

**Rethinking Development Finance
in an Era of Polycrisis
- Strategic Shifts and Emerging Solutions**

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Sungsup Ra
Visiting Professor, KDI School

Introduction

Poly Crises

- Climate Change
- Pandemic
- Food Security

Widening Gaps

- Aspiration vs Capacity
- MICs vs FCAS/SIDS
- Socio-economic Inequalities
- Demographic Structure

Recent Trends of Global Development Finance

Global Geopolitical Scenario

- Foreign Policy
- G7 v.s. G20
- Global and Regional Public Goods

Financing Requirements

SDGs: \$4.2 T

Climate Mitigation:
\$4.5 T

Climate Adaptation
\$300 B for
developing
countries

Food Security:
\$500 B

Pandemic
Preparedness \$31 B

Education: \$500 B

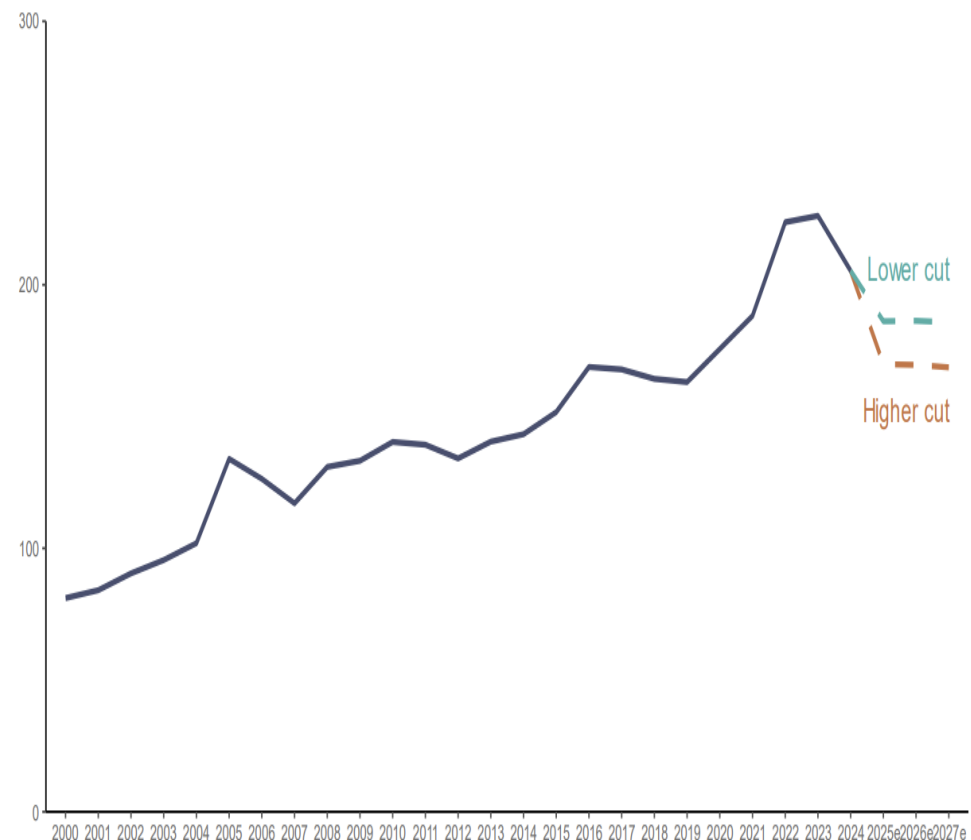
Water &
Sanitation: \$138 B

Transport: \$2-2.3 T

Sharp Decline in Development Financing

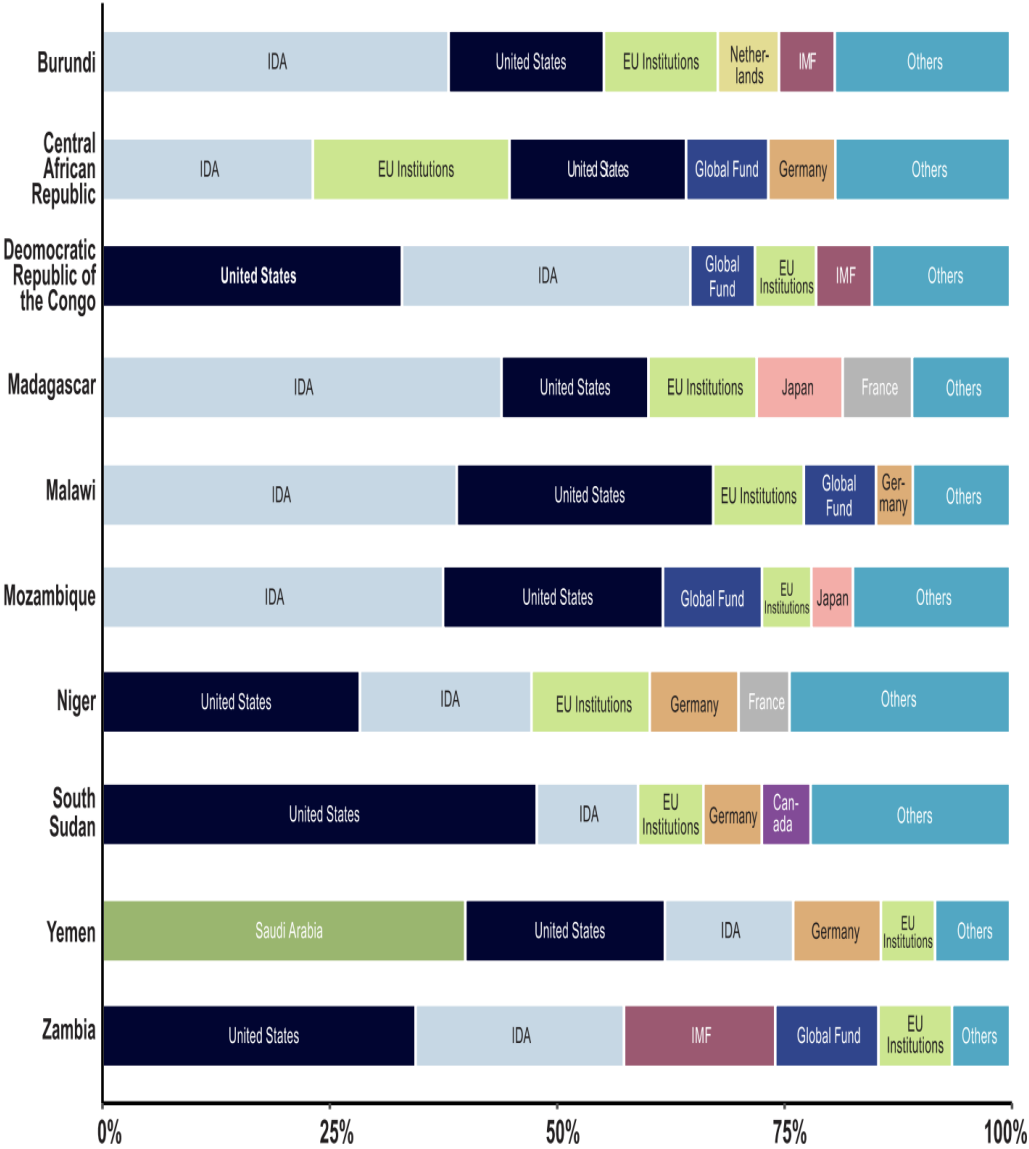
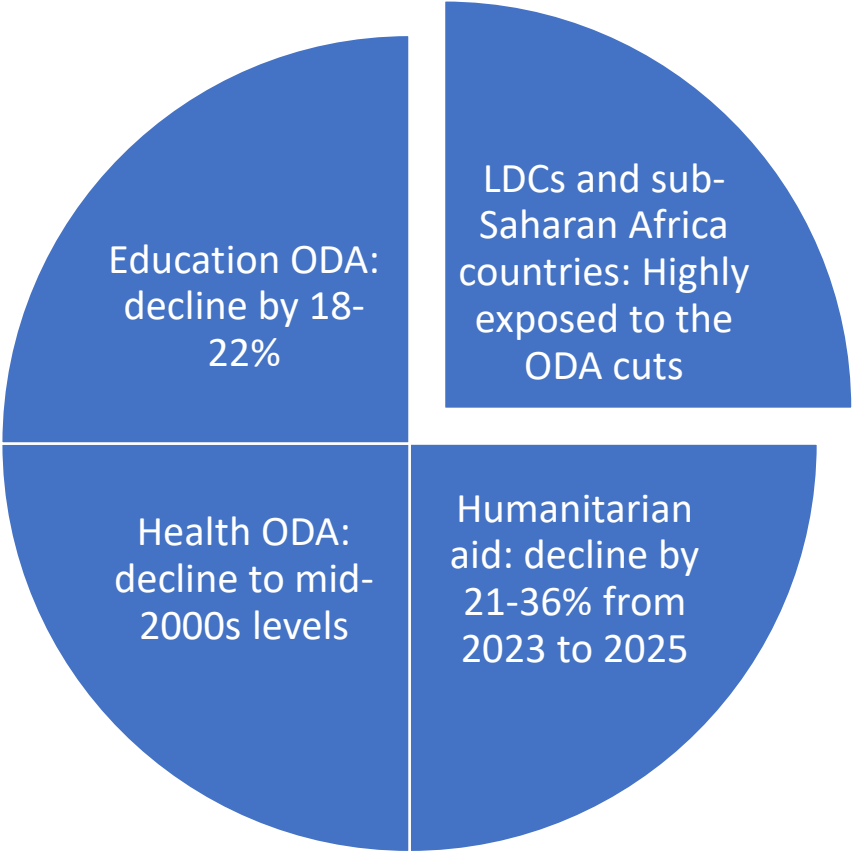
- 9% decline in 2024
- 10 to 18% cut over 2024-2027
- Steepest cuts for Sub-Saharan Africa countries, humanitarian aid and health

