

THE BROOKINGS INSTITUTION

WEBINAR

THE INTERNATIONAL AID ARCHITECTURE

FRIDAY, JULY 19, 2024

UNCORRECTED TRANSCRIPT

INTRODUCTION:

HOMI KHARAS, Senior Fellow, Center for Sustainable Development, Brookings

PRESENTATION:

AKIHIKO NISHIO, Vice President for Development Finance, World Bank

PANEL DISCUSSION:

MODERATOR:

JOHN W. MCARTHUR, Senior Fellow and Director, Center for Sustainable Development, Brookings

FEATURING:

ALEXIA LATORTUE, Assistant Secretary for International Trade and Development, U.S. Department of the Treasury

MAVIS OWUSU-GYAMFI, President and CEO, African Center for Economic Transformation

KHARAS: Good morning everyone. My name is Homi Kharas, and I'm a senior fellow at the Center for Sustainable Development at the Brookings Institution. And I'm, delighted that you're all, joining us for, the discussion this morning on the international aid architecture, as, all of you, will know, this is a, really important year for, for, aid with the, replenishment of, the International Development Association funds IDA 21. IDA is the largest aid program in the world, and we're delighted that we're, joined this morning by the vice president for, development finance at the World Bank, Group. In other words, the person who's responsible for the IDA replenishment. Vice president, Akihiko Nishio. I'm going to, just give you a, a few facts about what it is that we're talking about when we, say the international aid architecture, before handing over to, Aki for the main presentation of, this morning. So bear with me a second. Aid is, many different, things. But I think the most important element of aid is the aid that actually reaches developed, developing countries for development purposes. It's something that the, OECD Development Assistance Committee has called country programable aid. And what this first slide shows you is that country programable aid has more or less, doubled, just over doubled since the 2000 to now reach something like \$124 billion. And it's more or less evenly divided between aid country program aid that is provided by DAC member countries, and country program aid that is channeled through multilateral donors. There's a lot of talk about non DAC donors, but as you can see from this graph, their share in total aid is relatively small. Most of the aid is going to Africa. And, this chart shows you the, the regional composition of, aid. You'll see that Africa and Asia comprise the vast majority of aid, although there is still, elements of, aid that go to, Latin American countries, to Europe and to, some of the islands in the Pacific. In terms of the change in aid allocations over time. What you see is that the bilateral aid has stayed relatively constant. People often talk about bilateral aid as if it is largely governed by foreign policy considerations rather than development considerations, and that leads to a certain consistency in the shares. So bilateral aid from DAC member countries to Africa, for example, has remained relatively stable since the beginning of this century, whereas the multilateral aid has, seen a significant increase in their orientation towards African countries. Another feature of the aid architecture is that recently there are many more donors who are participating in aid. This is both a good thing because more donors often implies more aid. But it can also be a difficult thing because more donors can imply greater difficulties in coordination amongst donors. And you see from this chart that now we're talking about something very close to 100 different donors, that, provide, aid to low and low and middle income countries. And of course, not every donor gives aid to every country. And so in this chart, you see the number of donors each country on average deals with. And again, there you see that this is really doubled in the in the last 15 years. It's gone from about 27 donors now to 59 donors, for the median, low, low and middle income, country. So a doubling of donors the same if you think about, aid in terms of the, channels through which it's, provided,

whether directly to government, whether through multilateral, whether through international, non-governmental organizations, the number of channels has also, grown, exponentially, over time, leading to, additional complications in the coordination of aid. On average, the size of a multilateral project is much, much larger than the size of a bilateral aid project. Here, you have some, comparative numbers. You see a, a very substantial, difference between those two different, donors. And who gets the money in developing countries also differs, dramatically for donors like IDA and to some extent and, Japan, almost all of their aid actually flows to the recipient government in developing countries. Whereas for the United States, for, Germany, and for others for the UK, very little of their aid actually goes to the recipient government. Most flows through other channels, sometimes international NGOs, sometimes, multilateral channels. When we talk about aid, I think it's important to understand the purposes and the, needs in some work that we've been doing on, climate, finance and the growing needs for up aid, for climate mitigation adaptation, as well as for, achievement of the Sustainable Development Goals. We did some, estimates of what different categories of countries might need. These blue dots show you that in low income countries currently, they're getting approximately 27 billion US dollars per year by 2030. Our estimate is that their, need, if they're going to achieve these internationally set goals, would be closer to \$130 billion per year. Similarly, low- and middle-income countries also have, unmet needs for aid, which might be, roughly, double what they're currently getting. But the gap for, upper middle-income countries is much, much smaller, which is why in this conversation, today we're really focused on, the low income countries and the low and middle income countries for our, discussion. So I just wanted to leave you with, that as, the, background for, the, discussion that we're going to have, this morning. The bottom line is very large needs for incremental country program aid by 2030 and both low income and low and middle income countries, probably a, need for a fairly substantial shift towards Africa, a recognition and an understanding that countries do have to deal with many donors and channels, despite, donor efforts at so-called, aid coordination, an understanding that, the average project size, is actually quite small. And so if you want to, ramp up aid to, significant, degree, that will also imply either using different channels or sharply increasing the capacity to develop new projects and activities. And then lastly. But some reflections about whether the amounts of aid going through recipient country budgets should be increased as opposed to using other channels. So with that, a few brief observations. Let me turn over now to, Vice President Aki Nishio, to present the keynote, for this panel. Thank you very much.

