



The Expanding Role of Emerging Economies In Global Development

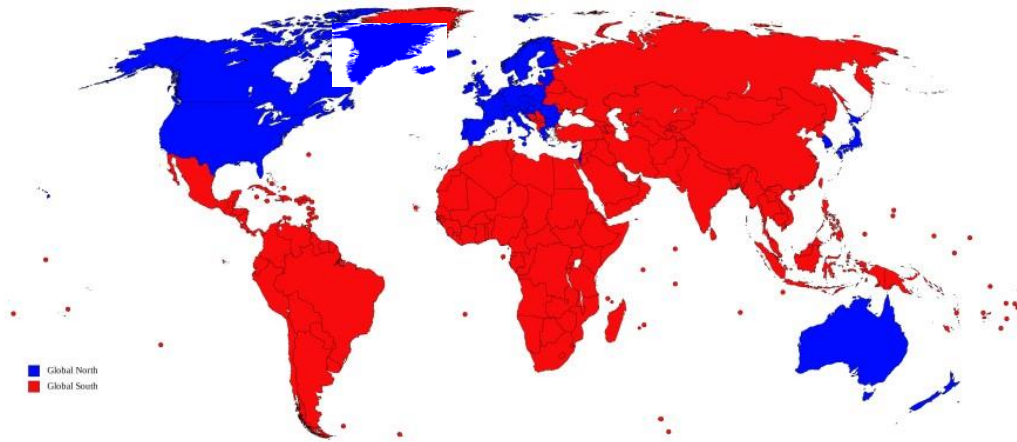
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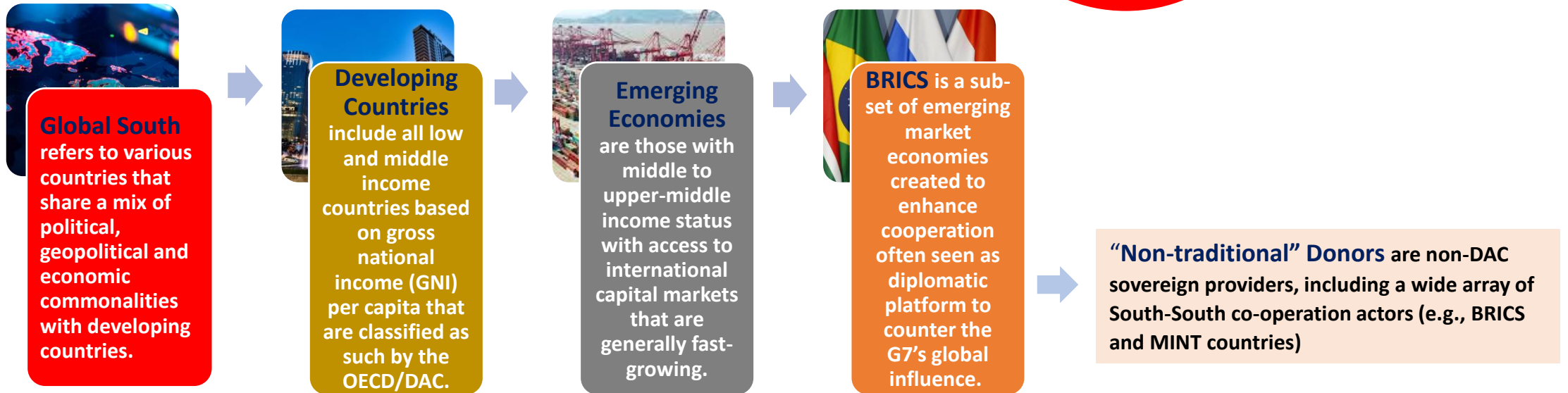
MARCH 6, 2024

Defining Global South, Developing Countries, Emerging Economies, the BRICS, and Non-traditional Donors

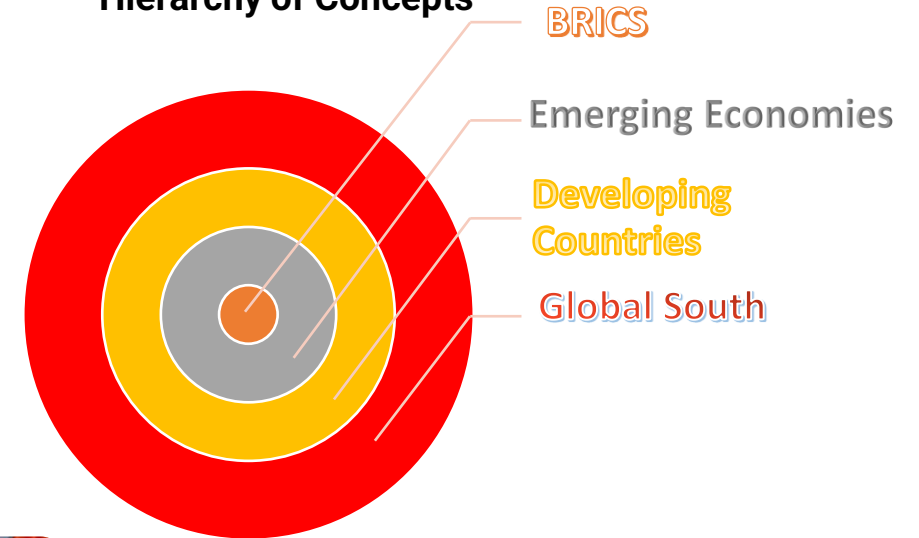
Map of the Global South



Broad Definitions



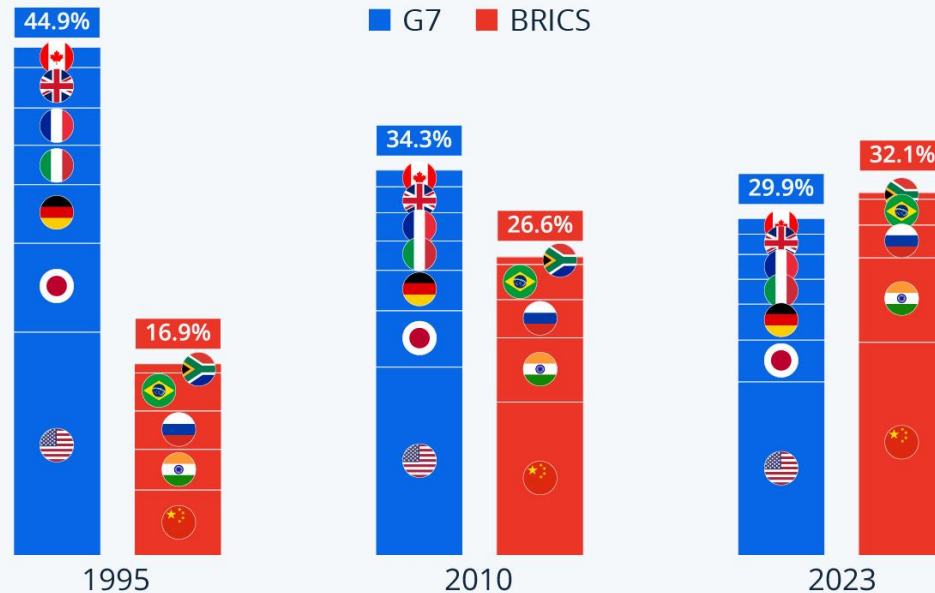
Hierarchy of Concepts



The BRICS countries' share of global GDP is now larger than that the G7's at purchasing power parity

