

Needs of Countries in Special Situations:

African Countries, LDCs, LLDCs, and SIDS as
well as Specific Challenges Facing the Middle
Income Countries

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The World Bank Group

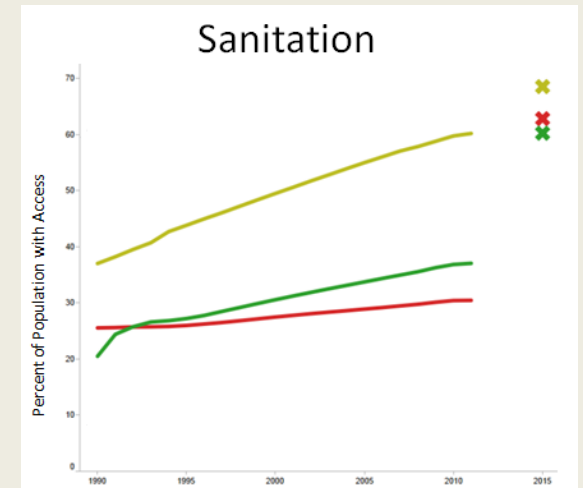
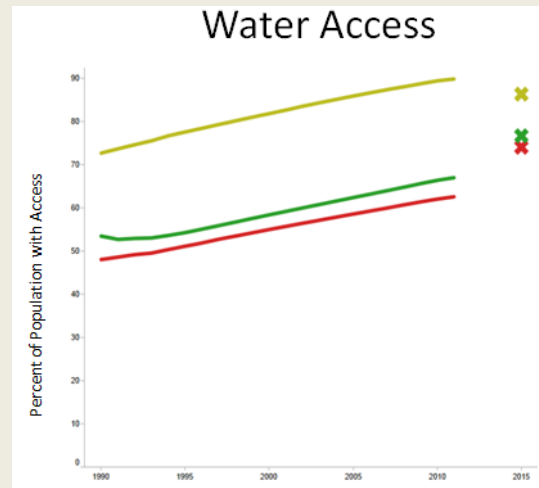
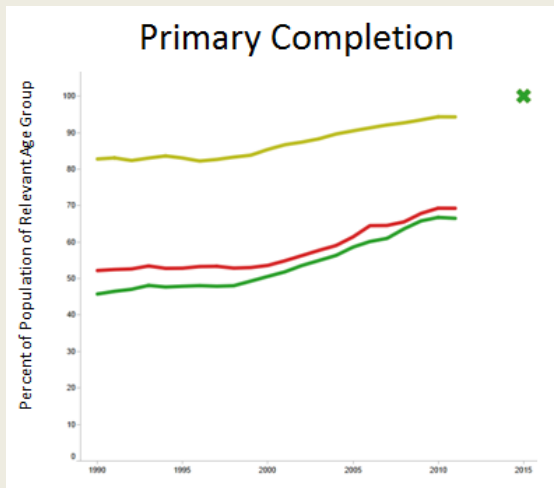
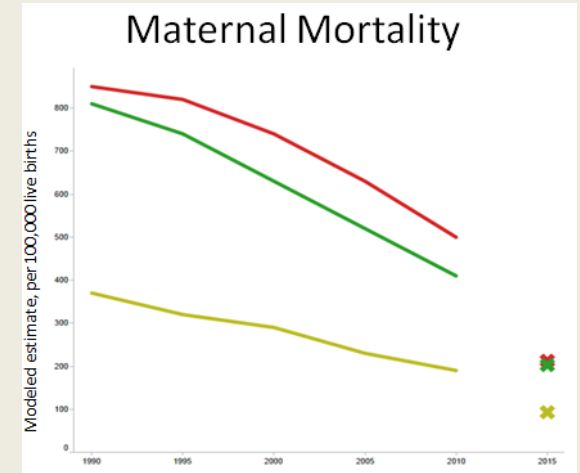
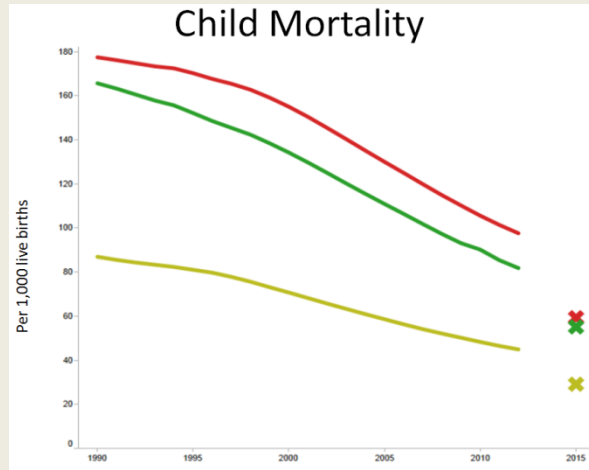
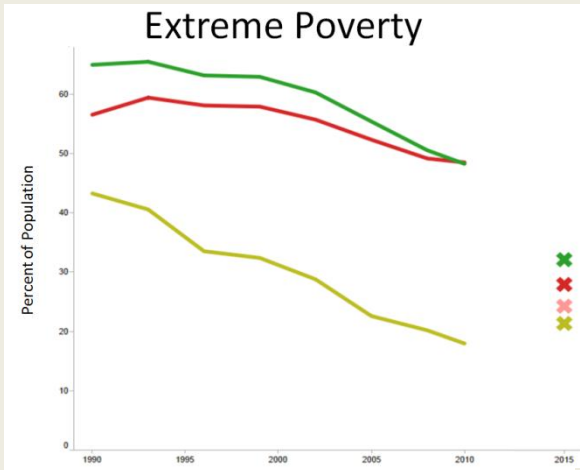
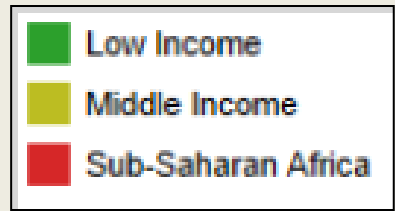
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Unique Challenges

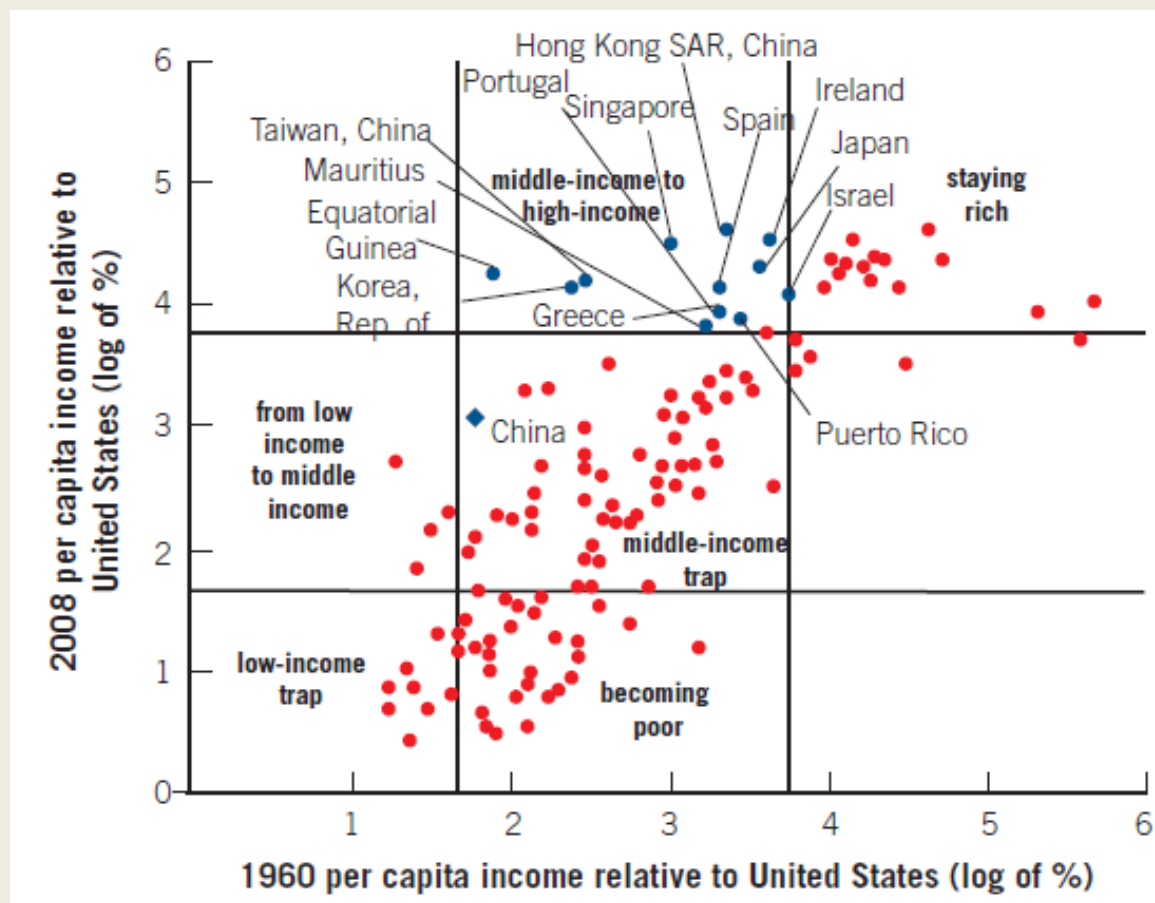
- African countries – growth with little poverty reduction in many countries
- LDCs – limited investment, poverty, challenges of human development, jobs, governance and regulation, technology, some in conflict
- LLDCs – transport and trade
- SIDs – scale, isolation and vulnerability to climate change
- MICs – home to 75% of world's poor, second generation development challenges, many caught in a “middle income trap”

