BROOKINGS

INTERGOVERNMENTAL GROUP OF TWENTY FOUR

Financing the Post-2015 Sustainable Development Agenda

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G24 Meeting

Cairo, September 2014

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Overview

1. The Changing Landscape
2. Foundations for Robust Public Finance
3. Financing of Sustainable Infrastructure
4. Mobilizing Private Investment
5. Reforming ODA
6. Reinvigorating Public Non-Concessional Finance

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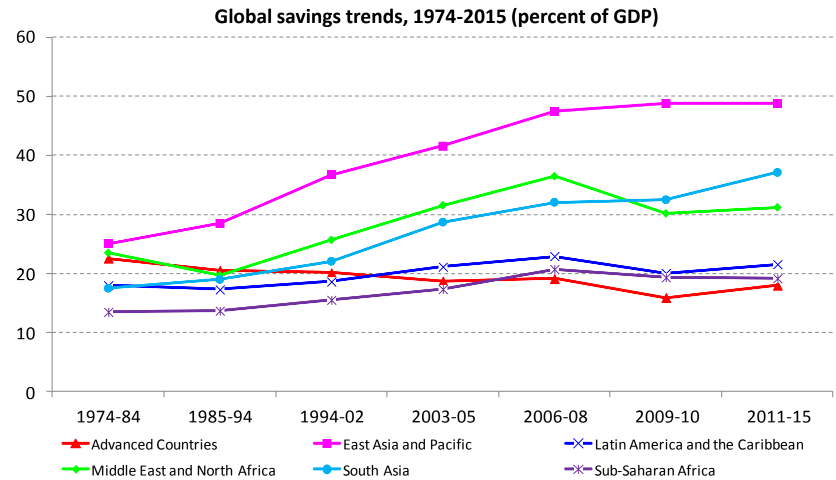
Progress since Monterrey

1. Domestic resource mobilization	• A virtuous cycle of savings, investment, exports and growth in EMDCs has facilitated increased resource mobilization
2. Private international financing	• FDI flows to EMDCs have steadily increased but overall private capital flows have been highly volatile
3. Trade	• Steady growth in international trade with rising share of EMDCs, but failure to deliver on Doha development round
4. ODA	• ODA has been augmented but falls short of commitments
5. External debt	• The debt situation of EMDCs has improved significantly but pockets of vulnerability remain
6. Systemic considerations	• Initiation of IFI reform, though more remains to be done. Limited progress on other systemic issues

Long-term savings in EMDCs have been on a rising trend



Source: G-24 calculations based on Loayza et al. (2000) World Economic Outlook, IMF and World Development Indicators , World Bank databases

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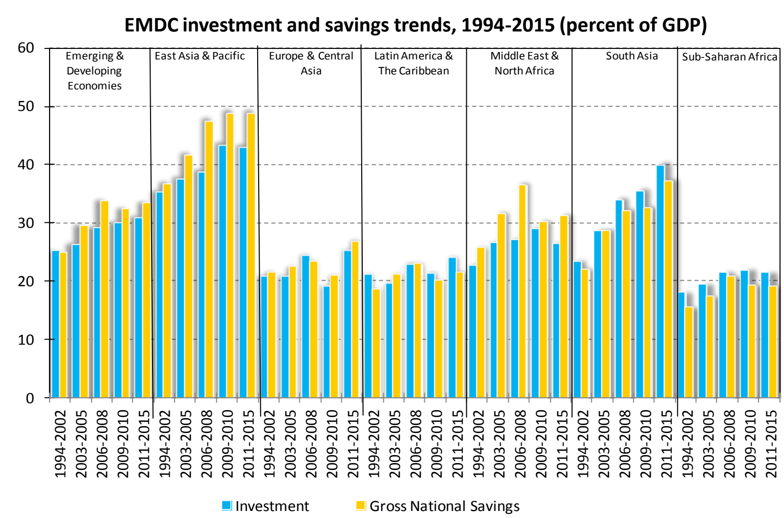
This virtuous cycle is evident across all regions, though in some more than others



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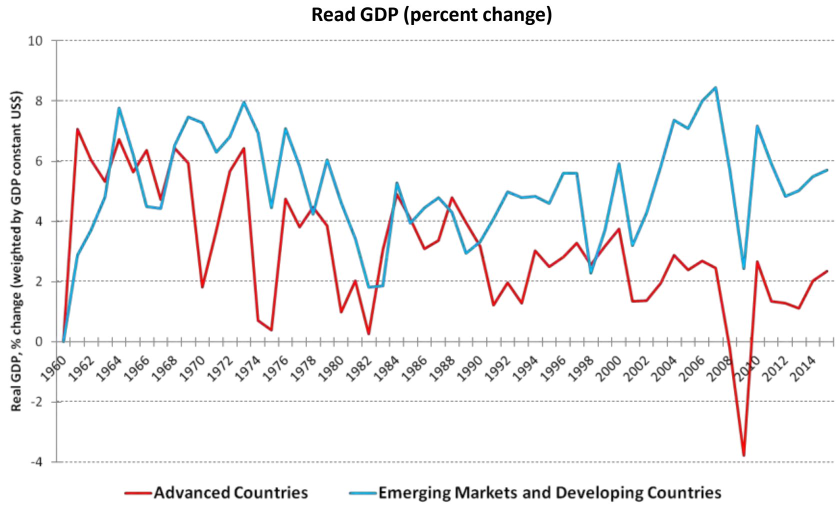
Source: G24 Secretariat, based on IMF World Economic Outlook Database

Increased savings have helped drive strong EMDC growth



Source: G-24 calculations based on data from World Economic Outlook, IMF and World Development Indicators, World Bank

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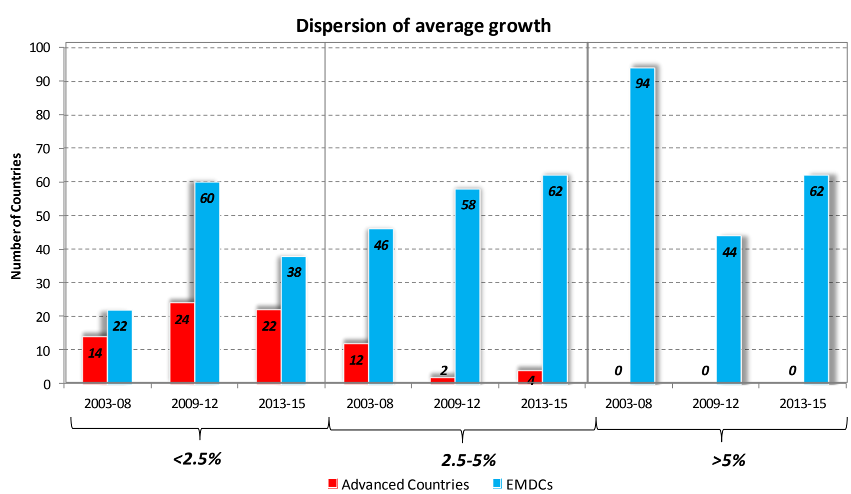
The improvement in growth performance of EMDCs has been broad-based



Source: G-24 calculations based on data from the July 2013 World Economic Outlook Update, IMF.