The Rise of the BRICS

G7 and BRICS countries' share of global GDP at purchasing power parity



2023 data based on IMF estimates as of April 2023
Source: IMF World Economic Outlook

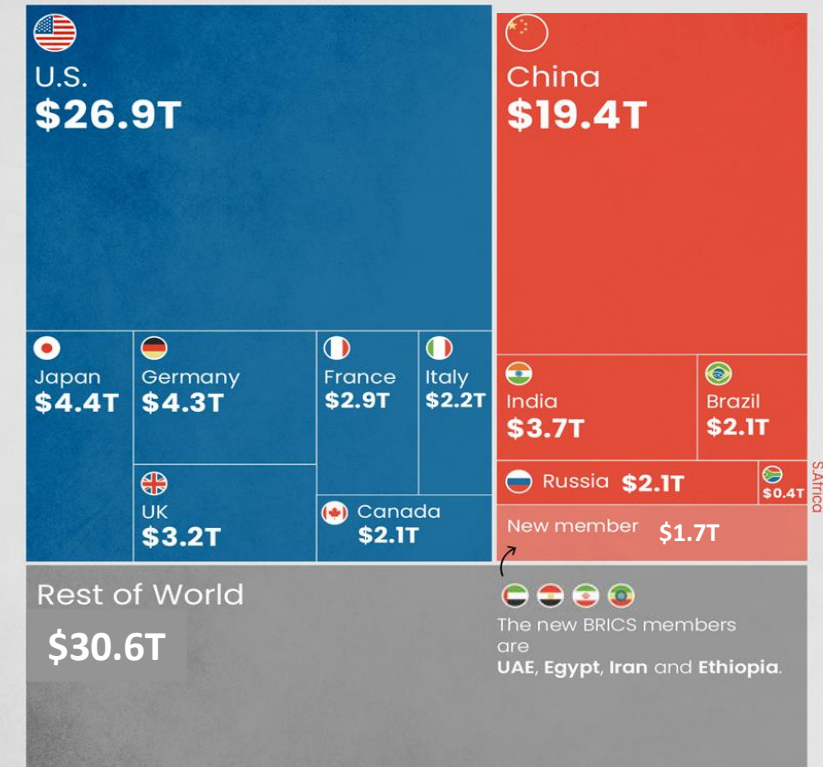


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GDP Comparison G7 vs BRICS

G7 \$45.9T TOTAL

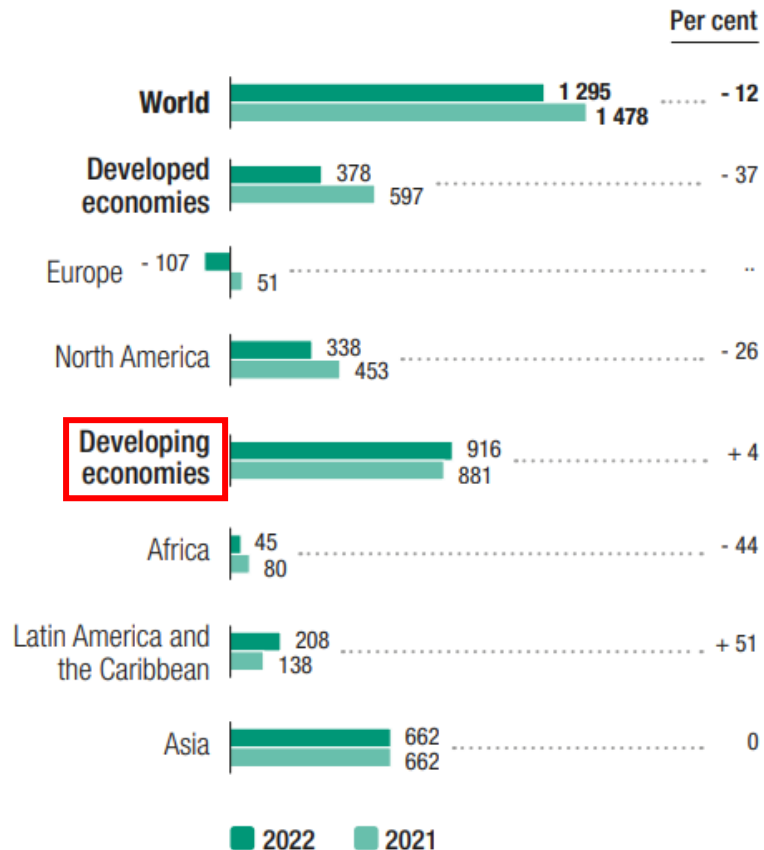
BRICS \$29.1T TOTAL



Based on GDP projections for 2023 (current USD)
Source: IMF

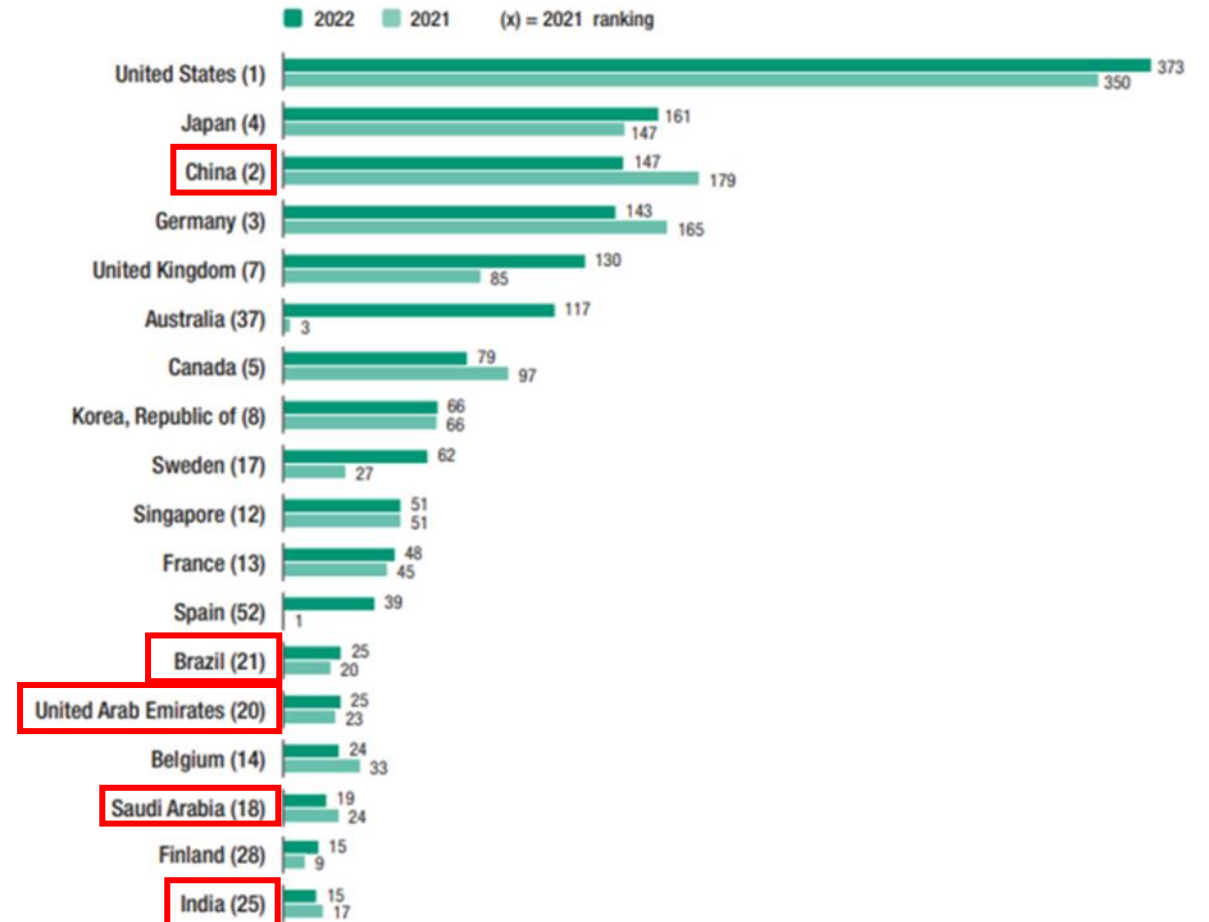
