Shaping global policy

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Scope:

1. Original framework and findings (2012)
2. What has changed since?
3. What if we alter the risk weights?
4. Concluding remarks

2012 basic framework

Look at development "ecosystem" as whole.

A *stress test*: today's agencies in tomorrow's world

1. Block 1: shifting locus of *country needs*
2. Block 2 : *new business models* disrupt old ones
3. 1+2 = Exposure to irrelevance (if not corrected)

1. Shifting locus of country needs

- LT dynamics of growth, population and inequality
- “Convergent” countries reabsorb absolute poverty
- “Fragile states” (low and middle-income) stagnate

→ Global poverty concentrates in fragile states, mostly in Africa .
→ Secular challenge to aid to stable MICs with low poverty gaps.

2. Three disruptors (new business models challenge old)

1. Impact philanthropy and “direct” or P2P funding.
   (Challenge to ODA at both collection and delivery ends)

2. Blended packages of trade, investment and finance
   (as OECD countries emulate South-South cooperation)

3. Climate change financing
   (radically shifts development priorities)

Implications for "traditional" actors

Assume exposure to relevance risk rises with:

A. Their share of non-fragile, low poverty-gap countries

B. Their share of social service delivery in portfolio

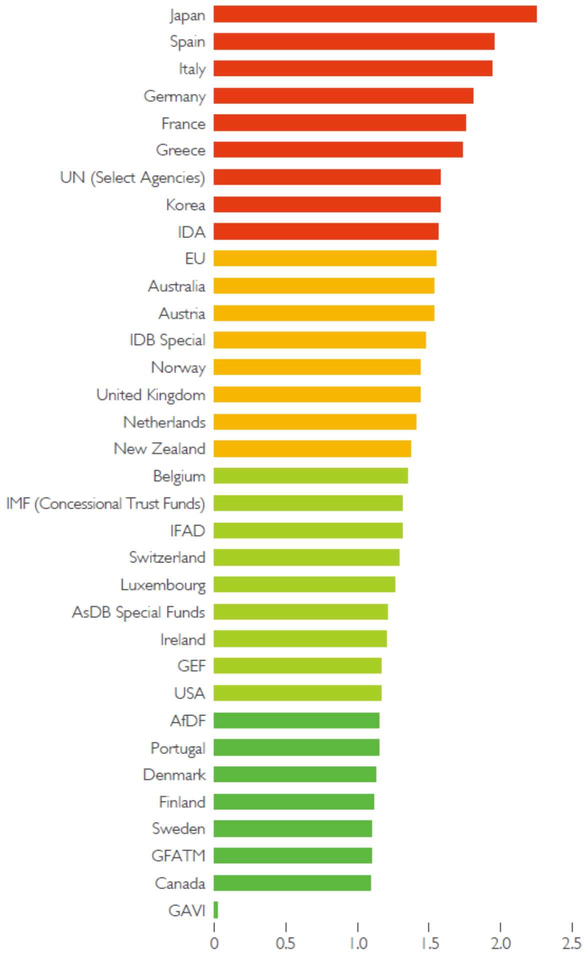
And falls, relatively, with

C. Their share of growth and infrastructure activities

D. Their share of global public goods (e.g. CCF)

(Index=2A+2B+C+(0)D, where B+C+D=100% of CPA)

A ‘traffic light’ approach (2010 data)

