

World Bank's 'Mobilising Finance for Development' not financing development

ANIS CHOWDHURY and JOMO KWAME SUNDARAM

THE World Bank leadership must urgently abandon its "Maximising Finance for Development" (MFD) hoax. Instead, it should resume its traditional multilateral development bank role of mobilising funds at minimal cost to finance developing countries.

Funding is urgently needed for Covid-19 containment, relief and recovery efforts, to prevent recessions from becoming protracted depressions, and to achieve the Sustainable Development Goals (SDGs).

Mobilising funds, maximising finance

The World Bank's MFD—a reheated version of its 2015 Billions to Trillions: Transforming Development Finance (B2T) campaign—promised to leverage billions of overseas development assistance (ODA) into trillions of development finance. However, MFD has failed to achieve its purported objective to fill the estimated USD 4-5 trillion annual SDGs funding gap.

Blended finance and public-private partnerships (PPPs) are its two main instruments for such leveraging without offering evidence that either can, and will, deliver development projects much better than traditional public procurement. Both benefit private finance at the expense of the public interest, particularly by increasing the risks of government contingent liabilities. Increasing such exposure is presented as an unavoidable cost of raising additional finance.

The Bank has long claimed that private finance offers the best solution to pressing development and welfare concerns. Its MFD strategy urges using public money to leverage private finance, and capital markets to transform bankable projects into liquid securities.

It presumes that most developing countries cannot achieve the SDGs' Agenda 2030 with their own limited fiscal resources, especially as ODA becomes increasingly scarce.

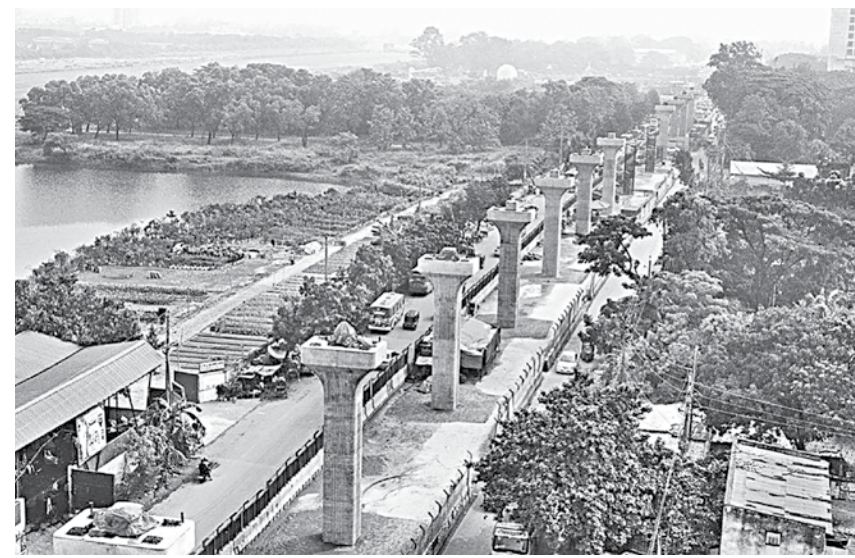
The strategy envisages multilateral development banks (MDBs) and

development finance institutions increasing financial leverage through securitisation to attract private investment, particularly by institutions. It would deploy scarce public resources to "de-risk" such financing arrangements by transforming "bankable" development projects into tradable assets. Thus, governments bear more of the risks and costs of greater financial fragility.

The MFD approach had mobilised only USD 0.37 of additional private capital for every USD 1 of public money invested in low-income countries (LICs), according to an

April 2019 study. Leverage ratios were generally low across sectors, and lowest for LIC and middle-income country (MIC) infrastructure.

Blended finance no magic bullet The study also revealed that blended finance has effectively transferred risk from the private to the public sector. The public sector had borne 57 percent of the cost of blended finance investments on average, but 73 percent in LICs. Despite ever more public subsidies to incentivise private investment in LICs, leverage ratios may have declined.



Representative image.

PHOTO: PALASH KHAN

its core agenda of helping eradicate poverty in the poorest countries". Others fear that blended finance "will crowd out ODA rather than crowd in private finance."