NISHIO: Great. Thank you very much, Homi. And good morning. Good afternoon. Good evening to everyone, wherever you are. Let me start by thanking Homi and the Brookings Institution for hosting this

event and inviting me to speak to you today about the global architecture. It is also a great pleasure to share this virtual stage with our distinguished panelists and also with the moderator. We have an ongoing research program on how changes in the global aid landscape affect aid recipient countries. My presentation today will summarize the findings of our most recent report titled Financing the Future. I will highlight four megatrends that have had important implications in terms of energy efficiency. Then I would do a deep dive on the issue of circumvention, what we call circumvention of recipient government budgets. Next slide please. Before going any further, let me say a few words on the methodology and data sources. The analysis largely builds on the OECD CRS database, but we complement this data, which is reported by donors with data reported by recipient countries to the World Bank's Data Reporting System, or DRS. This has allowed us to integrate information about flows from the private sector, as well as a number of other donors that do not report systematically, consistently to the OECD. One caveat is that the constructed dataset does not capture grants from such donors. Donors which do not report consistently to OECD, for which there is no comprehensive data available. Also, please note that the OECD data has a two year time lag, which means that the latest data point, the readable, refers to the year 2022. With these caveats in mind, let me start by mentioning four megatrends I've helped to shape the architecture. Next slide please. The megatrend that I wanted to highlight is that there has been a rapid proliferation of donor countries and donor agencies globally at the source and as the recipient level. Official financial flows. What we call OFF, which is a sum of ODA and other official flows, or OOF more than doubled in real terms in the last two decades. As you can see in that gray line. However, this increase was accompanied by a sharp increase in the number of countries and multilateral institutions providing official financing around the world. If we go from left to right in the slide, we see that the number of donors increased from 63 to 115 over the over the last 20 years. When I say donors, these are donor countries. And, there was even the more, not noticeable growth by 2.6 times in the number of entities or organizations that provided the official finance from 226 to 589. So that's two and a half times to 2.6 times. The increase in the number of countries providing official finance corresponds to the emergence of new bilateral donors, such as Eastern European countries, post-Soviet states, and other so-called nontraditional donors. Next slide please. This proliferation has had a real impact on developing countries, as illustrated by the examples of Ethiopia, Mozambique and Nepal that you see here. As you can see, the number of donor agencies doubled with the Ethiopia, Mozambique and Nepal over the last 20 years. This increase in donor agencies has led to each of the three countries engaging with more than 200 agencies during the period 2016 to 2020. Ethiopia, in fact, has had to partner with more than 250 agencies. This high source proliferation can tax capacity of countries and negatively impact aid effectiveness by reducing country ownership and also reducing the share of aid, subject to parliamentary and other oversight? Next slide

please. The second megatrend is that the emergence of new donors and entities has been accompanied by a growing fragmentation of aid flows. We are seeing a larger number of individual commitments made to developing countries, but each at smaller financial size. Since the year 2000, the average size of officially financed activities in developing countries has decreased by about 35%, from \$2.1 million to \$1.6 million today in real terms. The average size of ODA grants has decreased by nearly 50%, from an average value of \$1.6 million in 2000 to only \$800,000 today in real terms. Thus the pie has been cut into a larger number of smaller pieces. This may be problematic, as it could result in significant transaction costs for recipient countries as they face severe challenges increases, including those of what we call the poverty crisis. Next slide please. The third megatrend is that facilities which can leverage financing, such as the MDBs, are receiving a smaller share, of OFF. In this chart, the dotted blue line shows the volume of bilateral donor contributions to horizontal platforms such as the MDB and other organizations that use country based approaches to allocate resources. As you can see, bilateral contributions to these institutions have been mostly flat in real terms over the last ten years. And also bilateral donor contributions to the top five MDB, including IDA, IBRD, the African Development Fund, the European Investment Bank and the Asia Development Fund have declined in real terms over the last three replenishment. The solid red line, on the other hand, shows the commitment volumes from these institutions, which is far higher than the volume of bilateral contributions, which is a clear indication of how IMDB's can leverage donor contributions. So all this represents a missed opportunity, as MDB can effectively use financial markets to multiply the volume of resources provided to recipient countries, like in the case of IDA, which can take \$1 from donors and provides \$3.5 to recipient countries. Next slide please. The fourth trend is that the o f, or the official financial flows to developing countries increasingly circumvent recipient government budgets. By 2022, nearly four out of five projects were implemented by non-government entities, and the majority of them was through project type interventions. More than half of the funds bypass recipient country budgets due to the use of non-governmental channels like donor government agencies themselves, multilateral agencies, non-government organizations, NGOs and private sector institutions. Next slide please. In what follows, I will focus on the issue of circumvention, the four megatrend that I mentioned. And then I will highlight four specific points that exemplify the extent and implications of this trend. In the next slide. In the in the next slides, I will show one the share of circumvention by implementing channel. Two, the volume of OFF that is increasingly classified as in donor country costs. Three, the increased fragmentation caused by circumvention. Four the cooperation between earmarking and circumvention, and five, circumvention trends in fragile states. Sorry, I meant five points not four next slide please. With respect to the first point, no governments had the highest implementation ratio of OFF volumes channeled through entities other than recipient countries. As you can