MDGs Progress




The Middle Income Trap

- Of 101 middle-income economies in 1960, only 13 became high-income by 2008
- Sharp deceleration of growth
- Stagnation of innovation and productivity



Good Policies for Development are not the Same Everywhere



Jobs challenge	Which countries and which policies?
Agrarian economies	Vietnam Land reform, agricultural extension, and market incentives
Conflict-affected countries	Rwanda Reintegration of former combatants and business reforms
Urbanizing countries	Korea, Rep. Land-use policies and comprehensive urban planning
Resource-rich countries	Chile Fiscal stability rules and export-oriented policies
Small island nations	Tonga Active use of return migration agreements
Countries with high youth unemployment	Slovenia Competition in product markets through trade integration
Formalizing countries	Brazil Noncontributory programs, rules simplified and enforced
Aging societies	Poland Disability and pension reform, higher retirement age

Universal Challenges

- Leave no one behind
- Put sustainable development at the core
- Transform economies for jobs and inclusive growth
- Build peace and effective, open and accountable public institutions
- Forge a new global partnership

An Implementation Challenge:

Financing the Post-2015 Development Agenda

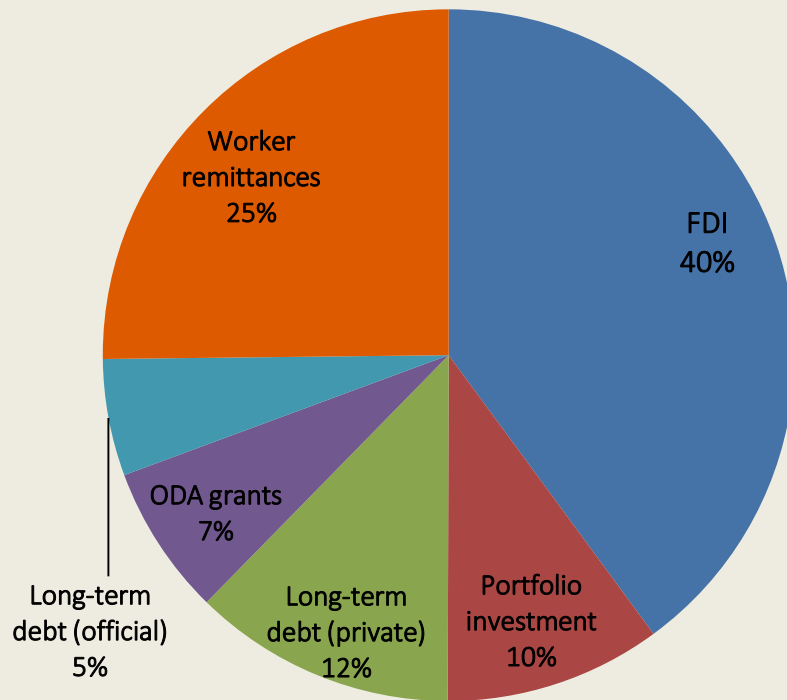
- The financing for development requirement is large, and aid will meet only a small part of it.
- Countries will need to put in place sound policies and institutions in order to use existing resources more effectively and leverage other sources of financing to achieve the MDGs.
- It also needs to adapt to changes in the global economic and financing landscape and tap financing from diverse sources:
 1. Better and smarter aid
 2. Domestic resource mobilization
 3. Private finance for development
 4. Innovative sources of finance, including for global public goods
- The relative significance of each source, and the associated leveraging challenges, will differ between countries.



A Challenge to Grow and Diversify Finance

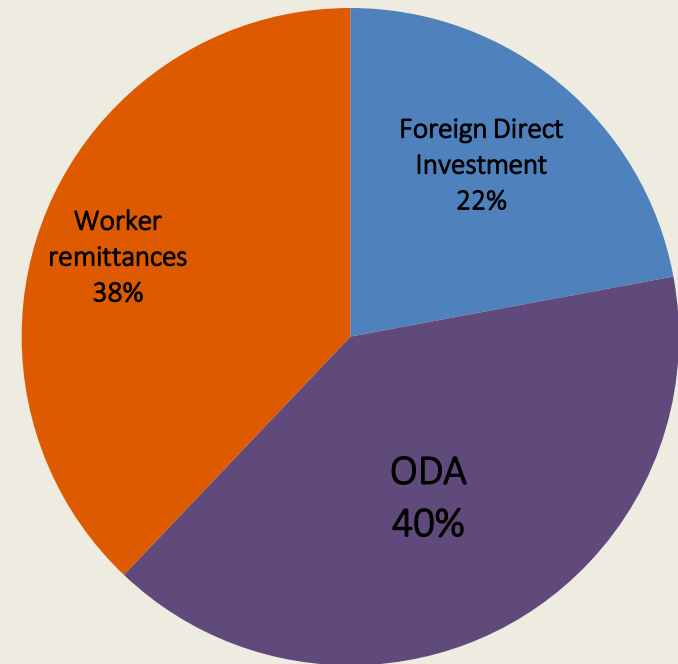
Net financial flows to *developing countries*, 2010

