



# Remarks on Measurement and Allocation of Financing

Conference on Financing for Development

IHEID

Geneva, April 15-17, 2015

# Aspects of Increased Measuring

‘Production function’ approach welcome (but will not solve collective action issues for global problems)

Measuring can help with

- MRV necessary for new climate architecture.
- Mobilize funding (e.g. AfT initiative-see below)
- Sharpen tensions (target extreme poverty or median income)
- Help resolve tensions?

Reflected in new lending window ‘Program for Results’ at WB: up to 5% of lending.

# Tensions in AfT financing

AfT initiative  $\approx$  \$60 billion p.a. Two objectives:

(i) Provide TA to LDCs to 'implement and benefit from' WTO agreements

(ii) Raise & disburse funds to support Doha negotiations

(ii) took precedence over (i)  $\Rightarrow$  Haste: Disbursements through existing channels + new issues to keep momentum: «gender empowerment», «green growth», «Climate change», «GVC»...

$\Rightarrow$  Biennial OECD- WTO reviews: progressive to move towards 'Manage for development Results (MfDR)'

$\Rightarrow$  Narrow the focus (5th. Review (06/15): trade costs)

# The Trade Facilitation Agreement (TFA)

Signed by all WTO members in 12/13: Bringing customs management towards best practice. Quantifiable and easily monitored objectives.

Focus on LDCs and LL-LDCS: a contribution towards ‘inclusive growth’

Table 1: Summary statistics, average over 2005-2011.

Categories	Poverty Headcount Ratio <sup>a</sup>	Poverty Gap <sup>b</sup>	GDP <sub>pc</sub>	GDP <sub>pc</sub> growth	AFT per capita	AFT / GDP	WGI <sup>c</sup>
Landlocked LDC (16)	72,3	35,3	507	3,9%	21,5	3,7%	-0,72
Non-landlocked LDC (33)	66,5	31,9	1192	2,3%	34,2	3,4%	-0,78
Landlocked non-LDC (14)	20,7	7,7	2067	4,5%	19,7	1,2%	-0,65
Other Developing (87)	21,4	8,2	4833	2,6%	29,2	0,8%	-0,17

Source: OECD-DAC, WDI and Povcal.net

A move towards ‘MfDR’ to be expected for SDGs. TFA provides the opportunity on a small scale. Will it happen?

# Tensions between financing goals

- Traditional donors have moved away from national development goals (NDGs)
- MDGs focussed on extreme poverty: support for aid in 'post-materialist' constituency of traditional donors)
- « Eco-modernist manifesto »: Use nature more intensively to reduce human footprint.
- BRICs financing focus is on NDGs (e.g. infrastructure to benefit the median individual). China participated in 63 per cent of the 168 infrastructure projects in SSA during 2001-10

MDGs⇒SDGs raises 'infrastructure' vs 'safeguards' tension

# What Financing Mix

Financial system to serve 'real economy' (reduce negative externalities; solve 'tragedy of the horizon'). Choices include:

- Vertical (health, education, climate) vs. Horizontal allocation.
- What criteria (geography—SIE, LL-LDC; structural (HAI, EVI); financial--creditworthiness, 'missing middle')
- Climate Change funding: Adaptation vs. Mitigation (grant aid for adaptation only?)

⇒ Need to pursue quest for better measures (along lines of Roodman (2015) and others)

- Review DAC (2014) communiqué of ODA for SDGs
- New measure for contribution to global public goods

# References

Boussichas, M. and P. Guillaumont eds. (2015) *Financing Development: Addressing Vulnerabilities*, Economica, Forthcoming

Boussichas, M and P. Guillaumont (2014) ""Measuring Official Development Assistance. Why and how to change" Ferdi, Policy brief B100

Cadot, O. and Melo, J. de, eds. (2014), *Aid for Trade: What Have we learnt? Which Way Ahead?*, e-book CEPR and FERDI.

[http://www.ferdi.fr/sites/www.ferdi.fr/files/publication/fichiers/aid\\_for\\_trade.pdf](http://www.ferdi.fr/sites/www.ferdi.fr/files/publication/fichiers/aid_for_trade.pdf),

DAC (2014) "High Level Meeting: Final Communiqué"

Kharas, Prizzon, Rogerson (2014) " Financing the post-2015 Sustainable Development Goals : A Rough Roadmap", ODI

Pritchett, L. (2015) "Can Rich Countries be Reliable Partners for National Development?" Essay, Center for Global Development, Washington, D.C.

Roodman (2015) "Toward an Improved Measure of Official Development Assistance", Mimeo

UNEP (2015) "Aligning the Financial System with Sustainable Development: The Inquiry's 3<sup>rd</sup>. Progress Report"