

WORK OF THE CHAIR IN INTERNATIONAL ARCHITECTURE OF
DEVELOPMENT FINANCE

Publications of the Chair in International Architecture of Development Finance (IADF)

 Summit for a New Global Financial Compact
June 22, 2023, Paris



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May 26, 2023, Clermont-Ferrand

PURPOSES AND RECIPIENTS OF PUBLIC FINANCING FOR DEVELOPMENT. HOW TO REACH VULNERABLE COUNTRIES?

March 13, 2023, Paris

Financing global policies: but why?

 **Jean-Michel Severino & Sylviane Guillaumont Jeanneney**
Working paper FERDI, March 2, 2023

ABSTRACT

Public financial flows to developing countries serve a multitude of purposes, the growing number of which has led over time to an incoherent institutional landscape of international financing. Institutional fragmentation has profound consequences for the effectiveness of policies. Starting from the achievements of official development assistance, our reflection seeks to clarify the aims of planetary collective action, by distinguishing three main objectives: ensuring the convergence of income between developing countries and industrialized countries; ensuring a foundation of global solidarity; fight against global public evils. This mapping allows us to present a first sketch of what could be an inventory of international financial flows according to a new nomenclature that would be collectively accepted by donors and recipients of flows. But since there are overlaps between the objectives, it is not possible to rigorously separate the objectives of growth, redistribution and the management of global public goods. We offer slightly more complex but still manageable procedures for tracking international flows. Accurate mapping of financial flows could avoid two main pitfalls of the current system, an excessively compassionate vision of the needs of low-income countries at the expense of the requirement to catch up on their economies, and in the face of the climate emergency, priority given to climate change mitigation projects at the expense of those specifically aimed at adaptation in low-income countries or more generally at their development.

To read on www.ferdi.fr

Severino, J-M., Guillaumont Jeanneney S. (2023) «Financing global policies: but why?» FERDI Working paper P317, March.

Judging the effectiveness of funding according to its purpose: four trade-offs in international development cooperation

 **Sylviane Guillaumont Jeanneney**
Working paper FERDI, May 25, 2023

ABSTRACT

The objectives of international development cooperation have undergone profound changes in recent decades. To the traditional goals constituted by the fight against poverty and the development of less developed countries the promotion of global public goods has been added. It is in terms of all of these purposes that this article attempts to assess the effectiveness of this cooperation, subject

to four trade-offs: between the development or convergence of economies and the immediate well-being of the poorest; between this development and the preservation of global public goods; between preventive actions and curative actions; between the interests of the countries receiving aid and those of the international community.

To read on www.ferdi.fr

Guillaumont Jeanneney S. (2023) «Judging the effectiveness of funding according to its purpose: four trade-offs in international development cooperation» FERDI Working paper P327, May.

Financing global policies : but for whom? Taking into account countries vulnerability



Patrick Guillaumont

Working paper FERDI, March 9, 2023

ABSTRACT

The Summit's focus on financing vulnerable countries or the fight against vulnerability highlights the fact that the allocation of concessional financing between countries must be considered alongside the mobilization of new resources. This note identifies four principles: (i) the countries ultimately receiving this funding must be identified based on criteria rather than categories of countries: the allocation between countries matters as well as the eligibility for this funding; (ii) the vulnerability of countries, if properly defined, is a major criterion for assessing their needs, without being the only criterion for allocation, or even eligibility; (iii) the vulnerability to be taken into account must be multidimensional and not only linked to climate change; (iv) the allocation criteria must be adapted to the goals of the financial instruments, which is illustrated in particular by the case of "climate" financing.

To read on www.ferdi.fr

Guillaumont P. (2023) «Financing global policies : but for whom? Taking into account countries vulnerability», FERDI Working Paper P319, March.

Taking into account vulnerability in the global distribution of concessional flows



Patrick Guillaumont

FERDI Policy brief, April 6 2023

ABSTRACT

In the run-up to the Paris Summit, the question of mobilizing new resources to finance development and global public goods seems to receive much more attention than the way in which these new funds, like the old ones, are allocated among countries. If there is to be a "financial pact", it should be with countries, for whom allocation is crucial. Some priority is to be given to countries that are vulnerable to varying degrees to exogenous shocks, external or natural.

To read on www.ferdi.fr

Guillaumont P. (2023) «Taking into account vulnerability in the global distribution of concessional flows», FERDI Policy Brief B246, April.

