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# Tracking development finance in Southeast Asia: A new tool from the Lowy Institute

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INTRODUCTION

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**MALONEY:** Good morning, everyone, who's joined us here in Brookings Institution's Falk Auditorium. And good afternoon and good evening to those who may be joining us virtually from around the world. I'm Suzanne Maloney. I'm vice president and director of Foreign Policy here at Brookings. And I'm delighted to welcome you to today's event that were hosting in partnership with the Lowy Institute based in Sydney, Australia.

We're here this morning for the U.S. launch of the Lowy Institute's Southeast Asia Aid Map, an interactive database that tracks and maps aid and development and finance flows from the international community into Southeast Asia. Southeast Asia is home to 650 million people and some of the fastest growing economies in the world. To sustain its growth, the region needs significant development finance to address challenges including poverty, access to education and health care, and political instability. The COVID-19 pandemic also set back the region and development finance is increasingly critical. And of course, at a time of intensifying strategic competition between the United States, China and the rest of the world, the sources and terms of development aid and finance matter greatly. The Southeast Asia Aid map is an interactive tool that aims to improve aid, efficiency, and development coordination in the region through its transparency of data sharing. Users can view comprehensive data on a country's largest development partners and finance flows to different sectors, among other data. To discuss the database in further detail and give us a little demonstration, project co-lead Alexandre Dayant will provide a brief presentation followed by a panel discussion that will consider the geopolitical competition surrounding development finance across the region.

Before our speakers begin, let me offer some brief introductions. Alexandre Dayant is a senior economist and deputy director of the Indo-Pacific Development Center at the Lowy Institute. He serves as project co-lead for the Southeast Asia Aid map in addition to directing the Pacific Aid Map that tracks development, finance flows to the Pacific Islands. Roland Rajah is director of the Indo-Pacific Development Center at the Lowy Institute, where he oversees the programs work on post-COVID growth and regional integration. Prior to joining the Lowy Institute, Roland served in capacities in the Asian Development Bank and in the Australian government. I'm also pleased to welcome two of my colleagues here from Brookings Foreign Policy to our panel here today. My colleague David Dollar is a senior fellow in the John L Thornton China Center here in the Foreign Policy program, where he is a leading expert on China's economy and U.S.-China economic relations. Prior to joining Brookings, David served as U.S. Treasury's economic and financial emissary to China. Mireya Solis is the director of the Center for East Asia Policy Studies here in the Foreign Policy program and she holds the Philip Knight chair in Japan studies. As an expert on Japanese foreign economic policy and U.S. economic statecraft in Asia, Mireya has authored a number of books, and we're really excited to launch her forthcoming book, "Japan's Quiet Leadership," when it's released this coming September. And finally, moderating our panel today is my colleague and nonresident senior fellow in Foreign Policy in the Center for East Asia Policy Studies here at Brookings, Jonathan Stromseth, an expert on Southeast Asia. Jonathan's research has focused on Asia policy in the context of growing US-China competition. He previously held the Lee Kuan Yew chair in Southeast Asia studies here at Brookings.

I'd like to note that we are currently livestreaming and on the record. Online viewers can submit their questions to events at Brookings dot edu. If you're using Twitter or any other social media, please use the hashtag Southeast Asia map to share this event and pose any questions or comments. For everyone in person will be passing microphones around toward the end of our discussion today. Alexandre, the floor is now yours.

**DAYANT:** Well, good morning, everyone. My name is Alex Dayant, and so I'm the researcher leading this project. Look, before I start, I wanted to say a few things. The first one is that, you know, it’s really to thank the Brookings Institute for hosting us today. You know, this is very special. You know, at the Lowy Institute, we're very proud of considering ourselves, as you know, the leading foreign policy think tank in Australia. I mean, at least this is what we like to tell ourselves. But, you know, sometimes we actually do feel a bit far away from the action. So, you know, being here is really a validation that the work that we do is actually important. And actually seeing you here today is also very validating, so thank you very much for coming here and taking a bit of time, really. Look -- and yeah, and mostly thank you to Suzanne, to Jonathan, and to the Brookings Institute for inviting us. You know, it really matters to us. So look, today really marks the culmination of two years of hard work by my team and I, Roland, but also some colleagues that stayed behind in Australia where we tried to uncover the size and the role of development finance in Southeast Asia. And so today we're very pleased to be able to share with you the results of our hard work and hard labor.

And so, look, I'm going to organize my presentation in three parts. In the first part, I'm going to basically tell you a little bit of the process -- the process to build this this aid map, how we gather the data and so forth. In the second part, I will, you know, I will show you quick demonstration of the interactive. And then I will run you through some, you know, I will run you through a series of key findings.

So first, how did we build the Southeast Asia Aid Map? So we have collected data on more than 100,000 projects from 2015 to today. You know, and so for the traditional development partners or what we call traditional partners are, you know, Australia, the United States, the World Bank, France - I'm French. So for those traditional partners we have, we have source project information from two primary platforms. The first one is the OECD. So the Organization for Economic Co-operation and Development, where all development partners really have to, are required to report the development projects. And, and there's another platform called the IATI, the International Aid and Transparency Initiative, that actually provides a much more breadth, of a much larger breadth of information on this projects. And we also obviously engage directly with the development partners themselves, to get to get additional information and confirmation of the project that we had collected before. But for the nontraditional partners, so, you know, China, India, the UAE, Taiwan, it was a bit more complicated, as you can imagine, you know, they don't always report the information on traditional platforms. And so for -- to get information on those projects, we had to adopt a more hands-on approach where we went through every, you know, every budget documents of every Southeast Asian countries. We went through every press release, every social media post to try to find out, you know, aid project information from those traditional, nontraditional partners. And really, we tried to gather different source of information to be able to triangulate our data and make sure that our projects were actually real projects really happening on the ground. And then what we did was we organized all this database, all this data, and we sent it to every aid and development management unit in every Southeast Asian countries for them to actually validate the information. And once they had validated everything, well, we put everything on a on a really cool interactive platform that I'm about to show you.

So this is like the second part of the presentation. I'm going to show you how it works. So this is the landing page of the of the Southeast Asia Aid Map. It provides high level information of official development finance at the regional level. So what we call official development finance is the combination of grants, concessional loans -- so loans that are, you know, cheap -- and non-concessional loans -- loans that are a bit less cheap but still for development purposes. So a key visual that you will see throughout the interactive is the presence of those two green circles. The outlined circle represents the amount of development finance committed, and that is the money that has been promised or signed for specific projects. On the other hand, the filled circle represents the amount of financing that has been actually delivered on the ground. And so we saw that, you know, it was important to make this distinction between committed and spent, because we realized that actually there are many development partners that are committing a lot, they're saying they're doing a lot, but actually they're not implementing a lot on the ground. So we have collected, as I mentioned, you know, data that are covering the period from 2015 to 2021, which represents the most recent years for which we have complete information. And by default, your lending -- the lending page displays the aggregate figures for all years expressed in constant U.S. dollars. But obviously you can go on the website and filter for every year. On the left panel, you will find the ranking of development partners in the region. By selecting any of the 97 different partners listed, you can access their specific financing details in Southeast Asia. And after selecting a specific partner, you have the opportunity to explore the distribution of their of their development finance across various sectors. So we also have implemented a filter section where you can get more specific results on the data. In this section we have also created pre-selected filters, for instance, looking specifically at, you know, at climate development finance or looking at the footprints of nontraditional partners on the region. And so every time you select a Southeast Asian country, you can even have a look at the detailed analysis we have made on this specific country. Or you can jump directly in the project map where you will see individual projects starting to populate the map. Yeah, this is pretty cool, isn't it? Yes. Thank you very much, David. So when you - just little parentheses, this took us like hours and weekends, where we had to, like, find the precise location of every little project in Southeast Asia. So I would encourage you to have a little fun and just go around. And so when you click on when you click an on a on a project, additional information will be displayed. This includes the project description, the sectors it belongs to, relevant internet links, and the transaction history of the project. And from the map page, you can also narrow down your search by selecting a specific development partner or sector, and the map will automatically update with the relevant information.