Total: USD 1,267 billion



Gross financial flows to *fragile states*, 2010

Total: USD 125 billion

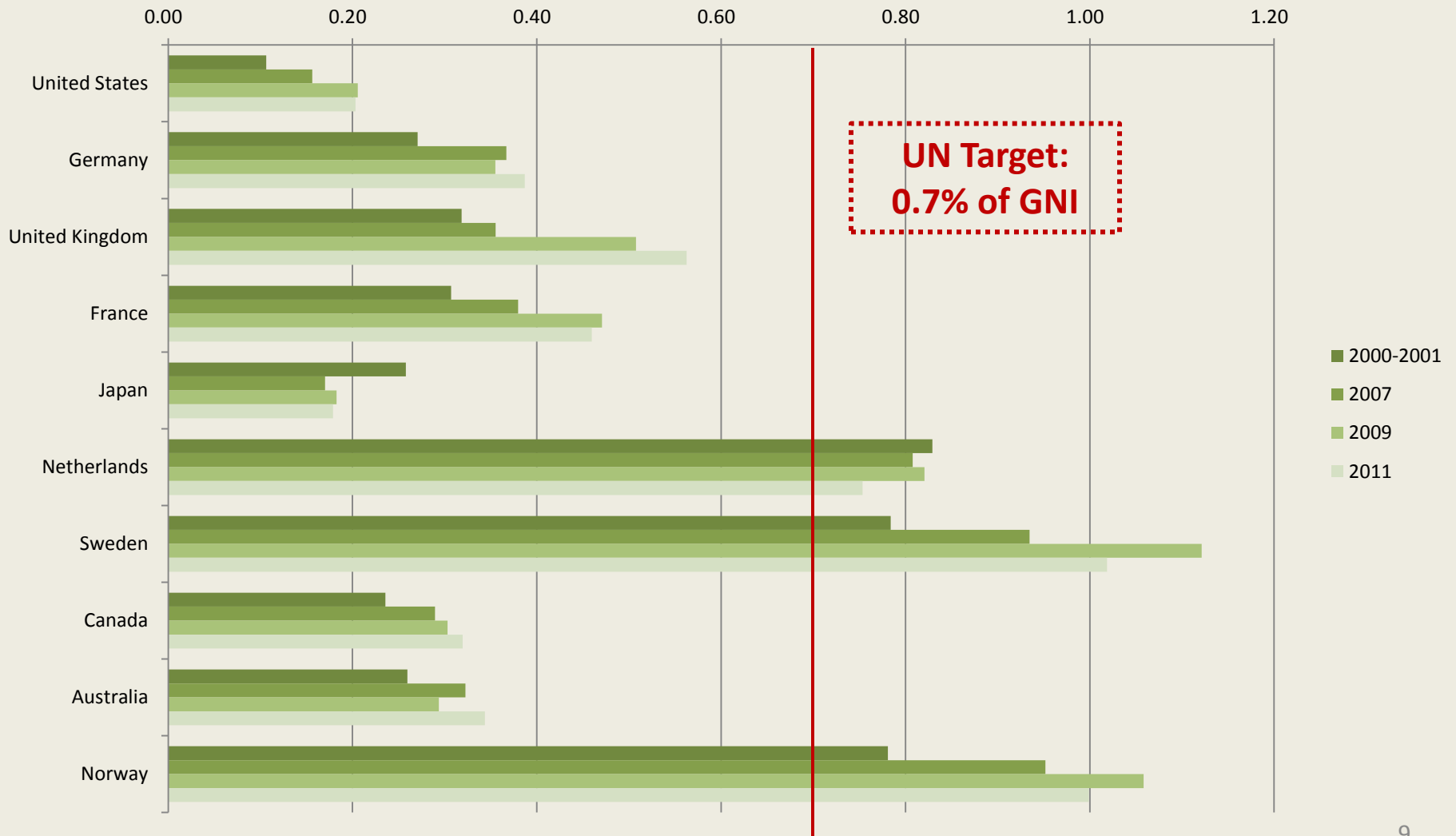


Source: World Bank CFP Working Paper No. 8, Finance for Development

Source: Fragile States 2013, OECD
NB: Based on OECD definition of fragile states

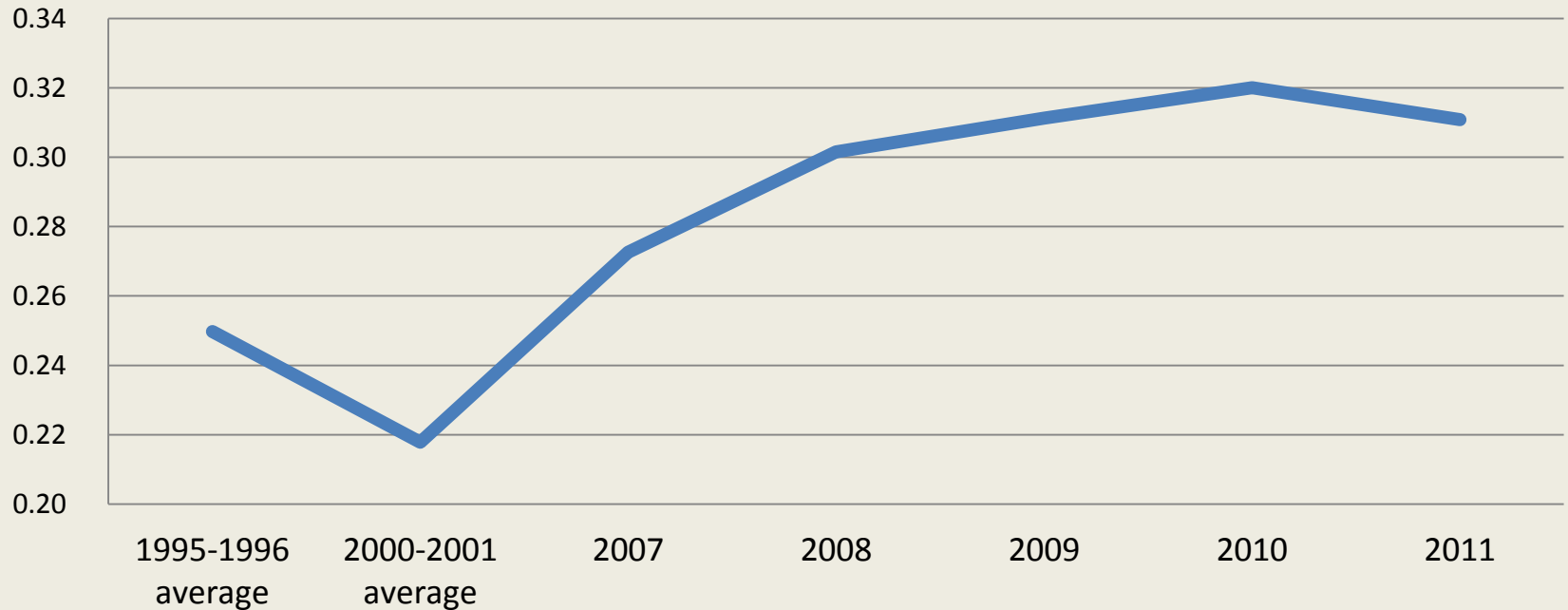
ODA Still Falls Short of Monterrey Target

DAC Members' Official Development Assistance as a percentage of GNI, 2000-2011



Recent Downturn in ODA

Net ODA (% of GNI) by all DAC members

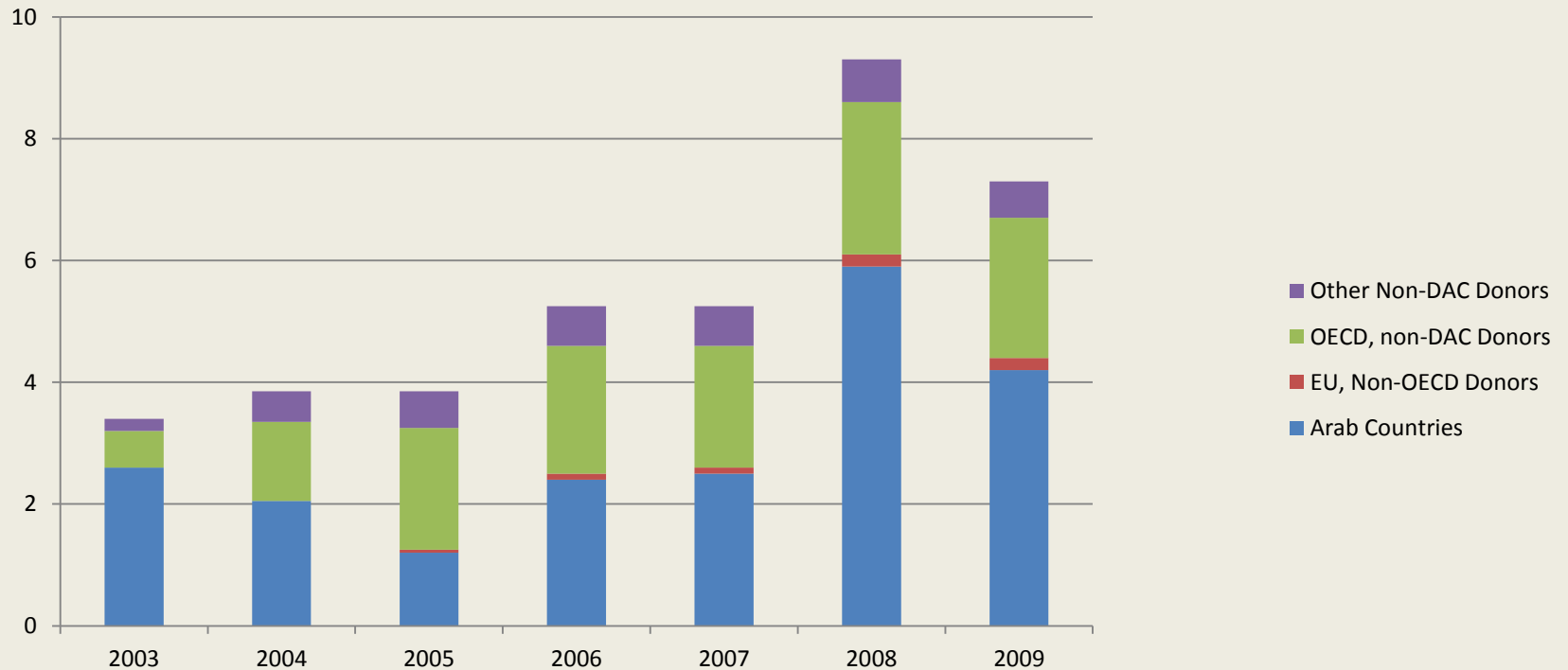


“Official development assistance (ODA) plays an essential role as a complement to other sources of financing for development, especially in those countries with the least capacity to attract private direct investment...For many countries in Africa, least developed countries, small island developing States and landlocked developing countries, ODA is still the largest source of external financing and is critical to the achievement of the development goals and targets of the Millennium Declaration and other internationally agreed development targets.”

Monterrey Declaration, 2002

Emerging Donors Could Change the Aid Landscape

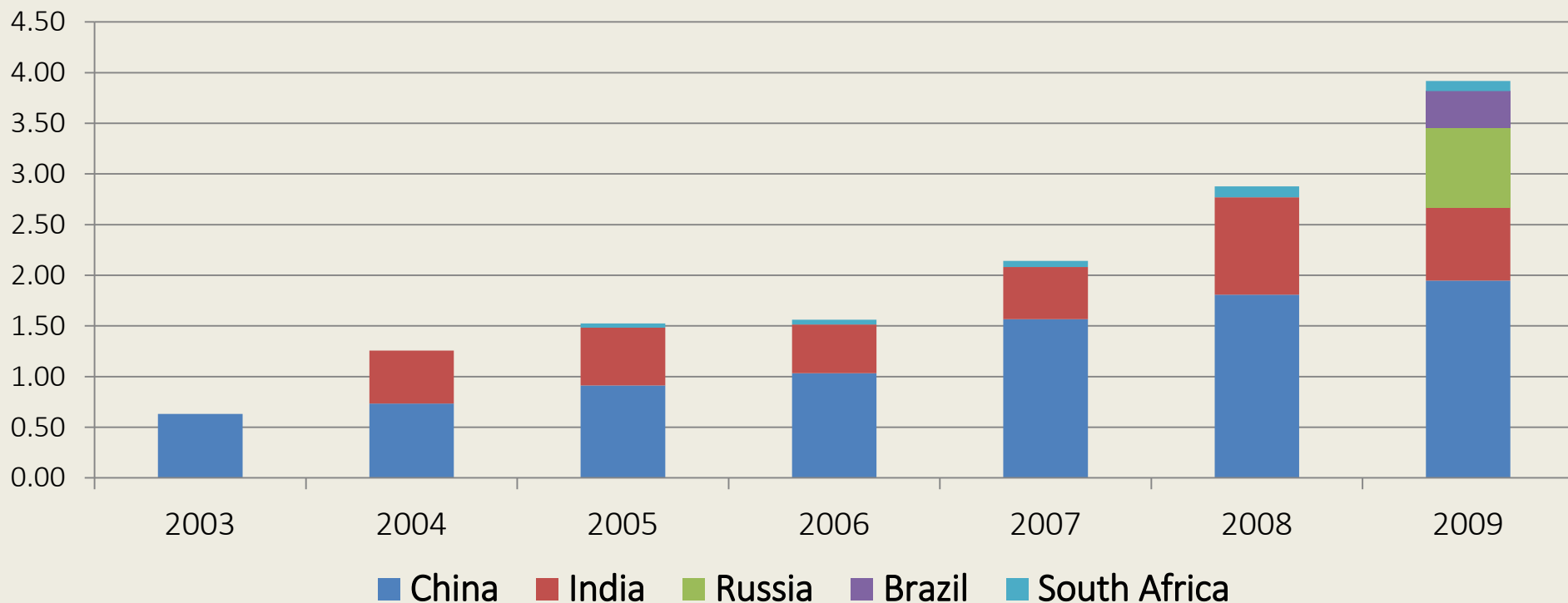
ODA from Non-DAC donors, excluding BRICS



Emerging Donor Trends

Emerging donors, led by China, provide limited aid now as defined by the OECD but they also contribute through other external flows and in-kind assistance.