see from the chart on the left. If you look at the number of activities funded by OFF among the entities other than recipient countries, NGOs implemented the largest share 24%, followed by donor governments 16%. As you can see from the chart on the right. Next slide, please. The second point about circumvention that I wanted to highlight here is concerned with the rising share of overflows that bypass recipient government budgets to fund in donor country. Refugee costs covered donor administration expenses and humanitarian assistance. As you can see from the chart on the left in this slide, the volume of off expenditures in donor countries has averaged 15% over the last ten years. But in 2022, it increased to 20% of total o.f, which is the highest share ever. The chart on the right presents the breakdown of these expenditures and shows how in the in donor refugee costs increased abruptly in 2022 by nearly 60% when compared to previous years. Next slide please. The third point I want to cover is related to the impact of circumvention on the fragmentation of OFF. As you can see from the chart on the left over the past decade. Entities other than recipient governments implemented a rising number of OFF activities. Illustrated by the red line on the red lines on top. When compared to recipient governments, illustrated by the blue lines at the bottom. The chart on the right shows that as a result of this trend, circumvention contributes to the fragmentation of development assistance, as the average size of the transactions implemented by non-government channels has been consistently smaller than those implemented by recipient governments. Next slide please. The fourth point I wanted to make about circumvention is that notably higher, it is high. Notably, higher circumvention is notably higher in the sectors for which OFF trend. Are you marked? This is illustrated in the top section of the chart in this slide, which shows that the share of off volumes implemented by entities other than recipient governments is significantly higher in the sectors of banking and financial services, health, education, government and civil society. I think there is some empirical evidence to show that, there is greater earmarking, especially in, health and education. So, this is consistent with that. And this is in contrast to situation in sectors in which recipient governments play a major role in implementing projects in infrastructure sectors such as energy, water supply and sanitation and transport and storage. Next slide please. The fifth point is that most OFF the fragile and conflict affected countries so-called IFC's bypasses recipient governments. In fragile states, 62% of OFF volumes were channeled outside recipient governments over the last decade, as illustrated in the chart. In this slide. Multilateral donors had the highest implementation share of 17% of total offer due fragile states, followed by NGOs with 11% and donor governments with 9%. Next slide please. In contrast to these trends that you can see from this slide. Nearly 100% of OFF from IBRD and IDA, were provided directly through recipient governments building their capacity in the process. OFF provided by DAC donors were implemented by a variety of entities, including recipient governments, which accounted for 27% of OFF donor governments, 20%, multilateral at 17%, NGOs, 13% in private sector

institutions at 8%. Next slide please. So, in conclusion, why do these trends matter? As we have seen, an increasingly complex aid architecture makes development more challenging for [inaudible], which are struggling with the current ongoing overlapping crises. Increase down upon proliferation and fragmentation have been accompanied by a decline in the volume of concessional resources available to the poorest countries. Fragmented and earmarked aid and proliferating number of aid providers need to increase using the overhead costs in the system that taxes the often weak capacity of recipients, especially in low income countries. Circumvention undermines capacity building and sustainability in recipient countries, as nearly three out of four projects funded by OFF are implemented by by entities other than the recipient governments. Lack of leveraging means a missed opportunity to generate additional financial resources to address global challenges and support the poorest countries. So, 19 years after the Paris Declaration on Aid Effectiveness, it is hard to say that the recipient countries are in the driver's seat now. They may actually be in the trunk. Next slide, please. So with that, let me stop here and thank you very much for your attention. Over to you, John.