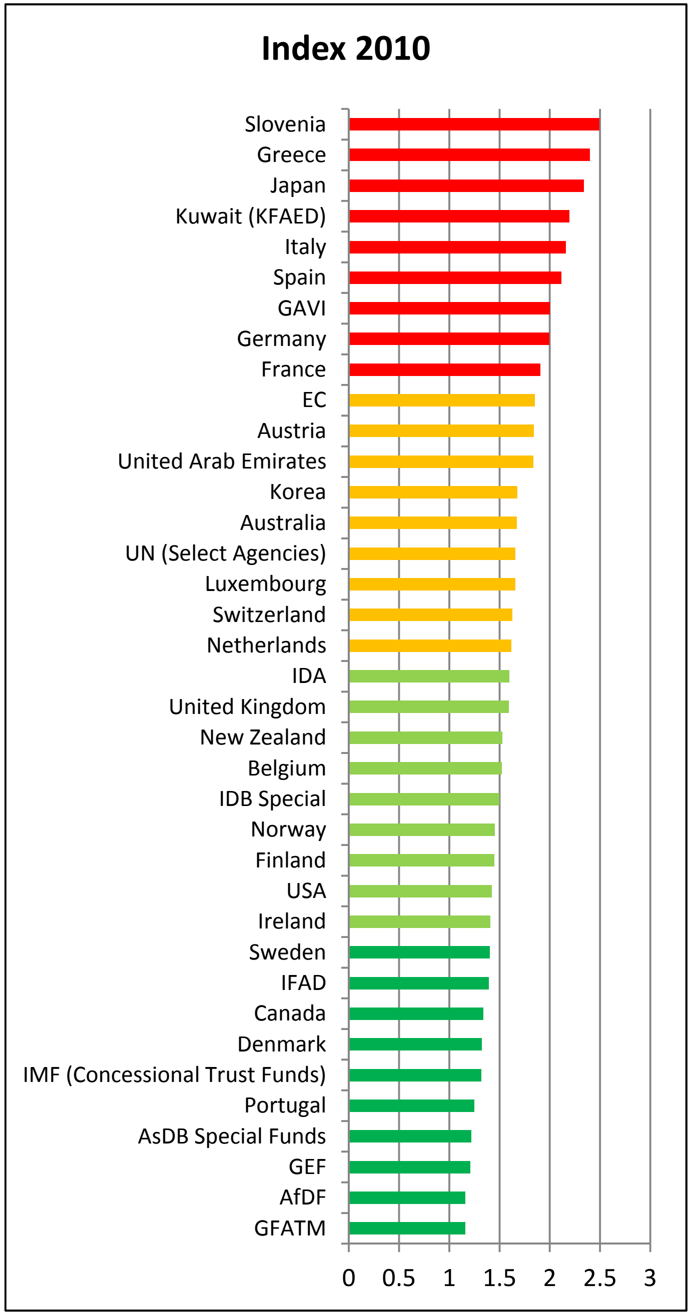


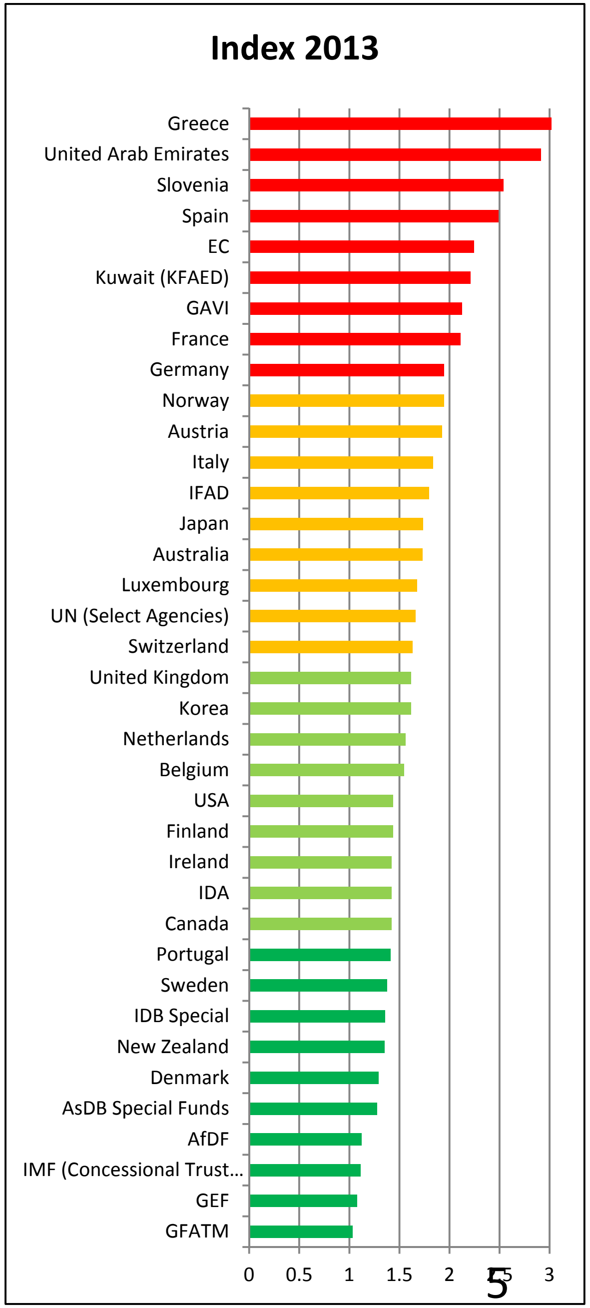
Source: Authors' calculation.