Trends in total ODA from DAC countries, 2000-24 (official data) and 2025-27 (projections), USD billion, constant (2023) prices



* OECD Policy Brief on *Cuts in official development assistance: OECD projections for 2025 and the near term*, 2025.

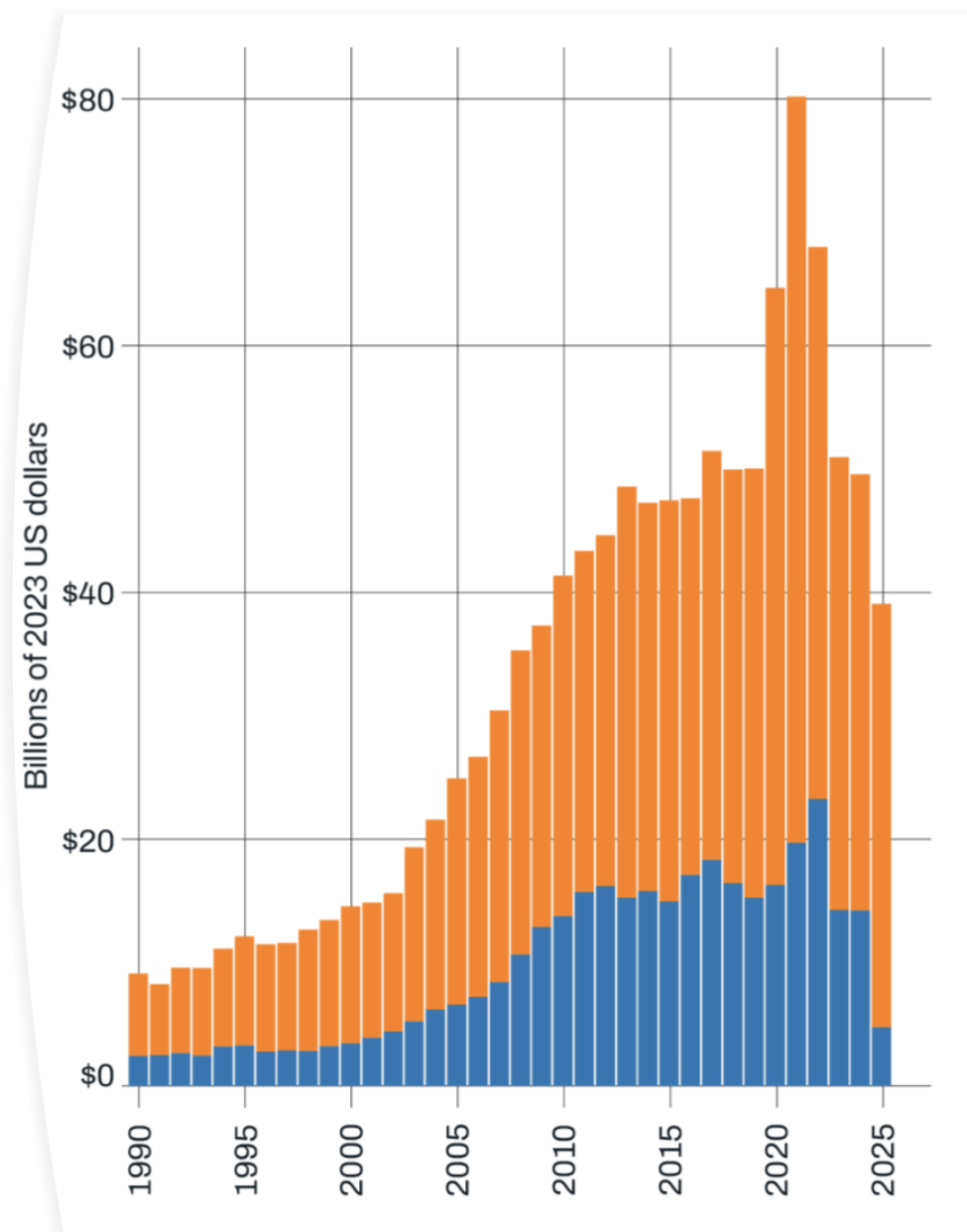
Share of total ODA received by the ten countries with the highest rates of extreme poverty, top five providers



Sharp Decline in DF for Health

US: A two-thirds reduction in funding for bilateral global health programs

- A 50% cut for HIV/AIDS
- No allocations to the Global Fund, Gavi, the Vaccine Alliance, or WHO



- Ex-US Government Development Assistance
- US-funded development assistance for health with the preliminary estimates for 2025 in 2023 real US dollars

Triple Agenda

G20 Expert Panel recommended to “Relocate specific numeric leveraging targets from MDB statutes to MDB capital adequacy frameworks”

MDB: (i) removal of the statutory lending limits from their Charters and/or (ii) undertake a capital increase.

Other Innovative Options:
Rechanneling SDRs through MDBs, ETM, IFCAP

MDB	Lending Limitation
ADB	1:1
AfDB	1:1
IADB	1:1
IBRD	1:1
EBRD	1:1
EIB	1:2.5
AIIB	1:1, but may be increased to 1:2.5 (by a super majority vote of Board of Governors)

Implications to Global Development Finance?