Developing countries are both major sources and destinations of Foreign Direct Investment (FDI)

FDI inflows by region, 2021-22 (billions of USD)
(Billions of USD and percent)



Source: UNCTAD, FDI/MNE database (<https://unctad.org/fdistatistics>).

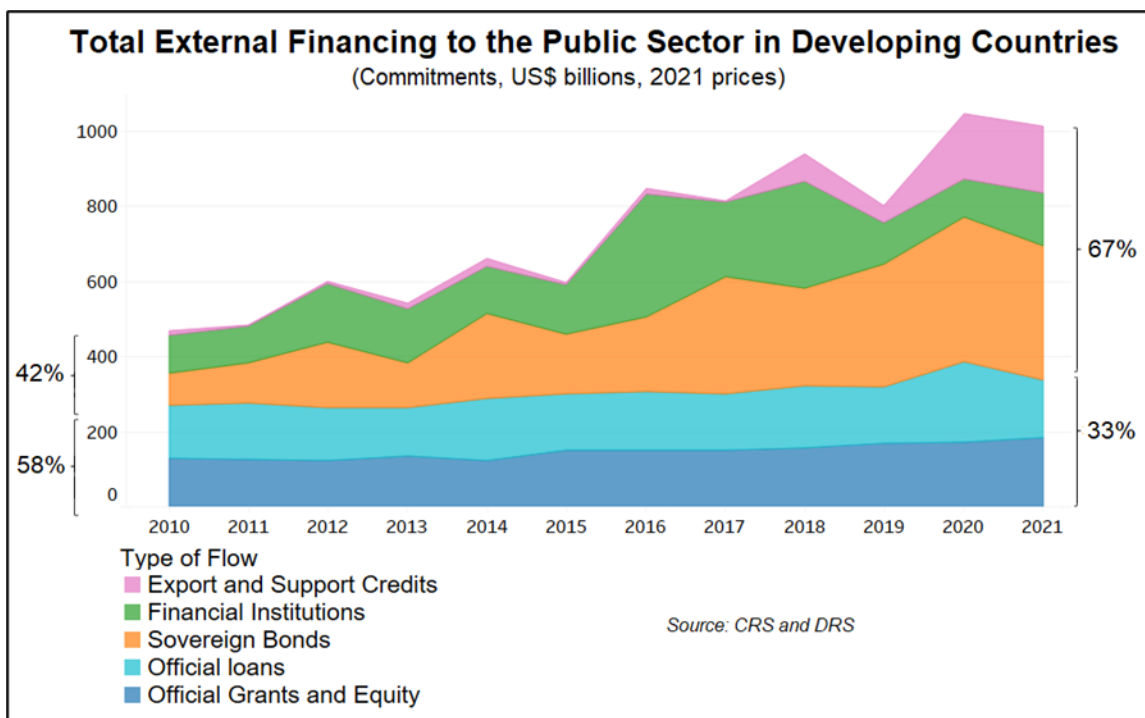
FDI outflows, top home countries, 2021-22 (Billions of USD)



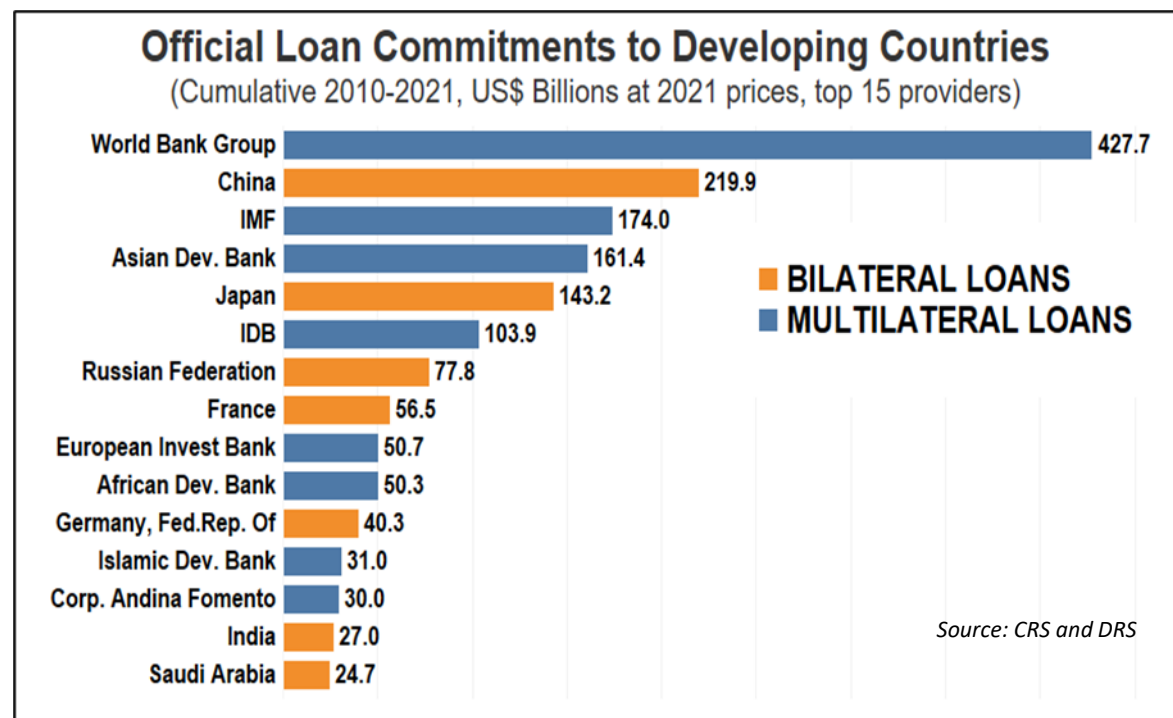
Source: UNCTAD, FDI/MNE database (<https://unctad.org/fdistatistics>).