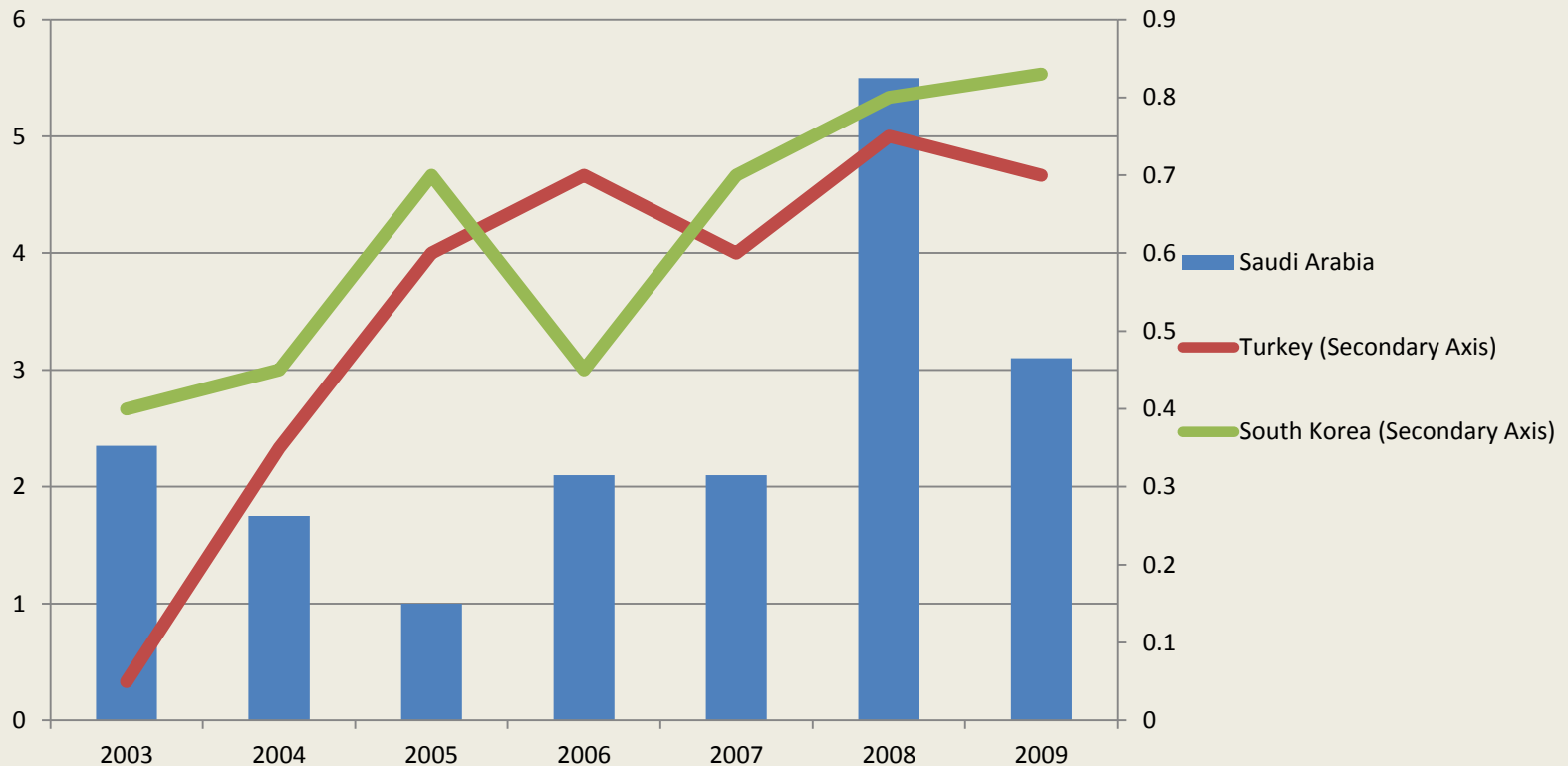
Estimated aid from BRICS, 2003-2009 (USD billion)



For the purpose of comparison, in 2009, **net ODA from DAC members was 119.8 bn USD.**

Emerging Donor Trends

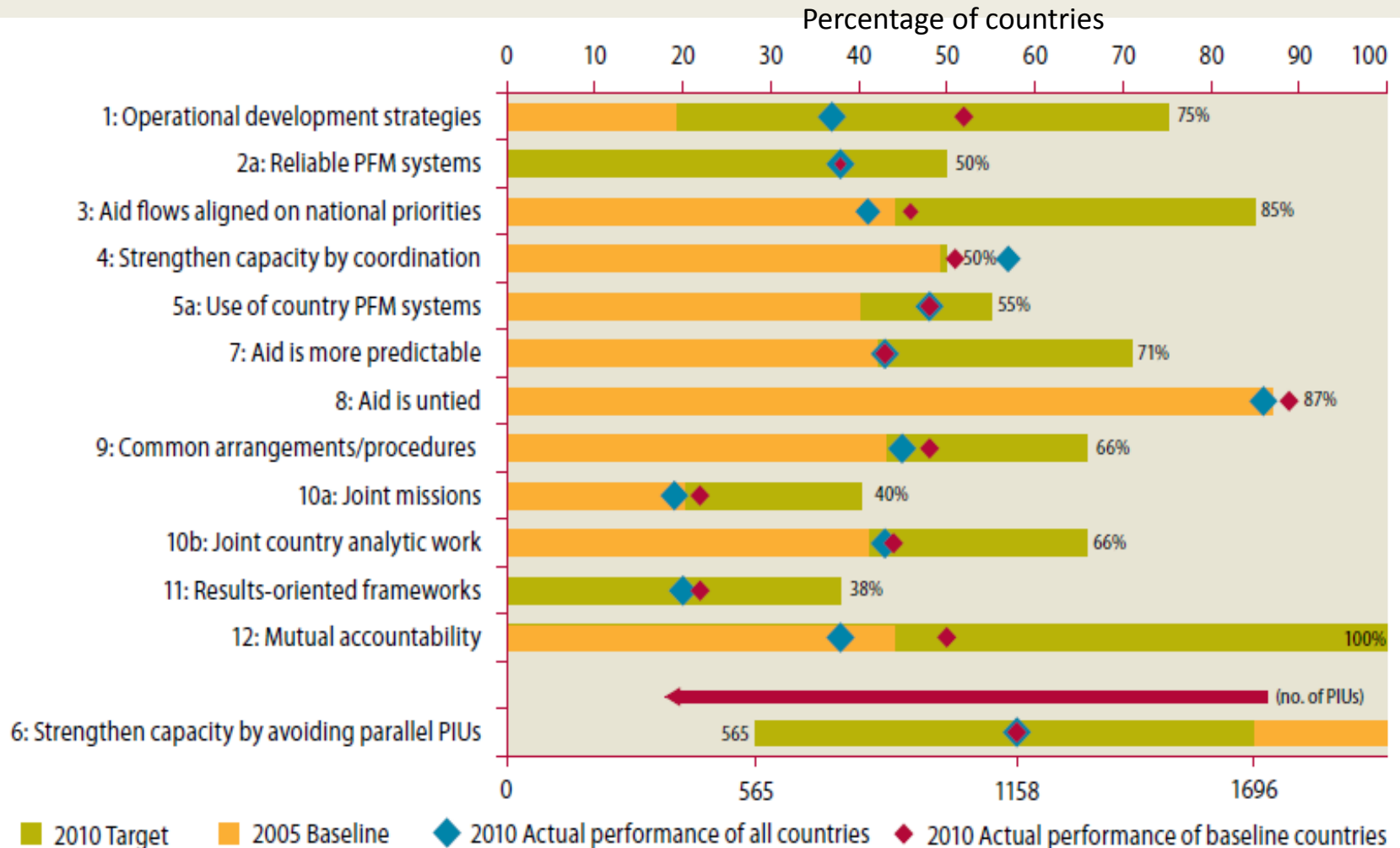
ODA from Saudi Arabia, South Korea, and Turkey



