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Network of Chief Economists of International Development Agencies & Financial Institutions

PowerPoint presentations

7-8 November 2024
London, United Kingdom

This document compiles the PowerPoint presentations from the 9th meeting of Chief Economists of International Development Agencies & Finance Institutions, which took place on 7 and 8 November 2024.

Please note that this document is only available for download from O.N.E. in PDF format.

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JT03556557

Green, social, sustainability and sustainability-linked (GSSS) Two perspectives of issuers supporting development

Paul Horrocks, Private Finance for Sustainable Development, OECD

9th Meeting of the Network of Chief Economists
of International Development Agencies and Finance Institutes
London - November 7-8, 2024

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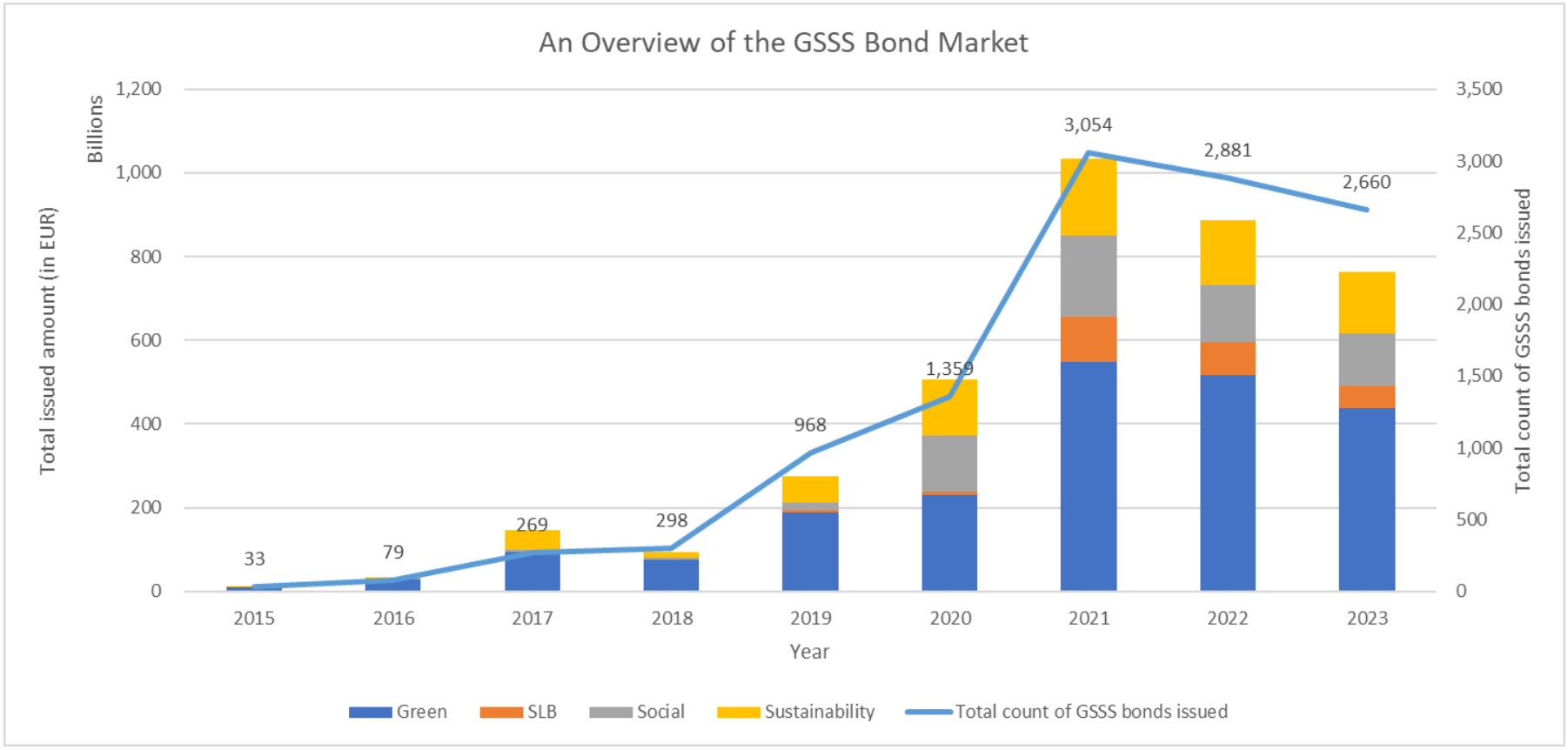
OECD
DAC Community of Practice on
Private Finance for Sustainable Development

Capital markets hold significant potential to finance sustainable development & climate transition pathways

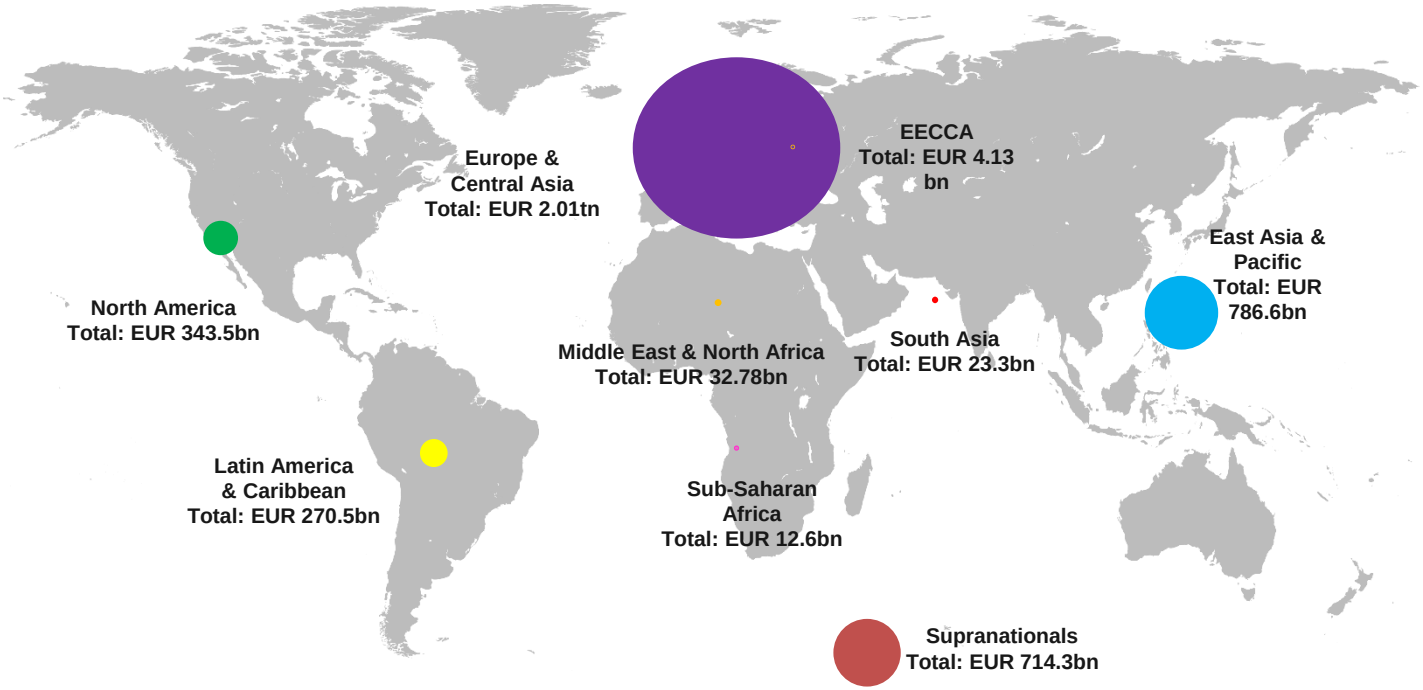
1) *As of August 2020, ICMA estimates the Global Bond market to sit at USD 128 trillion.*
2) *According to OECD estimates: in 2020, the SDG financing gap sits at about USD 3.9 trillion*
3) *According to the LGX, as of March 2024, the GSSS bond market sits at about USD 4.3 trillion*

The GSSS bond market has faced high growth – with a recent slowdown



GSSS bond issuances face stark regional differences – and are mostly concentrated in advanced markets

GSSS bond issuances by region, 2007 – 2024 Q3 (EUR)



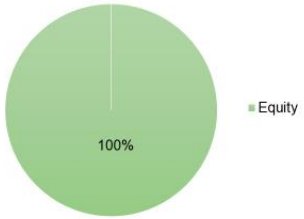
Source: Data from Luxembourg Green Exchange

Perspective of DFIs

A tale of three cities: Funding Models

British International Investment

€8.9 billion*



100% equity from the UK government (FCDO)

Source: Based on calculations made using data published on the BII website: https://www.bii.co.uk/en/

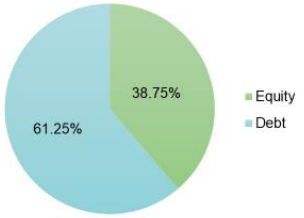
= British International Investment ?

FitchRatings S&P Global Ratings

AA- / AA

FMO Entrepreneurial Development Bank

€9.3 billion



Equity held by the Dutch government (51%), Dutch banks (42%) and others (7%); raises debt directly on capital markets

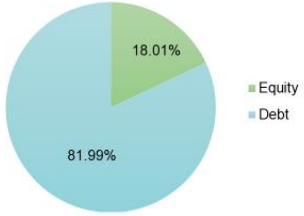
Source: Based on calculations made using data published on the FMO website: https://www.fmo.nl/

= FMO

FitchRatings S&P Global Ratings

AAA / AAA

€7.2 billion



Equity held by the AFD (78%), French banks and organisations (12%) and IFIs (10%); debt is funded by AFD. AFD issues debt on capital markets.

Source: Based on calculations made using data published on the AFD (Proparco) website: https://www.proparco.fr/fr

= AFD =

FitchRatings S&P Global Ratings

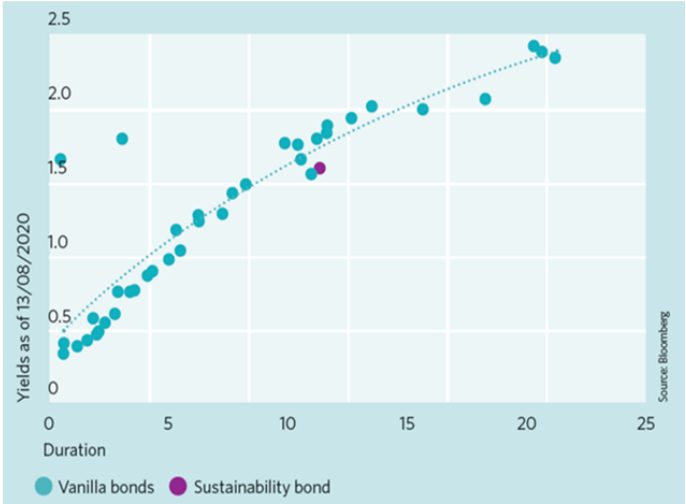
AA / AA

*BII's balance sheet is denominated in GBP and the average exchange rate to EUR for 2021 was used

Perspective of DFIs

Take advantage of the “greenium” for raising debt.

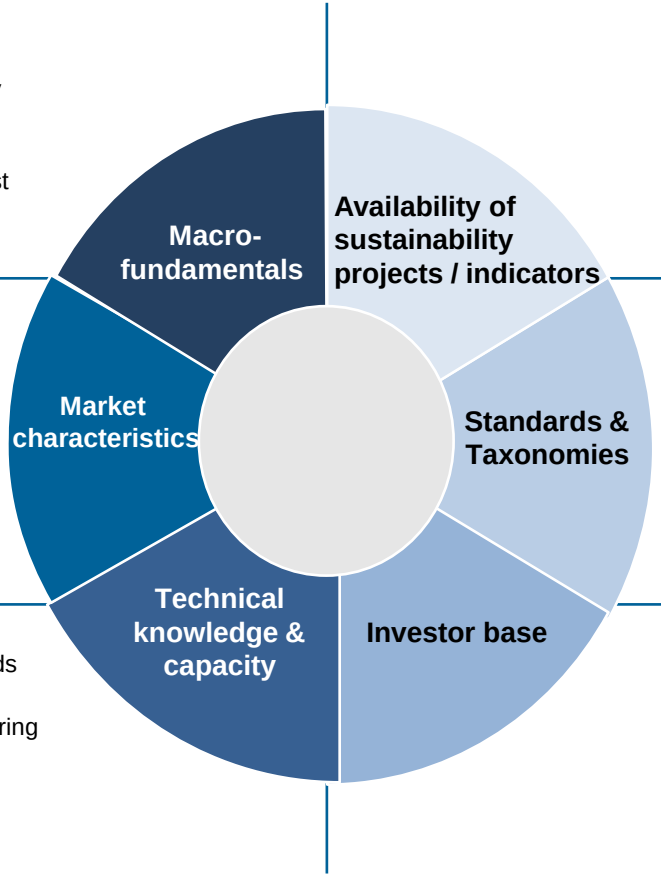
Potential that DFIs benefit from greenium



Source: Climate Bond initiative, Sovereign green, social and sustainability bond survey, 2021: https://www.climatebonds.net/files/reports/cbi-sovereign-green-social-sustainability-bond-survey-jan2021.pdf

1. The “greenium” refers to the yield differential between green and conventional bonds. This provides an incentive for issuers to issue more bonds to the market with a green label.
2. Can be seen as a ‘market anomaly’ as the credit risk of the issuer is the same between a conventional bond and a green bond
3. In Europe, the presence of a “greenium” reflects the supply and demand imbalance for green bonds, with strong appetite from institutions investors at time of issuance.
4. AFD and FMO have benefited from the increasing interest by investors for GSS Bonds. Pricing of the of the bonds at issuance has been compressed but is currently not below the government bond curve of France nor the Netherlands.

Perspective of Developing Countries and implications for Donors



Weakened macro-fundamentals

- Rising debt sustainability concerns
- Economic growth aspects affected by pandemic and other international events
- Capital flight due to higher US interest rates

Lack of sustainability projects / indicators

- Project sizes not large enough for bond financing [GSS bonds]
- Lack of resources and expertise to identify and prepare pipelines of sustainable projects [GSS bonds]
- Data to monitor KPIs & SPTs are of poor quality and limited in availability [SLBs]
- Difficulty in choosing KPIs & SPTs that are material, ambitious and comparable [SLBs]

Weak financial markets

- Challenges to meet credit rating requirements to tap into international markets
- Limited market access and low capital market development levels

Dilemma between interoperability and adaptation to local contexts

- Sophistication of internationally-recognised Standards and Taxonomies can dissuade local issuers
- Limited knowledge of sustainable finance necessary to create local Standards and Taxonomies

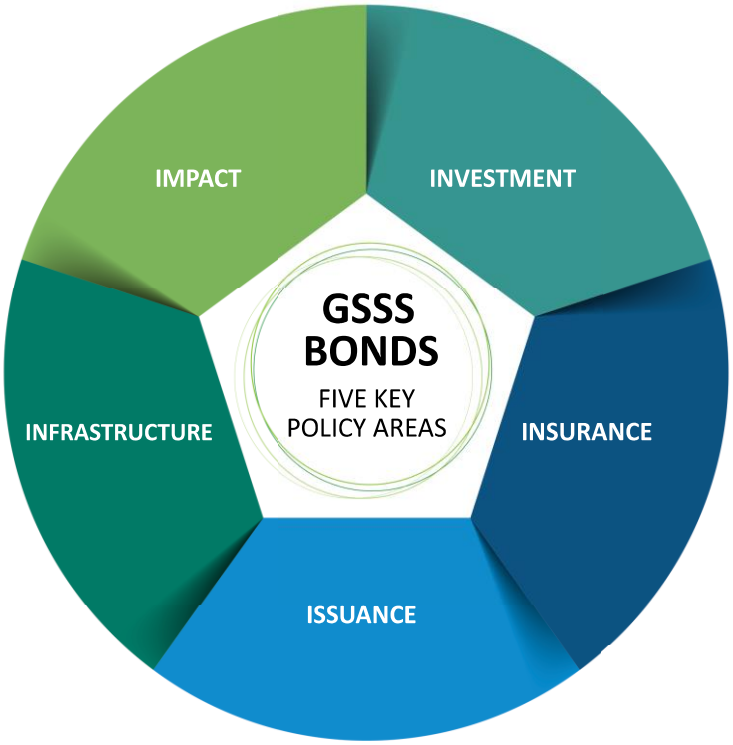
Missing technical capacity

- Lack of awareness around GSSS bonds and costs/benefits of their issuances
- Lack of familiarity with financial structuring required for successful GSSS bond issuances
- Low issuances in developing countries limit opportunities for peer-learning

Limited familiarity with international investors

- Lack of networks to target investors with preferences for ESG debt
- Weak familiarity with reporting requirements demanded by investors, and labelling or listing options

OECD Policy areas to support the growth of the GSSS bond market: “the five Is”



“the five Is”

EXAMPLES OF DONOR SUPPORT PER POLICY AREA

INVESTMENT

- First loss anchor investments
- Convening of developing country issuers and investors to facilitate networking

INSURANCE

- Partial guarantees
- Political risk insurance

ISSUANCE

- Technical Assistance for project preparation and development
- Facilities to aggregate projects at regional level

INFRASTRUCTURE

- Technical Assistance for debt management offices
- Capacity building in regulatory agencies relevant for bond markets

IMPACT

- Technical Assistance for the development of Taxonomies, Standards and Frameworks
- Capacity Building of local second-party opinion providers and certifiers
- Capacity building in collecting and analysing data
- Development of local second party opinion providers
- Global sharing platforms for impact reports

Q&A

Trade, Investment, and Industrial Policies

Albert Park, Asian Development Bank

FCOD, London
November 7, 2024

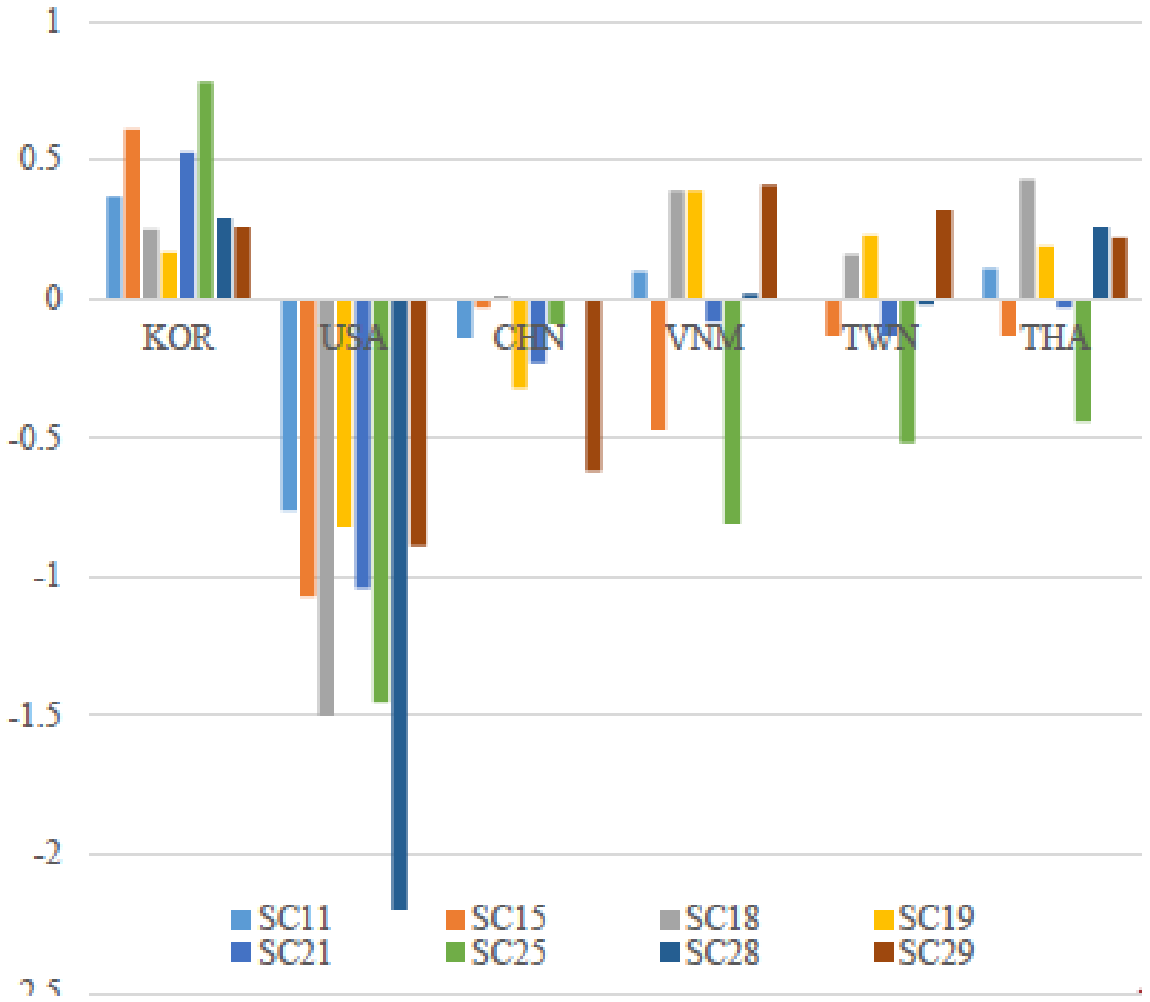
Impact of Trump Tariff Policies (scenarios)

Scenarios			U.S. tariff imposition level by partners		
U.S. imposition	Partners' retaliation		Non-FTA signatories (EU, Japan, Taiwan, India, Switzerland, Australia, New Zealand, Vietnam, Malaysia, Thailand, Indonesia, Philippine, Singapore, Other ASEAN)	FTA Signatories (Korea, Canada and Mexico)	China
Universal tariff + Section 301	×	1-1	10%p		25%p
		2-1	10%p		60%
		3-1	10%p	10%p	25%p
		4-1	10%p	10%p	60%
		5-1	20%p		25%p
		6-1	20%p		60%
		7-1	20%p	20%p	25%p
		8-1	20%p	20%p	60%
Reciprocal tariff + Section 301		9-1	top 10 countries with trade deficit (partner's tariff rates–U.S. tariff rates)%p		④60%
Universal tariff+ Section 301	○	1-2	10%p		③25%p
		2-2	10%p		④60%
		3-2	10%p	10%p	③25%p
		4-2	10%p	10%p	④60%
		5-2	20%p		25%p
		6-2	20%p		60%
		7-2	20%p	20%p	25%p
		8-2	20%p	20%p	60%
Reciprocal tariff + Section 301		9-2	top 10 countries with trade deficit (partner's tariff rates–U.S. tariff rates)%p		60%

Source: Young gui Kim, Estimating the Economic Effects of Potential US Tariff Policy Using CGE-GTAP Model, 2024 (draft)

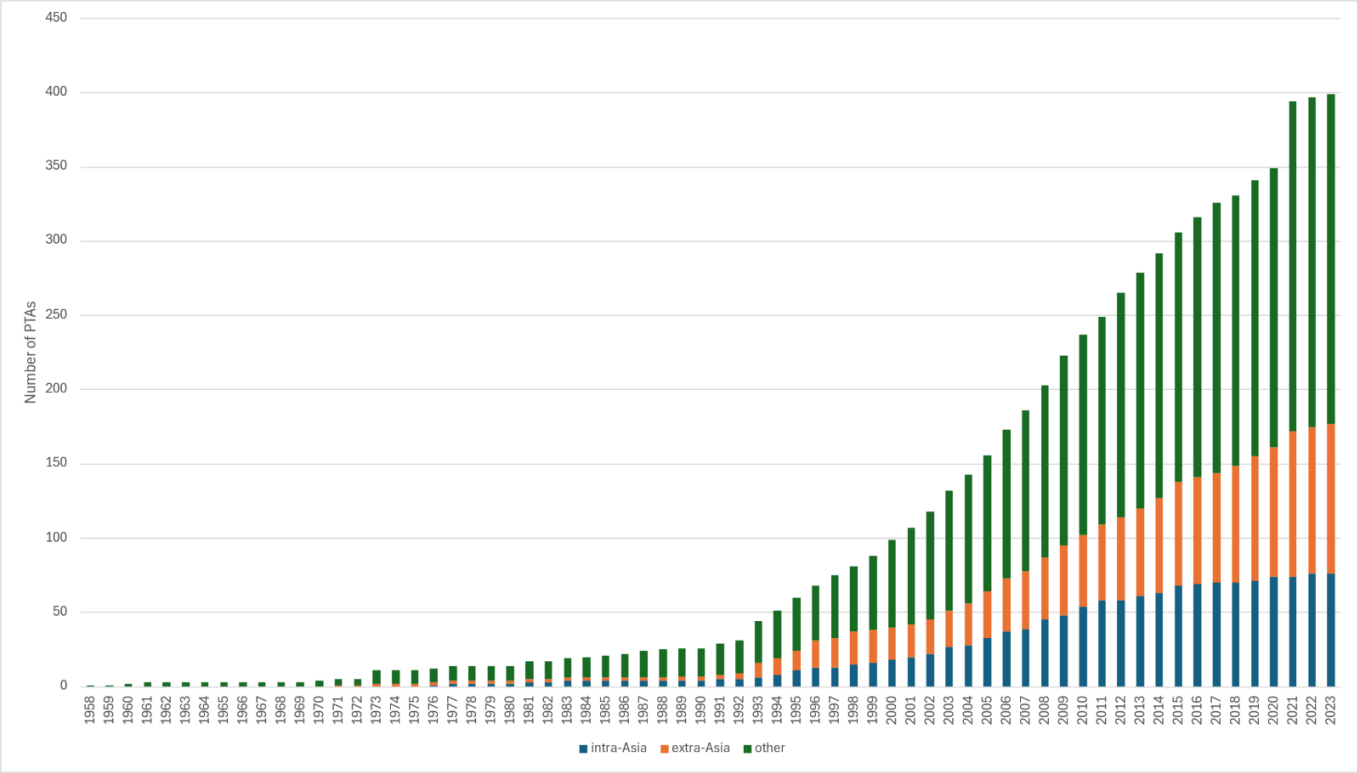
Impact of Trump Tariff Policies on Real GDP (select Asian economies)

- USA: the greatest loser
- CHN: real GDP decreases in most scenarios except sc1-8 (the gap between the tariffs on China and those on other partners narrows)
- KOR: less affected by relative price changes, benefit from trade diversion
- Others: Under universal tariff on all countries, trade diversion or indirect exports of China. Retaliatory tariffs increase the price of US intermediates.



Source: Young gui Kim, Estimating the Economic Effects of Potential US Tariff Policy Using CGE-GTAP Model, 2024 (draft)

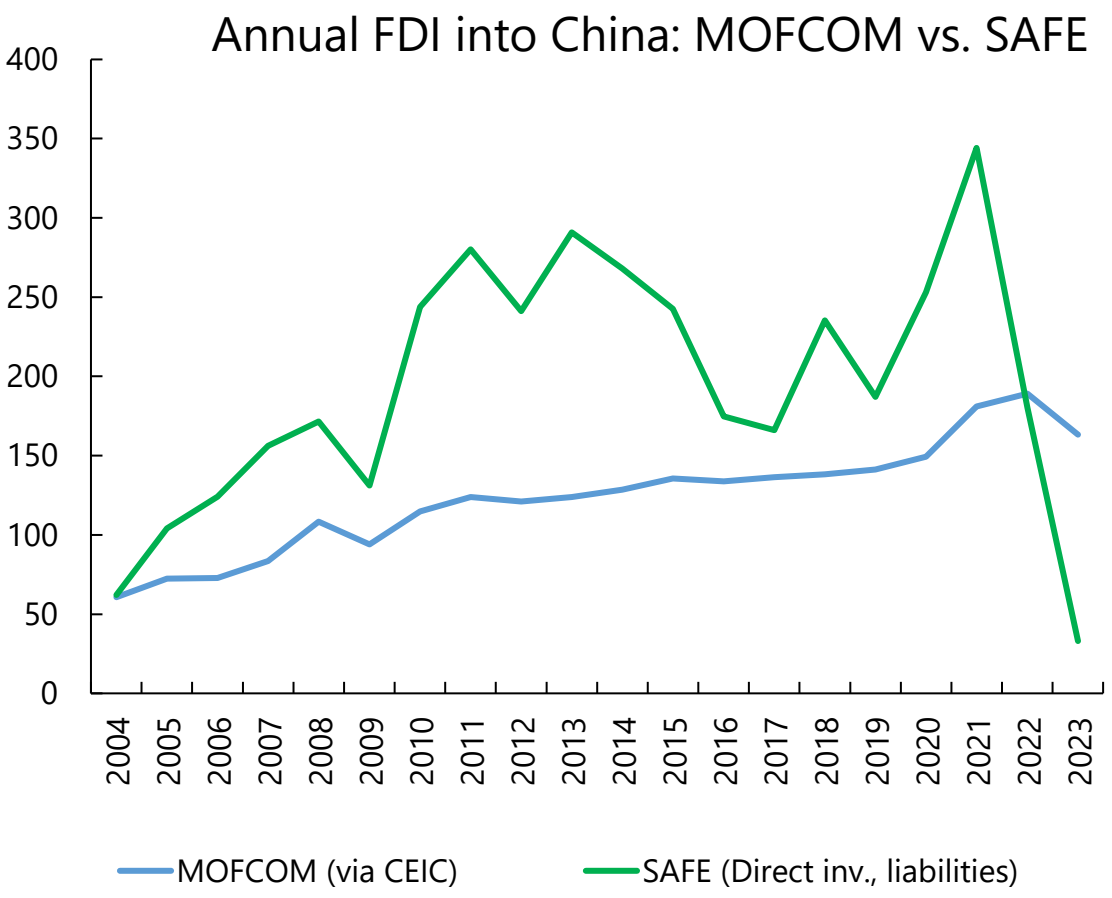
Asian economies remain committed to open trade (evidenced by the rapid rise in the number of trade agreements involving Asian economies)

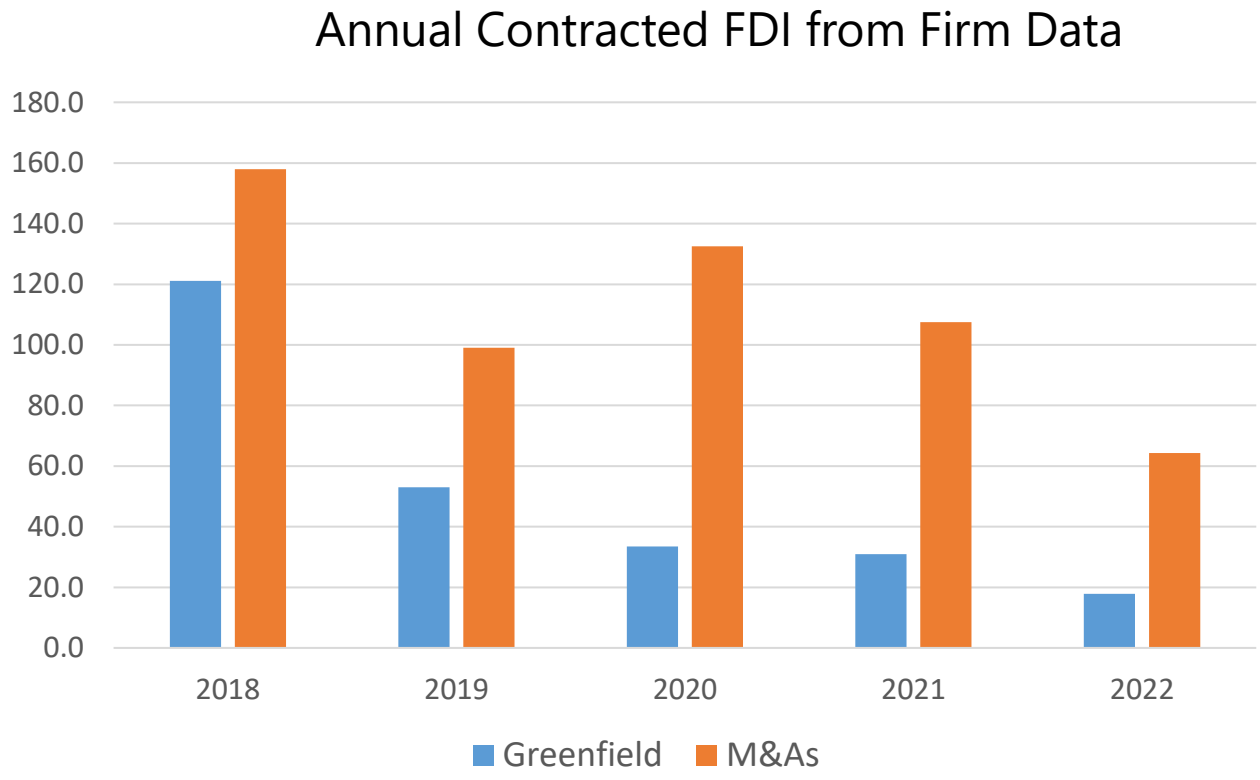


Source: World Bank's Deep Trade Agreements Database
Intra Asia = agreements only involving ADB regional members
Extra Asia = agreements involving at least one ADB regional member and one non-regional member

- In 1990, there were just 4 trade agreements within Asia, with a further 3 signed between Asian and non-Asian economies
- By 2023, these numbers had risen to 76 and 101, respectively
    - Agreements involving Asian economies accounting for 45% of the set of 399 agreements in the World Bank's Deep Trade Agreements Database

FDI into China is declining, especially in strategic sectors





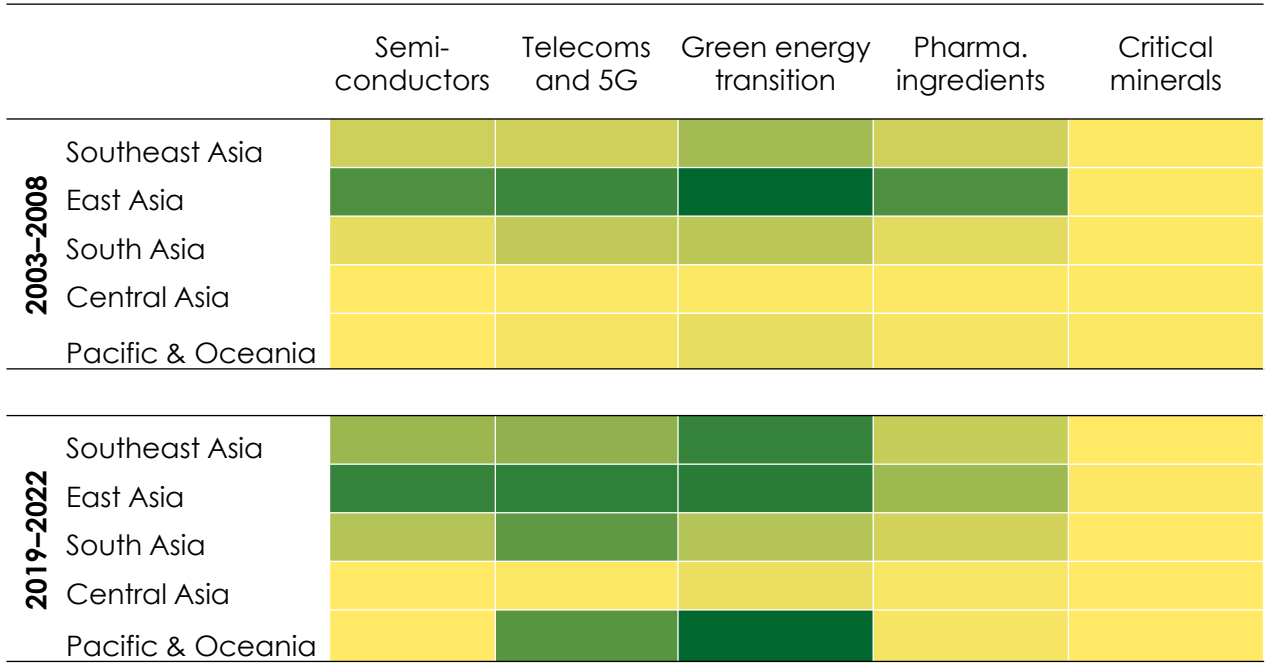
source: ADB calculations using data from Government of the People's Republic of China, Ministry of Commerce. http://english.mofcom.gov.cn/article/statistic/foreigninvestment/; and Government of the People's Republic of China, State Administration of Foreign Exchange. Data and Statistics. https://www.safe.gov.cn/en/DataandStatistics/index.html (both accessed March 2024).

Source: ADB calculations using data from Bureau van Dijk. Zephyr M&A Database; and Financial Times. fDi Markets.

Strategic investments offer opportunities; while efficiency and market-seeking FDI can be leveraged to support sustainable growth

FDI in strategic sectors has diversified across the region

FDI in Strategic Sectors by Asian Subregion ($ billion)



Note: Colors are scaled with respect to investment value, with yellow cells closer to the minimum and green cells closer to the maximum.
Sources: ADB calculations based on Bureau van Dijk. Zephyr M&A Database; and Financial Times. fDi Markets (both accessed April 2023); and methodology from Atlantic Council (2022); and IMF (2023).

Policies that support efficiency-seeking and market-seeking FDI

Efficiency-seeking

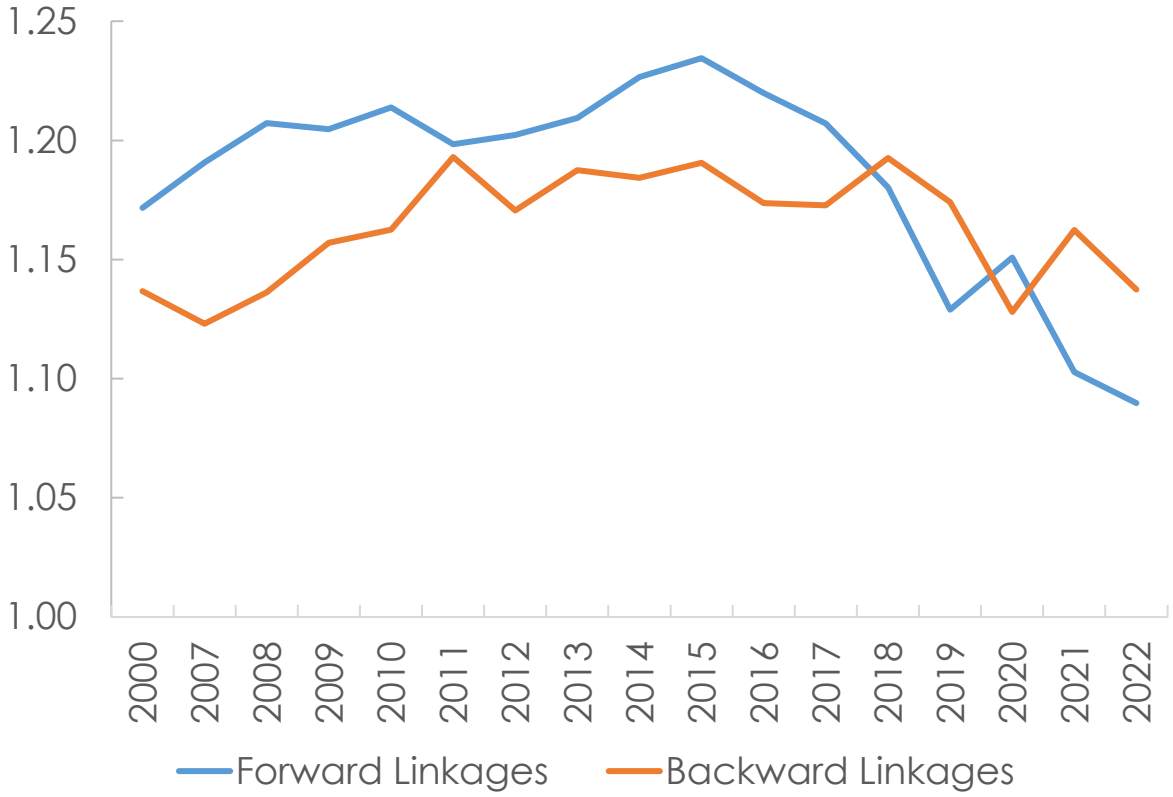
- Assess FDI's role in **industrial development** and enhance market-oriented policies
- Support **technology transfer** and R&D while enforcing investment protection (e.g. IP)
- Target FDI in **high-potential** sectors with deep GVC linkages

Market-seeking

- Nurture environment for joint ventures in expanding **domestic consumption market**
- Improve regulatory regimes in **services**
- Enhance **access** to key services via foreign affiliates (e.g. financial, digital) and **adapt** production to local needs

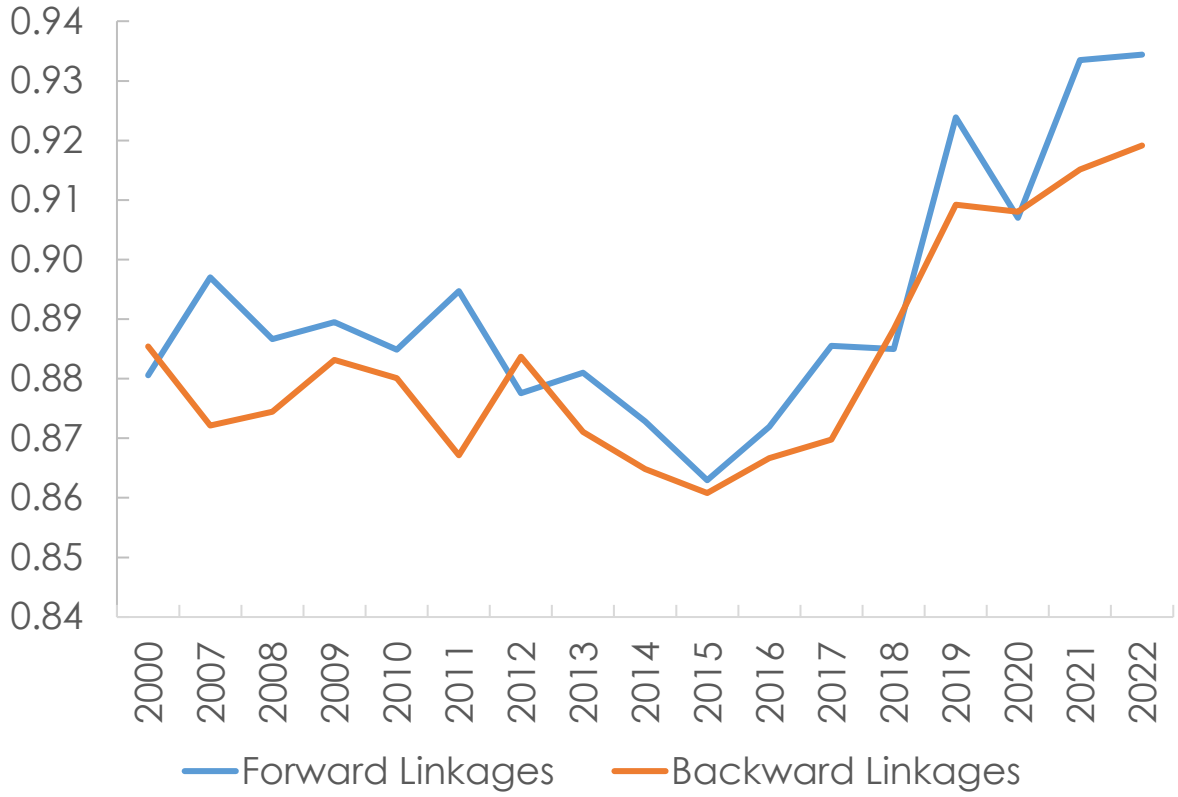
PRC's GVC linkages are becoming more regional and more diversified

The Geographical Distance of the PRC's GVC Linkages (geographical distance of GVC trade)



GVC = global value chain, PRC = People's Republic of China.
Note: Based on input-output tables in constant 2010 $.
Source: ADB Multi-Region Input-Output Tables.

Developments in the Diversification of the PRC's GVC Linkages (inverse Herfindahl index)

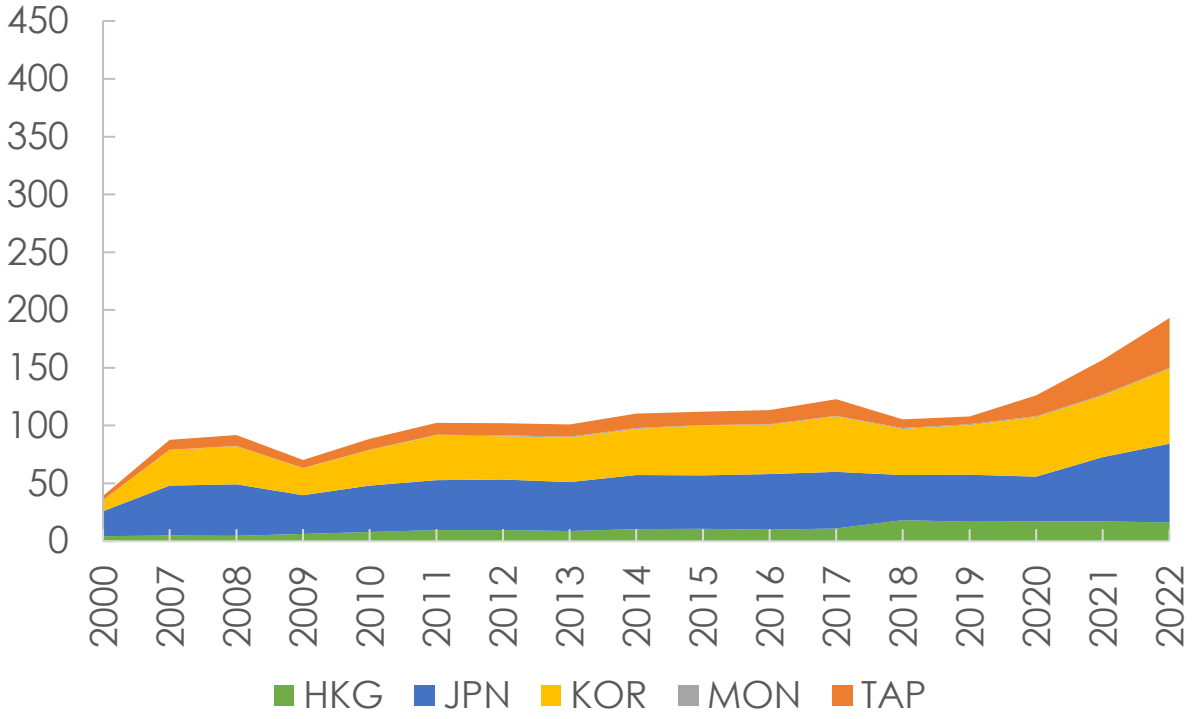


GVC = global value chain, PRC = People's Republic of China.
Note: Based on input-output tables in constant 2010 $.
Source: ADB Multi-Region Input-Output Tables.

