

Moving from Aid to Investment: New Models for Supporting International Development

Global Conference 2009

**Moving From Aid to Investment:
New Models for Supporting International Development**

Wednesday, April 29, 2009; 2:30 - 3:45 PM

Moderator:

Betsy Zeidman, Research Fellow and Director of the Center for Emerging Domestic Markets,
Milken Institute

Speakers:

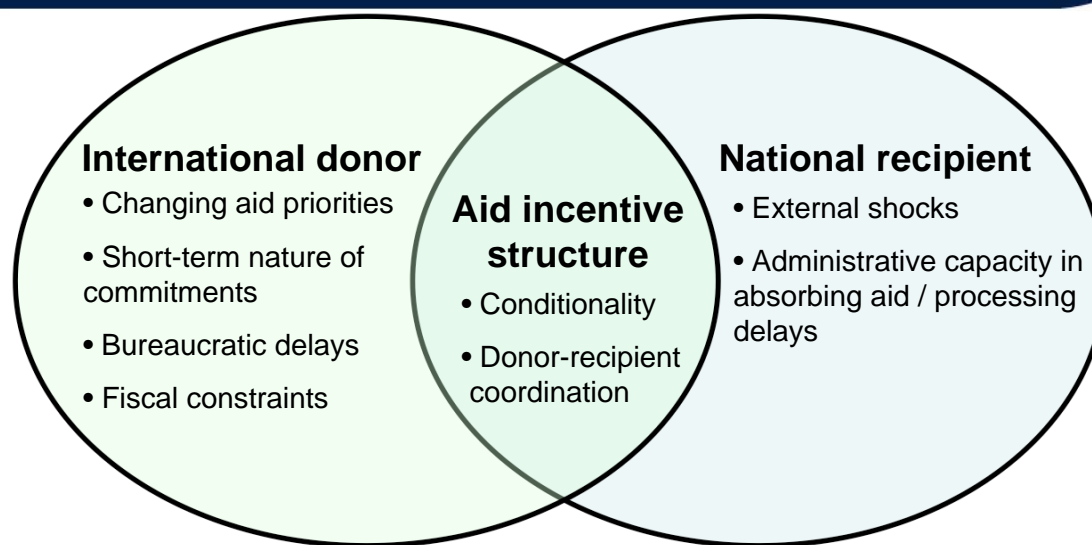
Alice Albright, Executive Vice President and Chief Investment and Financial Officer,
GAVI Alliance

Gargee Ghosh, Senior Program Officer for Public Policy, Bill & Melinda Gates Foundation

Dambisa Moyo, Author, *Dead Aid: Why Aid Is Not Working and
How There Is a Better Way for Africa*

Jan Walliser, Sector Manager, Poverty Reduction and Economic Management,
Africa Region, World Bank