Development finance increased steadily over the last 20 years, partly fueled by donor countries in the Global South

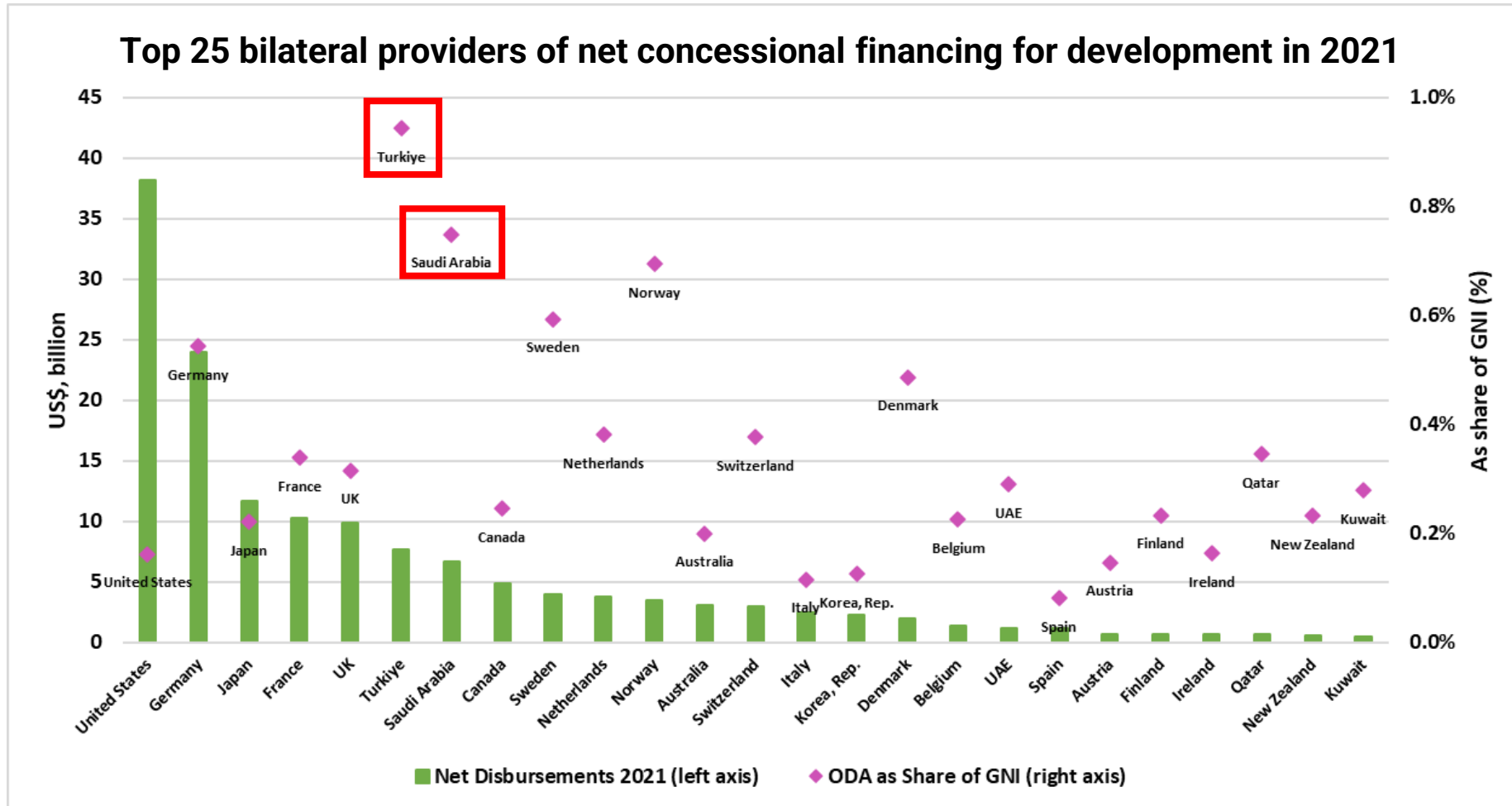
Aid flows have grown steadily accompanied by rising private finance levels



A number of emerging economies became top loan aid providers in the last 20 years



Two large emerging economies, Türkiye and Saudi Arabia, are among the top three most generous bilateral donors as measured by the share of ODA to GNI