Five Shifts

5 SHIFTS

- **Strategy/Mindset Shift**
- **Climate Shift**
- **Private Shift**
- **Solution Shift**
- **New Way of Working Shift**

Implications to Development Finance: 5 Shifts

- **Strategy/Mindset Shift**

- Global Agenda Setter: Leader vs Follower
- Global vs Domestic Interest
- Reactive vs Forward looking

Implications to Development Finance: 5 Shifts

- **Climate Shift**

- Global vs Domestic
- Net Zero Commitment
- Global GHG Reduction (SOV + PSO)

Implications to Development Finance: 5 Shifts

- **Private Shift**

- PPP (Joint Efforts: Gov + SOEs + Private Sector)
- NGOs, CSOs
- E.g KEPCO, K-Water, National Pension,

Implications to Development Finance: 5 Shifts

- **Solution Shift**

- Finance + Knowledge + Innovation
- Integrated solutions through Cs
(Convergence, Cooperation, Collaboration)
- Affordable Solutions (Value for Money)

Implications to Development Finance: 5 Shifts

- **New Ways of Working Shift**

- ✓ ODA Governance Architecture
- ✓ Redefining the role of ODA
- ✓ Institutional and organization restructure
- ✓ Client and solution-oriented policy and innovative financing modalities (Countercyclical, Fast-track, RBL)
- ✓ Risk based business process (e.g. Country Strategy, Sector Strategy, Operations, Evaluation)
- ✓ Skills and Capacity Building (project preparation, etc)

Emerging Solutions?

Six Examples

Table 2 Cirebon 1 ETM Pilot

Borrower	PT Cirebon Electric Power (CEP; Location: West Java, Indonesia)
Sponsors	Marubeni Corporation (32.5%), Korea Midland Power Co., Ltd. (27.5%), ST International (20%), and PT Indika Inti Energy (20%)
Project	- As a pilot ETM transaction, ADB will provide senior secured debt, concessional financing and/or grant to CEP to early retire a 660MW Build-Own-Operate coal-fired power plant. - The remaining life of the PPA with PLN [19] years will be reduced by [5–7] years. - Roughly [15] million tons of CO₂e will be avoided.

Sources of Fund	Total financing package of [S250 million–\$300 million]; consisting of [\$150 million–\$250 million] from ADB OCR; and [\$50 million–\$100 million] from ADB-administered concessional facilities (CIF-ACT, ETMPTF) and grant (GEATTF).
Uses of Fund	- Refinancing of the existing debt from JBIC, KEXIM, and commercial lenders covered by JBIC and KEXIM; - One-off special dividend distribution to the sponsors to compensate for lost revenue of the final years of the PPA lifetime; and - Transaction costs such as prepayment fees, advisory fees, and other expenses arising in relation to the transaction.

Special dividend to cover difference in PV of cash flows to equity under BAU and ETM

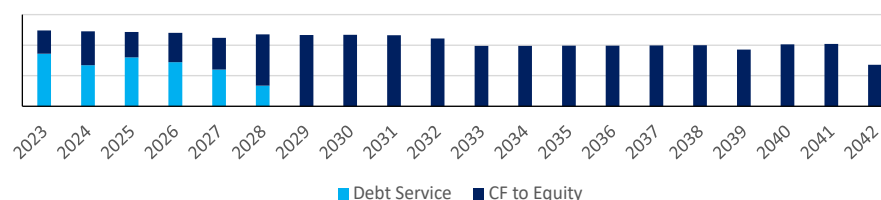
Agree on Business-As-Usual cashflow

Structuring of ETM financing terms

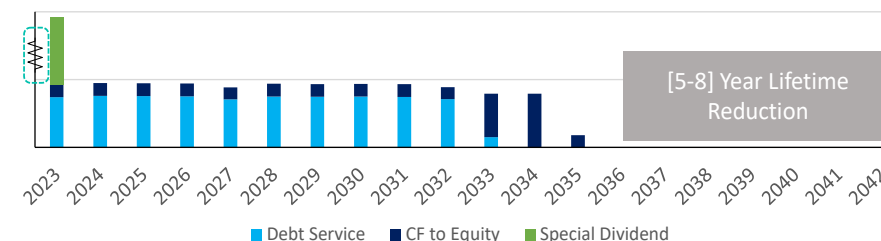
Agree Length of Early Retirement

BAU	ETM
Revenue	Revenue
OPEX	OPEX
Major Maintenance	Major Maintenance
Decommission Cost	Decommission Cost
Tax	Tax
Reserve Accounts	Reserve Accounts
Financing Costs	ADB Fin. Terms
	Safeguards and JT