MCARTHUR: Thank you so much. Really appreciate it, Aki. Sobering review of the evidence. And, let me then introduce, a panel. I'm John McArthur, director and senior fellow with the Center for Sustainable Development. Delighted to be, joining not just Aki, who I hope will come back on in a moment, but we have, two very distinguished, panelists in, Alexia Latortue who is the assistant secretary for international trade and development and has been deeply engaged in these debates through many roles over many years. And, similarly, Mavis Owusu-Gyamfi who's the president and CEO of the African Center for Economic Transformation, who similarly brings a depth of experience and expertise across many dimensions of the debates that we're going through today. We're having a fairly big picture conversation, at least to start. You know, how does the IDA replenishment, which is getting so much, I think, well, rightfully so much political attention this year. A lot of op-eds on the need to really, draw focus to how big a moment this is for IDA, in its, every three year replenishment cycle. But I think there's a lot of bigger questions that we want to start with on how this fits into all the other issues in the aid architecture that, need to get addressed, many of which I think, Aki's presentation and kudos to his team, who drafted that report? I think, outlines very well in terms of how many things are maybe going in the wrong direction in the architecture over the past decade in particular. And how many, things are maybe getting better but still need to get even better. And, IDA itself has a role to play in that. So maybe we can start, where, you know, the action is from the, the ground level perspective in Africa in particular, where IDA play such a crucial role. Mavis, what do you see as the biggest

current issues in the development aid architecture that IDA can help address? And how does that fabric fit into some of the points that you just shared with us?

OWUSU-GYAMFI Thank you very much, John, and I'd like to take this opportunity to thank Homi and Brookings for inviting me to join this discussion. So for me, there are three big issues, that Africa is navigating that IDA is contributing to. The first one, and I'd say the biggest issue we hear from our ministers of finance is simply fiscal space. They don't have the resources that they need to invest in the SDGs. And the reasons are a mix of issues that we all know about high interest rates, a number of countries being locked out of bond markets, high debt burdens alongside our own domestic challenges such as poor fiscal management, low levels of domestic resource mobilization, etc.. And then the other challenges that a large number of countries, nearly half of them, in IDA countries in Africa, have still not recovered from Covid 19. In terms of GDP per capita, Homi has presented the finance in need. So I'm not going to repeat that. Given this challenge, access to increased levels of concessional finance is really important. And for us this is where IDA is key. We need a bigger IDA, but we need an IDA, which is not just big, but it's also efficient, timely and accessible for us. It's also critical that IDA gets to the countries that need it the most. You know, historically, IDA has only been a small percentage of concessional flows. It was less than 10% through to 2021, and only 38% of IDA is going to low income countries. So as important as IDA is, we need more IDA to go to the places where it is most needed. So that for us is the number one issue, the first issue. The second issue is in a world where most countries are struggling financially, you know, developed in developing countries, efficient use of resources is becoming more and more critical. Aki talked about increased fragmentation with increased numbers of donors. In the countries that I am working in, in Africa, we need to push for aid effectiveness now more than we've ever done in the past. So we need to see improvements in coordination. We need to see better collaboration. We need to see donors prioritize behind government, programs. And most importantly, we need to see impact and leverage of that limited resources. So, IDA, I realize how we're going to do this through its creams and lenses and in Africa in particular. We welcome the fact that MDB is like AfDB and the world Bank are talking about aligning their processes to reduce burdens on our governments, but we really welcome the ambition they have to co-finance projects together. And we would like to see how IDA does this. And then finally, you know, we've talked about Akie has talked extensively about the global financial architecture, of which IDA is part of. We all acknowledge that it needs reforms. We are seeing some progress in areas like balance sheet optimization, with channeling, etc. unfortunately, we are seeing less progress in some areas, like debt restructuring and investments for green industrialization. But ultimately, the purpose of all of these reforms is to ensure that larger and more efficient finance flows to

poor countries. So one of the questions we have on the table right now is that we have analysis to show that for each dollar that goes to platforms like IDA in the ADF, it's leveraged two and a half times, compared to 1 to 1 of bilateral and financial brands to countries. Given the urgent need for more resources, shouldn't we be having an honest conversation about how much more of these bilateral finances are going through platforms like IDA so that we can really leverage it, given countries are not going to increase their grants, in this current environment. Back to you. Thank you John.

MCARTHUR: That's terrific. Mavis, if I could just maybe ask you one quick follow up question, because we have so much around the climate and development, integration questions that are taking shape both through IDA in the bank debates, but also through the court process. It's a big year for the finance targets, setting and climate. And in our own work, we've done a lot on the need to integrate these, because it's it's not climate or development, it's not climate and development. So it's climate hyphen development and so many countries on the ground. I'm just curious. But a lot of developing and emerging economies are also saying, no, please don't make us pay the cost of other climate challenges. How do you see that debate playing out in this IDA context given? The strategic questions that are on the table and not domain.