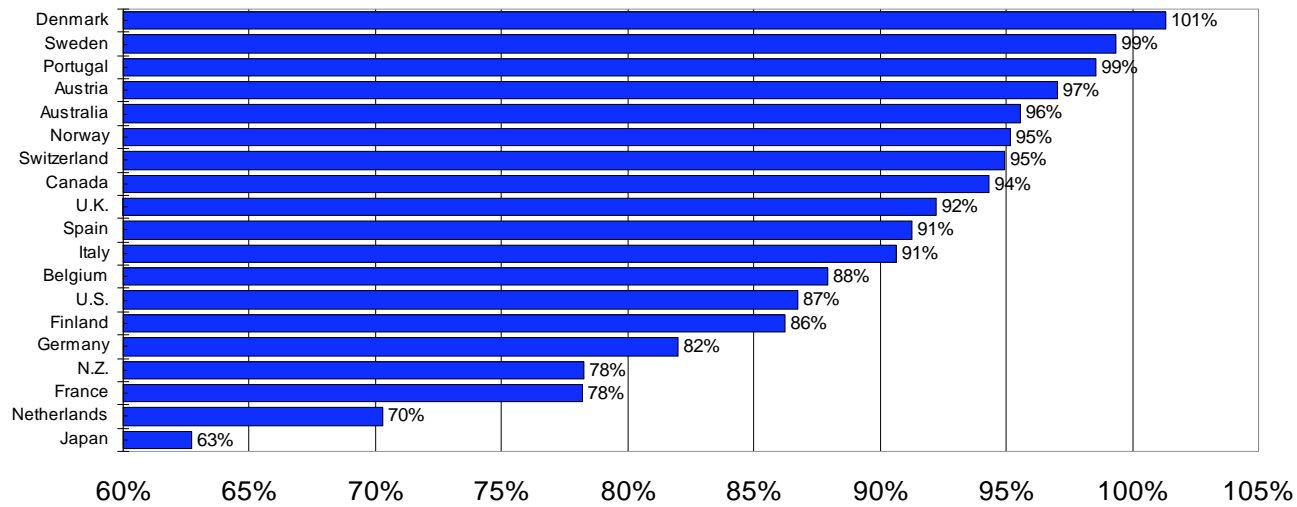
Reasons for aid unpredictability



Source: Adapted from Chris Lane and Amanda Glassman, "Smooth and Predictable Aid for Health: A Role for Innovative Financing?" *Brookings Global Economy and Development*, 2008.

Disbursement rate by donor

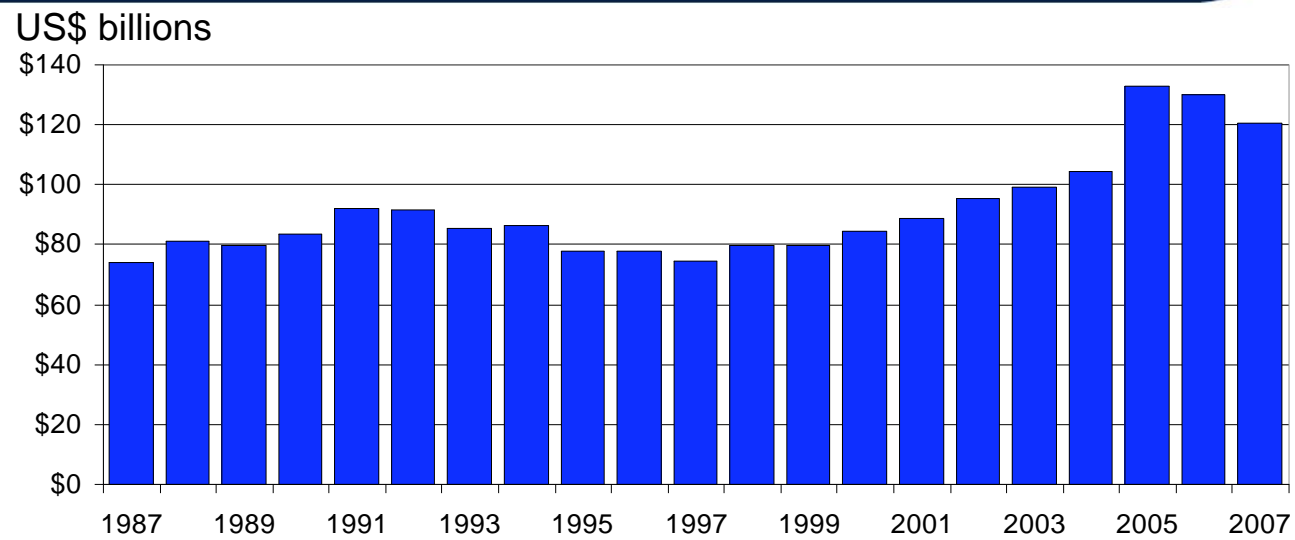
Disbursements to commitments, 2005-2007



Source: OECD.