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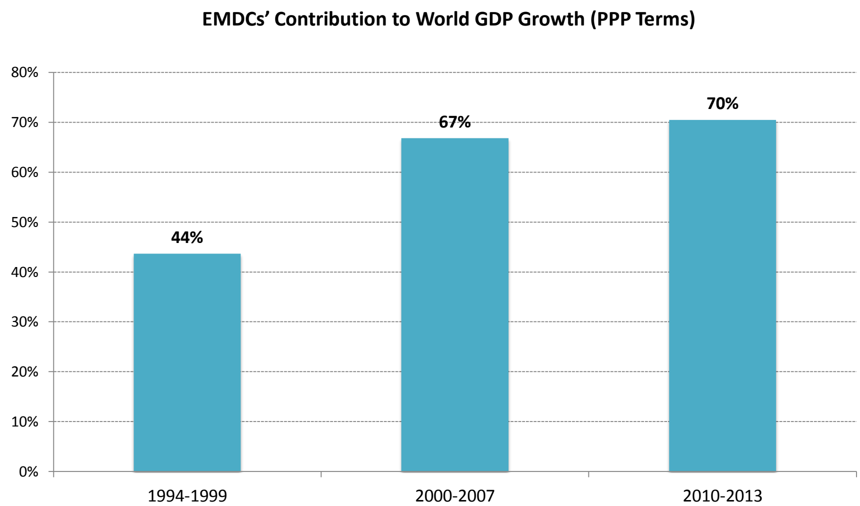
EMDCs are now the primary drivers of global growth



Source: G24 Secretariat, based on IMF World Economic Outlook Database, October 2013

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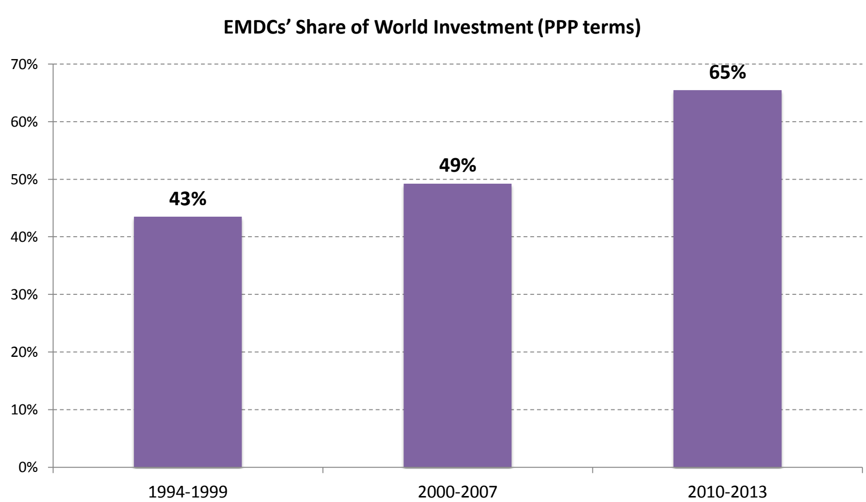
…and investment



Source: G24 Secretariat, based on IMF World Economic Outlook Database, October 2013

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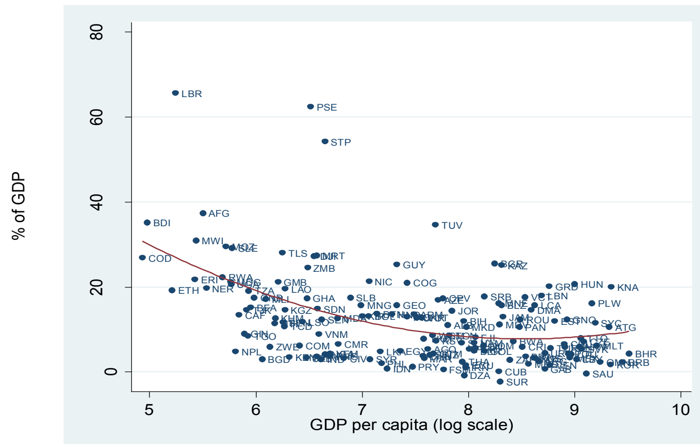
External financing flows tail off as per capita income rises

Annual average of total long-term financing flows to a country, 2000-09 (% of average GDP)

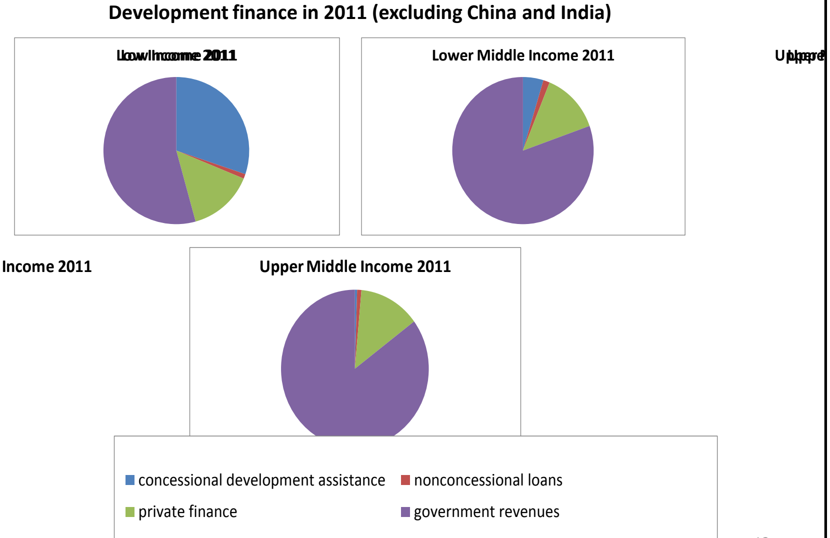


Source: World Bank (2013), *International Debt Statistics*

There is a consistent pattern in the changing financing structure as countries grow richer

Development finance in 2011 (excluding China and India)

Lower Middle Income 2011



Note: Weighted average. Country classif

What challenges have evolved and what have been reinforced since Monterrey?

- The global economic landscape has shifted
  - We are now clearly in a multi-polar world, with higher and more solid EMDC growth, but unevenness persists and there are downsides to long-run growth
- Building on the MDGs
  - Poverty and human development remain persistent challenges
  - But there is also a need for focus on employment and inequality
- Sustainability is an enormous concern
  - Growth and stability in the medium- and long-term are at risk if sustainability including climate change is not addressed
- Need to revisit the financing framework
  - ODA remains crucial for many countries
  - But other pillars of financing warrant attention

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Fiscal ingredients for sustainable development

- **Determination of sustainable resource envelope**
  - Importance of domestic resources (G24 does well with 18%of GDP target with some exceptions)
  - Sustainable debt and access to credit (domestic and cross-border)
- **Fiscal challenges and incentives**
  - Much more than generation of additional revenues
  - **Affect incentives** for sustainable, inclusive and environmentally friendly growth
  - **Address informality** and incentives to cheat
  - **Issues of inter-personal inequalities and lagging regions**
- **Governance, Institutions and Accountability**
  - For effective provision of basic services
  - Interactions with revenues—role of own-source revenues in creating incentives for accountability
  - Appropriate institutions and information flows (Ahmad, G-24, 2014)
- **Infrastructure gaps and involving the private sector**
  - Special focus on PPPs (background paper Ahmad, Bhattacharya, Vinella, Xiao)

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General government tax revenue as a percent of GDP