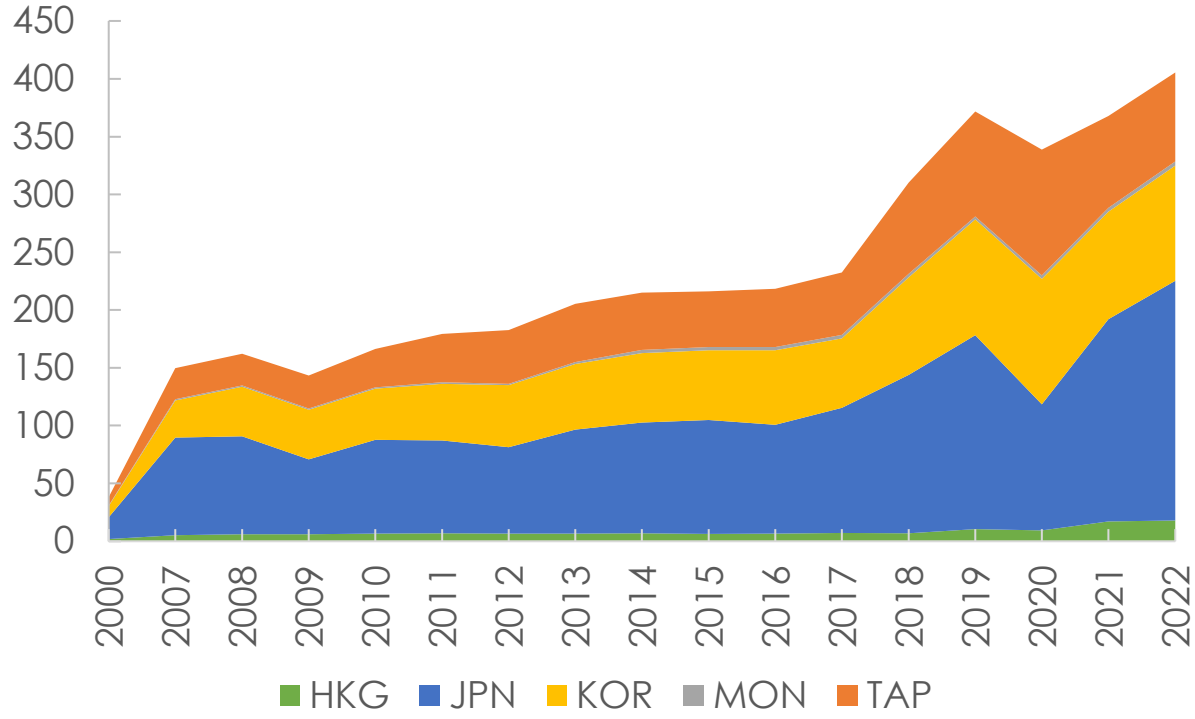
Growth in PRC GVCs with East Asia are mostly with backward linkages

PRC's Linkages in GVCs with East Asia ($ billion, in constant $)

(a) Forward linkages



(b) Backward linkages

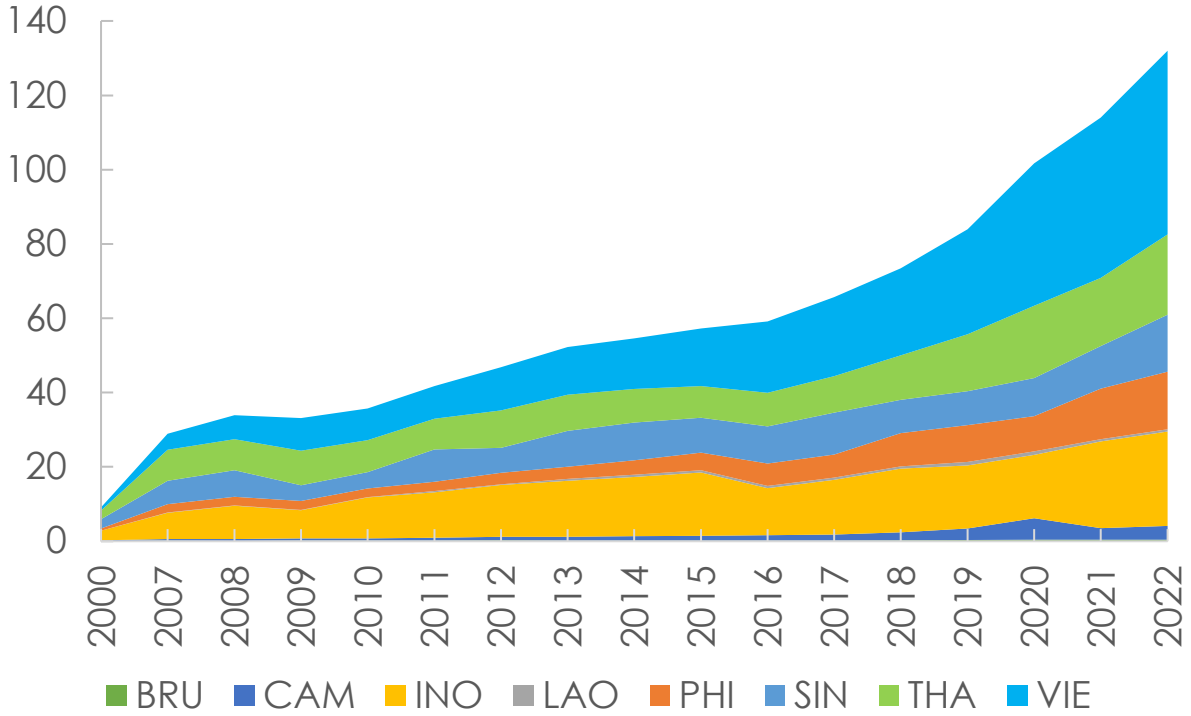


GVC = global value chain; HKG = Hong Kong, China; JPN = Japan; KOR = Republic of Korea; MON = Mongolia; PRC = People's Republic of China; TAP = Taipei,China.
Note: Based on input-output tables in constant 2010 $.
Source: ADB Multi-Region Input-Output Tables.

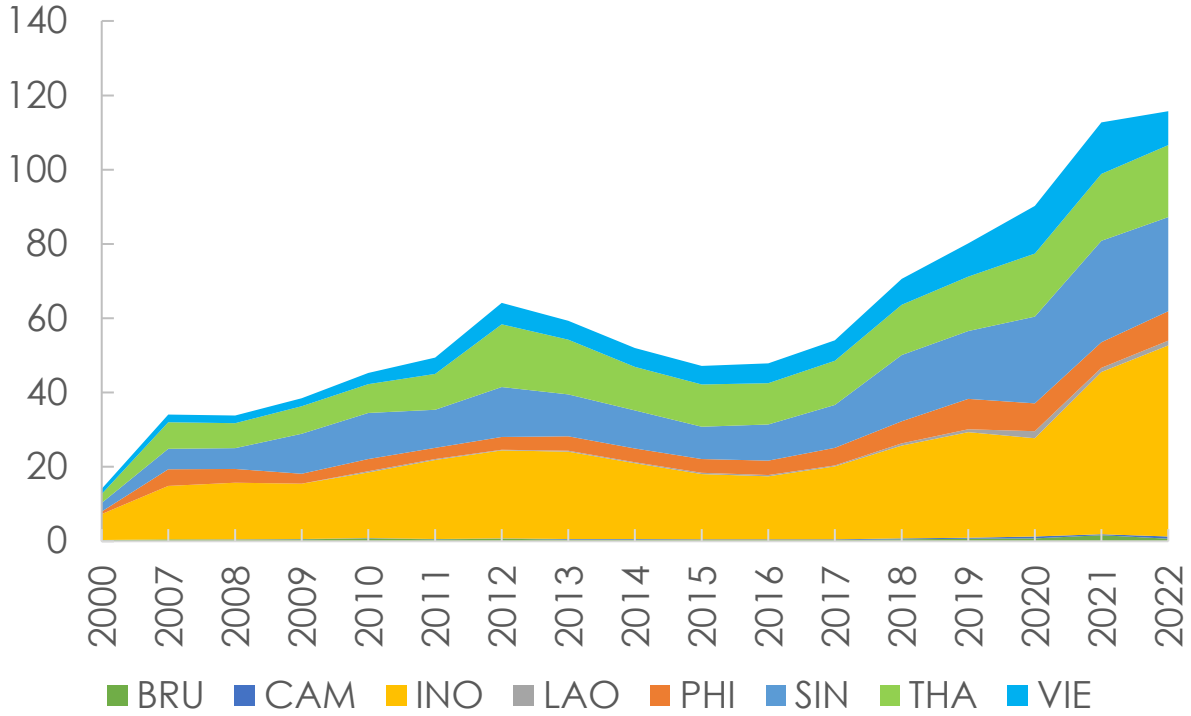
Growth in GVCs with southeast Asia are mostly with forward linkages

PRC's Linkages in GVCs with Southeast Asia ($ billion, in constant $)

(a) Forward linkages



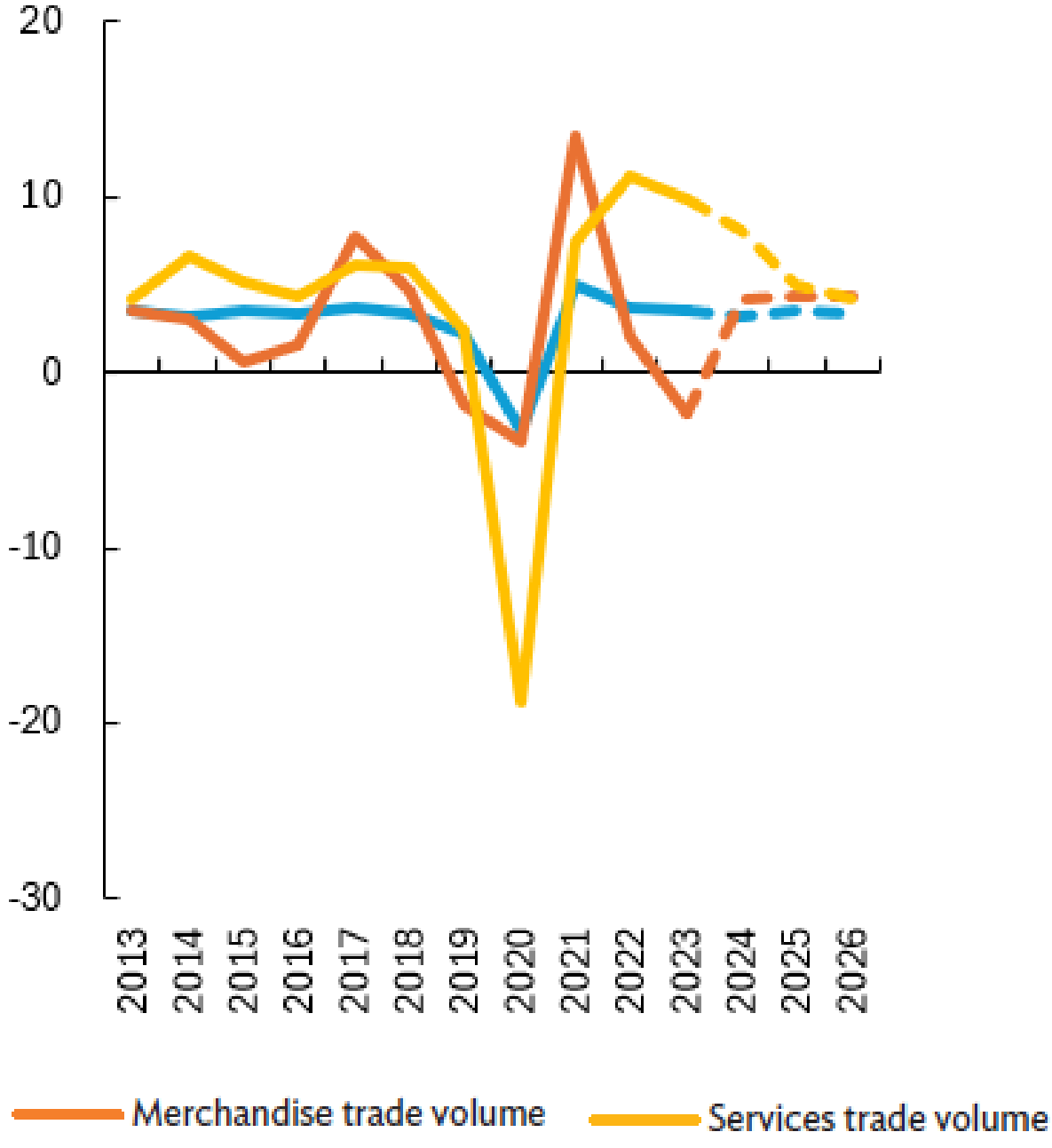
(b) Backward linkages



BRU = Brunei Darussalam, CAM = Cambodia, GVC = global value chain, INO = Indonesia, LAO – Lao People's Democratic Republic, PHI = Philippines, PRC = People's Republic of China, SIN = Singapore, THA = Thailand, VIE = Viet Nam.
Note: Based on input-output tables in constant 2010 $.
Source: ADB Multi-Region Input-Output Tables.

Merchandise and services trade growth in Asia (excluding PRC)

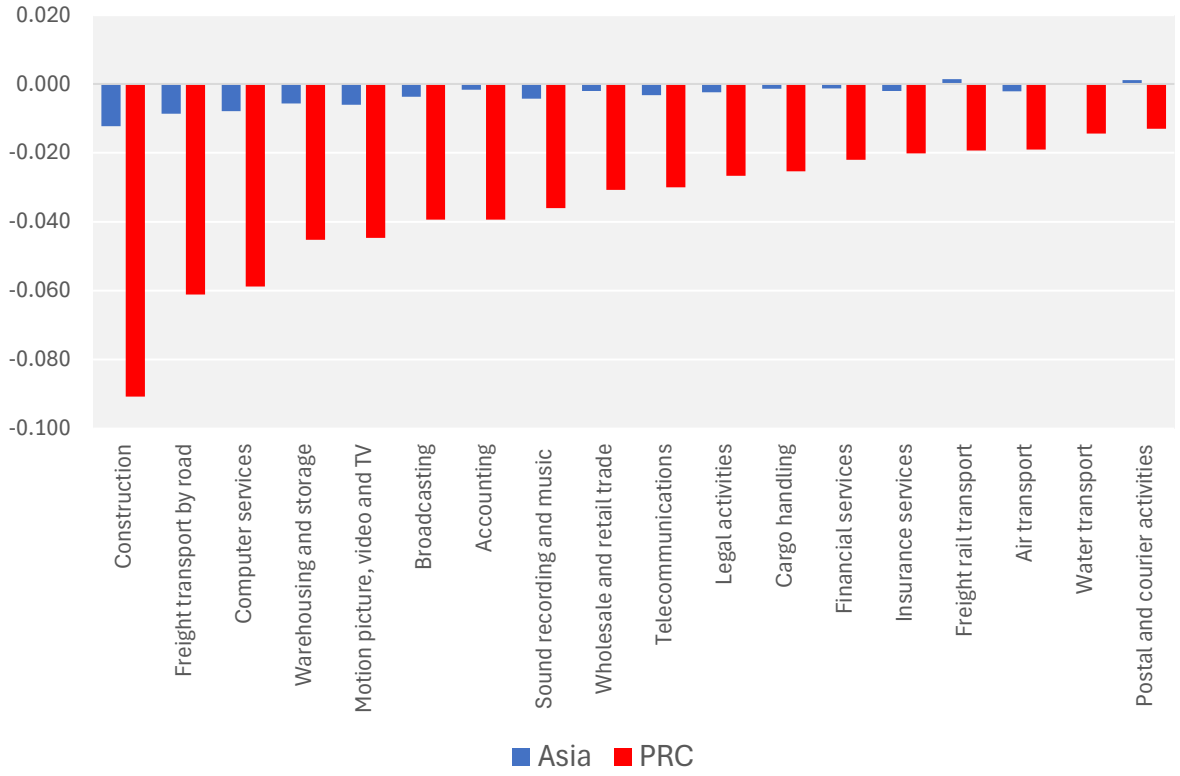
- **Services trade growth has been robust, increasing by 9.8% in 2023**
- Merchandise trade fell by 2.3% in 2023, but has bounced back in 2024



China has made significant progress in opening up services industries but still has far to go

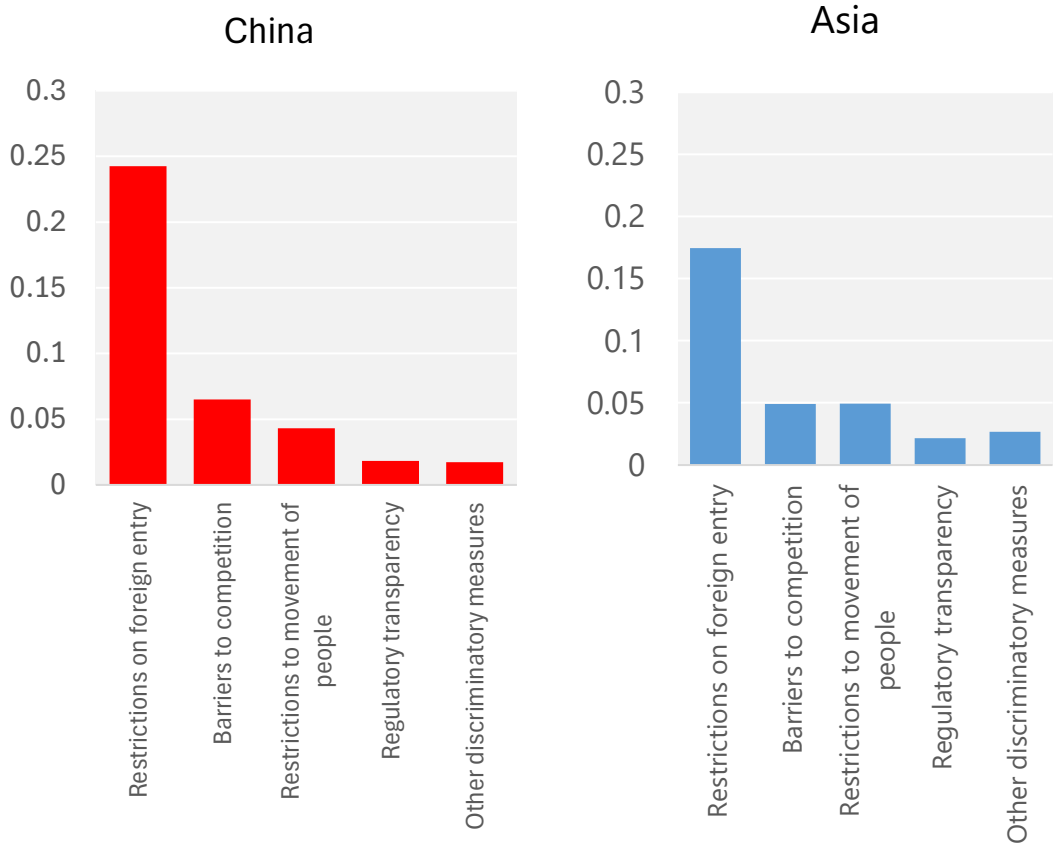
China has been a leading reformer in service regulations in construction, transport and computer services

Reductions in stringency of service regulations by sector 2022-2023



Restrictions to foreign entry in PRC have progressed but remain relatively high

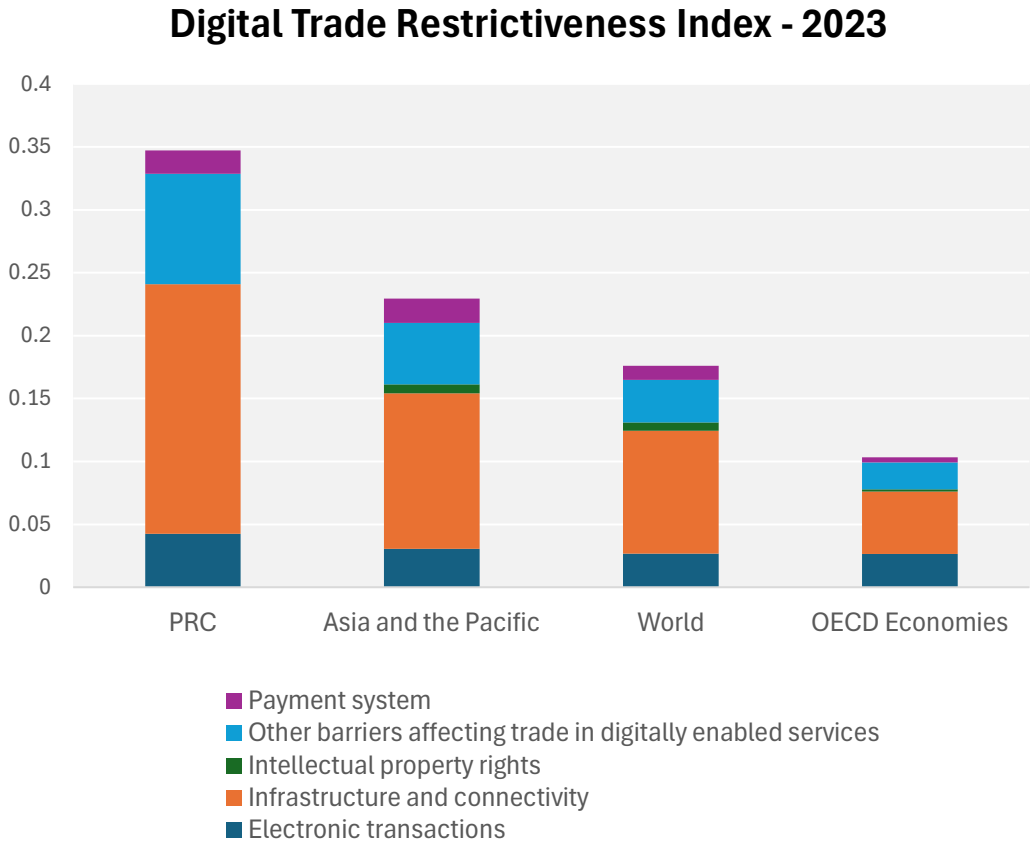
Services trade restrictions by policy -2023



Source: OECD Services Trade Restrictiveness Index, August 2024.

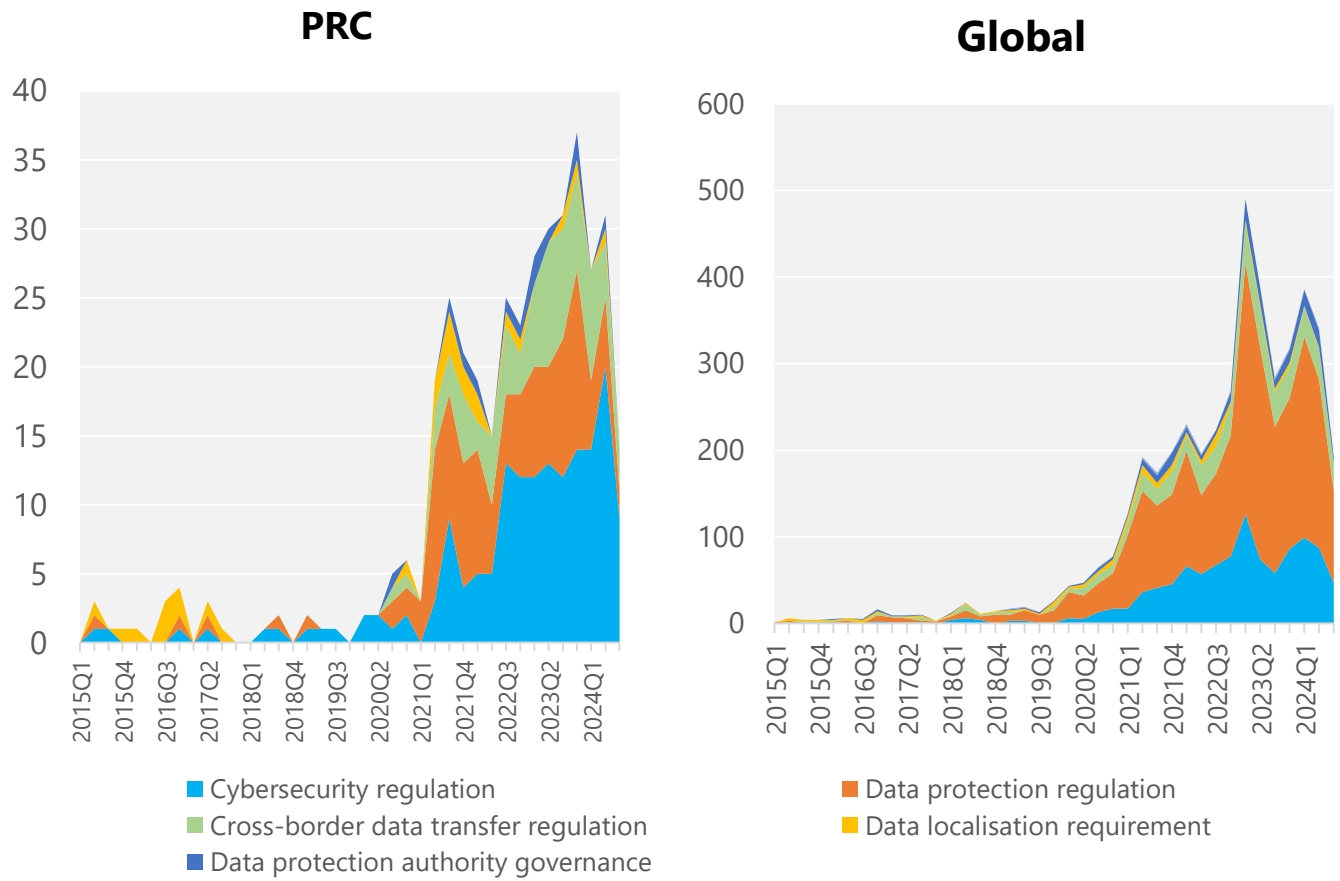
Asia's efforts to harmonize digital regulations and data governance should continue

Restrictive digital regulatory environments discourage digital services trade



Note: Scores range from 0 to 1, where 1 indicates the most restrictive regulatory environment.
Source: Authors based on OECD Digital Services Trade Restrictiveness Index.

Measures on cross-border data flows have increased globally and may hinder digital trade integration

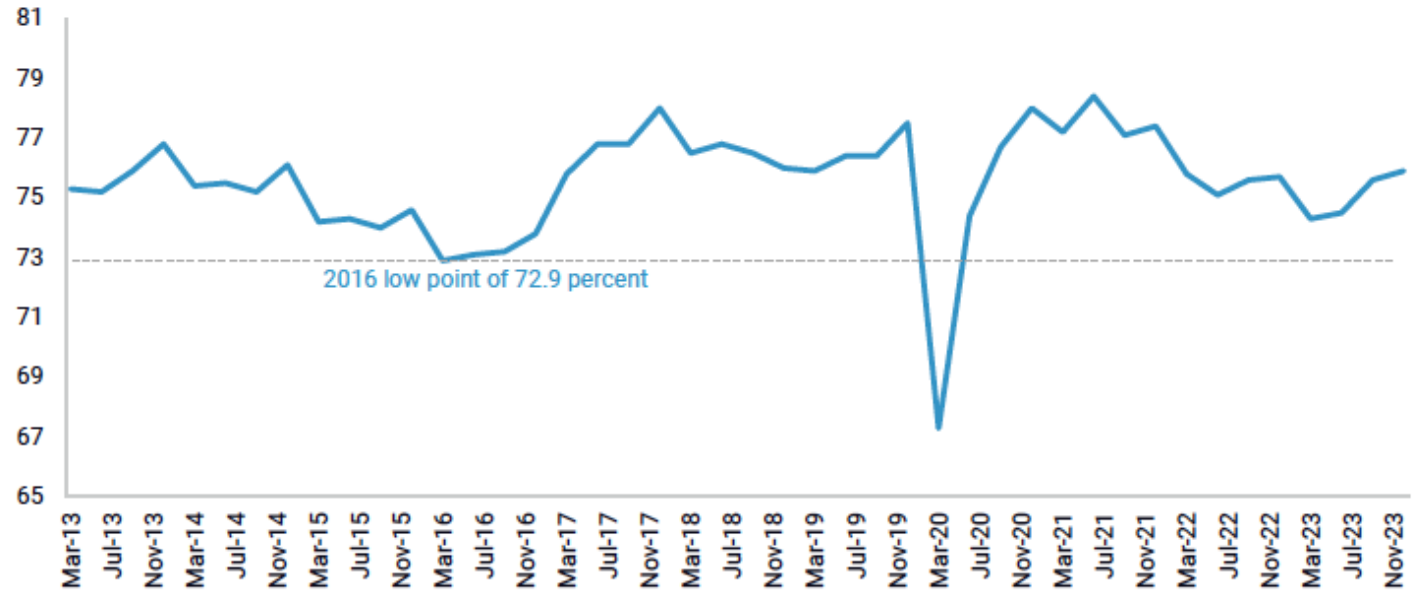


Source: Authors based on Digital Policy Alert, Sep. 2024

Is overcapacity a problem in China?

- Discussion of this issue has been highly politicized
- Concerns over (artificially?) cheap Chinese imports should be evaluated based on existing standards for assessing unfair trade as well as appropriate remedies
- Chinese industrial capacity utilization rate of 75% is not far from historical averages
- China's ability to produce new energy goods cheaply helps accelerate the global transition to net zero
- Efforts to promote consumption can reduce political tensions stemming from large Chinese trade surpluses

FIGURE 1
China's industrial capacity utilization rate, Q1 2013-Q4 2023
Percent



Source: China's National Bureau of Statistics

Trade, investment and industrial policies and spillover effects on EMDEs

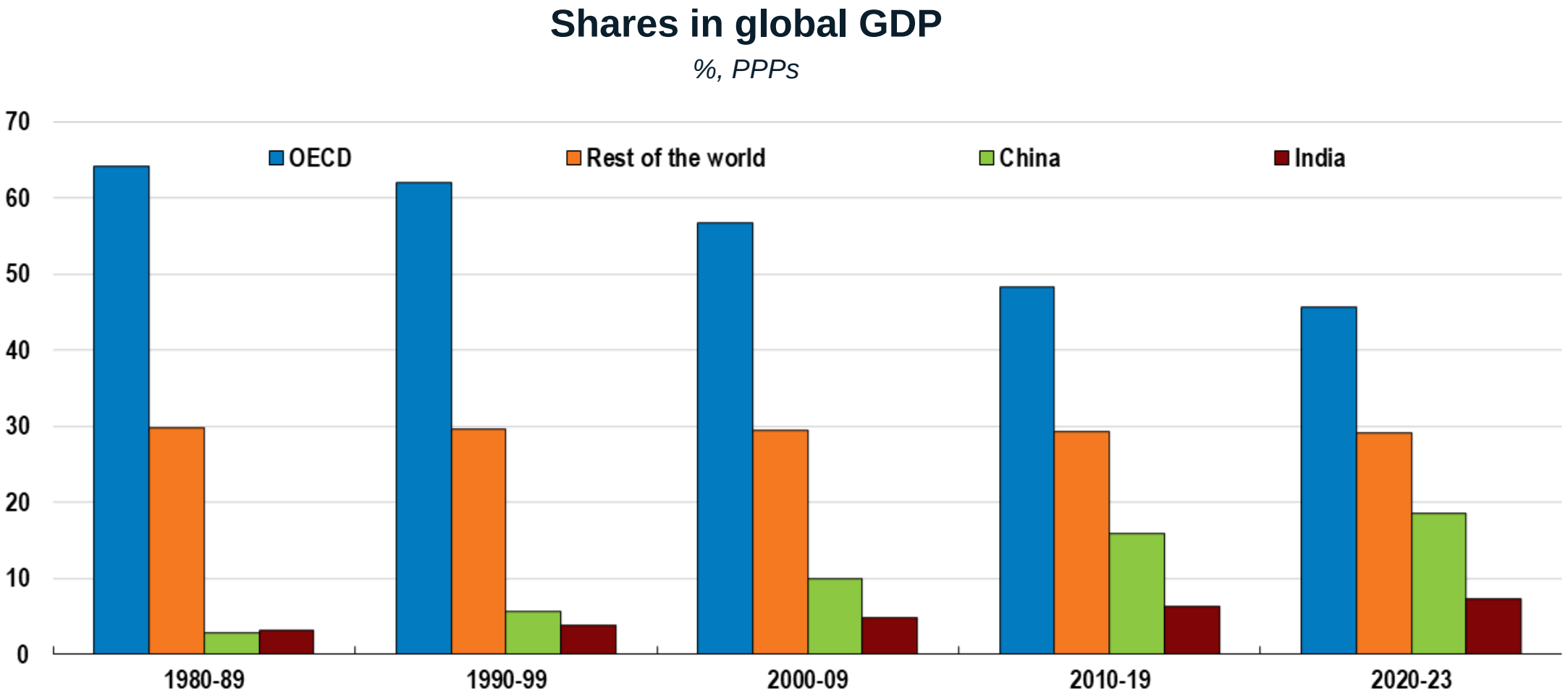
9th Meeting of the Network of Chief Economists of International Development Agencies and Finance Institutes

7 November 2024

Álvaro S. Pereira

OECD Chief Economist

The global balance of economic power is shifting



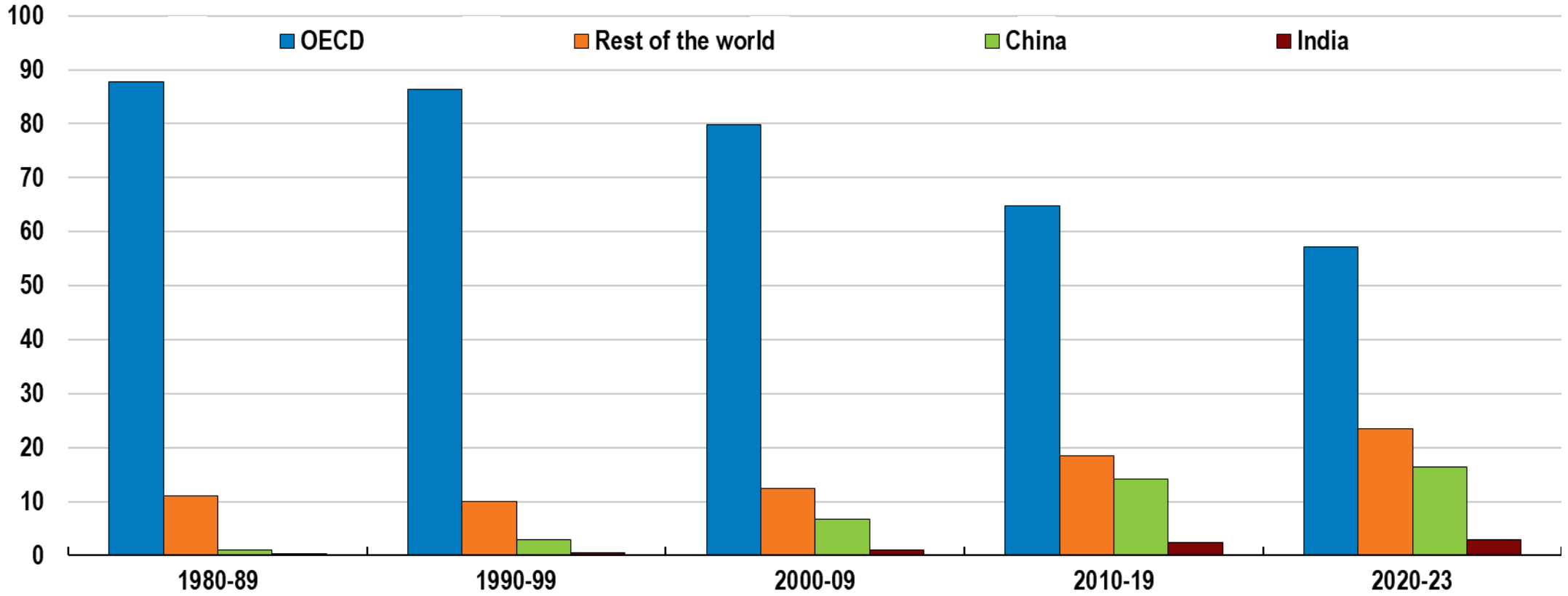
Source: OECD Interim Economic Outlook 116 database; and OECD calculations.

The global balance of economic power is shifting

Option (non-PPP , current exchange rate)

Shares in global GDP

nominal GDP converted to USD, %

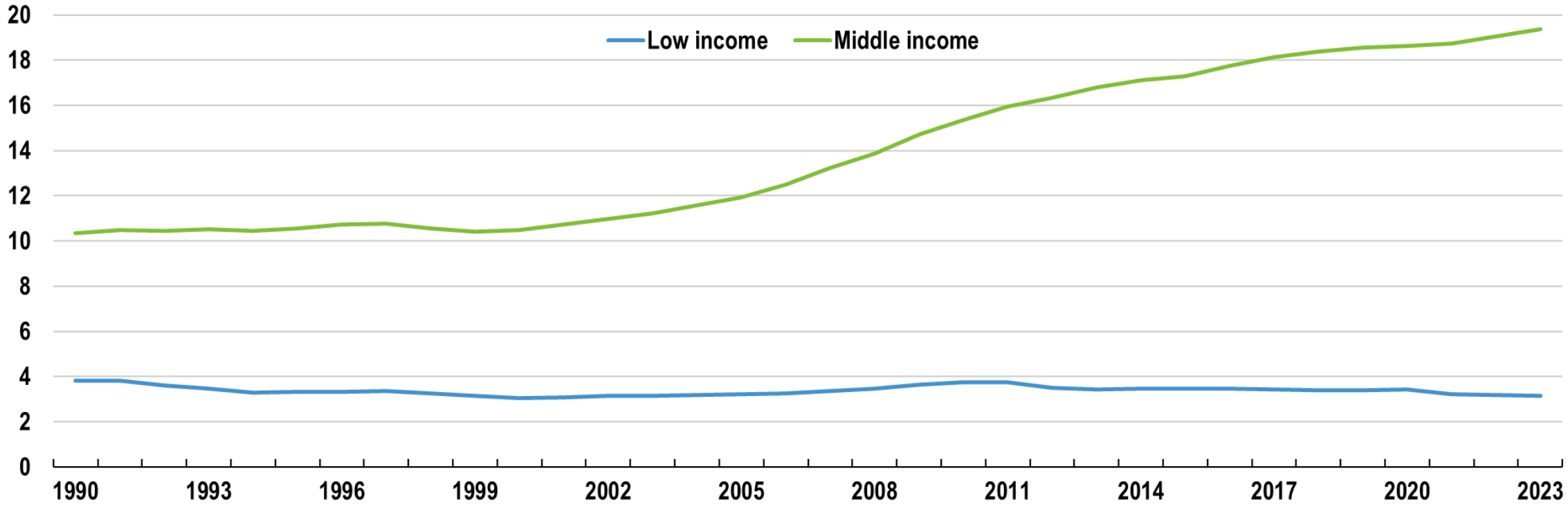


Source: OECD Interim Economic Outlook 116 database; and OECD calculations.

Income convergence has not been happening for many low-income countries

GDP per capita

% of USA GDP per capita, 2021 PPPs



Note: GDP data converted to USD using 2021 PPP.
Source: World Bank; and OECD calculations.

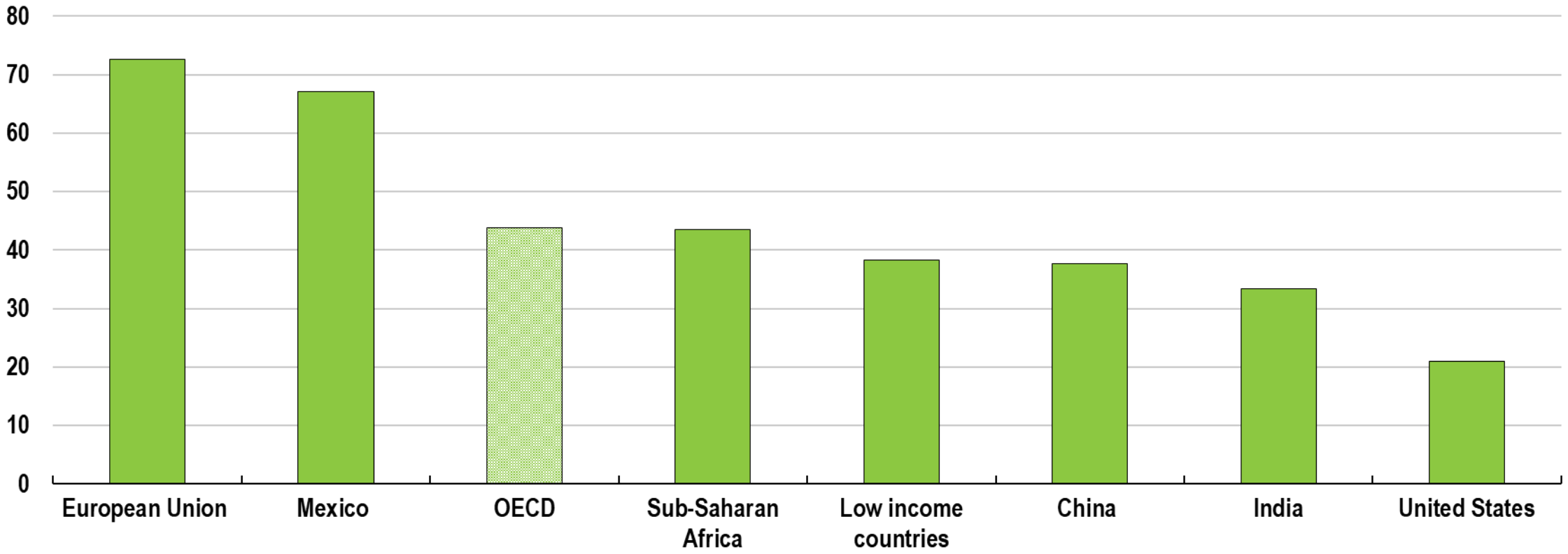
The world has become far more integrated

Note: Goods and services trade volume.
Source: OECD Economic Outlook database; and OECD calculations.

Trade intensity varies across EMDEs

Trade intensity

Merchandise trade, % of GDP, average 2010 - 2023

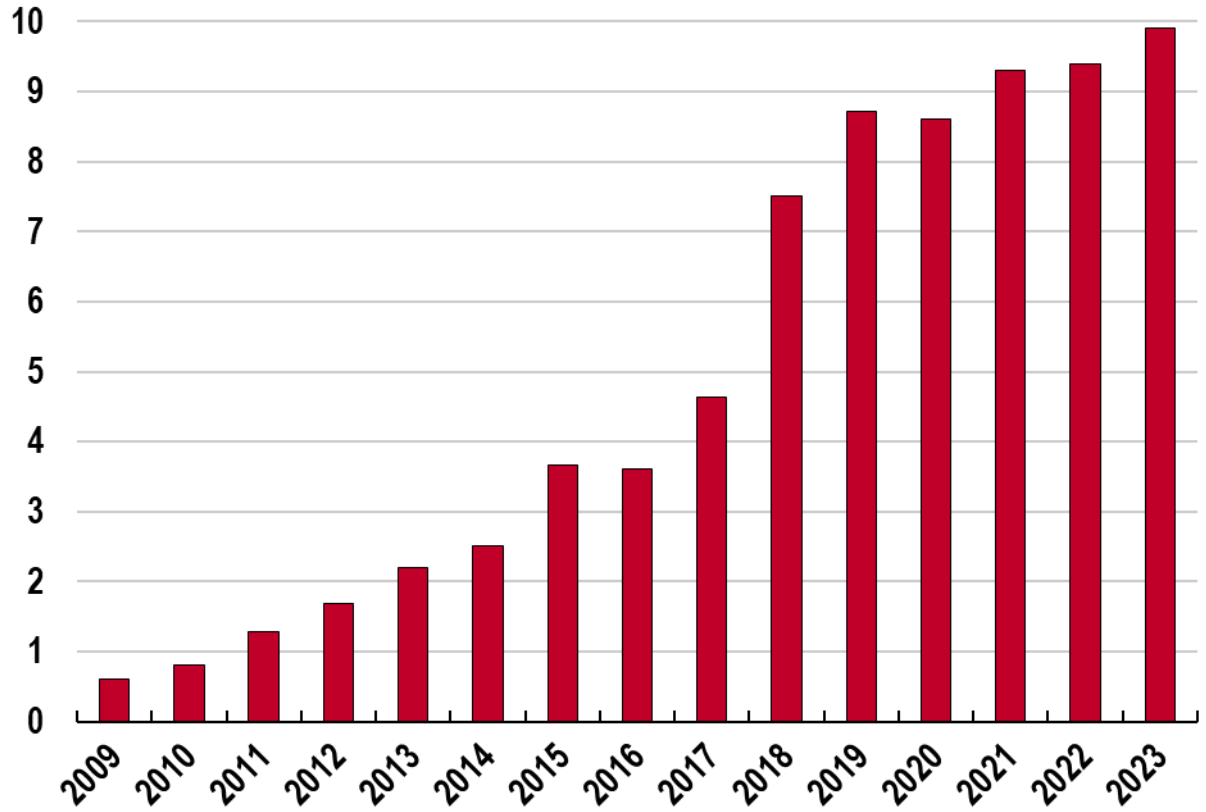


Note: Merchandise trade as a share of GDP is the sum of merchandise exports and imports divided by the value of GDP, all in current U.S. dollars. High-income economies are those in which 2023 Atlas GNI per capita was more than $14,005. Low-income economies are those in which 2023 Atlas GNI per capita was $1,145 or less. Sub-Saharan Africa includes all of Africa except Morocco, Algeria, Libya, Tunisia, Egypt, and Djioubti.
Source: World Bank Development Indicators.

Trade restrictions have been on the rise

Import-restrictive measures on goods

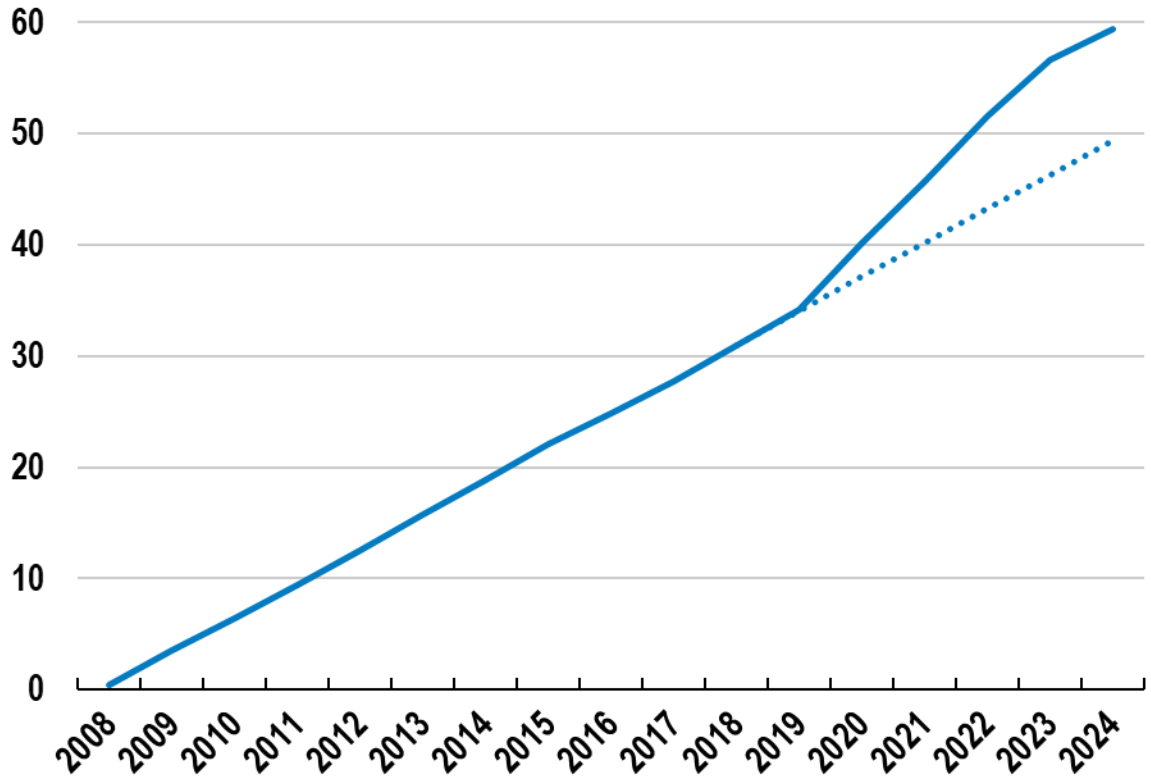
% of world merchandise imports



Note: The chart denotes the cumulative trade coverage of import restrictions on goods, i.e., the stockpile of import restrictions, since 2009. 2022e figures are estimates, based on 2021 import data and measures recorded up to 15 October 2022. The cumulative trade coverage estimated by the WTO Secretariat is based on information available in the WTO Trade Monitoring Database (TMDB) on import measures recorded since 2009 and considered to have a trade-restrictive effect. The estimates include import measures for which Harmonised System codes (HS codes) were available. The figures do not include trade remedy measures and sanctions. The import values were sourced from the UN Comtrade database.
Source: WTO November 2022 report.

