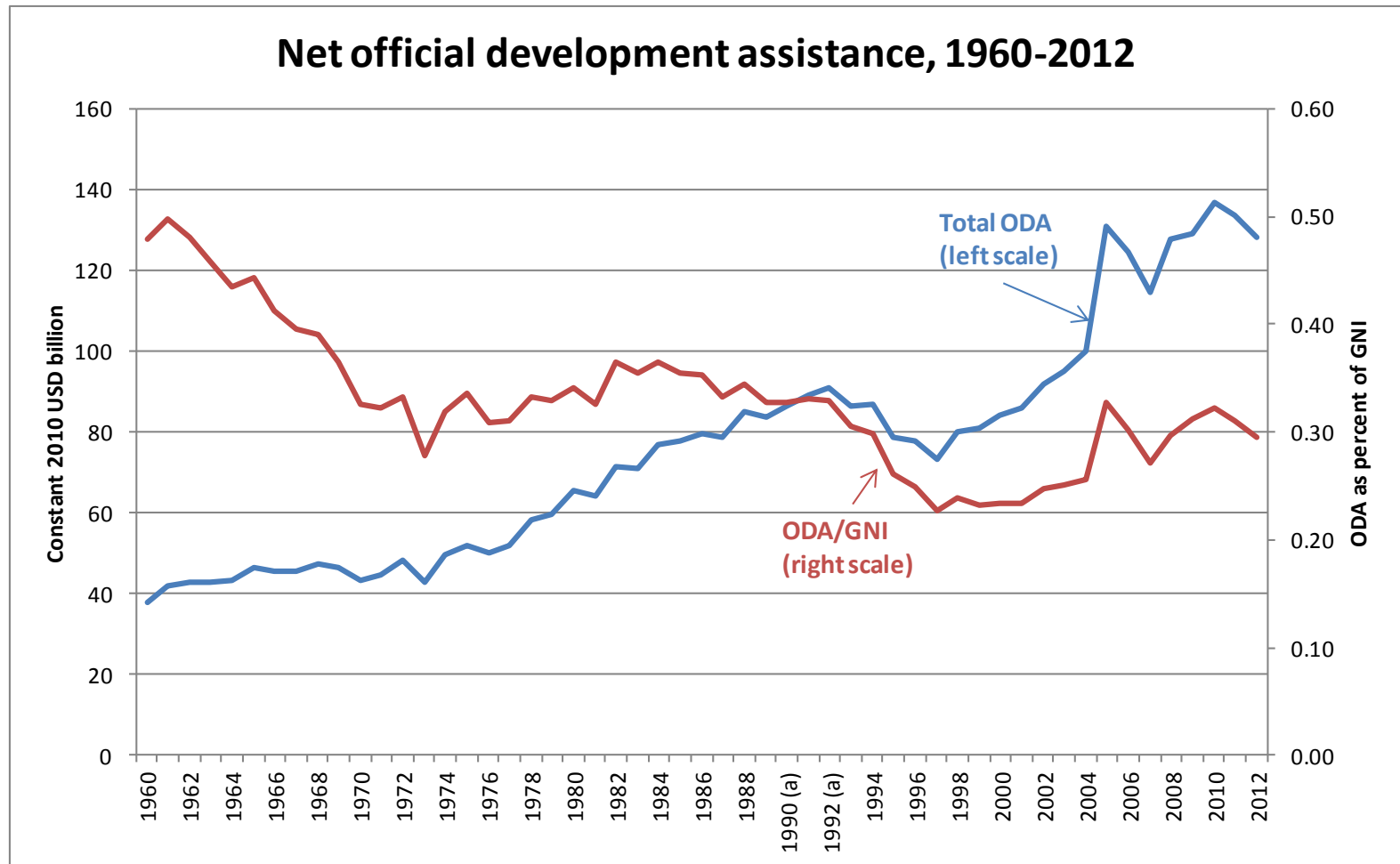


The future of aid: six big trends

Stephen Howes
Development Policy Centre
Crawford School of Public Policy
Australian National University

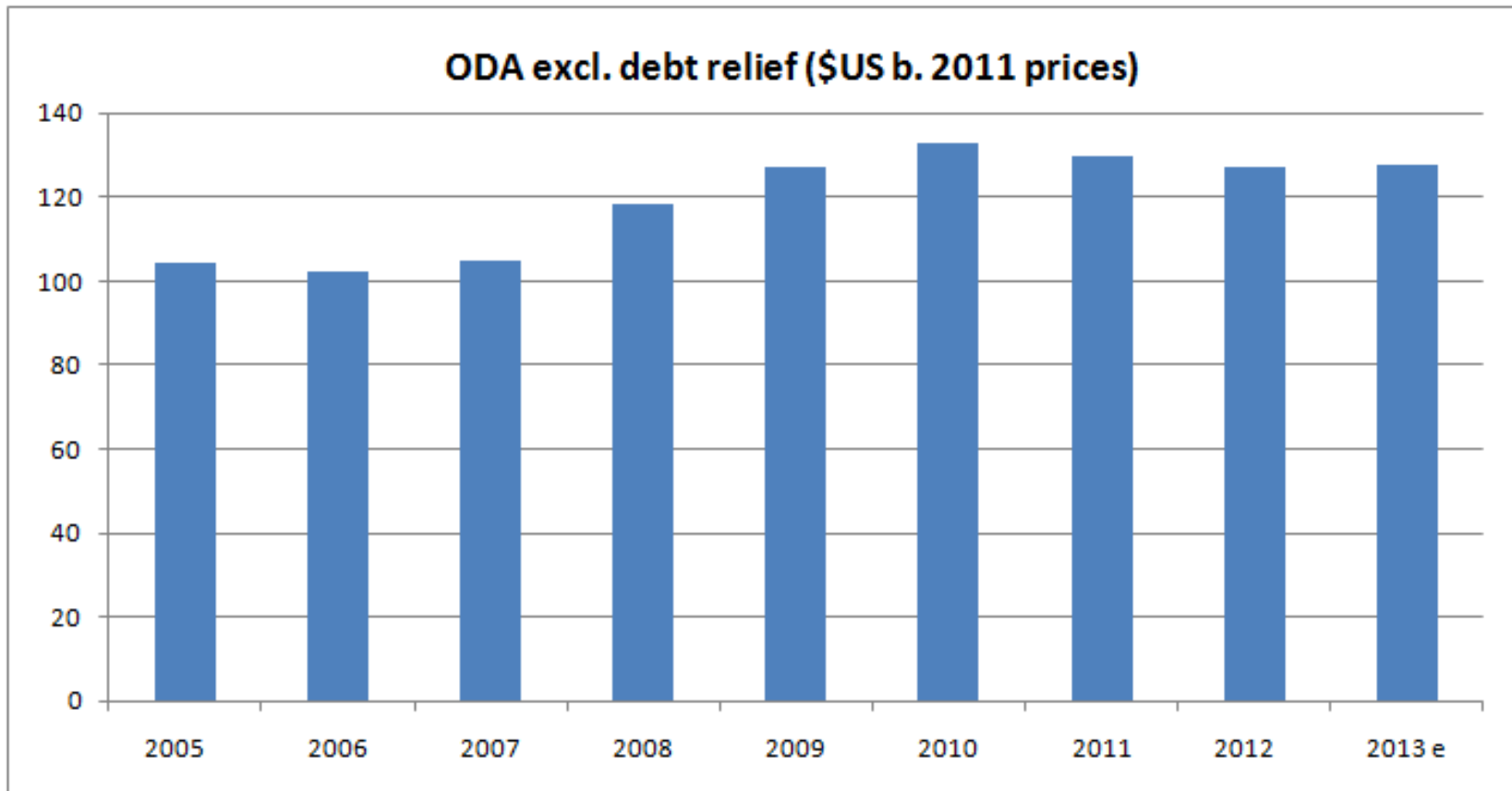
1. Declining ODA volumes

The aid boom...