CF under BAU



CF under ETM

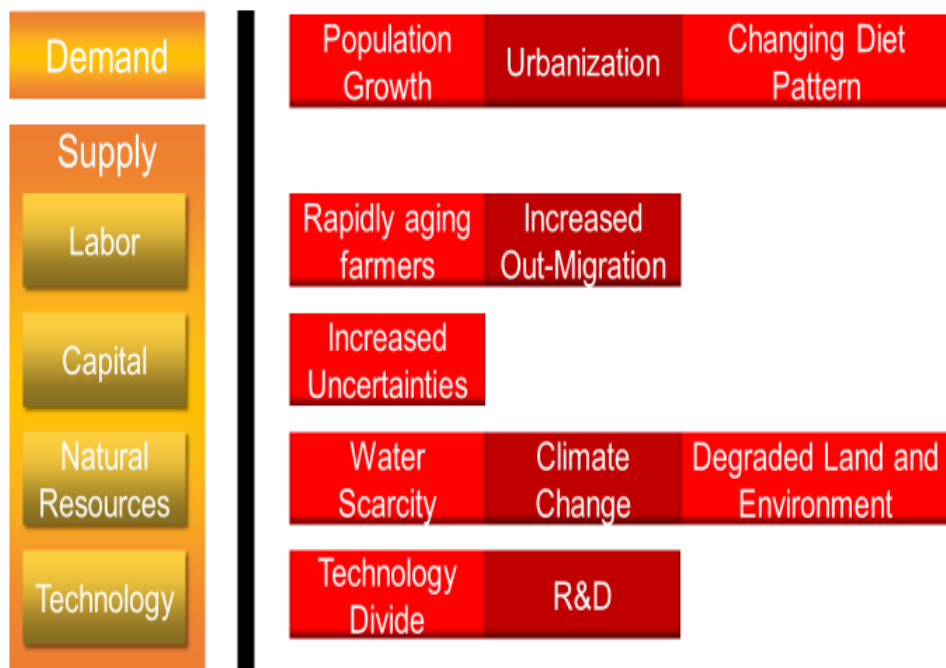


\$ = United States dollar, ADB = Asian Development Bank, BAU = business as usual, CEP = PT Cirebon Electric Power, CF = cash flow, CIF-ACT = Climate Investment Funds Accelerating Coal Transition, ETM = Energy Transition Mechanism, ETMPTF = ETM Partnership Trust Fund, GEATTF = Global Energy Alliance for People and Planet Energy Access and Transition Trust Fund, JBIC = Japan Bank for International Cooperation, JT = just transition, KEXIM = Export-Import Bank of Korea, OCR = ordinary capital resources, OPEX = operating expenses, PPA = power purchase agreement, PV = present value.

Note: Numbers in [] represent indicative figures.

Example 2: Food Security + Higher Education

Emerging Challenges



Proposal: Establishing Global Climate Smart High-Tech Knowledge Intensive Agricultural University Network (GHAN)