Harmful trade measures

Thousands, currently in force since 2008

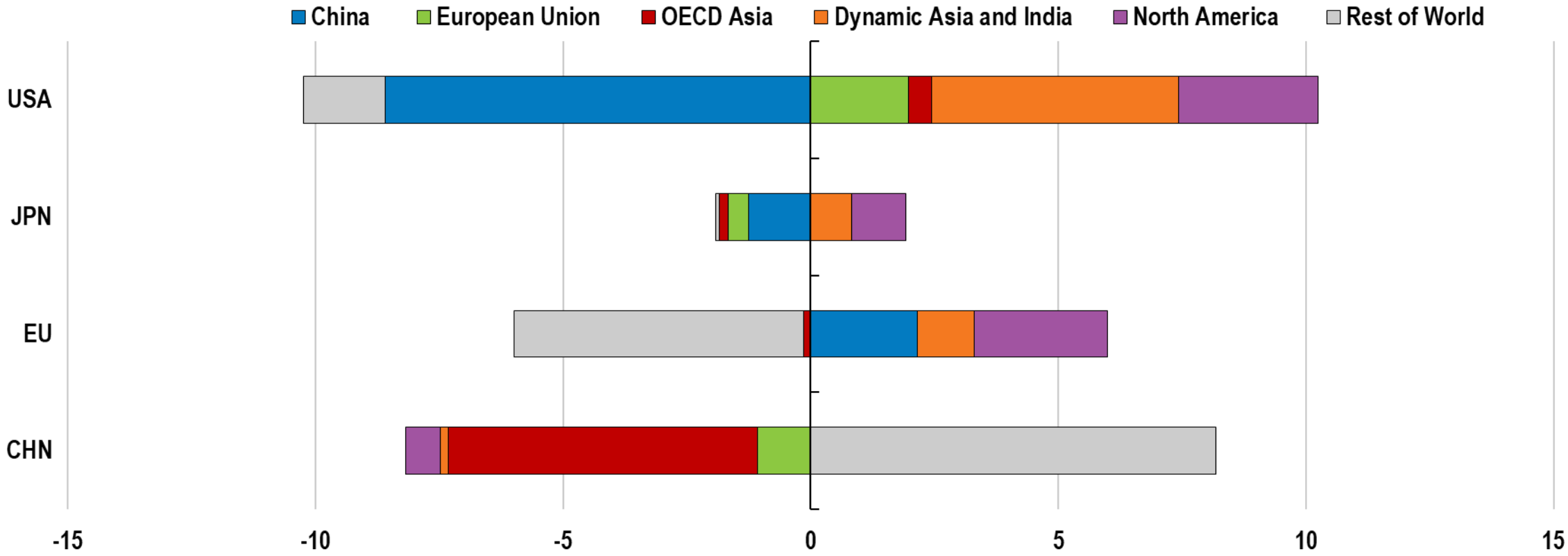


Note: Line shows the cumulative number of harmful trade measures (e.g., tariff, subsidy, etc.) implemented since 2008 . Dotted line is the trend based on historical data from 2008 – 2019.
Source: Global trade alert.

Trade patterns have been already shifting

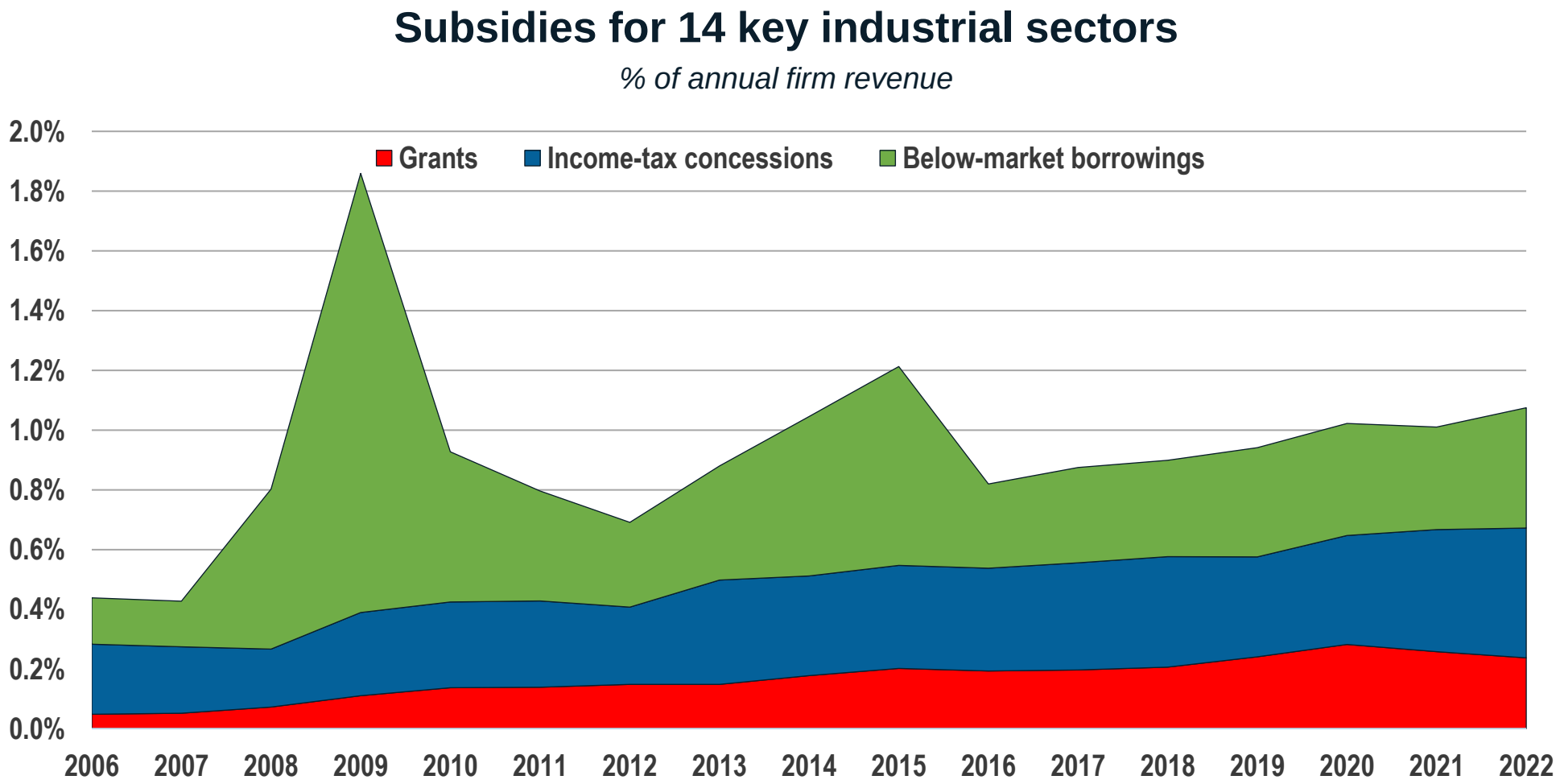
Change in nominal manufacturing goods import shares

%, between 2018 and 2024H1



Note: All data in value terms (local currency). Manufacturing import statistics based on: Japan - HS classification applied by custom authorities; EU and USA - Standard Industry Trade Classification (SITC). The manufacturing classification does not include food, beverages and fuels. OECD Asia includes Korea and Japan. Dynamic Asia includes Chinese Taipei, Hong Kong (China), Malaysia, Philippines, Singapore, Thailand, and Viet Nam. North America includes the United States, Mexico, and Canada. Rest of world incudes all other countries not mentioned elsewhere in the chart.
Source: National Statistics Centre of Japan; Eurostat; United States Census Bureau; and OECD calculations.

The use of industrial policies has also been on a trend rise

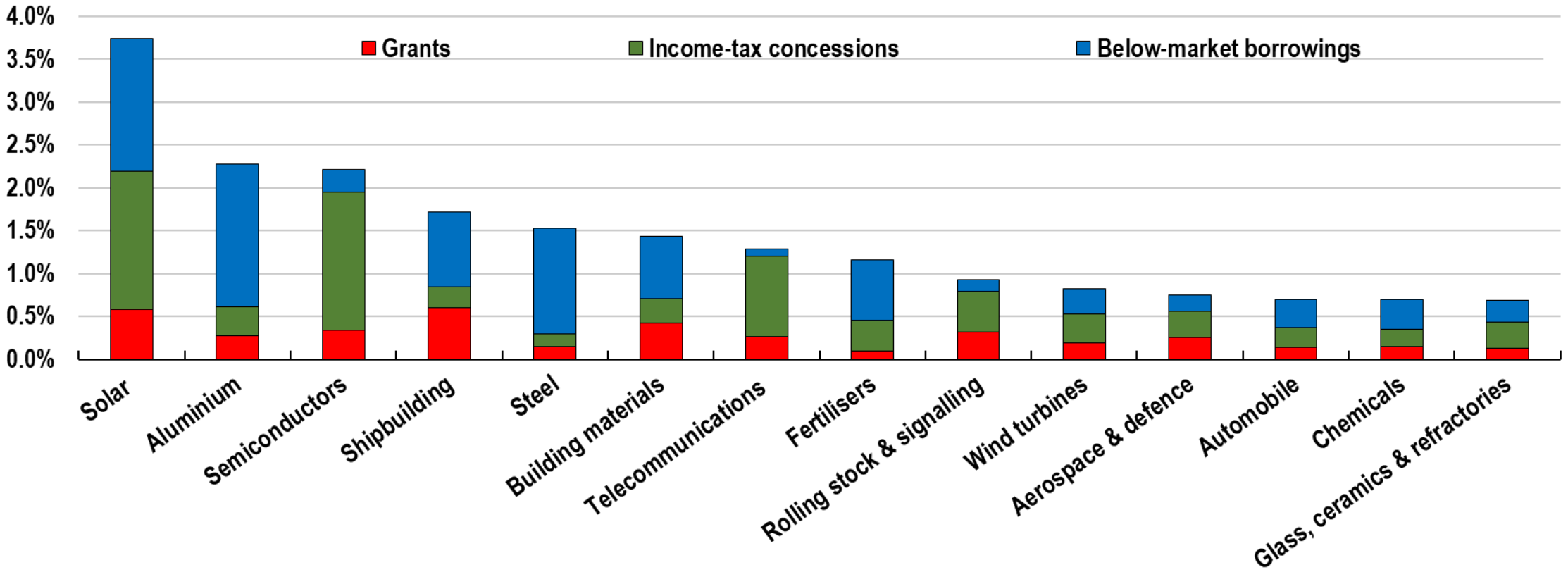


Source: OECD MAGIC database.

Solar panels, semiconductors and heavy industries are large recipients

Industrial subsidies by sector, average for 2005-22

% of annual firm revenue

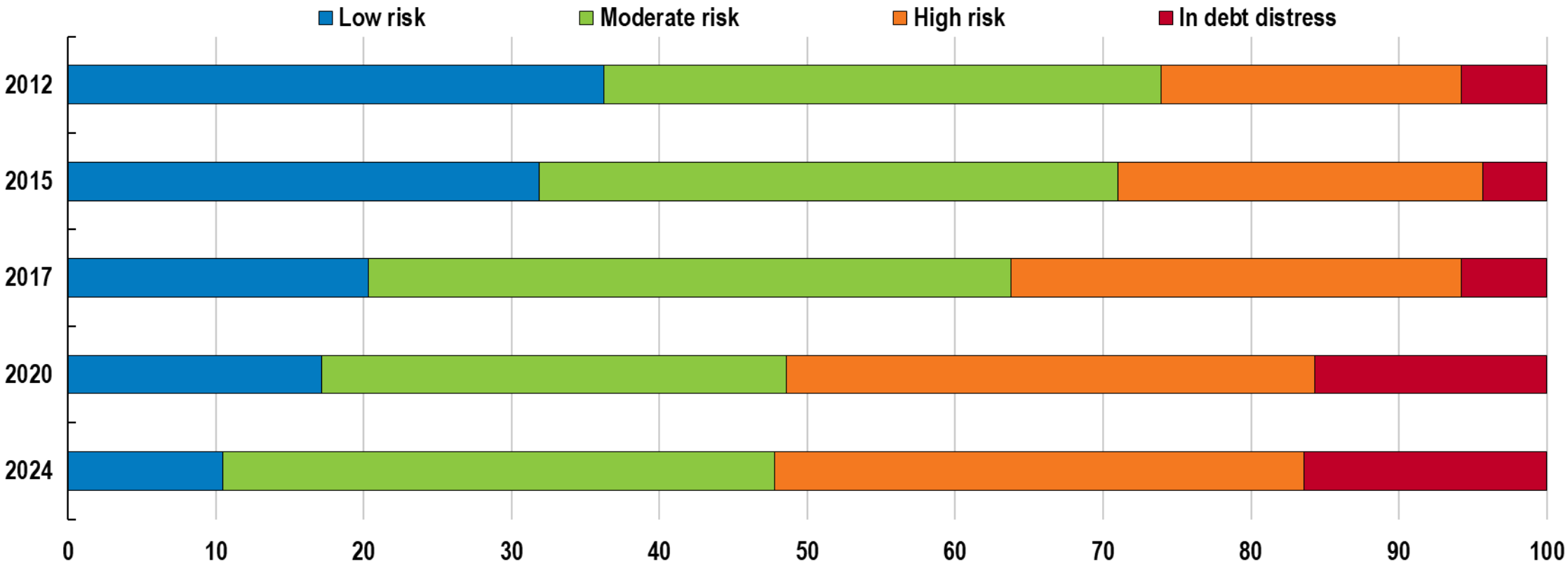


Source: OECD MAGIC database.

Financing may be particularly challenging in EMDEs

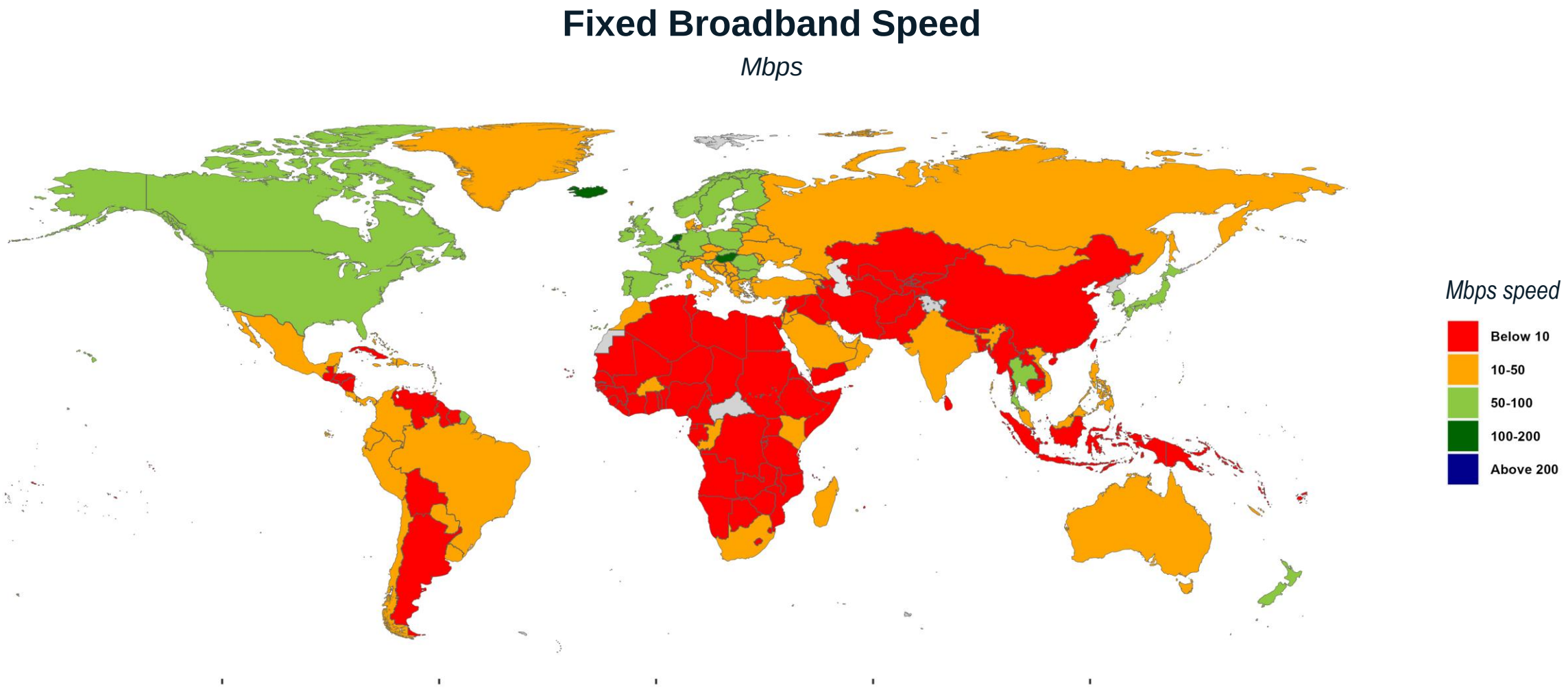
Low-income countries at risk of debt distress

%, share of countries in WB-IMF's Debt Sustainability Analysis



Note: The chart shows 68 low-income countries at risk of debt distress based on World Bank-IMF's Debt Sustainability Analysis (DSAs) for PRGT-eligible countries (where PRGT is Poverty Reduction and Growth Trust), as of August 2024. Debt distress is defined according to the assessment of the World Bank-IMF Debt Sustainability Analyses, where DSA ratings are based on a composite indicator that includes assessments on external public debt indicators and ongoing debt restructuring. 2012 data are from October; 2015 data are from March; 2020 data are from January; and 2017, and 2024 data are from September.
Source: World Bank; International Monetary Fund (IMF); and OECD calculations.

EMDEs lag behind in digital infrastructure

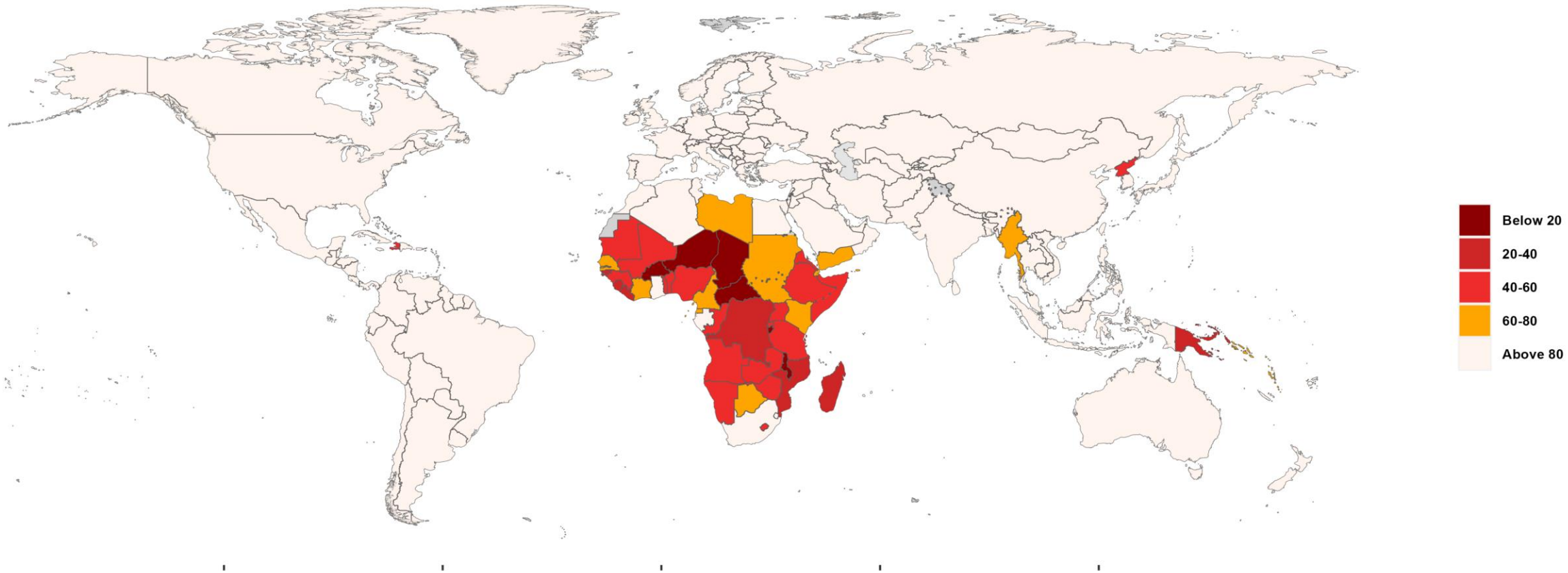


Note: Non-available data is marked by a grey area.
Source: https://www.visualcapitalist.com/mapped-the-fastest-and-slowest-internet-speeds-in-the-world/ based on Cable.co.uk.

Sub-Saharan Africa lacks widespread electricity access

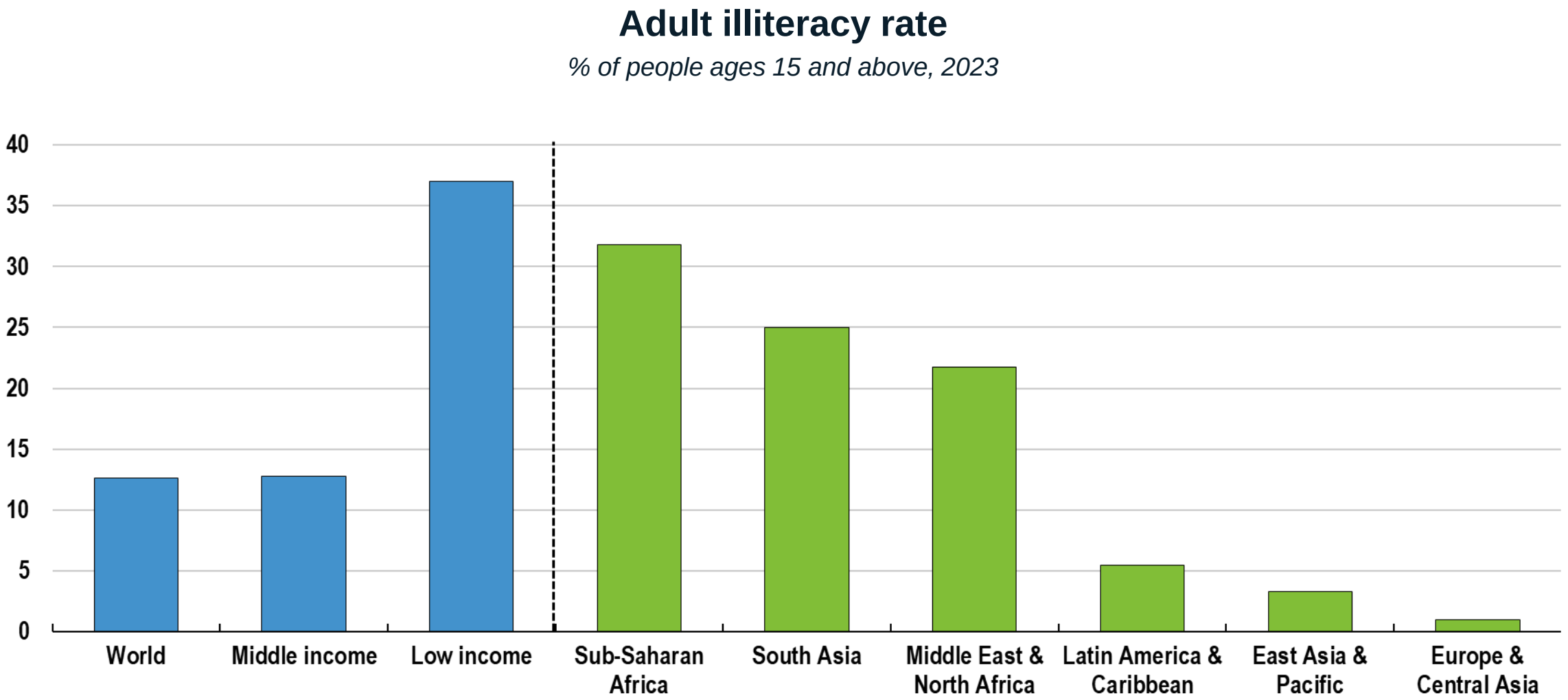
Share of the population with access to electricity

2021



Note: Having access to electricity is defined in international statistics as having an electricity source that can provide very basic lighting, and charge a phone or power a radio for 4 hours per day.
Source: Our World in Data, based on data compiled from multiple sources by World Bank.

Illiteracy rate varies across income levels and regions

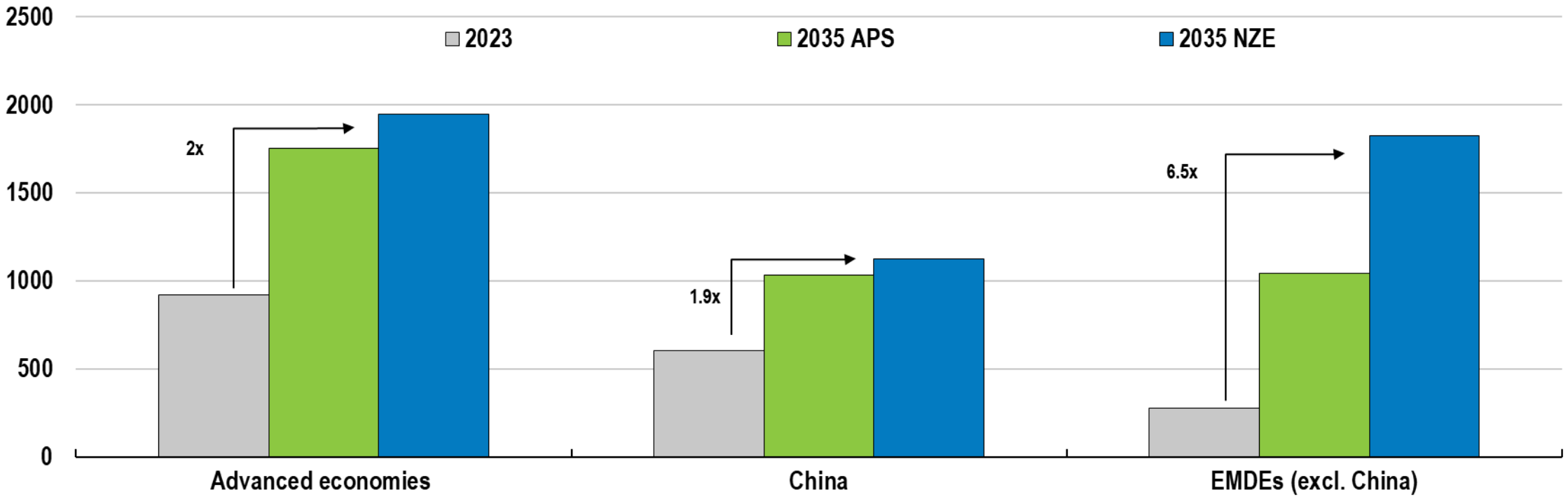


Note: For Sub-Saharan Africa, Middle East & North Africa, Latin America & Caribbean, East Asia & Pacific, and Europe & Central Asia, high income countries are excluded. For Sub-Sahara Africa, the number is UNESCO's estimation.
Source: World Development Indicators, and OECD calculations.

Investment needs for the green transition are large

Clean energy investment in the APS and NZE scenario to 2035

Billion USD, 2023

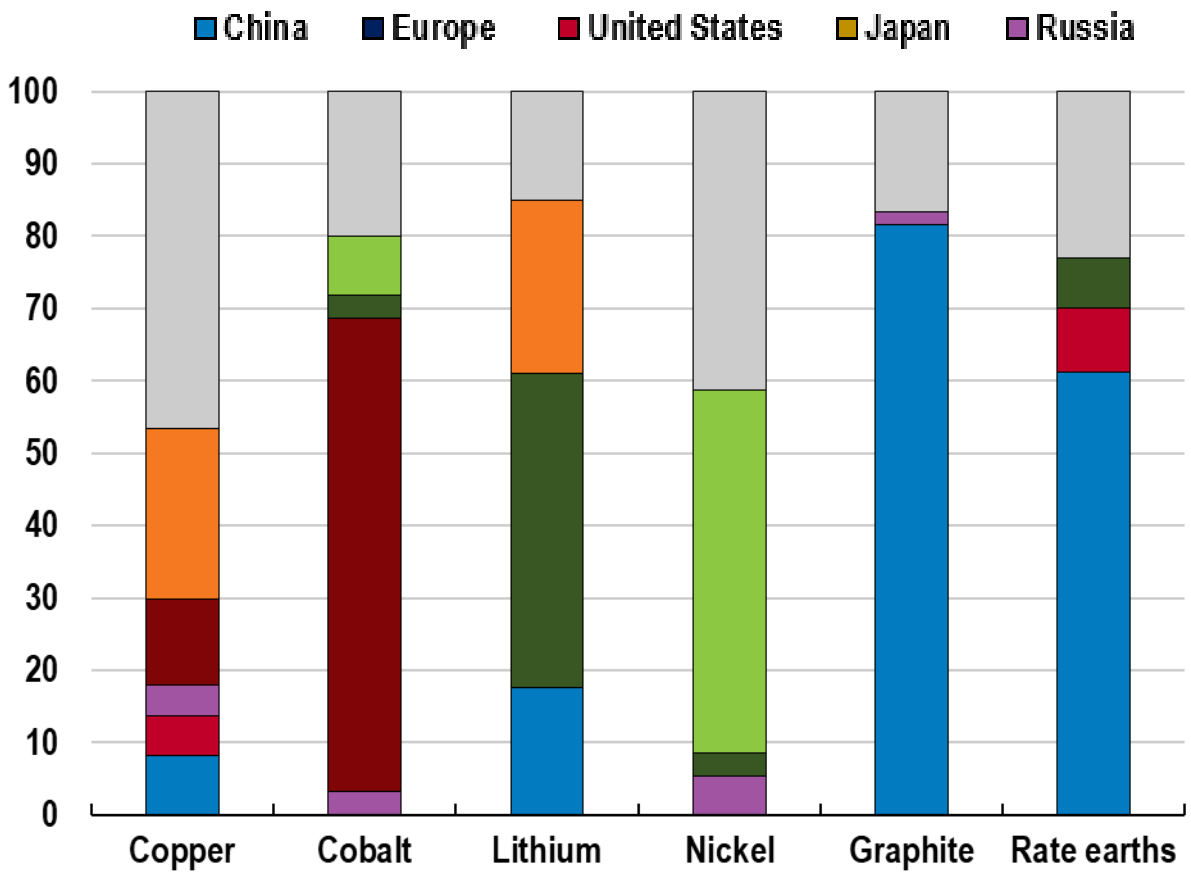


Note: EMDEs includes all countries that are not OECD, Bulgaria, Croatia, Cyprus, Malta, and Romania. APS refers to Announced Pledges Scenario. NZE refers to Net Zero Emissions Scenario.
Source: IEA

Critical mineral value chains are very concentrated

Critical mineral mining

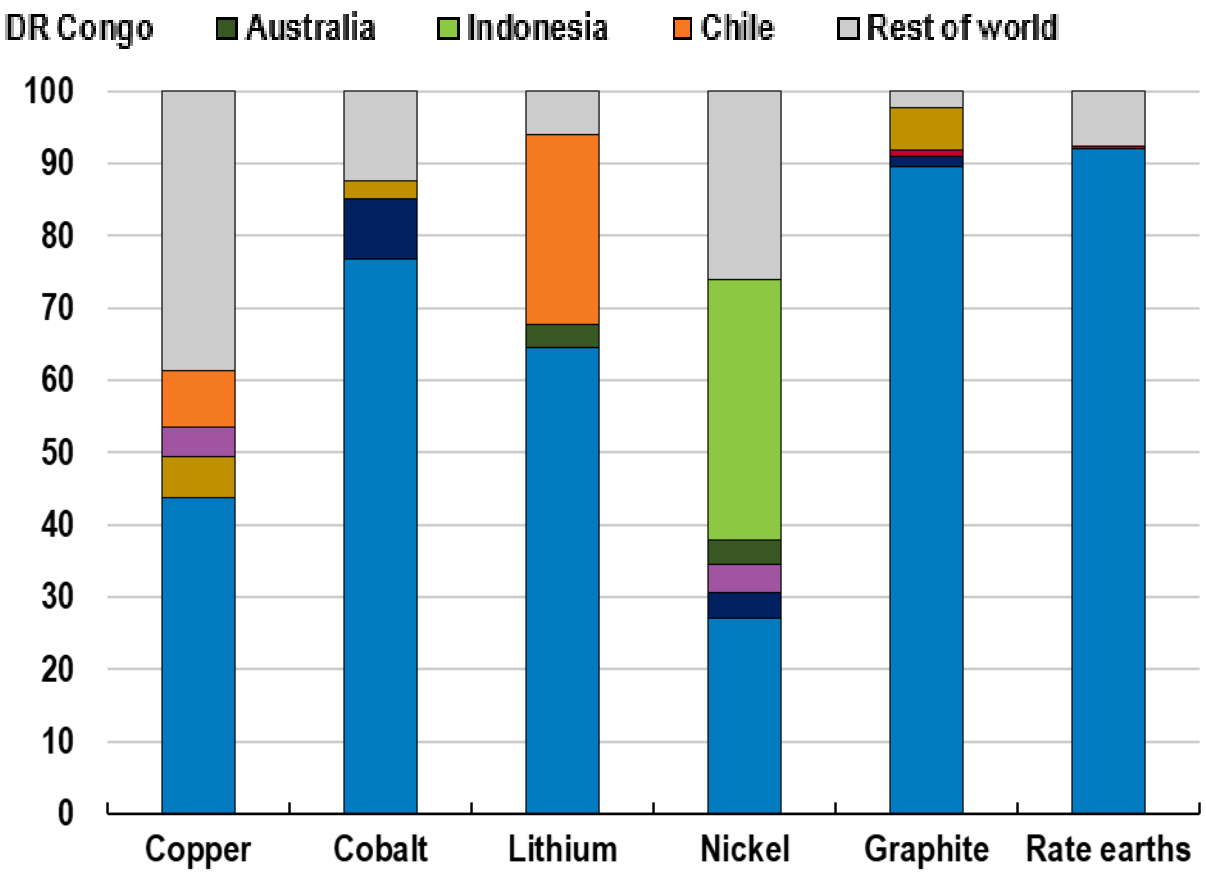
Share, 2023



Source: IEA Critical Minerals Data Explorer; and OECD calculations.

Critical mineral refining

Share, 2023



Source: IEA Critical Minerals Data Explorer; and OECD calculations.

OECD

Some key issues

- Convergence is weak in low-income countries and slowing global trade could weigh on growth opportunities for EMDEs
- Trade restrictions and industrial policies are on the rise
- …but restructuring of global value chains also creates opportunities
- Financing remains a key challenge and can hamper the ability to benefit from trade, and the climate and energy transitions
- EMDEs need to boost their attractiveness as an investment destination by reforms in:
    - Rule of law and enforcement
    - Informality
    - Competition and market openness
    - Infrastructure & Skills

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Global Economic Prospects

Indermit Gill

November 7, 2024

Based on work by World Bank Group economists

A classification of economies

	POPULATION *(share of global population)*	GDP *(share of global economic activity)*	EXTREME POVERTY *(share of global population)*	CO_2 EMISSIONS *(share of global emissions)*
LOW INCOME	8.9%	0.6%	36.5%	0.5%
LOWER MIDDLE INCOME *($1,136-$4,465 GNI per capita)*	40.3%	8.3%	55.4%	15.7%
UPPER MIDDLE INCOME *($4,466-$13,845 GNI per capita)*	35.1%	30.3%	7.1%	48.6%
HIGH INCOME	15.7%	60.8%	1.0%	35.2%

Six serious problems

- Slowing growth—in high-, middle-, and low-income economies
- Debilitating debt—urgent in low-income economies
- Low investment—a problem in seemingly healthy economies
- Distorted trade—weak WTO means greater unpredictability
- Climate change—low resilience in poorer half of the world
- Intensifying conflict—in Central Europe, Middle East and East Africa

A stabilizing global economy

- Stabilizing, but to lower growth rates than before COVID
- Inflation rates are coming down, but will remain higher than before COVID
- Interest rates easing, but will remain higher than in in the 2010s

Global Growth

GDP growth rates

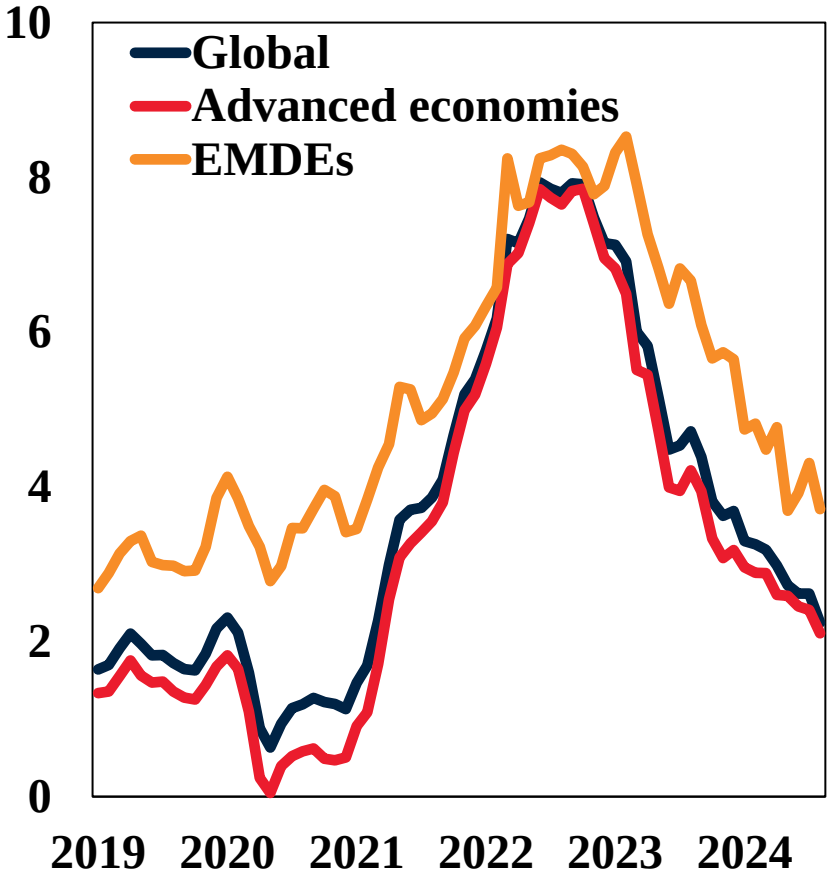
(Percent)

					Change from June 2024	
	2010-19	**2023**	**2024e**	**2025f**	**2024**	**2025**
World	**3.1**	**2.6**	**2.6**	**2.7**	**0.0**	**0.0**
Advanced economies	**2.0**	**1.5**	**1.6**	**1.7**	**0.1**	**0.0**
Excluding the United States	***1.8***	***0.9***	***0.9***	***1.6***	***0.0***	***-0.1***
EMDEs	**5.1**	**4.2**	**4.0**	**4.0**	**0.0**	**0.0**
Excluding China	***3.7***	***3.5***	***3.5***	***3.9***	***0.0***	***-0.1***
East Asia and Pacific	**7.2**	**5.1**	**4.8**	**4.4**	**0.0**	**0.2**
Europe and Central Asia	**3.2**	**3.3**	**3.2**	**2.6**	**0.2**	**-0.3**
Latin America and the Caribbean	**2.2**	**2.2**	**2.0**	**2.5**	**0.2**	**-0.2**
Middle East and North Africa	**3.3**	**1.7**	**1.9**	**3.9**	**-0.9**	**-0.3**
South Asia	**6.7**	**6.6**	**6.4**	**6.3**	**0.2**	**0.1**
Sub-Saharan Africa	**3.6**	**2.8**	**3.3**	**4.1**	**-0.2**	**0.2**
IDA	**4.8**	**3.7**	**4.1**	**4.5**	**-0.2**	**0.0**

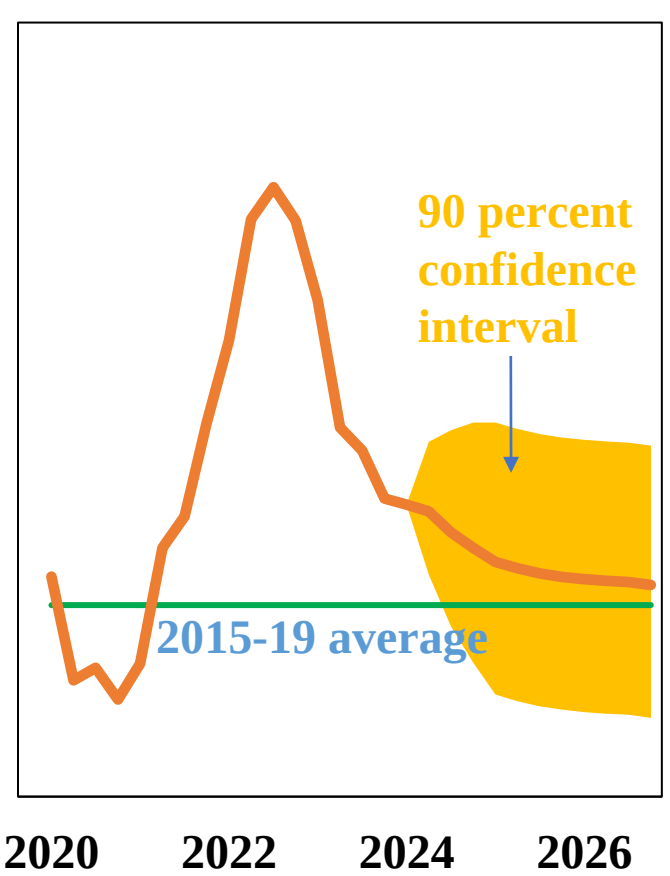
Source: World Bank. Note: Aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates; e and f refer to estimates and forecasts, respectively.