Country	2013
Algeria	35.22%
Argentina	29.90%
Brazil	24.07%
China	20.94%
Colombia	19.91%
Congo, Democratic Republic of the	2.84%
Côte d'Ivoire	17.24%
Egypt	14.32%
Ethiopia	10.12%
Gabon	14.91%
Ghana	15.34%
Guatemala	10.81%
India	16.98%
Iran, Islamic Republic of	5.18%
Lebanon	15.14%
Mexico	10.38%
Nigeria	15.29%
Pakistan	9.74%
Peru	16.09%
Philippines	14.14%
South Africa	24.56%
Sri Lanka	11.70%
Syrian Arab Republic	
Trinidad and Tobago	27.37%
Venezuela, República Bolivariana de	10.35%

Source: April 2014 WEO; 2013 Staff report for Sri Lanka

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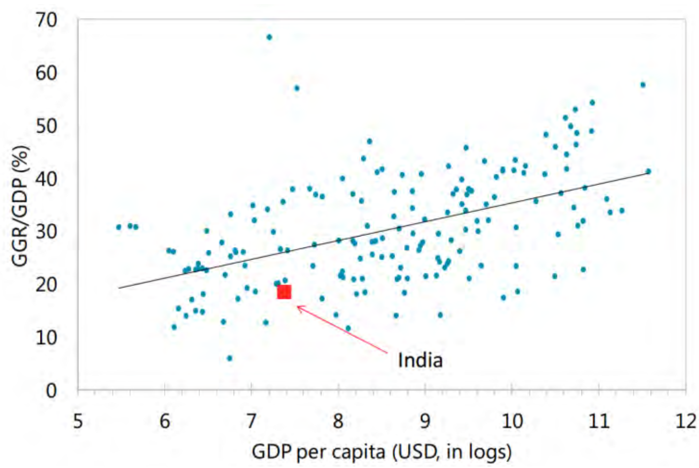
Is 18% tax/GDP enough?

General Government Revenue and GDP per Capita, 2012
(excluding oil exporters and microstates)



Source: IMF (2013), *India 2013 Article IV* Consultation, based on World Economic Outlook

Is 18% tax/GDP enough?

Tax revenue and Expenditure for selected countries/regions (percentage of GDP)

	Germany 2010	Australia 2010	China 2009[1]	Brazil 2010[2]	OECD average (excl. US) 2010	EU-27 average 2010
Revenue	43.3	32.5	27.6	36.7	41.4[3]	44.1
Tax Revenue	22.2	25.7	18.9	25.4	34.0	25.8
Income Taxes	10.6	14.4	4.6	6.9	11.3	11.5
Goods and services	10.8	7.1	12.1	15.7	11.2	11.2
Property Tax	0.8	2.5	1.7	1.3	1.7	1.3
Social Contributions	16.8	-	3.6	6.6	10.6[4]	12.9
Expenditure	47.6	38.0	28.3	39.5	46.6[5]	50.6
Social Benefits	25.4	10.6	-	8.2	26.1[5]	21.6
Functional Spending						
Health	7.2	6.8	1.3	4.1	6.8[6]	7.5
Education	4.3	6.1	3.8	5.5	5.7[6]	5.5

Notes:
[1] Data unavailable for 2010; 2009 data used.
[2] Data unavailable for 2010 for Functional Spending (Health and Education); 2009 data used.
[3] Data unavailable for New Zealand and Chile.
[4] Data unavailable for Australia, New Zealand and Chile.
[5] Data unavailable for New Zealand.
[6] Data unavailable for Canada, Chile, Mexico, New Zealand and Switzerland).

Sources: International Monetary Fund (IMF) Government Finance Statistics (December 2012 Edition); ESDS International, University of Manchester; World Bank Indicators; OECD Tax Statistics (database); and Eurostat.

General government revenue targets

- **18% of GDP, only an indicative target—more may be needed, as seen above**
  - China 1993 (10%), but almost 20% now;
    - "rebalancing" to inner hubs for sustainable growth—will require local own-source revenues for "responsible access to credit"
  - Mexico 2013 (10.5% non-oil tax/GDP ratio; although 22% including oil)
    - Major package of reforms in 2013;
      - Designed to "stop the cheating" and
      - Lay basis for more sustained growth trajectory
    - Relatively unaffected by the turbulence in financial markets (Videgaray, March 2014)
  - Chile (tax/GDP ratio of 18%; PSBR 2%)
    - Focus on education and "convergence" for sustainable growth and reduction in inequalities
    - Financed by additional tax measures of 3% of GDP over the medium term
- **But countries in trouble below that level:**
  - Pakistan 1985 (14%); 2013 (9%)....remains in considerable difficulty—danger of low level growth trap

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Taxes as incentives for structural change

- **Carbon tax** on production/import component would be easy and uniform across the country—prevent race to the bottom competition across lower levels of government
  - Should be based on international prices (eliminate implicit subsidies)
  - Could be linked to compensatory programs by state/province
  - ***Incentives and financing for green growth***
- **VATs** rather than taxes that add to cost of doing business:
  - Properly designed, ***provides information to stop cheating*** on the income taxes, also measure to address informality (Mexican example)
  - But this constrains sub-national options
    - Hard to bring in additional differentiation
    - Cross-state transactions with different rate structures introduce greater complexity and go against the need for simplicity and generation of information on the value chain
  - ***Consider together with social policy for overall effect on the poor*** (non-distorting minimum pension, as in Mexico)
- **Income taxes** to address inequalities
  - CIT converging to around 25% (Foreign tax credits, loss carry forward provisions, cooperation for tax avoidance and transfer pricing)
  - PIT hard to implement in most LDCs, but need local information for efficient management
    - Sub-national piggy-back options for the regional tier can help create incentives for information exchange

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Political economy of reforms: Tax and social policy interactions matter

- **Political economy: "package" of tax and transfer reforms**
  - China (1994); Mexico (2007 and 2013)
- **The effectiveness of provision of basic services matters**—some taxes and social policies encourage informality:
  - **Bismarkian social protection for formal sector financed by payroll taxes (**Levy et al., on informality in Mexico), exacerbated by holes in tax system
  - **Health and education linkages with sustainable development**
    - Significant needs in low and middle income countries
  - Bachelet agenda for Chile—**expand quality education to address poverty and inequality both interpersonal and lagging regions**
    - But financed by additional revenues to maintain macroeconomic stability
- **Own-source taxes at** sub-national level to ensure scare resources are not wasted or used inefficiently—critical element in accountability
  - **Much of the basic service provision is sub-national**
  - Sub-national own-taxes linked to effective service delivery and **sustainable access to credit** for public infrastructure
- **Badly designed transfer system and poor information** on how monies are spent affect incentives for local officials to provide efficiently

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Political economy case for sub-national own-source revenues—for effective service delivery

- **Need own-source revenues for sub-national accountability**
  - At margin, local inhabitants pay for own responsibilities (Ambrosiano and Bordignon, 2006, 2014)
    - Needed to ensure hard budget constraints and accountability (links growing subnational liabilities with ability to pay)
  - Would supplement shared revenues and transfers
- **Does not imply that a local tax administration is needed for each own-source tax**
  - Piggy-backed arrangements for broad based taxes for intermediate levels (including large metropolitan areas)
  - Would generate incentives for sub-national governments to share information with national tax administration
- **Policy agenda is critical and determines the success or not of assigned administrative arrangements**

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Local property tax linked with local infrastructure and service delivery

