

Executive Summary

'Financing for Development' has been a major theme during the important international conferences held in 2015 establishing a new development paradigm for the next 15 years. First of all, at UN Summit in September officially launching the Sustainable Development Goals (SDGs), financing for development as an implementation means has been emphasised with the Goal 17. In July, Addis Ababa Action Agenda (AAAA) has been an outcome of the 3rd International Conference on Financing for Development to urge the implementation of financing the SDGs. Moreover, OECD DAC has been working on ODA modernisation to reflect donor's effort in calculating ODA and mobilise private finance as a catalyst. As a part, the scope of TOSSD and the methodology of ODA calculations on private sector instruments (PSIs) has been discussed with member countries.

This research aims to understand the changing landscape of development finance and map out various discussions on financing for development in the post-2015 era. Based on the analysis, it provides the implications of Korean development cooperation as well as KOICA on financing for development related issues.

The Chapter 1 briefly introduces the background and purposes of research. The Chapter 2 describes the changing landscape of development finance since 1990 and major discussions by both UN and OECD DAC on financing for development. The UN has mainly led the discussion within the SDGs framework and produced AAAA as an outcome document of the International Conference on Financing for Development. Meanwhile, OECD DAC has discussed several issues as a part of ODA modernisation such as revising the concept of concessionality of concessional loan, introducing the concept of TOSSD and calculating the ODA portion of private sector instruments provided by development financial institutions.

The Chapter 3 explains the definition, types and financial instruments of

development finance to help the reader's understanding on the issue. It covers few expressions such as 'funding', 'finance' and 'financing' and differences between 'development finance' and 'financing for development. Also, it categorises development finance into domestic public finance, domestic private finance, international public finance and international private finance according to its sources and analyses positive and negative factors affecting each category. For the major financial instruments of development, it introduces equity investment, loans, mezzanine finance and guarantees and innovative finance has been also emphasised as an important mechanism of financing for development.

The following chapter (Chapter 4) introduces the development financial institutions which has been recently paid attention in development cooperation areas. It includes CDC, Proparco, DEG, FMO, JBIC and OPIC as bilateral and World Bank Group, EIB, ADB, IsAB as multilateral institutions. This covers their organisation structure, roles and instruments they use.

Finally, the chapter 5 summarises the research from chapter 2 to chapter 4 and suggests the direction of KOICA on the issue of development finance. To summarise the research, financing more for development is the essential means to achieve the SDGs, secondly, different types of development finance have difference characteristics and it is important to understand these differences to use them for the right purpose. Thirdly, donor countries/agencies can contribute to mobilising partner countries' domestic finance resources through policy advice and technical cooperation. Fourthly, there are many pilot cases of innovative financing observed to create new financing sources and mobilise private finances. Fifthly, each development financial institutions has different investment portfolios depending on their investment purposes. Finally, transparency and accountability issues are always critical to mobilise and use development finance at national, regional and global level.

Based on those summarised analysis, it gives KOICA ideas and implications at strategies and activities level respectively. At strategic level, it recommends selecting existing strategies which are relevant to financing for development and include a component of how to more and better finance within the current strategies. additionally, strategic direction should be differentiated by different partner countries depending on its income level, geographical features and political contexts. Therefore, KOICA should focus on least developed countries, land-locked developing countries, small-island developing countries, and fragile and conflicted countries with special needs. Thirdly, ongoing discussions along with OECD DAC should be monitored and prepared how to respond to them.

At activity level, it is emphasised that innovative financing model should be considered. Currently, KOICA uses 'grants' as financial instruments for their activities implementation. However, it is right time to consider how to better use grants to support small and medium enterprises in developing countries for poverty reduction and job creation. Furthermore, it is also important to catalyse private finance as official development assistance, which is inevitable in current situation. To conclude, it suggests the follow-up research in the area of development finance to keep this issue updated and consider how to finance and use the development money in a more effective way.