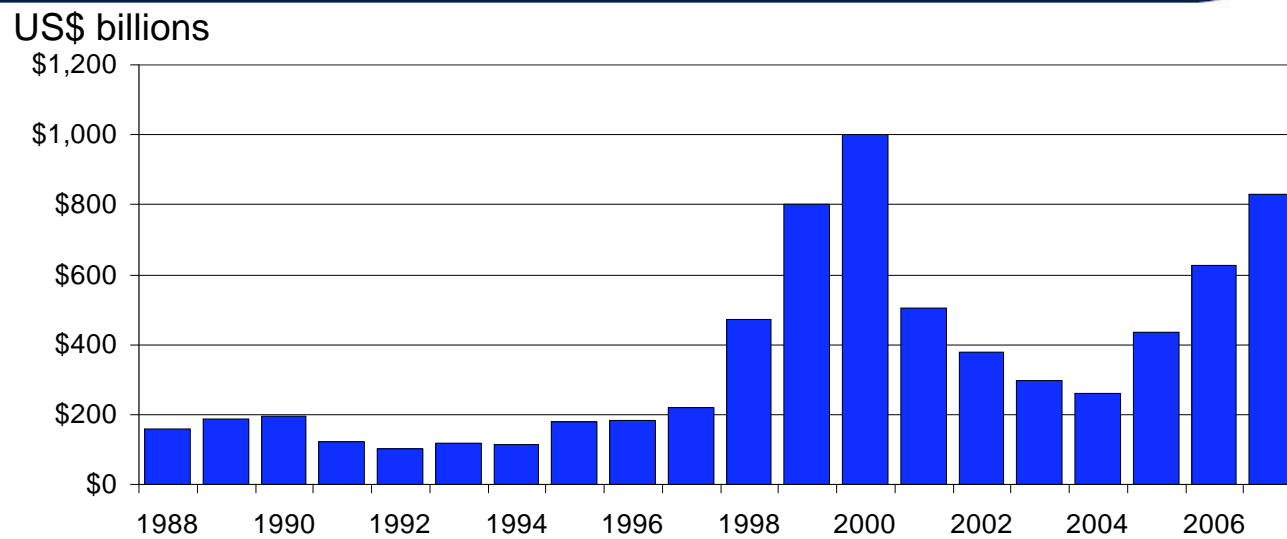
Official development assistance over time

All donors



Source: OECD. Note: Constant 2007 prices.