Global Inflation

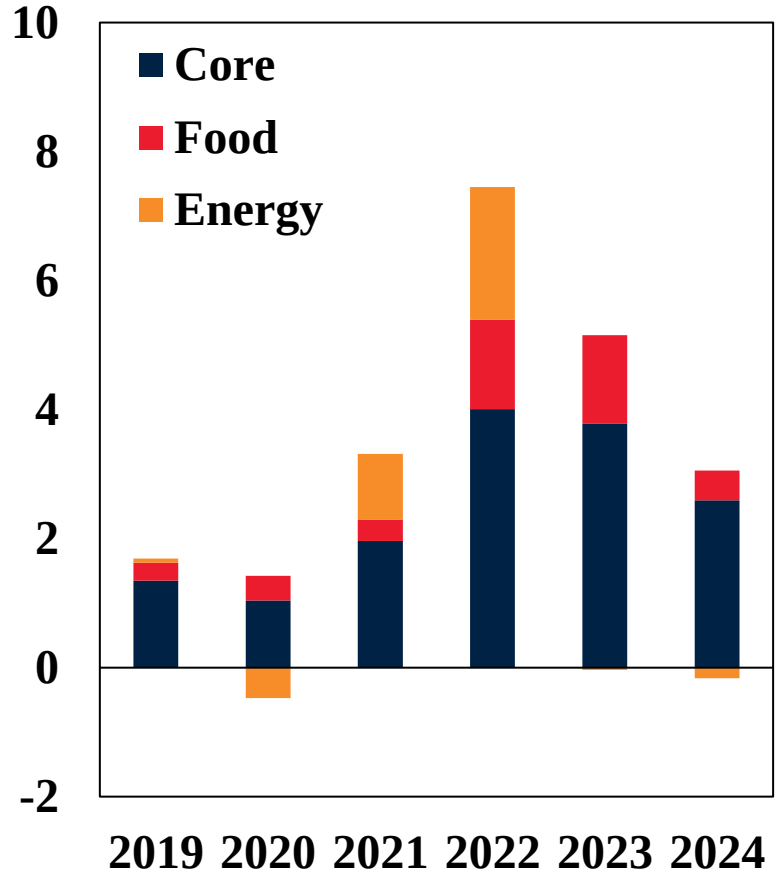
Headline CPI inflation
(Percent, year-on-year)



Global CPI inflation forecasts
(Percent)

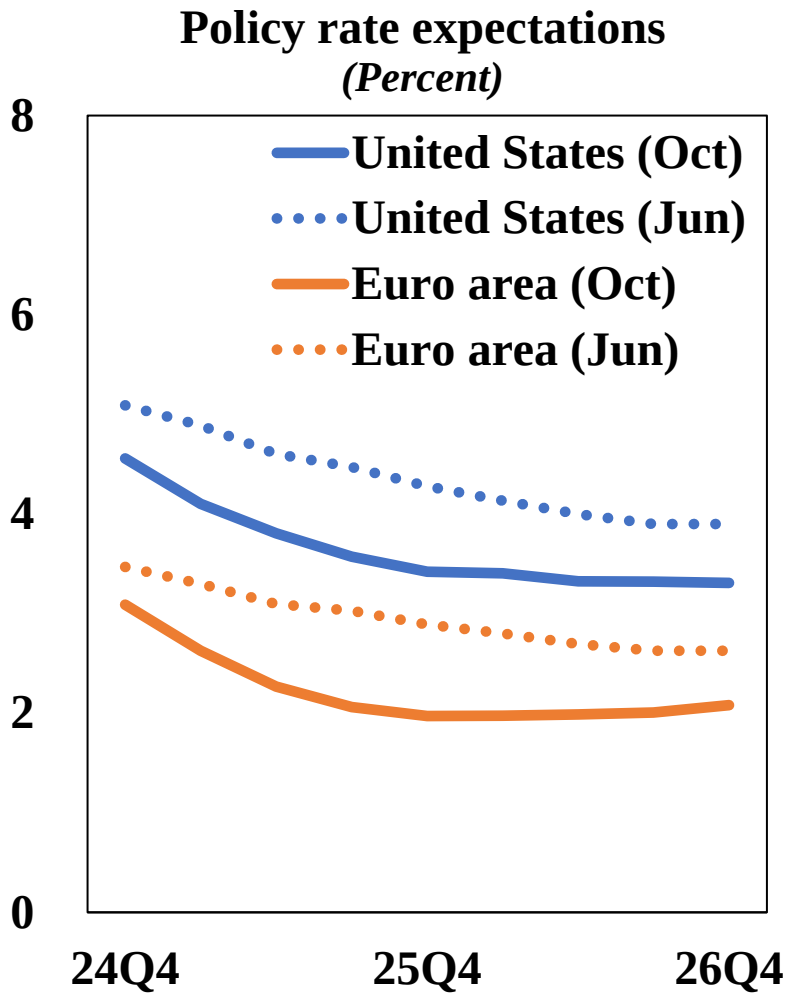


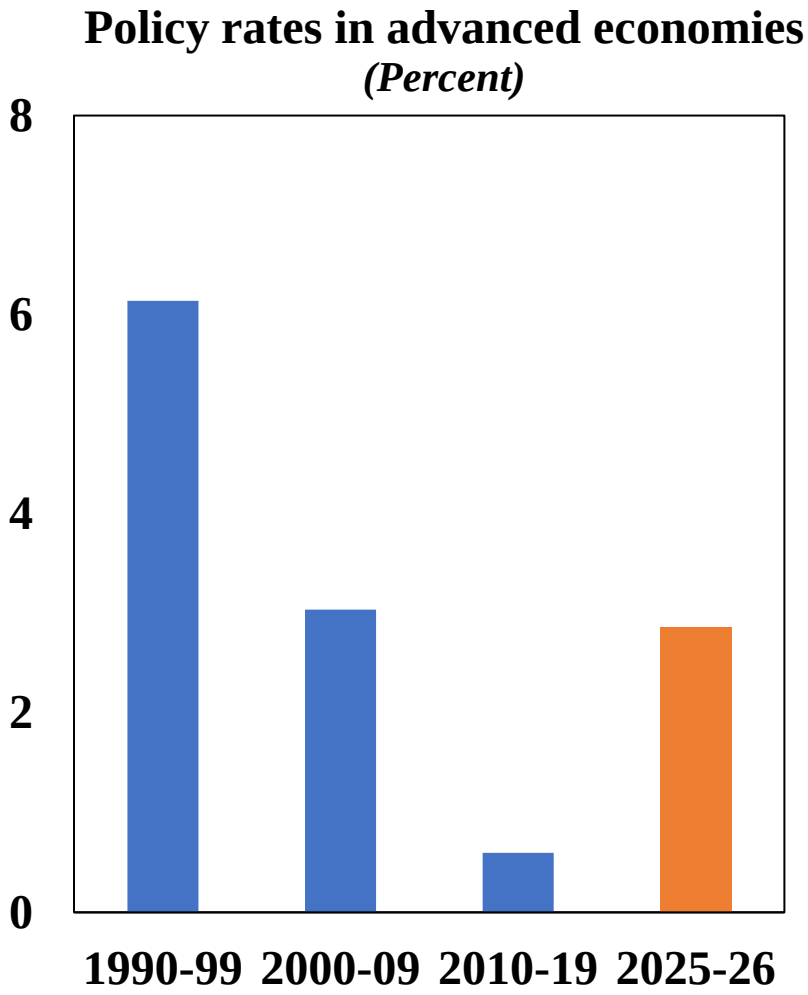
Contributions to global inflation
(Percentage points)

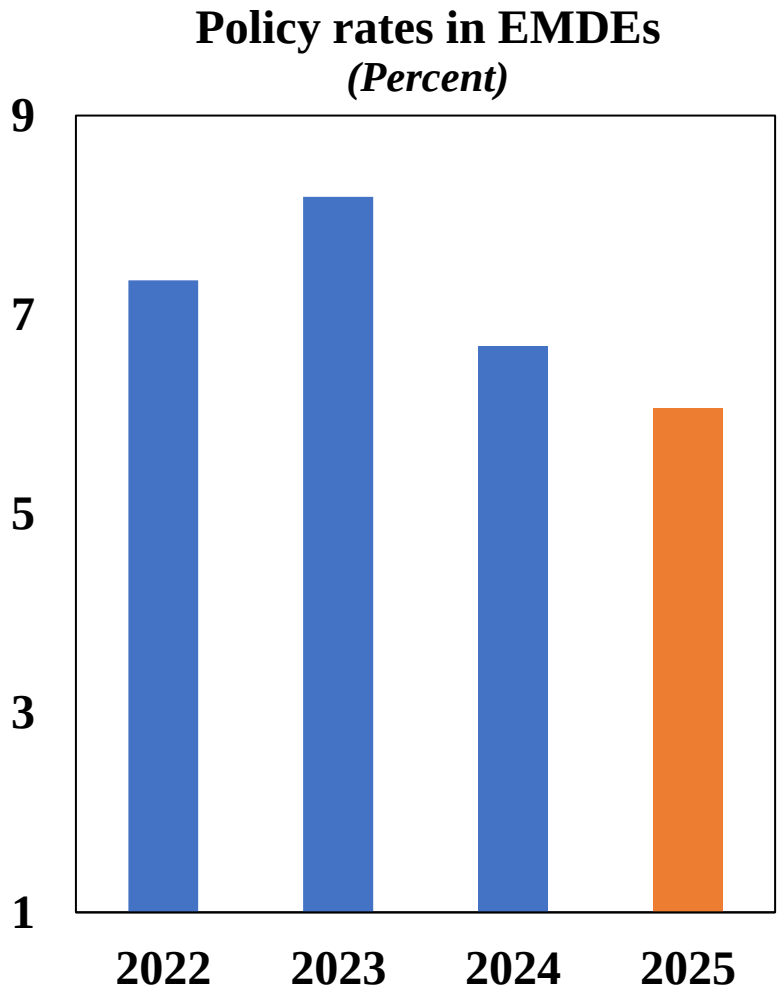


Sources: Consensus Economics; Haver Analytics; International Monetary Fund; OECD; Oxford Economics; World Bank. Left Panel. GDP-weighted year-on-year headline CPI inflation for up to 49 countries (29 advanced economies and 20 EMDEs ex. China and Türkiye). Last observation is August 2024. Center Panel. Model-based projections of year-on-year global CPI inflation using Oxford Economics' Global Economic Model as presented in the June 2024 edition of the *Global Economic Prospects* report. Uncertainty bands constructed from the distribution of forecast errors for total CPI from Consensus Economics for an unbalanced panel of 18 economies. Right Panel. GDP-weighted annual average headline CPI inflation, based on data for up to 42 (29 advanced economies and 13 EMDEs ex. China and Türkiye). Data for 2024 are average inflation between January and July or August

Easing, but rates will likely remain higher than 2010s







Sources: Bloomberg; Consensus Economics; Haver Analytics; World Bank.
Left Panel. Policy rate expectations derived from futures curves observed on June 1 and October 9, 2024. Center Panel. Average annual policy interest rates. Aggregates are calculated as GDP-weighted averages of the policy rates and policy rate expectations (for 2025-26) for the United States, the euro area, and the United Kingdom. Policy rate expectations are based on futures curves observed on September 27, 2024. Right Panel. Bars for 2022-23 represent median 3-month Treasury Bill yields. Bars for 2024 and 2025 represent median Consensus forecasts for 3-month-ahead and 1-year-ahead Treasury Bill yields (or policy rates). Sample includes 16 EMDEs based on August 2024 surveys.

Risks to the Global Economy

Geopolitical tensions and armed conflicts

Further trade fragmentation

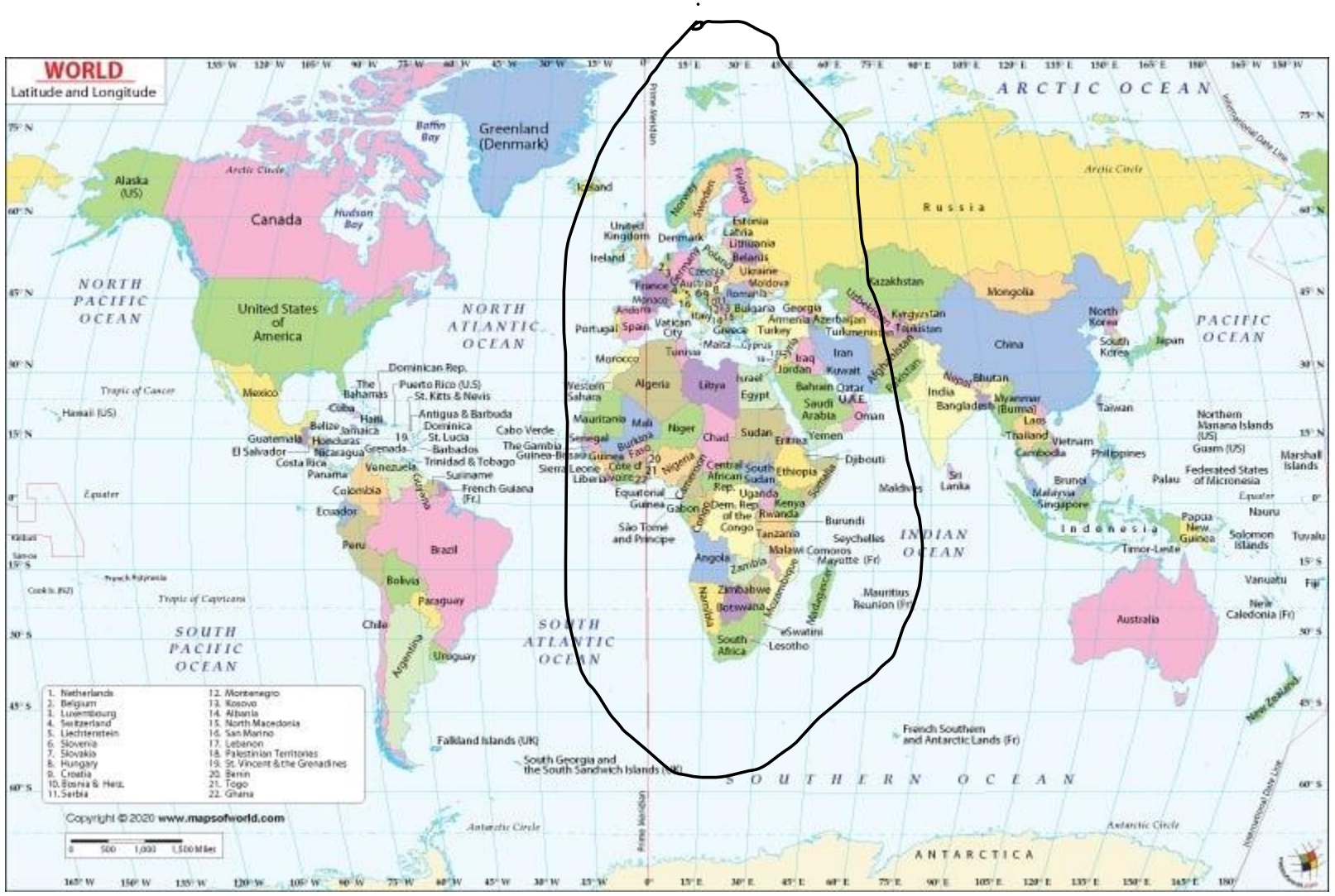
Heightened policy uncertainty

Higher-for-longer interest rates

More frequent natural disasters

Weaker-than-expected growth

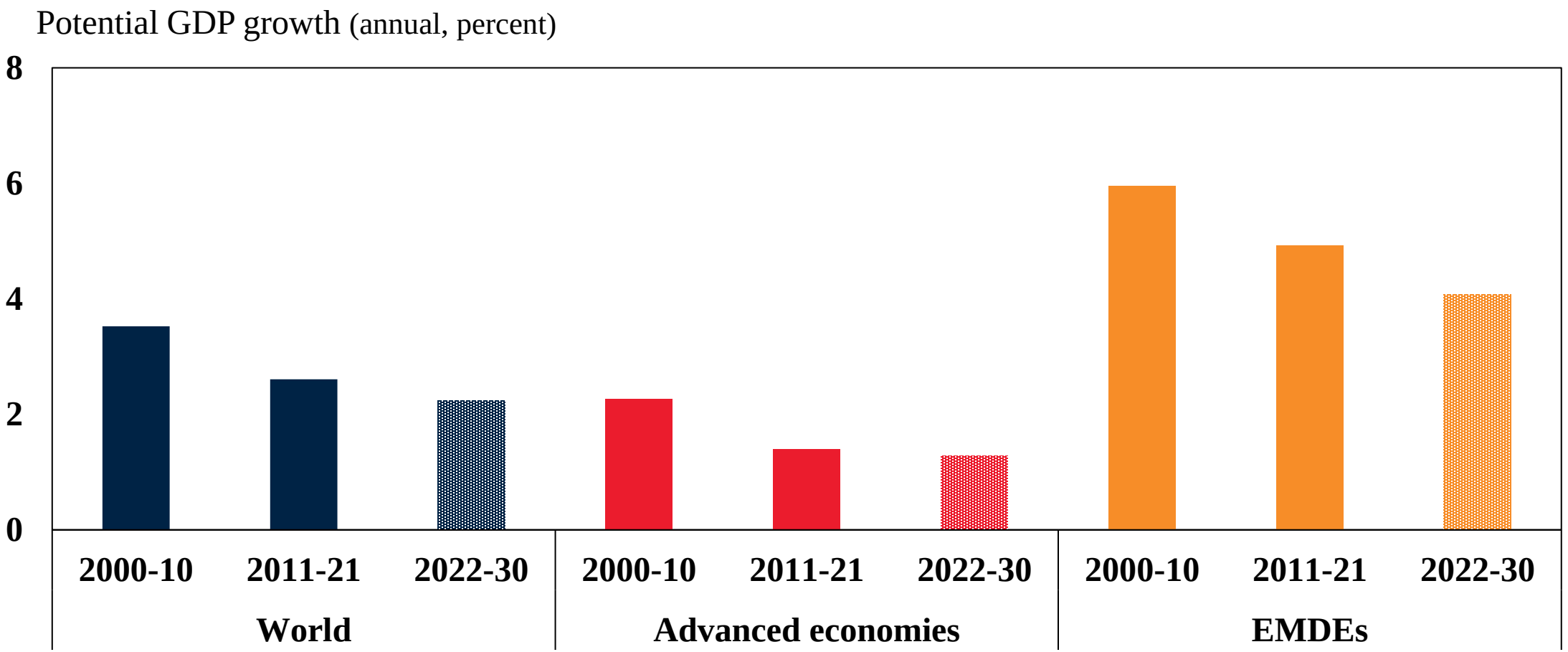
The most fragile longitudes



Income growth has slowed

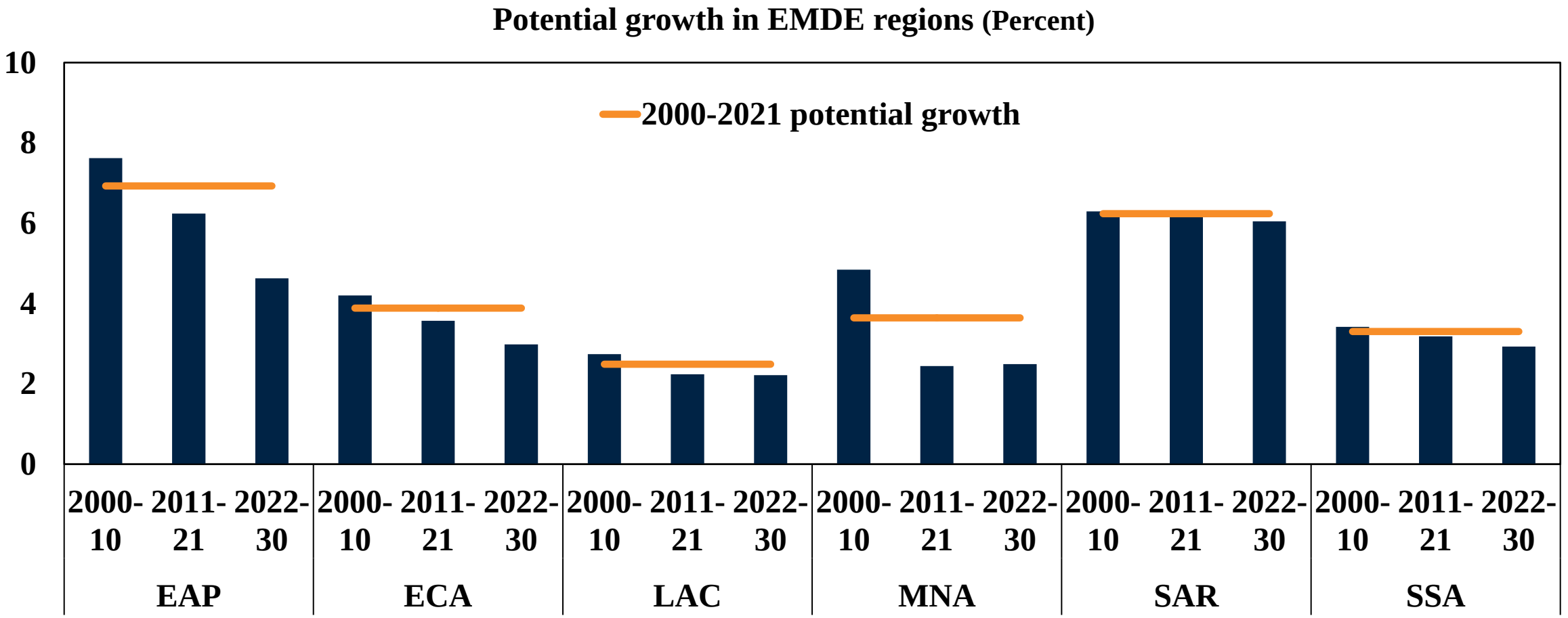
- **Advanced economies: “secular stagnation”**
  - Demographic headwinds getting stronger, now in China too
  - Productivity growth has been low
- **Emerging markets: “middle-income trap”**
  - Outside of Central Europe and East Asia, not much catch-up with US
  - Structural change has been slowing
- **Low-income countries: “lost decade”**
  - High population growth
  - Slowing output growth

Income growth is slowing



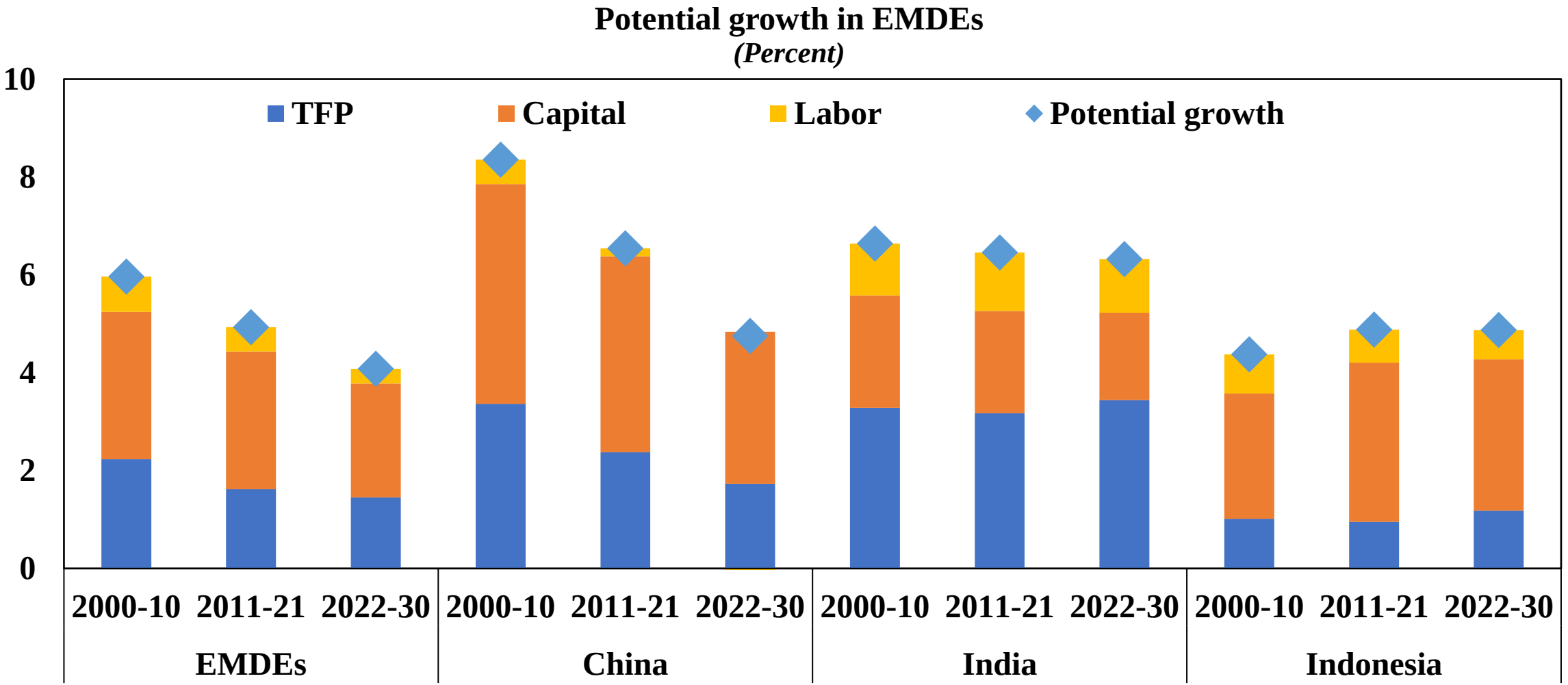
Source: Kose and Ohnsorge (2023).
Note: Period averages. Potential growth is measured by production function. Shaded bars indicate forecasts.

Weakening potential growth, across the developing world



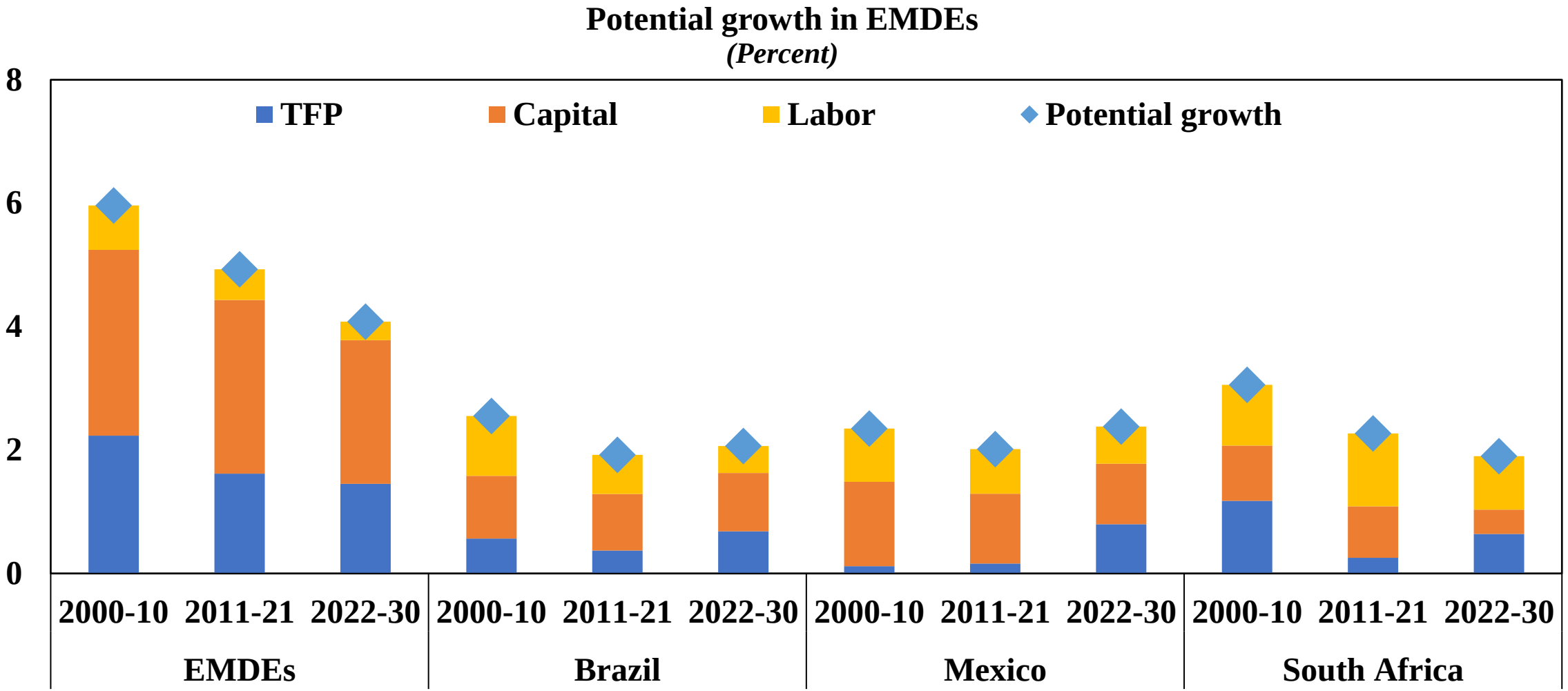
Source: World Bank.
Note: EAP, ECA, LAC, MNA, SAR, and SSA refer to, respectively, East Asia and Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa. GDP-weighted arithmetic averages using potential growth estimate based on production function approach.

Potential growth in China is declining sharply



Source: Kose and Ohnsorge (2023).
Note: Production function-based potential growth estimates. EMDE average shows GDP-weighted averages of production function-based potential growth estimates for 53 EMDEs. TFP = total factor productivity. EMDEs = emerging market and developing economies.

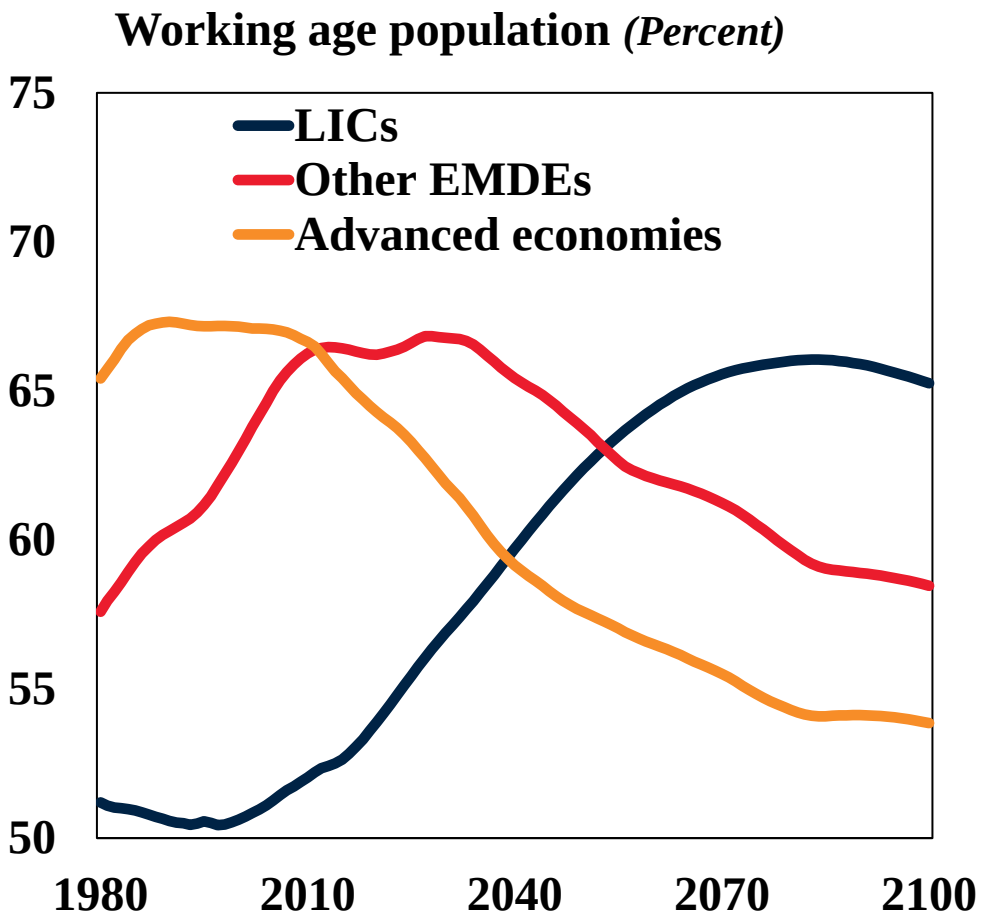
Potential growth in Brazil, Mexico and South Africa is low



Source: Kose and Ohnsorge (2023).
Note: Production function-based potential growth estimates. EMDE average shows GDP-weighted averages of production function-based potential growth estimates for 53 EMDEs. TFP = total factor productivity. EMDEs = emerging market and developing economies.

Shrinking Spaces

South Asian and African MICs can count on favorable demographics for two decades

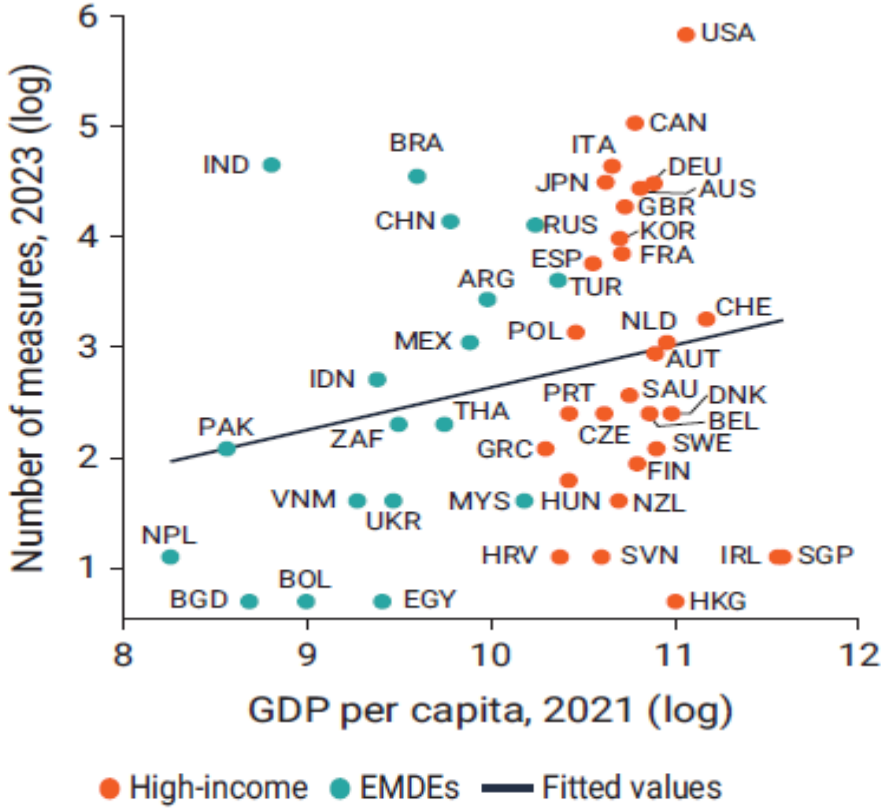


SourcesUN World Population Prospects (database); World Bank.
Note: Population-weighted averages. Working-age population is defined as people aged 15-64. Based on 36 AEs, 25 LICs, and 117 other EMDEs.

Shrinking spaces

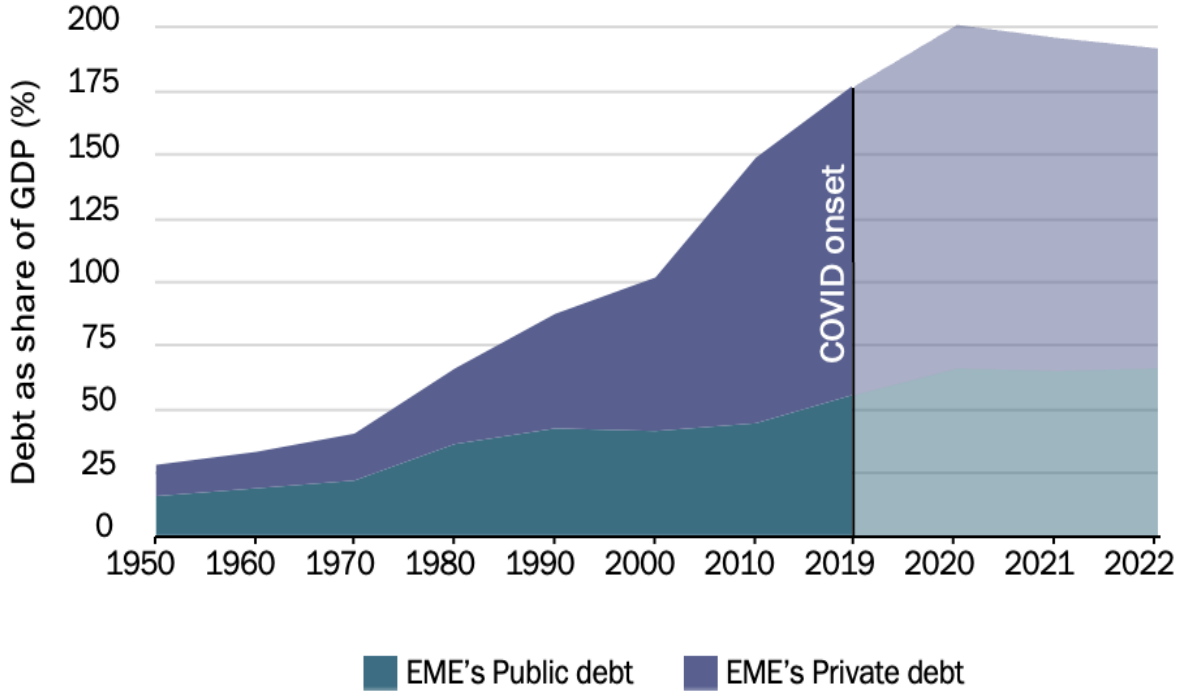
Middle-income countries face stiffening headwinds

Bigger economies are implementing more protectionist policies



Barattieri, Mattoo, and Taglioni 2024

Middle income economies are more indebted than ever before



Source: WDR 2024 team using the International Monetary Fund's 2023; Global Debt Monitor data and Kose and Ohnsorge (2023).

The plight of LICs

- Slower growth relative to other EMDEs
- Greater fiscal vulnerabilities relative to other EMDEs
- Low resilience to climate shocks

A big part of resilience is income

Mortality effects: 79 percent due to income rise, 21 percent due to adaptation

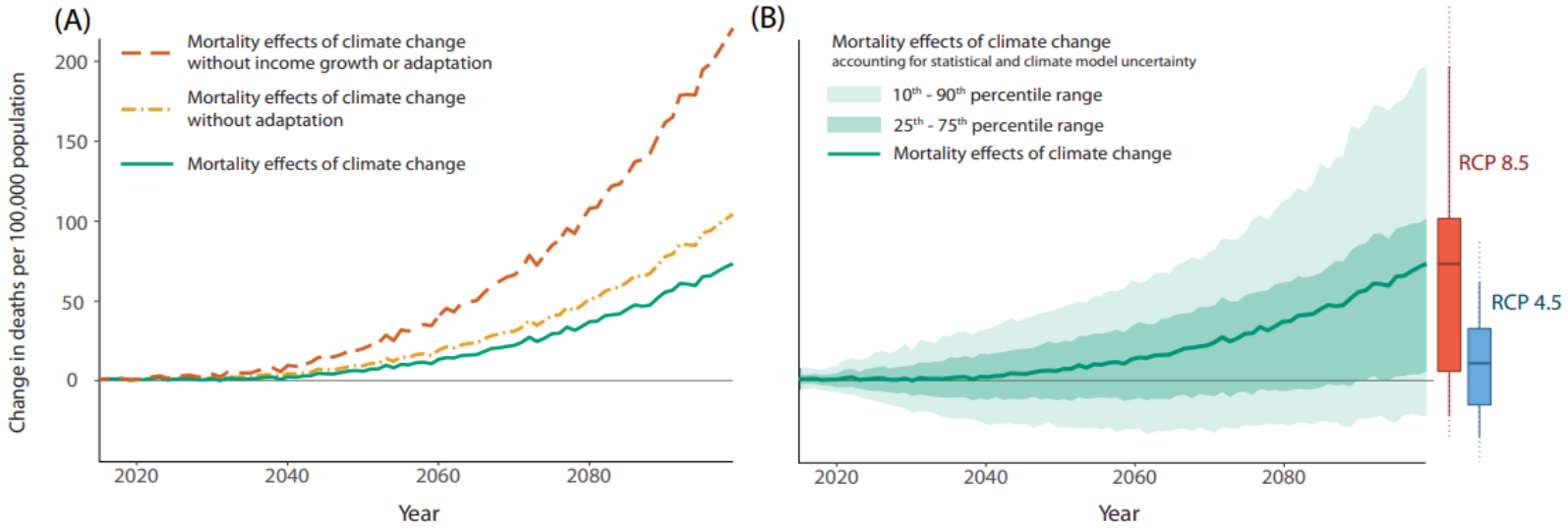


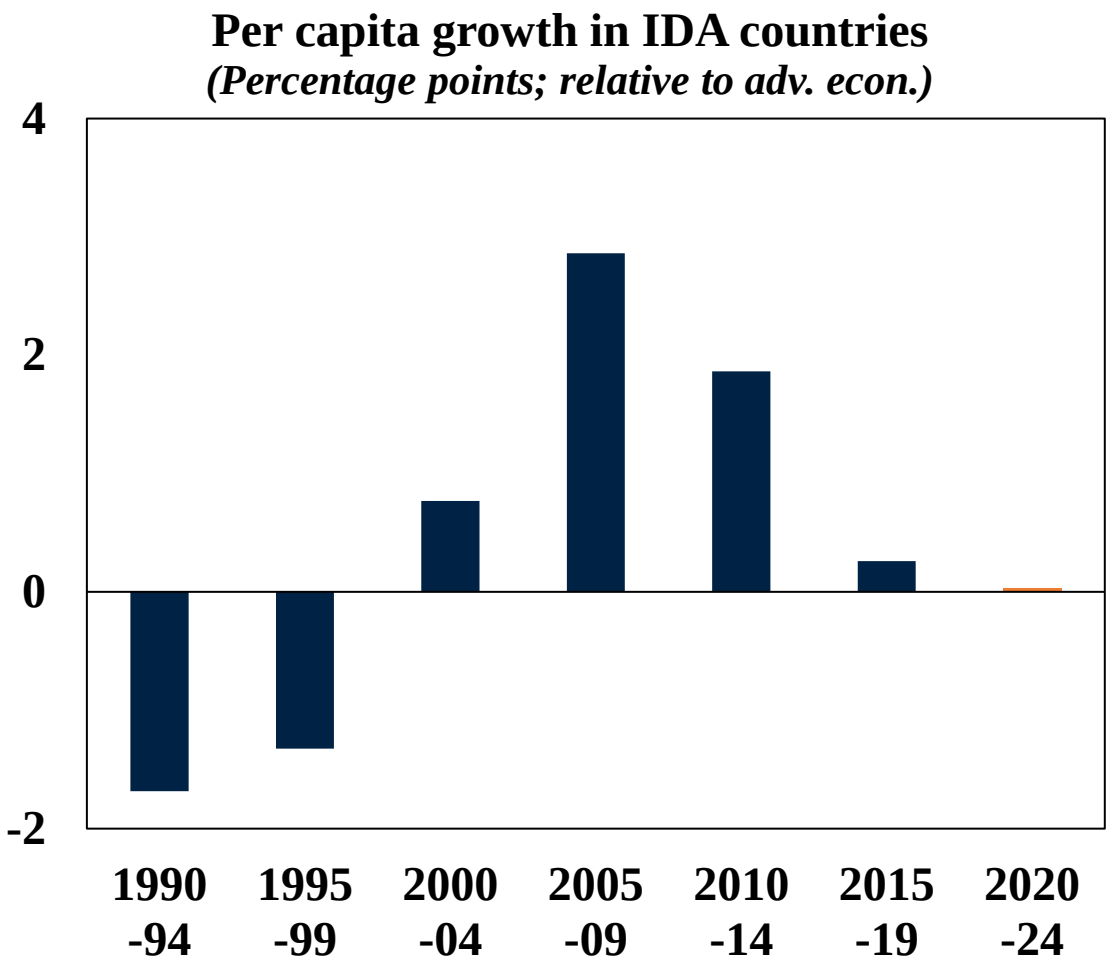
FIGURE V

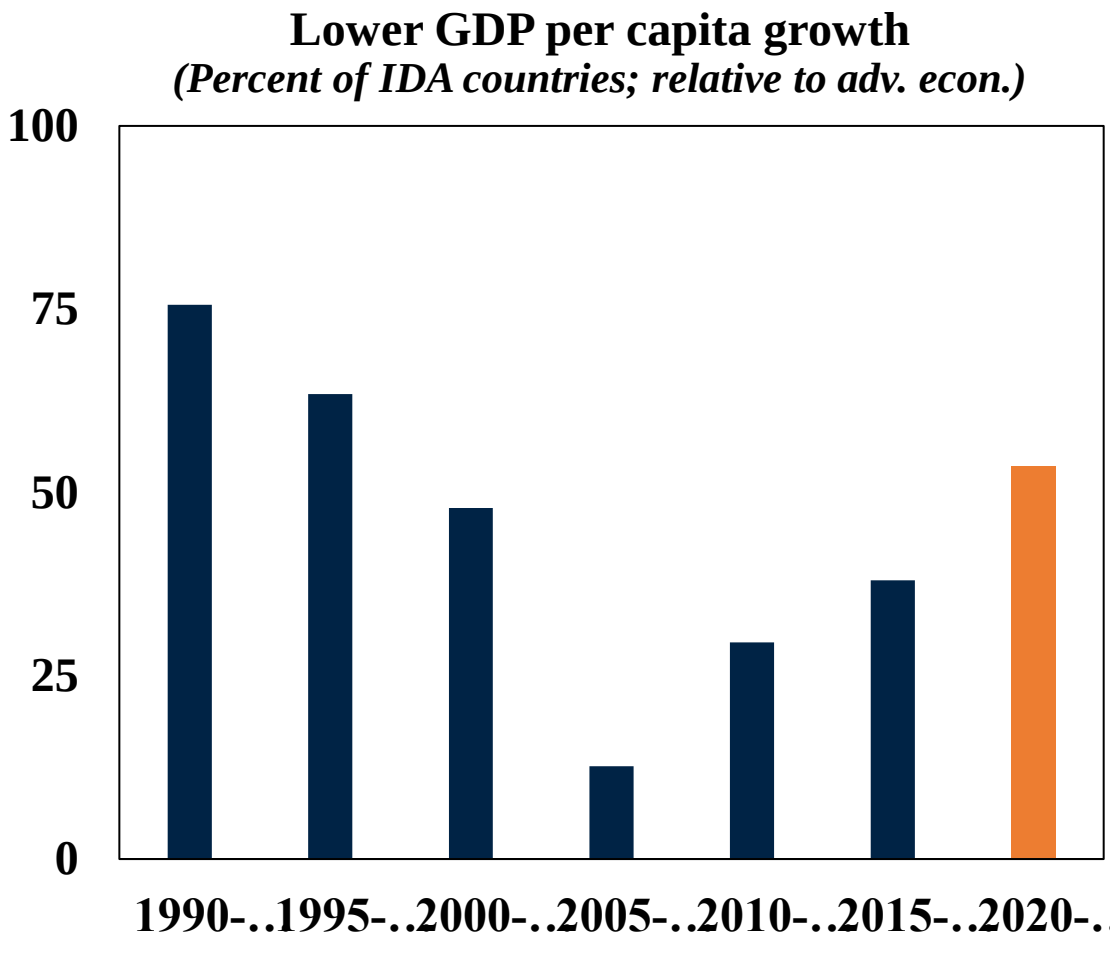
Time Series of Projected Mortality Effects of Climate Change

All lines show projected mortality effects of climate change across all age categories and are represented by a mean estimate across a set of Monte Carlo simulations accounting for climate model and statistical uncertainty. In Panel A, each line represents one of three measures of the mortality effects of climate change. Dashed (equation (2a′)): mortality effects of climate change without income growth or adaptation. Dashed-dotted: (equation (2b′)): mortality effects of climate change without adaptation. Solid (equation (2′)): mortality effects of climate change. Panel B shows the 10th–90th percentile range of the Monte Carlo simulations for the mortality effects of climate change (equivalent to the solid line in Panel A), as well as the mean and interquartile range. The boxplots show the distribution of mortality effects of climate change in 2100 under both RCPs. All line estimates shown refer to the RCP8.5 emissions scenario and all line and boxplot estimates refer to the SSP3 socioeconomic scenario. Online Appendix Figure F.7 shows the equivalent for SSP3 and RCP4.5.

Source: Carleton et al (2022)

Stalling income growth in the 75 poorest countries





Sources: World Bank; World Population Prospects Database (UN).
Note: IDA = IDA-eligible countries. GDP aggregates are calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates. Left Panel. Average annual change in GDP per capita growth in IDA countries relative to advanced economies over the non-overlapping 5-year periods. Right panel. Average share of IDA countries with GDP per capita growth lower than in advanced economies over the non-overlapping 5-year periods.

