Mobilization of financial resources and their effective use for sustainable development

Special high-level meeting of ECOSOC with the World Bank, IMF, WTO and UNCTAD
New York, April 14-15 2014
A FRAMEWORK FOR FINANCING FOR DEVELOPMENT POST-2015

Sound policies and institutions make much more effective use of existing resources and leverage additional financing.

**Domestic Resource Mobilization**
- Improve taxation capacity
- Harness sustainable streams of natural resource Revenue
- Improve expenditure efficiency
- Curb illicit financial flows

**Domestic Private & Financial Sectors**
- Improve the business enabling environment, including through a good public investment program
- Develop financial institutions and markets.
- Improve financial inclusion

**Innovative Financing**

**Better Smarter Aid**
- Welcome the recent 6%+ increase in ODA.
- Ensure that ODA continues to be a relatively stable source of financing for the poorest countries.
- Draw the best possible impact from new, emerging sources of aid, including from private philanthropy
- Continue efforts to increase aid effectiveness
- Strengthen the catalytic role of ODA

**External Private & Financial Sectors**
- Draw the best development impact from FDI
- Ensure the effective use of borrowing from international capital markets, which is an increasing source of financing for developing countries.
- Leverage additional private sources of financing for infrastructure

THE PRIVATE SECTOR AS A PARTNER IN DEVELOPMENT

Role of private sector in growth & job creation
- Nine out of ten jobs are in the private sector.
- Job creation has been the major driving force to reducing poverty.
- A dynamic private sector could lead to increased productivity, income growth, and improved opportunities for all.

Private finance for development
- Develop the domestic private and financial sectors
- Manage private capital flows and access to financial markets for best development impact
- Leverage private finance for infrastructure

Innovative Financing

Private finance and corporate social responsibility (CSR)
- Combine economic efficiency and productivity with socially responsible behavior of firms.
- Role of global codes of conduct, e.g.,
  - UN Global Compact
  - Global Reporting Initiative
  - IFC’s equator principles and performance standards
  - Principles for Responsible Agricultural Investments

Private finance and aid
- Available estimates for private aid to developing countries in 2009 range from about US$ 20 to US$ 60 billion.
- Private philanthropy to fragile states increasing in recent years.
- South-South philanthropy also on the rise, especially in the Arab world.

THE CHALLENGE OF FINANCING AT THE COUNTRY LEVEL

- Countries need to determine their policy and financing strategies to implement post-2015 development goals, given scarce financial resources and levels of access to private finance.

- Countries need to:
  - Assess their growth prospects, scope for policy changes to enhance growth and progress toward post-2015 goals, and access to different financing sources.
  - Assess the impact of policy and financing options and understand the magnitude of the “effort” needed to achieve post-2015 development goals.
  - Determine their financing options and what is needed to expand these options.

- Development partners will play an important role in supporting policy makers to get ready to finance and implement their post-2015 development goals.
Meeting developing countries’ cumulative infrastructure financing needs will require an enormous mobilization of private financing from external sources.

Attracting private financing to infrastructure has been a challenge. Key areas of work include:

- Put in place an adequate legal and regulatory framework
- Support project preparation for quality projects
- Mainstream use of risk sharing mechanisms with support from multilateral financial institutions
- Have appropriate financial regulation
- Develop domestic capital markets
- Leverage private finance
Developing economies take biggest share of global FDI in 2013

Foreign direct investment (FDI) has been a dominant source of external private financing.

DEVELOPING COUNTRIES ARE GAINING MORE ACCESS TO INTERNATIONAL LONG-TERM PRIVATE DEBT

Source: World Bank Development Prospects Group
ATTRACTING RESOURCES OF INSTITUTIONAL INVESTORS CAN SCALE UP DEVELOPMENT FINANCE

Total assets by type of institutional investors in the OECD, 1995-2011 (USD trillions)


1. Other forms of institutional savings include foundations and endowment funds, non-pension fund money managed by banks, private investment partnership and other forms of institutional investors.
LEVERAGE THE PRIVATE SECTOR THROUGH PPPS

Well-structured initiatives with a diverse range of partners help governments raise the large sums of capital required to meet infrastructure needs.

**Maharashtra & Tamil Nadu, India**

**CLIFF COMMUNITY SANITATION PROJECT**
Total initial investment: $7.2 million
- Homeless International
- SPARC (NGO in India)
- Community-based Organizations

**Sao Paulo, Brazil**

**METRO LINE 4**
Total initial investment: $450 million
- Companhia do Metropolitano de Sao Paolo
- 5 Equity Sponsors
- IDB
- Commercial Banks

**Kenya**

**PRIVATE SECTOR POWER GENERATION PROJECT**
Total initial investment: $623 million
- Kenya Power and Lighting Company
- IFC
- MIGA
- Commercial Banks

**Lake Kivu, Rwanda**

**KIVU WATT**
Total initial investment: $142.25 million
- ContourGlobal
- Energy Authority of Rwanda
- MIGA
- Emerging Africa Infrastructure Fund, AfDB
- FMO, Belgian Development Bank

Source: Emerging Partnerships, IFC, 2013 and World Bank, Africa Region
LEVERAGE THE PRIVATE SECTOR: SYNDICATIONS

IFI participation in syndications contributes to extending maturities of private flows to developing countries and therefore financing long-term productive investments.

Percent of international syndications to the private sector in developing countries where an IFI participated, by income level and maturity, 2007-2010

Source: International Finance Institutions and Development through the Private Sector, IFC, 2011
CATALYZING CONTINUED DIALOGUE AND LEARNING ON NEW PATHS FOR DEVELOPMENT FINANCE

- Leverage global dialogue to convene private sector, policy makers and other stakeholders, e.g., WEF, G20, and UN-led consultations.

- Multilateral Development Banks can play an effective role
  - Infrastructure financing facilities
  - Scale up risk sharing instruments to enable PPPs effectively
  - Catalyze experimentation on innovative financing

- Encourage private sector-led consultations

- Country level public-private dialogue and coordination.
THE NEED TO SUPPORT COUNTRIES TO GET READY TO IMPLEMENT THE POST-2015 DEVELOPMENT AGENDA (CASE STUDIES HIGHLIGHTED)

Key:
- Low-Income
- Lower Middle-Income
- Upper Middle-Income

Liberia (resource rich; FCS)
Nigeria (resource rich)
Yemen (FCS)
Kyrgyzstan (resource rich; landlocked)
Senegal
Jamaica (small-island)
Peru (resource-rich)
Philippines
Uganda (landlocked)
Pakistan

United Nations Development Program
Financing for Development Post-2015
THANK YOU FOR YOUR ATTENTION

Mahmoud Mohieldin
President’s Special Envoy
The World Bank