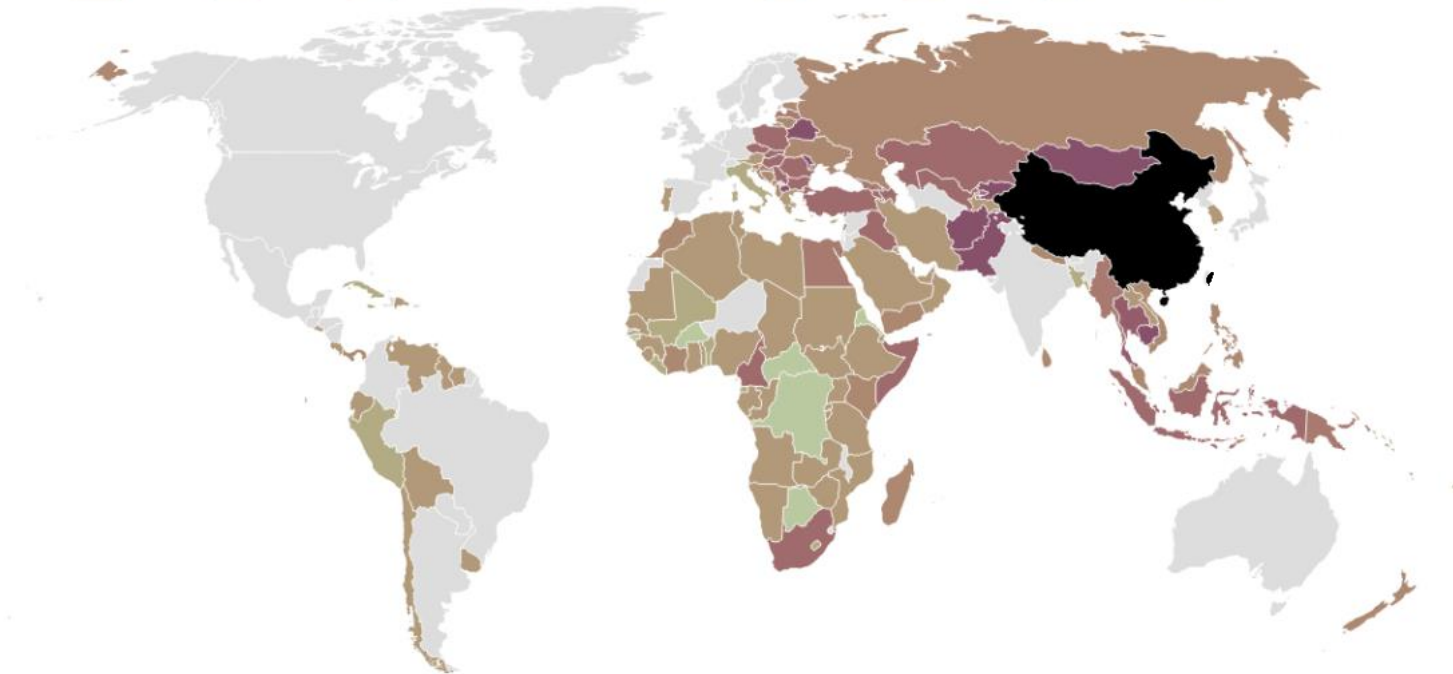
Source: CRS

China remains the world's largest bilateral provider of Official Financial Flows (OFF = ODA+OOF) through the Belt and Road Initiative (BRI)

Belt and Road Initiative Countries

Joined BRI in Year...

China 2013 2014 2015 2016 2017 2018 2019 2020 2021



Source: AidData.

Note: *Official Financial Flows (OFF)* consist of Official Development Assistance (ODA) and Other Official Flows (OOF).

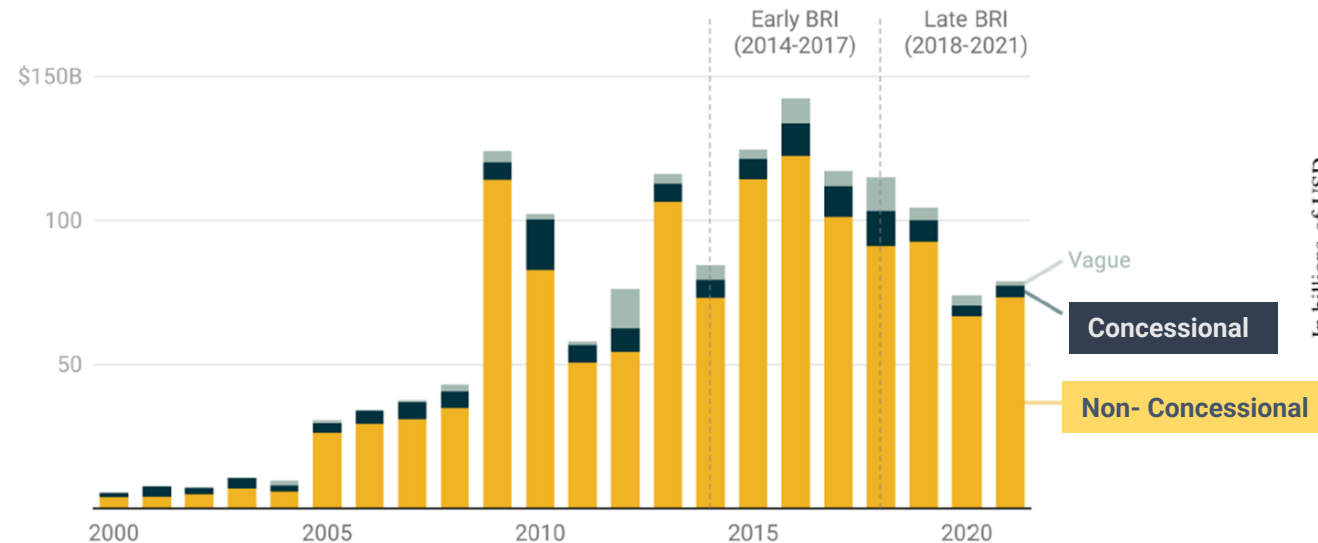
Official Development Assistance (ODA) is defined as government aid that promotes and specifically targets the economic development and welfare of developing countries.

Other Official Flows (OOF) are defined as official sector transactions that do not meet official development assistance (ODA) criteria, either because they are not primarily aimed at development, or because they have less than the required grant element.

China's non-concessional loans have been declining in recent years, but its OFF seems to be delivered increasingly through other channels

Official financial flows from China to the developing world, 2000-2021

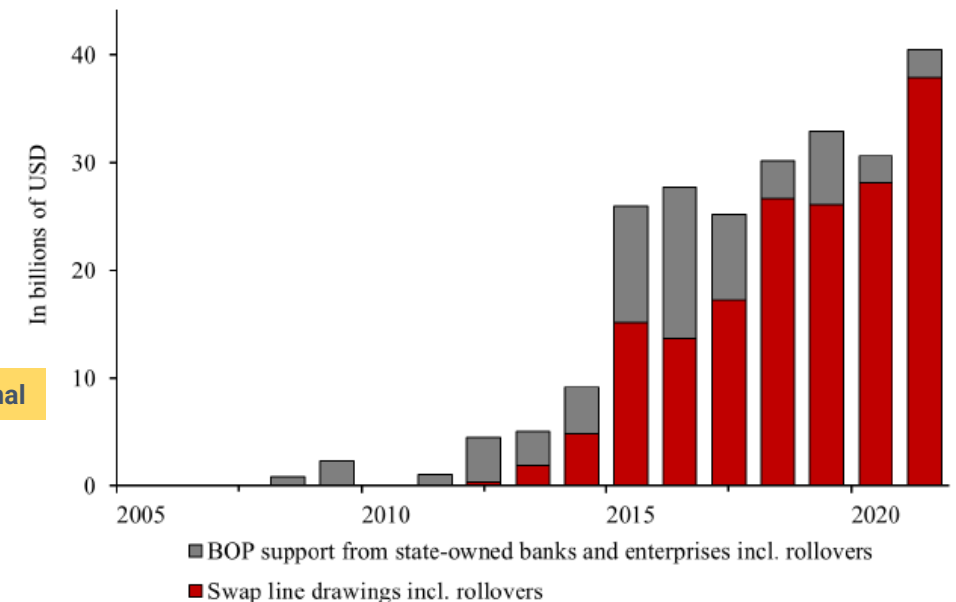
Constant 2021 USD Billions



Source: Parks, B. C., et al. 2023. *Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative*. Williamsburg, VA: AidData at William & Mary

Note: AidData relies on OECD-DAC measurement criteria to classify Chinese OFF as concessional (ODA) and non-concessional (OOF). The Vague (Official Finance) is a residual category for official financial commitments from China that could not be reliably categorized as ODA or OOF because of insufficiently detailed information.