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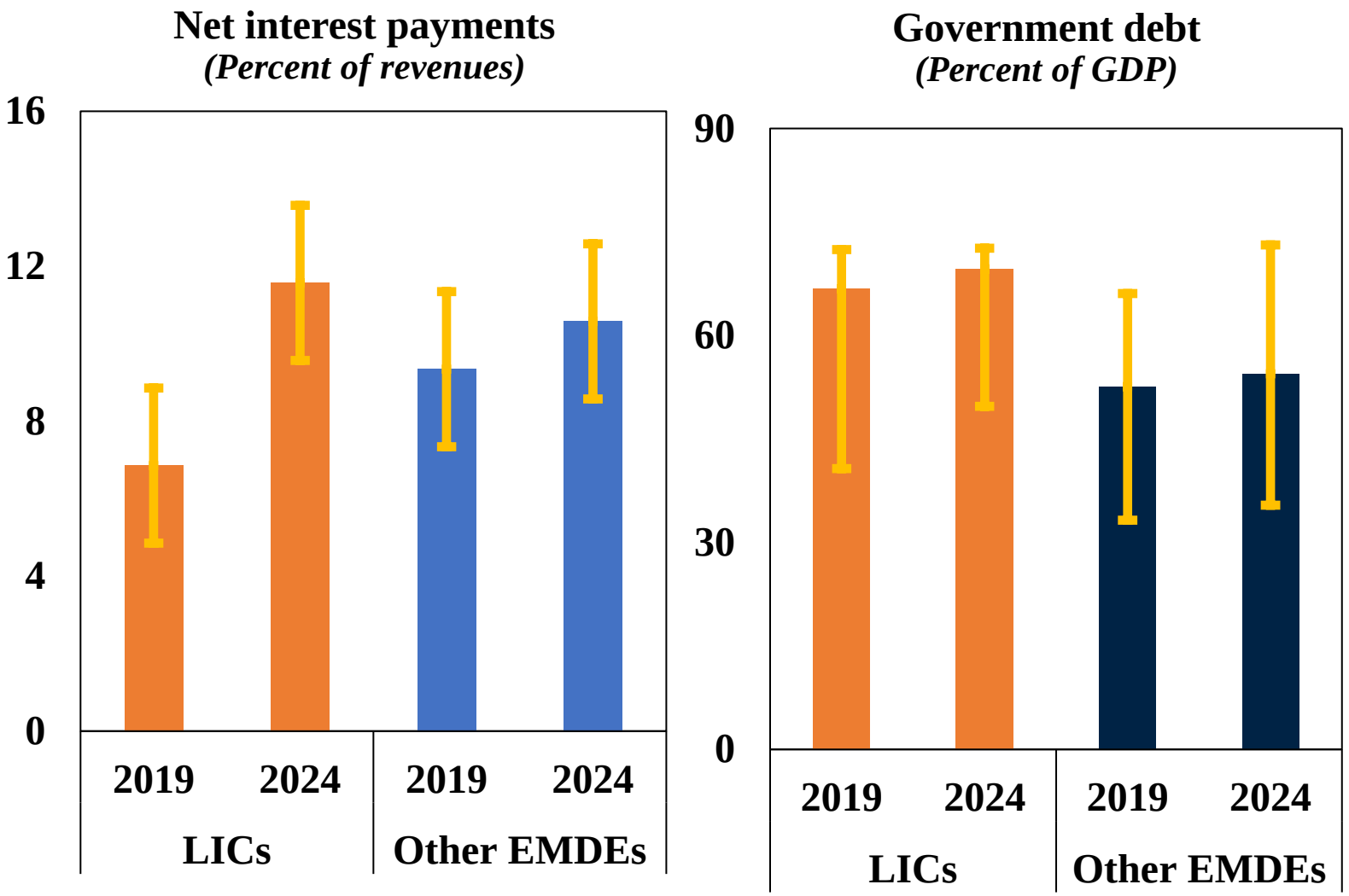
Interest Payments and Debt in 26 Low-Income Countries

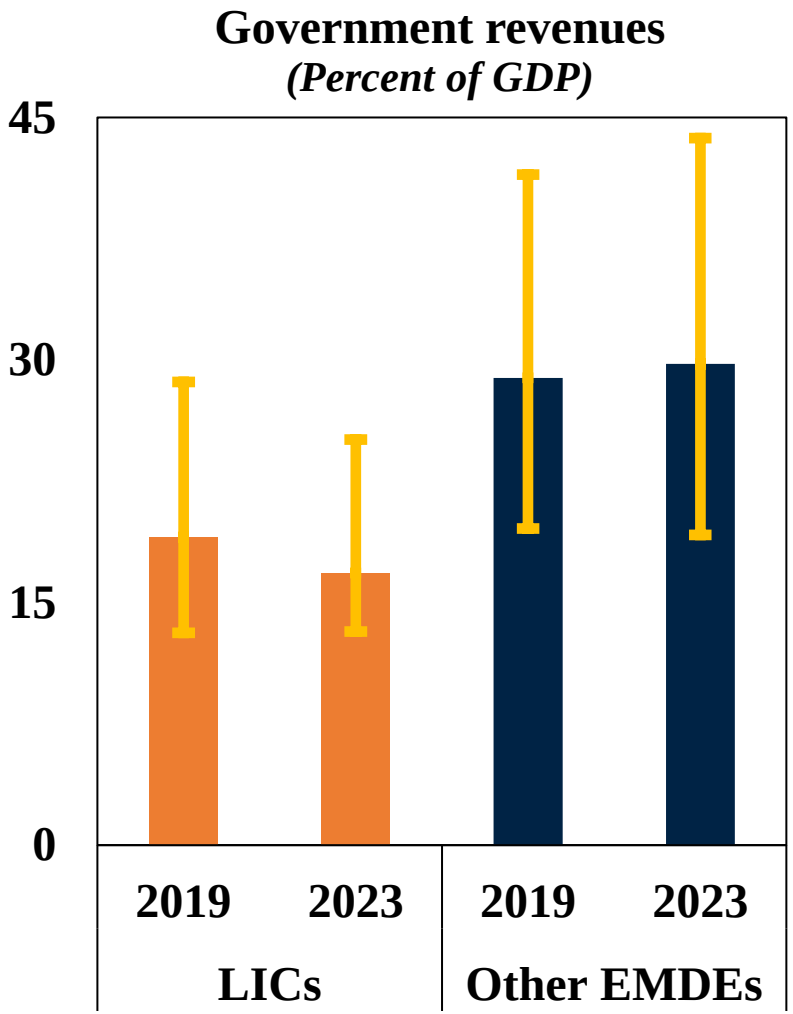
Higher Interest Payments and Government Debt

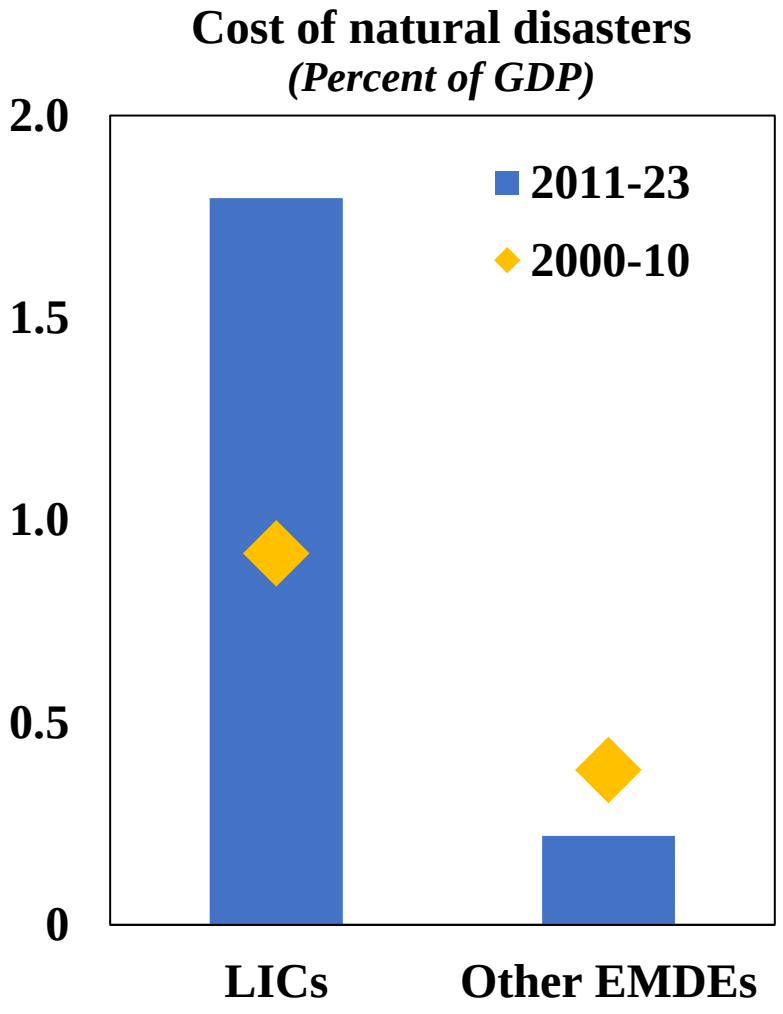


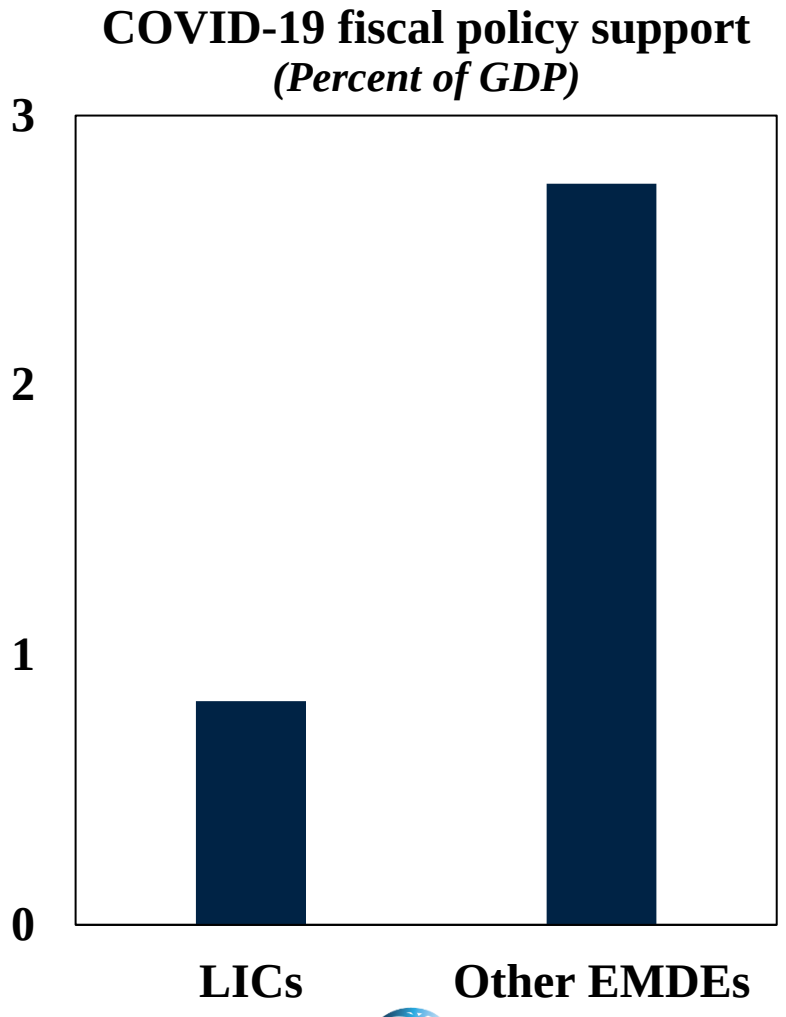
Sources: International Monetary Fund; International Debt Statistics (database); World Bank.
Note: Other EMDEs = non-LIC emerging market and developing economies. Left Panel. Net interest payments are defined as the difference between the primary balance and the overall balance. Unweighted average. Whiskers show interquartile ranges. Right Panel. Bars show unweighted averages. Whiskers show the interquartile ranges. Based on up to 23 LICs and 128 other EMDEs.

Fiscal Vulnerabilities in Low-Income Countries

Lower Revenue Mobilization; Higher Cost of Natural Disasters; Smaller Buffers

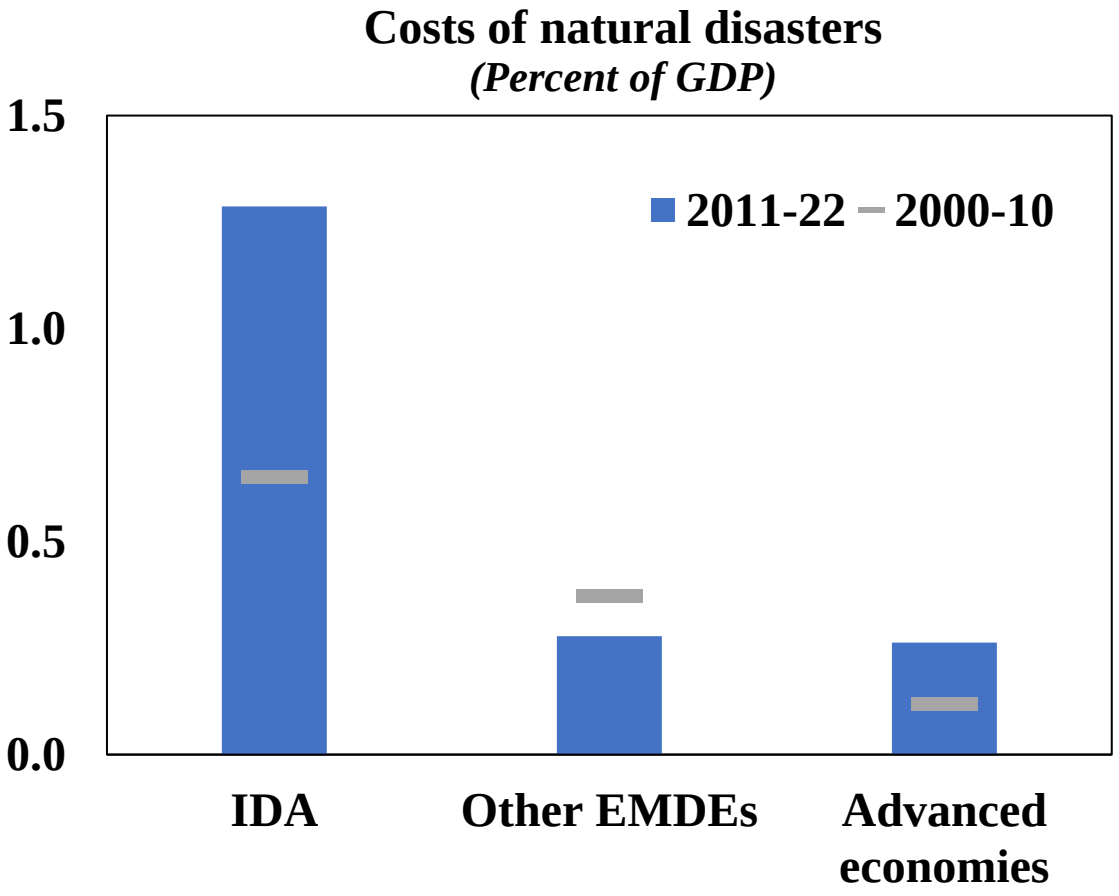


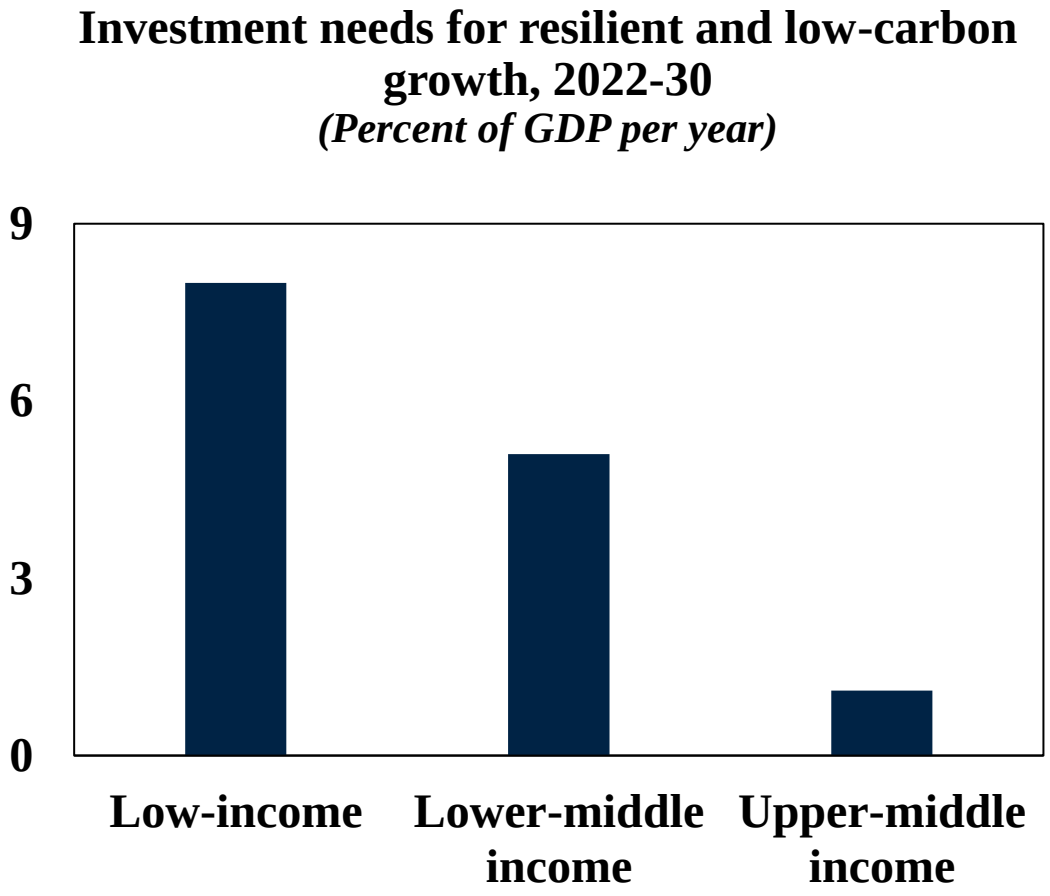




Sources: Dabla-Norris et al. (2011); International Monetary Fund; World Bank; World Economic Forum.
Note: Other EMDEs = non-LIC emerging market and developing economies. Left Panel. Bars show unweighted averages, with whiskers showing interquartile ranges. Center Panel. Bars and diamonds show the weighted average of economic damages from natural disasters as a percentage of GDP. Based on up to 17 LICs and 105 non-LIC EMDEs. Right Panel. Fiscal measures in response to the COVID-19 pandemic as of September 27, 2021. Based on 7 LICs and 69 non-LIC EMDEs.

Costs of Climate Shocks

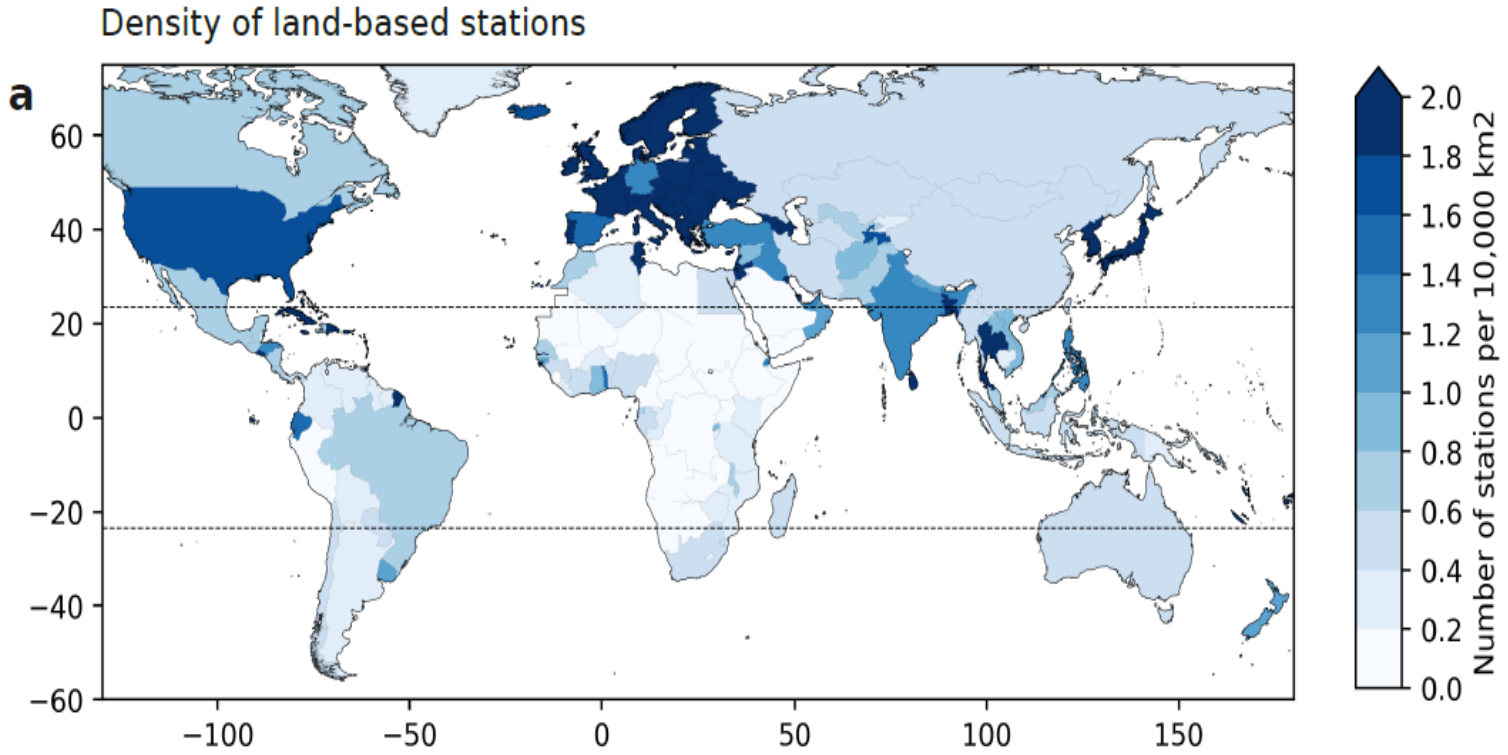




Sources: EM-DAT (database); Notre Dame Global Adaptation Initiative; World Bank (2022); World Bank.
Note: Other EMDEs = EMDEs exclude IDA. Left Panel. Total costs of natural disasters as percent of GDP. Bars show annual averages. Right Panel. Investment needs are presented as a share of baseline GDP accumulated over 2022-30. Bars show estimates of the annual investment needs to build resilience to climate change and put countries on track to reduce emissions by 70 percent by 2050. Depending on data availability, estimates include investment needs related to transport, energy, water, urban adaptations, industry, and landscape.

Much less information in poorer countries

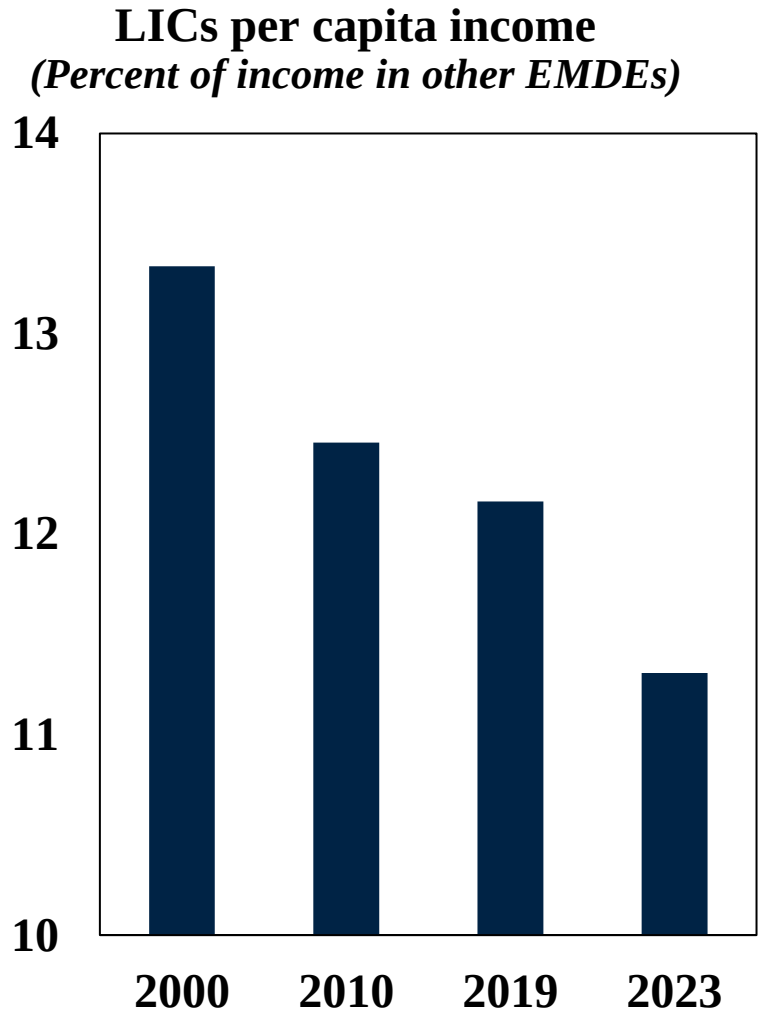
1. Poorer countries have far fewer land-based weather stations

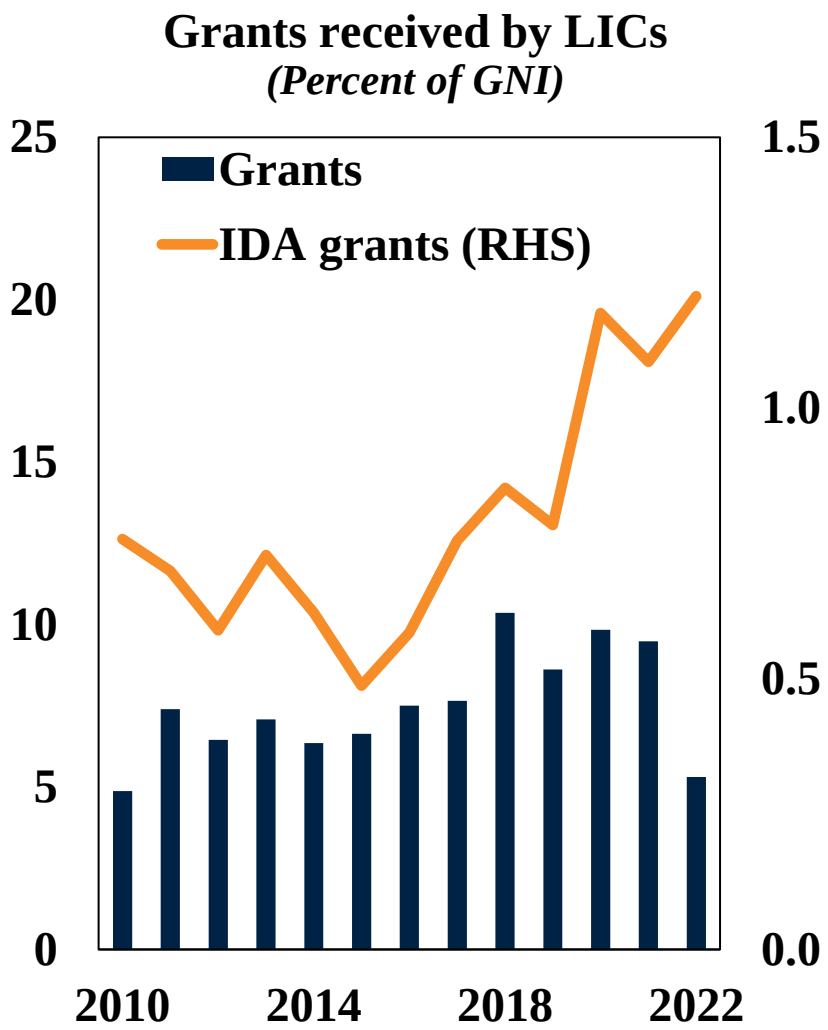


Source: Linsenmeier and Shrader 2023.

Low-Income countries are being neglected

Widening Income Gap; Declining Grants amid Increase by IDA



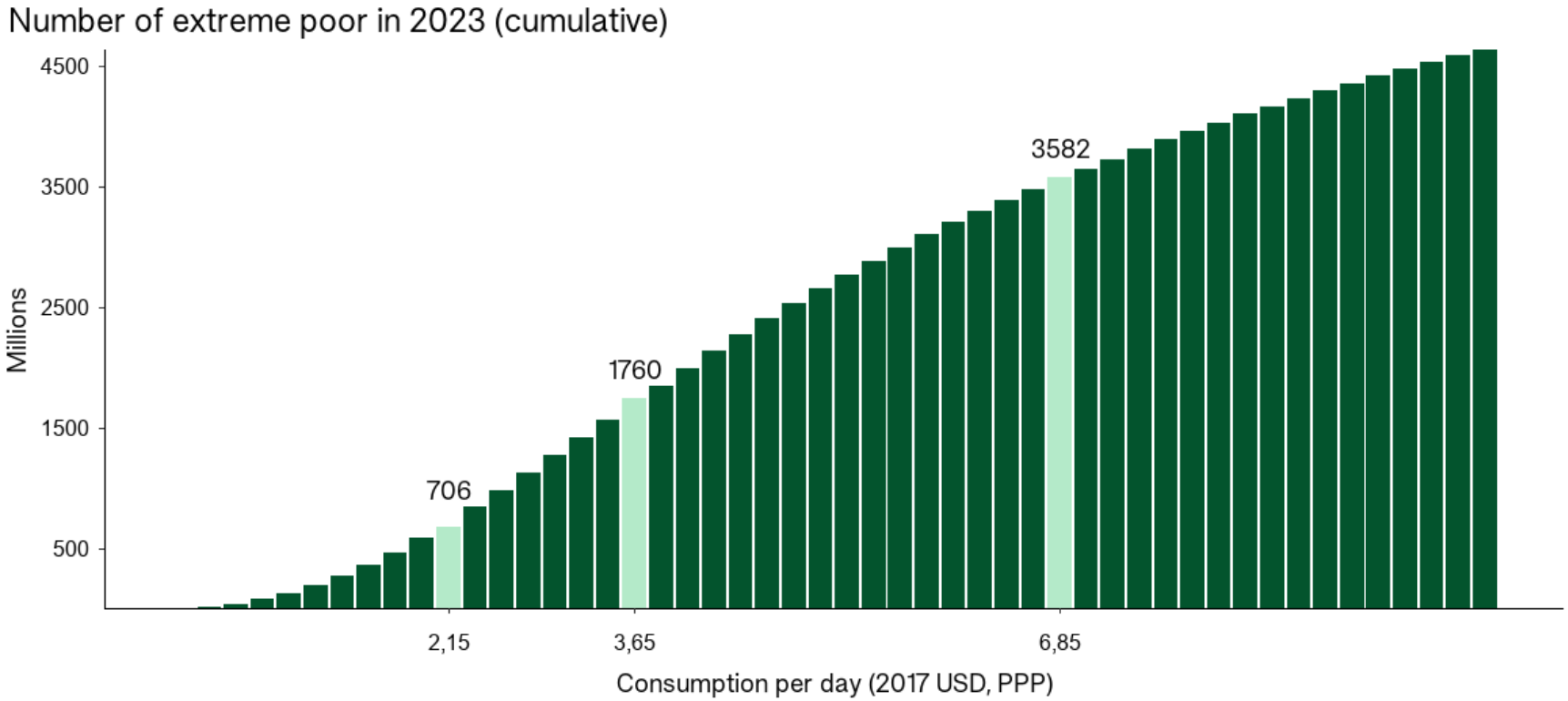


Sources: International Debt Statistics (database); UN World Population Prospects (database); World Bank.
Note: IDA= International Development Association countries. Left Panel. Average real GDP per capita in LICs relative to real GDP per capita of other non-LIC EMDEs. Based on up to 24 LICs and 127 other EMDEs. Right Panel. Data are on a disbursement basis and cover flows from all bilateral and multilateral donors. IDA grants are net disbursements of grants from IDA.

Thinking differently

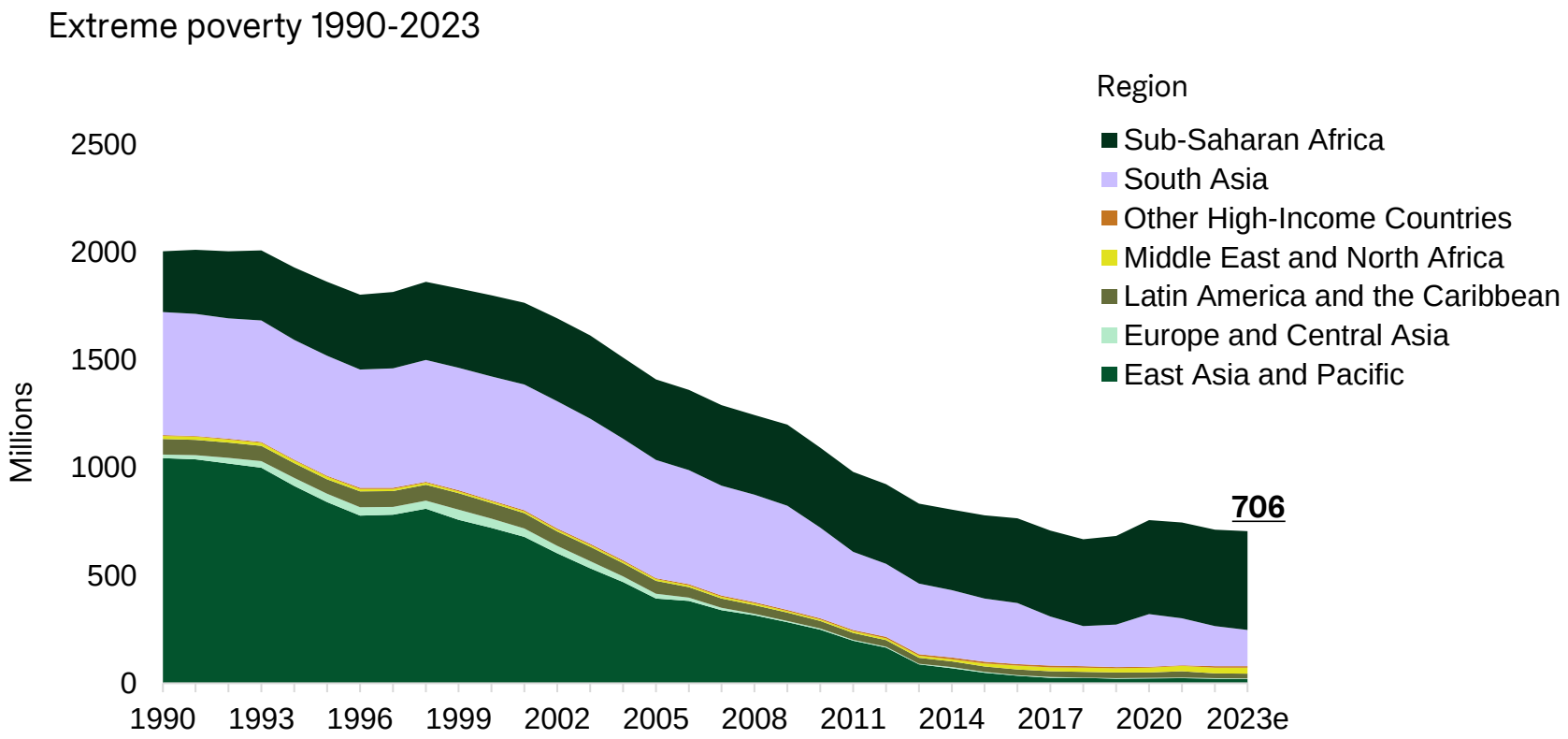
- Slowing growth—treat growth as top global priority
- Debilitating debt—in LICs, debt relief is top international priority
- Low investment—in MICs, private investment climate top priority
- Distorted trade—strengthening WTO top global governance priority
- Climate change—resilience is two third income, one third adaptation
- Intensifying conflict—Rich countries should stop prolonging wars

Many extreme poor in deep poverty - large numbers under LMIC and UMIC poverty lines



1 Source: The World Bank and Norad

From fast progress to reversal

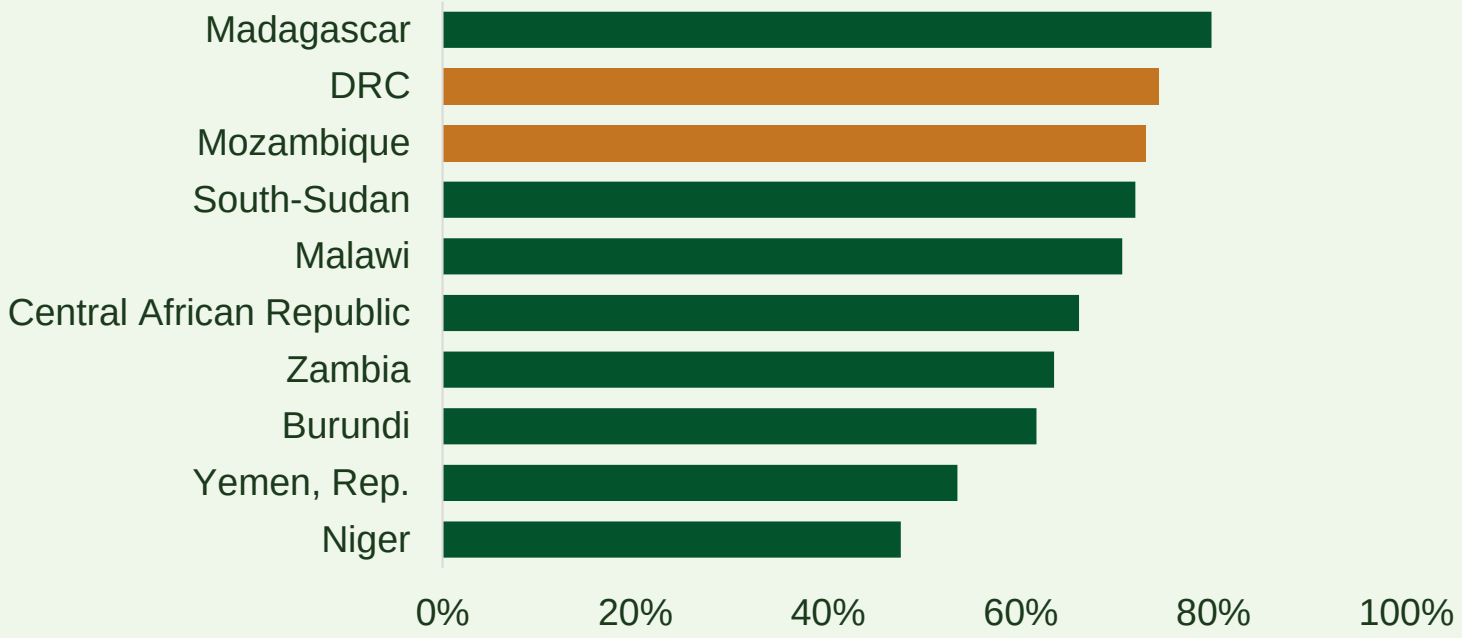


Source: The World Bank and Norad

Largest challenges in Sub Saharan Africa

The 10 countries with highest poverty rates

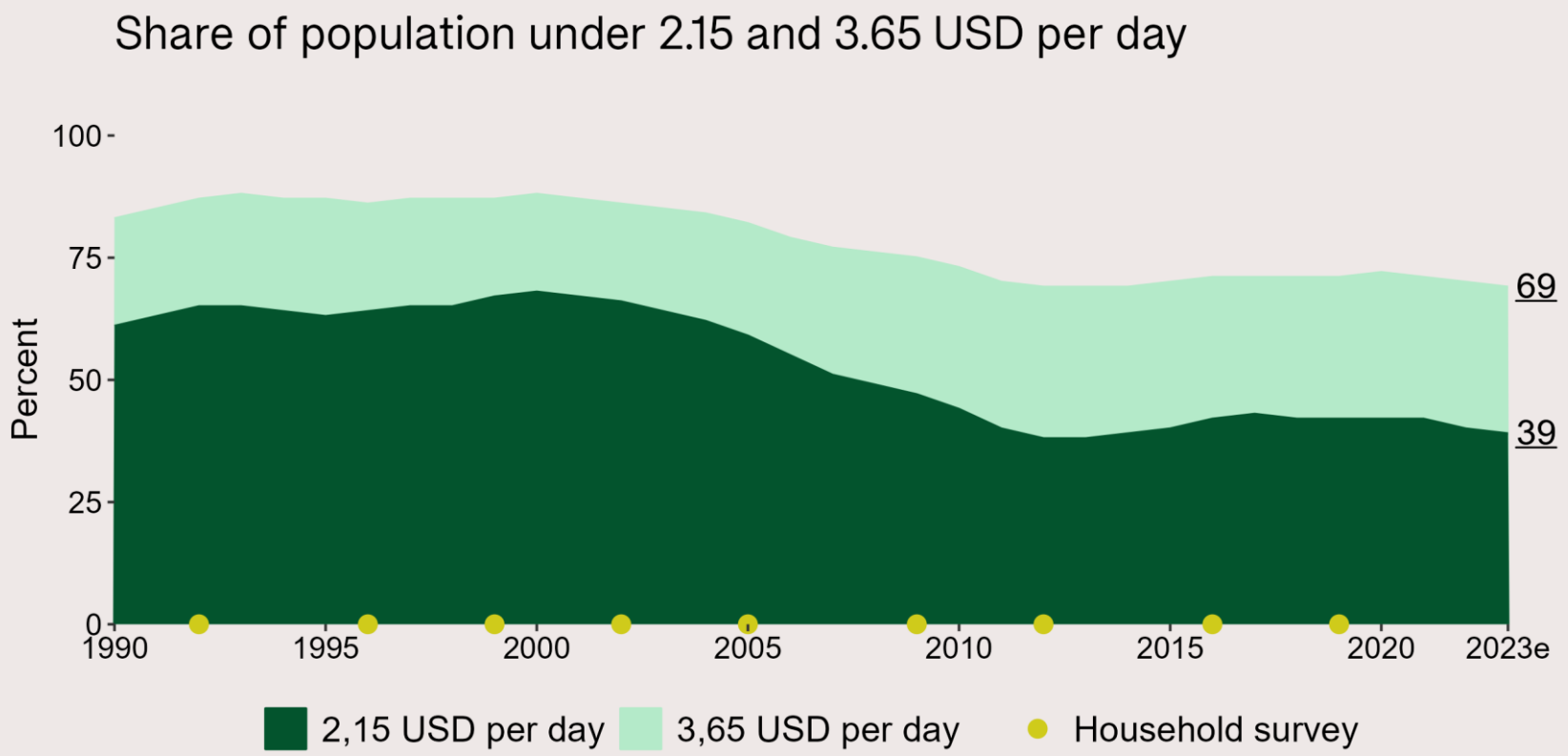
(under 2.15 USD per day)



3 Source : The World Bank and Norad

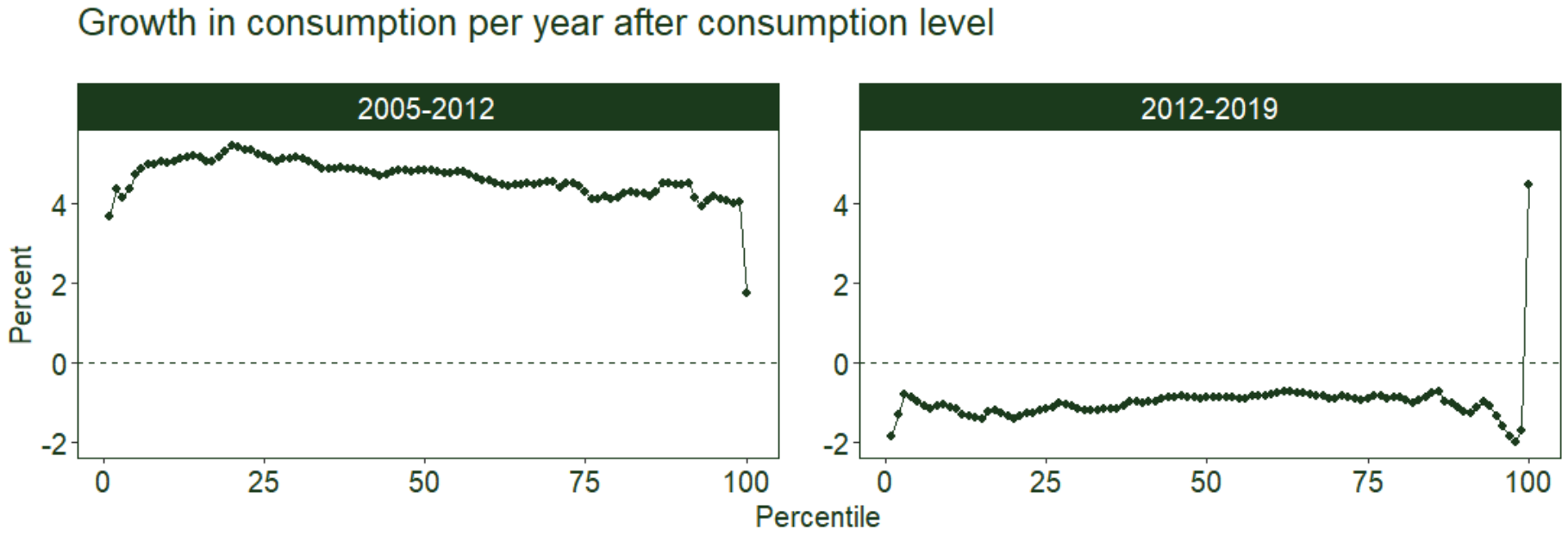
Norad

Uganda



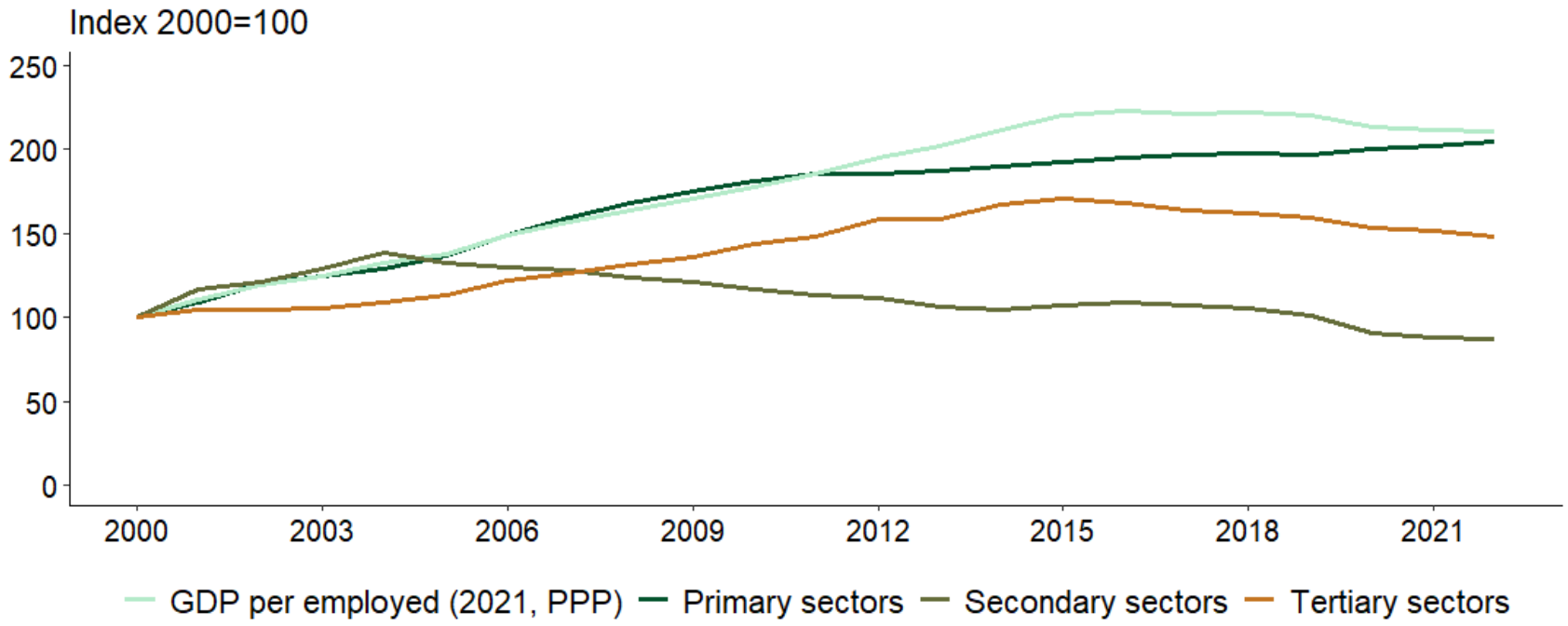
4 Source The World Bank and Norad

Uganda: From fast inclusive growth to reversal



5 Source: The World Bank and Norad

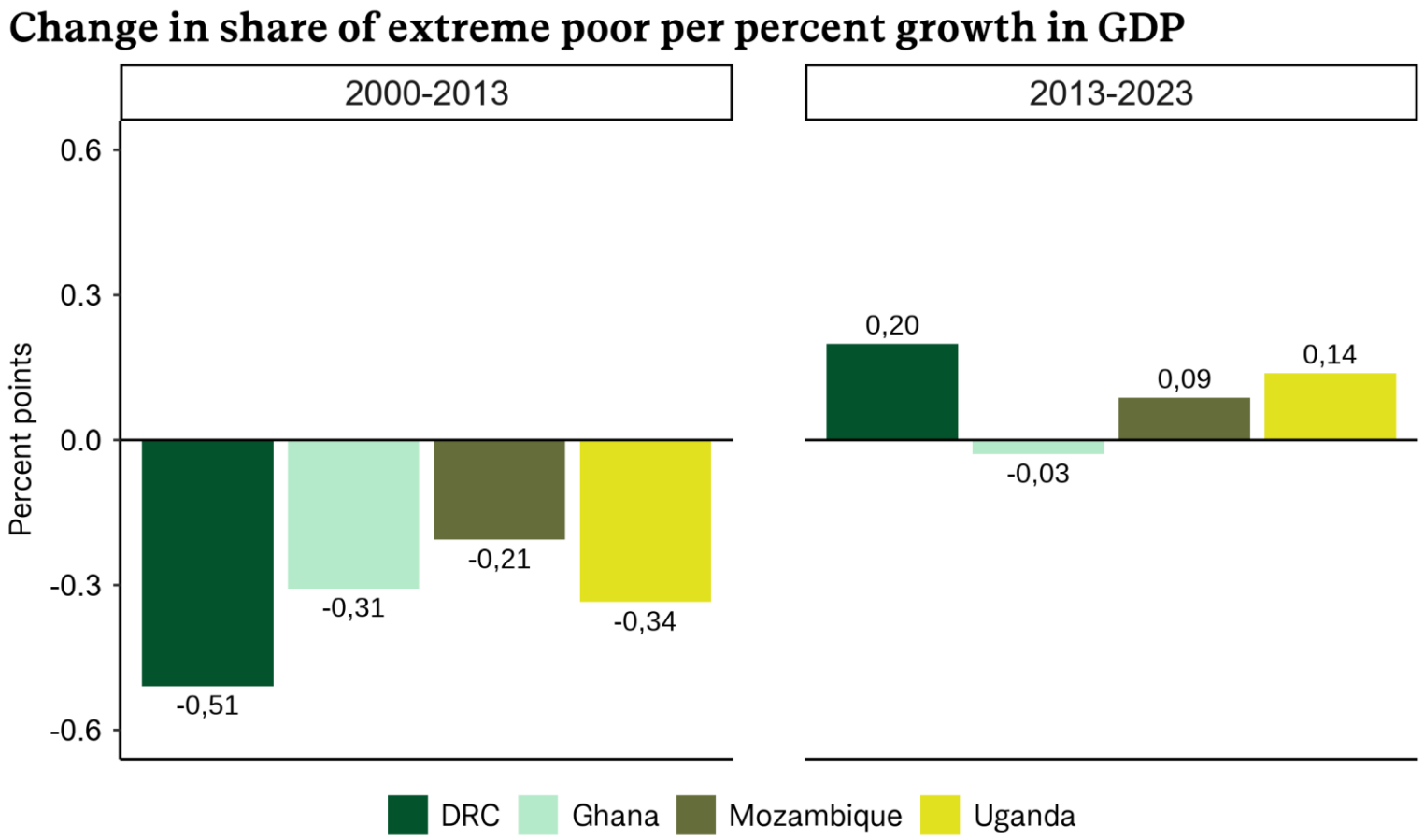
Uganda: Weak productivity growth – especially in agriculture and services