But you know, while, yes, I think we all agree that this is a cool feature, the reality is that this feature of putting a project on the map has a limitation. There are some projects that you can-- that you cannot put on a map. You know, you can’t put direct budget support, you cannot put scholarship. And so because of this, we had to, we had to expand a little bit the scope of our map and introduce a range of tools to facilitate more, more detailed analysis. The first of the analytical tool is the database page. So this serves as a repository for the extensive collection of over 100,000 projects that we have compiled information for. When you click on a project, detail information specific to that project will be displayed. We have also implemented a filter box here where you can look for a specific project, you know, by name, by developing partners, by implementing agency. So, you know, what we realize is that we have a list of 97 different donors so, you know, Australia, United States, and so forth, China. But those donors sometimes struggle to actually implement this project on the ground. They don't have like, Australia, for instance, DFAT doesn't have the, you know, the time and the resources sometimes to implement projects directly on the ground. And so they have to contract what we call implementing partners. So those are like, you know, organization that really implement projects. We have a list of a thousand -- er, 1500 different implementing partners. But anyway, so yeah, so you can filter everything using the little filter box. Most importantly, and I think this is something that really matters, is that you can download the whole database from this page like, yes, this interactive is cool, but the database is even more insightful, so I would really encourage you to do so. We have -- whoops, sorry.

Another feature of the Southeast Asia Aid Map is a graphing tool that allows you to create trend analysis. So here you can select from a range of different variables that will allow you to generate the graphs you are really interested in. For instance, you can compare the amount of grants versus loans provided to the region, or the amount of development finance disbursed in the infrastructure sector versus the, versus human development, and those are like just few of the selection you can make. When you, you know, you can add other filters as well, but you can also change the graph type that you that you're looking for. We have also, we have also implemented a tool that basically enables you to directly compare different development partners. For instance, you can easily compare what Australia's development finance, you can easily compare Australia's development finance with China in Southeast Asia. Once you select, once you do your selection, this section provides a wealth of information about these two partners, including the allocation of development, finance, the sector, the sector they priorities for financing and the major projects in the region. And you can obviously do the same for each of the Southeast Asian countries. In this case, for instance, you see that, you know, over the whole period, you see that Cambodia has received $13 billion in projects mostly from China, whereas like in Myanmar, that has received $17 billion in projects, the first development partners are Japan, followed by China, the World Bank, the United States and so forth. One of the thing is, you know, from our menu section, you can access all the information of the website, notably the many, you know, the many country analyses I mentioned earlier, as well as a series of thematic analysis. So we've done analysis looking at, you know, for instance, climate development finance in Southeast Asia or infrastructure competition, all those things. But most importantly, you can again, from this page, you can, you know, have a look at a project, the methodology. If you want to recreate, to recreate a Southeast Asian map, you can just copy paste what we have done. You can download the data, the whole database, and create your own analysis. And most importantly, you can download the key finding reports that you should have under your -- I mean under your feet for the moment. So this is it for the interactive.

Now, let me let me talk to you about the key findings. I mean, first, did you like the interactive? Do you find did you find it useful?. Yes? Thank you. I like a little applause. Thank you very much. So look. Yeah. Key findings, I have a few key findings for you that I think you'd be interested in. So the first one is to say that, you know, between 2015 and 2021, Southeast Asia received about $200 billion in what we call official development finance. And so, again, as a reminder, official development finance is the combination of, you know, grants, concessional loans, and non-concessional loans. So Southeast Asia received around $28 billion a year in official development finance, mostly targeted to the most pressing development needs of the region, such as health, education, social protection, but also infrastructure. Almost half of it is concessional by nature.  It's concessional by nature, so it's composed by grants. So on the graph, this is what you can see in the dark blue or concessional financing, so this is the grey part of the graph. The other half is composed by non-concessional loans, often provided by China's main policy banks and the World Bank and the Asian Development Bank. And in terms of trends, development financing has been decreasing over the years, mostly reflecting a diminishing of ODF, official development finance disbursed in Indonesia and Vietnam that together account for half of the development financing in the region. And so you see the peak in 2020. So and the COVID 19 in 2020, and the reactivity of development partners led to a 55% increase in funding where development finance reached a peak of $35 billion spent that year. Most of this increase came from traditional development partners, mostly the Asian Development Bank and the World Bank.

So look, where is this money coming from and where is it going? So as you can see on the left graph, that shows cumulative disbursement of development funding in Southeast Asia per partner. China is the largest development partner of the region, but not by far actually, the Asian Development Bank and the World Bank just below. Yeah, they're just behind. And so Japan, we found that Japan is the largest bilateral, traditional partner of the region, something that I found interesting and that you can still see on the graph, the yellow bar, is that, you know, China focuses a lot on infrastructure but actually doesn't -- so infrastructure for us, you know, like big project in telecommunication, transport, power and water and sanitation. So China does a lot of this, but it actually doesn't do much in human development. So for us, human development accounts for education projects, health projects. The United States, I'm sorry to tell you this, the United States ranked seven. It's not the best ranking you could do better. And, you know, so, yeah, the United States focused a lot on health. But we will discuss this a bit later. And don't worry, I'm saying the United States is not doing, is not really on top. I'm French. We're not even in the ranking. So don't worry. And so where is this funding going to? Well, and on the right graph, you can see that -- the right graph shows cumulative disbursement of development funding per Southeast Asian countries. And as you can see, most of it -- most of the development finance is directed towards the region's largest emerging and developing economies. So the largest economies, excluding Singapore and Brunei, really. And Indonesia and Vietnam, are receiving around half of the development finance delivered in the region.

So the second key finding, and I think this is one of the most important one, is that development finance plays a major role in meeting Southeast Asia's development need. So Southeast Asia, as you know, is one of the most dynamic region in the world and has experienced decade of rapid economic growth, which has lifted millions of people out of poverty. And so today, one could argue that actually the region is past the point of aid and development, especially when considering, you know, the magnitude of private sources of financing, such as, you know, domestic private investment, foreign direct investment and remittances. But those funding don't always go towards, you know, they don't always go towards specific priorities such as health, education, social protection. And actually, you know what? Like even in infrastructure, even in infrastructure development, what we realize is that most of the funding comes from the public sector in Southeast Asia. And so aid and development finance remains important for the region in filling those gaps that I just mentioned. Actually, we have estimated that official development finance is equivalent to around 10 to 15% of what we call total government development spending on infrastructure, health, education, and social protection accumulated. And this actually can jump to 80%, as you see in Cambodia or for the smaller economies, even like in Laos. So anyway, so this is important and it justifies this project and my role at the Lowy Institute. So please do understand this. This is why I'm working.

So now with respect to China. Well, China is the leading development partner in the region, but it declined -- it experiences a decline in the face of competition. So China accounts for a fifth of all development financing flowing to the region. And so this is massive, actually. It represents more than $5 billion per year. And most -- an important feature of China's development financing in Southeast Asia is that most of it, so around 85%, is coming in the form of what we call non-concessional loans, you know, provided by China's large policy banks, so the EXIM Bank of China, and China's development bank. Only 10% of China's financing is coming from the, in of the form of concessional loans and 5% in the form of grant. And this can be explained by the fact that China provides a lot of finance to high income countries such as Malaysia and Thailand that actually can pay back -- can buy -- they can take on non-concessional loans. What we have noticed during this analysis is that Chinese financing disbursed in Southeast Asia has been decreasing over the years as you can see, this is the red, the red line. And it has been overtaken by traditional partners since the pandemic.