China's rescue loans are on the rise



Source: Horn, S. et al. (2023), *China as an International Lender of Last Resort*. Working Paper N. 124, AidData at William & Mary.

Note: This figure shows the yearly aggregate amount of newly extended rescue loans by China. Red bars show total drawdowns from PBOC swap lines (incl. rollovers) for balance of payments purposes.

|| The BRICS and other non-traditional donors from the Global South are now influential players in the global aid architecture



Brazil will host the G20 Summit in 2024 and COP30 in 2025. In addition, Brazil provides significant amounts of support to developing countries, especially in Lusophone Africa.



India hosted the G20 Summit and the Voice of Global South Summit in 2023; and its foreign aid budget was US\$0.91 billion in 2021-22.



The **Russia**-Africa Summit in July 2023 gathered 49 African countries, where Russia wrote off US\$23 billion in debt for African countries and announced an additional US\$90 million towards debt relief.



Saudi Arabia hosted the first Saudi-African Summit in November 2023, joined by more than 50 countries, and has pledged to invest about US\$25 billion in Africa by the end of the decade.



UAE hosted the COP28 in 2023 and has set up a US\$ 30 billion fund to invest in clean energy and other climate projects worldwide – with an emphasis on financing infrastructure in the Global South.

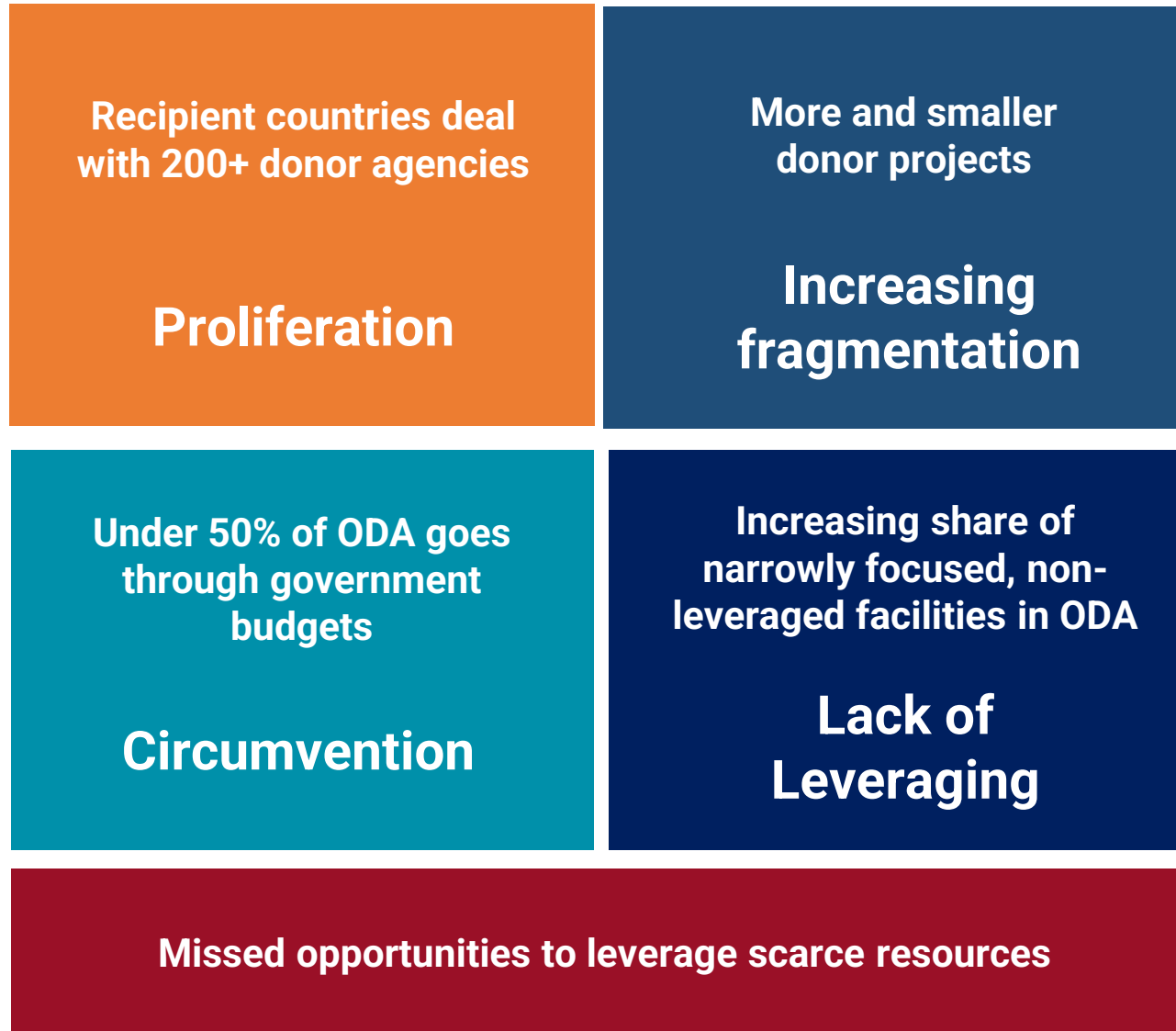


Qatar will host the International Conference on Global Education in March 2024.



