Bilateral and multilateral sources of development finance: evidence from Russia

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Russia is a net exporter of capital

- Paradox: Russia has a relatively low level of financial intermediation and significant export of capital
- Search for additional external spheres and geographical diversification of capital application
Russian ODA

ODA (%GNI)

ODA, $million

Growing level of ODA

Anti-crisis action


ODA, $million

ODA (%GNI)
In 2014 Russian ODA represents 0.049% of GNI, the highest share since 2009

<table>
<thead>
<tr>
<th>Multilateral aid</th>
<th>Bilateral aid</th>
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| • Commitments to implement international community initiatives  
  • Russia designs its own multilateral aid agenda  
    • Trust-funds  
    • Multilateral development banks | • Bilateral aid is more targeted  
  • Crisis responsive  
  • Adopted to Russian development assistance priorities.  
  • Direct budget support  
  • Debt-relief. $140 billion since 1996  
  • Debt-for-development swap mechanism |
Russia as a donor in multilateral development banks/funds

<table>
<thead>
<tr>
<th>Bank</th>
<th>Share of Russia</th>
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<tbody>
<tr>
<td>Eurasian Development Bank</td>
<td>66,67%</td>
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<tr>
<td>International Investment Bank</td>
<td>55,60%</td>
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<tr>
<td>International Bank for Economic Cooperation</td>
<td>51,59%</td>
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<tr>
<td>Interstate Bank of Commonwealth of Independent States</td>
<td>50,00%</td>
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<tr>
<td>New Development Bank</td>
<td>20,00%</td>
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<tr>
<td>Black Sea Trade and Development Bank</td>
<td>16,50%</td>
</tr>
<tr>
<td>Asian Infrastructure Investment Bank</td>
<td>5,92%</td>
</tr>
<tr>
<td>European Bank for Reconstruction and Development (donor since 2013)</td>
<td>4,05%</td>
</tr>
<tr>
<td>International Bank for Reconstruction and Development</td>
<td>2,28%</td>
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<tr>
<td>International Development Association</td>
<td>0,31%</td>
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Multilateral development banks

- Eurasian development bank is an important source of investments for development in post-soviet area
- Sub-regional development banks are characterized by low capitalization, weak performance, lack of rating (Interstate bank of Commonwealth of Independent States, International Bank for Economic Cooperation)
- Russian-Kyrgyz development fund (RKDF) creation
- Eurasian Fund for Stabilization and Development (former EurAsEC Anti-Crisis Fund)
- Proposal to create Bank of Shanghai organisation cooperation
NDB and AIIB

- Geographical expansion of Russian development finance to Asia, Latin America and Africa
- New instrument of development finance
- Participation of Russian business

New Development Bank

- Effectiveness of NDB would depend on management and transparency policy
- Rating downgrade of Brazil and Russia will influence the rating of the bank
- Development finance network
- Priorities of Russian cooperation within BRICS are mining, machinery, manufacturing industries, energy and innovative technologies sector

Asian Infrastructure Investment Bank

- Sound institution
- Broad membership
- AAA rating
- Good possibilities to attract capital on international markets
- Ambitious plans of infrastructure development
Regional distribution of development finance in 2014, $billion

- **Cuba** – 31.7
- **Uzbekistan** – 0.87
- **CEA** – 0.36
- **Latin America** – 0.26
- **SSA** – 0.07
- **South and South East Asia** – 0.11

2014

- **Remittances**, 68.9
  - **CIS** – 19

- **ODA**, 0.88
  - **CEA** – 0.36
  - **Latin America** – 0.26
  - **SSA** – 0.07
  - **South and South East Asia** – 0.11

- **Outward FDI**, 22.6
  - **CIS** – 0.5

- **Debt relief**, 32.6
  - **Cuba** – 31.7
  - **Uzbekistan** – 0.87

- **Other outward investments**, 121.1 (2013)
  - **CIS** – 6.5
  - **East Asia** – 2.8
  - **Western Europe** – 82.7
Remittances from Russia
($billion, % of GDP)
Discussion on the possible role of private capital

• Private FDI - a financial source to achieve SDG
• Dilemma: 1) strong demand for long-term FDI in developing countries 2) the lack of high-quality investment projects
• Global crisis reduced capital offer
• Empirical research shows (Galindo et al. 2003) that financial capital is more likely to expand to countries with the same level of institutional development.
• But…. Capital from developing countries also looks for riskless assets
• Private investors are ready to invest in developing countries if they receive sovereign guarantee.
Thank you for your attention!

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