

Multilateral Development System: Present and Future



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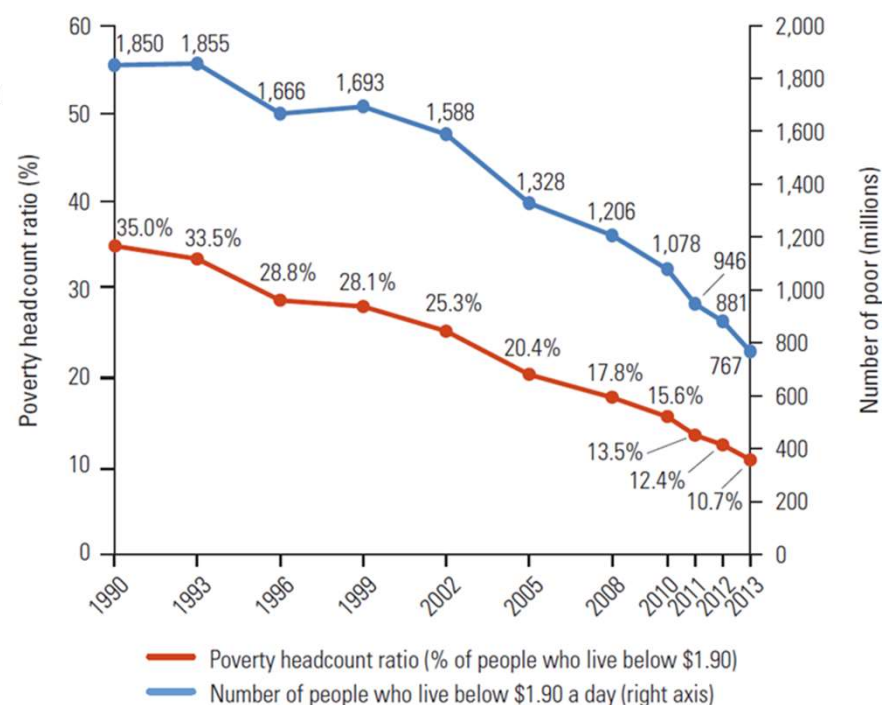
Continued progress on global poverty reduction

- **Significant progress on reducing poverty** over the past decades - in 2015, 10 percent of the world's population lived on less than US\$1.90 a day, compared to 11 percent in 2013. That's down from nearly **36 percent** in 1990;
- Despite a growing population, there are now **more than 1 billion fewer** people living in extreme poverty than there were in 1990. In 2015, 736 million people lived on less than \$1.90 a day, down from 1.85 billion in 1990.
- Two regions, **East Asia and Pacific** (47 million extreme poor) and **Europe and Central Asia** (7 million) have reduced extreme poverty **to below 3 percent**, achieving the 2030 target.

| Poverty at the International Poverty Line of \$1.90/day(in 2011 PPP) | | | | |
|--|--------------------|-----------|----------------------|--------------|
| Region | Headcount ratio(%) | | Number of poor (mln) | |
| | 2013 | 2015 | 2013 | 2015 |
| East Asia and Pacific | 3.6 | 2.3 | 73.1 | 47.2 |
| Europe and Central Asia | 1.6 | 1.5 | 7.7 | 7.1 |
| Latin America and the Caribbean | 4.6 | 4.1 | 28 | 25.9 |
| Middle East and North America | 2.6 | 5 | 9.5 | 18.6 |
| South Asia | 16.2 | 12.4 | 274.5 | 216.4 |
| Sub-Saharan Africa | 42.5 | 41.1 | 405.1 | 413.3 |
| World Total | 11.2 | 10 | 804.2 | 735.9 |

Meeting the 3 percent target by 2030 will require substantially increased efforts, ensuring that poverty reduction is shared by all, particularly in Sub-Saharan Africa, where poverty continues to be unacceptably high.