Net foreign direct investment in developing economies

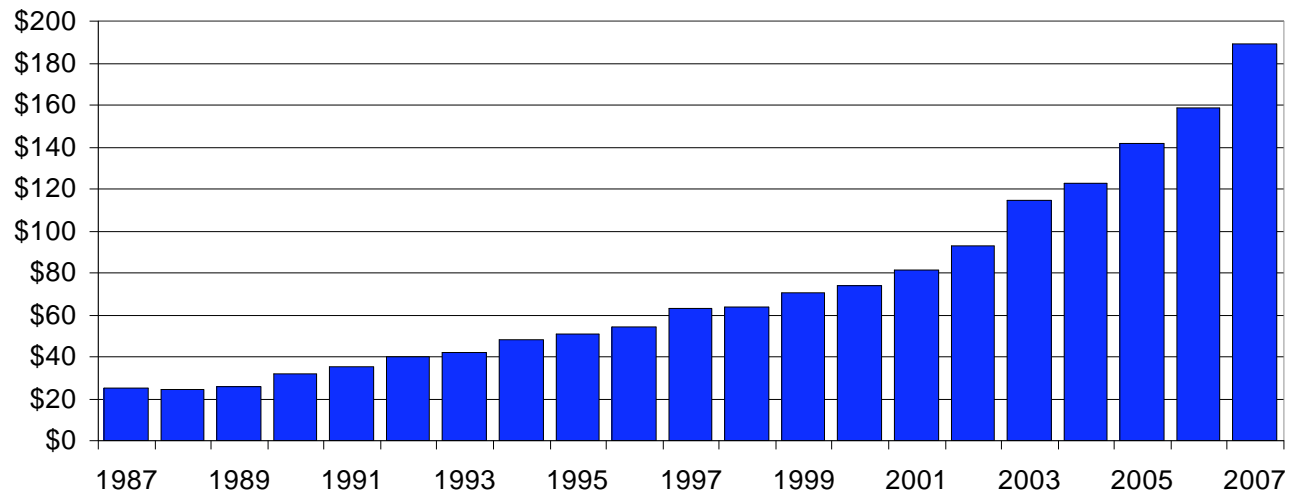


Source: UNCTAD, FDI online database. Note: Constant 2000 prices.

Net remittance flows to developing countries



US\$ billions



Source: World Bank, March 2009. Note: Constant 2000 prices.

U.S. flows to developing countries

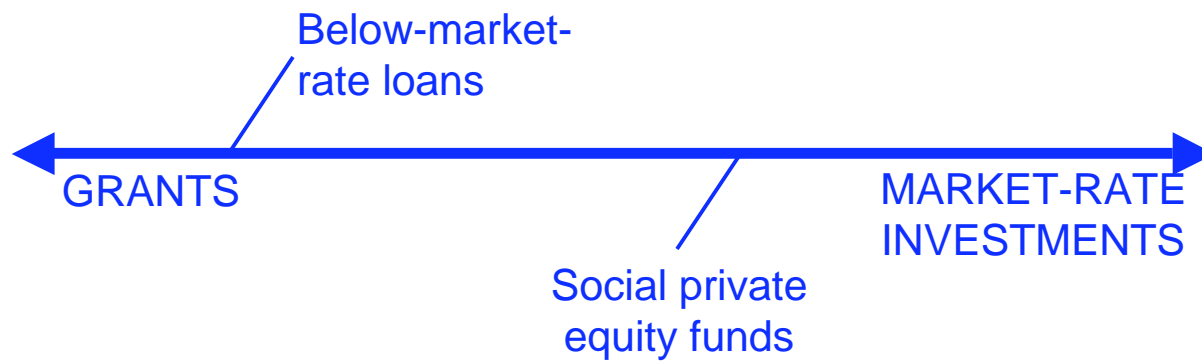
2007



	US\$ billions	Percent
Official development assistance	\$21.8	9%
Private philanthropy	\$36.9	16%
Foundations	\$3.3	1%
Corporations	\$6.8	3%
Private and voluntary organizations	\$10.8	5%
Volunteerism	\$3.5	1%
Universities and colleges	\$3.9	2%
Religious organizations	\$8.6	4%
Remittances	\$79.0	34%
Private capital flows	\$97.5	41%
TOTAL	\$235.2	100%

Source: Hudson Institute, Center for Global Prosperity, "The Index of Global Philanthropy and Remittances," 2009.

Aid–investment continuum



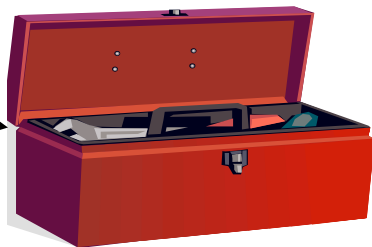
Investment toolbox

BELOW-MARKET-RATE TOOLS

- **Grants**
- **Recoverable grants**
- **Guarantees / credit enhancement**
- **Below-market loans**
 - Revolving loan funds
 - Gap financing
 - First-loss loans
- **Community development venture capital**

MARKET-RATE TOOLS

- **Cash (deposits)**
- **Loans**
 - Senior
 - Subordinated
 - Guarantees
 - Loan funds
 - Line of credit
- **Fixed income**
 - Bonds
 - Bond funds
 - Asset-backed securities
- **Public equity**
 - Screened funds
 - Direct public equity
 - Shareholder engagement
- **Alternative assets**
 - Direct private equity
 - Private equity funds
 - VC funds
 - Fund of funds
 - Buyout funds
 - Hedge funds
 - Real estate
 - Natural resources



