The Future of Global Development

The changing landscape of development finance
Global development is fundamentally changing

The majority of development executives who participated in the Devex Development Influencers survey believe the global development industry will change fundamentally over the next 10 years.

- 67% think the industry is transforming and will change fundamentally in the next decade.
- 33% think the industry is experiencing some transition, but will not change fundamentally in the next decade.
Our industry is transforming

- Rise of Developing Countries: 26%
- New Actors: 20%
- New Technologies: 18%
- Market-Oriented Shift: 17%
- Decreasing Bilateral Funding: 13%

Figures represent the most popular categories of executives’ answers to open-ended questions.
Sources of funding are shifting

While executives believe that funding from established bilateral aid agencies will decrease over the next decade, strong growth is expected from the private sector.

- Established Foundations: 4.4%
- Corporations: 8.6%
- Impact Investors: 8.9%
- Crowdfunders: 9.4%
- Emerging Foundations: 10.8%

Percentages represent mean year-on-year growth over the next decade.
The global development strategy: SDGs

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals
Funding the SDGs

Estimated annual $2.5 TRILLION gap in SDG financing in developing countries.

- **Total SDG Financing Needed (Annual, Global Level)**: $5 to $7 Trillion
- **Total SDG Financing Needed (Annual, For Developing Countries)**: $3.3 to $4.5 Trillion
- **Current Financing in SDG Sectors (2014)**: $1.4 Trillion
Confronting climate change

Estimated annual $38 BILLION gap in climate financing.

![Graph showing the difference between Target Climate Financing and Current Climate Financing.]

- Target Climate Financing: $100 Billion
- Current Climate Financing: $62 Billion
Humanitarian needs are enormous
Estimated annual $21 BILLION gap in humanitarian financing.

Global Humanitarian Financing

- $22.6 Billion
- $1.6 Billion

Global Humanitarian Financing Requirement
Current Humanitarian Financing (Funding Received / Humanitarian Appeal Funding + Outside Funding)
42,500 people are forcibly displaced every day as a result of conflict or persecution. That is one person every 2 seconds.
–UNHCR

Almost 43 percent of the global youth labor force is still either unemployed or working yet living in poverty.
–ILO

The richest 1% have more wealth than the rest of the world combined.
–Oxfam

884 million people lack access to fresh water. By 2040, at least 3.5 billion will run short of water.
–OECD

The population living in urban areas is projected to increase from 3.6 billion in 2011 to 6.3 billion in 2050.
–U.N.
Development aid totaled $131.6 billion in 2015

Aid from the 28 DAC countries increased 1.7% in real terms from 2014 to 2015.
Foreign aid budgets stable, but not growing rapidly

After rising markedly in the 2000s, foreign aid spending has generally flat-lined since the global financial crisis.

**Top OECD-DAC Bilateral Donors (2015)**

- U.S.: 31,076
- U.K.: 18,700
- Germany: 17,779
- France: 9,226
- Japan: 9,320
- Sweden: 7,092
- Netherlands: 5,813
- Canada: 4,287
- Norway: 4,278
- Australia: 3,222
Multilateral ODA boost

Donor countries are trying to reduce their administrative burden while preserving ODA commitments and advancing aid effectiveness and harmonization.


- 2005: 26180.46
- 2006: 28703.96
- 2007: 31793.44
- 2008: 36404.4
- 2009: 37624.83
- 2010: 39256.88
- 2011: 41670.69
- 2012: 40009.1
- 2013: 42843.25
- 2014: 43955.97
- 2015: 42141.96
Non-traditional donors on the rise

- Saudi Arabia: $5.4 billion
- China: $6.4 billion
- Turkey: $3.3 billion
- Brazil: $1 billion
- Russia: $610 million
- India: $1.1 billion
- UAE: $5.1 billion
- South Korea: $1.7 billion
Emerging donors: The new kids on the block

Emerging donors are challenging how long established donors do business and also expanding the funding pie. They are predicted to contribute up to 20 percent of total foreign aid by 2020.
Rivaling Western donors in the size and scope of its foreign aid portfolio, China was the sixth-largest bilateral donor in 2013 at over $7 billion. Unofficial estimates place the country’s foreign aid spending at over $9 billion for 2016.