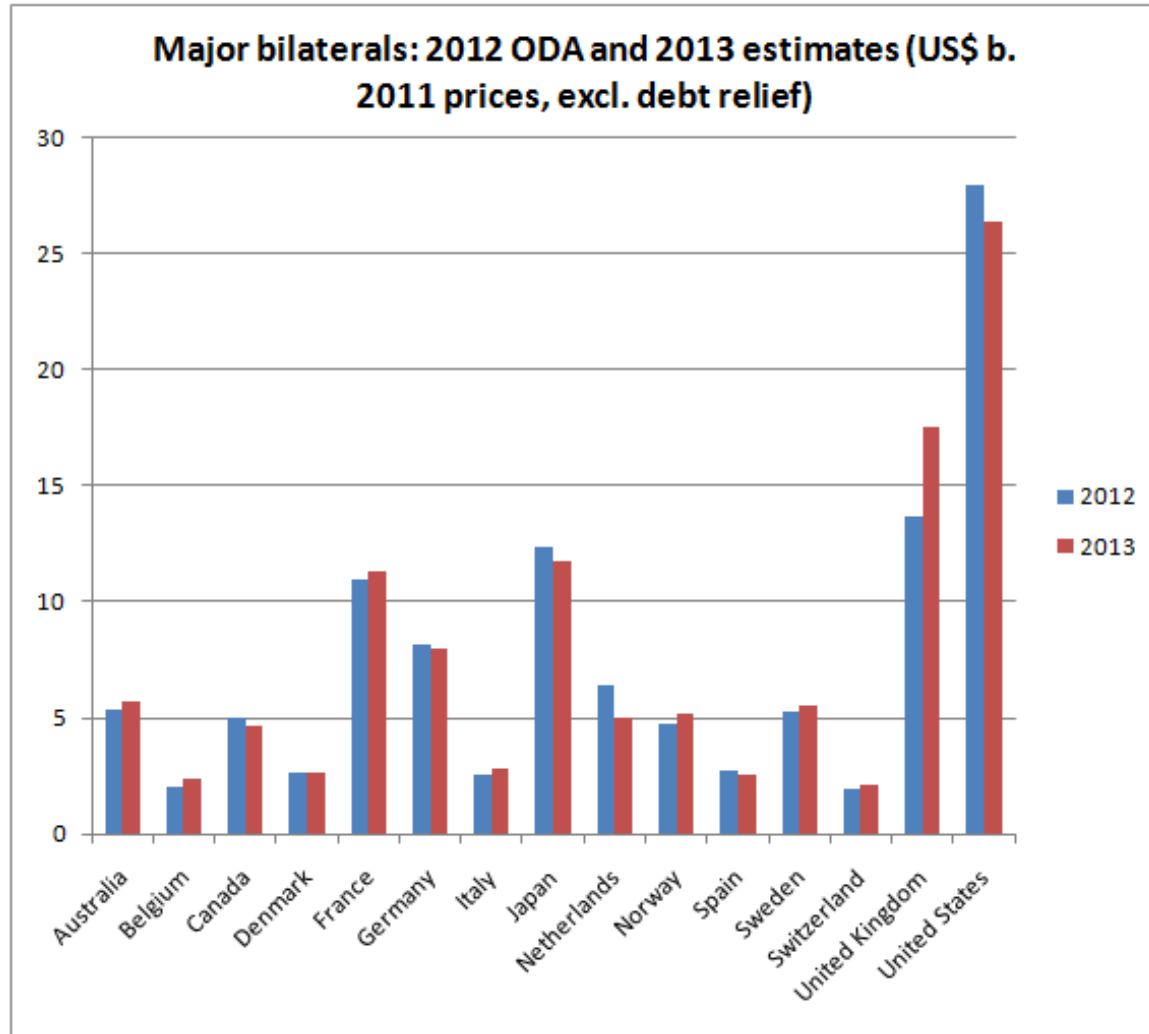
Source: Simon Scott, Devpolicy Talk, *Does ODA have a future?*, 3 July 2013