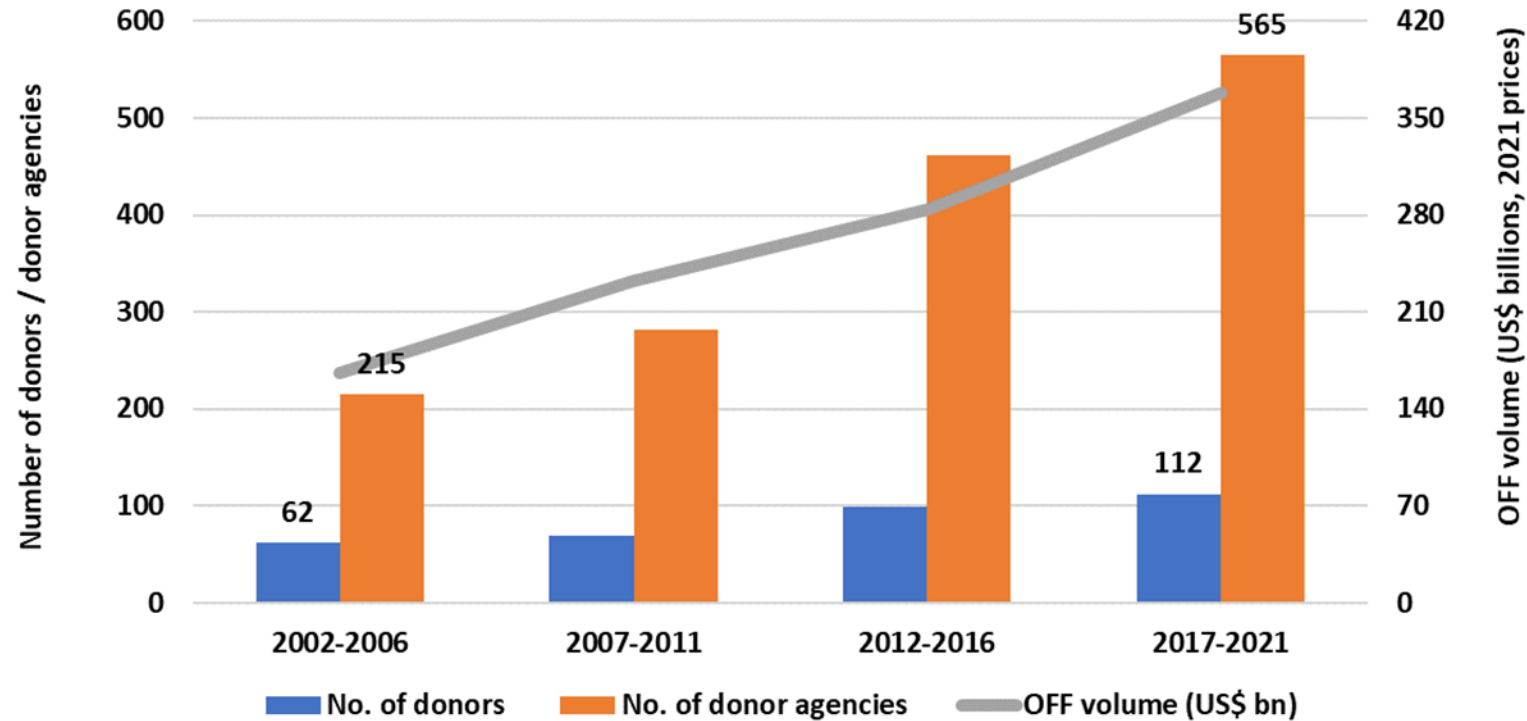
Türkiye established in 2023 the Turkic Investment Fund under the Organization of Turkic States (OTS), with a starting capital of US\$500 million, to boost economic integration among member countries.

The emergence of non-traditional donors in the Global South means more financing for poor countries which itself is good news – but a larger number of donors also contributes to exacerbate worrisome trends in the global aid architecture



|| Mega Trend #1: Proliferation – Increasing number of donors and donor agencies

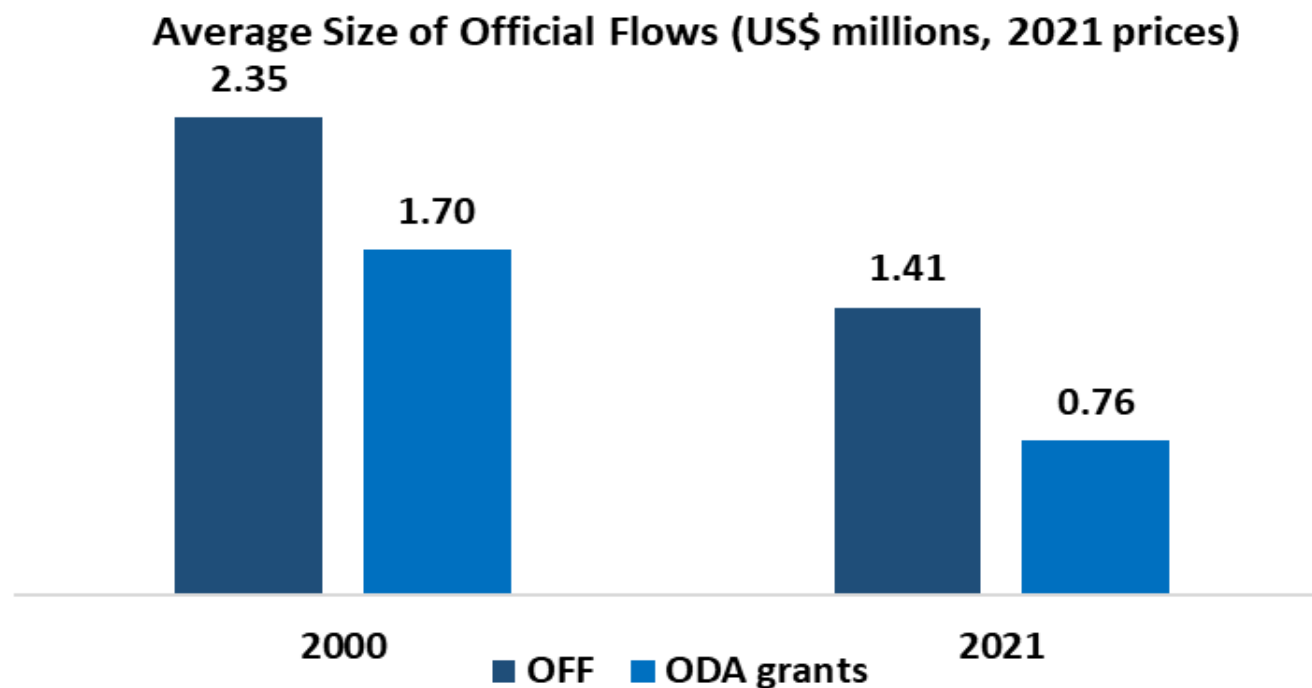
Proliferation – While OFF increased by 50%, the number of donors doubled and donor agencies almost tripled



Source: CRS

|| Mega Trend #2: Fragmentation – Increasing number of donor-funded activities of decreasing financial size