OWUSU-GYAMFI Okay, so for us, there are two elements in Africa. One is around increased financing for adaptation. So either investing in adaptation and for us laying the foundations for adaptation will contribute to our own mitigation and how we contribute less to poor, climate practices over time. So for us, increased investment in critical areas for adaptation is key. The second one is really IDA supporting green industrialization. We fundamentally believe that Africa can drive green industrialization around the globe. So investing in value addition and helping us really think through how we build strong green value chains on the continent to not just support Africa's own development, but also to service the rest of the world is going to be really important. And I know there's a lot of debate at the moment, including from acid acid. What percentage of IDA is going to the poorest countries? To what extent is IDA financing? Urgent poverty needs? It has to do both. It has to lay the foundation for wealth creation and growth, which will reduce poverty over time. But that foundation needs to be laid now. And we fundamentally believe that investments in green, industrialization should be a core part of that agenda.

MCARTHUR: Very helpful. Thank you. Alexia, you are a veteran of these debates and also trying to help advance institutional reform. But also of course, you have stakeholders you need to convince, on your side,

in your in your office. I'm curious, how are you seeing, you know, this idea replenishment, strategic, playing field in terms of how it can help address some of the bigger, bigger debates that are underway.

LATORTUE: Thanks so much, John. And let me echo maybe this thanks to Brookings, to you, to Homi. I've been really looking forward to this Friday morning. I've been obsessed with the issue of aid architecture since 2005. And I actually met Mavis working on aid effectiveness, across bilateral and multilateral agencies. And I'm really bullish in both my professional and personal capacity about IDA. And really pleased that the US, is the largest cumulative donor, to IDA. So we've been able to effectively build a coalition of in our government over years and years and years of support to IDA, including being the largest contributor to the accelerated IDA 20. Which itself was, I think, a great sign of the global community recognizing that with Covid that Mavis was discussing, we needed to step up, a year early for, for countries. You know, I think that, at least paper and I recommend to all the listeners, to read it. It was really thought provoking and, and really raised not entirely new, but I think really put a spotlight on some core issues with the aid architecture. I think IDA can actually be responsive to. And I want to highlight four that are coherent with what Aki just said for the issue of scale. So we discussed that, you know, we needed countries don't have the fiscal space. So the scale we need more scale. Secondly, we need more ease of access to the scale. So when financing is there, it shouldn't be, for countries to go through hoops and hoops and hoops and tons of transaction costs to access the funding that is there. Thirdly, we need more coordination and alignment, right? So, you know, we write in Aki's report 200 different donor agencies in Ethiopia, 140 different donor agencies in Malawi. So what is that coordination and that alignment? And then and then finally, we need more flexibility and we need more predictability, in the system. So keeping in mind, I think these four big issues that I think are relevant across the Ada architecture. I look at and we look at in the US government as IDA, as a means to action address in a big way some of those challenges. And and let me lay out, five reasons why I think, IDA and this upcoming replenishment is an opportunity to try and get better, on those challenges. Number one, IDA has a clear mission and vision. It focuses on the poorest, countries. In, in in the world, affects 1.3 billion, people. It does so in a way that very much starts with countries, national development priorities and recognizes the hyphen. You mentioned, John, that there are these global and regional challenges, climate change being perhaps first and foremost. But I would also underscore pandemics and unfortunately, fragility, conflict and violence that actually, you know, threaten to reverse, progress on, on, on, on, on core development goals if we don't get them right. So it has that vision for the, in green. It also, I think IDA is increasingly clear about its role in the system. So I that's part of the World Bank Group. So, IDA, leverage the world Bank and what it does. And that's part of the work through the upcoming replenishment. But also how does it leverage the broader

architecture? For example, we have a large number of multilateral investment, environment funds. And there's actually a review happening of these environmental funds to try and also make them less fragmented. So how does IDA leverage some of the additional conditionality in these funds to, again, give even a bigger bang, to IDA countries. So that's, you know, really part of the agenda around the clarity and mission of what IDA does that obviously works on core themes that are fundamental to countries infrastructure. Public financial management. The jobs agenda is so critical. The human capital, agenda is so critical. The planet agenda is the critical, the digital agenda increasingly critical, as well. Secondly, IDA actually is a means for scale. We said lack of scale is a problem. IDA is a means for scale. As you said, it already is today. The largest source, the largest single source of concessional finance. Also going one level that two levels down to the issue of scale in terms of actual inputs for countries. It has, you know, relatively large, not large enough. I know countries will say, and I understand that, but relatively large country envelopes. And then to the point about the deal size of the project size getting smaller and smaller. Small is not always beautiful. The ability to do small is important. But small is not always beautiful, and the ability to have large transformational projects also remains very important. In lots of areas, but also very much the green industrialization, the green infrastructure agenda. And IDA, can do that, can do that. Thirdly, the financial model of item and this is linked to the scale question in 2018. And I was privileged to be an IDA deputy. Then I have an historic moment where I went to the market. Right. So it was able to scale up IDA by having this hybrid model that counts all the donor funding. And I would count on the funding at the foundational slice and that remain absolutely critical. But then using that and decades of track record of repayments from countries, is able to that borrow from capital markets. And that is what allows us to have the last item in \$93 billion. So the potential for an even higher. In this, in this round. So that model of the 1 to \$1 3.5 leverage is really, critical. Fourthly, and you use the word, you know, there's been a lot of energy around IDA and political interest. John, I think this really matters. The political, commitment and momentum around IDA is is really important. IDA is a broad table. Foreign countries, donor table, countries at the table. I think we had about 47, contributors to IDA in the last replenishment. And then increasingly, IDA is something that presidents and ministers of finance are talking about, including, at the gathering, that President Ruto, convened. And so it is a table that helps the alignment of what, you know, is development, including sort of resolving, you know, this false tension between climate and development. So that's just really fun. And I think the momentum is not just countries. It's also the civil society organizations. There is no other account I work on that has a more organized, group of support from civil society, but really also advocates, for IDA. And I think that's a huge, a huge benefit. And it helps with the coordination, alignment challenges that you see in the aid architecture. And then finally, and Mavis, I was so glad to say here, you say scale is important. Impact is also critical.