Source : The World Bank

Norad

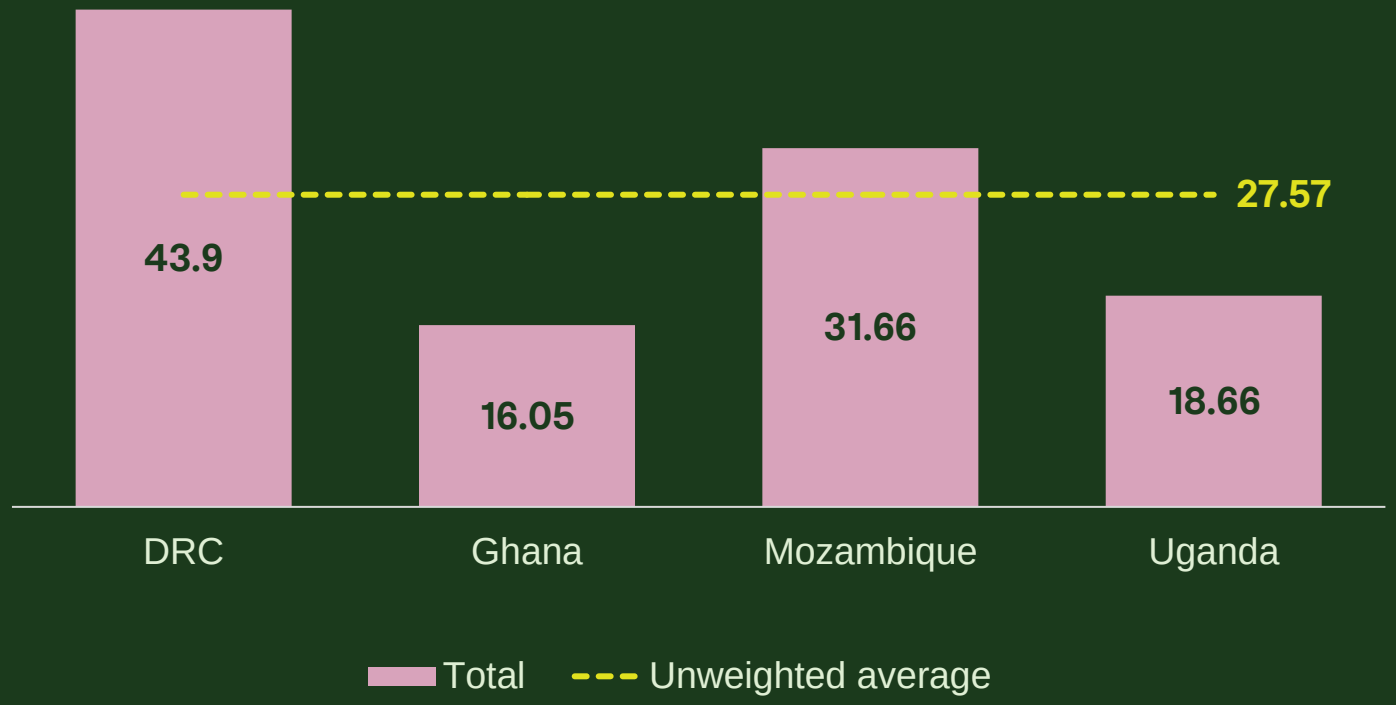
In addition to growth slowdown – less effect of growth on poverty



7 Kilde: The World Bank and Norad

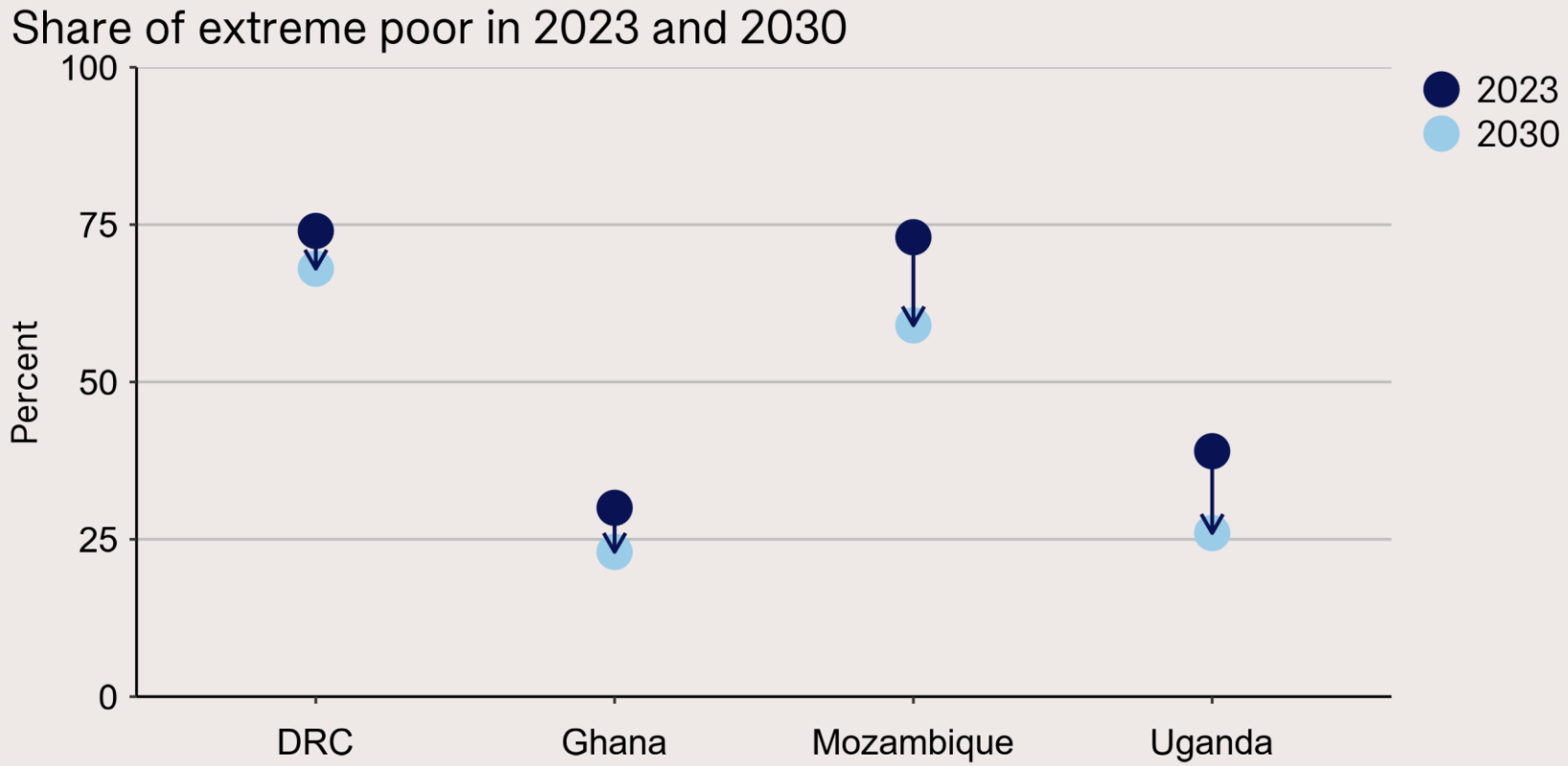
Large spending needs of the SDGs

Cost of SDGs in health, education, WASH, electricity and roads, share of GDP in 2030 (percent)



Source : IMF 2023

Risk of high poverty levels to last for decades



Source : The World Bank and Norad

Norad

British International Investment

OECD Chief Economists meeting

FCDO Nov 2024

Motivation

British International Investment

- Still surprisingly difficult to communicate to role of investment in poverty reduction.
- The poverty elasticity of growth varies to across countries and time – what does this imply for DFIs? What makes investment more pro-poor?
- A popular answer: investment must be "targeted at extreme poverty" – i.e. UK International Development Committee report on Extreme Poverty and the SDGs.
- We think the experiences of countries that have translated growth into poverty reduction show that is not the whole story.
- Main message: poverty is eradicated most rapidly when a range of public and private investments reinforce each other.

Previous paper “Investment and poverty reduction” showed strong association:

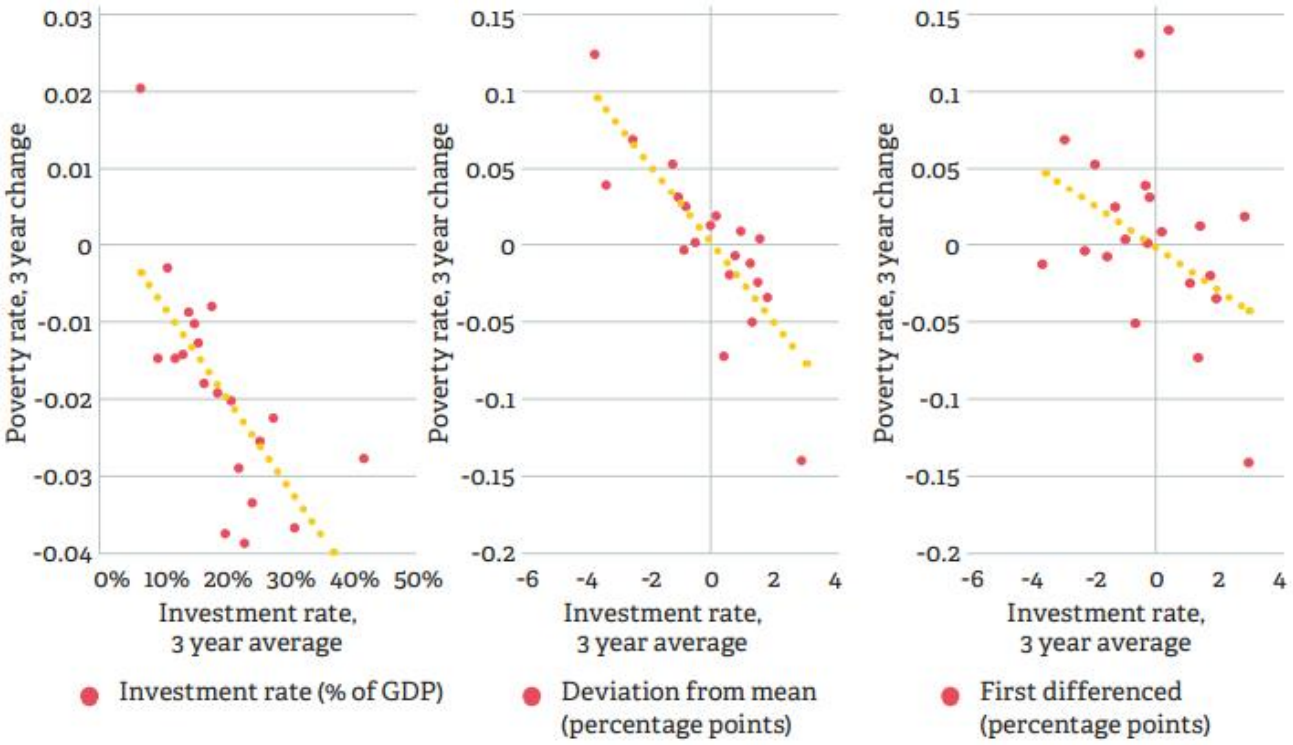


Figure 5: Higher investment is accompanied by faster poverty reduction

Contents:

Three main messages:

- Complementarities
- Short versus long run
- Government spending

Focus of paper is on mechanisms that propagate benefits of investment across economies, sets aside important factors (human capital, policy and politics etc.)

Case studies: China, South Korea, Vietnam, Bangladesh, India, Indonesia, Ghana, Ethiopia, Nigeria, Angola

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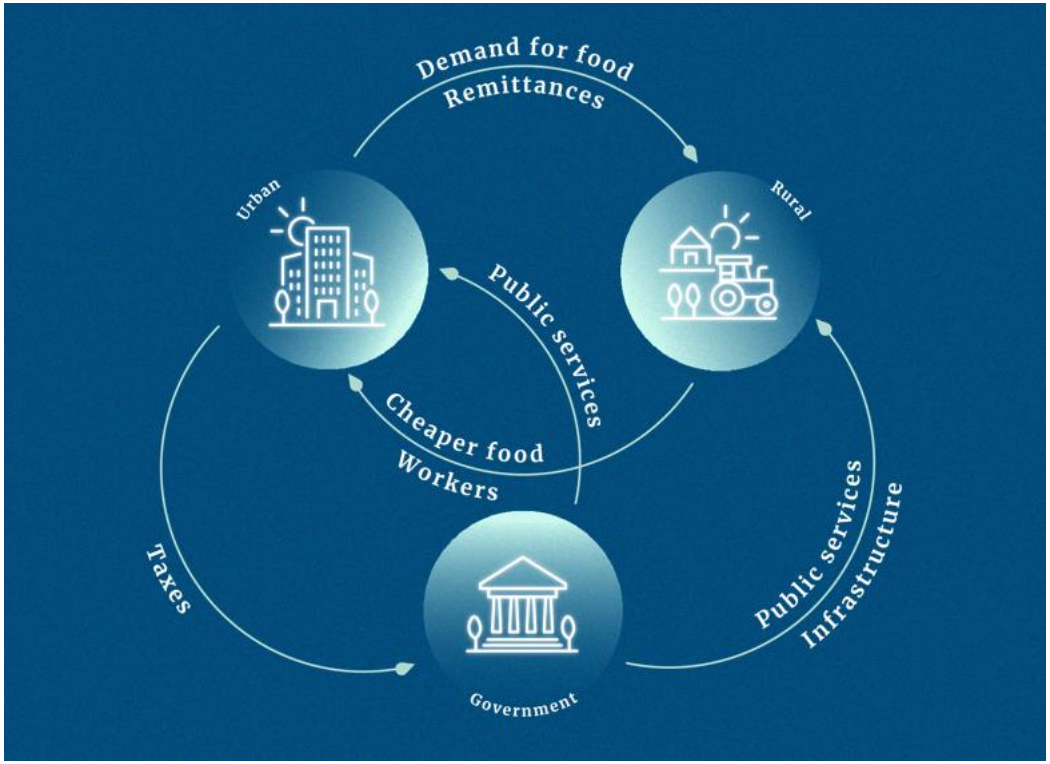
Complementarities



- Labour markets, production networks (goods and services)
- Financial sector

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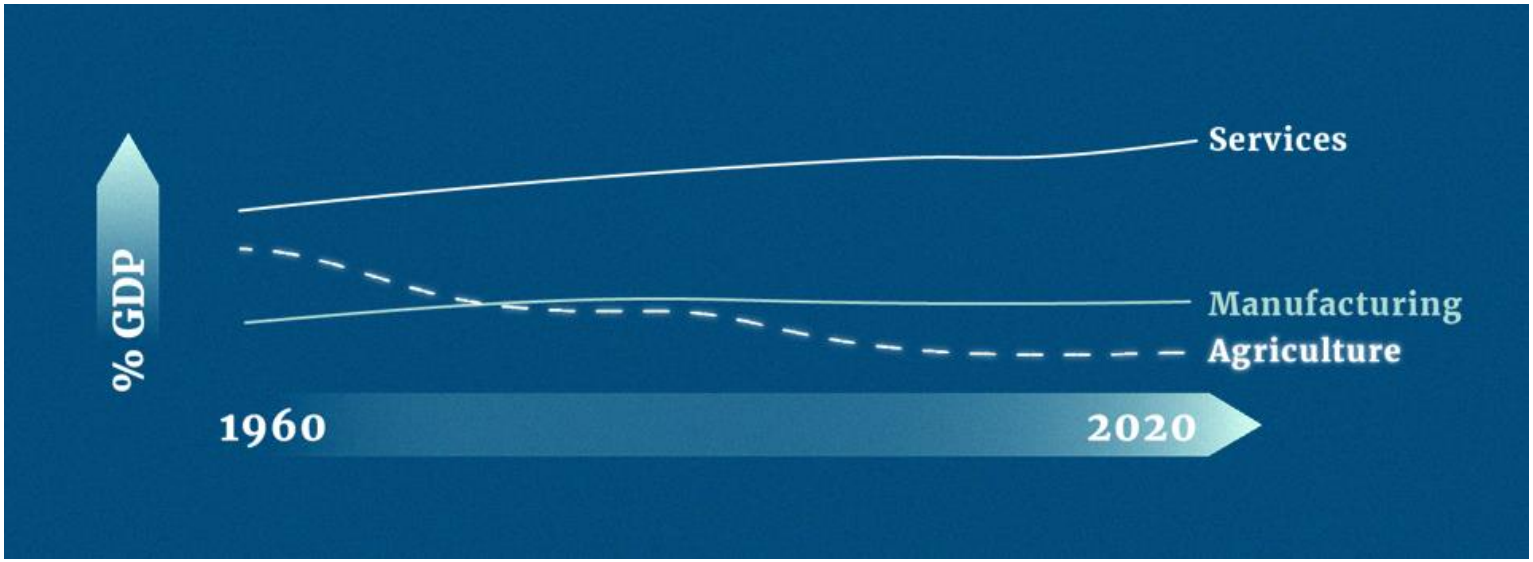
Short versus long-run



- Data from countries that achieved UMIC status and eradicated poverty

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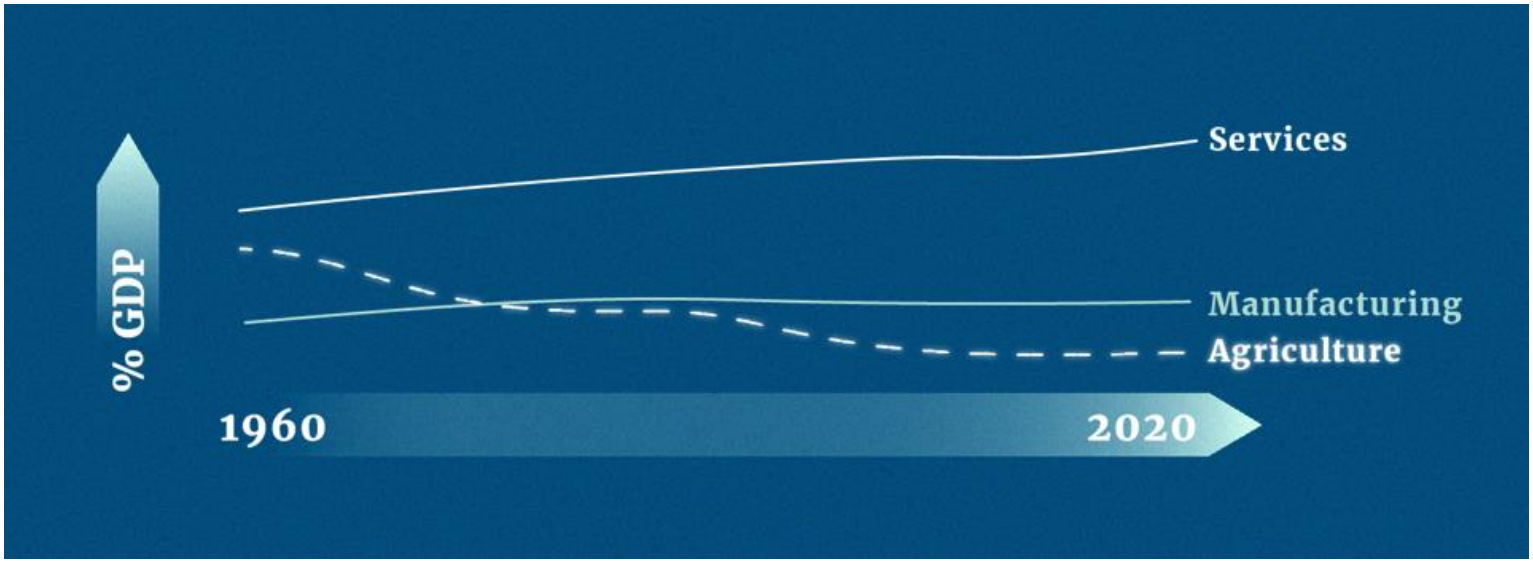
Short versus long-run



- Data from countries that achieved UMIC status and eradicated poverty

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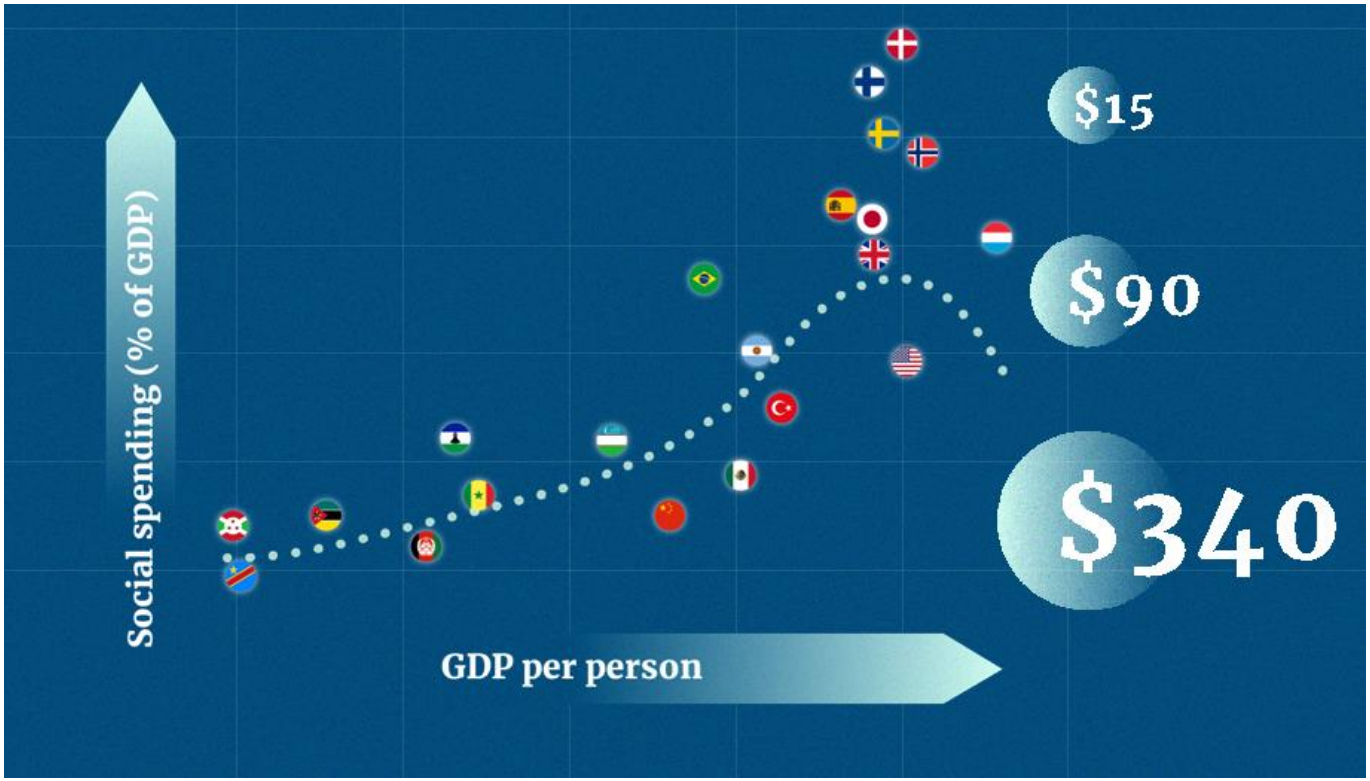
Government spending



- Bigger pie and bigger slice of the pie

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Successful countries do not think eradicating poverty is just about targeting investments at poverty

"the government's interventions in the economy were not "targeted at poverty" per se, but were about promoting growth and structural change, particularly in activities with the greatest spillovers and linkages."

Arkebe Oqubay
Special advisor to Prime Minster of Ethiopia

"anti-poverty programs in China can be divided into two categories: general development policies with indirect anti-poverty implications, and specially designed anti-poverty programs ... some aim to improve the structural context poverty, others aim to meet basic, immediate needs."

Yan Hao
China's Institute of Social Development

British International Investment

So what? (for DFIs)

- We should do as much as we can in rural areas, and urban low-income reach (not a new idea).
- Should idea that investments have greater impact on poverty in presence of complementary factors (i.e. good government) affect our decisions?
- Bauer paradox – aid is most effective where least needed

So what? (for ODA)

- When private and public investments are complements, it could be important for donor support to be comprehensive
- What are we good at?
- What are we neglecting?

Nov7-8, 2024, London

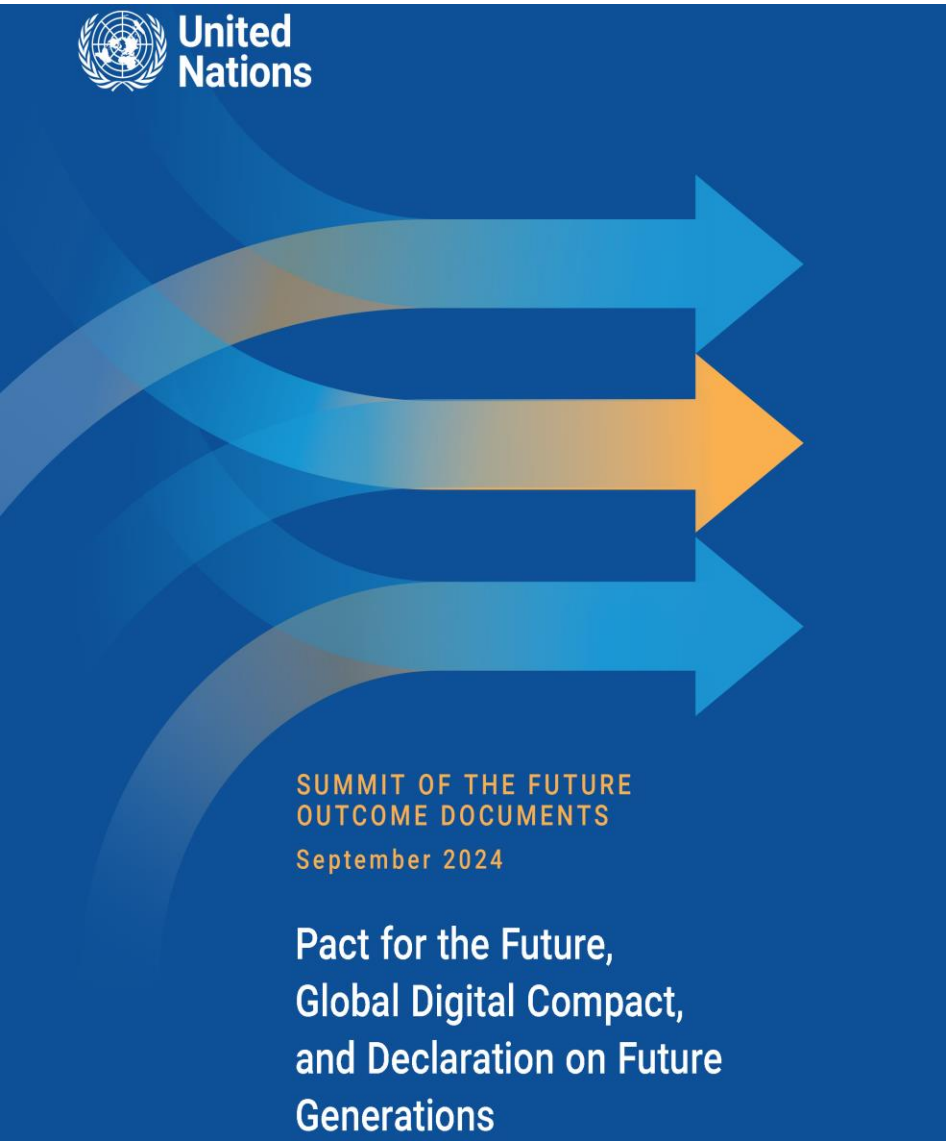
Planet Compatible Growth

Measuring Wealth and Moving Beyond GDP

Pushpam Kumar`(pushpam.kumar@un.org)
Chief Environmental Economist

UN environment programme

Agenda Setting

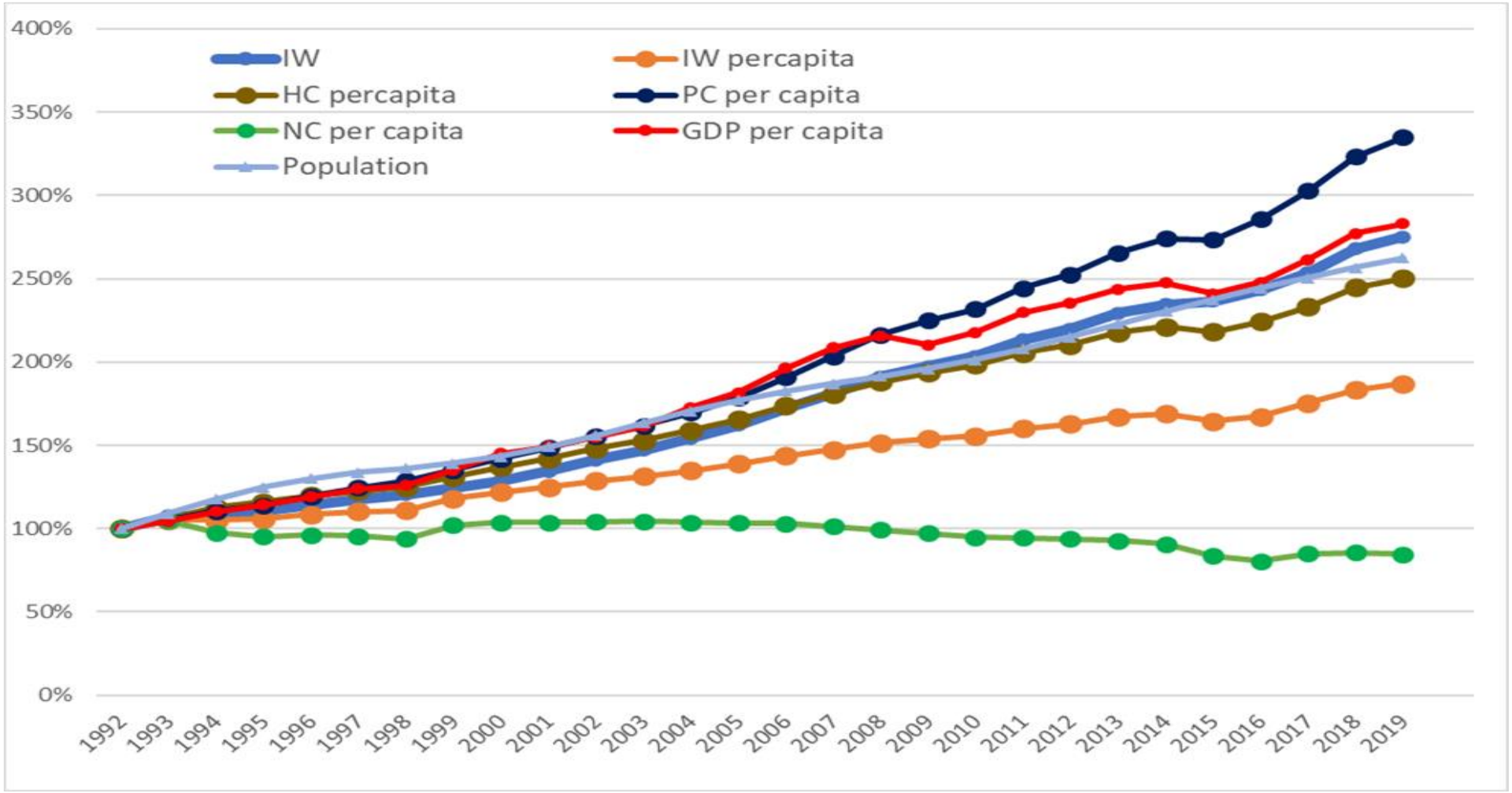


We, the Heads of State and Government and high representatives, reaffirm commitment and accelerated actions for encouraging the

use of measures of progress on sustainable development that complement and go beyond gross domestic product.

UN environment programme

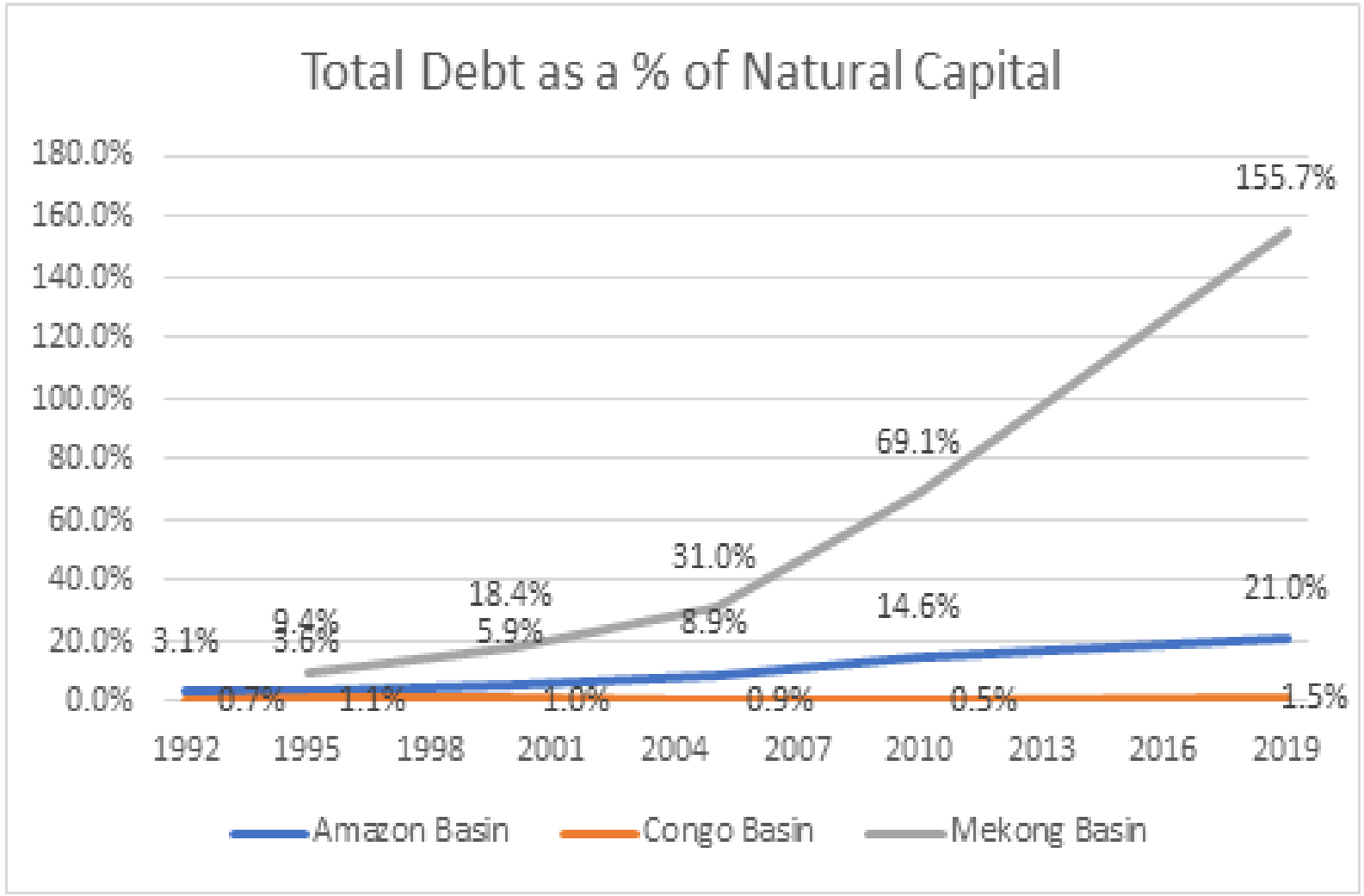
Global Trends in Wealth (1991-2019)



1. Inclusive Wealth has increased by the 49%.,came at the expense of natural capital
2. Natural capital per capita declined by more than 50% over 90-19.

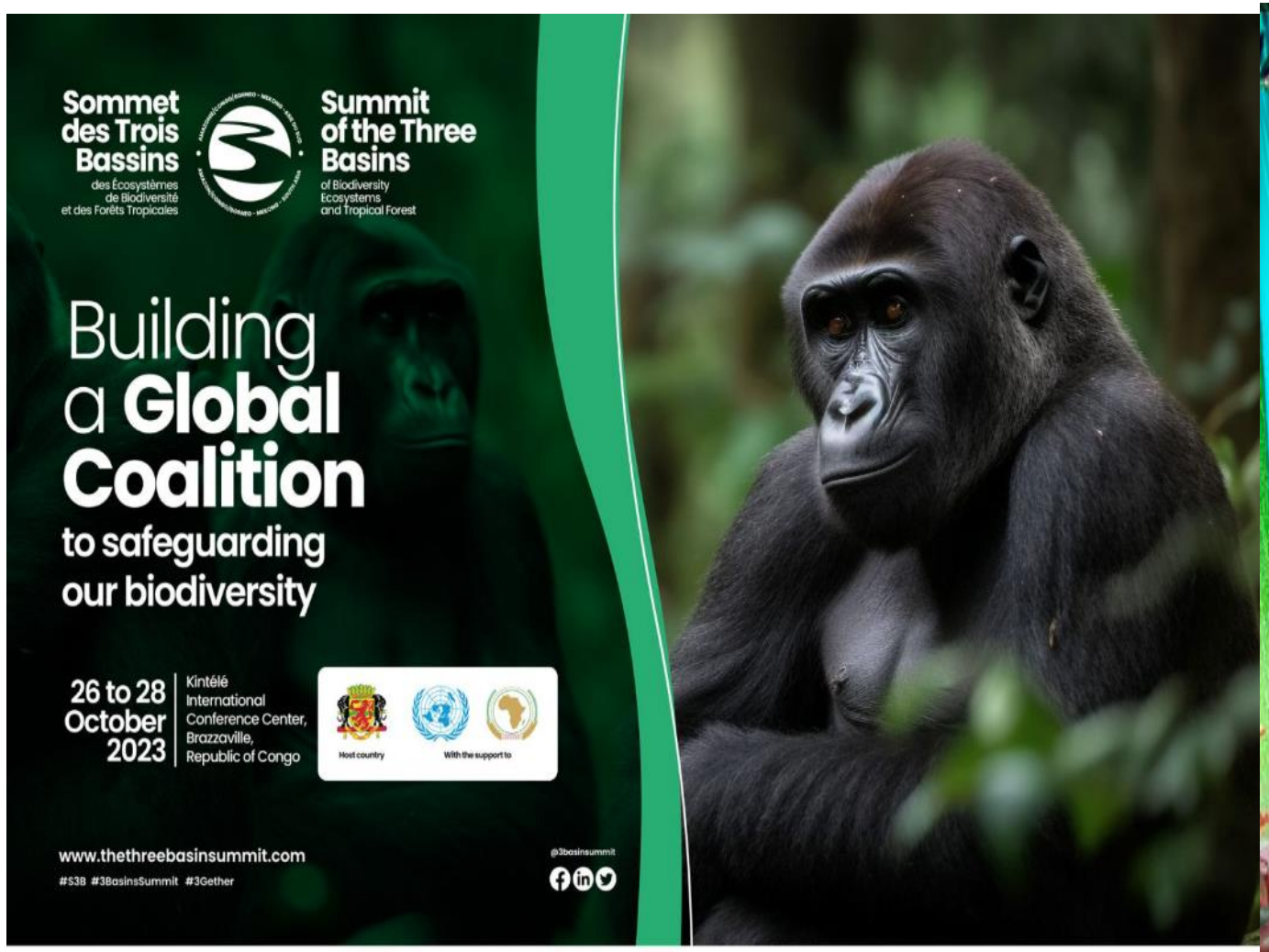
UN environment programme

Debt / Natural Capital in Three River Basins



UN environment programme

Critical Ecosystems and Debt



Inclusive Wealth and Planetary Crisis

1. Tracks the impact of triple planetary crisis (Climate, Biodiversity and Pollution including Chemicals and Plastics)
2. Quantitatively demonstrates the benefits of Nature Based Solutions
3. Decline in natural capital and its renewable and non-renewable components may be attributable to inadequate accounting and hence…

UN environment programme

Emerging Lessons

1. Financial Institutions, Treasuries and Development Sectors must take note and internalise
2. Piloting *Beyond GDP* in selected countries and Regions
3. Develop a strong community of practitioners through capacity and methodological development

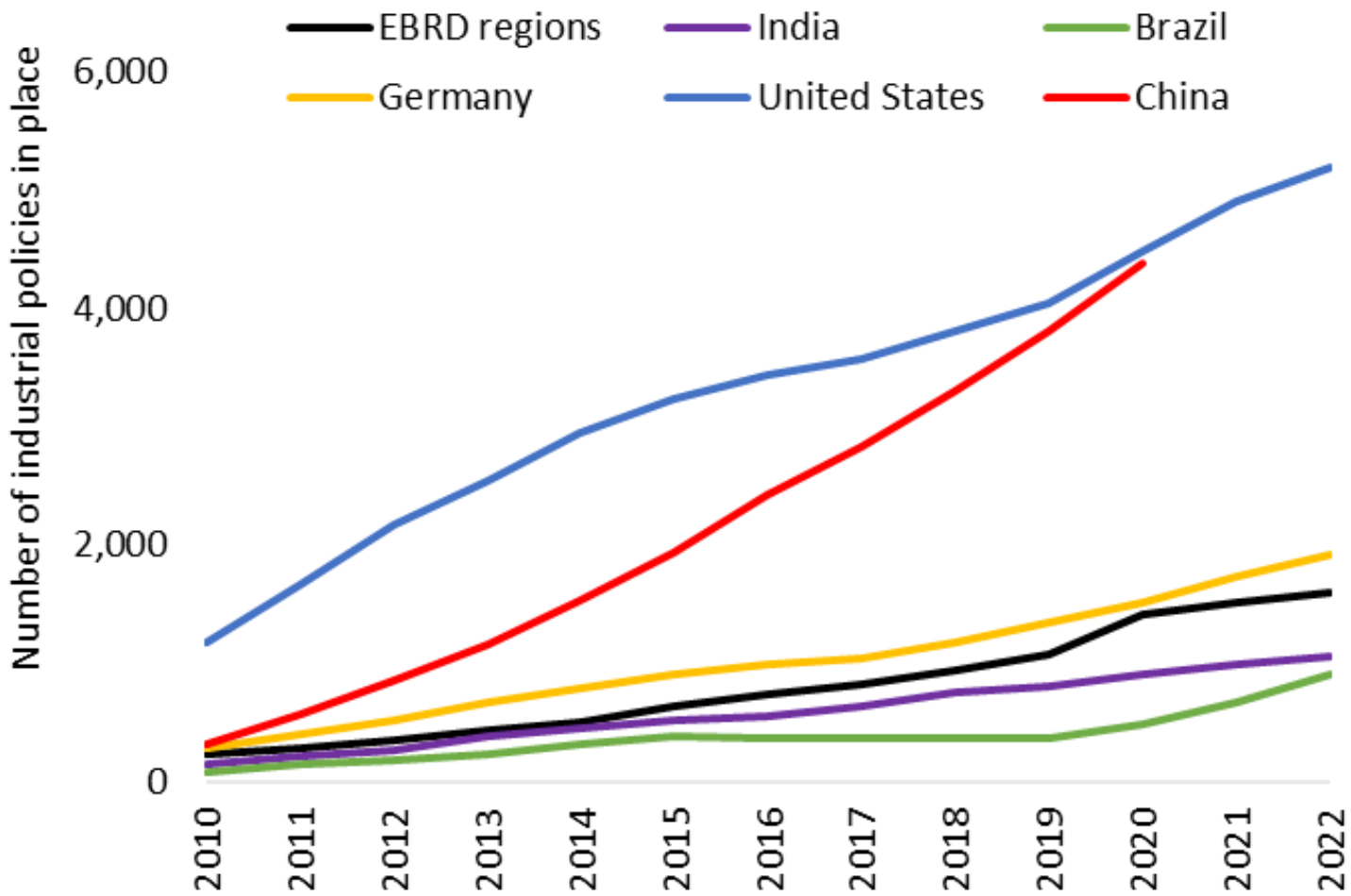
UN environment programme

Navigating industrial policy

Zsoka Koczan

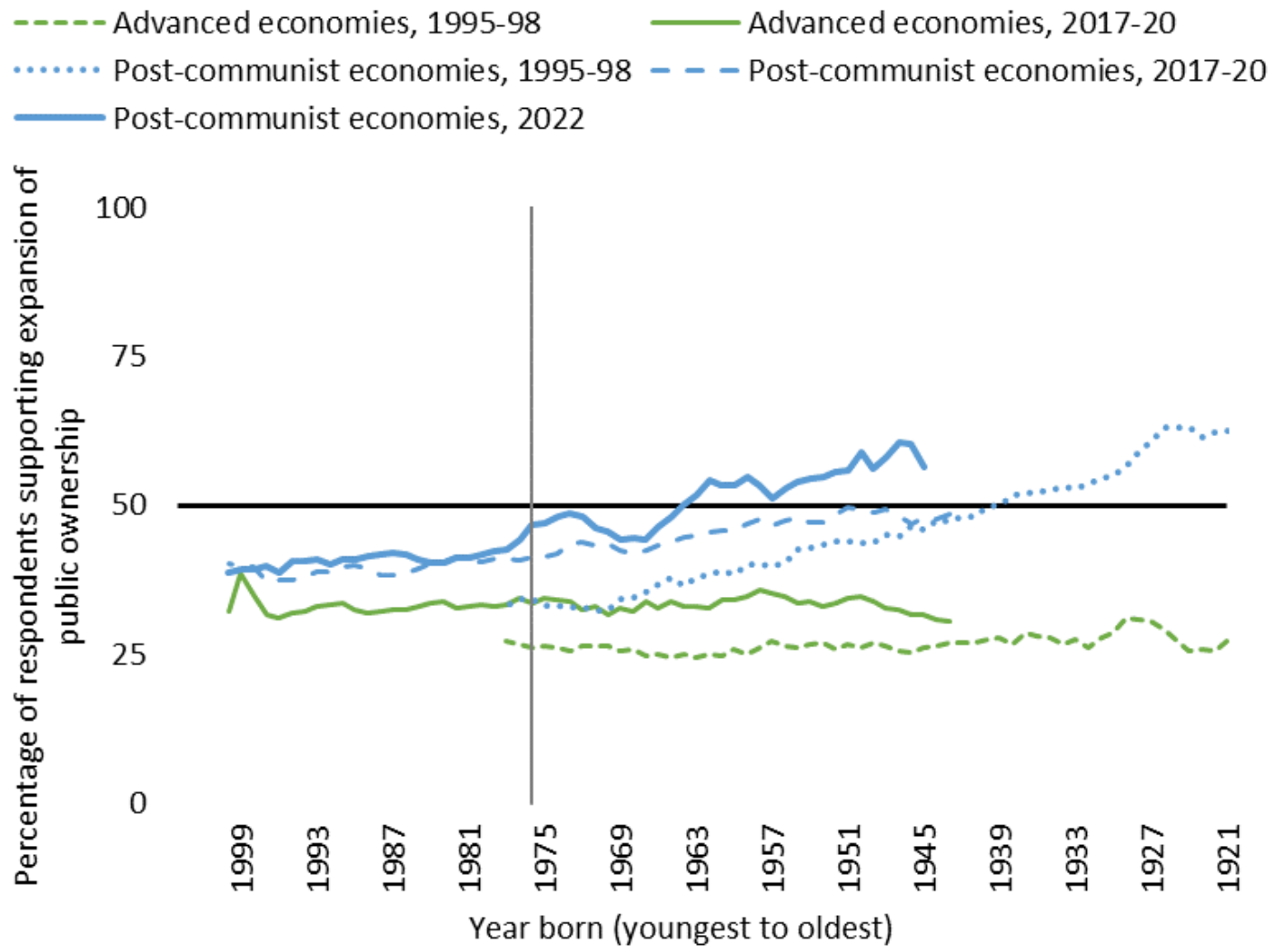
European Bank for Reconstruction and Development

Industrial policies - policies aimed at changing the sectoral composition of production in an economy - **have seen a resurgence in recent years**



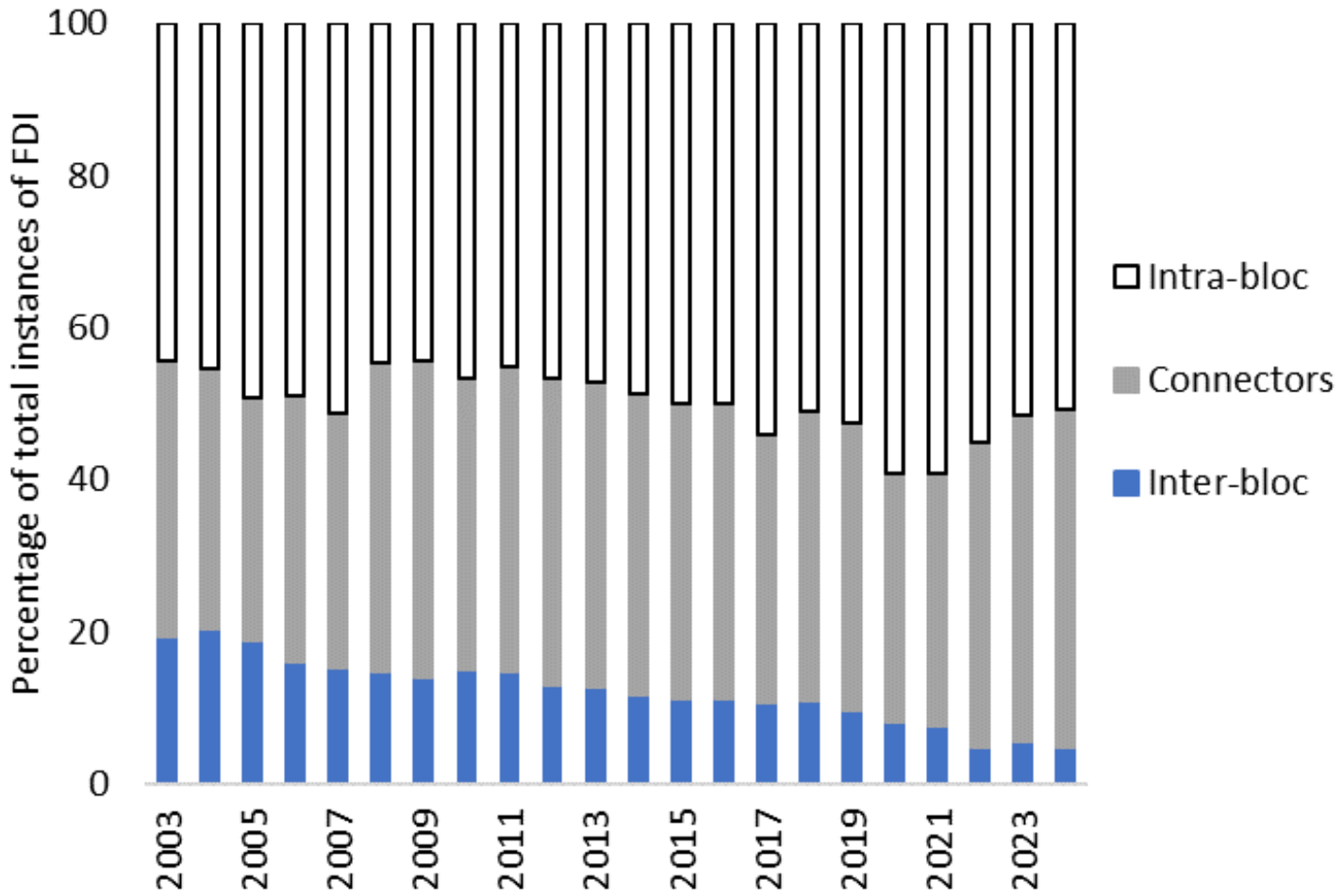
Source: GTA, Koczan et al. (2024), Juhász et al. (2023) and authors' calculations.
Note: Consistent data on China not available for 2021-22 due to lags in reporting.