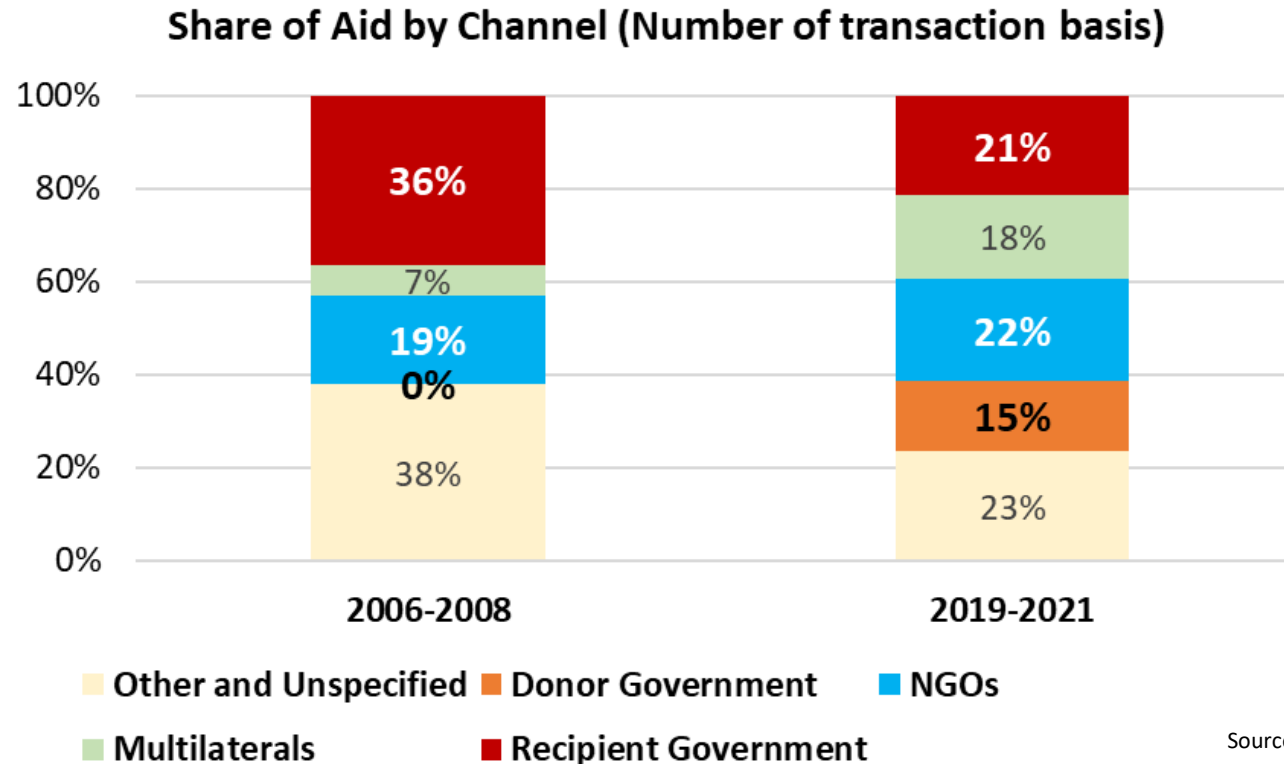
Fragmentation – Average size of grants halved and OFF dropped by nearly a third



Source: CRS

Mega Trend # 3: Circumvention – OFF increasingly circumvent recipient government budgets and fund domestic refugee costs, and NGO operations

Circumvention – Growing number of OFF transactions bypassing recipient government



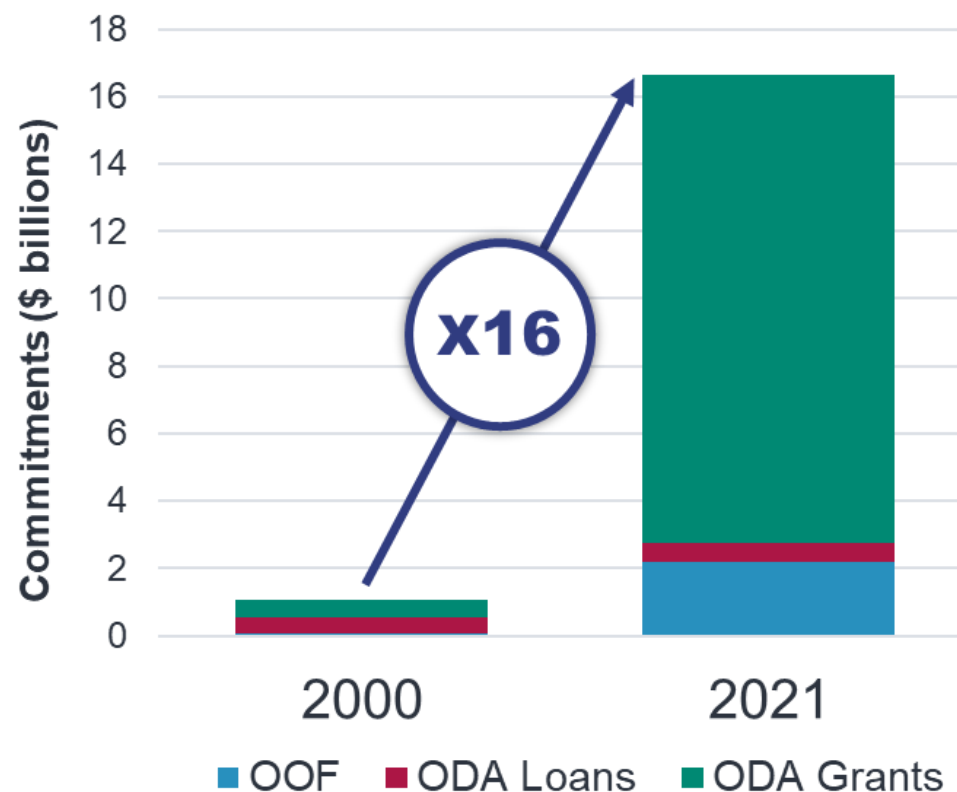
Source: CRS

The Netherlands' 2024 budget anticipates a substantial transfer of ODA funds to cover in-donor refugee costs that will make the Dutch the largest recipient of its own development aid.

Source: *The Scanning Has Begun*, Vice Versa Online, February 2, 2024 - <https://viceversaonline.nl/2024/02/02/het-aftasten-is-begonnen/>

Mega Trend # 4: Lack of Leveraging - A rapidly increasing share of finance is provided to unleveraged platforms, focused on narrow themes, often accompanied by earmarking

Lack of Leveraging – OFF Commitments from Vertical Platforms US\$ Billion at 2021 Prices



Unleveraged facilities take \$1 from donors and provide \$1 to recipient countries as opposed to IDA that has a leveraging ratio of 1:4

Concrete actions are needed to address the worrisome trends in the global aid architecture and to allow poor countries to benefit from the increasing ODA provided by traditional and non-traditional donors, including through IDA

What Could Be Done



Create international fora, with participation of both traditional and non-traditional donors, to discuss the aid architecture issues and how the burden on poor countries can be reduced. This would facilitate the sharing of information, increased transparency, and allow traditional and non-traditional donors to work together towards the same goals.



Channel aid more through recipient governments so that they can be 'in the driver's seat' (Paris Declaration 2005).



Consolidate aid channels to address the issues of aid fragmentation and proliferation.



Shift ODA more to organizations which can leverage donor contributions and multiply the volume of funding to developing countries – by nearly four times in the case of IDA.



- IDA is a global community of countries which includes 59 donors (both traditional and non-traditional, including all the BRICS) to form the world's largest fund for the poor.
- The last replenishment ended in 2021 with a record \$93 billion for three years. The 21st replenishment of IDA has just started and is planned to end in December 2024.
- Countries like China, Korea and India graduated from IDA to become major donors. More recent graduates like Bosnia and Hercegovina are now coming back as donors.
- More than 90% of IDA's financing goes through the recipient governments.
- With its global footprint and convening power, IDA can play a central role in integrating and rebalancing horizontal and vertical development approaches, fostering collaboration among traditional and non-traditional donors and maximizing the impact of aid efforts.
- IDA's unique hybrid financial model allows it to leverage additional resources for the poorest countries by combining partner contributions with capital market borrowing at low-interest rates, leveraging IDA's triple-A rating.

Note: The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries. Established in 1960, IDA aims to reduce poverty by providing zero to low-interest loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions.



THANK YOU



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