Fast forward to 2015 (using 2013 data). What changes?

1. More reporting agencies: NB rankings affected by others’ and own scores.
2. Static comparison (same country risk group): portfolio inertia, some change.
3. Dynamic comparison (hypothetical big country “graduations”): more change.

Index 2010 and 2013 - static comparison (same country risk groups)





Index 2010 and 2013 – Causes of change in ranking

	Change Risk	Change A	Change B	Change C	Change D
Japan	-0.60	-0.27	-0.10	0.14	-0.04
Italy	-0.32	-0.09	-0.03	-0.09	0.02
IMF (Concessional Trust Funds)	-0.20	-0.10	0.00	0.00	0.00
New Zealand	-0.17	-0.01	-0.13	0.10	0.02
IDA	-0.17	-0.06	-0.04	0.01	0.02
IDB Special	-0.14	-0.03	0.03	-0.14	0.10
GEF	-0.13	-0.08	0.01	0.01	-0.05
GFATM	-0.12	-0.02	-0.04	0.00	0.04
Korea	-0.06	-0.04	0.02	-0.01	-0.01
Netherlands	-0.06	-0.06	0.03	0.01	-0.04
Germany	-0.05	0.01	-0.05	0.03	0.02
AfDF	-0.04	0.00	-0.04	0.03	0.00
Sweden	-0.03	-0.03	0.03	-0.03	-0.01
Denmark	-0.03	0.00	-0.06	0.09	-0.03
Finland	-0.01	-0.01	0.02	-0.02	0.00
Switzerland	0.00	0.00	0.03	-0.05	0.00
UN (Select Agencies)	0.01	0.00	0.03	-0.07	0.03
Kuwait (KFAED)	0.02	0.00	-0.04	0.10	-0.05
Ireland	0.02	-0.01	0.06	-0.09	0.02
USA	0.02	0.01	0.02	-0.03	0.01
Luxembourg	0.02	0.00	0.01	0.00	0.00
United Kingdom	0.03	-0.05	0.13	-0.14	0.00
Belgium	0.03	-0.01	0.03	-0.01	-0.01
Slovenia	0.05	-0.04	0.15	-0.18	0.03
AsDB Special Funds	0.06	-0.01	0.10	-0.12	0.03
Australia	0.06	0.04	0.04	-0.09	0.05
Austria	0.08	0.00	0.04	0.01	-0.03
Canada	0.08	0.02	0.08	-0.10	0.02
GAVI	0.12	0.06	0.00	0.00	0.00
Portugal	0.16	0.00	0.08	0.00	-0.08
France	0.21	0.10	-0.05	0.11	0.00
Spain	0.38	0.11	0.10	-0.03	-0.06
EC	0.39	0.22	-0.07	0.09	-0.02
IFAD	0.40	0.10	0.18	-0.17	-0.01
Norway	0.49	0.26	-0.09	0.16	-0.07
Greece	1.01	0.20	0.44	-0.26	-0.05
United Arab Emirates	1.08	0.59	-0.18	0.26	-0.08