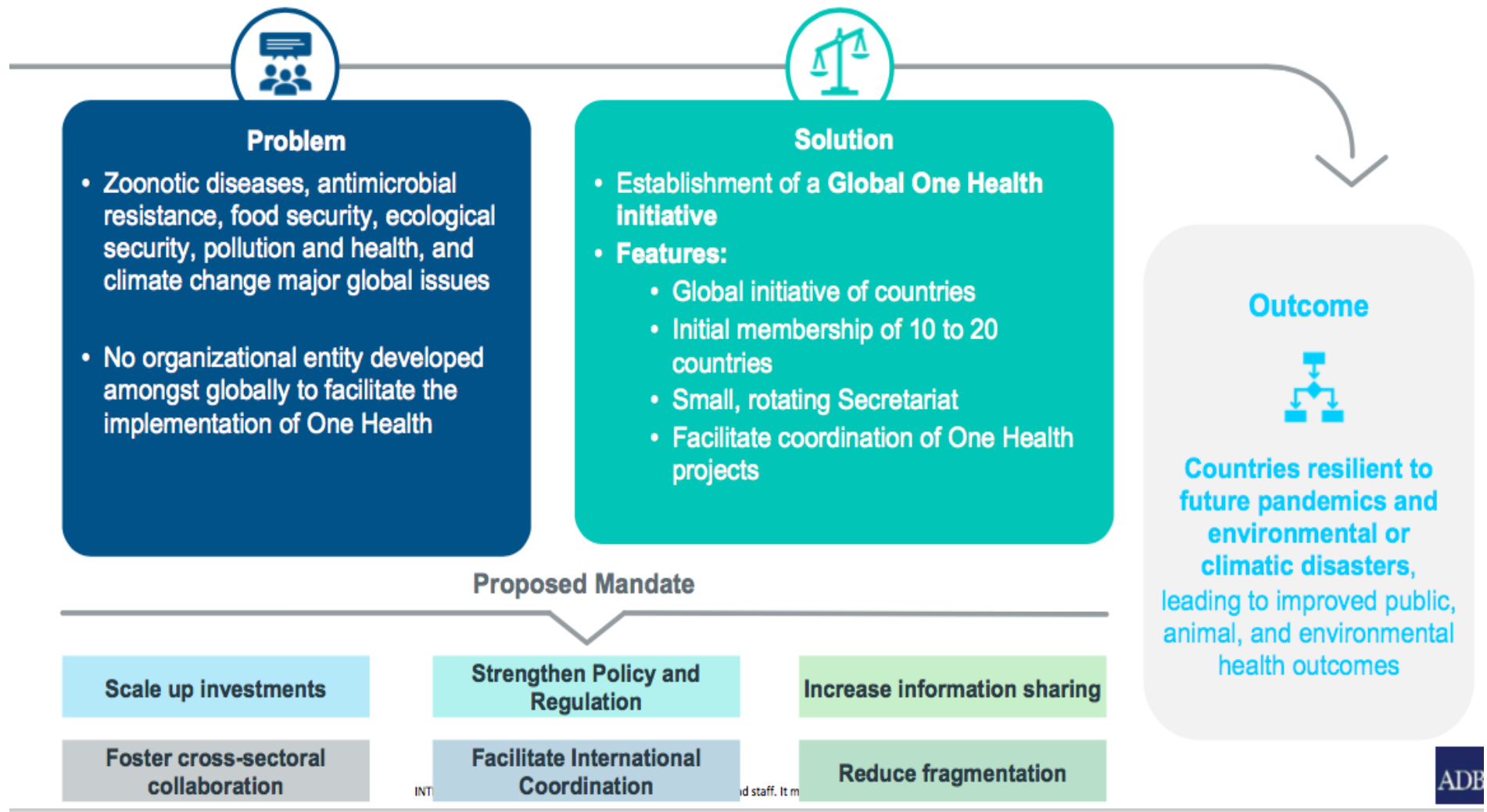


This information is accessible to ADB Management and staff. It may be shared outside ADB with appropriate permission.