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Thus, "the big push for blended finance risks skewing ODA away from

Blended finance—a "heady cocktail of public, private and charitable money", according to *The Economist*—came into vogue following the 2015 UN Conference on Financing for Development in Addis Ababa. *The Economist* called it a "honey trap", noting that blended finance was "floated at all manner of gatherings, from the recent meetings of the IMF and the World Bank to the World

Economic Forum (WEF) in Davos". The WEF claimed that every dollar of public money invested typically attracted USD 1-20 in private investment.

However, as *The Economist* recently found, "blended finance has struggled to grow. Since 2014, the flow of public and private capital into blended projects and funds has stayed flat at about USD 20bn a year...far off the goal of USD 100bn set by the UN in 2015" for climate investments by 2020. On average, MDBs mobilise less than USD 1 of private capital for every public dollar.

The Economist concluded, "merging public and private money will always be hard, and early hopes may simply

have been too starry-eyed. A trillion-dollar market seems well out of reach. Even making it to the hundreds of billions a year may be a stretch."

Public finance, private profits

An early 2018 World Bank review of regulatory frameworks for procuring PPP infrastructure projects came up with a long list of shortcomings in both developed and developing countries. It found that poor "government capabilities to prepare, procure, and manage such projects constitute an important barrier to attracting private sector investments." Thus, authorities often failed to consider PPPs' fiscal implications, risks of opportunistic renegotiations and lack of transparency.

A 2018 European Court of Auditors report recommended that the EU and member states "should not promote a more intensive and widespread use of PPPs until the issues identified in this report are addressed." It had found "widespread shortcomings and limited benefits, resulting in 1.5 billion euro of inefficient and ineffective spending. In addition, value for money and transparency were widely undermined, particularly by unclear policy and strategy, inadequate analysis, off-balance-sheet recording of PPPs and unbalanced risk-sharing arrangements."

Likewise, a 2018 UK National Audit Office report noted that it has "been unable to identify a robust evaluation of the actual performance of private finance at a project or programme level." It also found the costs of one group of PPP projects in education around 40 percent higher than for a project financed by government borrowing.

Similarly, the Australian Auditor-General's report on private health sector involvements concluded, "It appears governments have embarked on the path of increased privatisation without the benefit of rigorous analysis of the benefits and costs. Individual examples of privatisation have highlighted many problems which have resulted in costs rather than savings to the public purse."

A more recent study concluded, "The mixed public-private funding and provision has had a deleterious effect on the Australian hospital

system". Clearly, PPPs have been much abused, even in developed countries with presumably better regulatory, governance and oversight capacities and capabilities than in most developing countries.

Mobilising finance for private partners

In October 2017, ahead of the World Bank Group annual meeting, 152 organisations from 45 countries issued a manifesto opposing "the dangerous rush to promote expensive and high-risk public-private partnerships (PPPs)". It pointed out that the "experience of PPPs has been overwhelmingly negative and very few PPPs have delivered results in the public interest."

The World Bank's Public Private Partnership in Infrastructure Resource Centre (PPPIRC) has identified ten important risks of PPPs, such as "development, bidding and ongoing costs in PPP projects are likely to be greater than for traditional government procurement processes".

The PPPIRC warned that "the cost has to be borne either by the customers or the government through subsidies", and that the "private sector will do what it is paid to do and no more than that".

Thus, there are serious doubts about the extent to which governments can count on the private sector to support sustainable development. Yet the Bank claims, unambiguously, that "PPPs are increasingly recognised as a valuable development tool by governments, firms, donors, civil society, and the public."

With the current World Bank leadership trying to reduce developing countries' debt, it may well abandon the former Obama-appointed World Bank President's MFD. But it also seems to be eschewing banks' financial intermediation role of raising and lending funds at low cost to developing countries.

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Why we need a sidewalk math movement

RASHIDUL BARI

MEMORISING math is a crime. It's a disease with no cure. Often, students stuck with bad teachers and bad systems are the victims of this crime. This is especially true for poverty-stricken countries like Bangladesh. It's also true for poorer cities like Bronx where I live. We from Bari Science Lab, a 100 percent hands-on school, recently launched "Math4Bronx" in our neighbourhood to eradicate this disease and create a culture of math appreciation in the Bronx. I was inspired by Dr Flint, one of my professors, who asked me to involve my sons, Soborno Isaac and Refath Aporbo, in this sidewalk math movement.