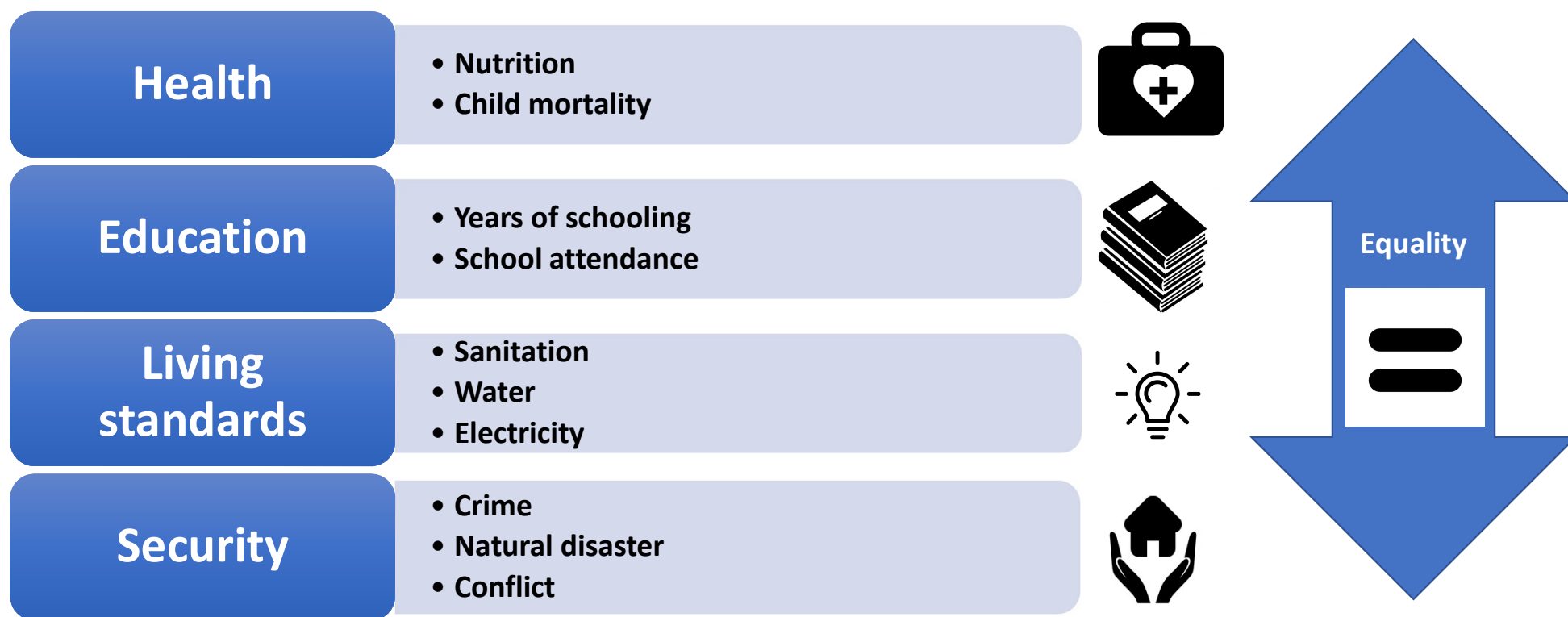
Global poverty rate and number of poor



Source: Poverty & Equity Data Portal, World Bank Group

Poverty is not only about income

A **multidimensional poverty measure*** is anchored on the \$1.90 international poverty line adding non-monetary dimensions:



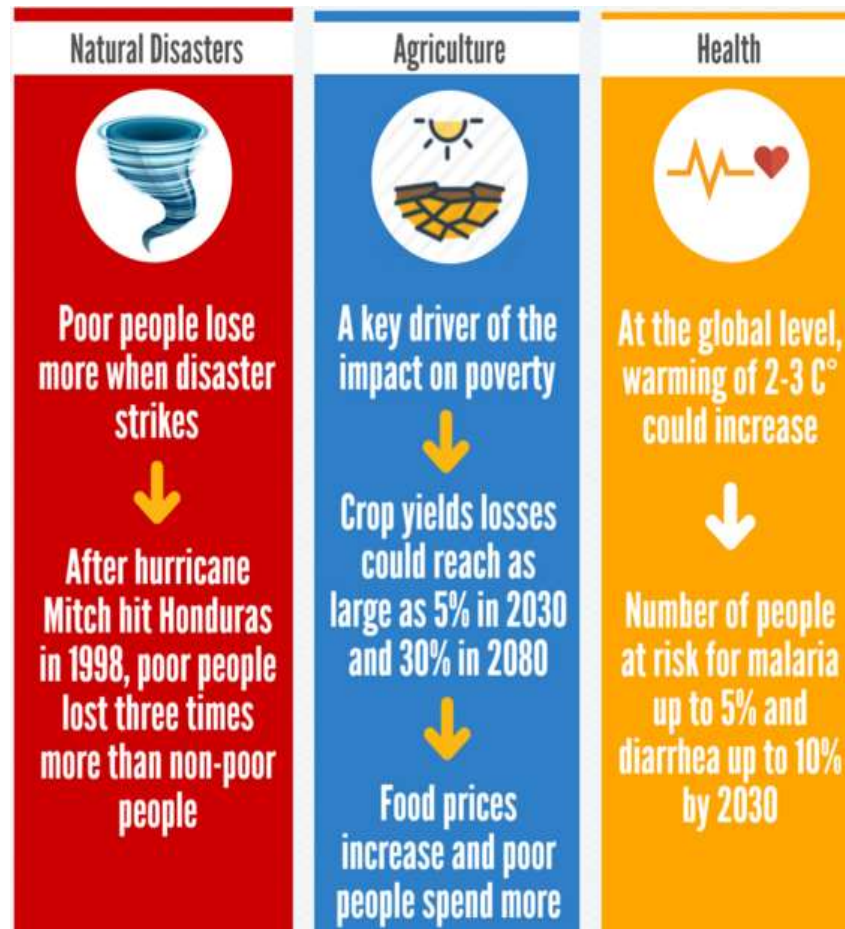
*A new WBG approach towards measuring poverty - Poverty & Shared Prosperity 2018: Piecing Together the Poverty Puzzle

Despite tremendous extreme poverty decrease globally, development challenges remain daunting...

- **815 million people** in the world remain **hungry**, 194.6 million in India and 133.8 million in China;
- **Child mortality** remains high in developing world - in 2016, **5.6 million children died under age five**, nearly 15000 every day; 46% of deaths in children under age five in 2016 occurred in neonatal period;
- **781 million adults** (16 percent of the global population) **are illiterate**; 286 million illiterate people in India alone (4 times the population of France);
- **One in nine people** worldwide does not have access to improved sources of **drinking water** and **one in three** lacks improved **sanitation**;
- **\$5 trillion** per year is needed in **infrastructure investment** over the next two decades to support the future global population of 9 billion people;
- **A pandemic**—a global disease outbreak—poses a global catastrophic risk: **500,000** people die annually from **flu**. Every year, **2.3 billion human infections** occur in developing countries by zoonotic diseases;
- Conflict, fragility and violence are exacerbating development efforts and threatening to reverse hard won development progress: **two billion people** live in countries where development outcomes are **affected by fragility, conflict, and violence**. By 2030, the **share of global poor** living in fragile and conflict-affected situations is projected to reach **46%**;
- **Forced displacement** is a development world crisis: **95% of refugees** and internally-displaced **live in developing countries**.

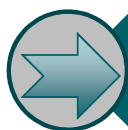
Source: UNHCR, June 2018

Climate change threatens development and disproportionately impacts poor people across the globe

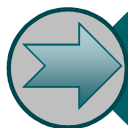


SDGs set a comprehensive agenda to respond to development challenges

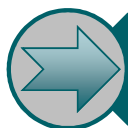
The 2030 Agenda for Sustainable Development, adopted by 193 countries in 2015, is very ambitious and universal in its relevance to countries across the income spectrum. The *central goals now are:*