**Chinese Foreign Aid (US$ million)**

- 2010: $3,629
- 2011: $4,507
- 2012: $5,710
- 2013: $7,092

**Chinese Foreign Aid by Region (2010-2012)**

- Africa: 52%
- Asia: 31%
- Europe: 2%
- Latin America & the Caribbean: 8%
- Oceania: 4%
- Others: 3%

Source: JICA Research
New multilateral institutions

AIIB has a target of $100 billion in registered capital of which China is investing $50 billion. The NDB also has an initial authorized capital of $100 billion and initial subscribed capital of $50 billion. The Green Climate Fund was established by 194 countries party to the UN Framework Convention on Climate Change and has approved over $300 million in programs and projects.
### New sources of development dollars

**Crowd Funders**
* $6 Billion (social causes 2015)

**Impact Investors**
* $46 Billion (under management 2015)

**Corporate Giving and Private Funding**
* $20-30 Billion (overseas estimate 2015)
Private philanthropy bridging the gap

Largest private foundation in the world with annual spending of $4 billion.

One of the largest funders of justice and human rights with annual spending of $900 million. Recently announced $500 million in investments to help refugees in Europe.

Brand new foundation which pledged $3 billion over the next 10 years to fight disease.

Commitment by the world's wealthiest individuals and families to dedicate the majority of their wealth to philanthropy. More than 130 individuals or families have agreed to the pledge.
Other resource mobilization strategies

Domestic public resources

Domestic and international private business and finance

International trade

Debt and debt sustainability

Addressing systemic issues

International development cooperation

Science, technology, innovation and capacity building

Action Areas
In March 2013, the Canadian International Development Agency was merged with the Department of Foreign Affairs, which was then renamed to the Department of Foreign Affairs, Trade and Development. The agency is now called Global Affairs Canada.

Six months later, the Abbott administration announced the Australian Agency for International Development will be folded into the Department of Foreign Affairs and Trade.
Inside the takedowns of AusAID and CIDA

“Time will tell if conservatives put their stamp on this more integrated foreign aid model and carry the brand forward. If the movement has the legs and global appeal it could affect aid politics in other important donor countries, such as the U.K. and U.S, which are both already onboard with increased diplomatic and private sector involvement in international development affairs. With the hands of budget hard-liners still strong in the aftermath of the global financial crisis and foreign aid an easy target for reform, amalgamation in Australia and Canada may be just the beginning of more radical disruption.”

www.devex.com (19 January 2015)
United States: America First

Trump Administration Budget Proposal to Congress:

- 28 percent cut to base budget of State Department and USAID
- 37 percent cut to the Overseas Contingency Operations fund
- Elimination of several independent agencies
- $650 million cut over 3 years to MDBs, including the World Bank
- Significant cuts to U.N. development programs, including UNICEF and UNDP
- 25 percent cap on U.N. peacekeeping contributions
- Withdraw from all U.N. climate change programs, including the Green Climate Fund and Climate Investment Funds
US Foreign Aid Priorities

There is a clear focus on global health and the Trump budget proposal preserves support for PEPFAR, The Global Fund, and Gavi, the Vaccine Alliance.
In a bid to achieve more value for money and bolster aid effectiveness, foreign aid donors are sharpening their focus on particular regions and countries. Donor governments’ latest forward-spending plans indicate a greater focus on least developed countries through 2018.

**United Kingdom**
Reduced focus countries from 43 to 28. Later announced plans to pull out from India and South Africa.

**European Union**
Phasing out bilateral aid to 16 middle income-countries.

**Australia**
Phasing out aid to Latin America and reducing aid engagement in Africa as part of aid pivot to Asia-Pacific.

**Sweden**
Phased out bilateral cooperation with seven middle-income countries.

**Netherlands**
Halved partner countries from 33 to 15.
DFID will allocate 50% of its budget to fragile states and regions. Out of DFID’s current 28 priority countries, 18 of them are fragile and conflict-affected. More than a quarter of the DFID budget channeled through other government departments, including defense and CDC.
Despite a 35% EU aid budget increase in 2016, EU countries are diverting international development budgets to cover domestic costs associated with hosting refugees and asylum seekers.
Refugee costs are estimated at 25 billion euros for 2016 and 2017, but unlike other countries, support for refugees has been added to previous development spending levels.
This year’s Australian aid budget is projected at $3.8 billion. By 2017-18, the Australian aid budget will reach its lowest level since 2005.
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