... is over

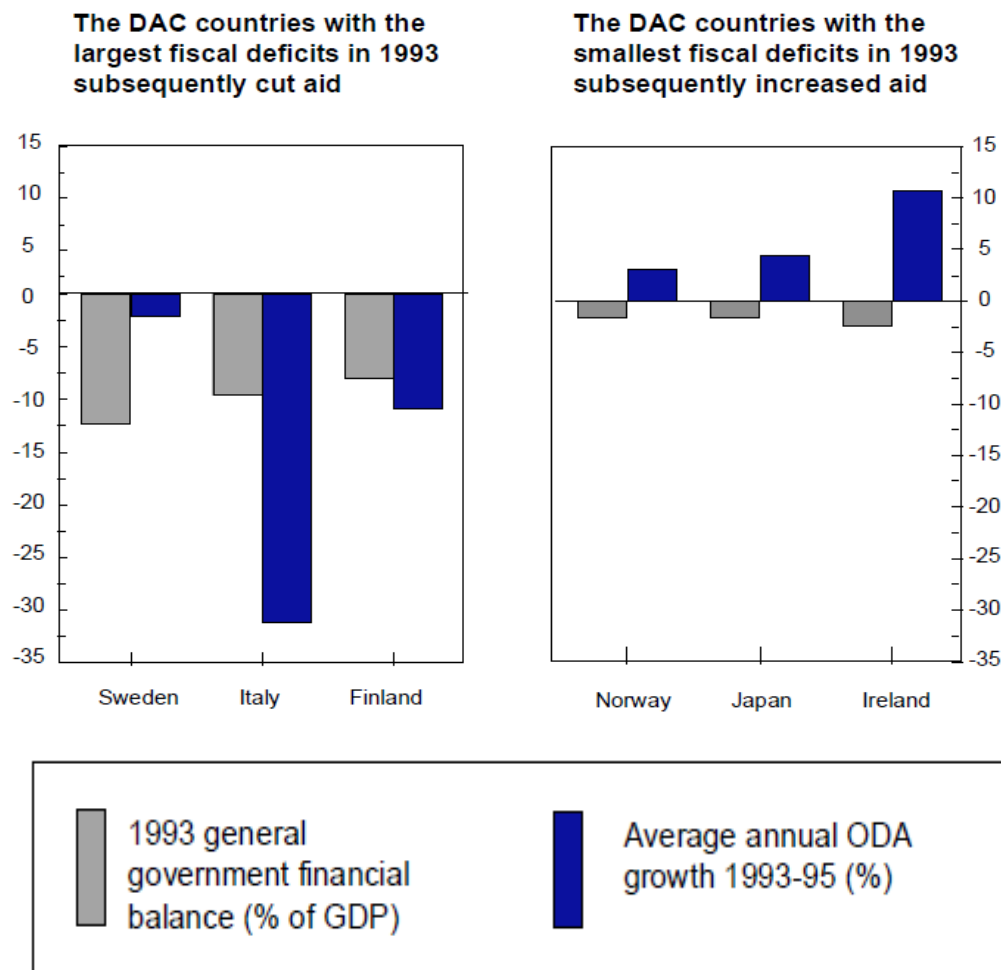


Source: Devpolicy 2013 aid projections, forthcoming

Saved this year by the UK



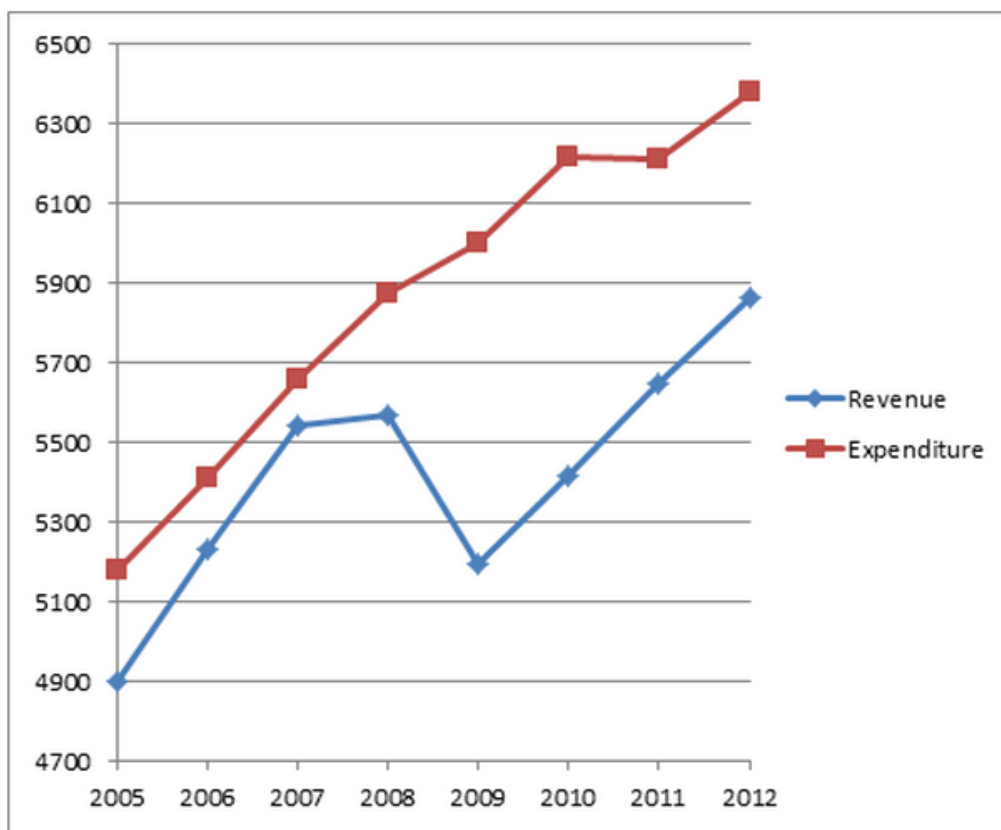
But, based on historical experience, aid is vulnerable in the face of fiscal stress



Source: Simon Scott, Devpolicy Talk, *Does ODA have a future?*, 3 July 2013

And Europe has a lot of fiscal stress

Total general government revenue and expenditure in billions of euros – European Union (27 countries)

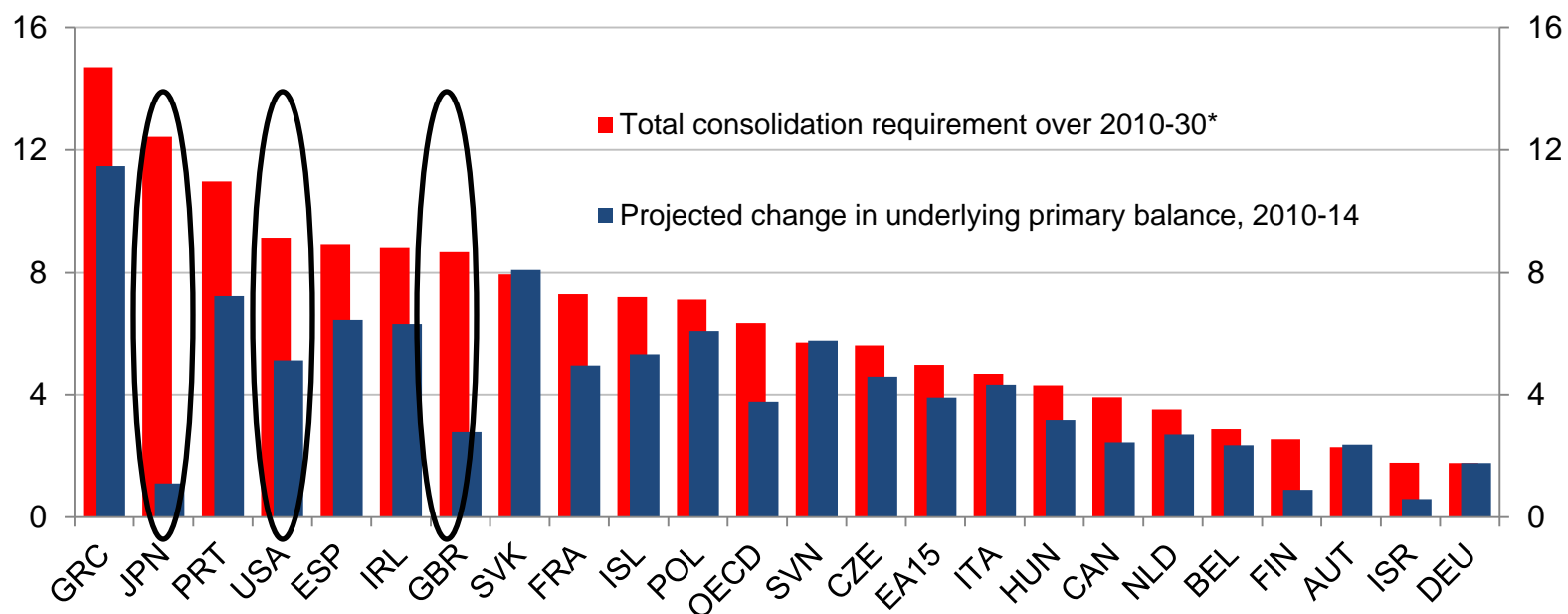


Source: Eurostat, Government revenue, expenditure and main aggregates.