- Keeping country group A constant, most countries that improved their score reduced their share to high-risk countries.
- 17 countries/agencies have reduced their share to country group A, 12 increased it.
- Changes in B, C and D do not depend on the group of countries in A and have considerable inertia

Dynamic Comparison: with Country Group changes* in 2013

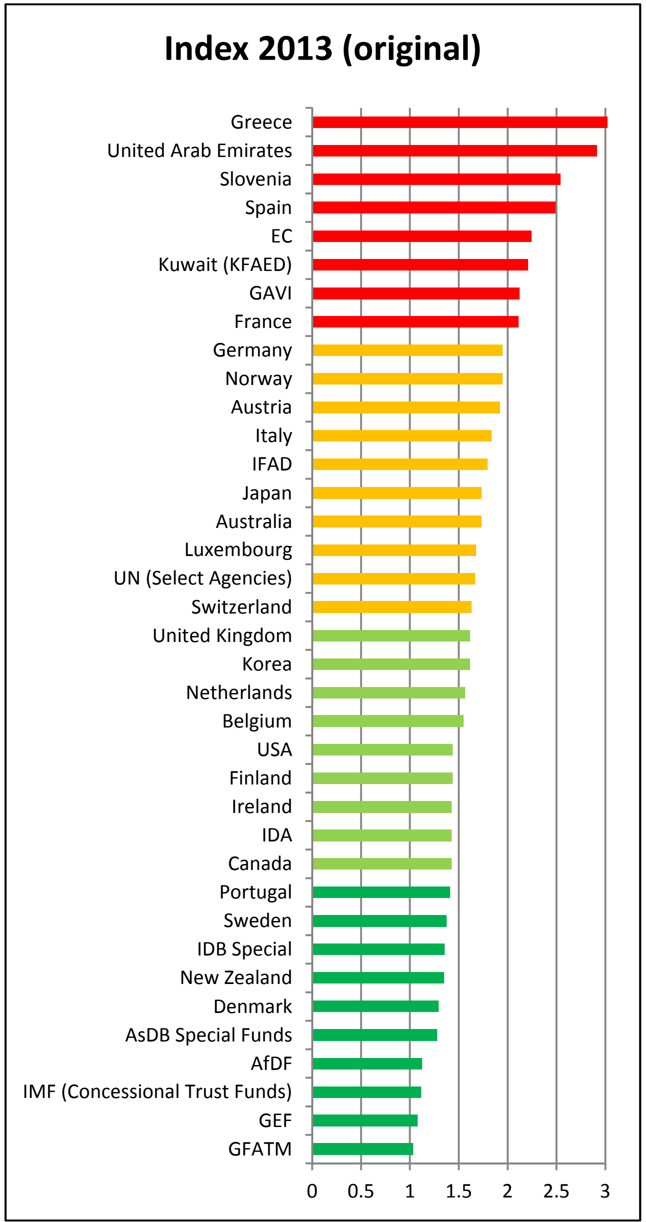
Donor	2010	2013
AfDF	1.16	1.12
IMF (Concessional Trust Funds)	1.32	1.13
GFATM	1.16	1.13
GEF	1.21	1.20
Denmark	1.32	1.39
Sweden	1.40	1.41
Portugal	1.25	1.41
Canada	1.34	1.51
Ireland	1.40	1.53
USA	1.42	1.55
New Zealand	1.52	1.55
Finland	1.45	1.57
Netherlands	1.62	1.61
Belgium	1.52	1.66
IDB Special	1.50	1.70
Switzerland	1.62	1.74
UN (Select Agencies)	1.66	1.74
IDA	1.60	1.75
United Kingdom	1.59	1.79
Italy	2.16	1.89
Australia	1.67	1.94
Luxembourg	1.65	1.95
Norway	1.45	1.97
Germany	2.00	2.00
Austria	1.84	2.05
IFAD	1.39	2.07
Japan	2.34	2.10
AsDB Special Funds	1.22	2.12
France	1.90	2.25
EC	1.85	2.25
Korea	1.67	2.30
Slovenia	2.49	2.30
Kuwait (KFAED)	2.20	2.31
GAVI	2.00	2.45
Spain	2.11	2.59
United Arab Emirates	1.83	2.96
Greece	2.40	3.40