Why creating a general category of vulnerable countries is not suitable



Patrick Guillaume

FERDI Policy brief, April 26, 2023

ABSTRACT

As part of the preparation for the June Summit on financing, the question was raised as to whether a category of “vulnerable countries” should not be created or recommended. One would first have to ask who would be responsible for creating this category, so that it would be authoritative. Only the United Nations has the legitimacy to do so and a negative answer was given there when the question was asked five years ago. It could indeed be imagined that this position might change. But to understand what is at stake and examine the question in depth, it is necessary to recall this historical point.

To read on www.ferdi.fr

Guillaumont P. (2023) «Why creating a general category of vulnerable countries is not suitable», FERDI Policy Brief B247, April.

Financing vulnerable populations in sub-Saharan African countries: the double deficit of agriculture



Alain de Janvry & Élisabeth Sadoulet

FERDI Policy brief, February 3, 2023

ABSTRACT

Agriculture in sub-Saharan Africa (SSA) suffers from a double deficit. On the one hand, a production deficit not only in cereals, but also in agricultural transformation towards crops with high added value. This production deficit is marked by a growing lag of SSA compared to other regions of the world in terms of yields and the use of fertilizers and irrigation. It contributes to rising prices, increased dependence on grain imports, and increased hunger. On the other hand, a deficit in the construction of efficient value chains that link new urban consumption to the production of small domestic agriculture and thus allow it to be potentially competitive with imports in quality and price.

To read on www.ferdi.fr

de Janvry A., Sadoulet E. (2023) «Financing vulnerable populations in sub-Saharan African countries: the double deficit of agriculture», FERDI Policy Brief B244, February.

MULTIPLE CLIMATE OR ENVIRONMENTAL FUNDS: WHAT ROLE FOR THE MULTILATERAL DEVELOPMENT BANKS?

March 17, 2023, Paris

Climate funds: time to clean up



Philippe Le Houérou

Working paper FERDI, March 14, 2023

ABSTRACT

Over the last 30 years, at least 94 green-climate funds¹ have been created to finance climate-related projects and programs in Emerging Markets and Developing Economies (EMDEs). Each individual fund may have been justified at the time of its creation. As a system, however, they do not add up and their contribution to the total flows of green finance remains marginal. In this paper, we counted 81 active funds as of end 2022. Moreover, it is quite difficult, if not impossible, to assess even the most basic aspects of the financial management and impact of these funds as a “system” and a channel of climate finance. Given the urgency to scale up both mitigation and adaptation policies and projects in EMDEs, and before creating new funds that would add to the current astonishing fragmentation, it is urgent to drastically reduce the huge number of existing climate funds and to reform the remaining ones with a view to increasing their transparency, efficiency, synergies, and impact. That would be a useful first step into rationalizing and redefining the current messy aid architecture, even more so since most of these funds are publicly financed.

To read on www.ferdi.fr

Le Houérou P. (2023) «Climate funds: time to clean up», FERDI Working Paper P320, March.

DIVERSIFICATION AND FRAGMENTATION OF PUBLIC FINANCING FOR DEVELOPMENT

April 4, 2023, Paris

Diversification and fragmentation of public financing for development. Reducing the opacity and rationalising the fragmented structure of development financing



Alain Le Roy & Jean-Michel Severino

Working paper FERDI, April 3, 2023

ABSTRACT

The fragmentation of public financing flows for developing countries appears to be an essential characteristic of the international financial architecture. This document explores the reasons for the proliferation of various institutions and funds and analyses its consequences in terms of efficiency, which are not all positive. After listing the various initiatives intended to reduce the harmful effects

of the fragmentation of funding, such as the reduction in the number of funds, the search for greater transparency, a reform of multilateral institutions, the coordination of donors, it proposes the creation of a group of analysis, sharing, construction of common thought, fed by «scientific» information and in-depth comparative evaluation, which would bring together contributors and recipients. The possible locations of this instance are discussed.

To read on www.ferdi.fr

Le Roy A. & Severino J-M (2023) «Diversification and fragmentation of public financing for development. Reducing the opacity and rationalising the fragmented structure of development financing», FERDI Working paper P321, April.