And so we believe they are actually three factors behind the fall of Chinese lending in Southeast Asia. The first one is that, you know, the first one has to do with China's economic environment that is changing. And the country, the country's economy is actually slowing down. Therefore, there could be an interest in Beijing to actually prioritize the domestic economy rather than spending money abroad. So that's a first reason. The second reason is that, you know, I'm sure that China has encountered difficulties in implementing mega-projects, such as the $12 billion East Coast rail link in Malaysia, the Jakarta to Bandung high speed rail in Indonesia, which have faced issues with land acquisition. And actually it's those difficulties where the most apparent in 2020, you know, during the pandemic, where international border closures and health restriction measures meant that basically China couldn't send its aid workers working on, you know, infrastructure projects. And so this has basically impacted the delivery of Chinese development project in Southeast Asia. And third, the third factor for the decrease in in Chinese financing in Southeast Asia is that we've realized that, you know, globally, as actually in Southeast Asia, some borrowers have trouble making repayments on Chinese loans. In Laos, for instance, the government has already asked China to defer repayment, twice, actually, and China has agreed, but we're not sure for how long. So it also means that basically in China, the Chinese policy banks are becoming more cautious when providing loans to the region. And so the decrease of Chinese overall disbursement in the region means that Beijing is facing high competition in the infrastructure sector.

So another key finding is that infrastructure is where the real competition is in Southeast Asia's development financing. So as I mentioned before, you know, in this analysis, what we consider infrastructure is the infrastructure is composed by four main sectors: communication, water and sanitation, transport, and energy. And so infrastructure accounts for around 40% of the total development finance spent in Southeast Asia. Or around, this is equivalent to around $11 billion per year. And so what we realize is that China is the leading infrastructure financier with around 39% of the infrastructure development financing delivered. But what we have realized is that China is far from being the dominant player in each of the six sectors I mentioned. So as you can see on the graph on the left, that represents the share of development finance spent by sector. China only dominates in the energy sector, at the bottom. This is the - China is represented by the red line. But when you look at transport, for instance, and see, China is not the leading partner. This is mostly Japan that provided, you know, the most development finance in this sector. In in communication -- you see that on top -- in communication, you see that actually China is on par with Korea in Southeast Asia. China only plays a minimal role in water and sanitation, which reflects, you know, like, the fact that China focuses a lot on, focuses a lot on economic rather than social infrastructure. You agree, David? Yes, so far, so good. On the other hand, when you remember at the beginning of the presentation, I told you that we we're making this distinction between the money that is being spent and the money that is being committed. And so what we realize in terms of, in terms of in terms of commitment, what we realize is that, you know, this provides a really different picture, excepting in, expected, sorry, except in water and sanitation when actually China doesn't still do much. China is basically, China dominates the signing of new infrastructure deals in Southeast Asia. China's infrastructure development finance commitment average around $12 billion per year between 2015 and 2021. So 3 times that of Japan, the next largest infrastructure partner, and more than half, actually half of the total infrastructure commitment in Southeast Asia. And so, you know, when looking at the overall picture, not just infrastructure, but all the sectors combined in terms of development finance, the situation actually remains the same, as you can see on the left. China has committed much more than any other development partners in the region, but it has only implemented 39% of its project. So this is the lowest implementation rate among top development partners. To calculate this implementation rate, we just basically divide the amount of money that China has disbursed on the amount that's committed. And you can see on the on the graph on the left that, you know, China is, China commits by far the most, but actually, you know, it has like the largest gap between commitment and disbursement. And so this begs the question, you know, on which basis should we, should development partner compete with China in terms of development finance? Should we focus on project commitments, looking into the big numbers or should we actually really focus at like the numbers on delivery? So you can't really see this, but like in terms of commitment, China almost commit $90 billion over the period. But if you look at actually money being disbursed, it's around $40 billion. So what numbers should we actually look at? And are those numbers, you know, a reflection of China's ambition, or is it actually more a reflection of its failures?

So to explain China's low implementation rate in Southeast Asia, we believe there are like three factors behind this. The first one is that, the first one has to do with the nature of Chinese projects In Southeast Asia, 74% of Chinese development finance is focused on infrastructure. And as you can as you can imagine, you know, infrastructure projects are particularly susceptible to delays compared to other projects. You have issues such as, you know, permits, regulatory approvals, land acquisition, bureaucratic procedures. And I mean, all those issues can actually contribute to those delays. And to make things worst -- to make things worse, sorry, what we realized is that China is involved in 21 out of the 27 mega-projects that we have recorded in the aid map. So a mega project is a project that is worth more than $1 billion. So yeah, so China is involved in 21 of them. The rest is basically shouldered by either Japan or the Asian Development Bank. And so as you can imagine, those projects are even more complex and often face additional complication. So that's the first factor. The second factor has to do with instability in domestic politics and corruption. So frequent changes in government and policy direction have led, in some cases, to fragmented decision making where different faction and different parties have divergent views and priorities. And so, like political instability sometimes coincide with issues of corruption which can affect project implementation. And so I think the East Coast, the East Coast rail link in Malaysia is a very good example. So this is a $12 billion dollar project focused on, you know, connectivity in Malaysia. And so the project was signed by the prime minister, Najib Razak, in 2016, who was later found to be guilty of corruption. And on this basis, the project got canceled in 2018. It was later renegotiated with reduced cost in 2019, under the Prime Minister Mahathir Mohamad, and then under the leadership of another prime minister, Ismail Sabri Yakob, the project was realigned back to its original plan. And finally, the current prime minister, Anwar Ibrahim, continued the project, but with a significant haircut. And so this tells you, you know, why sometimes the project disbursement is actually much smaller than what you can see in terms of commitment. And so a third factor on why, there’s such a big gap in implementation for China is that it has to do with, we believe, you know, poor preparation and the lack of local stakeholder engagement. So active involvement and support for from local stakeholders, including governments, community and civil societies are essential in the early phases of infrastructure project. However, we have realized that China often adopts a top-down approach without proper, you know, without proper consultation. And so the Jakarta to Bandung high speed rail in Indonesia is actually provide a good illustration where a lack of consultation with local authorities and poor project preparation led to a host of issues including higher land acquisition costs and delays in construction. The good news is though, is that next month the train should finally come in to come into, you know, into power, into activity despite the massive delays. But you know what? Despite those difficulties, Chinese projects are still on the cards. Very few projects have been canceled or renegotiated and most are still on the way. And, in fact, you know, in fact, we are seeing with like the most updated numbers, we are seeing an uptick in in Chinese infrastructure development activity in the region. So what does it tell us? Well, it tells us that China's ambition remains intact in Southeast Asia and that China probably hopes to remain the primary infrastructure partner of the region in the years to come.