Source: Simon Scott, Devpolicy Talk, *Does ODA have a future?*, 3 July 2013

So does US, Japan and the UK

Change in underlying primary balance relative to 2010 necessary to achieve 60% debt-to-GDP ratio no later than 2030
In per cent of GDP

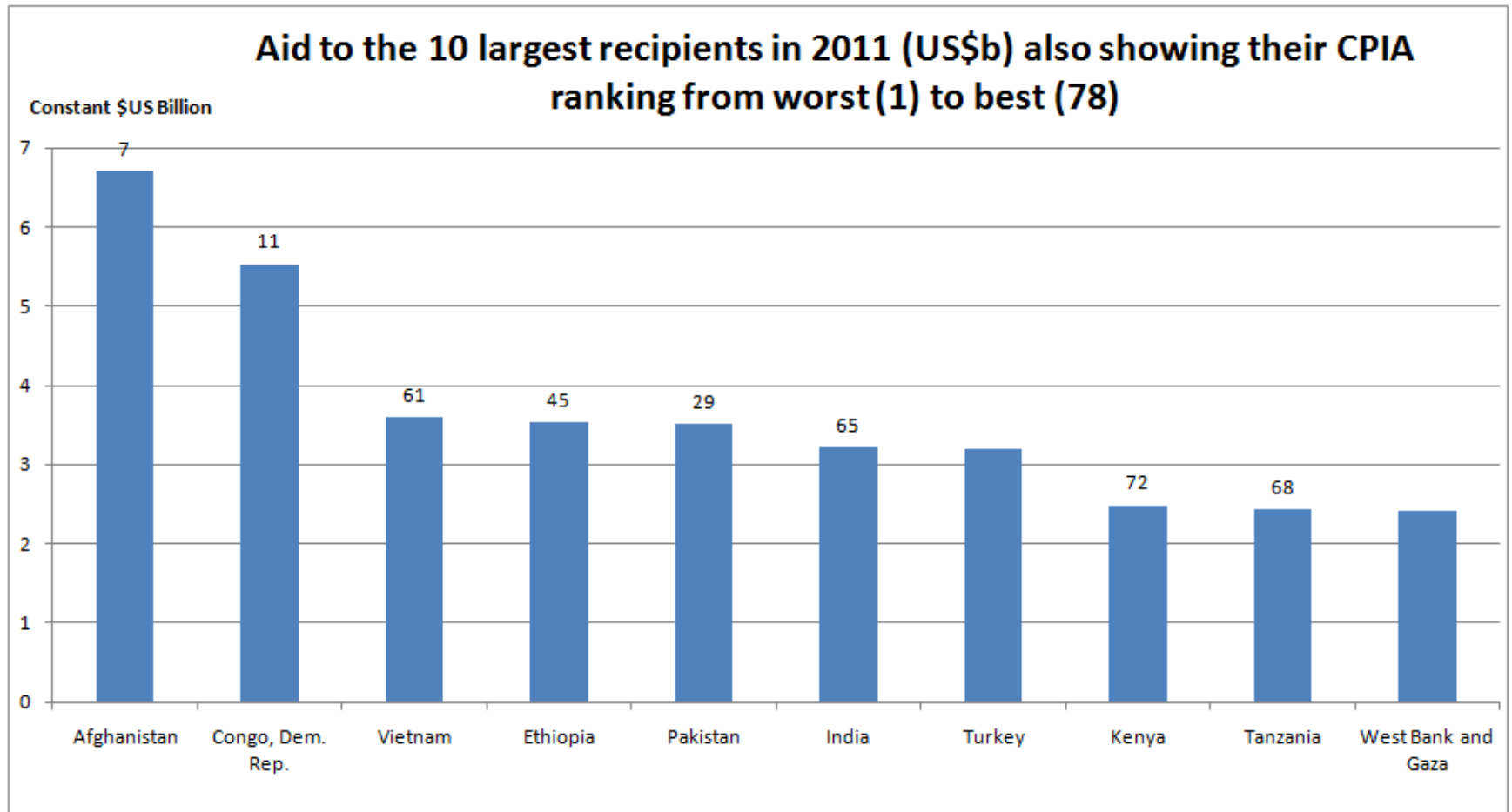


Beyond volumes: Western disengagement

- Inability to meet 2005 Gleneagles commitments
 - \$40 million real increase
- Reluctance to enter any future commitments
 - Question marks over post-2015 agreement
- Mood of retreat
 - End of state-building project?

2. Graduating recipients

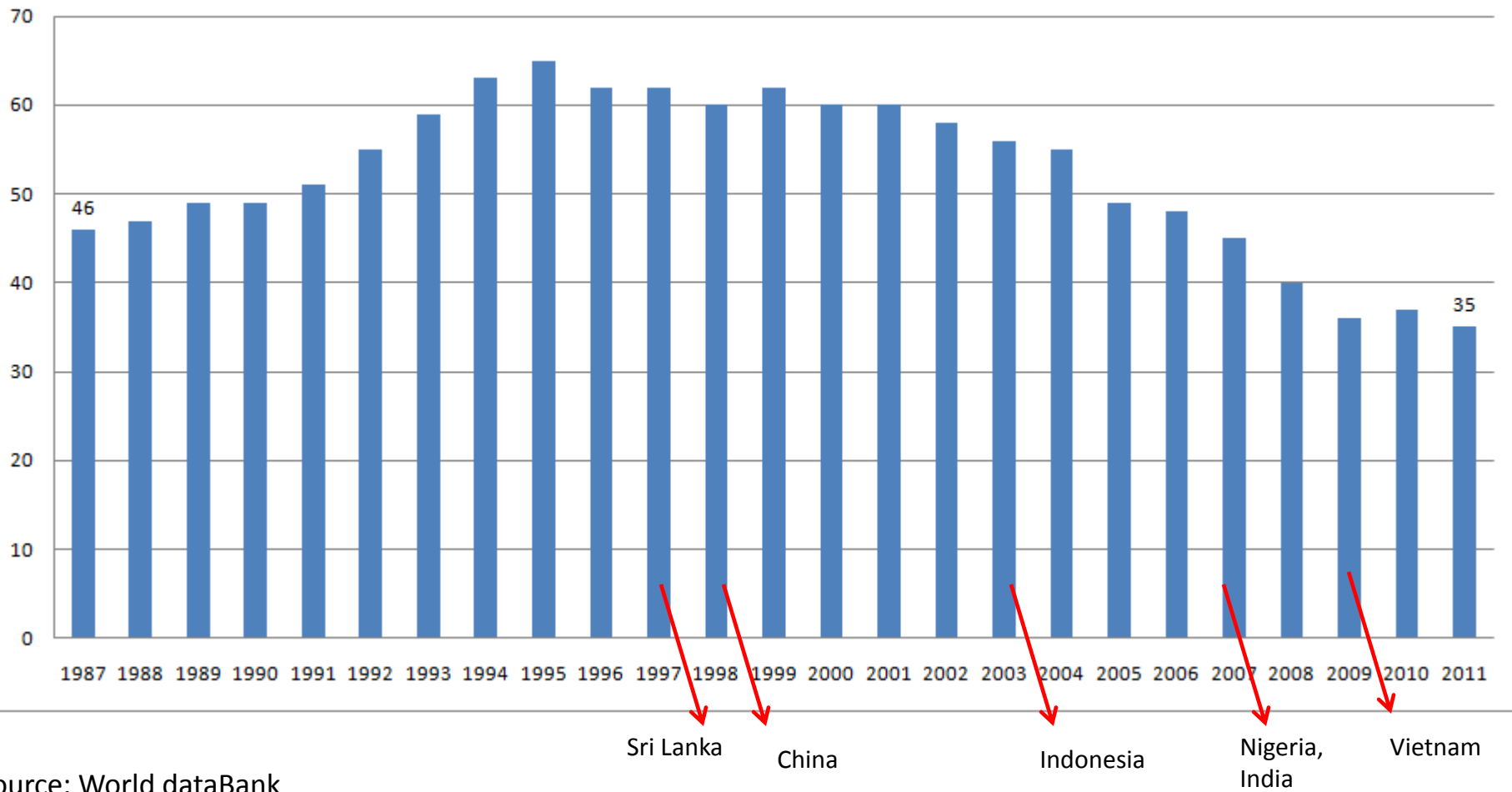
The biggest aid recipients today are a mixed bunch