Arguments for and against aid

For

- Promotes development
- Eases short-term shocks
- Alleviates poverty and hunger
- Allows provision of critical health services and education

Against

- Creates dependency
- May be misused by corrupt officials
- Crowds out private investment
- Stifles entrepreneurship and innovation

United Nations Millennium Development Goals



- Adopted by world leaders committing their nations to reduce extreme poverty by 2015
- Eight goals:
 - Eradicate extreme poverty and hunger
 - Achieve universal primary education
 - Promote gender equality and empower women
 - Reduce child mortality
 - Improve maternal health
 - Combat HIV/AIDS, malaria and other diseases
 - Ensure environmental sustainability
 - Develop a global partnership for development

Source: United Nations.

Paris Declaration on Aid Effectiveness

- An international agreement, signed in 2005, outlining steps to improve the quality of aid
- Focuses on five principles:
 - Ownership: Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.
 - Alignment: Donor countries align behind these objectives and use local systems.
 - Harmonization: Donor countries coordinate, simplify procedures and share information to avoid duplication.
 - Results: Developing countries and donors shift focus to development results and results get measured.
 - Mutual accountability: Donors and partners are accountable for development results.

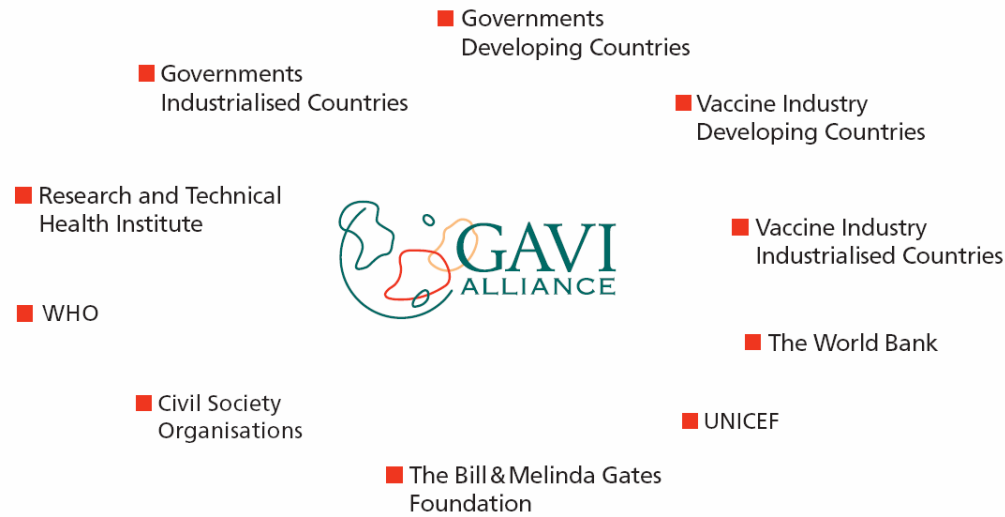
Source: OECD.

Panelists' slides

Alice Albright
Executive Vice President and
Chief Investment and Financial Officer
GAVI Alliance

