UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

Intergovernmental Group of Experts on

# FINANCING FOR DEVELOPMENT

## THIRD SESSION

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# Reality Check

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# Introduction

- **Stamp Out Poverty:** Leading Group on Innovative Sources of Finance + Civil Society FfD Group
- **UN FfD:** SDGs finance + **COP:** climate finance
- **Billions to Trillions: A Reality Check** → Blended Finance from DFI perspective
- **Do the numbers stack up?**
- **Developing country perspective, CSOs perspective + impact of Climate Emergency**

# Blended Finance - logic and limits

- **Encouraging investors into new markets**
- **Addressing mis-perceptions of risk**
- **Helping investors develop local understanding, capacity and expertise**
- **Managing expectations - over-claiming to evangelical zeal**
- **Mathematical gymnastics**

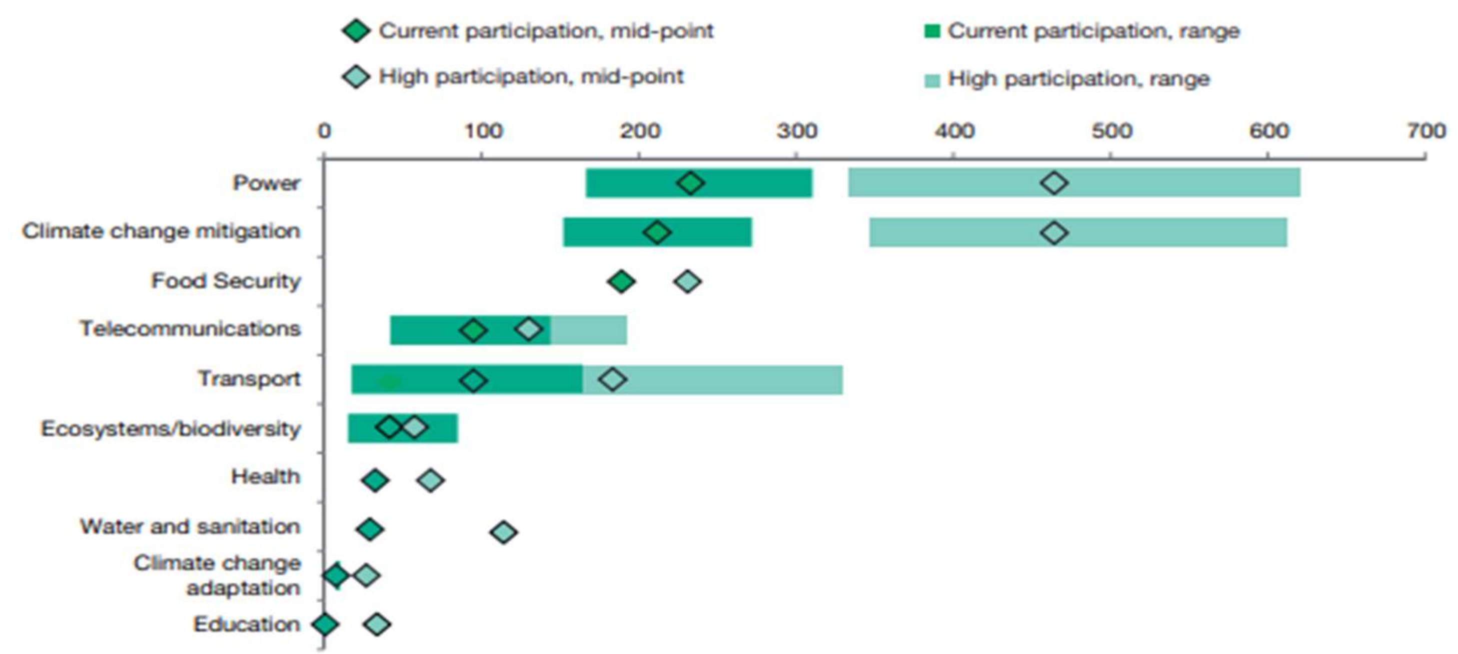
# Numbers + opportunity cost

- Current level of blending: $26-52 bn. pa
- What mobilisation factor is possible?
- "Order of magnitude considerably below the more than $1 trillion per year required."
- Reduces pressure for ODA volumes to be increased – or even maintained
- Detracts from policy measures, like mobilising domestic tax revenues or fighting tax avoidance

# UNCTAD World Investment Report 2014

## Financial actor's perspective: when/where BF can/can't work?

Figure 9. Potential private sector contribution to investment gaps at current and high participation levels
(Billions of dollars)



# *Reality of Aid Africa* perspective

- Profitability of BF projects come from subsidies taken from basic social budgets - this has reduced accessibility and quality of health services in many poor African countries

- Supply of medical equipment in Kenya (sub national level) - county govts direct more resources to servicing debts (from equipment) than on preventive and curative care

- Threat to national/country leadership of development agenda – with BF, most countries prioritise bankable as opposed to development projects. As a result people priorities are neglected as country resources only directed to where donor interests are

- No citizen participation in the design, implementation and monitoring. People on ground (beneficiaries) are not stakeholders, projects lack human face, compromising usability & consumability

- BF only targets 'donor' private sector – no funds allocated to build and strengthen domestic private sector, which is key to domestic resource mobilisation

# Role of international public finance

- **Problematic narrative:** failing to recognise fundamentally different nature of public and private investments

- **Redirection of scarce international public resources** towards the private sector consolidating the current concentration of economic power within a core group of economic players

- Regenerates dynamics of **'tied aid'** under a different badge

- Blended finance is really **matching finance not levering finance**

- **Deep concern over real impact on development for the poorest**

# Impact of climate emergency

- **Not business-as-usual:** last time Co2 this high was 3 million years ago
- **Freak events now weekly –** witness 2019 weather phenomena
- **Consequence to achievement of SDGs**
- **Dominica:** $1.4bn damage in 24hrs/226% GDP
- **'Polluter Pays' principle & 'Precautionary' principle**

# Pulling a rabbit out of a hat?