Source: World dataBank, and World Bank

The rise and fall of low-income countries

The number of countries classified by the World Bank as low-income



Today LICs are largely in Africa

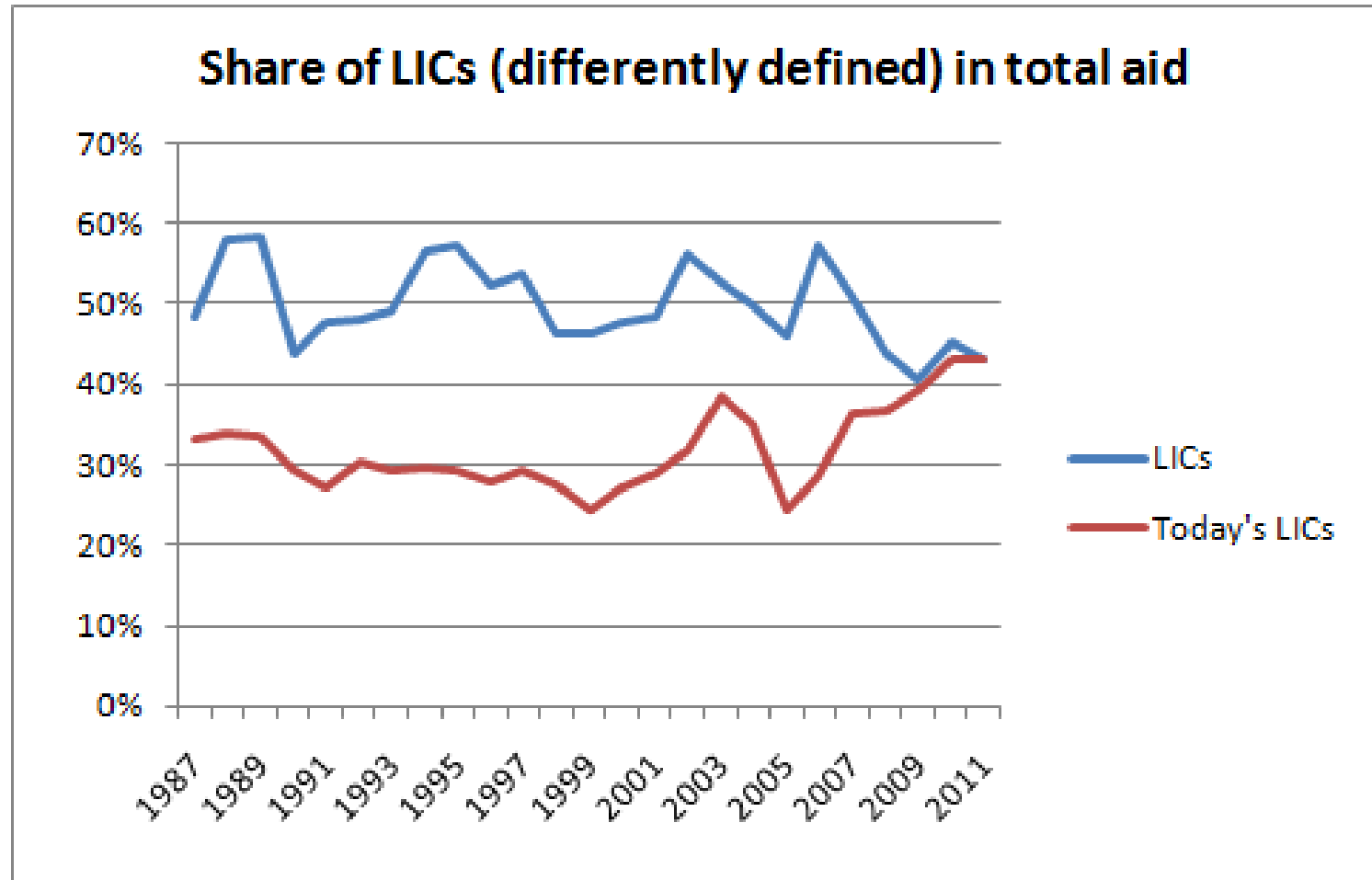
- LICs: 36
- LMICs: 54
- UMICs: 54
- HICs: 70