- **Requires adequate policy design and arms' length administration**
  - Weakened by absence of rate setting authority at local level
  - Proximity of taxpayers leads to political resistance and "rent seeking" (cadaster, registration and valuation)
- **Linkage with service delivery** (Marshallian principles) Ahmad, Brosio, Pöschl (2014) to overcome resistance
  - Avoid political resistance by linking to service delivery
    - Avoid race to the bottom
    - Minimum and maximum bands
  - Self-assessment principles
    - Experiences from Latin America (Bogotá, Bangalore)
  - Cadaster and valuation (independent bodies to avoid rent seeking)
    - Scope for technical assistance—registers for transactions
- **Own-source revenues needed to anchor access to credit** for local infrastructure
  - interlinkages with budget systems; and equalization transfers (to permit similar delivery of services at similar levels of tax effort)
  - Needed for "rebalancing" and addressing inequalities
  - Package approach needed (including for "lagging regions—Western China, Upper Egypt, East Chile)

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Incentives and transfer design

- **Badly designed or gap-filling transfer**s can negate the incentives to use "own-source revenues"
  - In effect can lead to poor investment decisions, and build-up of unproductive assets and liabilities
- **Equalization transfers** needed to ensure that sub-national jurisdictions have similar levels of resources to meet similar spending levels (for current spending)
- Will still **need performance based transfers for infrastructure gaps**
- **Information is critical**
  - GFSM standards—not for reporting to IMF but for domestic management of liabilities
  - If elected local officials—to ensure the operation of "yardstick competition"
  - If appointed officials—ensure that leakages are minimized
- It's all about **incentives and the interactions** between instruments

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Imperfect information, game-play and political economy

- **Imperfect information**
  - Leads to “game play” across levels of government
    - And between government and private contractors (leverage to re-contract, especially in high profile cases)
  - Hiding or non-recognition of liabilities (including with PPPs)
- In extreme cases, **private debt could result in public assumption of the liabilities**
  - Ireland and Spain, recent crisis; and Mexican roads in the 90s
- Could result in poor decision making and cost-overruns

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Credibility of the state and accountability

- **Follow spending by all levels of government**
  - Institutions, economic classification, functions, projects, programs, outputs and outcomes
  - Manage liabilities
  - **Track using common standards (Common Charts of Accounts at all levels of Government with GFSM to track liabilities, spending): lesson from EU failures**
- **Essential to know what was spent by each level**,
  - Before ascribing results to local “participatory or performance budgeting” in countries with overlapping responsibilities, earmarking
- **Essential also to know extent of liabilities** (also securitization of revenues, with single term mayors)
- **Plus track the cash**, to prevent cheating and leakages
- **Rent-seeking**: harder to address “clientelism”, although “capture” is easier to detect

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Preconditions for effective management of sub-national liabilities

- **Need information** to make the process more transparent and accountable
- **Better linked to local priorities**
  - Avoid exclusive emphasis on physical infrastructure
  - Balanced with o/m and human capital needs
- **Essential to have own-source revenues at margin**; ensure hard-budget constraints
- **Provide information to market**, as well as monitoring at center essential
  - Ratings agencies
- **Access to credit could be allowed in asymmetric manner**

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Fiscal institutions for improved governance

- As with the tax administration, **a common infrastructure can be used** (both for the TSA as well as GFMIS)
  - Replicated at the regional level
  - With local administrations using on an agency basis
- **Decentralized spending can be tracked/ GFMIS**
  - But a common data base is critical
  - Essential ingredient is the COA, which should incorporate the GFSM standards
    - Mappings to the GFSM are not adequate (commonly used, e.g., in Latin America)
- **Interfaces with SOEs/petroleum company systems to prevent leakages**
  - Increasingly important area for good governance in natural resource rich countries

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Priority areas for national actions

- **Judicious use of private resources, cross-border financing, together with well defined public actions**
- **Overall resource envelope**
  - Avoid inefficient subsidies (also inequality enhancing)
  - Efficient generation of overall revenues (VAT and CIT rather than cascading and distorting taxes)
    - Avoid special provisions, level playing field to address cheating and informality
  - Own-source revenues at sub-national level increasingly important
  - Political economy of gainers and losers
- **Institutions and information flows**
  - Critical for recognition of liabilities and inter-jurisdictional competition
  - Basis for the risk sharing needed in PPPs, and a function of sectoral characteristics (Ahmad, Bhattacharya, Vinella and Xiao)

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Priority areas for mutual actions: South-South learning; regional development banks; and IFIs

- **Policy mix and political economy of reforms**
  - Country context matters, but learn from South-South experiences
  - Lessons from China (1994) and Mexico (2007 and 2013)
- **Joint interactions of taxes and social policy in presence of informality**
  - Analytic assessment of effects of policy options on incentives to cheat
  - Caution re "fads", broader issues of CCTs on labour market participation, mobility and regional inequalities
- **Design and management of public interventions** (e.g., education and infrastructure together with financing and accountability)
  - Regional growth hubs
  - Addressing lagging regions
- **Fiscal Institutions for sustainable growth**
  - Tax administrations for multiple levels of government
  - Arms Length Transfer Management agencies (Grants/Finance Commissions)
- **Standards for management of risks and liabilities** (possibilities for TA and South-South learning)
  - GFSM, COFOG, IPSAS
  - Need more than box-ticking exercises: follow the money
  - Information systems for coordinated action and management—learning from experience
  - Development of local bond markets—preconditions and management

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Infrastructure deficits in EMDCs are inhibiting growth and development

- Globally, 1.4 billion have no access to electricity, 0.9 billion have no access to safe drinking water and 2.6 billion no access to basic sanitation
- These deficits are **particularly high in South Asia and Sub-Saharan Africa**
- Infrastructure is a growing constraint in most of the developing world. Evidence indicates that unless these needs are met, it is **unlikely countries will meet their aspirations for growth and development**

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Infrastructure is of critical importance to sustainable growth for EMDCs

Driver of Need	Description
Growth	• Emerging and developing countries (EMDCs) have **high growth potential** (~5-7% in non-OECD compared to 2% in OECD between 2010 and 2030) • Even adjusting for higher productivity, this period of rapid growth will have **strong capital intensity**, and hence infrastructure needs • Strong evidence shows that **lack of infrastructure** can be a significant constraint to economic growth
Structural change and urbanization	• An increasing percentage of growth in EMDCs is coming from **industry and services, requiring substantial new infrastructure** • With 2 billion people moving to urban centres in the coming three decades, there is a rapidly **growing need to expand and upgrade urban infrastructure**
Inclusion	• Existing deficits are large: 1.4 billion have no access to electricity, 0.9 billion have no access to safe drinking water and 2.6 billion no access to basic sanitation • Infrastructure is essential for expanding access to basic services and a more inclusive pattern of growth
Sustainability and resilience	• Ensuring the environmental sustainability and climate resilience is **crucial for growth and development and requires new infrastructure** and related networks

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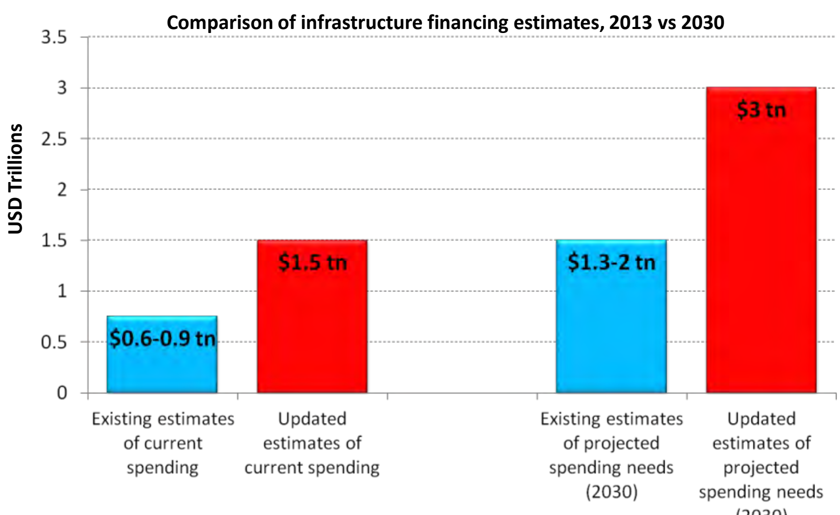
Existing estimates manifestly underestimate both current infrastructure spending and future spending needs