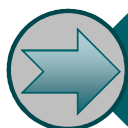
to reignite growth



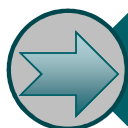
to deliver on the SDGs



to foster actions in line with the Paris climate agreement



to mitigate vulnerabilities and shocks



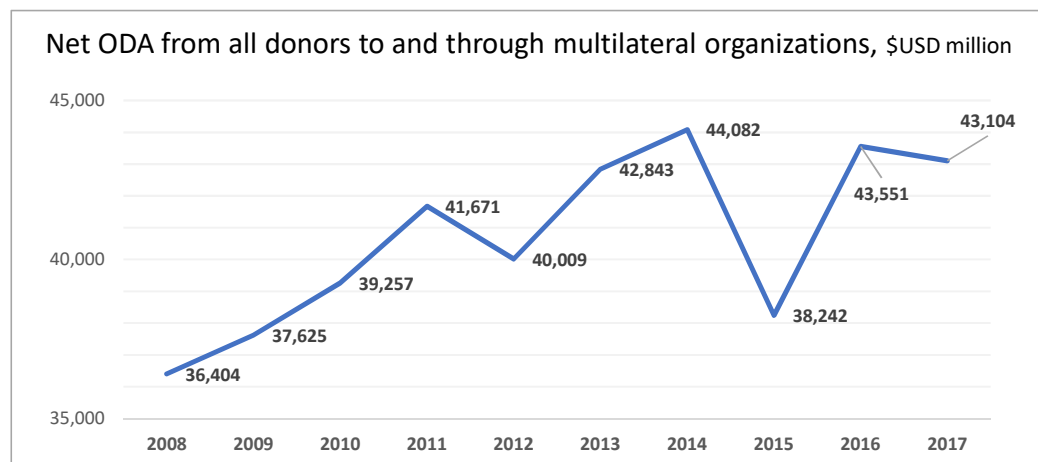
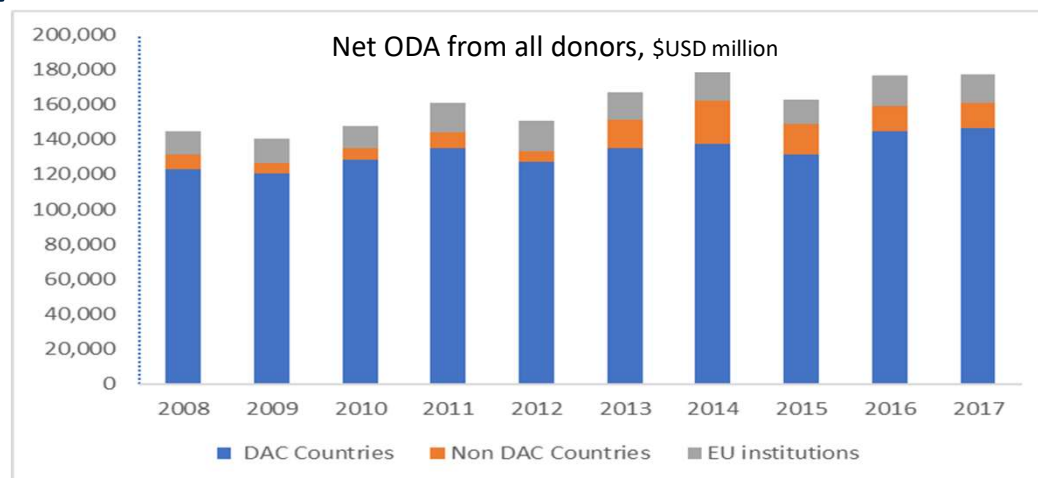
**to facilitate collective action to tackle cross-border issues
(such as pandemics and financial and debt crises)**

Achieving the SDGs requires from the development community inclusive partnerships to provide collective innovative solutions for eradicating poverty, fostering economic growth and responding to crisis