GNI pc 2011, Atlas method, LICs

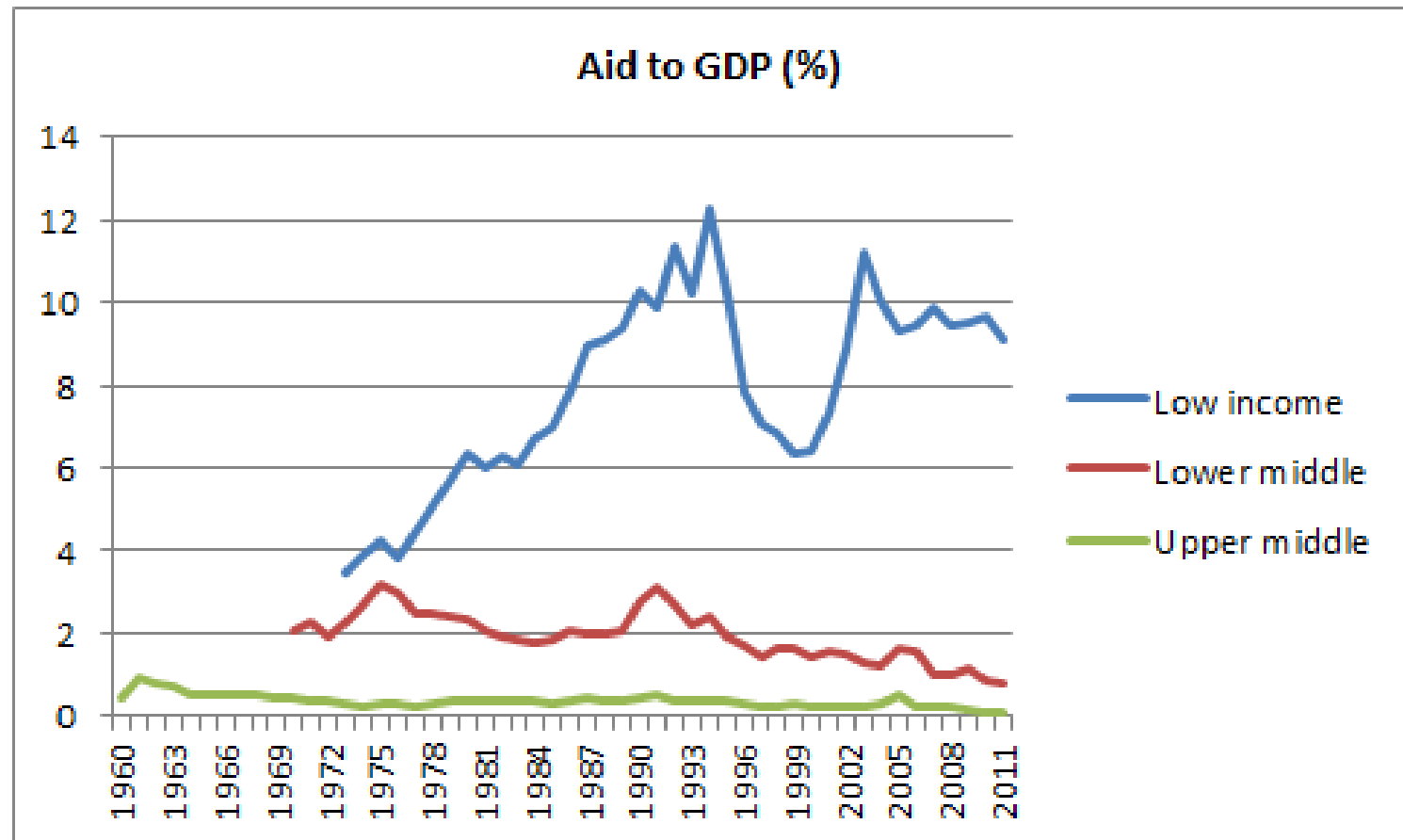
Congo, Dem. Rep.	190
Liberia	240
Burundi	250
Malawi	340
Sierra Leone	340
Niger	360
Ethiopia	400
Eritrea	430
Madagascar	430
Guinea	440
Central African Republic	470
Mozambique	470
Uganda	510
Nepal	540
Tanzania	540
Togo	560
Burkina Faso	570
Rwanda	570
Guinea-Bissau	600
Gambia, The	610
Mali	610
Zimbabwe	640
Chad	690
Haiti	700
Bangladesh	770
Comoros	770
Benin	780
Kenya	820
Cambodia	830
Tajikistan	870
Kyrgyz Republic	920
Mauritania	1000
Senegal	1070
Yemen, Rep.	1070
Cote d'Ivoire	1100
Solomon Islands	1110
Pakistan	1120

Source: World dataBank

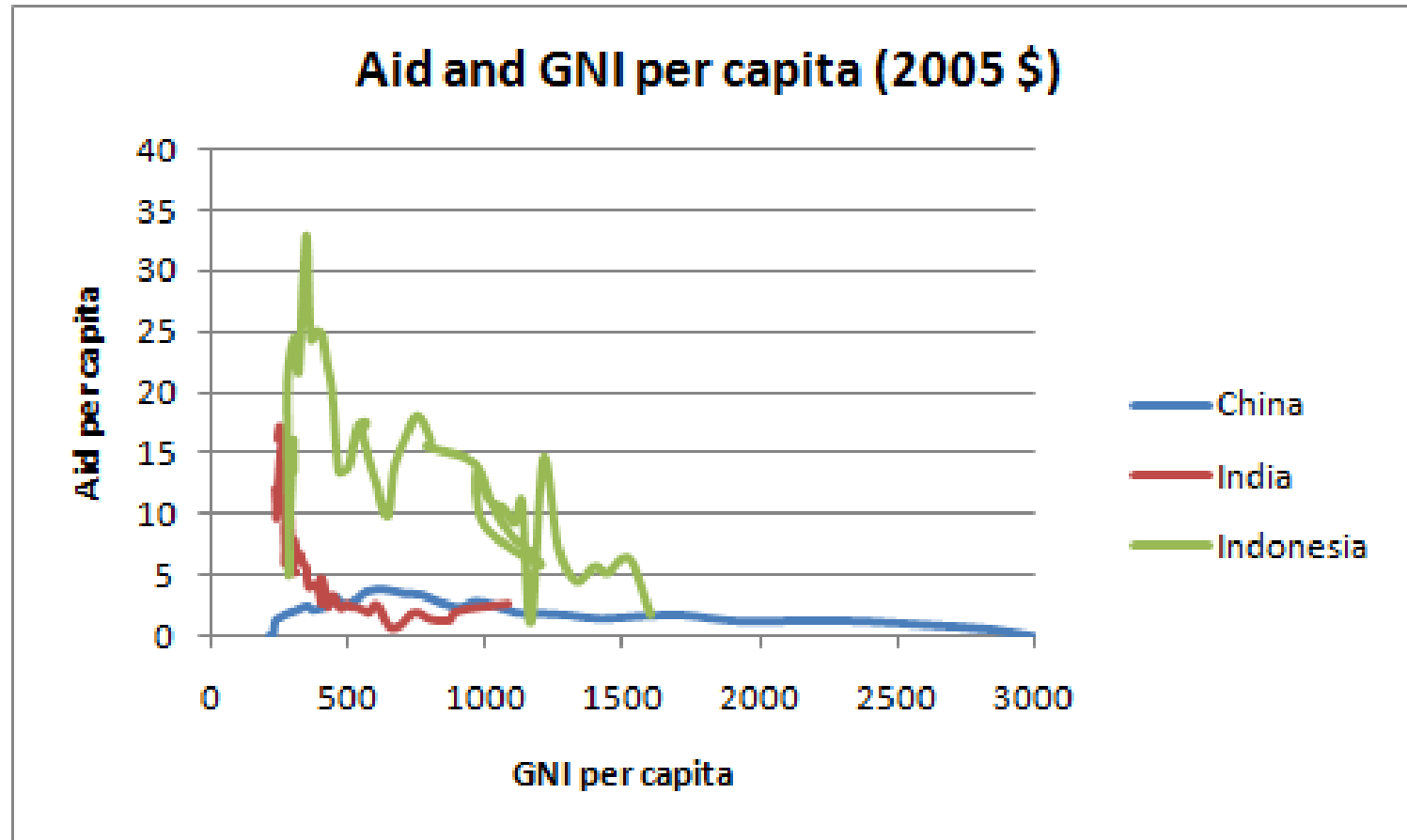
The donor community has tried to stay focused on low-income countries



