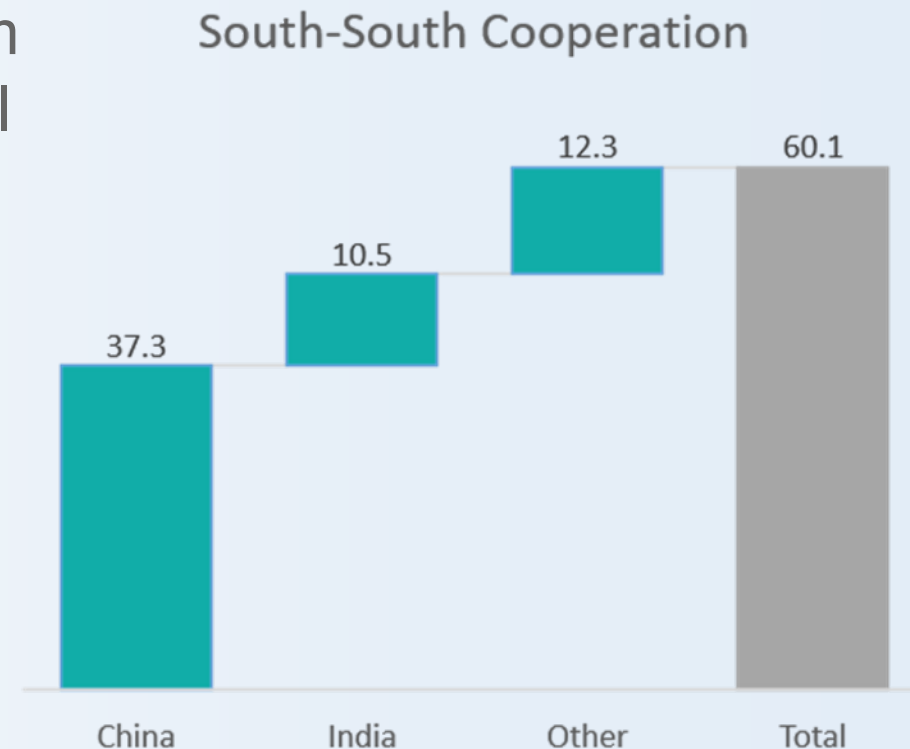
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# South-South Cooperation

- Evidence on Belt and Road Initiative
  - » Mixed views: McKinsey cites concern about import of cheap Chinese labor, Bräutigam writes that  $\frac{3}{4}$  or more of workers are local
  - » Chinese development projects may have negative environmental externalities (AidData 2016).
- Debt resolution difficulties
- “Clear choice” isn’t so clear