So, my last key finding has to do with climate. So climate development finance has increased steadily within Southeast Asia. Southeast Asia is one of the most vulnerable region to climate change. And so what we have seen is that over the years, climate development finance has increased steadily in the region with… sorry -- it has increased steadily in the region with the Asian Development Bank, Japan, and China being the main financiers of climate related projects in the region. In 2020, climate development finance reached around $11 billion, which is equivalent to around 2/5 of the total development finance disbursed in Southeast Asia. But while this is encouraging, the outlook of climate financing in Southeast Asia actually remains mixed. And let me tell you why. The first thing is that we have realized the most of the rise of climate development finance is coming from an increase of development projects that that are qualified as having a significant focus on climate change adaptation and mitigation. In comparison, the volume of projects with a principal focus on climate change adaptation and mitigation has remained stable and pretty low, as you can see. So principal is like, yeah, the low blue bar at the bottom of the graph. The second reason to be a bit concerned is that, you know, has to do with the energy transition. While financing for nonrenewable energy projects has declined over the years, what we have realized is that the financing for renewable projects in in the region has also declined. And this is coming from the fact that, you know, development financing on energy is decreasing overall, which is at odds with the region's need for more and cleaner energy. And so the third point and my final point really is to say that, you know, while climate development finance delivery has risen over time, what we realize is that the climate commitment have actually decreased over time. And so really this shows that the regional outlook on foreign climate is unclear. Anyway, all of those are like, you know, some of the thousands of key findings that you can get from the map. I really encourage you to have a look at the Pacific aid map. You have a phone, maybe not now, but just after the presentation, go on the Southeast Asian aid map and yeah, and if you have any question, please do feel free to ask them at the end of the presentation, or go on the website of the Lowy Institute, and you'll find my email and you can send me anything you want. I hope this is helpful. Thank you very much.

**STROMSETH:** Well, let me start our next phase of this discussion by thanking Alexandre and Lowy. And that was just a fantastic presentation. And I think you said it looks pretty cool. I found it dazzling. I can't wait to dig in. And it strikes me as a really effective and potentially valuable tool, both for development practitioners and recipients and others out in Southeast Asia, but also, you know, for researchers like us and students at universities and so on. So I think this has so much to offer. I also found the takeaways very important and intriguing. A little concerned, though, about the final one on climate, which I'd like to come back to toward the end of our discussion. But let me first turn to our expert panel and get their general reactions to the aid map and the principal findings. David, any big thoughts, initial thoughts?

**DOLLAR:** I think it's great stuff, so I really appreciate that. Great to put this kind of data out there. Three things jumped out at me and they were covered in the presentation, but let me just emphasize, you know. So China is the largest provider of development finance to Southeast Asian countries, but I actually think that's slightly misleading because the World Bank, the Asian Development Bank, Japan all have very similar procedures. They work closely together. They do a lot of co-financing. If you take those three big traditional financers, they have more than twice as much financed in Southeast Asia. And this is particularly strong in the three most-populous countries: Indonesia, Philippines, Vietnam. So I was kind of struck at how small China's role actually seemed to be in the big developing countries in Southeast Asia, but still very significant.

I also thought, second point was that I thought the point about the difference between disbursements and commitments was really interesting. You know, I worked in the World Bank for 20 years. If I had had a 39% disbursement rate, I would have been fired. So I think that's real. It can be explained a little bit by China's concentration in infrastructure, where you tend, you know, infrastructure has an S-shaped spending pattern. You start out very slowly as you're doing land acquisition and various things. And then there's this ramp up of very intense construction activity and then things taper off with a little bit of, you know, fine tuning at the end. But I think I find it convincing that in this case, it really does seem that this is an indication that at least some Chinese projects are poorly prepared. You know, so, you know, I don't want to defend the traditional institutions too much. They can make mistakes. But the basic idea is that you do not commit money at the World Bank to a project until it's been properly appraised. And that includes an environmental assessment, a social assessment, economic analysis. And when things go well, you approve the project. That's the commitment. And then it moves pretty quickly because all that preparation has been done. And the fact that you see this lag in the Chinese project suggests that in many cases there hasn't been careful preparation, there hasn't been a thorough environmental assessment or consultation with the community, what we call the social assessment. So hopefully this will be a learning experience because I think China basically wants to make these projects work, but they probably need to do more in terms of encouraging the preparation.

And then I'll just third, just echo, you know, Jonathan's point that, so, it's nice that there's less financing for carbon fire energy, but it's disturbing that there's not an increase in financing of renewable energy where it seems there's great potential in solar and wind in Southeast Asia. So that was a little bit surprising. So those are my three kind of top-tier takeaways.

**STROMSETH:** Thanks, David. Mireya, your thoughts?

**SOLIS:** Thank you very much. First of all, congratulations. That's really an impressive effort and I think that it's going to open so many opportunities for empirically based sound research, especially I feel about this in area where there's been a lot of hype, a lot of heat, and not a lot of light. So having these, you know, carefully put-together data sets is going to be incredibly important. I was just asking Roland, how large is your team, Alex, because I thought this would require an army of people. But I understand that it's not that large, so even more impressive. So kudos for that. I also think that the online tools are very user-friendly, and I think we got a taste of that in the demonstration. And what I liked as well is that it's comprehensive, but it's also crisp and you're able to extract a lot of really important insights just from your presentation and in spending some time with the dataset. Now, what jumped at me in terms of the highlights, in terms of the insights that have been already touched here, but I would like to emphasize again, one is the importance of official development finance for Southeast Asian countries. And I like very much when you compare it to how much these governments are spending on development themselves and then the share that come from these development partners. I also feel that the point about countercyclical financing, who stepped up or doesn't during the COVID-19 crisis is very important because it speaks to reliability and it speaks to coming through at a time when the region needs it the most. I think we're going to spend a lot of time about this dimension of spent money versus committed money. I feel there's a tension in the presentation that I'm not sure we're going to get to resolve today, but it's about interpretation, whether it’s about ambition or whether it's about sloppiness in planning, preparation and so forth. And that tells a very different picture. It probably is a mixture of both. But I think that your audience and everybody who approaches this dataset is going to come with that curiosity as to what story can we capture from here. This is one where China is indeed putting a lot of money and will shape the region's future, or where China's talking the big talk, but not coming through in very important projects. So I'm just thinking of some of the interest that this would gather. And finally, what I liked here is that you have five years of data and nevertheless, there's a lot of fluidity when I look at development partners as to who is doing what during these five years. And again, I believe that sometimes we get these scripts, these narratives of, certain countries are dominating and we see that even in the span of five years, the relative ranking can shift. And therefore the iron is not cast. There's a lot of room for what these governments and their implementing agencies will decide to do, both on the receiving side but also on the giving side. So I think that this captures the richness of what is going on in the region.

**STROMSETH:** Thanks, Mireya. Before we move on to more specific topics like the role of the U.S., Australia, others, Roland, I just wanted to ask, do you, did you have any, you know, surprises or reactions when you started getting the data and putting this together?

**RAJAH:** Yeah. Thanks, Jonathan. Let me let me thank you as well for hosting us here today and to the Brookings Institute as well. Yeah, I mean, obviously, I've been a part of the team producing this. And so, you know, I've seen the key findings before. But nonetheless, you know, when we're going through the process of putting this together, I think there were a number of surprising things that certainly I didn't appreciate before undertaking this project. And I think, you know, it is important, therefore, to get these messages out into the broader sort of policy debate and thinking. You know, the first one, as Alex mentioned, I mean, it's really about the importance that this is still relevant. Official development finance is actually very relevant to this region. You know, there's a tendency these days to see that, you know, Southeast Asia is actually, you know, on the whole a very successful economic and development and it's a very successful region. And there's a sense certainly that most of the region, especially the larger economies, are well past the point where aid is a is a critical factor in their development. But nonetheless, you know, as we show here, if you broaden out the lens to look at a wider range of development financing instruments, these are still amounts of money that are flowing to the region through official channels, not through market-based channels. Then there's actually quite a lot of funds flowing, and it may no longer be the case where, you know, countries like Indonesia or Vietnam or Philippines are dependent on this kind of things, but it is still very material. So we're calculating 10 to 15% of, you know, their what we call government development-related spending, especially on infrastructure. And I think that also goes to, you know, why, you know, this plays into so many conversations. Why is it important to their development? Why is it important in terms of climate change and, you know, shifting them onto a path of, you know, low carbon and more resilient development, which we see the troubling sort of trajectory on that specific area. But it has a material, a very material role to play on that. And also, of course, why these conversations about, you know, geostrategic competition in this space is so important, right? If aid and these sorts of things weren't important, then we wouldn't be worried about the geostrategic implications. So I think that's a really key thing.