Source: Updated estimates based on G-24 analysis; existing estimates

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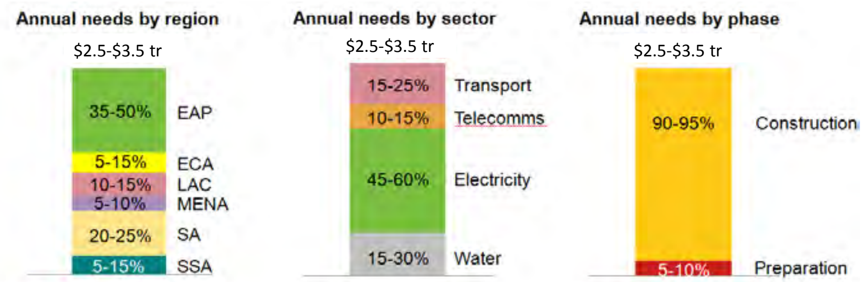
The need for investment across developing and emerging markets over the next decade is estimated to amount to $3 trillion annually by 2030



- East Asia (including China) will require the majority of investment

  Relative to its GDP, Africa will constitute a substantial share
- 45-60% of investment requirement will be in the electricity sector, including generation capacity, transmission and distribution networks
- Preparation costs, including costs of design and arranging financial support, can constitute up to 10% of overall costs

Note: $ trillion per year, (2008 real prices), capital investments only (excl. operation and maintenance costs); this figure includes a conservatively estimated $200-300 billion annual requirement for sustainability that is assumed split in the same ratio as the other investments across regions, sectors and phases

Source: G-24 & GGGI analysis, based in part on Fay et al (2010), MDB G20 working group on infrastructure (2012, 2013), and Foster and Briceño-Garmendia (2010)

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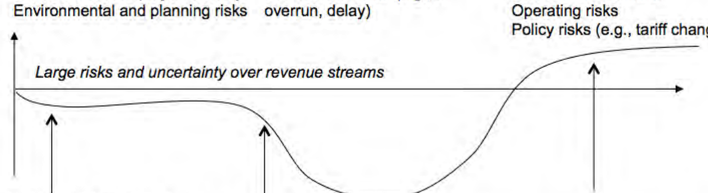
The nature of infrastructure project risks make it a complex proposition for investment

	Preparation	Construction	Operation
Description	Developer/government organizes feasibility studies; models cash flows, finances; organizes contracts with utilities, operators and construction firms	Construction firms build the project to specifications	Separate operating company takes over operation and maintenance of the project
Main risks	Macroeconomic & political risks Technical risks to project viability Environmental and planning risks	Macroeconomic & political risks Construction risks (e.g., of overrun, delay)	Macroeconomic & political risks Demand / traffic risks Operating risks Policy risks (e.g., tariff changes)

Cash flows (stylized)



Financing moments

- During project preparation and feasibility studies the developer seeks patient capital or, often, public funds
- Once project is 'bankable' the developer will seek equity investors and debt providers to finance the project
- Once construction is complete and started to operate project can be refinanced to reflect the changing risk profile

Source: G-24 & GGGI analysis

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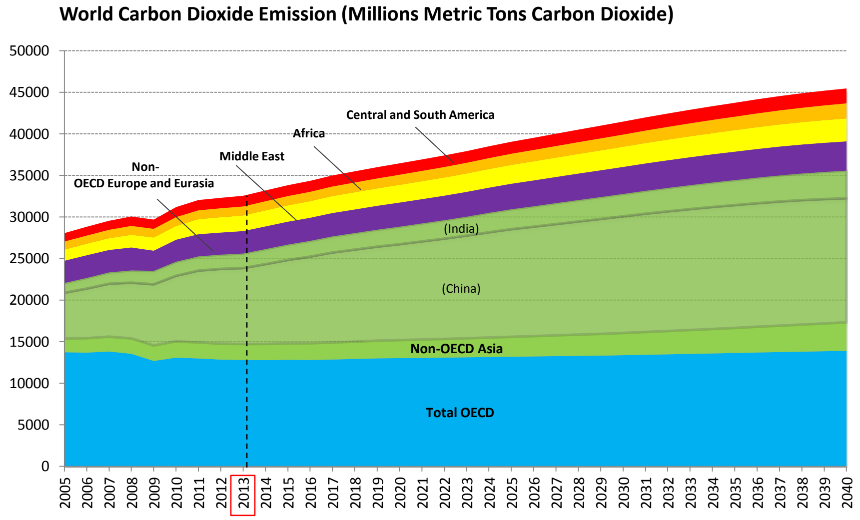
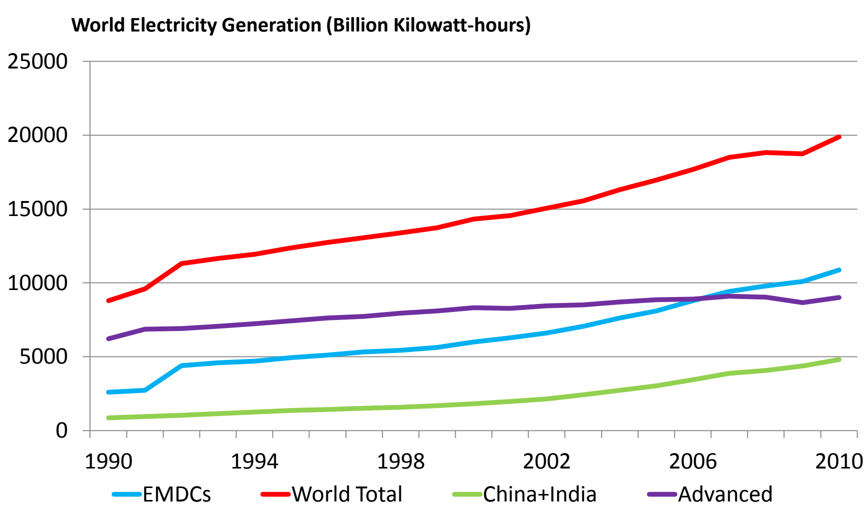
Sustainability is also an enormous concern



Source: G-24 Secretariat, based on the U.S. Energy Information Administration (2013)

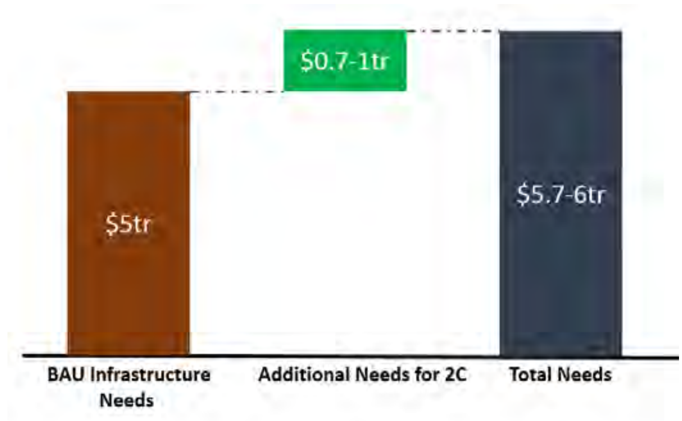
Sustainability is also an enormous concern



Source: G-24 Secretariat, based on the U.S. Energy Information Administration (2013)

The additional investment required to mitigate climate change is hard to quantify, but likely to be enormous

Additional Annual Global Infrastructure Needs for 2˚C Target by 2020



Note: BAU = business as usual; these projections are global, but give a sense of the order of magnitude of investment required
Source: OECD (2006, 2012), IEA (2012), FAO (2011), UNEP (2011) in World Economic Forum (2013), *Green Investment Report*.