Example 3: Green Port and Maritime



Example 4: Pandemic- One Health Initiative



Example 5: Hindu Kush Himalaya Climate Change Initiative

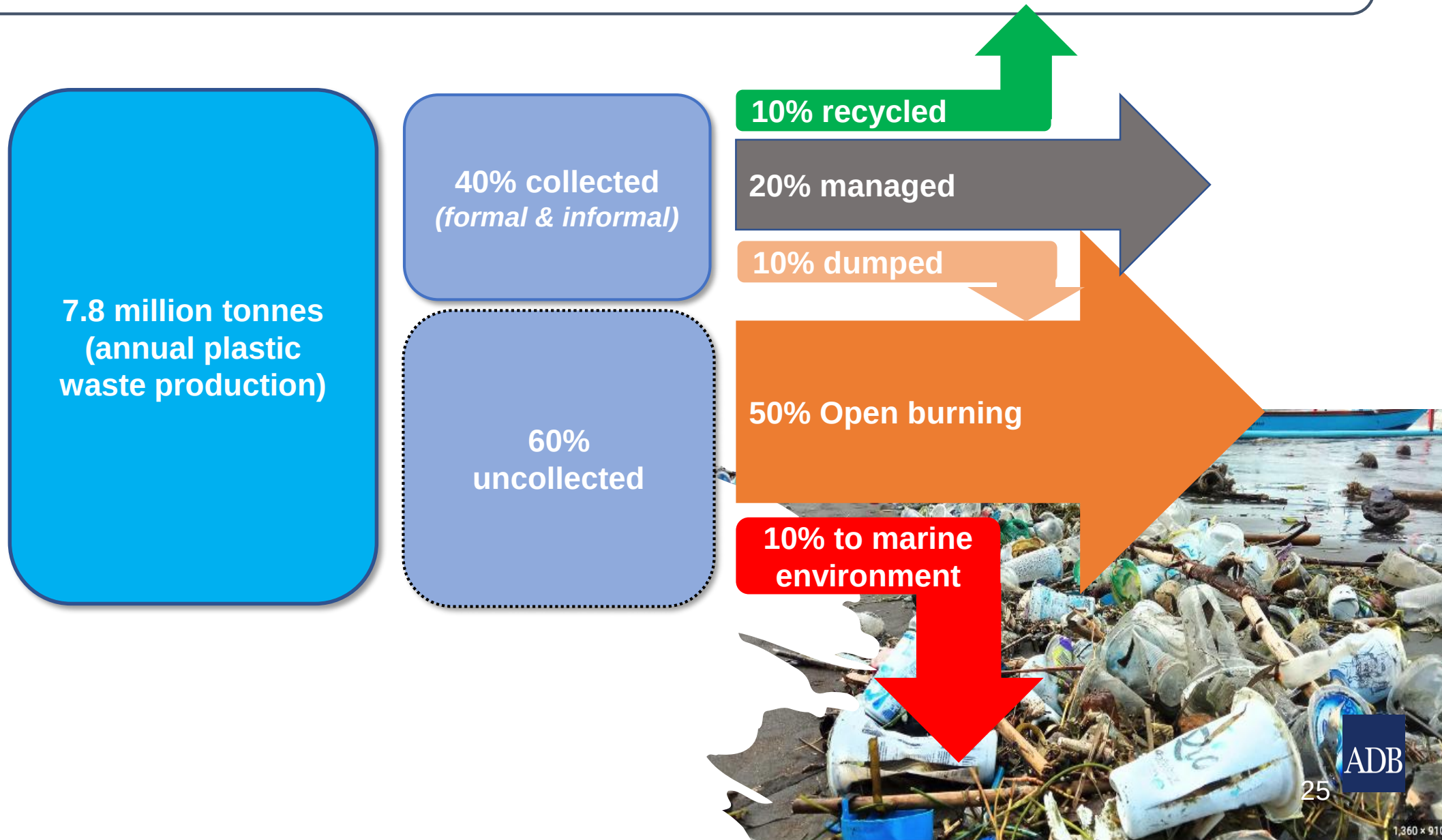


Melamchi Water Supply Project – Disaster event impact



Example 6: Healthy Oceans

Indonesia is one of the top 10 largest contributors of plastic marine debris globally with 5,000 tons of plastic entering its ecosystems every day.



Thank You.

sungsupra@yahoo.com