The other thing that jumps out and I think David sort of touched on this is just the importance of the multilateral development banks, right? They are not small. So China may be the biggest 4.5, 5-ish, $5 billion a year on average, ADB 4.5 billion a year on average, the World Bank 4 billion. These are very large amounts. And ADB in particular has significantly overtaken China in recent years, thanks to its countercyclical role. I think that's very important because I'm sure we'll talk about the role of the United States later on. But, you know, the United States is not that big in Southeast Asia. But if you think about the role that the U.S. and others play through the multilateral development banks, and this is actually a really critical role, and that's how, you know, the West and traditional partners are playing a big function in the region. And the final point is that it really matters what kind of instruments you're using. That's an important sort of question when it comes to the U.S. You know, you've shifted to having the DFC, but also for, say, a country like Australia as well. You know, we're a smaller player. How do we achieve the kind of scale that we need to make a difference?

**STROMSETH:** Right. Well, thank you, Roland. And I think that's an excellent segue into the next topic on my list, which is the role of the United States as a development player in Southeast Asia. And I thought, Alex, maybe we could turn to you first, if you could take a little bit of a deeper dive beyond your presentation and help crystallize, you know, what is the U.S. role right now? How would you characterize it?

**DAYANT:** Yeah. Well, thank you, Jonathan. As, you know, as I mentioned at the beginning of the presentation, when we when we saw the ranking of developing partners, the U.S. ranked seven, you know, out of 97 partners involved in Southeast Asia. So this isn't bad, and for us, like what we consider the United States -- the like -- what we call the mid-, a mid-size development partner. The U.S. over the whole period has disbursed around $8 billion a year, sorry, $8 billion, which represent around 4% of the total development finance spent in the region. One key aspect of the U.S. financing is that the U.S. is the largest grant provider to Southeast Asia. You remember we're making the distinction between grants and loans. The U.S. is the largest grant provider in Southeast Asia, before the, before Japan and before Australia. And in a in a way, you could argue that, you know, that makes the U.S. the most generous country in in the world, in Southeast Asia, in Southeast Asia, at least. Another thing we've realized is the U.S. is actually, the U.S. focuses a lot on health. You know, like I think it's around 30% of the U.S. development program that goes to health projects in Southeast Asia. And when you look at the health sector by itself, the U.S. is actually the first bilateral partner involved in health projects. The first of all development partners in Southeast Asia on health is the, you know, the Global Fund to Fight AIDS and Tuberculosis and so forth. And it's interesting because the U.S. is the main funder of the Global Fund.

So you're doing a great job on health, please continue to do this. This is great. And there's also like a big focus on governance. Where we've seen the, you know, the United States trying to make the public institution of the region stronger, better. And we've also seen, interestingly, some projects that are focusing on, you know, the promotion of democracy, for instance, in Southeast Asia. So this is really what I what I think I found, extracting as much data as I could on the U.S.

**STROMSETH:** Thanks for that crystallization of the U.S. role and the findings from your initiative here. And, you know, it strikes me one thing I often hear in this town is the U.S. shouldn't try to compete with China. It shouldn't try to compete with the Belt and Road Initiative or BRI, and it should focus on what it does best. And, you know, as you've said, it's health, I think also education, good governance, these kinds of things. So it seems to be doing that. But is it enough? And let me just, you know, why don't I turn to my Brookings colleagues and perhaps start with Mireya. And what is your assessment of the U.S. role? And vis-a-vis China, Japan, how much of the U.S. role is perhaps hidden in their contributions to the substantial role that you and Roland pointed out about the multilateral development banks, for instance?

**SOLIS:** Well, I'm local so I'm going to be a little bit more critical of the U.S. I mean, it's very positive all these grant programs and the focus on these development needs, education, health, all of that. That's wonderful. I'm going to base my remarks mostly about what I see as the geopolitical competition in the spirit of infrastructure finance, where the United States is not doing great, but it's criticizing China very actively. So I think that that allows us to then look at the U.S. record in this sphere. And there's been some positive change. The launch of the Development Finance Corporation with something like $60 billion, that's certainly very positive. Then the development of new partnerships with Australia, with Japan, that's certainly good. But when you look at what the United States' track record is and the numbers of your dataset tell you that in infrastructure finance, it's not very much. And when you hear about big numbers and you know, in terms of the G7, there is this partnership for infrastructure finance and they're trying to reach something like $600 billion. Well, that does catch your eye. But the big numbers are possible because the United States is talking mostly about catalyzing private investment and creating alliances with other development finance institutions, which are great objectives but very difficult to materialize. And we've heard about catalyzing private investment for high risk projects and infrastructure in developing countries. It's not easy. That's why it hasn't happened faster. And, you know, this experience of developing, creating an alliance between development finance institutions, again, not easy because the way they evaluate projects, the way they move with this, everyone has their own procedure. So for example, the Australia-Japan-U.S. partnership, I think they've had this undersea cable project - very positive. And then a few years later they have a new one on telecommunication. But it's not like you see a rain of projects, right? So we have to therefore be mindful of that. And I'll end with this. The U.S. has big ambitions in the Indo-Pacific and we play a very large, important security role, but when it comes to economic engagement, we're still lacking. And we know that trade agreements, trade negotiations are now almost taboo here. So this should be an area where there perhaps should be more ambition. And in my mind, at the end of the day, when you're talking about the actions of bilateral donors, you're going to have to have funds committed. And we should be speaking about larger individual funds from the United States for infrastructure finance, for it to be a larger player in this field.

**STROMSETH:** Thanks, Mireya. David, your thoughts on this topic?

**DOLLAR:** I completely agree with Mireya about the U.S. getting back into big trade agreements, so I won't beat that horse, but I totally agree. As far as the U.S. role in financing development and infrastructure, in particular in Southeast Asia, I'm comfortable with the U.S. mainly doing this through the World Bank and the Asian Development Bank. The U.S. is the largest shareholder in the World Bank and then it's co-equal with Japan in the Asian Development Bank. And so my complaint is the U.S. has been an obstacle to increasing the capital base of these institutions. And both of them have essentially two windows: they have very, very concessional lending. You know, literally 30 to 40 years, no interest, ten-year grace. That's the so-called IDA, International Development Association, that's subsidized by rich country contributions. Almost no IDA is going to Southeast Asia at this point. The U.S., well, the institutions dominated by the U.S., they're very quick to declare success. Vietnam was getting a lot of this concessional financing and it did well for a few years and then they took away the concessional financing. So I think we're a little bit too quick to declare victory where we see some progress.

You know, and then there's the so-called non-concessional part of what the World Bank, the ADB are doing. We should be a little bit careful with these words because that lending, you know, that's what I managed when I was country director for China. I don't remember the exact terms, but it's something like 20 years, you know, a slight, you know, slightly higher than LIBOR interest rate, you know. So it's officially not concessional. But on the other hand, the country like Vietnam, which now borrows a lot of that money, they can't get that from the private market. They go out to the private market, they get a five year bond at a higher interest rate, no grace period, basically, or maybe ten years, if they're lucky. But, you know, emerging economies are not going out and floating 20 year bonds, by and large. So officially not concessional, but still actually pretty attractive compared to other options. But in order to expand that aggressively, that you would have to increase the capital base of these institutions. And if you do it in a fair way, you will be increasing the weight of China and the developing world more generally. And the U.S., the Congress in particular, is resistant to increasing the weight of China and the other emerging markets. And we're talking quite a bit about competition between the U.S. and China. But actually China's a pretty solid player in those institutions. It contributed $1 billion to the last IDA replenishment, which makes it number six ahead of a couple of members of the G7. And it's, you know, they buy World Bank bonds as part of their reserve holdings, as an example. And so they're indirectly contributing to the non-concessional part. So, you know, I think I think we could do a lot more to expand those existing institutions, and in doing that, we would naturally be pulling China and other important countries like India and emerging markets more generally. But we have a little bit of a blockage. And it's not just the United States. You've got the rich countries collectively essentially have a controlling power over these institutions. They're reluctant to give it up. And I think, so, I think that that's an important blockage.