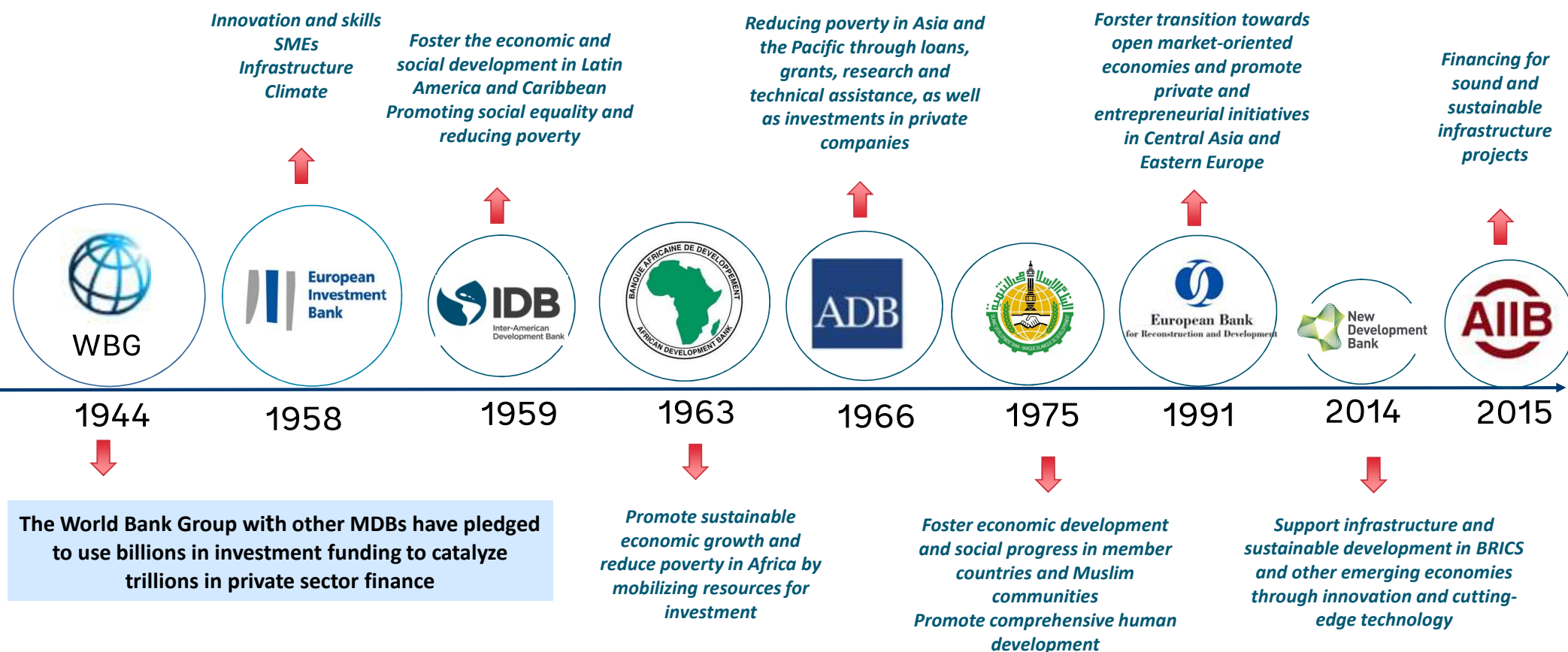
Development aid flows from donor countries have increased

Official Development Assistance (ODA)

- According to OECD data, in 2017 net ODA from **all donors** reached almost **\$177.6 billion**:
 - \$146.6 billion was provided by the **DAC** countries (**83 % of net ODA** financing), 8% and 9% were provided by Non DAC countries and EU institutions accordingly;
- **Total ODA** flows from all donors have **increased by 23%** since 2008:
 - **DAC** aid **rose by 20 %** from 2008 to 2017 (\$122.9 billion in 2008 to \$146.6 billion in 2017);
- The volume of **aid channeled through the multilateral system** has **risen by 18%** since 2008:
 - In 2017 bilateral donors (including EU) allocated **\$43 billion** to regional and global **multilateral development institutions** (appx. 24% of all ODA provided).