Maximize the Impact of ODA

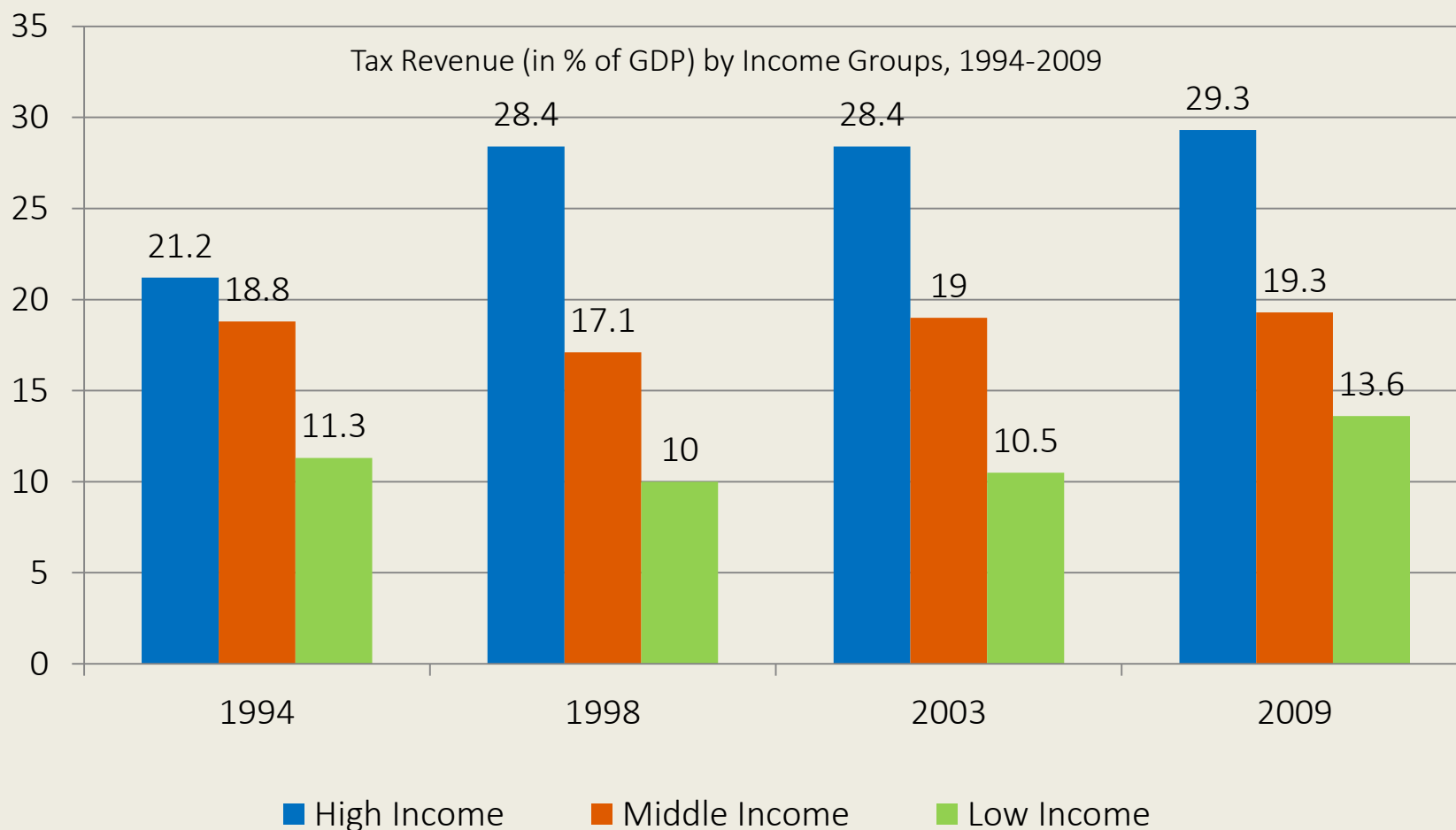
Limited progress on certain aid modalities but improvement still needed on most indicators

Progress in Implementing the Paris Declaration



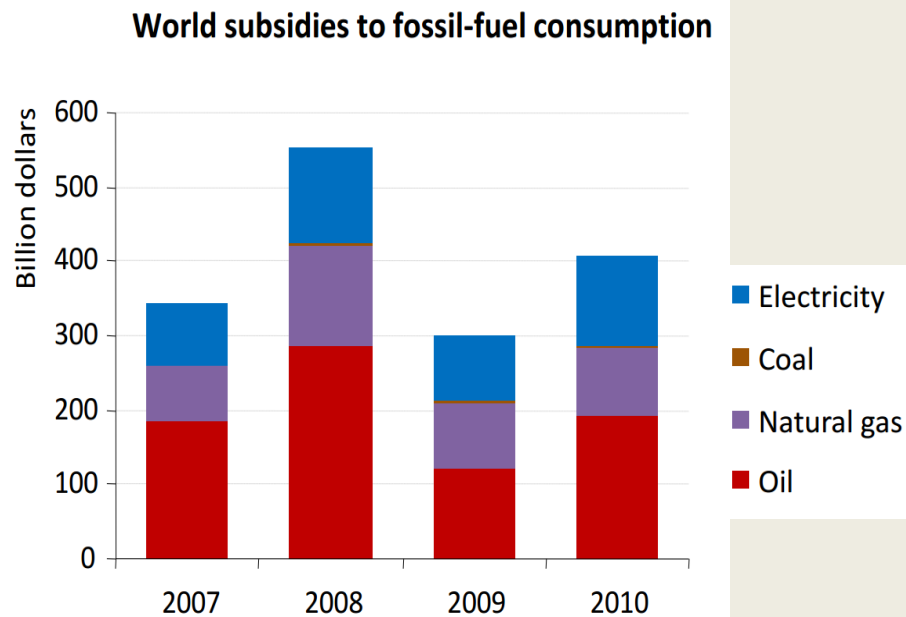
Domestic Resource Mobilization

Taxation capacity improving in MICs, progress needed in LICs

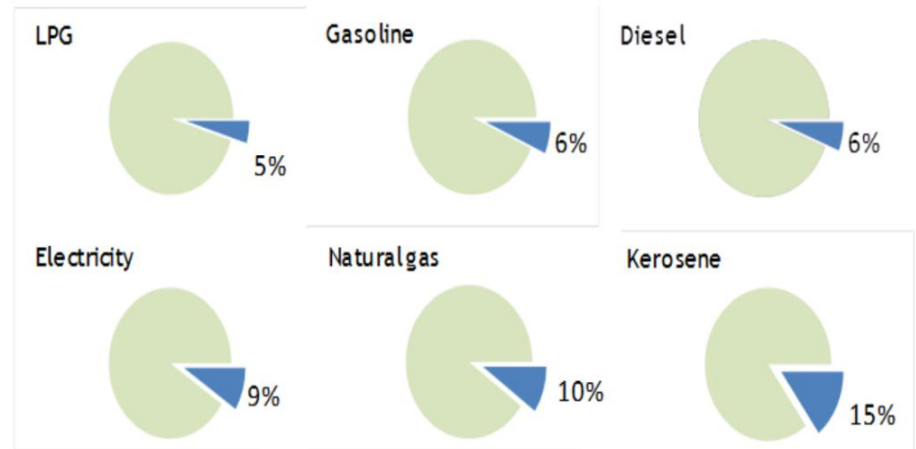


Ensure Efficient Public Spending

Fossil fuel subsidies *do not* target the poor



Share of fossil-fuel subsidies received by the lowest 20% income group, 2010

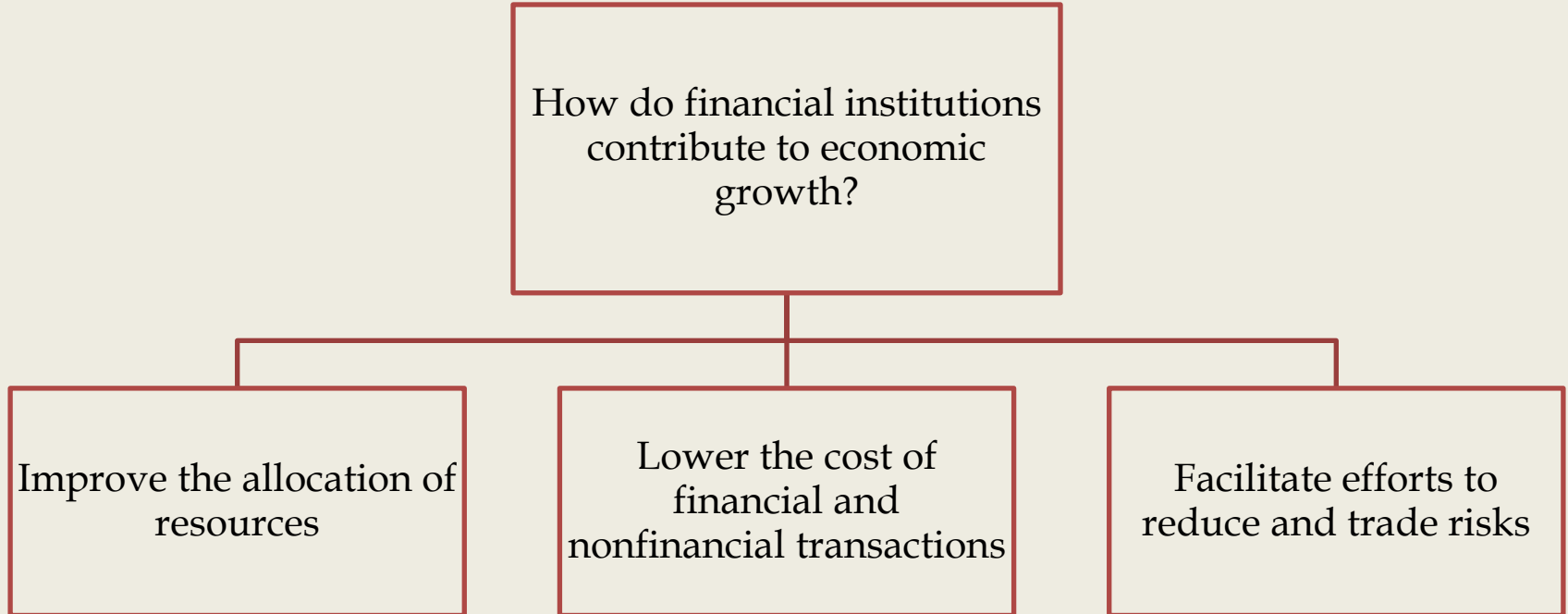


Subsidies are an inefficient means of assisting the poor: only **8%** of the **\$409 billion** spent on fossil-fuel subsidies in 2010 went to the poorest 20% of the population.