**STROMSETH:** Thanks, David. Well, I think it's appropriate we started with the U.S. role because here we are in Washington, D.C. on think tank row. But this project comes out of Australia. And Roland, I was wondering if you could introduce us a little and talk further about Australia's role, you know, an ally and like-minded partner of the U.S. What are the main contours? Country-level efforts, synergy and cooperation with, you know, other traditional partners like the U.S?

**RAJAH:** Yeah, Thanks, Jonathan. I mean, I think in some ways you could, you know, characterize Australia's role in the region, somewhat similar to the United States, at a certain level. I think United States is the seventh largest developing partner. Australia is the eighth largest development partner. We, for the most part, operate entirely through grants as well, similar to the United States. What the result of that is that we do end up focusing a lot on similar areas as well in terms of health and education, in terms of governance and civil society. And then conversely, we don't end up having a lot of funds and scale in the infrastructure space as well. So it's kind of similar in that sense. Australia is obviously a much smaller economy than the United States, but Southeast Asia is right next to us and a key sort of region for us strategically and so we obviously concentrate our resources in that part of the world. And so we're not too far behind the United States in terms of the overall scale of what we do in the region. You know, I think one of the key debates in Australia is, you know what, you know, what are we trying to do in Southeast Asia on the development front? In terms of, you know, are we about -- at the moment we are on this side of the spectrum -- are we about remaining sort of mid-sized, relatively small, tying to be nimble, trying to be responsive, trying to use a lot of technical assistance and policy engagement, trying to leverage and catalyze systemic change, particularly in the larger economies where, you know, they've got a lot of their own domestic revenues and so on and so forth. And that's seen as the way to operate in what are a fairly large and very successful anywhere in the world, but anywhere else in the world, middle-income countries. These are very successful countries, they're on the right kind of trajectory, you know, for the most part, not all of them, but certainly the larger ones. So should that that be the strategy? Or should Australia actually be thinking about trying to have at least some scale? One way I like to put it, it's similar to for the United States, but it's much starker for Australia, is that we talk a lot in Australia about how Southeast Asia is becoming, you know, strategically more important to Australia for a range of geostrategic reasons, but also just by nature of their rising heft relative to our own, right? Their economies are, you know, like Indonesia, will overtake us and so on. Okay. So they're becoming structurally more important to Australia. At the same time, conversely, we are becoming structurally less important to them at a time when we want to have more influence. I think this is the key sort of challenge and so you don't really have the luxury of sitting back and not sort of, as I put it, sort of bringing your A-game. You have to sort of think, you know, how can we actually do the most, right? Because otherwise you're falling behind. You need to run in order to stand still. So I do think we need to think about scale. But that's something that for, you know, not too dissimilar reasons, again, to the United States, scale is difficult politically. You know, we don't have a DFC. There's been discussion about potentially having one, but it doesn't seem that that's the direction that we're headed. Instead, we have development finance-like kind of instruments proliferating within our system. Oddly enough, though, focused on the Pacific Island region, that really can only absorb a very limited amount of that because they're very small, vulnerable economies. Southeast Asia is actually one, almost the perfect place to be deploying a lot of these development finance instruments, a lot of this non-concessional lending for the reasons David just outlined. We need to do that. We did a loan to Indonesia during COVID, which was very well received, very responsive, you know, a billion, I think 1.5 billion Australian dollars at the time. So quite substantial for us. But a one-off, right? We need to be doing more things like that more regularly going forward. That would allow us to have that kind of have that kind of scale.

**STROMSETH:** Thank you. We've got quite a lot to move through here, and I'd like to ask Mireya about Japan, David, a little more about China, maybe some debt trap issues that are being raised. So let's start with Japan. Mireya, you and I have talked about this a lot. There's an often-quoted State of the Region survey of regional elites in Southeast Asia, which asks these policy elites what is the most influential economic power in the region? And over the last two years, China ranks at a score of between 60 and 75%. Somehow, Japan's at 2 and 4%. And that seems counterintuitive, given the robust way that I think the aid map describes Japan's role and what we think of it. I wonder if this is an illustration of Japan's quiet leadership, which gets to your forthcoming book, because it's also the most trusted power in the region, according to the same survey, getting a score of 54%. I'm wondering, you know, as you think about development finance and other issues, how do we break this down and understand it?

**SOLIS:** Thank you. Jonathan, that's a great question. And, you know, I think that -- speaking to that question in particular and then providing more background about what Japan has been doing in development finance -- I think that that question is not just looking at development finance, but in general, what is your perception about Japan's economic influence in the region? And there are some structural factors that are going to bring down Japan's ranking. I mean, it has experienced low growth for a long time. It is experiencing demographic decline. And I think that, you know, the size of the Chinese market, Japan cannot compete with that. And I imagine that that's partly what is happening. I also found it very interesting that regarding China's economic influence in the region, there was a 20 percentage point drop during COVID. So these rankings, again, to a point I've been trying to emphasize, are not fixed in stone, and they change dramatically.

But I also think that a lot of that trust, but low visibility has to do with the way in which Japan has fleshed out its economic strategy. It's not as flashy, it's not signing as many deals, but it has been very consistent. And especially, I think that Japan is doing a lot with diminishing resources. So that has to be part of the story here. So let me just flesh out very briefly what I think Japan is doing in development finance and why it continues to be such a prominent player, even though, you know, it has been experiencing low growth for decades. So I think that put it in that way, it's actually a very interesting puzzle. So, you know, Japan has been providing development finance for decades now and doing it in a way that was not conforming to the Western views about what should be the approach. Japan always emphasized that you needed to provide concessional loans because they inject some kind of discipline and that you should emphasize infrastructure because countries would improve the well-being of their populations through growth. And that actually got into some very heated debates in the 1990s where Japan was doing its own thing and a lot of the development donor community was not on board with that. Very interestingly, China is a major recipient of Japan's economic assistance and some of these elements of the philosophy are clearly there. But I would also highlight that the terms of finance is very different. Now, why is Japan -- and this is one point I really want to emphasize. I think that Japan has -- is a longstanding development partner, but I wouldn't necessarily use the term traditional. And I know that traditional versus emerging works when you're trying to classify all these different countries, but I think it doesn't really capture the fact that Japan remains relevant with fewer resources because it does not continue to use the same playbook when it comes to development finance. And that's something that the data captures to some extent but doesn't fully capture.

So let me break that down, if I may, and I hope I don't go for too long. But I would say that in the last decade, Japan has changed the way in which it understands and implements development finance. It has upped its game, and it did so because there were some very important objectives at stake. One was economic revitalization. So when Prime Minister Abe came back into office, there was a huge effort towards infrastructural exports and government-business cooperation to try to again make Japan competitive in that field. Then China came knocking down the door, launching its Belt and Road Initiative, and therefore Japan's conventional spot in the region as a major source of development finance for infrastructure was now up for grabs. And I think that that clearly generated a lot of competitive pressure in Japan. And it was the first time that Japan felt compelled to articulate its identity as a development financier, and it came up with this quality infrastructure brand. Now, the brand doesn't seem to do so well in those rankings, but nevertheless, it makes an imprint and leaves a mark in the way in which Japan then fleshes out its projects. And it might not be as famous, but it's not as infamous, as China -- let me put it, in those terms. And what Japan has emphasized in these quality infrastructure is debt sustainability, which is very present for all of us today, transparency in the operations, and fit to the long term development strategy. And therefore it means that Japan approaches these projects differently.