Right? This is about impact at the end of the day. And IDA does have a consolidated results framework that is really clear. And they're looking to sharpen that and make it even more coherent in IDA 21 as one of our goals as well. So that's powerful. And then the track record speaks for itself. 35 countries have graduated from IDA. Some of those countries are actually now contributors to it. So that's amazing. Let me add to to to final thoughts, John. The first one is, you know, his paper focuses a lot on complexity, and I know why I think we need to be a bit careful, though, to not shy away from complexity. Because fundamentally, what IDA is trying to address are wicked, wickedly complex issues. Right? So complexity is something that we need to dive into in an organized, focused way. We do need, you know, to have multiple partners. IDA is, beneath the core platform for poor countries, but it does and can partner with other sources of often Oda and the private sector that I hope we can talk more about as well. And the philanthropic sector. So we the multiplicity of actors, it needs to be organized aligned. But we do need sort of all hands on deck. So be careful to not oversimplify complexity. That complexity manage well for complex problems can be an okay thing. The last thing I'll say is I really believe in leverage. I just mentioned a hybrid model of IDA being such a powerful thing. We always need to remember the endgame however, where we're looking at the right types of funding, the right types of funding, the right level kids in the positionality, what can you go more private, right. Types of funding at the right scale, at the right moment. And if you keep that in mind, that's the ultimate goal that's going to help us with the debt challenges, too. If it's the right type of money, at the right time, at the right scale, it means that we can't leverage everything all the time. I'm a big believer in leverage. Try to innovate around leverage, but you need that foundational. Purely [inaudible] against which you can leverage. So that's just a caution to others. Thank you.

MCARTHUR: Well, a lot of major points there. Thank you so much, Alex. I think the structural, the last one in particular on, you know, the the architecture of the architecture, if you will, in terms of what's, what's got the fungibility to I think one point I would just flag, back to some of Aki's points. I mean, the comments on Paris earlier, you know, we've been doing some work on the localization agenda with George Ingram and Tony Pippa and others on looking at this important major set of debates on localization, a lot of which is still getting fleshed out, I would argue. But a lot of the point being resources to, you know, ground level entities, which is, maybe not a positive story if one takes the, a purely positive story, if you will, if you take the picture of what Aki saying of governments and what's their role in certain, how they might be. Not always, benefiting in the system building side of that. And that is a very important tension. I maybe it's the best way to describe it. How to make sure the systems are getting built, but the communities are getting the support they need and how to do both. And so this replenishment is happening in that context. Where there are multiple, as you

say, multiple complex problems to solve at once. And so I'm just wondering if, we could talk about the actual replenishment debates and the shift. Maybe the simplest way to think about it is, is the shift from either 20 to 21. I'm curious. We don't have too much time but to go kind of around the table. Maybe, maybe selectively. And then, you key is the person in the middle of it all. You know, what is one thing that you see as, a key point of new consensus in this replenishment? And what is one thing you see as a key outstanding debate and knowing that there is a broad set, everything from the gender equality issues which are central, which we care a lot about, at our center and Caren Grown and others working a lot on that. But, to how we think about these metrics and the benchmarks that are the results, the framework, the advocacy questions. But what do you see as kind of one big step forward and one thing still a big debate. Maybe Mavis first.