Resulting in massive aid dependency for them

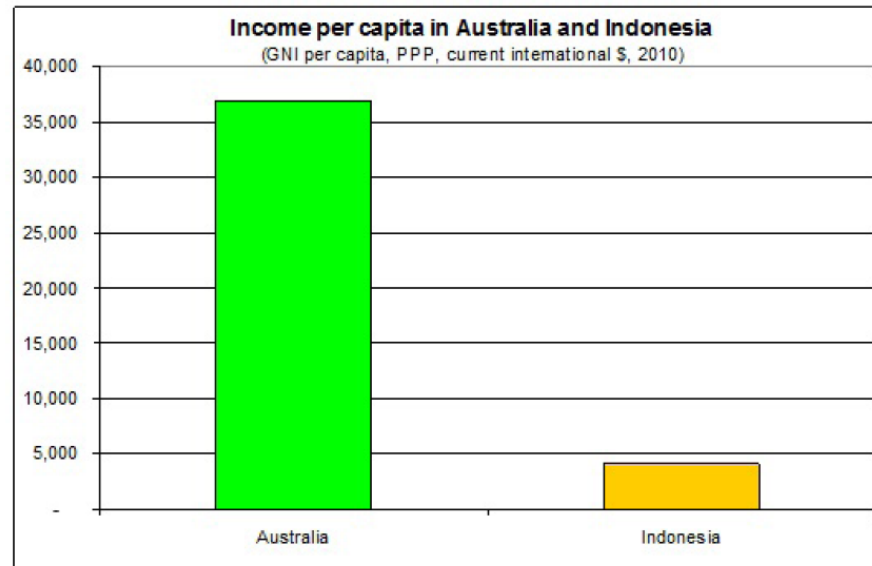


While middle-income countries graduate



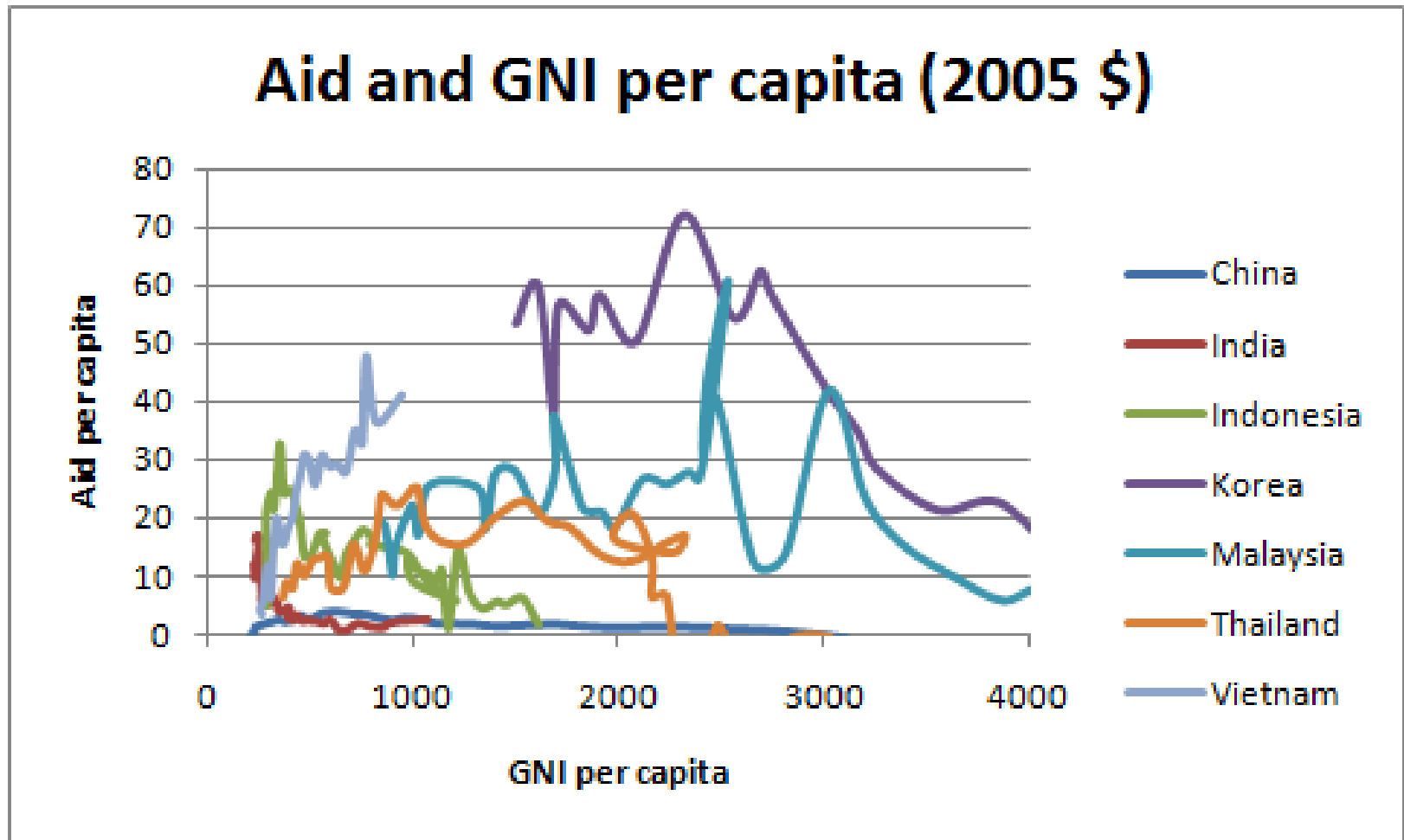
Even though they are still poor

- Middle-income does not mean middle-class.



- But aid doesn't fit into our narrative of Asia as opportunity
 - Hardly mentioned in the White Paper