Over the past few months, we have solved hundreds of math problems on every single street, wall and brick we could find. Every day, at eight in the morning, we set out to solve math problems on the streets and walls of the Bronx. We watch as people do gallery walks to witness the sidewalk math. In fact, I feel proud to say that my sons have become the defining faces of the "Memorisation is a Crime" movement here. Crowds gather, pondering over the problems and looking at the solutions, and parents take out their kids just to see the math unfold in front of their own eyes. Teachers were initially sceptical but now they praise our endeavour.

I was attacked the other day, or so I thought. I was erasing a wall of math

problems near Lehman College so that my sons had more space to solve math. "Hey! Excuse me!" someone shouted. It was across the street. I ignored it. Then he started clapping. "Excuse me! Look. At. Me!" I dared not look his way. "Put your hands up!" Oh crap. The police must have come for us, I thought, mistaking the math for graffiti. But as it turned out, it was not a police offer. It was just a concerned citizen, a dog's leash in one hand, and the other hand pointing at us. "Why are you erasing the math? It looks beautiful," he said. He turned out to be a teacher at Bronx Science, concerned that we were erasing beauty from the sidewalk!

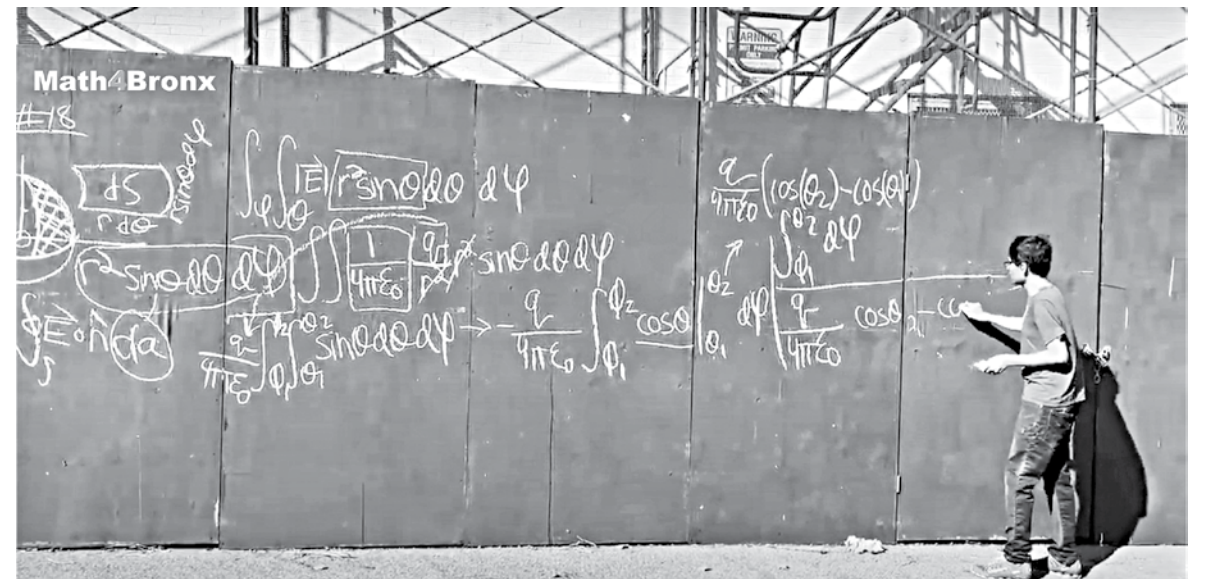
But why just Bronx? This sort of movement is needed in any community that is afflicted by a hatred of math and the disease of memorisation. From Bronx to Bangladesh, memorisation is the name of the game when it comes to math. It's a pandemic worse than Covid-19, as it doesn't sicken the body for two weeks—it sickens the mind for an entire lifetime, with profound consequences.

How do we change this mind-set? I think the best way to do it is by making people fall in love with math, by filling every street, mall, and park with chalkboards. The idea is, make every chalkboard beautiful and a source of wonder so that even those most resistant to change start to believe in understanding—not memorising—the inner workings of mathematics.

Once a believer, always a believer.