OWUSU-GYAMFI Okay, so let me start with the one big step forward. And for me, that has been the process for either 21 has been a big step forward. You know, it's been very different from past ideas. There's been real early engagement from Aki and his colleagues. There's been more transparent release of documents as sharing of information as a group of think tanks, foundations, civil societies. We have felt that the discourse has been more constructive and consultative and less defensive than we've seen in the past, and we really appreciate it. But having said that, we would like to see a similar process with the IDA deputies. So, you know, when we look at the current structure, on the themes and lenses, you know, we can see real focus on areas like gender equity, what IDA is trying to do. When you look at economic transformation and it's kind of thrown in there, it's not fully articulated. And we feel that if bank colleagues are as open with IDA deputies in terms of pinning that down as they have been with us in terms of the discourse, we would make more progress. So that was that would be the thing that I think has been really, amazing about IDA, 21 and would really like to push on it because a lot of the detail in IDA 21 has come out through this really robust process that has been ongoing. But linked to that, I'd like to go back to a point that, Alexia raised, which is my second point around. And I think you also touched on it, John, which is what is the IDA instrument? I think we need to start talking about the future of IDA now. We can't wait for IDA 22 to start that discussion. Lots will be happening and it will be difficult. So I think we need to start some real thinking and analysis on what is the future of IDA. And for me, there are four issues that we need to be thinking around. One is if we want to get more money, more concessional finance to the poorest countries, what is the graduation process? So currently, 21 of the 75 IDA eligible countries are borrowing on blank terms is a very, dare I say, traditional stagnant model that the bank is still using. Can this be researched and evolved, and can we think of more innovative ways of graduating countries? So for example, if a country is growing faster and is doing better, you know, let's do some analysis on the return on investment of IBRD for that country versus IDA. Would

they benefit from, an instrument which is IBRD with targeted grant from, say, a foundation? Let's think out of the box to release more money for poorer countries. That's the first area. The second area is we really do need to do some more analysis on grants versus credits. We talk about it, we skirt around the issues. Let's not get to IDA 22 to start having this conversation. Let's do the analysis now. The third one is around. Alexis made a very relevant point about let's not let leverage be the answer to everything. Different financial instruments have a role to play. But there is analysis. You know, I really like the work that has been done on the leverage. But there's also the work that has been done by Homi and Brookings on the IDA, economic rate of return. Do we know what the comparator rate of return is on grants in similar countries? Do we know what the rate of return is on other financing instruments so that we have the right mix and we are diving? And finances appropriately. In a world where we need a lot more money than we actually have. And then the final one for me is managing what I call the traffic jam of replenishment. You know, we are all excited about it. And now in Africa, we are ramping up for ATF. The next one is Gavi. There's a lot of these replenishment. Can we do some thinking around a more structured way so that you don't have one cannibalizing the other? Given the importance of all of these, financial instruments for countries in Africa. Back to you John.

MCARTHUR: That's very relevant. And maybe just for those in the audience who aren't familiar, Homi's done some analysis of rates of return on bank finance projects and they're quite high, it seems. And, he has an unconventional but I think powerful argument on what this implies for debt management. And, it actually suggests there's a role for more debt where the rate of return is high in order to accelerate growth and, and solve the deeper issues of economic development. So which is not the the prevailing view of the moment right now of, of debt management? So that's a whole separate topic that that draws attention to very quickly. But Alexia, curious what your thoughts are on kind of the steps forward and debates to be resolved?

OWUSU-GYAMFI Yeah, I know I love listening to Mavis, and I think the work on ERR is so important here in the US the Millennium Challenge Corporation does that for every project. And I think we can't be flying blind. And I think we do need to, you know, target our concession ability where it's absolutely needed, and think about the range of instruments, but also the trade off between volume that the trade off. But the sort of the relationship between volume, tenure and price and getting and playing with that mix, you know, suited to the best uses of the project. So I think we're hearing that demand from countries themselves who are very attuned to these issues. And I think the system is not yet, flexible enough on, on some of those, on some of those points. You know, I think in terms of positive, momentum, the IDA as part of the world Bank Group is part of the sort of, you know, evolution momentum of evolving the institutions to be more responsive to

countries needs. And so we think that there's a lot of consensus around how IDA can help boost countries resilience to these shocks, that come and can literally, you know, undermine years, if not decades of progress overnight. And so that was a huge agenda in terms of, you know, how IDA works with countries on adaptation. Mavis mentioned that including food security, water security issues. There's, a huge agenda and I think one that deserves even more attention around fragility, conflict and violence situations, knowing it's often not a whole country. It can be, you know, a specific part. And so how do you work at the subnational level in more refined ways to be able to target assistance to where the challenges are, but data point from accurate? I think 62% of fundings of countries that are facing some fragility, government violence, 62 is outside the government. That can be quite understandable if there is no governments or if it's a rogue government. But how do you still build? How do you do development in a way that still builds capacity in a fragile situation? I think is really one of the questions that we all need to focus on in, in much deeper ways on pandemics. You know, it's over. We forget there's more pressing issues, jobs. But but you know, the Covid was the largest shock since World War two. And we actually have we learned any lessons. Are we actually better prepared. And so really thinking about diagnostics for pandemic, preparation, prevention and mitigation. Again, it's not all on IDA. How does what's the link and incentive structure that you could create between IDA and the pandemic fund, for example, so that it's a win win for countries doing the right things? I think these are the kinds of conversations that are are happening and are very exciting. There's also a very robust conversation around debt sustainability and transparency issues, for obvious reasons. But really looking at this holistically. So debt sustainability, transparency, stepping up on public, financial management, but also looking at issues, like, local local currency and how can we do more in local currency building local capital markets and the very important agenda from Adis, domestic resource mobilization, which ultimately is freedom for any country, if they're actually, having, you know, the driver's seat issue that you mentioned, ultimately, you know, when they're mobilizing their own resources. And I think the robust debate around that sort of issues is very exciting. One area that I think is we still need to do more work on is, you know, there's a big proposal from IDA, and from the World Bank around simplify IDA. Simply. Yeah, I think that's simply IDA. And I think getting that right. So I think, you know, we all want more efficiency. We want more, you know, effectiveness. The policy commitments of IDA have been a really important part to get the donor grant support for IDA. So how to move away from everyone, every donors. Favorite little thing? But still having a really robust set of policy commitments that are the North Star about what delivery is meant to look like. And what's really going to make a difference for countries. I think getting that correct, is one of the outstanding, you know, challenges that we must, you know, all rise to the occasion, and deliver well on.