Taxation of civil aviation fuels as a source of financing for vulnerable countries

 **Alou Adessé Dama, Vianney Dequiedt, Audrey-Anne de Ubeda & Grégoire Rota-Graziosi**
Working paper FERDI, March 7, 2023

ABSTRACT

Lifting the tax exemption for jet fuel used for international flights is a recurring demand from many stakeholders committed to sustainable development. Currently, this exemption keeps the carbon pricing of jet fuel at an excessively low level and is inconsistent with the decarbonisation objectives set by the international community. A tax of €0.33 per litre would raise €18 billion per year, while a tax of €0.1 per litre would raise €5.8 billion per year. This tax would ultimately be based on a polluter-pays principle and the concentrated structure of the sector should facilitate its collection. While international negotiations are essential for adoption worldwide, the introduction of such a tax, or at least the end of the current tax exemption, does not contradict the Chicago Convention, which has laid the foundations for international cooperation in civil aviation since 1944. Although it alone cannot finance the climate change adaptation needs of countries in the South, the taxation of civil aviation fuels is an interesting avenue for short-term funding for vulnerable countries. In the longer term, such taxation would accelerate the low-carbon transition of the international civil aviation sector.


To read on www.ferdi.fr

Dama A-A., Dequiedt V., de Ubeda A-A. & Rota-Graziosi G. (2023) «Taxation of civil aviation fuels as a source of financing for vulnerable countries», FERDI Working Paper P318, March.

AVOIDING A NEW DEBT CRISIS: FINANCIAL ENGINEERING OR DEVELOPMENT DYNAMICS?

April 7, 2023, Paris

Debt sustainability and climate change

 **Bruno Cabrillac, Camille Fabre & Luc Jacolin**
FERDI Policy brief, May 17, 2023

ABSTRACT

Climate change has both immediate and long-term consequences on the debt trajectories of developing countries. Their high physical vulnerability to global warming and the increase in natural disasters, combined with lower socio-economic resilience (food and agricultural insecurity, high population growth, lack of social safety nets and political instability), are putting a strain on public finances at a time when they already have little budgetary leeway.

To read on www.ferdi.fr

Cabrillac B., Fabre C., Jacolin L. (2023) «Debt sustainability and climate change» FERDI Policy brief B249, May.

HOW TO MOBILIZE DOMESTIC AND INTERNATIONAL PRIVATE INVESTMENT FOR SUSTAINABLE GROWTH IN POOR AND VULNERABLE COUNTRIES?

May 22, 2023, Paris

3 essential paths for the development agenda of the next 30 years

 **Jean-Michel Severino**
Blog post, May 30, 2023

ABSTRACT

On May 22, 2023, an exciting day of debate was organized by the Architecture Chair in International Development Finance and the Impact Chair of the FERDI. The event brought together some twenty African and international researchers, investors, entrepreneurs, and heads of development institutions. What can we learn from this work?

The current debate on the architecture of international financing is bringing the role of the private sector and private financing in development back to the spotlight.

Whichever approach is taken, if we are to meet the challenges of the coming decades, the rate of investment needs to increase. This is particularly the case in poor and fragile countries, which are the focus of everyone's attention for two reasons: on the one hand, their demographic growth, with its implications for education, health, regional amenities, mobility and the response to social challenges; and on the other, climate change, with in particular the challenge of adaptation. Of course, public

investment will be essential. So will public development aid. But private investment must also grow, and so must private financing...

To read on <https://www.entreprenanteafrique.com>

Statistical Overview and Empirical Literature on Foreign Direct Investment in Developing Countries

 **Édouard Mien**

Working paper FERDI, May 17, 2023

ABSTRACT

This note aims to provide an overview of Foreign Direct Investment (FDI) in developing countries. First, we present the recent trends of global FDI flows, and identify the main hosting areas as well as the variables promoting FDI inflows. Then, we briefly describe the empirical literature on the economic impacts of FDI on recipient countries. Finally, we present some recent changes in public policies implemented in developing countries aiming at attracting FDI inflows.

To read on www.ferdi.fr

Mien É. (2023) «Statistical Overview and Empirical Literature on Foreign Direct Investment in Developing Countries», FERDI Working paper P326, May.