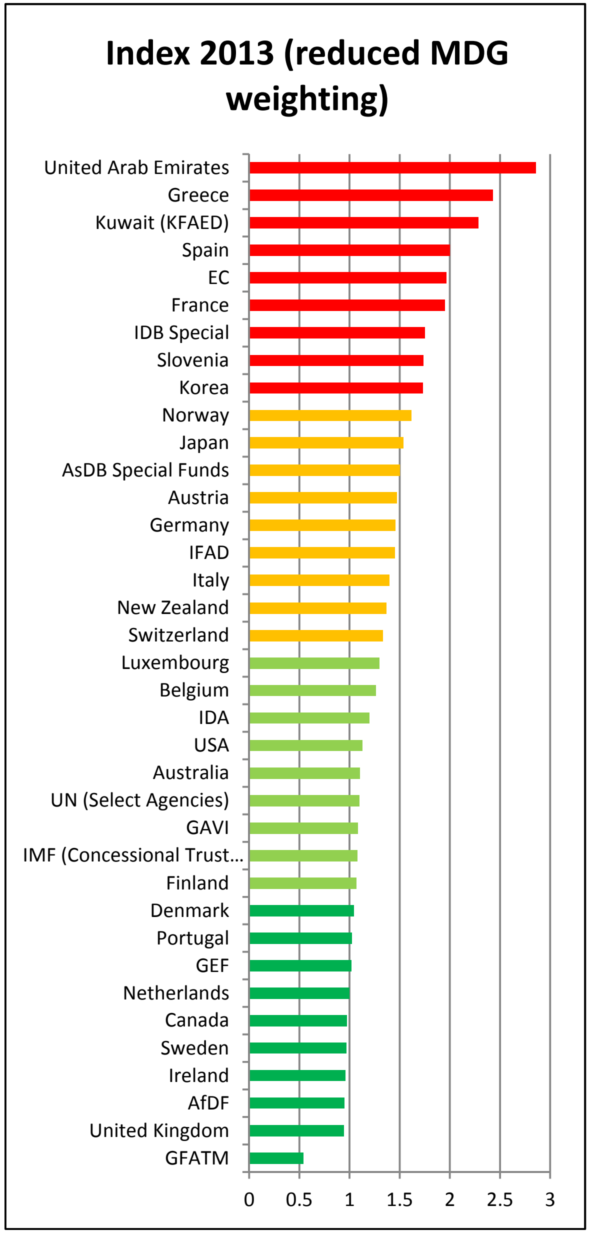
* IN (<1% Gap): Cambodia, Vietnam, Nicaragua, Guatemala
OUT (Recently fragile):Lybia, Syria.

What if we changed the risk weights?

1. Plausible that "disruptor" of non-State provision of social services was over-emphasised, or prematurely identified, in H2025.
2. What if we reduced this risk to 1 (i.e. all spend except on GPGs weighted equally, maximum sector risk is now equal to country risk).
3. Other weighting changes possible: NB they will affect your competitors as well as you, so net effect may not be intuitive.

Index 2013 (original) and 2013 (with reduced MDG weighting) - overview





Concluding thoughts

1. Many caveats inherent in such scenario building, stress test exercises.
2. Hard to assign portfolio input codes to subtler aims (like GPG).
3. Secular effect of changing country poverty locus remains strong.
4. Need to tailor analysis to agency’s own aspirations, concerns.