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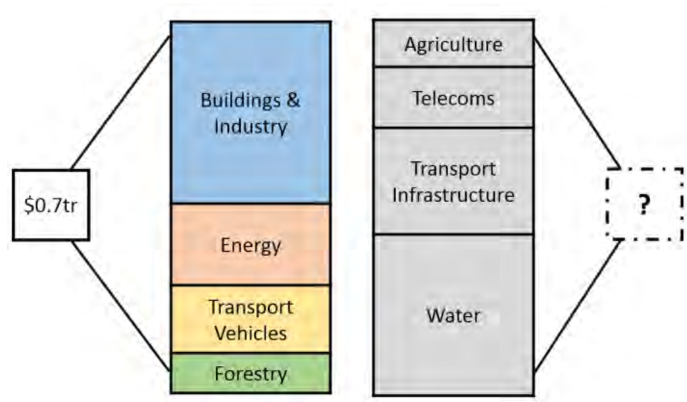
Assessing mitigation costs by sector is challenging; water needs, in particular, are likely to be enormous

Additional Annual Global Infrastructure Needs for 2˚C Targets, by sector



Source: OECD (2006, 2012), IEA (2012), FAO (2011), UNEP (2011) in World Economic Forum (2013), *Green Investment Report*.

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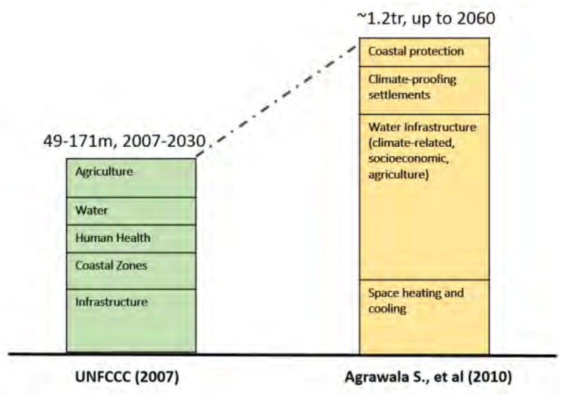
Adaptation needs are much more difficult to predict, starting from approximately $100m/yr by 2030 and escalate to as much as $1tr/yr up to 2060

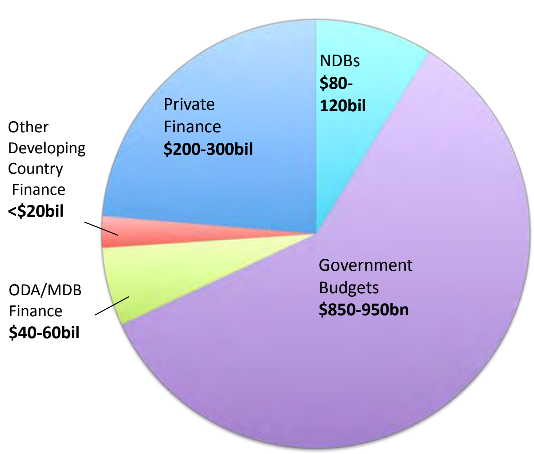
Global Future Cost of Infrastructure for Climate Change Adaptation, per year

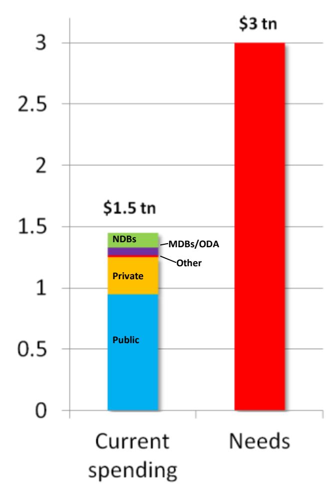


Source: Kennedy, C. & Corfee-Morlot, J. (2012), *Mobilizing Investment in Low Carbon, Climate Resilient Infrastructure,* OECD; Perry et al (2009), *Assessing the costs of adaptation to climate change,* IEED.

The existing infrastructure financing architecture does not meet the needs

Current Annual Infrastructure Spending (approximately $1.5 trillion)





Source: Split of current sources of finance based on G-24 estimates

… and significant gaps exist

Public financing

- The majority of financing has been coming from the public sector
- While government budgets will remain significant, they will be constrained going forwards
- Adequate and sustainable domestic risk mobilization and an enabling regulatory environment will be crucial

Private financing

- Private financing is profoundly underutilized
- International private financing dropped off sharply following the crisis, with domestic banks playing a larger role
- New and better approaches to private-public partnerships are needed to intermediate intertemporal and policy risks

ODA

- The role of ODA in EMDC financing has been steadily declining
- However, it will continue to be important in a subset of countries

Development banking

- MDB financing remains modest and faces limitations
- National development banks provide significant financing in a limited number of countries
- Development banking has potential to provide risk intermediation and play a catalytic role in mobilizing long-term financing

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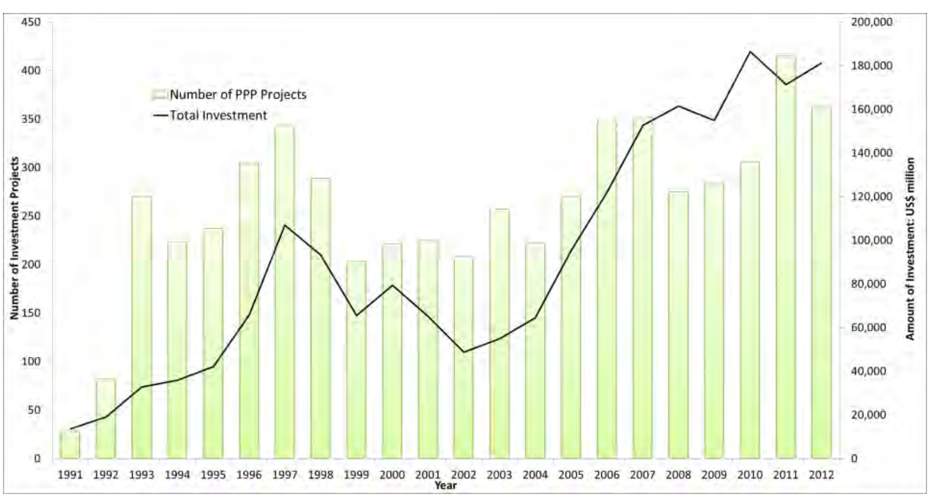
In terms of financing, PPIs have been on a rising trend