GAVI Alliance

An innovative public-private partnership



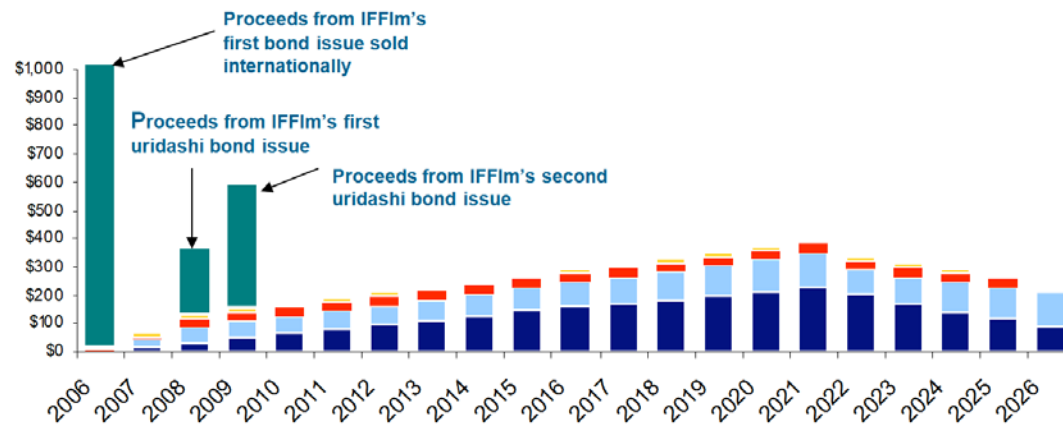
Source: GAVI Alliance.

International Finance Facility for Immunization (IFFIm): Financial value of frontloading



Maximum donor cashflows and IFFIm's first three bond issues (US\$ million)

By accessing the capital markets, IFFIm provides additional funding to government pledges for immunization.



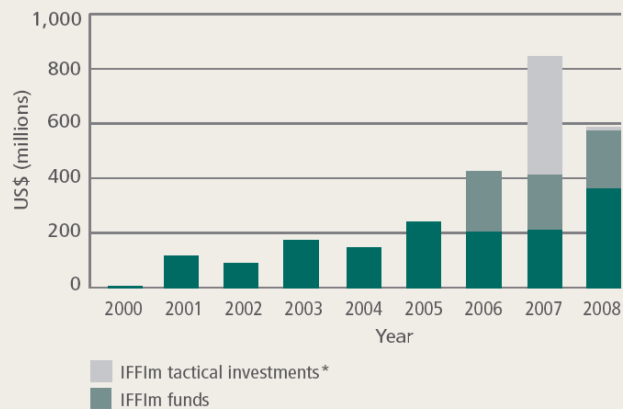
Source: World Bank.

■ UK ■ France ■ Italy ■ Spain ■ Norway ■ Sweden ■ Republic of South Africa ■ IFFIm Funding

Disbursements to countries are supported by innovative funding and donor contributions



Country demand drives rising disbursement

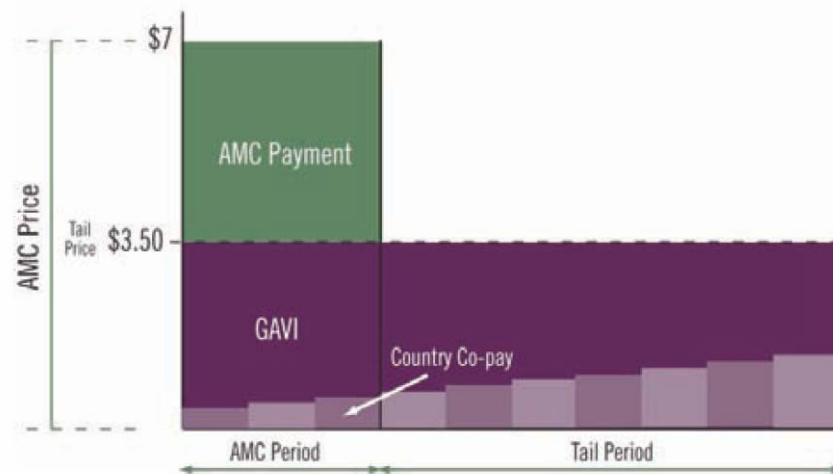


IFFIm dramatically boosts public and private contributions



Source: 2009 GAVI Alliance Progress Report.