MCARTHUR: That's great. That's very helpful. Thank you Alexia. And we only have a couple of minutes left, but maybe we can, rightly, it always goes too fast into such a big terrain. It's such a major global institution, but maybe Aki it's fitting that we come back to you for final thoughts on. What do you see again? Being in the middle of it all. The big step forward, so far as, kind of neutral observer in the middle, but also what you see is maybe a big debate that still might need to get resolved.

NISHIO: Right. Thanks, John. So let me, go straight to the answers. First of all, the key points of consensus. I see two areas. One is the, the need to address global and regional issues. You know, and this is due to the realization, partly due to the evolution, in the world Bank that, you can't, solve developmental issues, in the country. You know, just by working in the country, there are many, cross, boundary, externalities, that can be leveraged to solve issues like climate change, fragility, pandemics, etc.. So I think there is a, a, coalescence around that notion. Another, area of consensus, I think, is that the, fragility being, a overarching, challenge and things are getting worse. So how can IDA help. That's, that I think is a big, area of, common understanding. Then on outstanding debates. I would say that I would also say two issues. One is the, trade off between conditionality and volume and goes a little bit to what the members were saying earlier, you know, we want we all want more conditionality. We all want more volume. But, there is a trade off. You know, so what is the right balance given the resource constraints, that we all face, and also taking into account the, the risk of debt distress, that these countries face. So that's a big, a big debate. And the second one is something that I already mentioned it's about simply IDA and I think everybody agrees that, the, the IDA 20 situation having more than 1,000 country actions is not optimal. It's not, desirable. But then how do we streamline this whole thing in a way that benefits everybody and makes it easier for everybody to, to coalesce around. So that's a big topic. We are trying to frame this in a holistic way, in what we call a bento box approach, where we show the totality of the commitments, which includes, the policy commitments, but not only those, you know, because we commit through a very different, way through the sector strategies, strategy, gender strategy, etcetera. So let's look at the forest and see where that forest is going. Rather than focus narrowly on the policy commitments. So let me stop right there, John.

MCARTHUR: Well, thank you all so much. Thank you Aki, Mavis, Alexia and all the respective teams including Junjie and others on ours. And Homi, for helping to pull us all together. You know, this is such an important conversation. I want to say from our side at the Center for Sustainable Development, we hope this is the the first of a series of conversations that we hope to engage with many stakeholders on there. For those in the audience, there were a bunch of questions that were submitted in advance, many of which have

actually been addressed in various ways. In terms of things like what is the link to climate? What are the partnership strategies, including in fragile countries? And, how do we think about these efficacy questions? So lots of, important points came up naturally through your own comments. I would say again, in the just reading through the documents of the strategic proposals, there are a lot of debates nested in there. Of course, on, you know, both the strategic partners and the lenses and the, the results framework. So, those are things we hope to get into. I would add, I've been, disciplined as a moderator and not getting into my own, big debate, that I'd like to raise around, you know, how do we think about the end of extreme poverty as a big goal? That is the headline goal of the organization for the past ten years. And how do we operationalize that better? And what can I to do and what where does it need help from other entities? As we've talked about a bit before, but I think that's a this is a time to have that debate. But there is one of many crucial debates, on which, we're so honored that all of you have joined today, to contribute perspective and everyone online, for listening in. So thank you. And I would just add, we're here to also, take on conventional wisdom where it needs updating. And even in that, spirit, Homi and I and our colleague, Odera Onyechi just put out a piece this week, sort of, small product plug, but, on how to think about even the Sustainable Development Goals and how they're going. And, a little more unpacking of the issues. If we think about the empirics in a more nuanced way. So we're hoping we can have a similar, thesis of nuanced approaches to unpack and distill big issues here and, very, honored again, that you can all be with us and just want to say thank you. Good evening. Good afternoon. Good morning. Wherever you are joining from around the world. And, thanks again to our amazing panelists and speakers.