The **popularity** of industrial policies may be primarily dictated by **political economy constraints**



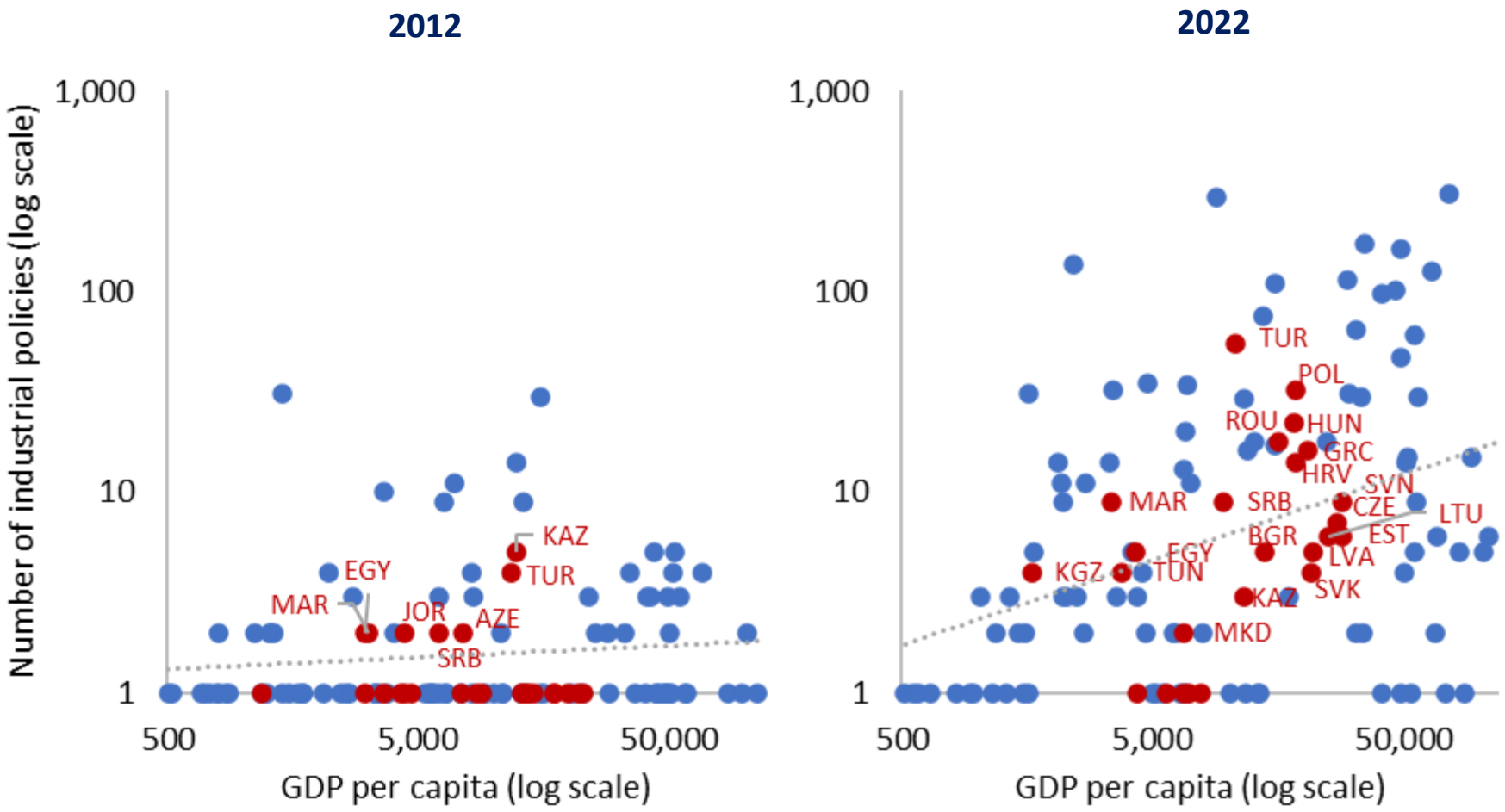
Source: EBRD (2020), World Values Survey, Life in Transition Survey IV, authors' calculations. Note: 5-year moving averages. Percentage of respondents who agree 1-5 on a 1-10 scale that "there should be more public ownership." 45 economies in both World Values Survey waves, of which 20 in the EBRD regions. Post-communist economies 2022 based on LiTS IV. Vertical line = adults at the start of transition.

Rising geopolitical tensions also raise demand for industrial policy



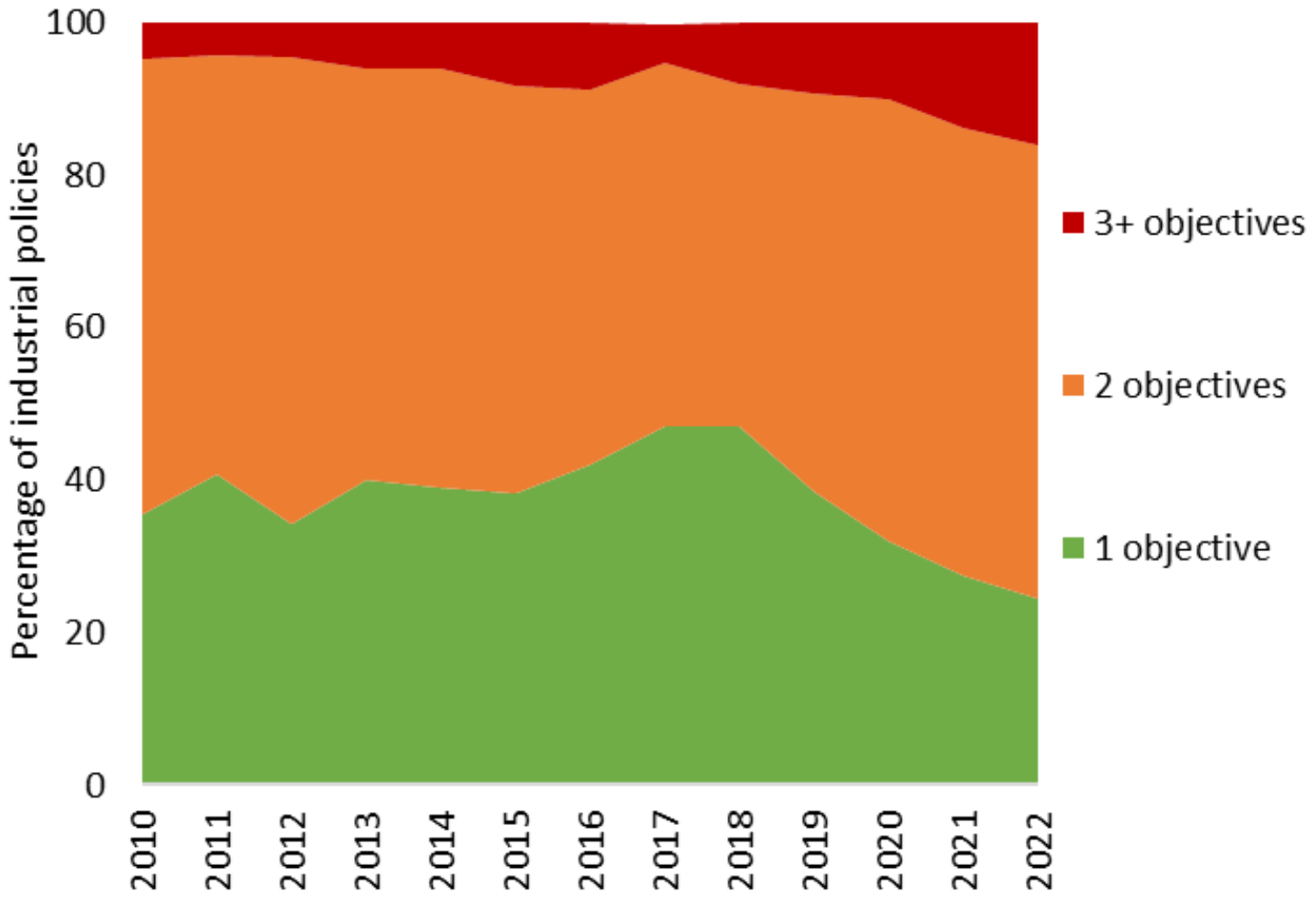
Source: Cheng et al. (2024) based on FT fDi Markets. Note: Bloc West = sanctions against Russia; bloc East = Belarus, China, Mali, Nicaragua, Russia and Syria. Other = connectors. Within-bloc = source and destination within same bloc, between blocs = source and destination in different blocs, connectors = at least one country is connector.

More **common** in **higher-income economies**, but increasingly frequently deployed also in economies with **lower administrative** and **fiscal capacity**



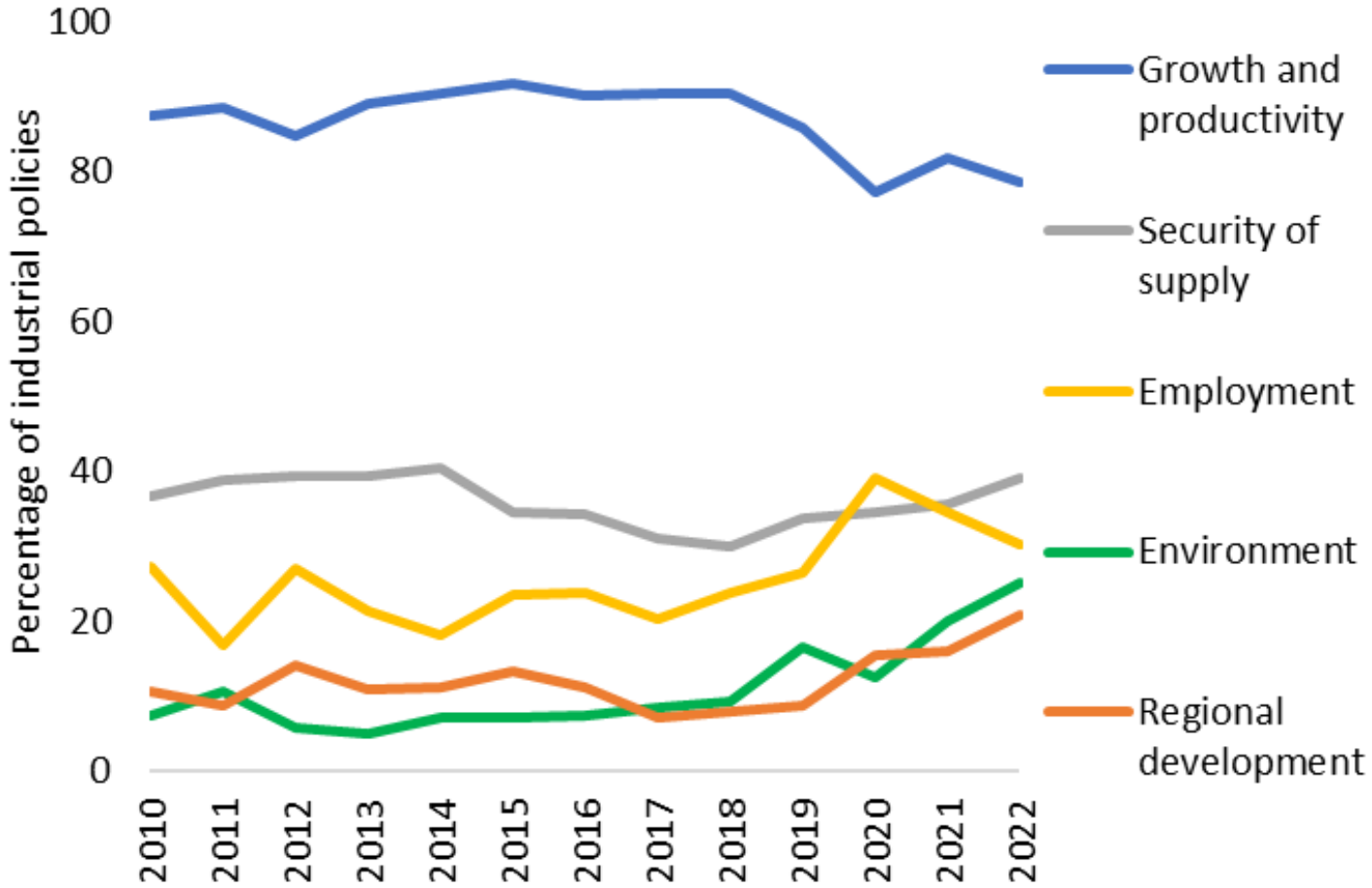
Source: Source: Koczan et al. (2024), Juhász et al. (2023), World Bank and authors' calculations.
Note: GDP per capita in US dollars at market exchange rates. Log (1 + x) transformation applied.

A typical industrial policy increasingly targets **multiple objectives** with no clear subordination of one to the other



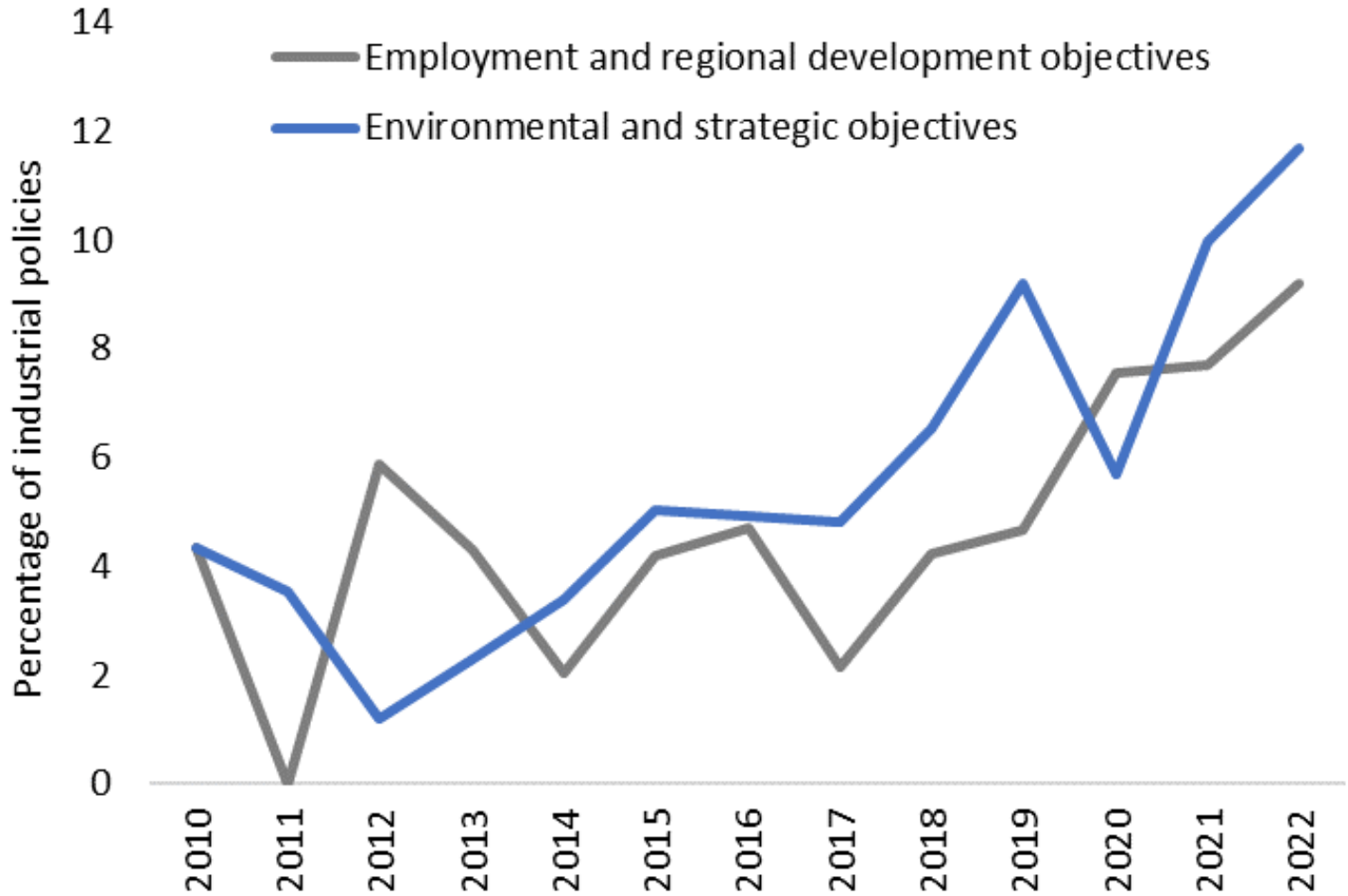
Source: Koczan et al. (2024), Juhász et al. (2023) and authors' calculations.
Note: Simple averages across 28 economies in the EBRD regions and 105 comparators. Based on years of announcement, same year restriction applied.

The **objectives** of industrial policies have seen a shift from **growth** and productivity to the **environment** and **regional development**



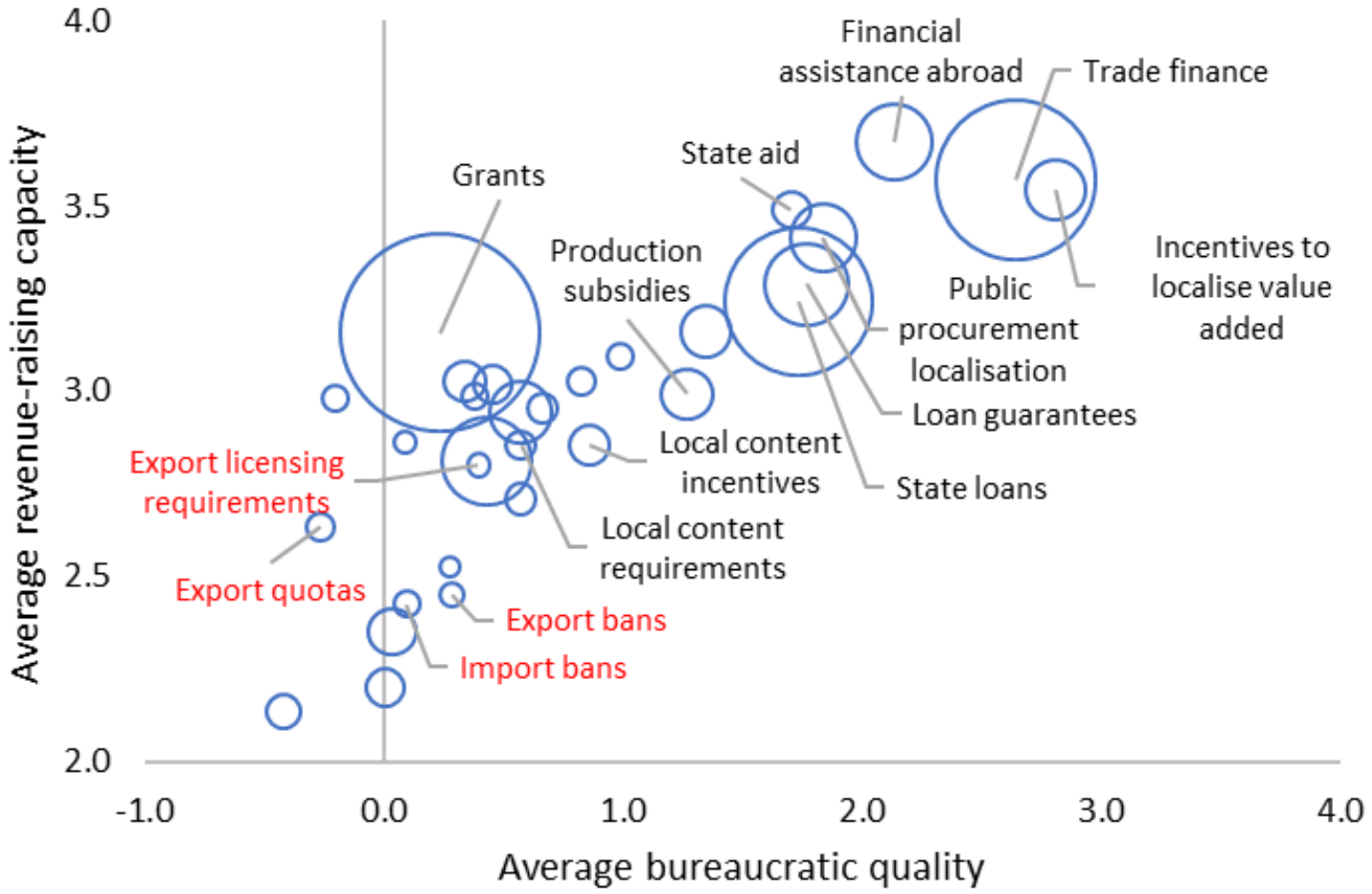
Source: Koczan et al. (2024), Juhász et al. (2023) and authors' calculations. Note: Simple averages across 28 economies in the EBRD regions and 105 comparators. The various figures can add up to more than 100 per cent, as individual industrial policies can have multiple objectives. Data are based on the year of announcement, with the same-year restriction applied.

Industrial policies with **environmental** and **strategic** objectives and policies targeting **employment** and **regional development** have become more common in recent years



Source: Koczan et al. (2024), Juhász et al. (2023) and authors' calculations. Note: Simple averages across 28 economies in the EBRD regions and 105 comparators. Data are based on the year of announcement, with the same-year restriction applied.

While industrial policies can be effective in overcoming **coordination failures**, they carry high **risks** and are associated with **distortions**



Source: Juhász et al. (2023), Worldwide Governance Indicators, authors' calculations. Note: Bubbles proportional to total number of industrial policies. 29 economies in the EBRD regions and 107 comparators, 2010-22. Average control of corruption and government effectiveness in economies using given instruments. Select instruments labelled. Red = highly distortive in IMF (2024).

USAID
FROM THE AMERICAN PEOPLE

Improving the Impact per Dollar: Cost Effectiveness Evidence and ImpAct Reviews

Dean Karlan
Chief Economist
Office of the Chief Economist (OCE)

Evidence → Policy

1. What is the market failure for "evidence-based policymaking"?
    a. Demand-side
    b. Supply-side
2. Best Buys
    a. Two levels of Under the Hood
    b. Example: Cash transfers
3. Cost-Effectiveness Thinking: 3 flavors
4. Our approach at USAID

What *our* market failure for evidence→policy?

1. Demand-side
    a. Simply put, not everyone responds to data
    b. Competing incentives (packing a lot into this)
    c. Human capital, technical understanding
2. Supply-side
    a. Classic public good w/r/t evidence generation
    b. Coordination
        i. Too few multi-site efforts
        ii. Too few multi-site analyses (whether one-off or systematic)
        iii. Too little operational iteration
        iv. Sharing/harmonizing of data:
            1. Micro-level
            2. Study-level ("IDEAL" database: Carson Christiano in "under the hood")
    c. Context-relevant evidence is lacking "won't work here" refrain maybe right?

“Best buys”: what is under the hood?

Absolutely critical. And not trivial.

Two aspects of “under the hood”

- What went into producing the analysis?
- How does the “good buy” information get used?

Be wary of over-simplification

Two blunt realities:

- Careless thinking attracts careless thinking
- Variance of implementation matters. Evidence can help there too. But sometimes 2nd best is best.

Cash transfers are very well studied. 114 paper meta-study

Unconditional Cash Transfers:

A Bayesian Meta-Analysis of Randomized Evaluations

in Low and Middle Income Countries

Tommaso Crosta, Dean Karlan, Finley Ong,

Julius Rüschenpöhler, and Christopher Udry*

September 6, 2024

Abstract

We use Bayesian meta-analysis methods to estimate the impact of unconditional cash transfers (UCTs) on twelve primary outcomes from 114 studies of 72 UCT programs in mid-

Takeaways from Meta-analysis of Unconditional Cash Transfers

1. Benefits >> Costs
2. Low variance (implementation fidelity easier)
3. Empowering, ultimate form of "localization"
4. More theoretical takeaways from empirical analysis:
    a. **How is money used**? Streams→consumption; lump sum → investment (but not stark)
    b. **Long-**run: impacts on consumption modestly dissipate after two years but remain constant for assets
    c. **Asset-based poverty trap**? Not evident in cross-section of studies
    d. **Targeting women**: higher consumption and income (vs untargeted)
    e. **Nudge add-ons for children:** some benefits, but not on anthropometrics and school enrollment
    f. **Labor supply**? strong **positive** effect

BUT

- Many operational/implementation/design questions must be “contextualized”
- Evidence helps, both diagnostic and evaluative
- Not as simple as “give out cash”
  - But simpler than many other interventions.

3 Flavors of Aid: Applying Cost-Effectiveness

1. Aid Flavor #1: direct program services. Needs meta-analysis, syntheses, qualitative information for contextualization/implementation

1. Aid Flavor #2: Evidence partnerships with government. Leverage! (Rema Hanna talk)

1. Aid Flavor #3: "Systems" work → cost effectiveness "thinking"

"We invest in many things that can't be RCTed. We invest in systems."

(overheard at USAID)

How should we think about the impact of systems investments?
Can they be RCTed?
How should they be held to account?

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We've anecdotally come across 5 buckets of systems investments

1. Things called "systems" but actually are testable micro interventions
2. Technical assistance on govt policy and regulatory reform
3. Technical assistance on implementation (e.g., software, supply chain, etc.)
4. Physical infrastructure
5. Private sector development (Woodruff & Fischer)
    a. Market creation and stimulation
    b. Industrial policy

1. Things called "systems" but actually are testable micro interventions

a. **Strengthening healthcare/education systems by**
   i. Improving pay, incentives
   ii. Deploying monitoring and penalties
   iii. Training providers
   iv. Task shifting
b. **Strengthening agriculture markets systems by**
   i. Lowering the cost of borrowing for agri SMEs that serve smallholder farmers
   ii. Encouraging quality certification of produce

2. Govt policy and regulatory reform

Example: Advocacy and training government to adopt cost-effective interventions

Expected value of investment = Probability of success × Δ of cost-effectiveness of what is being promoted versus what they are currently doing / Cost of advocacy

Political window
Fiscal space
…

3. Software and technology systems

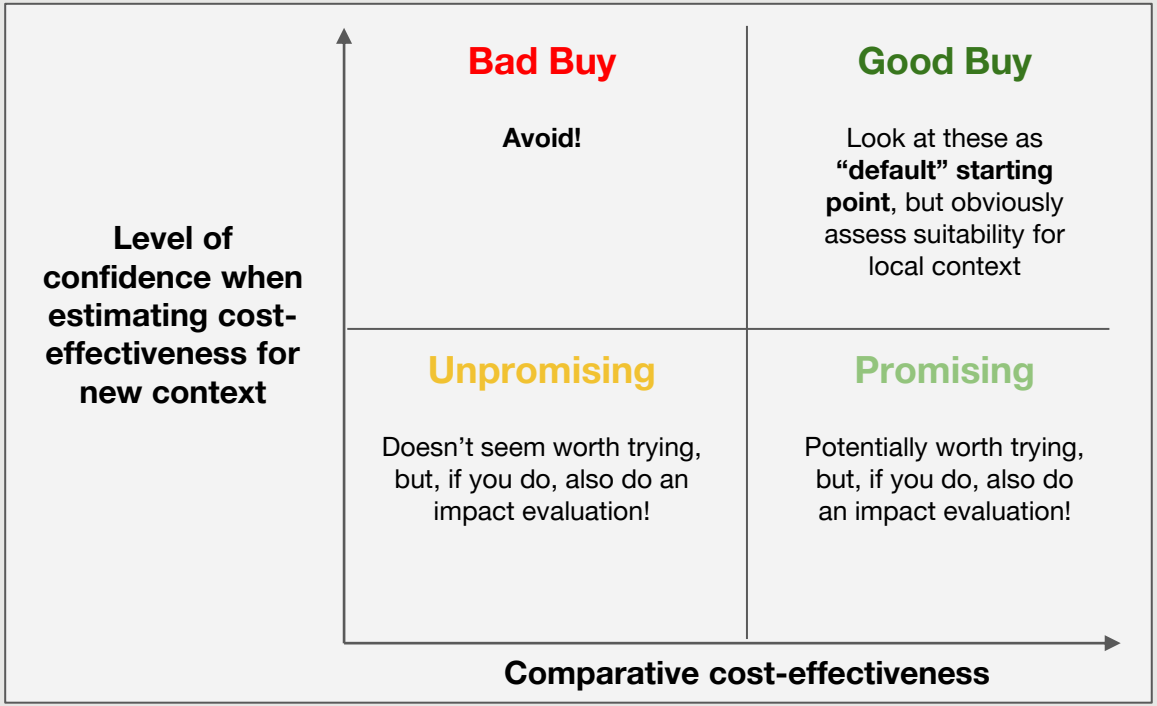
Example: Medication and consumables inventory management software for health facilities

Expected value of investment	=	Reductions in medication stock shortages	X	Evidence from medicine on increase in DALY from medication use	/	Cost of software implementation, maintenance etc.

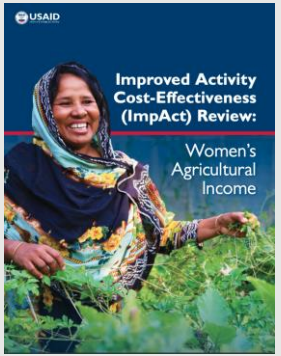
USAID's new Office of the Chief Economist: focus on ***cost-effectiveness*** evidence

1. **IMPACT** – Examines approaches to address **a specific development outcome, for a target population**
2. **COST** – Gives information on **dollar cost per output**
3. **COMPARISONS** – Allows the **comparison of interventions relative to alternatives**, illuminating the tradeoffs to inform decisions

We make recommendations to colleagues leveraging our Improved Activity Cost-Effectiveness (ImpAct) Approach



In-depth "ImpAct Reviews"



Rapid evidence reviews, on, e.g., education in crisis and conflict; social cohesion → responsive to specific needs in specific program design or implementation efforts

We work at 2 levels to infuse cost-effectiveness in USAID

1. DIRECT HANDS-ON SUPPORT

We roll up our sleeves to provide support to USAID Operating Units on specific opportunities to use or generate cost-effectiveness evidence in the design and implementation of USAID programs

2. INSTITUTIONAL ENABLERS

We strengthen the incentives, resources, support structures, etc. for using and generating cost-effectiveness evidence → the "squishier" but nevertheless also important stuff!

I. DIRECT HANDS-ON SUPPORT

Our direct hands-on support, by the numbers

$1.5 billion	Dollar value of programming on which we've supported on cost-effectiveness evidence use and/or generation
24 units	Number of USAID operating units (primarily Missions) whose programming we have supported
15 RCTs	Number of active or potential randomized impact evaluations of USAID programs, across 14 countries and 7 sectors
~10 staff	Number of staff in the Office of the Chief Economist involved in these over the past year since we launched

What do these numbers tell us? There's a ***lot of demand***, and you can accomplish a lot with even a ***small talented team that stays focused***

What does this look like in practice? An illustration

Supported the Bureau for Humanitarian Assistance on ~$300m to integrate "Graduation Model" evidence into design → embedded evidence advisor into the design team, suggested language in design documents and solicitations, etc.

6. Graduation Approach

The graduation approach combines carefully sequenced interventions tailored to the challenges faced by the ultra-poor in a particular context. "Working together, these interdependent interventions lead to strong outcomes at the household level including increased or improved assets, food security, savings

and financial inclusion, health outcomes, social integration, and productive skills."[23] The graduation approach comprises of the following five core elements:

1. **Consumption support to ensure basic needs are met while starting or expanding livelihoods.** This is typically provided in the form of cash and/or food assistance, delivered in installments that generally last 10 to 24 months, and is designed to help participants stabilize food consumption levels until they start earning income from the livelihoods facilitated through other program components. The duration and frequency of the consumption support is contextualized to specific context. In most graduation programs, the total value transferred tends to fall within the range of $10 to $30 per month, with variations based on local purchasing power, household size, availability of other sources of income, and presence of other high frequency cash transfer programs in which households already participate.

2. **Ongoing coaching and mentoring.** Graduation programs provide ongoing support designed to help participants overcome emotional and psychosocial hurdles and knowledge gaps that might prevent them from having resilient livelihoods. In addition to helping participants with business planning, money management, and social support, coaches also provide referrals to health and other services. The coaching and mentoring curriculum supports participants as they develop new or expand existing livelihood opportunities, supports participants to use their increased

SECTION E: Application Review Information

1. **Activity Specific Evaluation Criteria**

Table 5: Activity Specific Evaluation Criteria

Activity Specific Evaluation Criteria	Maximum Possible Points
a) Contextualization of the Graduation Approach	**75**
Graduation Approach Design	*45*
Gender, Youth and Social Inclusion within Graduation Approach	*10*
Sequencing, Layering, and Integrating	*10*
Monitoring, Evaluation, and Learning	*10*
b) Management, Operations, and Staffing	**25**
Logistics and Operations	*10*
Management and Staffing	*15*
Total Possible Points	**100**

a. *Contextualization of the Graduation Approach (75 points)*

Seventy five (75) points are dedicated to Contextualization of the Graduation Approach and specifically dedicated to four sub-categories as essential elements of a strong activity design: Graduation Approach Design (45 points); Gender, Youth and Social Inclusion (10 points); Sequencing, Layering, and Integrating

Program Designs and the Resulting Solicitations: How to incorporate Cost-Effectiveness concepts? Tagline: Use it or Produce it

- Identify **default intervention** to implement
  - (Briefly) describe evidence used that elevated this to the "default"
- Name specific **contextualization questions** that implementers should in their proposal either answer or explain how they will answer
  - Maybe identify knowledge gaps too, that inspire evidence generation
- Be open to **innovation**: Implementer have a better idea? Propose it!
  - If tested elsewhere already, show evidence compared to the "default"
  - If new, explain why potentially better AND propose impact evaluation alongside

Why do this direct hands-on support?

1. **Direct impact**: Is the most ***direct*** way of furthering our north star to make USAID programming more cost-effective
2. **Institutional learning:** Done well, it ***shows*** colleagues what use and generation of cost-effectiveness evidence looks like in practice, in the context of ***their*** programs, ***their*** day-to-day work
3. **OCE learning**: Helps OCE ***understand the barriers and opportunities*** that shape cost-effectiveness use and generation, to inform our "institutional enablers" work

But:

$1.5b is small compared to USAID's annual ~$30b budget.

2. INSTITUTIONAL ENABLERS

Pulling several levers that–albeit, less direct–are potentially crucial for ***institutionalizing*** cost-effectiveness ***at scale*** in USAID

1. "Socializing" cost-effectiveness widely
2. Changing Agency-wide policy
3. Building a ~100-person network of "Cost-Effectiveness Evidence Champions" across USAID
4. Making world-class external expertise easily available to USAID
5. Recognizing and celebrating teams
6. Showing leadership commitment

What can we all do more of?

Realistic Coordination!

Ultimately: knowledge is leverage

Evidence shouldn't care who paid for it

- Coordinate on harmonizing of existing data
- Coordinate on new evidence generation
- Coordinate on building local-government "evidence partnerships"….
  Queue up next talk by Rema Hanna!

Thank you!