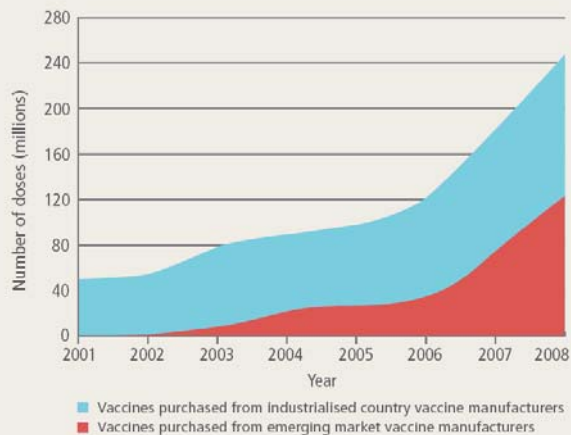
Advance Market Commitments



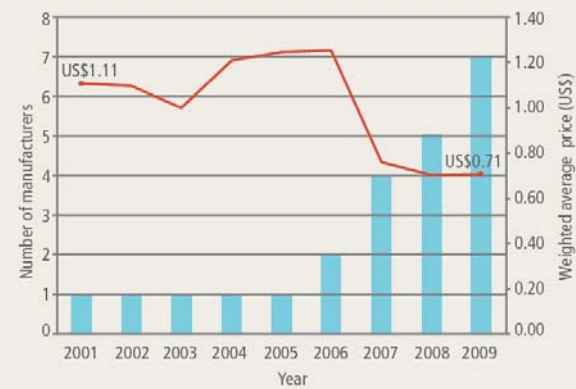
Source: 2009 GAVI Alliance Progress Report.

Shaping markets for vaccines

GAVI's consolidation of demand for vaccines secures supply of vaccines



Increased competition decreases the price of DTP-Hepatitis B vaccine

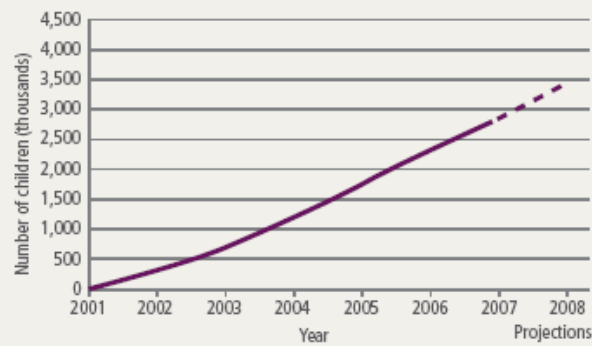


Source: 2009 GAVI Alliance Progress Report.

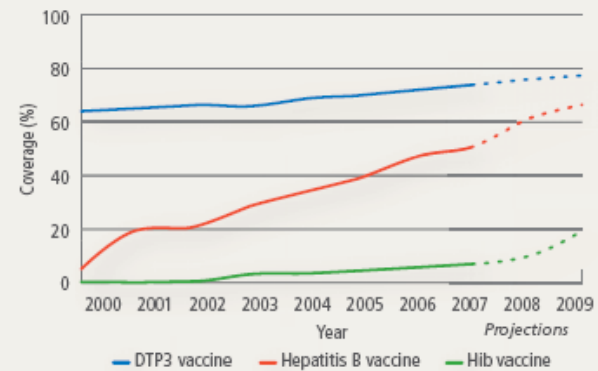
Accelerating vaccines: GAVI support has prevented 3.4 million premature deaths



Steady increase of deaths averted with hepatitis B, Hib and pertussis vaccines



Immunisation coverage in GAVI countries continues to rise



Source: 2009 GAVI Alliance Progress Report.