Fossil fuel consumption subsidies measure what developing countries spend to provide below-cost fuel to their citizens. High-income countries offer support to energy production in the form of tax credits or loan guarantees, which are not included in these calculations since they are directed towards production rather than consumption of the fuel.

Private Finance for Development

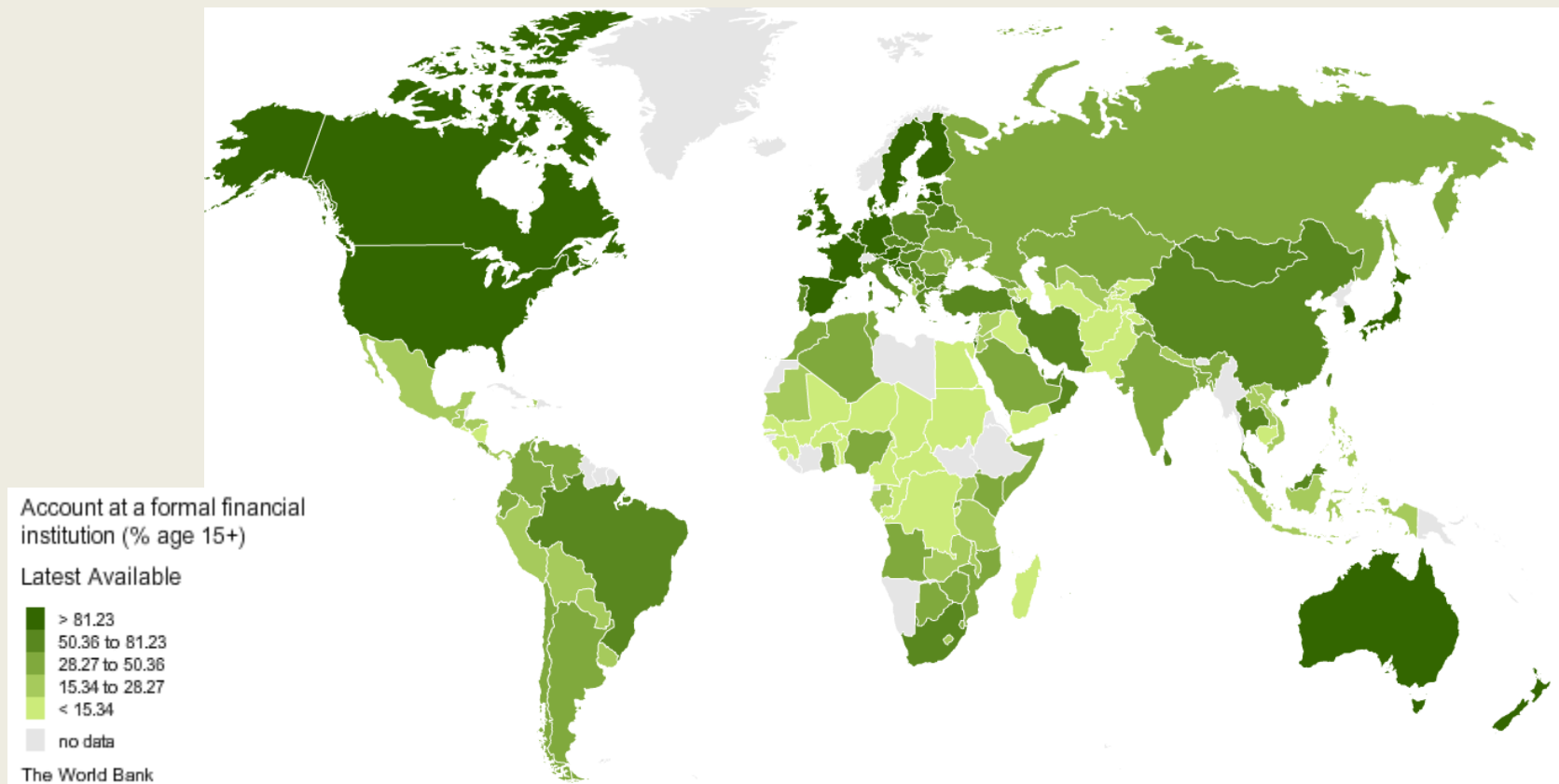
Financial and private sector development creates opportunities for entrepreneurship and job creation



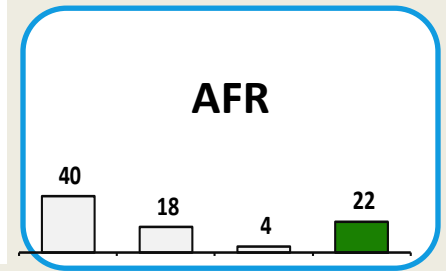
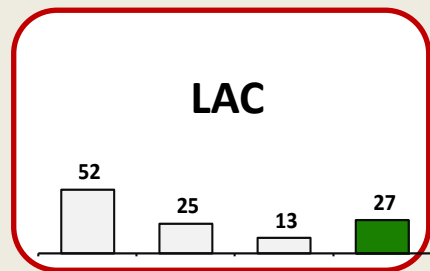
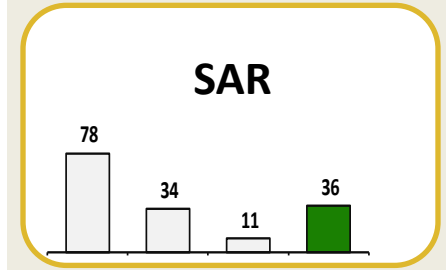
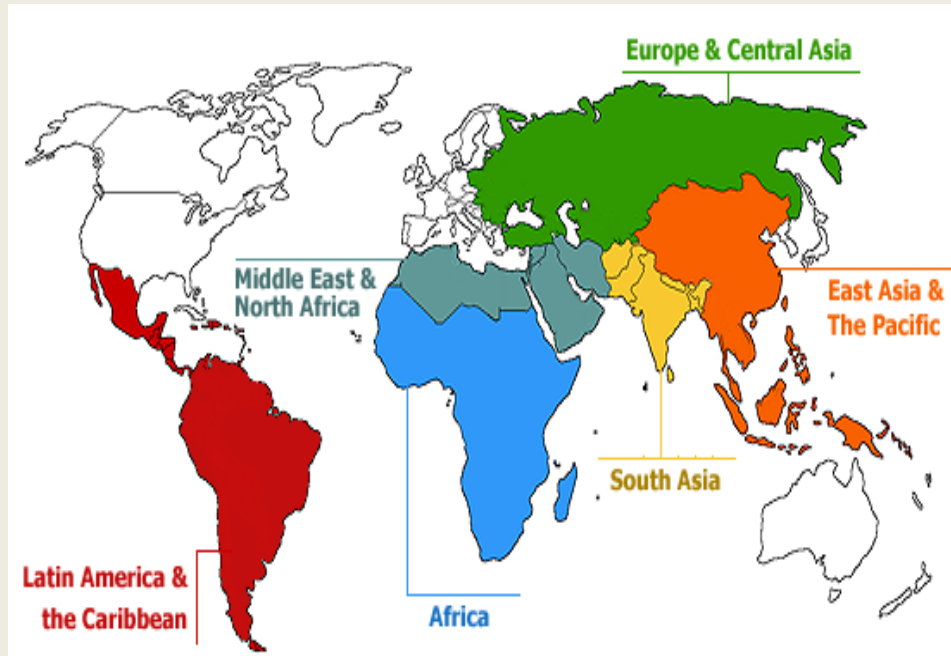
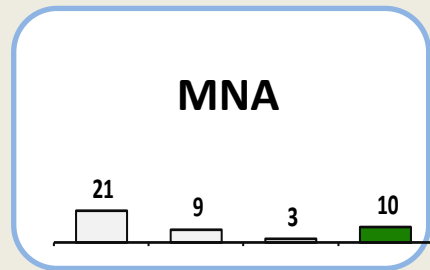
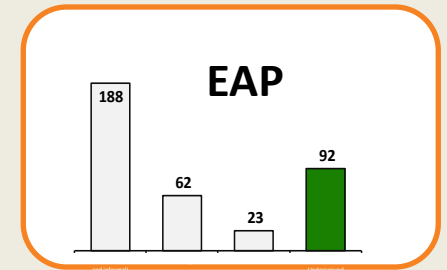
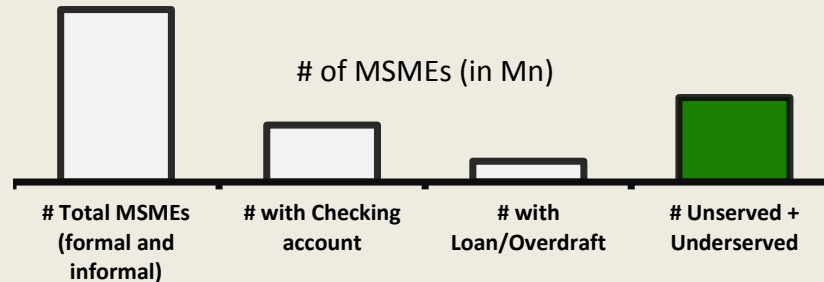
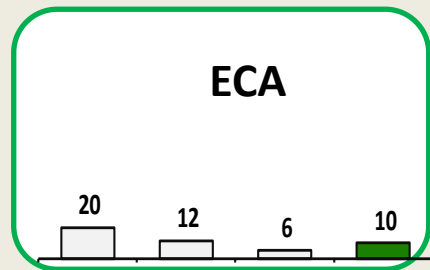
Improving Financial Inclusion

- Globally, about 50 % of adults have a bank account
- The other 50 % (2.5 billion) remain “unbanked”