Multilateral Development Banks (MDBs)

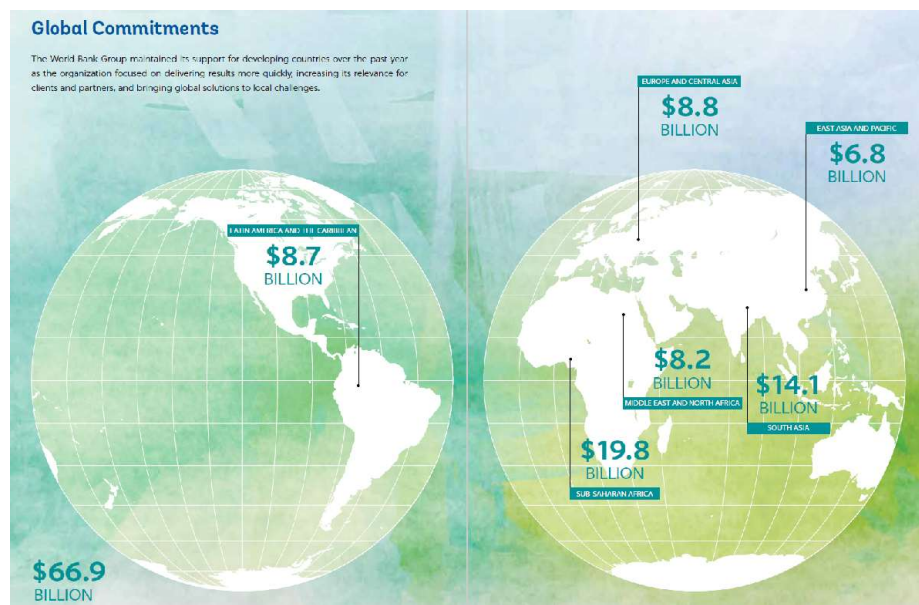
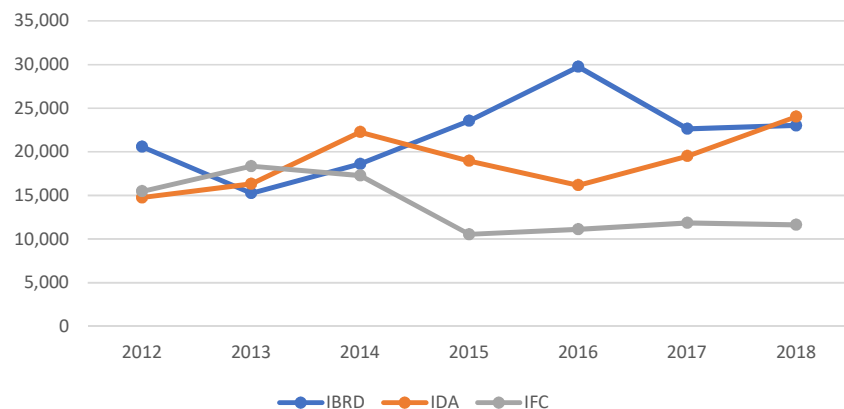


World Bank Group development financing

In fiscal 2018 the World Bank Group committed nearly **\$67 billion in financing, investments, and guarantees**.

- Commitments of the International Bank for Reconstruction and Development (IBRD) rose to **\$23 billion** from \$15.2 billion in 2013;
- The International Development Association (IDA) provided **\$24 billion** to help the poorest countries in comparison with \$14,8 billion in 2014;
- The International Finance Corporation (IFC) provided more **than \$23 billion** in financing for private sector development, including **\$11.7 billion mobilized** from investment partners. Of this, nearly \$6.8 billion went to IDA countries, and more than **\$3.7 billion** was invested in areas affected by **fragility, conflict, and violence**.

IBRD/IDA/IFC Financing for Partner Countries
(Commitments, \$USD million)



Moving from billions to trillions of dollars of development financing through mobilization of private finance by MDBs

- A wide range of stakeholders see a critical role for Multilateral Development Banks (MDBs) and other Development Finance Institutions (DFIs) in blending public and private finance to **scale up financing for development**;
- Total private investment mobilized by MDBs and DFIs in **low- and middle-income countries (LMICs) totaled \$59 billion** in 2017, of which \$19 billion was private direct mobilization;
- **\$26.7 billion, or 45 %** of the total private investment mobilized in LMICs, was directed to **infrastructure**;
- **International Financial Corporation (IFC)** accounted for more than **30 %** of all private investment mobilization in LMICs. One fourth of that was private direct mobilization.