PPI projects and investment, 1991-2012



Source: World Bank and PPIAF, PPI Project Database

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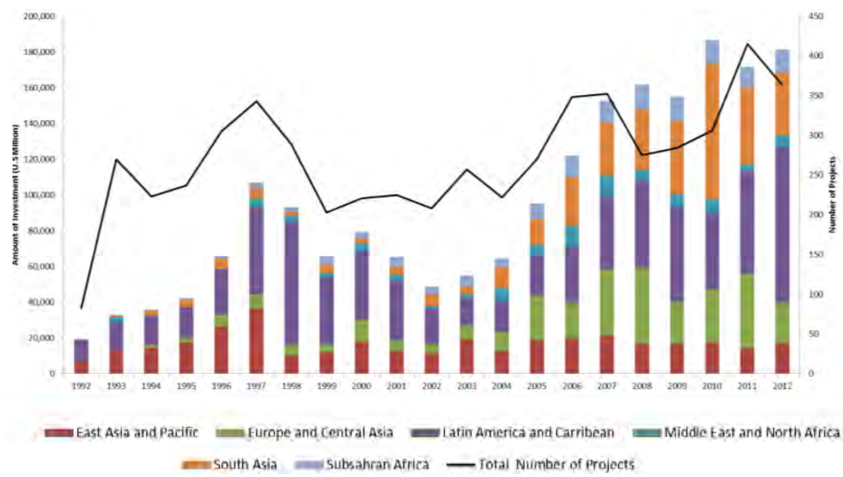
PPI trends vary by region and by sector

PPI projects and investment, 1992-2012



Source: World Bank and PPIAF, PPI Project Database

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PPPs: An incomplete agenda

- **Considerable potential,** but also risks if not managed
- **Possibility of game play and reneging on commitments** and contracts (Ahmad, Bhattacharya, Vinella, Xiao)
  - Both private investors and governments
  - Problems exacerbated at the sub-national level
- **Equity by private partner, credibility of government guarantees and appropriate injections of credit**
- **Need to be supplemented by full information** and provisioning for liabilities (new IPSAS rules)
- **Third party (e.g., international agency) as guarantor** for both public and private parties
- **Technical assistance** (including by specialist government department and multilaterals) to ensure that complexity in contracts does not disadvantage public sector

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PPPs: A few policy implications

- **Enforcing contracts: Reliable third-party arbitration** and separation of powers
  - Critical in establishing the sanctity of contracts
- **Tightening the definitions of PPP liabilities**
  - This is to prevent a “fiscal” kicking the can down the road, and prevention of macroeconomic crises
  - Minimizing the risk of government default
- **Government budget implications**
  - Need for recognition of the liabilities being generated (new IPSAS rules—part of the balance sheet)and
  - the appropriate provisioning required

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Case for multilateral actions

- Contract guarantees
  - Assurance to both the private partner on specific projects
  - Assurances to subnational entities that the commitments will not be questions with changes of government at higher levels
- Technical assistance
  - On the modalities of the contracts and managing negotiations with highly skilled private partners
  - Typically a specialist office is needed also in developed countries to assist all levels of government
- In the absence of full information on assets and liabilities across levels of government
  - Comfort that overall ability to pay exists
  - Technical assistance to strengthen Public Financial Infrastructure at all levels

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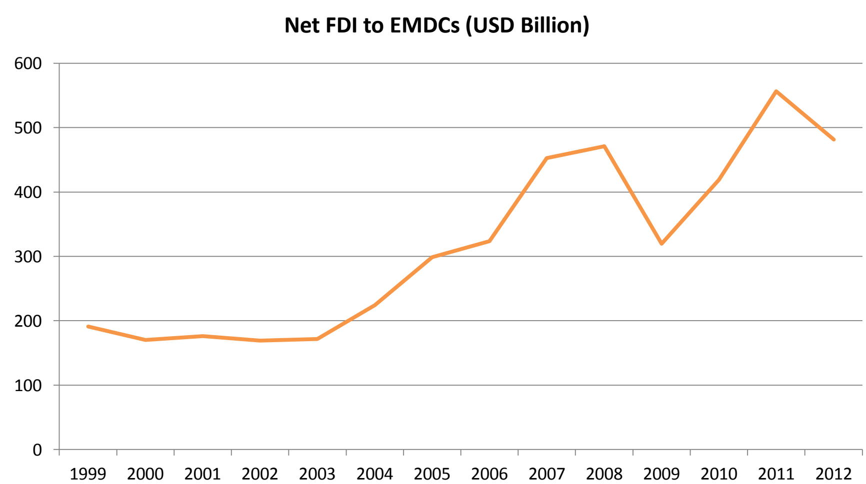
FDI flows have grown significantly and have been broadly resilient



Source: G-24 Calculations, based on IMF World Economic Outlook Database, October 2013

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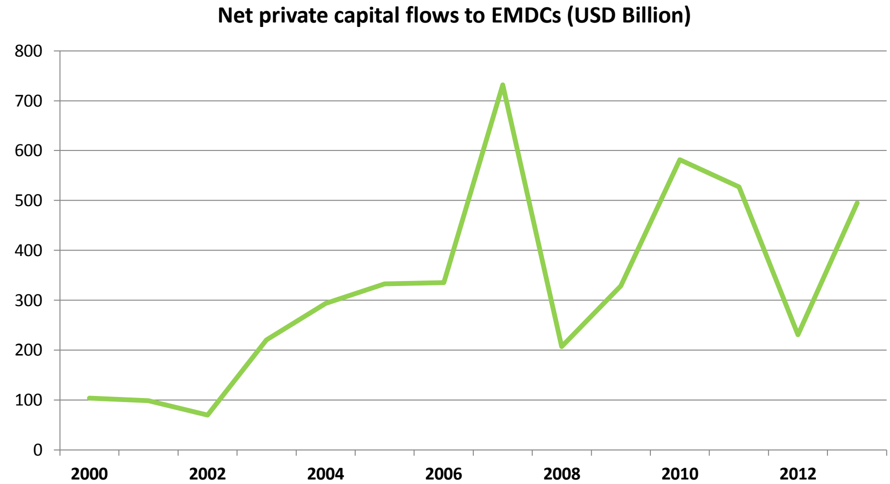
…but total net capital flows to EMEs have been highly volatile



Source: G-24 Calculations, based on IMF World Economic Outlook Database, October 2013

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Some gaps and priorities for enhancing private investment

Investment Category	Common Missing Pieces		Institutional implications for global actors
	Regulatory, Procedural, Policy	Public Investment or Fiscal	
Infrastructure and decarbonization	Project preparation, regulatory agency strengthening, domestic financial intermediaries, long-term political risk insurance	Commitments to carbon pricing, willingness to use guarantees and first-loss instruments, public finance for enhanced credit mechanisms	Larger multilateral mechanisms that support project preparation and public nonconcessional loans; climate funds to subsidize clean energy; harmonized procedures among DFIs
Agriculture	National agricultural plans, subsidy and procurement price reform, land and water regulations, organization of farmer associations	Investment in roads, ports and storage; credit systems; climate and crop insurance systems	Agricultural research in developing countries; large-scale support for agricultural credit; country-level public private partnerships; national agricultural transformation agencies
Extractive industries	Community consent, Transparency requirements for exploration and negotiation	sustainability of local social service provision; local development benefits	Establish national sovereign wealth funds and/or prudent budget policies for managing NR wealth
Social Sectors	Permit for-profit social enterprises; standardized social and environmental results monitoring	Early stage capital; social impact bonds where appropriate	International mechanisms/portals to scale up social enterprises
Services (e.g. finance, retail, IT)	Macroprudential regulations; financial market development; transparency of subsidiary investments	National development banks; equity provision for SMEs	Stronger regional credit rating systems