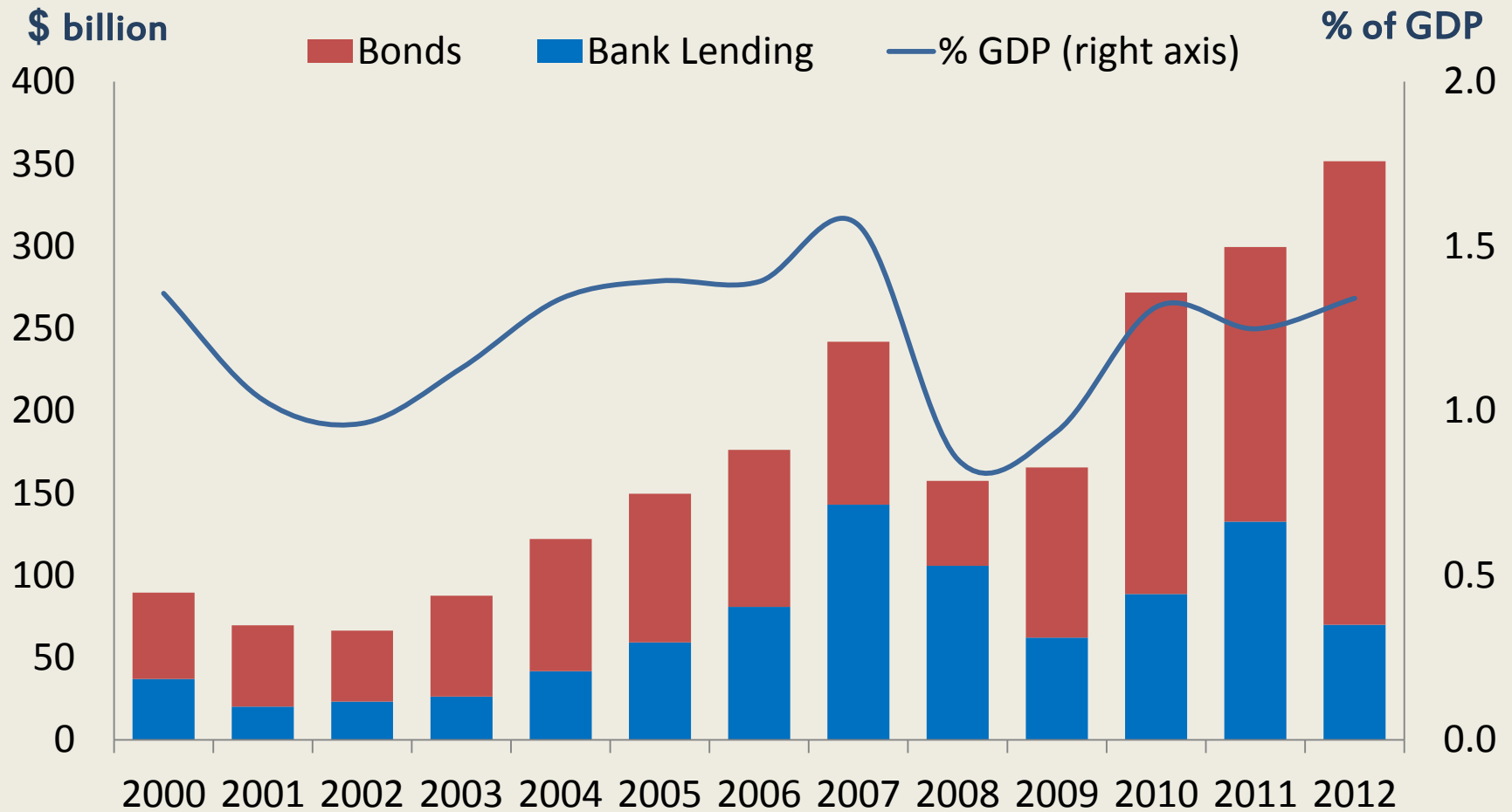
Adults with accounts at a formal financial institution



Improving Financial Inclusion



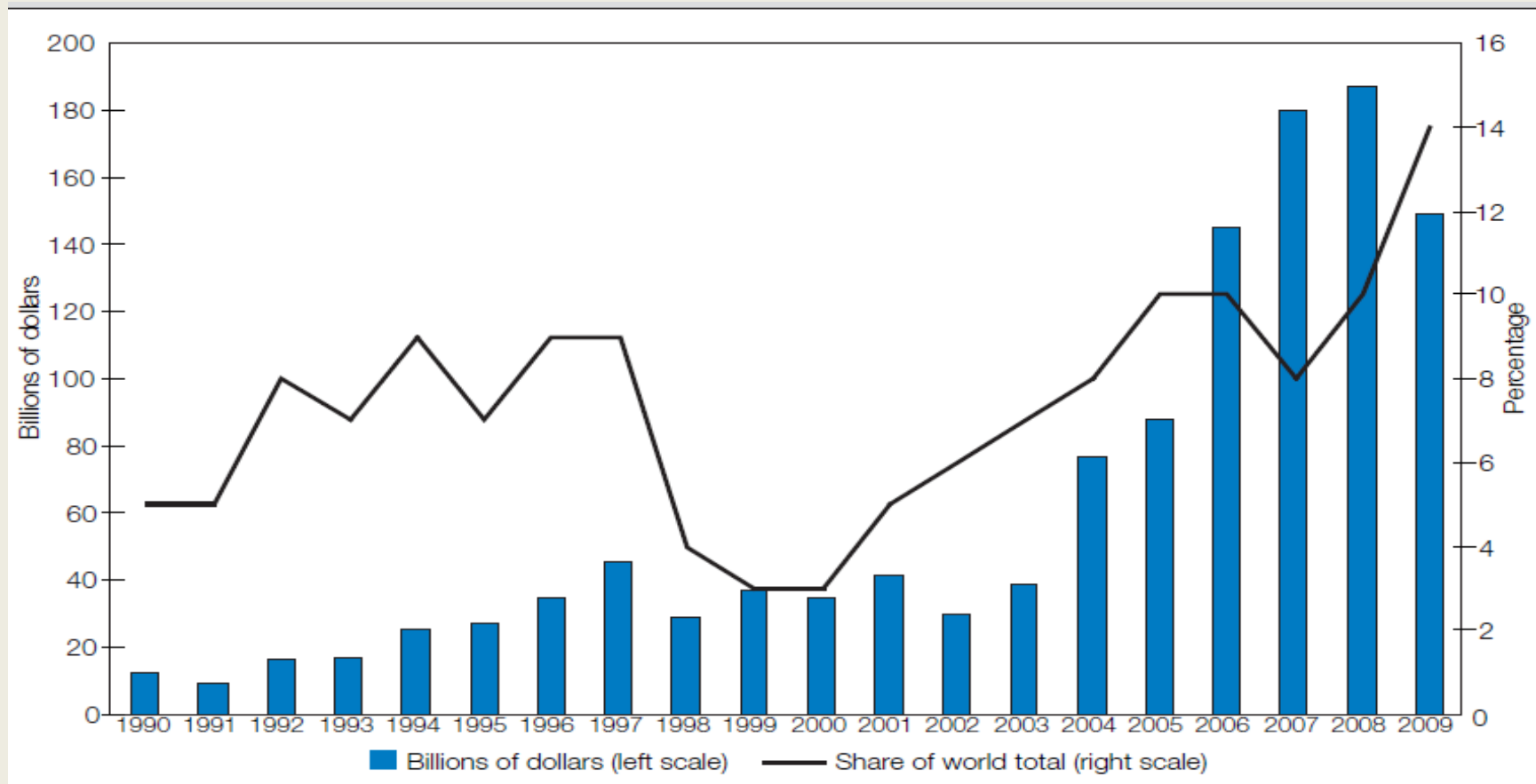
International Long Term Debt to Developing Countries



Rise of South-South FDI

South-South FDI rising, although small % of world average

South-South FDI Flows, Worldwide, 1990-2009



Source: John Wilson presentation on Constraints and Opportunities for Growth in the LDCs: Research to Support Action, World Bank DECRG, 2012

Leverage the Private Sector: Partnerships

Maharashtra & Tamil Nadu, India

CLIFF COMMUNITY SANITATION PROJECT

Total initial investment: \$7.2 million

- Homeless International
- SPARC (NGO in India)
- Community-based Organizations

Kenya

PRIVATE SECTOR POWER GENERATION PROJECT

Total initial investment: \$623 million

- Kenya Power and Lighting Company
 - IFC
 - MIGA
- Commercial Banks

Sao Paulo, Brazil

METRO LINE 4

Total initial investment: \$450 million

- Companhia do Metropolitano de Sao Paolo
- 5 Equity Sponsors
- Inter-American Development Bank
- Commercial Banks