And last but not least, there was a connection for the first time of development finance to Japan's foreign policy, grand strategy, and a very, very proactive engagement diplomatically vis-a-vis Southeast Asia. Japan's first version of the quad did not take and it didn't take partly because Southeast Asia was not very keen on it. And then Japan went back and then came up with a free and open Indo-Pacific. I'm not sure it completely persuaded Southeast Asia. We had a lot of conversations on that, Jonathan. But clearly the diplomatic energy was there. Now, I would say that a couple of points before I finish here. Why Japan remains relevant, even if it has declining resources. Their ODA budgets up today were not what they were in the 1990s, and nevertheless, in terms of bilateral donors in Southeast Asia, it's China and Japan, mostly or primarily. So some things that I would add that cannot be captured in an empirical dataset is a range of institutional innovations in Japan's development finance. So Japan has revised the way in which its implementing agencies operate. Japan has changed now twice its development charter to emphasize Japan's strategic interest. And just last month, to make Japan stay more proactive with a new approach where Japan is not going to wait just for request, but actually come up with ideas to its developing counterparts so that they can have more input on where they should be putting the effort. And also, for example, the Japan Bank for International Cooperation reforms so that they can undertake more risky projects. They can do equity investments. So these institutional qualitative changes, I think, explains why Japan is actually very relevant. My last point. Japan is also putting in the money and it's putting inthe money with very different in very different terms. One of the very important messages of your database is Japan mostly operates with concessional loans and China with non-concessional loans. And then therefore this has huge consequences for the sustainability and the repayment burden. Japan, if you look at the rate of completion in Japan, is much higher that than 39% that we saw there. And finally, that in the counter-cyclical effort on COVID-19, there was more coming from the ADB and from Japan, and China was stepping back at that moment.

**STROMSETH:** Thanks, Mireya. That was excellent. David, why don't we play off that 39% again? And let me pose squarely to you the question that emerges from one of the main findings of the aid map, which is this gap between implementation on the one hand -- and is that an implication, does it imply failure or perhaps a realizable, a potentially realizable ambition for the future? And how realizable is that also, given China's domestic economic challenges? Does that come into play?

**DOLLAR:** Okay. So I think we have to be a little bit careful interpreting that figure of disbursements versus commitments. But, you know, I'm I have already cited it as probably some evidence that many Chinese projects, Chinese financial projects are not well prepared. It is possible that some of it is just this overwhelming Chinese concentration in infrastructure. And I don't personally have a problem with that, because one thing that comes through, clearly you got a lot of different donors out there. So if you've got division of labor, you know, if China's good at transport and energy projects and they're doing that and the U.S. is good at health, you know, I don't have any problem with smart developing countries, you know, picking and choosing among the different donors. You know, so just the concentration infrastructure might give you some of that difference, but it's really a very striking difference. And of course, with the database, I think we can actually go down to the sector level, and I'm pretty sure you're going to find that it's not just China's concentration in infrastructure sectors that within particular infrastructure sectors, it's got a low disbursement rate. And as I said, I think that's evidence that in some cases these projects are not well prepared. We actually know this. I mean, sometimes a high-level Chinese official goes to a country and they basically agree some kind of memorandum of understanding. And then we usually treat that as a commitment. Okay, China's going to provide X amount of financing for a rail. It hasn't been appraised, hasn't had economic analysis. They haven't acquired the land, they haven't done the environmental assessment, they haven't looked at what minority communities might be displaced. So it's easy to criticize the existing development banks as being a little bit cumbersome and overregulated. I can buy into that, you know. But, you know, one -- the plus of that is that in general, the projects are carefully, what – the projects are prepared by the recipient country, they're appraised by the World Bank and the Asian Development Bank, and in general, it's a pretty careful appraisal process. And once that's done, if it's acceptable and then the board approves the loan, then it tends to move relatively quickly, recognizing that, you know, that's different sector by sector. So I do think it is evidence. But I -- as I intimated at one point that, you know, I think China generally wants these projects to work out. They want the countries to develop, they want to get repaid. And so I think to some extent, this is a learning experience and that hopefully we'll see an improvement in that kind of implementation in the future. But some of it -- the last thing Jonathan -- some of it is just political, you know? And you're more likely to get this with bilateral financers. You agree a prime minister level that we're going to fund this railway and then there's political change in the country in question and the next government doesn't want that particular railway. So you know that basically, you know, it may eventually get canceled. Some of these things are just going to get canceled along the way. And that happens a little bit with the multilateral development banks. But it's pretty rare to have a significant loan that doesn't go anywhere and then gets canceled.

**STROMSETH:** Yeah. David, I mean, ask you a big question and ask you to answer it very concisely because we're getting short on time, and I want to get to the audience. Speaking of, you know, repayment and so on. I think a couple of months ago, the Associated Press issued a long report about a dozen countries across the world that are facing economic instability, even collapse as they struggle to service and repay billions of dollars of loans from China, which kind of evokes the U.S. concern and even accusation that China is creating, you know, debt traps through its BRI. And the one country among those dozen that is mentioned is Laos, in other words, the one country in Southeast Asia. And I'm just wondering, what's your take on this broader problem? And just a thought on Laos.

**DOLLAR:** Right. So I think the database provides really fantastic context for this, right? Because you've got a lot of Chinese financing going to countries like Indonesia, Malaysia, Thailand. Now these are all well-managed countries that have no particular debt problem. So probably the vast majority of Chinese money is going to countries that have good macro management and there's not really any issue. But - important but - the IMF estimates that about half of low of kind of vulnerable, low-income countries are at risk of debt distress. And China is the largest bilateral official creditor and Laos is the one example in Southeast Asia. Now, there's been an important recent breakthrough. China agreed to a rescheduling of debts for Zambia, you know, together with the other creditors and getting a new IMF program. And hopefully that's breaking a kind of logjam where China had been reluctant to participate in this kind of multilateral debt relief. In the case of Laos, it's a near neighbor from China with very, very close ties, as you know. I think China will just not want to handle that in a multilateral context. They'll just want to reschedule those loans, you know, But they're not going to make Laos go bankrupt. That's not in China's interest.

**STROMSETH:** Yeah, one last question for the group before we open it up. You know, the one -- the finding at the end, Alex and Roland, that progress remains below what is needed to support resilient low carbon development in terms of development finance, Alex, as you mentioned, Southeast Asia is a particularly vulnerable region. Long coastlines. I think three of the top six most vulnerable cities to climate, global warming, sea level rise are in Southeast Asia, starting with Bangkok. And Vietnam is almost always mentioned as one of the top five, I think, most vulnerable countries as a country itself. And there seems to be an interesting divide right now in this debate in the geopolitical competition about whether U.S.-China cooperation is helpful, because these are the two largest and most well-resourced countries in the world. So that's the kind of traditional view that there needs to be cooperation on this issue between the two biggest countries in the world for us to have impact. But there's an emerging view that actually competition is good because it produces a race to the top and stronger climate commitments in home and perhaps greater support abroad. I'm just wondering if anybody wants to take a quick stab at that debate and tell me where you come down. I throw it out.