That is as true of mathematics or any other subject as it is of religion. A young mind infected by the disease of memorisation will exhibit the symptoms of rote behaviour for the rest of their life. On the contrary, a young mind that appreciates the beauty of math will fall in love with it. This is the change that we need—a change that will help Bangladesh to move up the ladder of socioeconomic development—but it can only happen if math is made ubiquitous, on the walls of every street, mall and park. Street math is a powerful idea. We from Bari Science Lab have a plan to place a chalkboard in every park in New York City, and maintain janitors to clean them every day. The same model can be employed in Bangladesh, too. The result will be beautiful.

Let me share an experience about using such innovative methods. At the Bronx Community College where I teach, I wrote the musical notes of Mozart's Symphony No. 42 on the board and instructed my students to read and enjoy them. I hoped to see some reaction from them, but there was none! I was met with blank faces. Then I played the symphony. And so some of the students started humming along. In just a matter of seconds, the whole class was moving to the beat. It was wonderful to see their transformation. But I did nothing different, really. I just did it differently. The moral of the story is: when you



Sidewalk math inspires people to think deeply about simple math problems.

COURTESY: AUTHOR

present mathematics in a manner that is difficult and boring and makes students subject to memorisation, no one will see its beauty. But when you present it in a hands-on way, you unlock the beauty of math for them. And they start to see Mozart in the math.

Math is like music. You can't enjoy it by memorising it. Since math is the language of science, you can't be a scientist by memorising math. I know from my interactions with the people that they love the idea of sidewalk math because it encourages

them to think deeply about simple things: Why do odd numbers sum to squares? Why do even numbers sum to multiples of triangular numbers? Why do Pythagorean theorem and $E=MC^2$ both have C^2 in it?

Equally, sidewalk math inspires children to think deeply about simple math problems. It inspires them to be creative. I'm sure a similar movement will do the same in Bangladesh.

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ON THIS DAY IN HISTORY

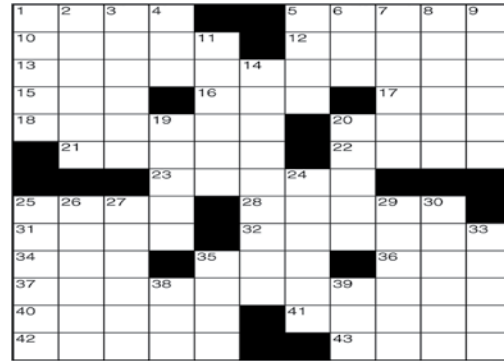


AUGUST 28, 1963
Civil rights march on Washington

On this day in 1963, some 200,000 people marched on Washington, DC, an event that became a high point of the civil rights movement, especially remembered for the famous "I Have a Dream" speech of Martin Luther King, Jr.

CROSSWORD BY THOMAS JOSEPH

- ACROSS**
- 1 Takes advantage of
 - 5 Small stream
 - 10 Danger
 - 12 Pound part
 - 13 New Zealand shrub with red flowers
 - 15 Seventh Greek letter
 - 16 Gallery fill
 - 17 Neon or helium
 - 18 Eye part
 - 20 Female friend, in France
 - 21 Was bold
 - 22 One of the Tudors
 - 23 Singer Cara
 - 25 Pert talk
 - 28 Some
- investments**
- 31 St. Louis sight
 - 32 Pants measure
 - 34 Cow call
 - 35 "No Scrubs" group
 - 36 Spying org.
 - 37 Wild West Show creator
 - 40 Concerning
 - 41 Runway worker
 - 42 Stopwatch
 - 43 Hotel units
- DOWN**
- 1 Shoe part
 - 2 On the sofa
 - 3 Book goofs
 - 4 Knight's title
 - 5 Expense
 - 6 Massage
- 7 Puzzle**
- 8 Bakery treat
 - 9 Grammer of "Frasier"
 - 11 Car from a repair shop
 - 14 Legislation about tariffs
 - 19 Dublin natives
 - 20 Church replies
 - 24 Sergeant, for one
 - 25 Asian deer
 - 26 Wake up
 - 27 Jeers
 - 29 Make a choice
 - 30 Took to the sea
 - 33 Shopping centers
 - 35 Like lemons
 - 38 Opponent
 - 39 Hope of comedy



YESTERDAY'S ANSWERS



BEETLE BAILEY



BY MORT WALKER



BABY BLUES



BY KIRKMAN & SCOTT



WRITE FOR US. SEND US YOUR OPINION PIECES TO dsopinon@gmail.com.