Lake Kivu, Rwanda

KIVU WATT

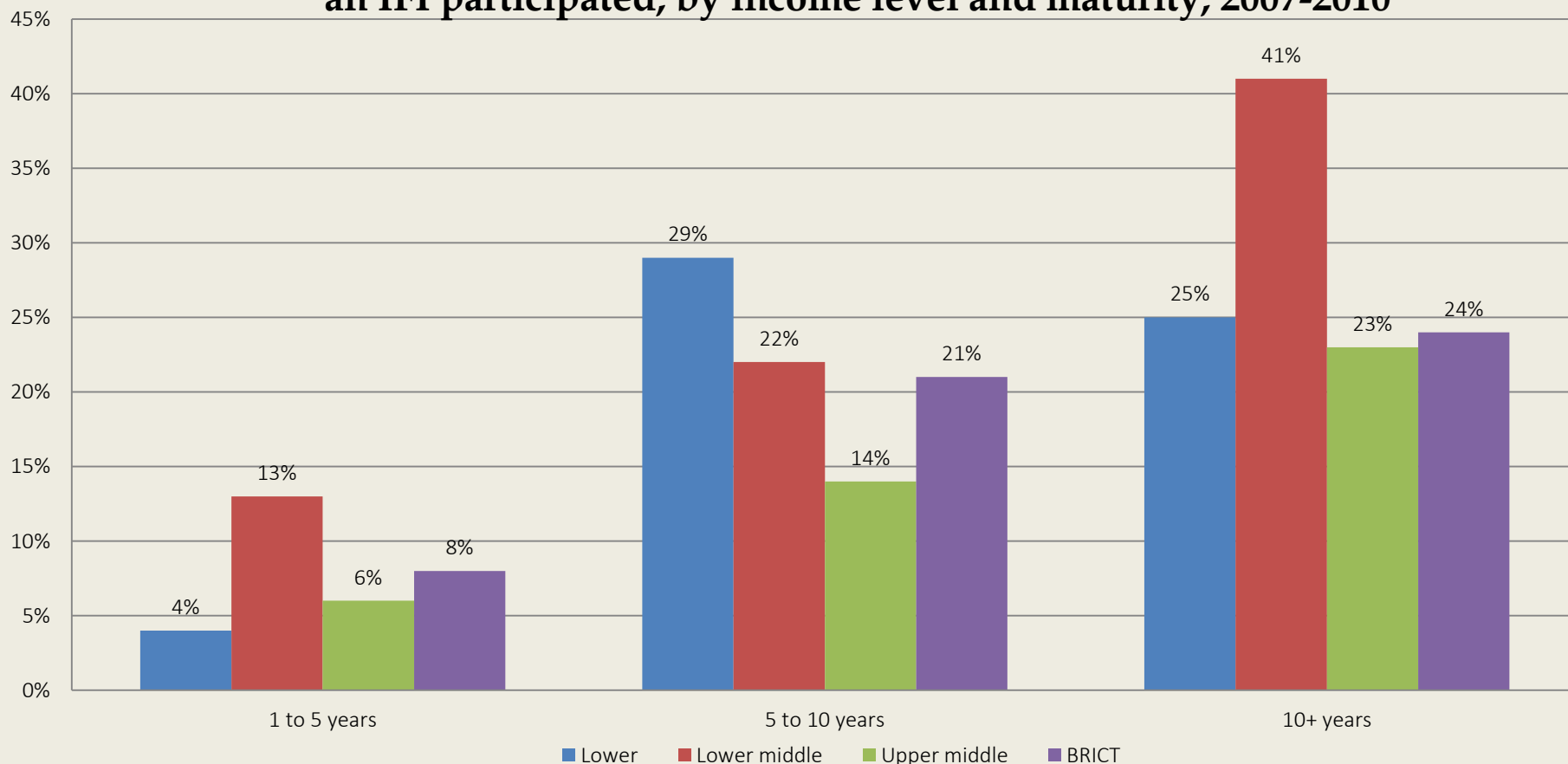
Total initial investment: \$142.25 million

- ContourGlobal
- Energy Authority of Rwanda
 - MIGA
- Emerging Africa Infrastructure Fund
 - FMO
 - AfDB
- Belgian Development Bank

Leverage the Private Sector: Syndications

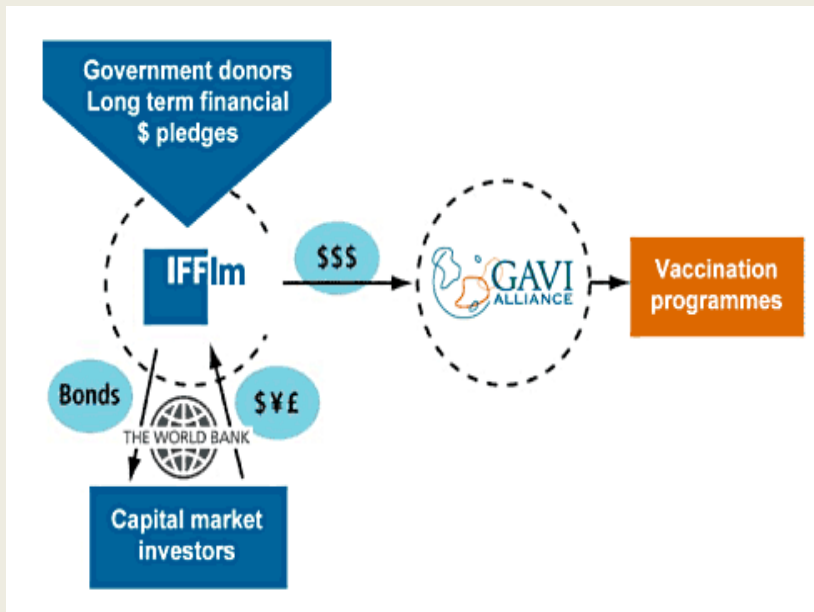
IFI participation in syndications contributes to extending maturities of private flows to developing countries and therefore financing long-term productive investments

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



Innovative Financing

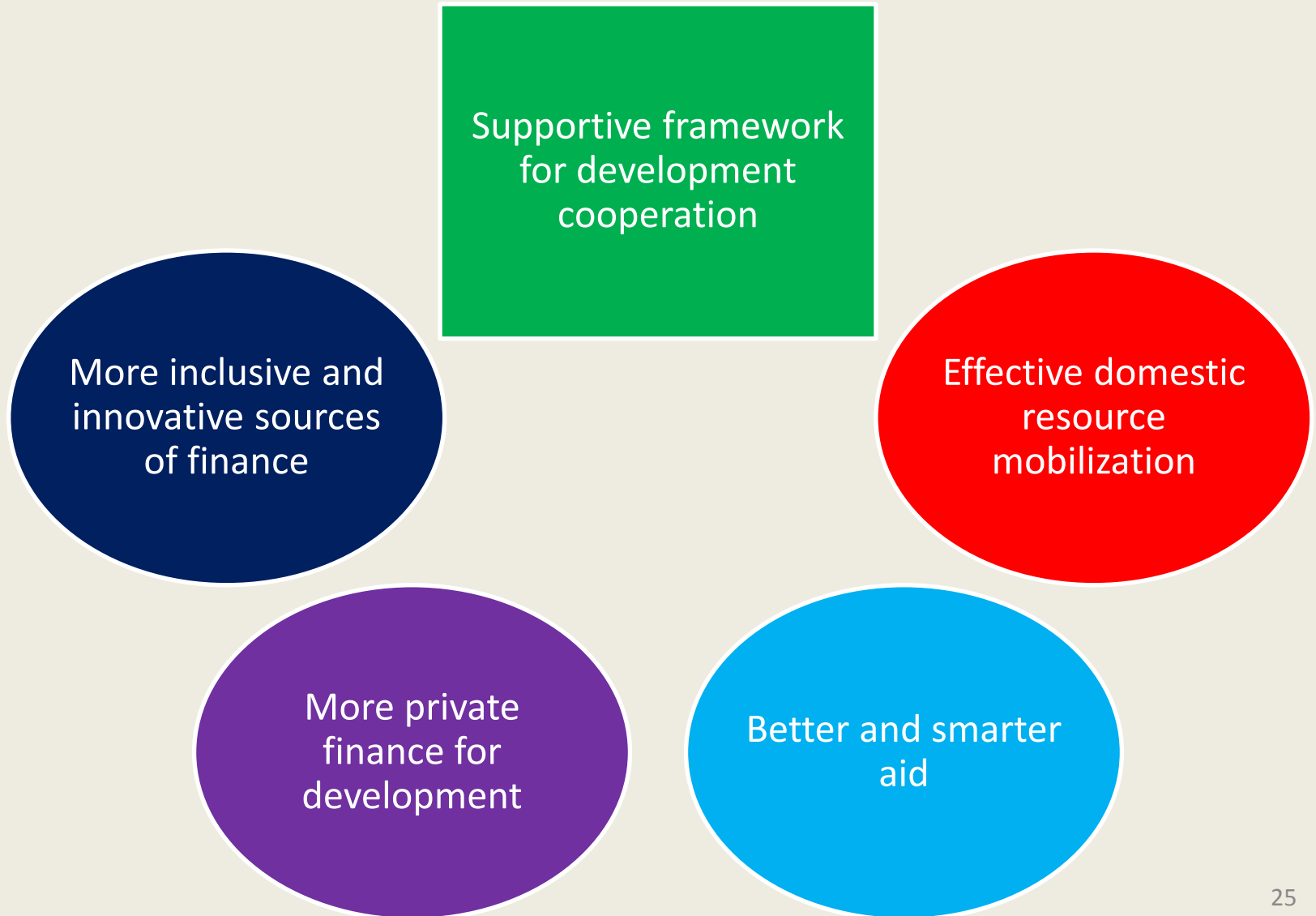
International Finance Facility for Immunization (IFFIm)



Examples of Innovative Financing

- Global Funds that pool resources for specific issues of global importance, e.g.,
 - GAVI Alliance (formerly the Global Alliance for Vaccine and Immunization)
 - Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)
 - Global Partnership for Education
 - Global Environment Fund (GEF)
 - CGIAR Fund: International agricultural research trust fund
- Carbon markets
- Diaspora (remittance) bonds
 - Remittances are expected to reach US\$ 414 billion in 2013.
 - There is scope to further reduce the costs of remittances.
 - Diaspora bonds could be a means to leverage the flow of remittances for investment needs.

Five Critical Components of Development Finance



A Life of Dignity for All