**RAJAH:** I'll go, a very quick stab. I mean, I think, you know, there is an opportunity for competition to be useful, rise to the top and force the, you know, try and get the superpowers to compete on positive some engagement. You see some of that I think the just energy transition partnerships the JETPs which is the G7 plus a couple of Europeans offering of clean energy finance to Indonesia and Vietnam in particular. That's a good example of that kind of thing. And that is something if that if that can be made to work, might start to turn around this picture that we see in the Southeast Asia aid map. But I think it's not so easy. I think the Southeast Asia aid map also shows that actually rolling out this financing is really hard. And therefore, will the, will these JETPs be able to deliver? A big, big question mark there. I still think cooperation is actually super important on this front, for two examples. One, multilateral development banks, as David mentioned earlier, I mean, this is the big opportunity, their financial firepower to be able to make a big dent on this is very large. But if you can't get the cooperation to secure capital increases in these kinds of things, then you've got a problem. And so that would be that would be one way in which competition damages the cooperation that would otherwise be extremely beneficial in this space. The other one is technology. I mean, yes, you can have more subsidies going into technology, green tech. But on the other hand, we know that technology and innovation benefits not just from subsidies, but from bigger ecosystems, ecosystems with a lot more research and cross-fertilization and connection. And so there is this fragmenting of technology ecosystems that will dent that.

**STROMSETH:** Right. Let me ask if we have a couple of questions from the audience. And if so, please state your name and affiliation and keep it brief.

**AUDIENCE MEMBER:** Yes. Thank you. I'm Alain Borghijs with the Asian Development Bank. And thank you very much for this really great tool and inspiring discussion. I just wanted to make perhaps an additional point on the on the climate change. And it's also a question for Alexander to some extent because your data stops at 2021. And to some extent I'd like to argue that 2020 and 2021 perhaps were outlier years in the sense that a lot of our time and attention was focused on fighting COVID. And currently a lot of the discussion is now around climate change and in multilateral development banks are ramping up really their support for climate change. ADB is has $100 billion targets by 2030 on climate change. So I'd be very keen to see if you continue research which I hope you do, that you know, you'll extend it into 2022, 2023 and perhaps you'll see a different, a different picture there. Very, a very small second point that I wanted to make is also and it's another suggestion for the research, is that you also might want to look at a slightly broader concept because we're also rethinking on how we're supporting climate change. And it's not only through direct interventions from the multilateral banks, but also how we're mobilizing private sector finance. And so looking at a slightly broader concept might also give a different picture as to how climate change is supported. For example, in ADB, we have this energy transition mechanism where we're not necessarily putting our own money, but we're mobilizing private sector money to retire coal-fired power plants and to and to invest more in renewable energies. So again, there, suggestion and I hope you can continue this research to look into those things. Thank you.

**STROMSETH:** Any quick reactions?

**DAYANT:** Yeah, well, I mean, two points on first on the research. So obviously this research is not just a you know, it's not a snapshot in time. I mean, we want this to you know, we want it to be updated every year. Obviously if the ADB wants to support us, I would be very happy to as well, you know, with the funding. But no, yeah, more seriously, you know, we do, we are planning on building this research for the next year, we'll get new data for 2022 and 2023 and so forth. And the Pacific aid map is a good example of this. You know, like we launched it in 2018 and since then it has generated such a big attention and it has been very useful to bring clarity on what's happening in the region. And we really hope that this will bring this kind of kind of attraction, you know, like interest. So that's the first thing on updating the data. On, yeah, climate finance. I mean, you're right. Like the MDBs are the leading, the leading finances of this. What we what we find interesting honestly that China is one of the leading partner in terms of climate development finance what do we call payment capital. So let's see let's see what the trends will bring. And the last, on the last aspect of it - and I'd be very happy for others to cover the this. But, you know, the aid map basically trace aid and development finance, we don't do guarantees yet and the definition of like the guarantees is basically what could actually, you know, foster private sector investment in the region. But according to the ODA definition of guarantees, that don't actually qualify for, you know, our selection, and the reality that this map is, yeah, we're tracing development finance. We could trace, we could extend it to, you know, foreign direct FDIs and other type of investment. But at the moment, you know, it already almost killed us to create this for the first iteration. So focusing on that and on this on this type of thing, but maybe in the future, who knows?

**STROMSETH:** Yeah, I think I'm going to take the chair's prerogative here because there's one burning question I've been wanting to ask Roland and Alex, which is what is the reaction from the region? And if I understand right, maybe a month or two ago, you had a rollout in Jakarta, in Indonesia. And I was just wondering kind of as our final question here, our final thoughts is, is are they seeing the value of the transparency, the utility of the aid map that you've created, or just what were the reactions generally?

**DAYANT:** Well, great question. Yeah. So we, so this is the third launch of the aid map that we we're doing that we are doing. The first one we did it in Canberra, in Australia, so the second one in Jakarta and the third one here. And so in Jakarta, yeah, obviously the reception was very, you know, it was very welcome because you know, we are, we do bring transparency on a kind of, you know, on a sector that is sometimes a bit opaque. And the reality is that building an aid map is not very, very difficult by nature. It just it's very, it requires a lot of effort. Um, and, and so yeah, like I think this, this when we presented the tool, you know, like we did this big event at, at the Australian Embassy and it was very well attended. I think like the, with the best reaction I had was from, I mean we received with like from the, you know, the ASEAN ambassadors were all very pleased to see that ASEAN has a role to play, you know, like we can filter by ASEAN on the map as well. Then like that, it was nice because the following day we went to the University of Indonesia and then specifically to a team that focuses on like macroeconomic policies, and we were there to present and they say, Well, look, we're already using this tool. You know, we were already using it and we found it very interesting. So thank you very much. And then the last on our last day, we went to the Ministry of Finance and something and we presented the map. And there was I remember in the roundtable, there was this person that whose job was to actually trace aid in Southeast Asia, ODA. And he looked at the map. He was just going, oh, my God, like, we just need to do the same thing. You're like, Give us the data and everything. So I think, you know, the reception with positive. But if I can very quickly just, you know, maybe predict what will happen in the future. Like we said, we've done this tool, we've done this successfully, but for the Pacific, and I remember that in the Pacific, one of the few reaction that we've had was, you know, like from the Pacific countries themselves, they were saying all of this is great. I mean, we don't have the capacity ourselves to like, trace all this information. So this is very helpful. The second type of reaction we had was actually from the Chinese government and Chinese official when we, you know, introduced the aid map and treating them like what China was doing in the region, they were saying, well, thank you very much. We actually had no idea, you know, like, we didn't know that China was investing that much in the region. We didn't know. And so, like, we were bringing these through the kind of transparency. And the last type of reaction, and I think this is like the most interesting is that, as I said, you know, like we have we have the donors or the developing partners, but we also have the implementing organization. And those can be like the Ministry of Finance, those can be ASEAN, can be, you know, like any type of organization that receive funding. And so in the Pacific, we went to visit some of those organization and sometimes they were a bit reticent because clearly, like, you know, transparency is a very good concept. It's a very good concept as long it doesn't really impact you too much. And so you know like those tools are as much for transparency of the information than, you know, than for, than to create this kind of responsibility from the organization that that receives this funding. So, yeah, I mean, overall, I think it's a great tool. And again, I recommend you to really have a look at it because we put a lot of effort, but we find it very interesting.

**STROMSETH:** Well, thanks. I think that's a very poignant way to end our discussion today. And again, I want to thank our friends from the Lowy Institute for coming to Washington, having their launch with us here at Brookings. We've had a nice partnership over time, especially on Southeast Asia. We're glad it's continuing with this and we'll continue to continue into the future. Thanks, Roland. Thanks, Alex, And thanks for all of you for coming.