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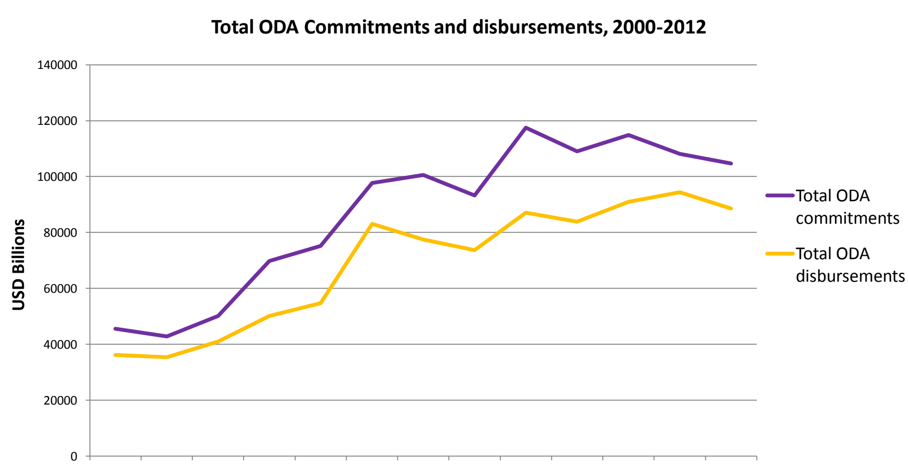
ODA has increased significantly since Monterrey, but has stagnated in recent years



Source: OECD Statistics (2013)

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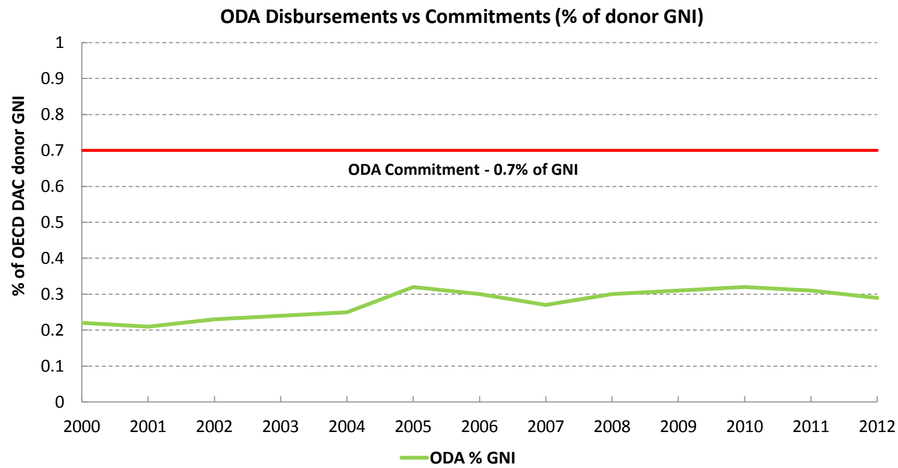
…and remains short of global targets



Source: OECD Statistics (2013)

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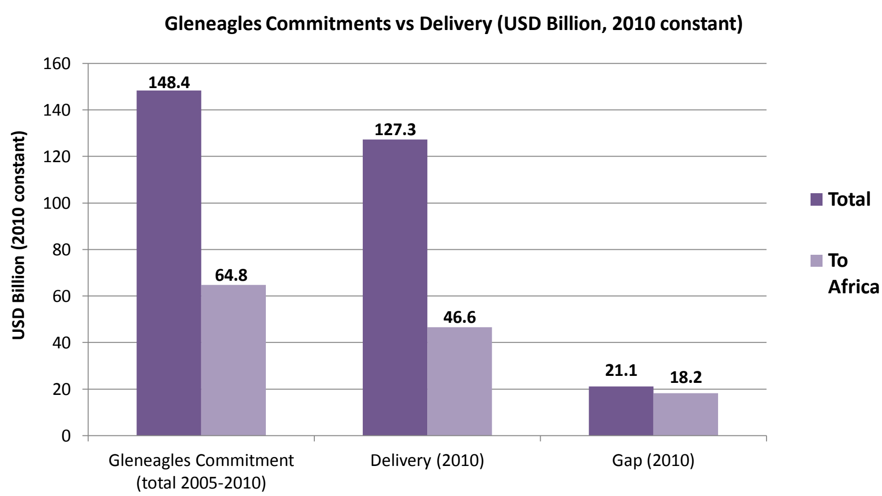
…and does not meet commitments made at Gleneagles



Source: OECD Statistics (2013)

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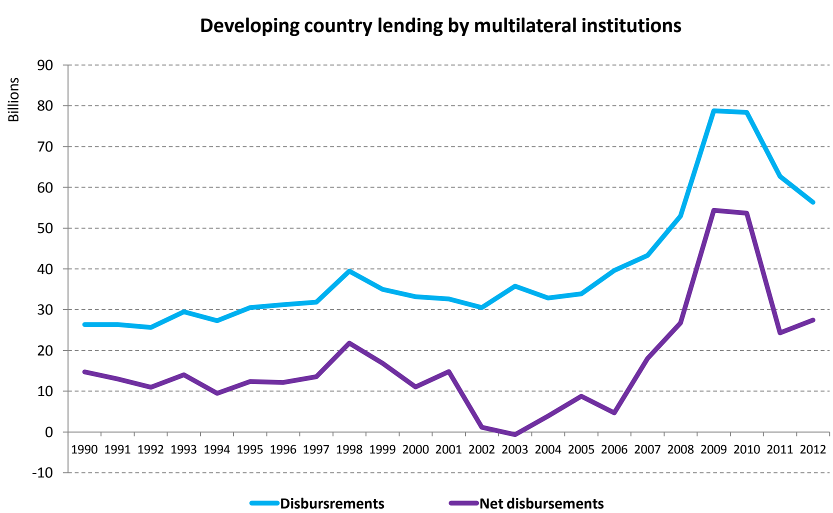
Multilateral non-concessional financial flows



Source: World Bank (2013), *International Debt Statistics*

Proposals for alternative financing mechanisms

1. Africa50 Fund

- Large-scale mobilization of resources and unlock international private capital for infrastructure financing in the region
- Initial equity target of $3 billion
- Investors include African countries, AfDB and other financiers

2. ASEAN Infrastructure Fund

- Enhancing access to infrastructure services and meeting needs in the ASEAN region, including for regional projects
- Initial capital of $485 million ($335mil from 9 ASEAN countries, $150mil from AsDB); aim for $4billion of direct financing by 2020 (and total commitments of close to $13billion)

3. Asian Infrastructure Investment Facility

- Fostering economic development in the Asian region by promoting infrastructure investment
- $50bn in authorized capital, with 10-20% paid-in.
- Founding members include China (up to 50% of shares) and interested ASEAN countries (other Asian countries joining later)

4. Global Infrastructure Facility

- Aimed at channeling resources from official and private sources to infrastructure projects in developing countries that meet pre-defined eligibility criteria
- Small unit housed in the World Bank, will provide upstream ($80mil over 3 years) and downstream ($200 mil over 3 yeasr) support

5. BRICS Development Bank

- Mobilizing resources for infrastructure needs in developing countries, with a focus on catalytic lending and risk mitigation
- $100bn authorized capital,20% of which will be paid-in initially. BRICS countries to subscribe 55% of capital

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