Millions for billions: Accelerating African entrepreneurial emergence for accelerated, sustainable and job-rich growth

 **Jean-Michel Severino**

Working paper FERDI, May 16, 2023

ABSTRACT

The article below argues for the need to strongly accelerate public involvement in support of entrepreneurial emergence in poor and fragile countries. After mentioning the economic and employment issue, it explains how this priority has long disappeared from the international agenda as well as from domestic public policies, particularly in Africa. Efforts to promote the private sector have in practice focused on foreign direct investment and the largest companies. Middle- and emerging income countries, and a limited number of sectors and financial instruments, such as debt, have been valued. The article evokes the gradual change of perception on this subject from the beginning of the century and the emergence of new so-called impact actors focused particularly on SMEs in poor countries, accompanied by some public private sector financing institutions (DFIs), development agencies or foundations.

To read on www.ferdi.fr

Severino, J.-M. (2023) «Millions for billions: Accelerating African entrepreneurial emergence for accelerated, sustainable and job-rich growth» FERDI Working paper P325, May.

Seven propositions to support and finance the agricultural sector in sub-Saharan Africa in the context of climate change



Alain de Janvry & Élisabeth Sadoulet

Working paper FERDI, May 16, 2023

ABSTRACT

Poor rural households in vulnerable sub-Saharan Africa (SSA) countries have suffered - and will increasingly suffer - losses and damages due to climate change. These losses and damages put at risk the international commitment to meeting the Sustainable Development Goals. The international community is currently discussing a large scale increase in the financing of development assistance to meet this challenge. This note advances a set of propositions to guide international aid in addressing losses and damages due to climate change. The basic principle is that rather than focusing on targeted transfers to compensate for losses and damages - that will only increase over time and become prohibitively expensive -, the international community and SSA governments should seek to create income opportunities for affected rural households through a renewal of the role of agriculture for development, where under-investment relative to potential remains massive. To read on www.ferdi.fr

de Janvry A., Sadoulet É. (2023) «Seven propositions to support and finance the agricultural sector in sub-Saharan Africa in the context of climate change», FERDI Working paper P324, May.

Mustering the private sector for development and climate in the Global South – Is it realistic?



Philippe Le Houérou & Hans Peter Lankes

Working paper FERDI, May 7, 2023

ABSTRACT

The 2015 Addis Ababa “Billions to Trillions” initiative called for stepped-up private sector investments and financial flows in developing countries. But instead of closing, the “trillion” dollar gap between development and climate needs, and the actual flows continues to widen. Was it a fairy tale? What is certain is that the current operating model of the aid agencies and the development finance institutions, is not helping to crowd-in private flows at the necessary scale. The paper reviews the evidence and highlights what needs to change and how to do it. Since the devil is in the details and the true test is implementation, the review is based on the preliminary lessons of the real-life experiment at IFC (“IFC3.0”) launched in late 2016. The key finding is that despite some progress, more needs to be done for IFC 3.0 to deliver at scale, especially in the poorest countries.

To read on www.ferdi.fr

Le Houérou P., Lankes H.P. (2023) «Mustering the private sector for development and climate in the Global South – Is it realistic? Lessons and recommendations from an on-going experiment at the World Bank Group», FERDI Working paper P323, May 7.

ON THE BASIS OF A «FINANCIAL PACT»: REFORMING CONDITIONALITY AND PROCEDURES TO INCREASE THE EFFECTIVENESS OF PUBLIC FUNDING?

May 26, 2023, Clermont-Ferrand

The effectiveness of development financing



Olivier Lafourcade

FERDI Policy brief, May 16, 2023

ABSTRACT

Reminder. The objective of the Chair in International Architecture of Development Finance (IADF) is to “reflect independently about what the global development finance system should become in light of the current international situation and the lessons learned from the experience of the past 60 years.” Therefore, the IADF has initiated a series of studies on some of the important themes concerning the prospects for adjusting the organization and functioning of the international institutional apparatus. As part of the preparations for the June Summit on the theme of financing vulnerable countries, the IADF Chair has been led to adapt, accelerate and amplify its programme so as to make contributions on several themes that are crucial to the Summit’ orientation.

To read on www.ferdi.fr

Lafourcade O. (2023) «The effectiveness of development financing», FERDI Policy brief B248, May.

FORTHCOMING:

Chauvet L., Ferry M. (2023) « L’efficacité de l’aide : quelles évolutions de la littérature depuis deux décennies ? », FERDI Working paper.

Boussichas M., Guillaumont P. (2023) « Que faire de la conditionnalité ? », FERDI Policy brief.



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