| Private Direct Mobilization (PDM) and Private Indirect Mobilization (PIM) in low- and middle-income countries (long term financing, US\$,mln) | | | |
|--|------------------|------------------|------------------|
| ADB | 3,927.00 | 1,168.80 | 2,758.20 |
| AfDB | 2,267.70 | 471.9 | 1,795.70 |
| AIIB | 277.8 | 25 | 252.8 |
| EBRD | 4,499.70 | 664.9 | 3,834.80 |
| EIB | 8,199.60 | 4,977.10 | 3,222.50 |
| IDB | 4,544.10 | 1,695.00 | 2,849.10 |
| IsDB | 4,039.50 | 67.4 | 3,972.10 |
| WBG | 28,115.90 | 8,993.80 | 19,122.00 |
| EDFI | 3,536.30 | 1,067.50 | 2,468.80 |
| Total | 59,407.60 | 19,131.50 | 40,276.10 |

Direct and Indirect Mobilization from private investors and other institutional investors (including insurance companies, pension funds, and sovereign wealth funds) based on 2017 commitment data.

Source: Report on Mobilization of Private Finance by Multilateral Development Banks and Development Finance Institutions for 2017



Multilateral system plays a multifaceted role in addressing global development challenges

- ➔ Trusted partners who provide scaled-up least-cost services, using a strong country presence
- ➔ Conveners of global partnerships
- ➔ Setters of global standards and norms
- ➔ Vehicles for upstream pooling of resources
- ➔ Facilitators for multi-stakeholder cross-border operations
- ➔ Providers of global/regional crisis response

Key advantages of the Multilateral System:

- ❖ Economy of scale
- ❖ Legitimacy
- ❖ Country programmable aid
- ❖ Capacity to address the crisis situations
- ❖ Provision of global expertise
- ❖ Flexible delivery mechanisms
- ❖ Less fragmented than bilateral channels

Multilateral solutions can **complement bilateral** approaches by pooling resources, avoiding waste and duplication, and building a critical mass of specialized skills



The **multilateral system** represented by global and regional institutions is uniquely equipped to support development of low-income countries and the **Sustainable Development Agenda 2030**.

The future of multilateral system is in cooperation, innovative financial approaches and private sector mobilization

- A lot has been achieved so far by multilateral organizations, however, to respond to a fast-changing global environment and address global challenges by 2030 more efficiently, multilateral organizations will need to
 - *implement challenging institutional changes*
 - *strengthen cooperation with each other*
 - *leverage private sector*
 - *deploy innovative financing products*
 - *understand changing client needs*
- Multilateral organizations and MDBs in particular should cooperate addressing global challenges and implementing Sustainable Development Agenda via:

Joint efforts on diagnostic work and improving data

Platforms for project preparation and application of common standards and benchmarks including for sustainable infrastructure

Knowledge platforms and tools for strengthening policy and institutional foundations and provision of technical assistance

Establishment of financing structures that can unlock investments at scale

Engagements in contexts of fragility, high debt, and UMIC – levels of prosperity

Structured discussions at the Development Committee, the UN High Level Political Forum Summit on the SDGs, and **the G-20**

In the existing complex and evolving development landscape, with new opportunities provided by data, technology, innovation and a new willingness of private capital to invest in developing countries, multilateral institution can succeed only jointly

Joint approach in supporting the Global Financial Architecture

- Global Fora and **G20**, in particular, remain committed to implementation of the 2030 Sustainable Development Agenda emphasizing the role of multilateral institutions in the process;
- **Hamburg G20 Action Plan** focuses on the role of multilateral institutions and development banks in terms of **Improving the Global Financial Architecture**:



G20 2017 committed to increasing the development impact of **Multilateral Development Banks (MDBs) and welcomed 'the work by MDBs on mobilizing and catalyzing private capital, optimizing balance sheets and boosting investment in infrastructure';**



G20 endorsed the Hamburg **Principles and Ambitions on crowding-in private finance, which provide a common framework among MDBs and quantify MDBs ability to crowd-in private funds, including by setting a target of a 25-35 % increase in mobilization over the next 3 years;**



G20 supported the MDBs work to promote high quality infrastructure investment and welcomed the report on the state of implementation of the **2016 MDBs Joint Declaration of Aspirations on Actions to Support Infrastructure Investment (JDA).**

Thank you for your attention!