Dean Karlan

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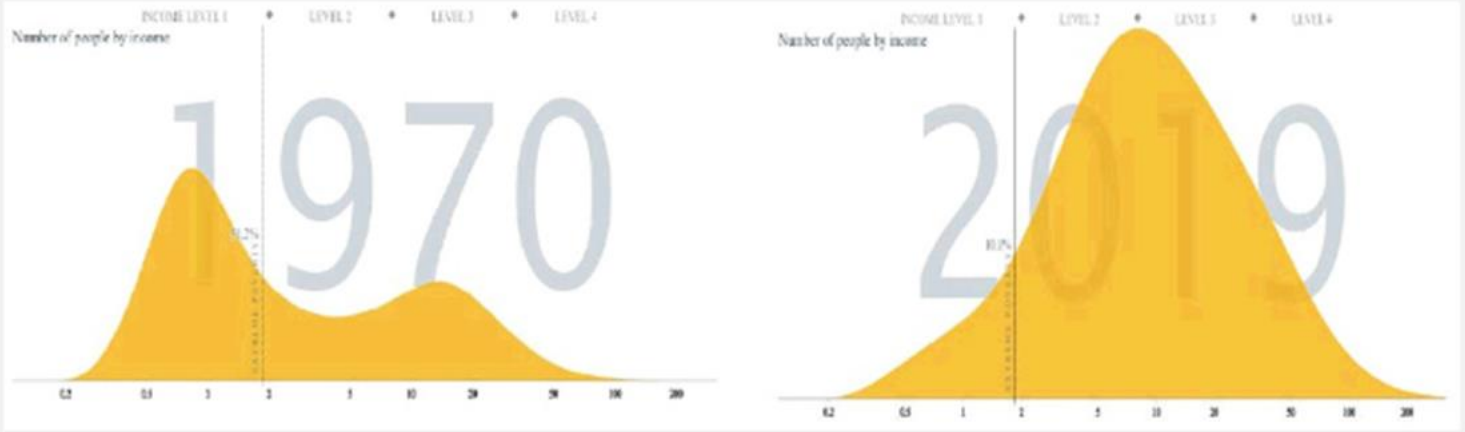
Food for thought (1) Income distribution (AFD publication)

Figure 4

BREAKDOWN OF THE WORLD POPULATION BY INCOME LEVEL IN 1970 AND 2019



— Source: Gapminder. Income Mountains | Gapminder

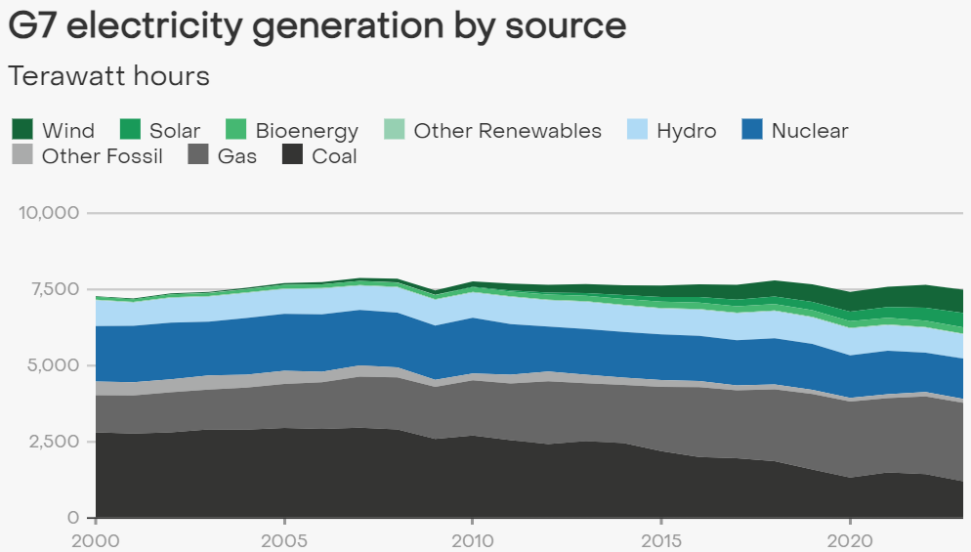
The comparison of the two breakdowns is striking. **It shows the disappearance of a world divided between North and South.** The population to the left of the vertical poverty line remains large and geographically concentrated, but **the curve is globally Gaussian, showing the emergence of a global middle class.**
The term "Third World" is now obsolete. Yet development aid is still largely based on this concept, as well as climate negotiations which the groups of countries have essentially taken up. OECD countries are still frequently referred to as industrialized countries, even though the majority of manufacturing production is now carried out in the South and the industrial share of GDP is globally higher in the South than in the North

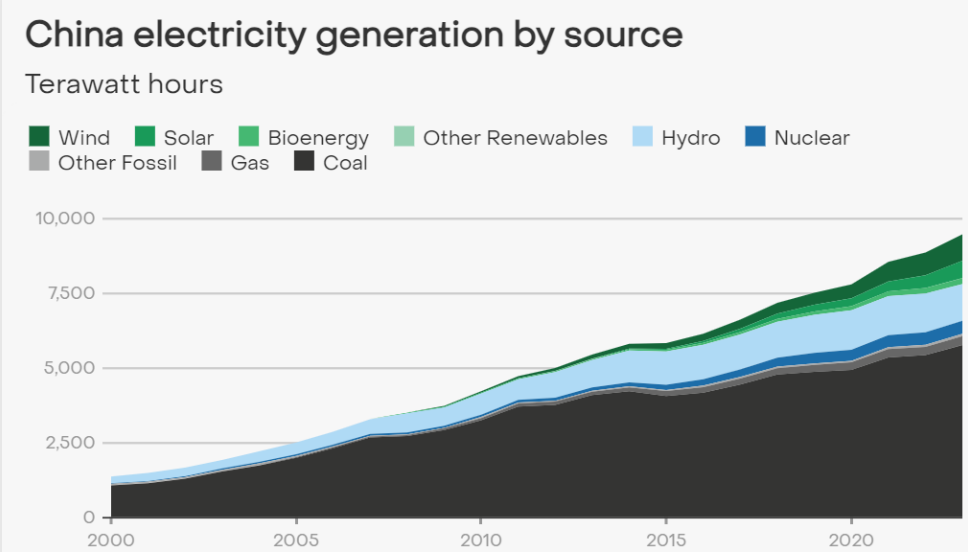
Food for thought (1) Income distribution (other perspectives)

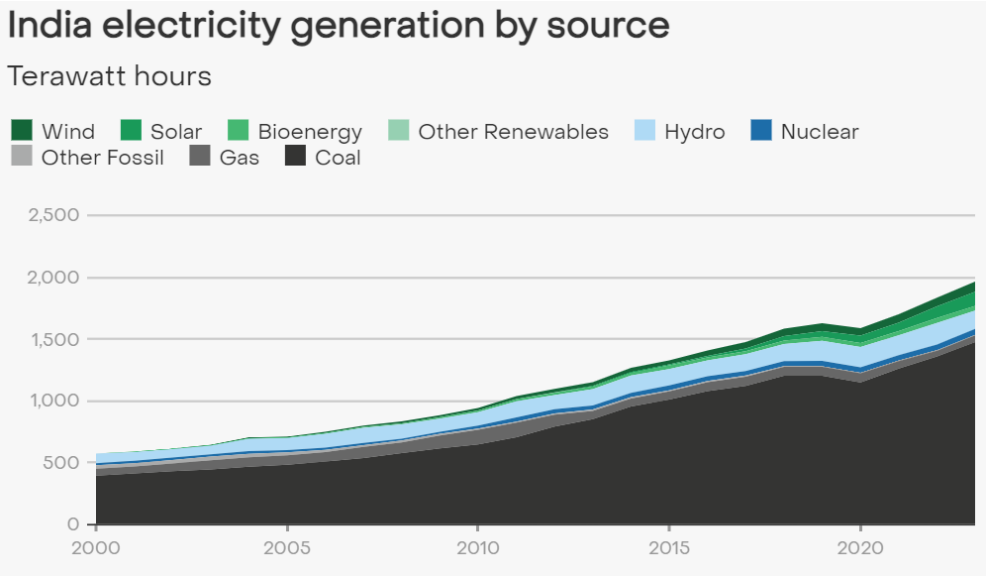
Gapminder

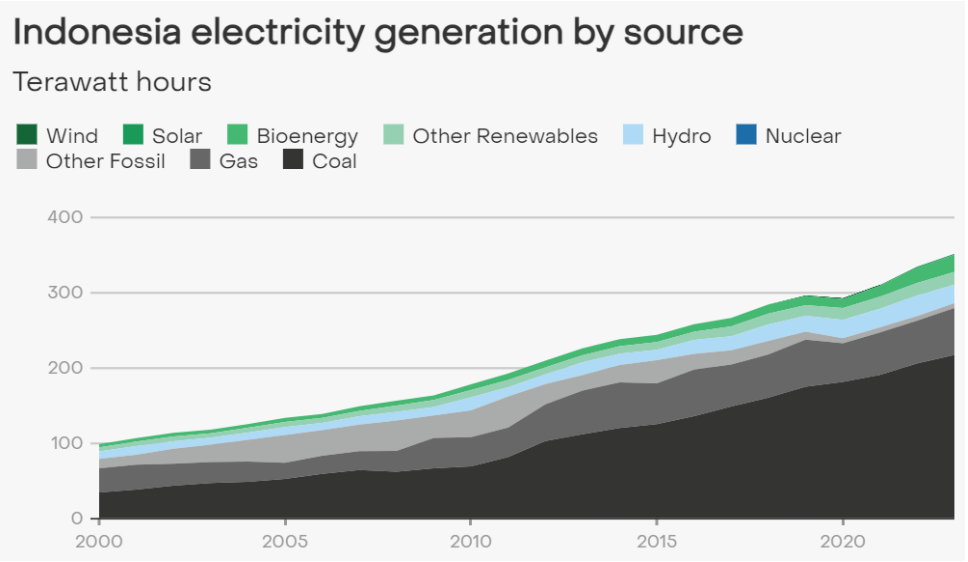
- Percentage of population living under international poverty line (USD 2.15 at 2017 price) may have decreased, but population living under USD 10 still a majority and much larger than before
- Population in most of Africa and majority of Asia still living under daily income level of USD 10
- Except for China, there seems to be a huge gap in income level and manufacturing production volume between the industrialized countries and developing countries

Food for thought (2) Just climate transition (G7, G20)



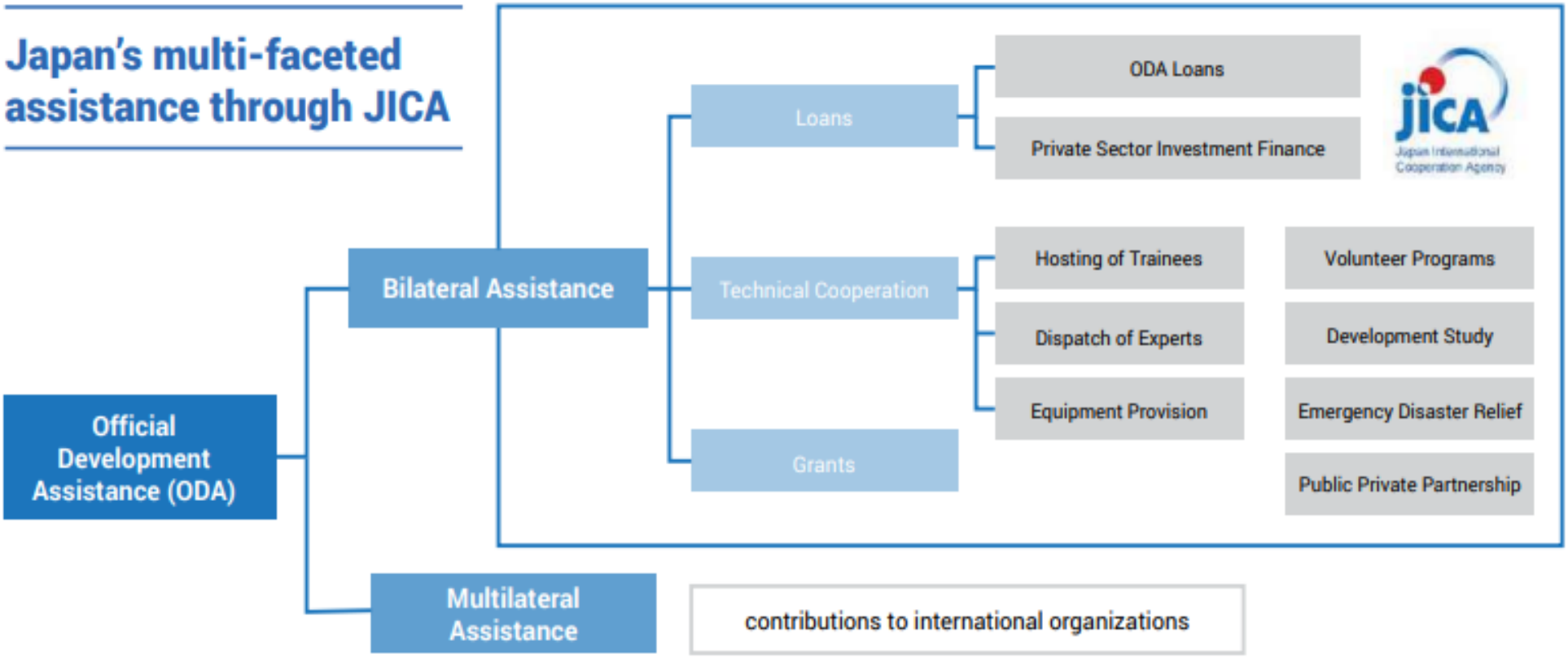






Ember | Clean Energy Policy | Clean energy policy and data (ember-climate.org)

Food for thought (3) JICA supporting SDGs in India (1/3)



Food for thought (3) JICA supporting SDGs in India (2/3)

Transport

Figures at a Glance

JICA facilitated construction for approx. 550 km of metro rail network across 6 cities

Facilitated National Highway work across India, including 4-laning of roads in several states

70+ ODA Loans, 2 Grant Aid and 24 Technical Cooperations have been extended for India's transport sector

Water & Sanitation

Figures at a Glance

JICA has given 37 ODA Loans, 4 Grant Aids, and implemented 12 Technical Cooperation Projects.

Water supply has been facilitated for approximately 30 million people, and 15 million people have received access to sanitation.

Japan's support consists of ODA loans of over 797 billion Japanese Yen (approximately INR 53,000 crore).

Forestry

Figures at a Glance

Afforestation activities under JICA supported projects have covered over 3 million hectares across 15 states

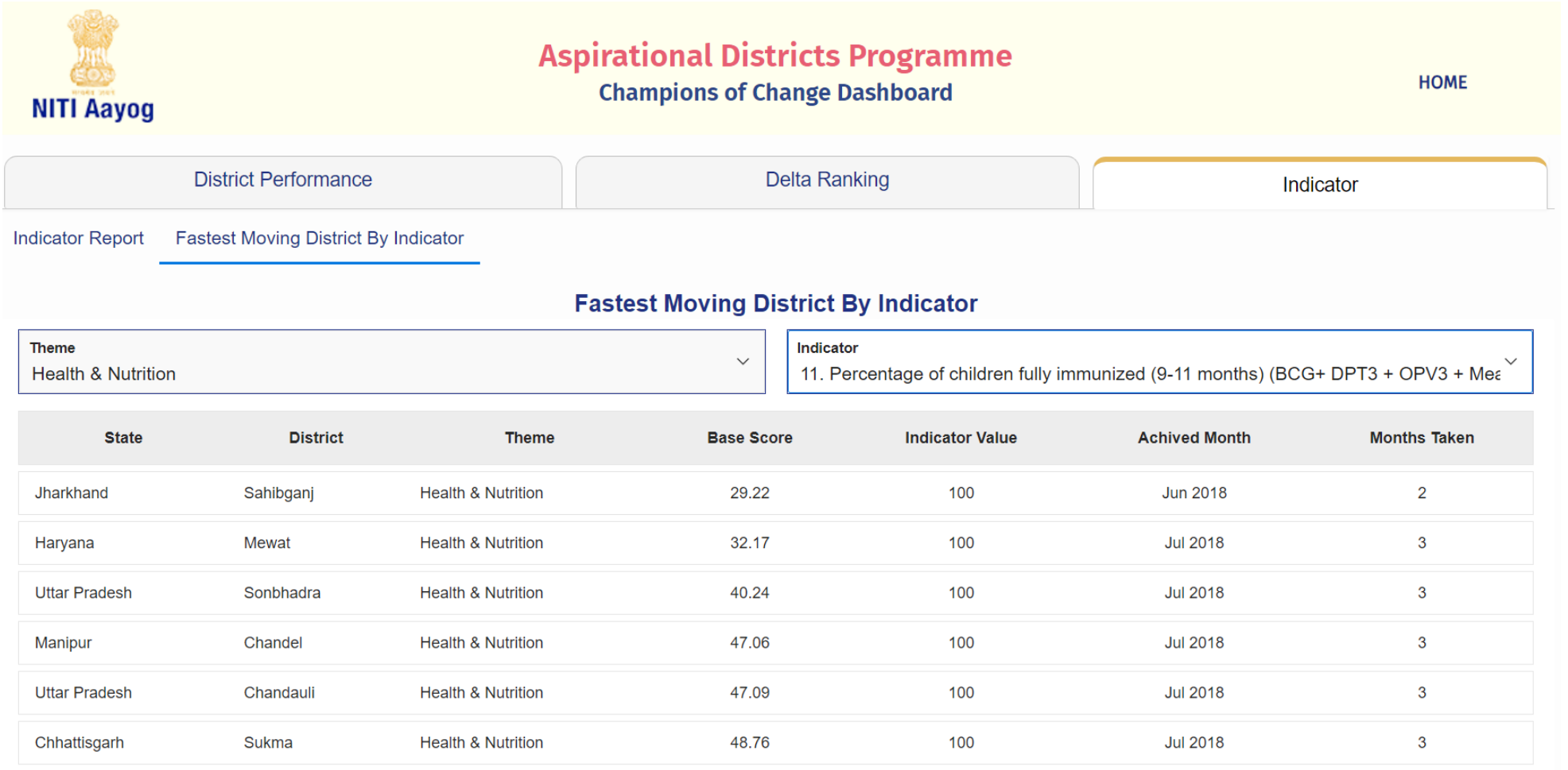
JICA has supported 31 forestry and natural resource management projects in India

Over 18,500 Joint Forest Management (JFM) committees and 25,000 Self-Help Groups (SHGs) have been formed and empowered under JICA projects

brochure_27.pdf

Food for thought (3) JICA supporting SDGs in India (3/3 #1)

Food for thought (3) JICA supporting SDGs in India (3/3 #2)



NITI Aayog

Aspirational Districts Programme

Champions of Change Dashboard

HOME

District Performance | Delta Ranking | Indicator

Indicator Report | Fastest Moving District By Indicator

Fastest Moving District By Indicator

Theme: Health & Nutrition

Indicator: 11. Percentage of children fully immunized (9-11 months) (BCG+ DPT3 + OPV3 + Mea

State	District	Theme	Base Score	Indicator Value	Achived Month	Months Taken
Jharkhand	Sahibganj	Health & Nutrition	29.22	100	Jun 2018	2
Haryana	Mewat	Health & Nutrition	32.17	100	Jul 2018	3
Uttar Pradesh	Sonbhadra	Health & Nutrition	40.24	100	Jul 2018	3
Manipur	Chandel	Health & Nutrition	47.06	100	Jul 2018	3
Uttar Pradesh	Chandauli	Health & Nutrition	47.09	100	Jul 2018	3
Chhattisgarh	Sukma	Health & Nutrition	48.76	100	Jul 2018	3

Food for thought (3) JICA supporting SDGs in India (3/3 #3)

The Program for Japan-India Cooperative Actions towards SDG in India (ODA Loan)

Date of Signing:
January 18, 2019

Commitment Amount:
15,000 million ¥
(approximately
₹ 1,000 Crore)

Implementation Period:
2017- 2020

Implementation Agency:
NITI Aayog

This program is a unique initiative to support the efforts of the Government of India to strengthen policy framework and implementation mechanism for achieving the **SDGs by 2030**.

In this program, JICA is partnering with The National Institution for Transforming India (NITI) Aayog, which plays a central role in co-ordinating efforts to achieve SDG goals and targets in India. This program is expected to add a driving force for GOI's policy actions for SDGs. Under this program, JICA and the NITI Aayog have agreed on a 'Policy Matrix', which defines the policy actions, that has to be taken by concerned Ministries of Govt. of India, and on the basis of achievement of the policy actions, JICA would disburse project funds.

The policy actions cover the area of Health and Nutrition, Education, Agriculture and Water Resources, Financial Inclusion and Skill Development, Basic Infrastructure and also measurement of SDG performance.

JICA and NITI Aayog partnership also entails technical collaboration in organizing Japan-India SDG forums to draw on Japanese experiences as well as lessons learnt by JICA from past Japanese ODA Loan projects/programs in India.

Innovations in financing for development

Debora Revoltella

European Investment Bank

9th Meeting of the Network of Chief Economists
of International Development Agencies and Finance Institutes
London - November 7-8, 2024

3 layer approach to impact

AIM – 3 pillars, why, what, how

Macroeconomic Impact

Micro impact

Examining impact of EIB Group support for EU businesses

EIBG conducts impact work on our support for corporates, including in-depth studies and market analysis, using rigorous statistical assessment and granular data

Rich firm-level data:

- SG/ECON merged allocation data on +100,000 *EIB beneficiary firms* to Bureau van Dijk ORBIS data:
  - covering balance sheet, employment, location, sector and other economic information
  - information from external datasets can be added (e.g., patents)
- For *intermediaries*, balance sheet data from BankScope were incorporated
- For *high-growth firms* have access to funding history through deal-based data (PitchBook)

Allows detailed analysis on programme beneficiaries:

- Matching to ex ante comparable firms
- Compare ex post using state-of-the-art statistical methods

Going forward:

- Broaden the scope of existing market analyses (regions, sectors, firm types)
- More thematic impact assessments: innovation, productivity, gender, …

European Investment Bank

Evidence of impact of EIB Group support for EU businesses

Intermediated Lending

15% higher levels of **investment**

5% higher levels of **employment** and **productivity**

Larger impacts for smaller and younger firms

Portfolio Guarantees

7% to 35% higher **asset** levels

8% to 30% higher **employment**

About a third lower **bankruptcy rates**

Venture Capital

Up to two times higher **capitalisation**

19% to 97% higher **revenue** levels

Higher **job creation**

10.3pp. higher chance of **acquisition** and 1.7pp. of an **IPO**

Venture Debt

32% higher **assets**

Crowding-in of additional debt (2.5X), without increasing cost of debt

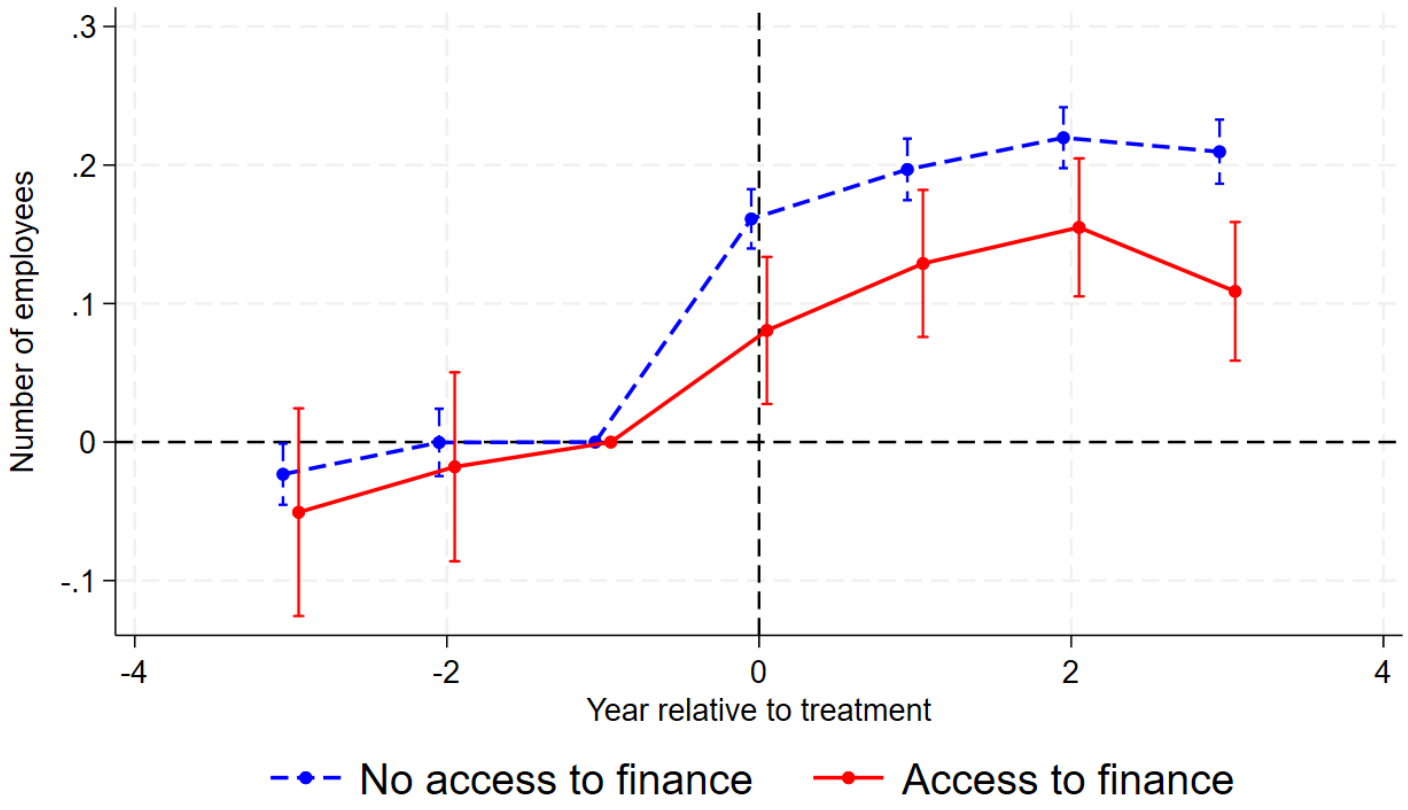
70% higher **value added**

European Investment Bank

Microeconomic impact assessment of EIB's support to SMEs in Western Balkans

- Quasi-experimental methodology to replicate randomised controlled trials combining EIB allocation and firm-level ORBIS data
- EIB-supported SMEs paired with non-supported firms with similar financial data at the time of EIB support
- Results suggest that EIB intermediated lending supports employment in the region
- Effect stronger than in the EU (approx. 15 employees per MLN versus 9 employees in the EU) and for firms with no access to finance

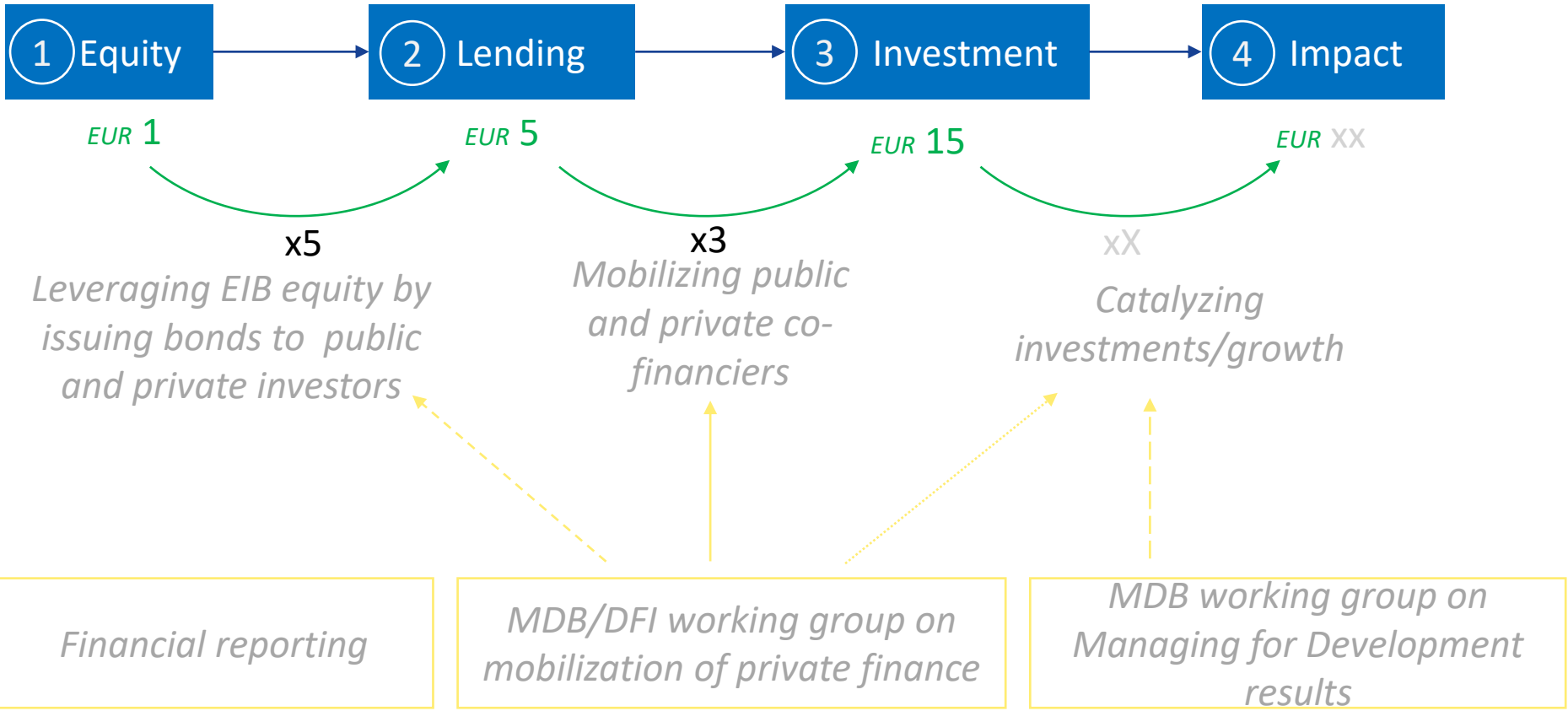
Impact of EIB SME financing on total number of employees



Source: The impact of the EIB's intermediated lending to businesses in the Western Balkans

European Investment Bank

Mobilization: from equity to impact



European Investment Bank

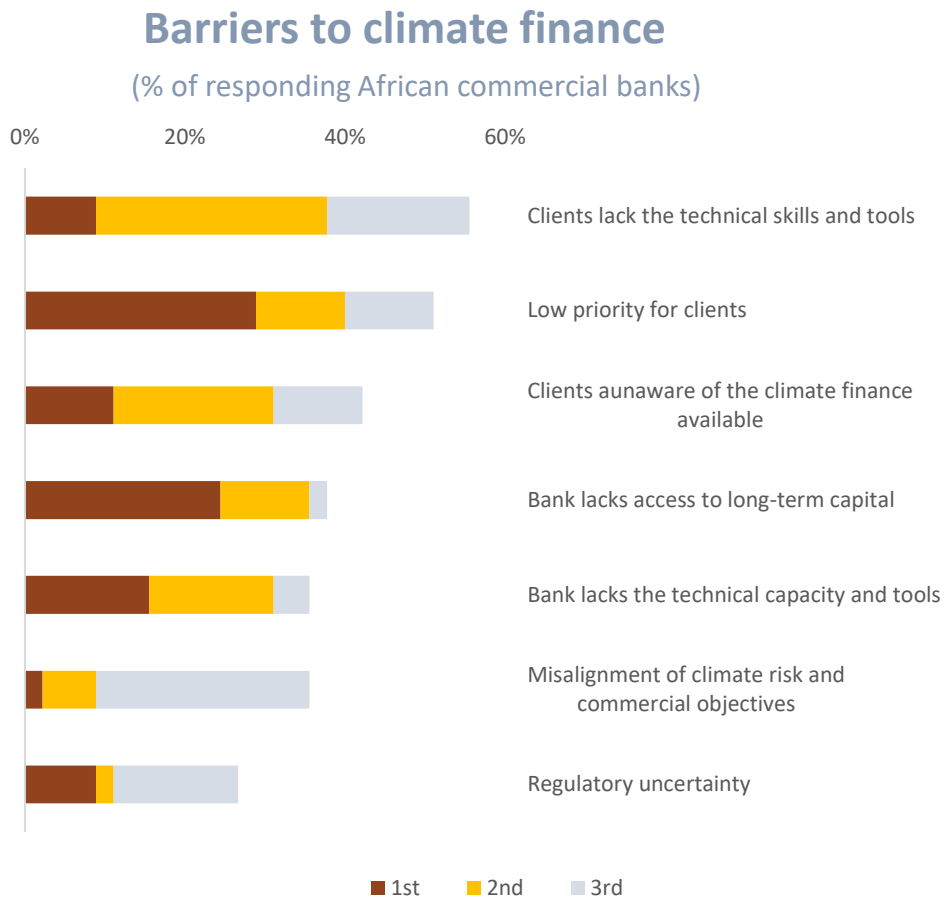
Innovation in finance for development

- Markets might have re-opened, but cost of finance is a key constraint.
- EIB fully committed, delivering on key actions and exploring innovative solutions:
  - ✓ **providing patient and affordable financing** (long maturities, favourable financial conditions);
  - ✓ **remaining engaged** (project based, but able to maintain net positive flows);
  - ✓ **boosting impact** through technical assistance and blending with EU grants;
  - ✓ **introducing new instruments**:
    - ✓ climate resilient debt clauses;
    - ✓ debt-for-climate conversions - a first debt-for-climate conversion in cooperation with the IADB in Barbados;
    - ✓ joining forces with IMF and other MDBs on the Resilience and Sustainability Facility.
  - ✓ **supporting the deepening of financial markets** and the issuance of green bonds, notably through the Global Green Bond Initiative.

Climate risk – banks' not feeling the heat…

Survey of banks in SSA (commercial banks) and LAC (Public Development Banks) – focus on green lending and its scaling up

- Regions feature among the largest exposures to physical risks.
- Sizeable climate-related financing needs, not met by climate-finance flows towards either region.
- Majority of responding banks identify as 'followers', implementing climate policies to stay competitive, not driven by risk assessment or climate strategy.
- Fostering climate finance is about long-term financing but also raising awareness and building capacity, identifying market failures, and helping create and shape new markets.
- Developing an on-line course on greening the financial sector with the IMF, following great success of Financial Development and Financial Inclusion – Online course (FDFIx)




THANK YOU
European
Investment Bank

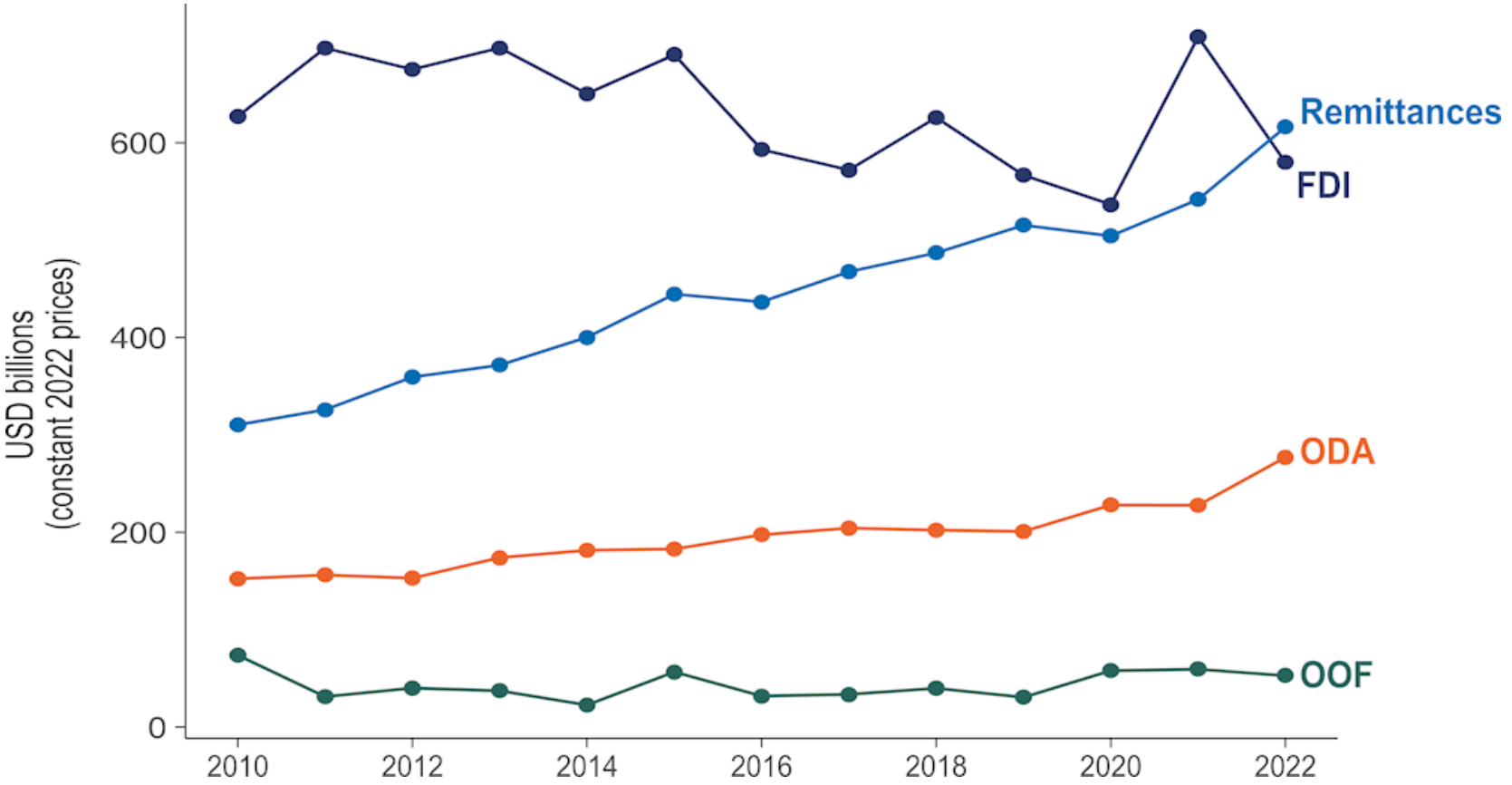
Session: Unlocking progress
Innovations in financing for development

Making progress on …

1. **Quantity** – gaps widening; negative net outflows from LIC debt servicing; financial architecture reforms have yet to bear fruit, additionality, crisis response
2. **Targeting** – LDCs, Poverty, climate adaptation
3. **Quality** – proliferation, alignment
4. **Access** – enabling environment, technical assistance

Quantity: ODA has been a dependable source of external financing but a drop in the ocean compared to need

Official development assistance, other official flows, foreign direct investment, and remittances for ODA-eligible low- and middle-income countries, 2010-22



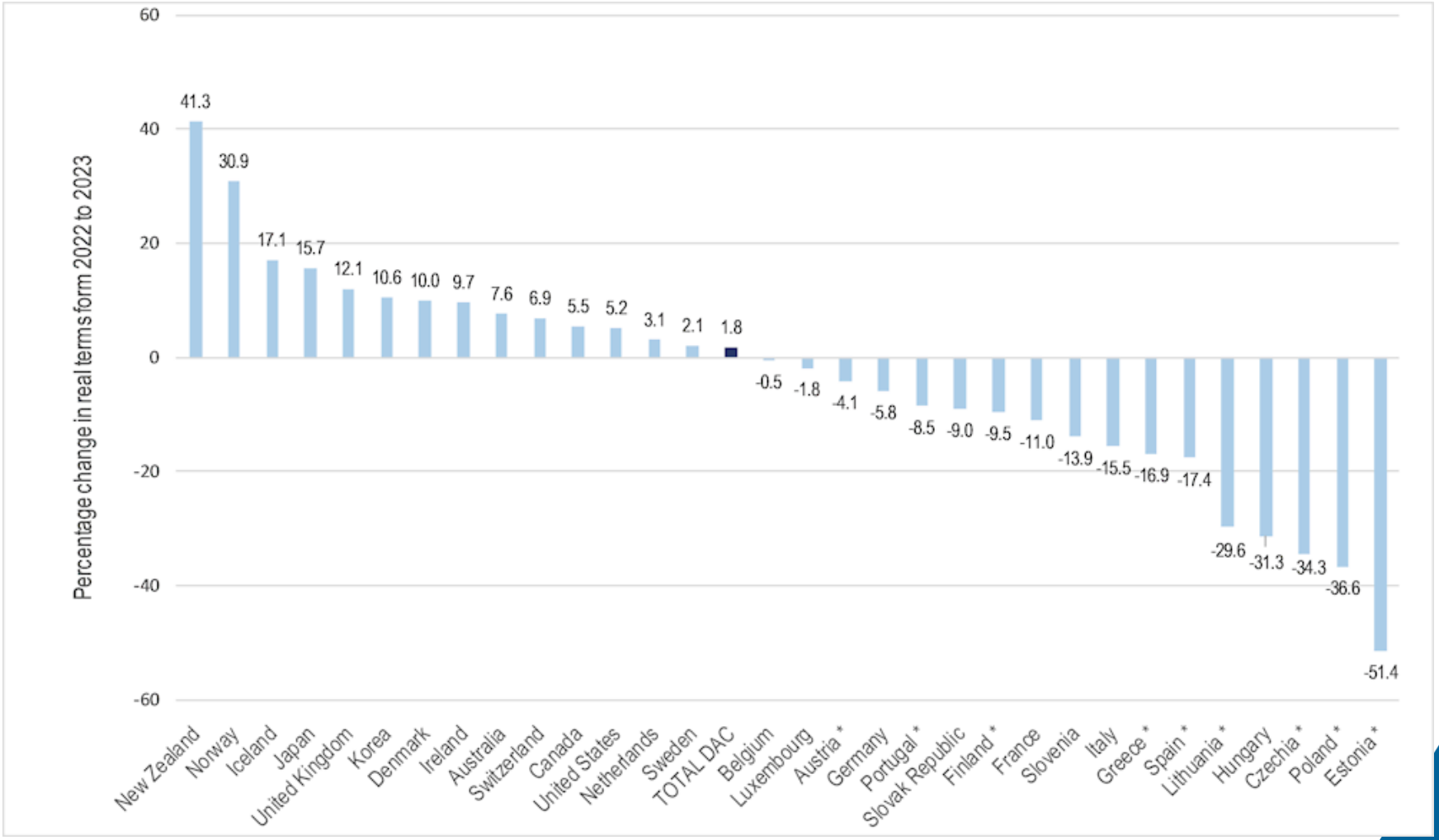
Note: FDI = foreign direct investment; OOF = other official flows. ODA and OOF are measured in net terms from all official providers. Figures for FDI, OOF, and remittances are converted to USD constant (2022) prices using the "TOTAL DAC" deflator.

Source: OECD (2024[4]), *Aid (ODA) disbursements to countries and regions [DAC2A] (database)*, https://data-explorer.oecd.org/; OECD (2024[5]), *Other official flows (OOF) and export credits [DAC2B] (database)*, https://data-explorer.oecd.org/; World Bank (2024[6]), *Personal remittances, received (current US$)* (database), https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT; World Bank (2024[7]), *Foreign direct investment, net inflows (BoP, current US$)* (database), https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD.

Pessimistic outlook for ODA budgets

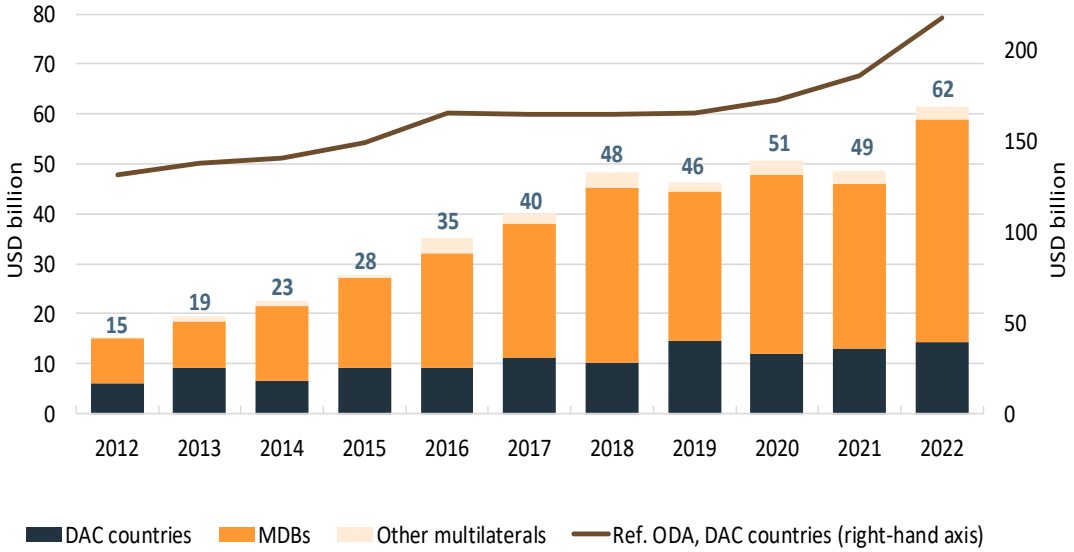
2023 – **ODA fell in 17 and increased in 14 countries**

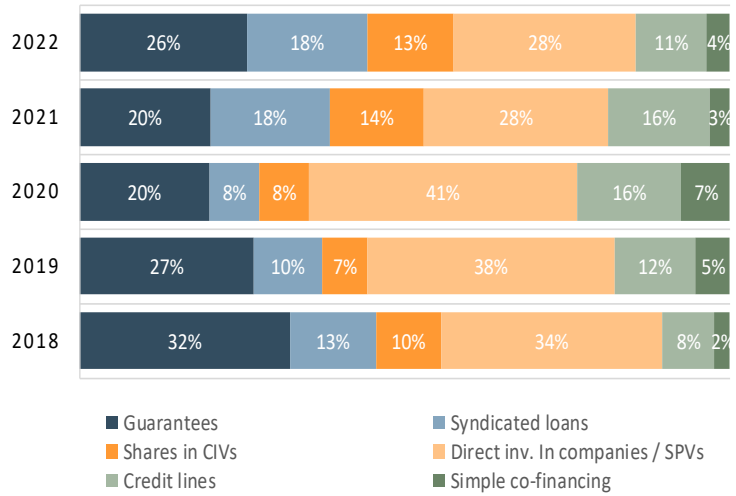
2024 budget - **billions in cuts announced** - 3 G7, EU dev't budget and 2 Nordic so far…



What scope to mobilise more private finance ?

Mobilised private finance by official development finance interventions, USD billion





Sources: OECD DAC statistics.

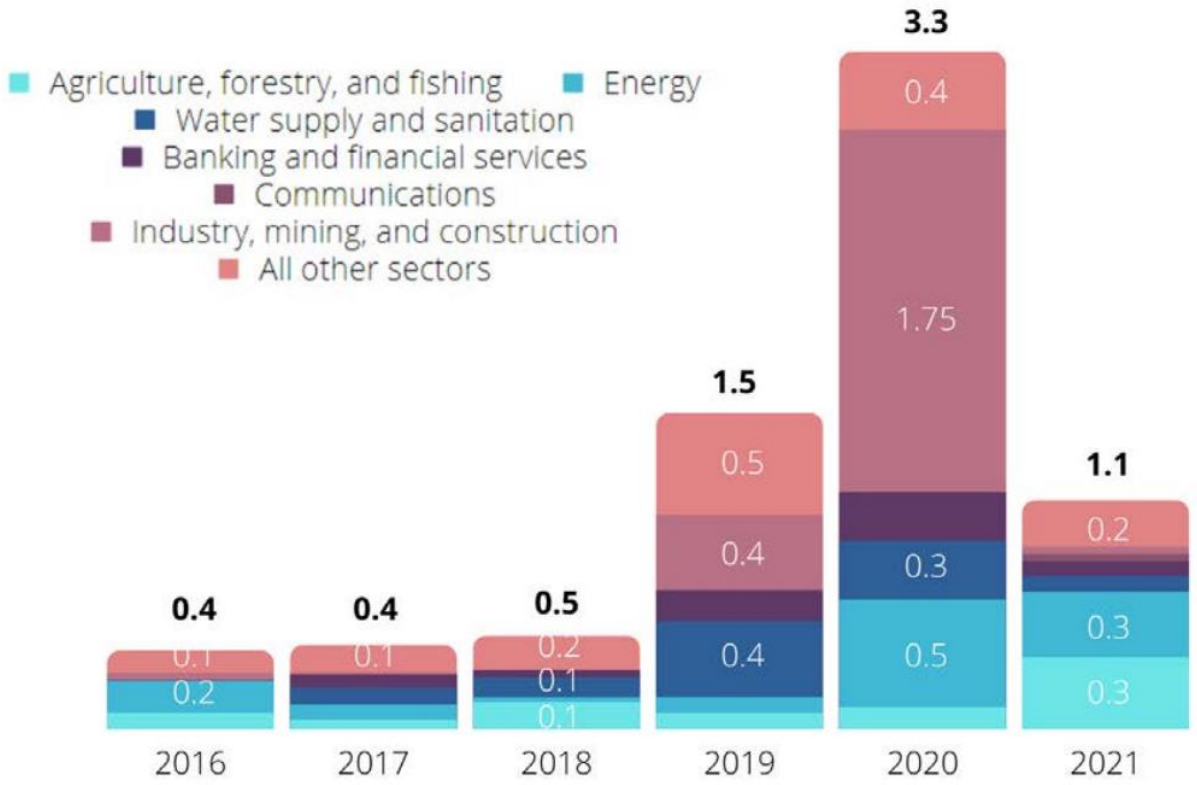
Notes: (Left-hand chart): Mobilised private finance by official development finance interventions in current prices. (Right-hand chart): ODA by DAC countries in USD constant 2021 prices; measured on flow basis until 2017 and on grant equivalent basis

Over 2019-22, 26 countries and 22 multilateral organisations reported on mobilisation to the OECD DAC statistics.

Semi-aggregates disseminated at OECD Data Explorer • Mobilised private finance for development and tossd.org, and the 2023 OECD Report on mobilisation.

Slow progress steering private finance mobilized to development and climate priorities

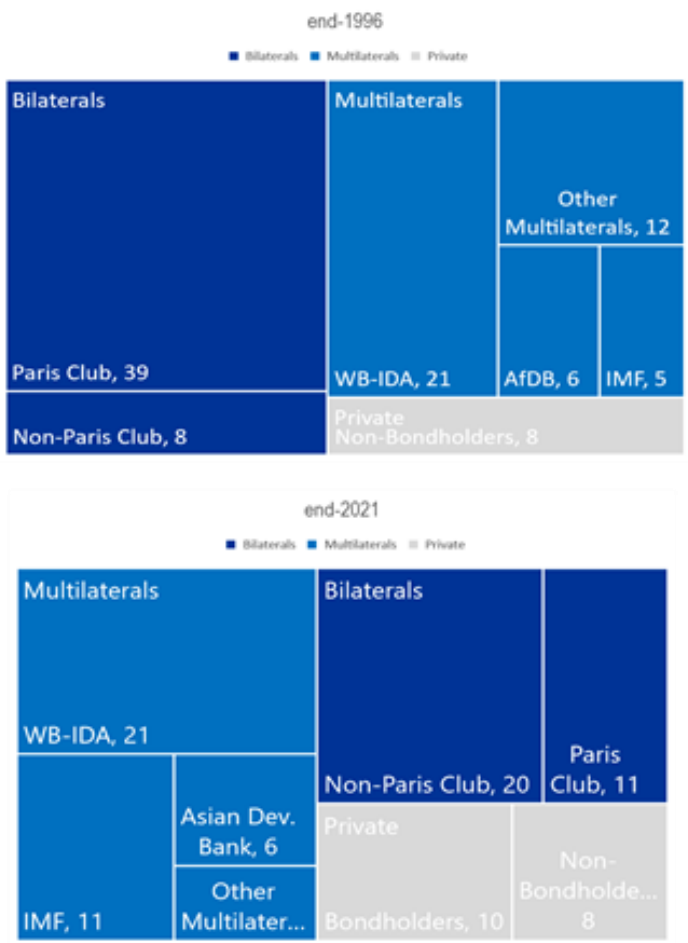
Private finance mobilised for adaptation by sector, 2016-21 (USD billion)



OECD (2023), *Scaling Up Adaptation Finance in Developing Countries: Challenges and Opportunities for International Providers*, Green Finance and Investment, OECD Publishing, Paris, https://doi.org/10.1787/b0878862-en.

Sovereign debt restructuring has become more complex

Creditor composition in LICs, % of public and publicly guaranteed external debt stock (1996-2021)



Note: The numbers indicate the share of total external debt the respective creditor holds in a given year, WB-IDA: World Bank International Development Association; IMF: International Monetary Fund; AfDB: African Development Bank
Source: IMF 2023