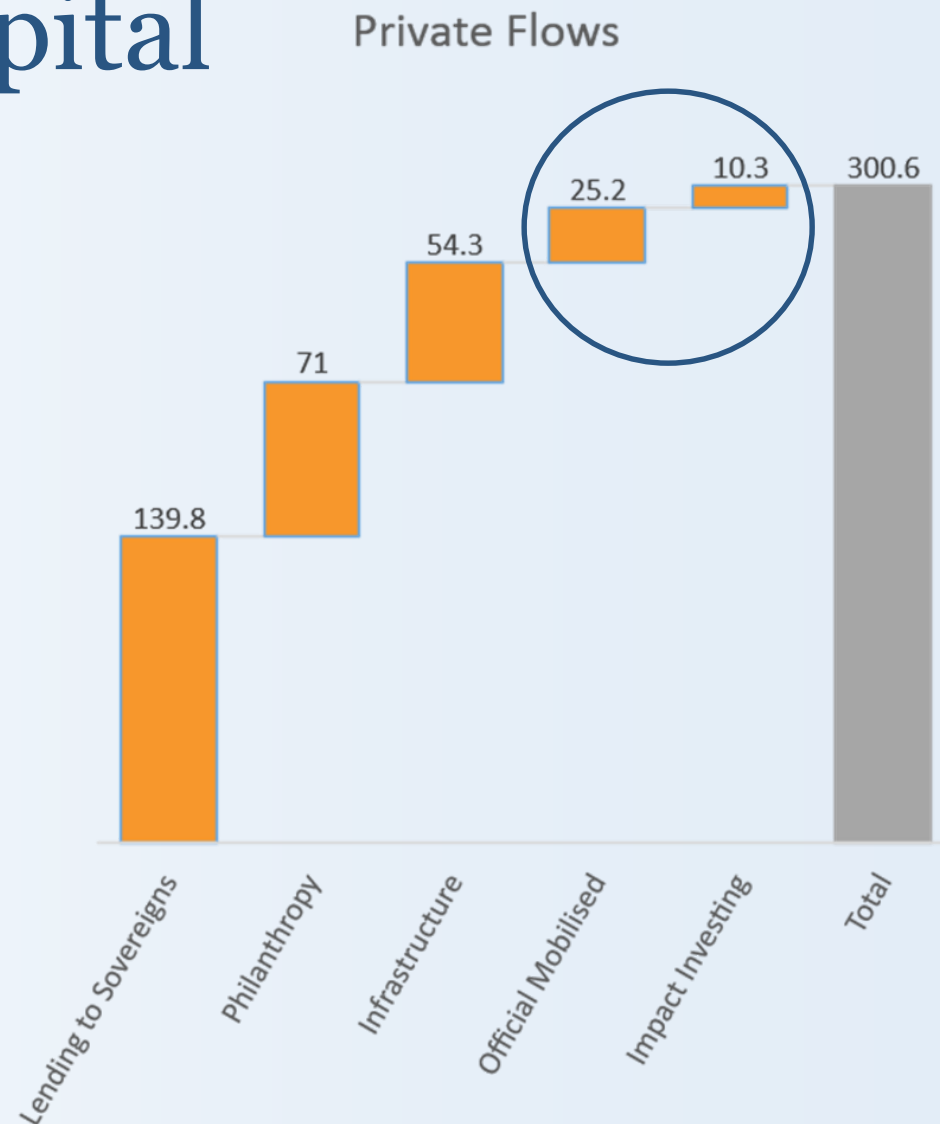


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# Mobilization of Private Capital

- Blended funds and impact investing are “all talk and little action.”
- Private capital does not reach the hardest places.
- **Two** big impediments:
  - » Risk mitigation in emerging economies
  - » Small project size with high fixed costs in low-income countries

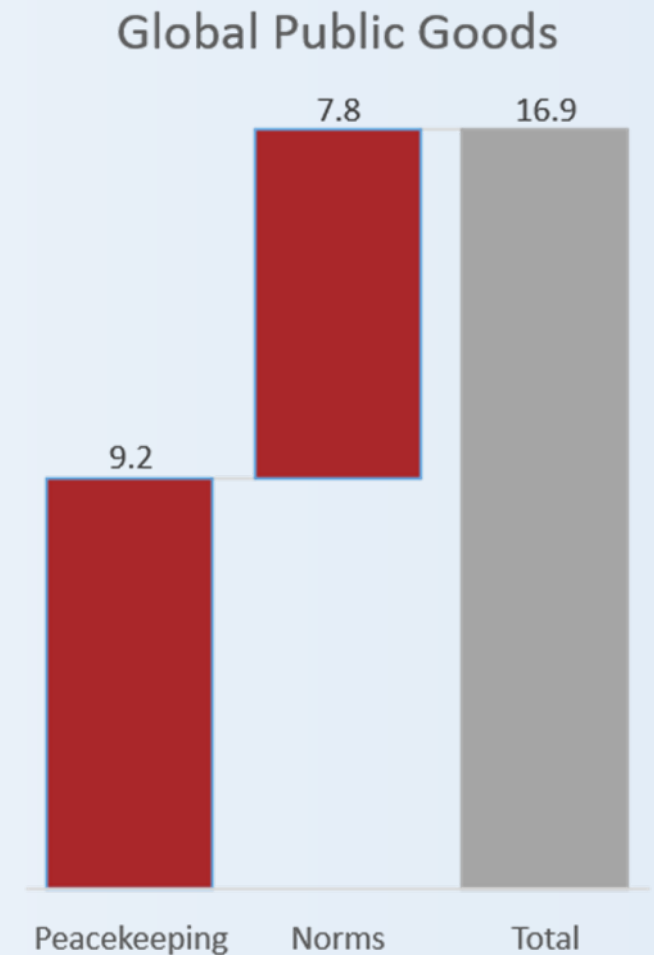


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# Global Public Goods (GPGs)

- GPGs are not always counted as development finance (e.g. peacekeeping)
- Core challenges include:
  - » Governance (e.g. the Green Climate Fund)
  - » Mandate issues (e.g. ocean preservation)



# Where does this leave us?

- Challenges of scaling up
- Difficulties around addressing fragile states
- The geopolitics of multilateralism