Jan Walliser

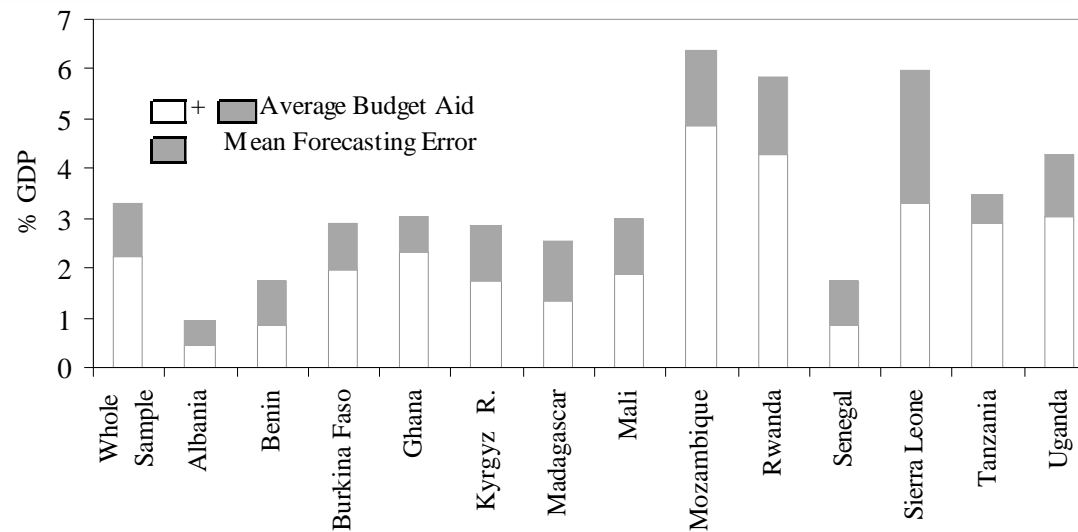
Sector Manager

Poverty Reduction and Economic Management, Africa Region

World Bank

Lack of aid predictability (budget aid)

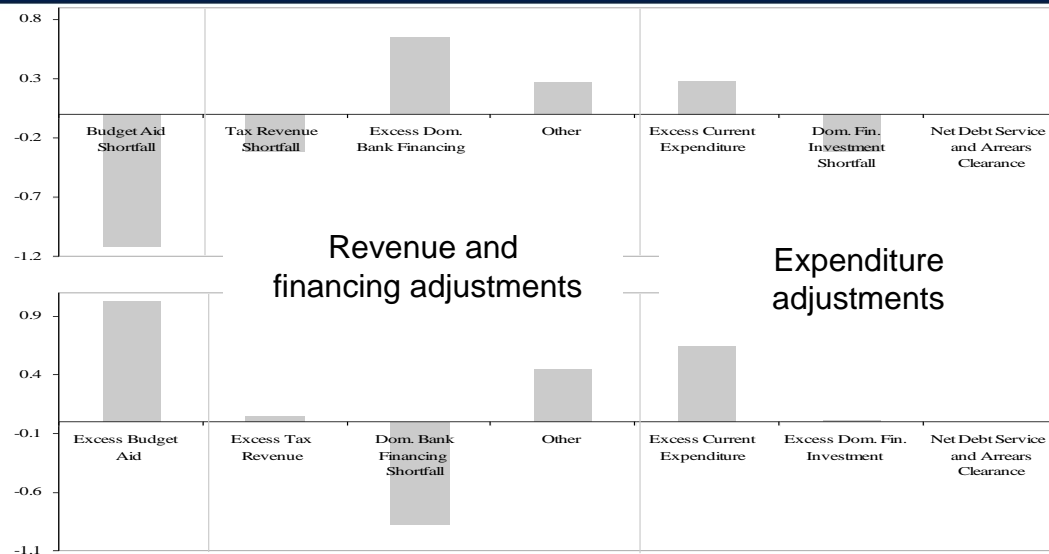
Percent of GDP, 1993-2005



Source: Oya Celasun and Jan Walliser, "Predictability of Aid: Do Fickle Donors Undermine Aid Effectiveness?" *Economic Policy*, Vol. 23 (July), pp. 539-87.

Adjustments to budget aid surprises

Percent of GDP



Source: Oya Celasun and Jan Walliser, "Predictability of Aid: Do Fickle Donors Undermine Aid Effectiveness?" *Economic Policy*, Vol. 23 (July), pp. 539–87.