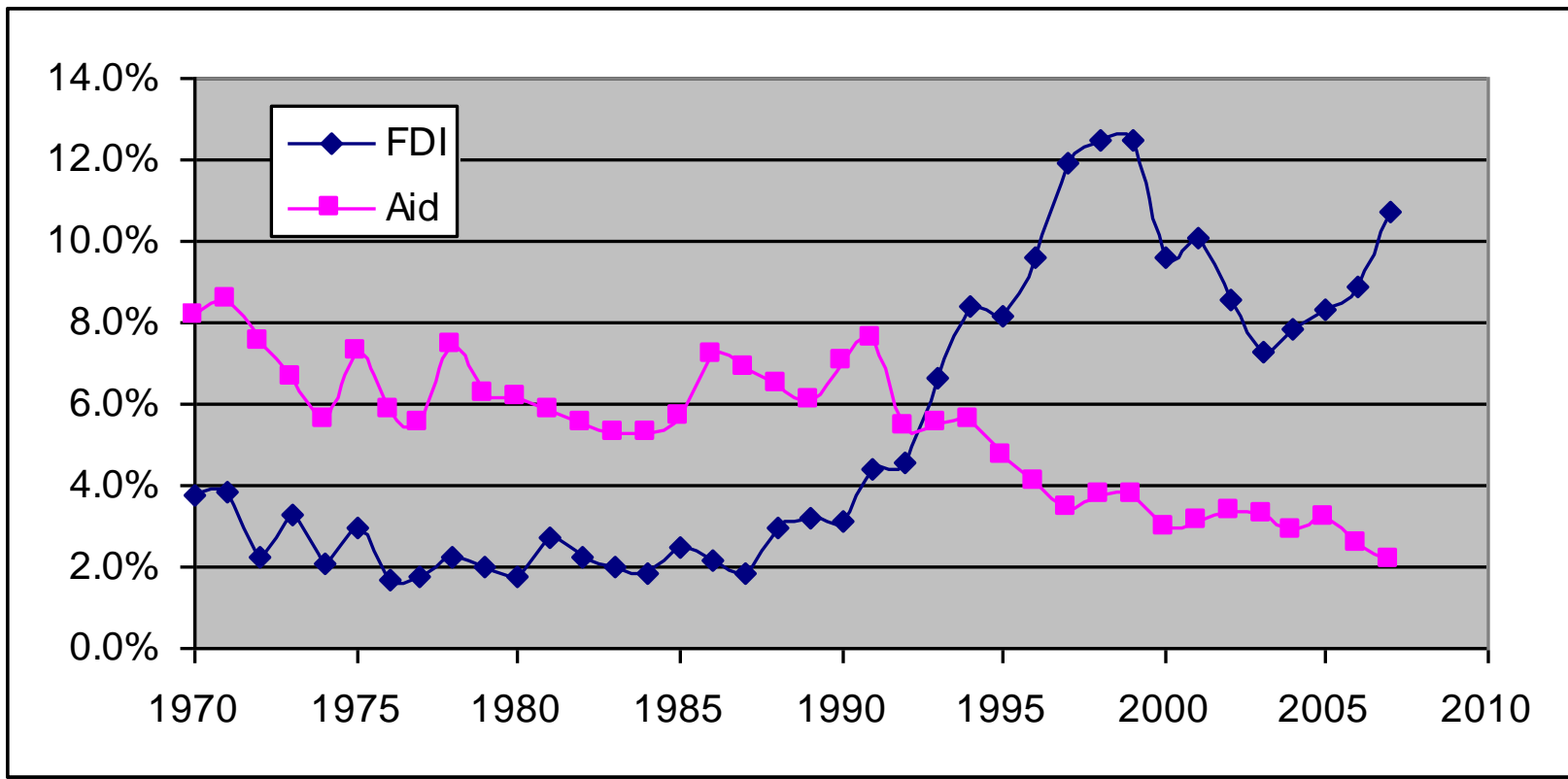
Graduation is, however, a flexible process



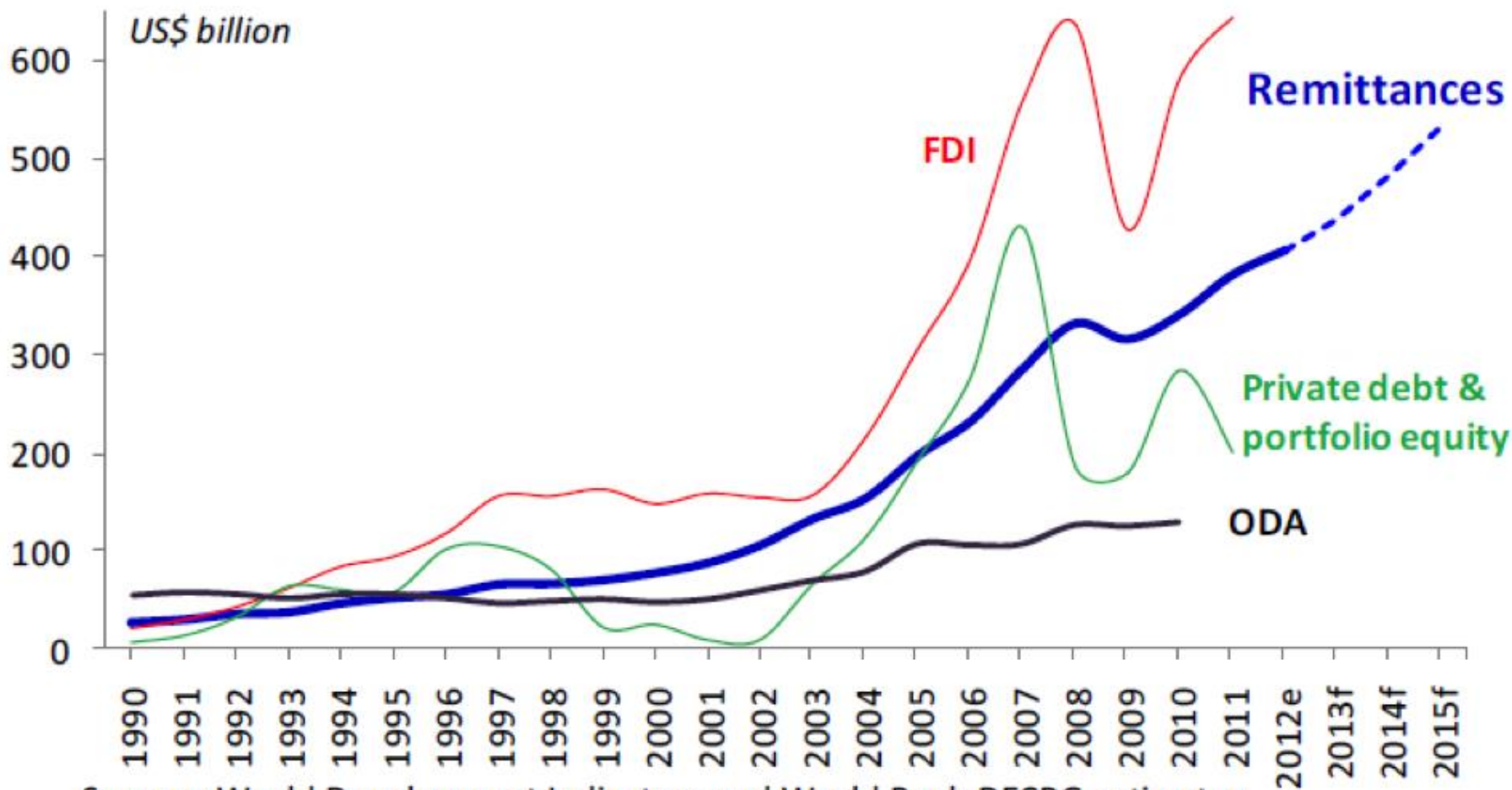
3. Marginalization of aid by globalization

Aid is not a force of globalization

FDI and aid relative to exports for developing countries (%)



And now there are remittances



Sources: World Development Indicators and World Bank DECPG estimates

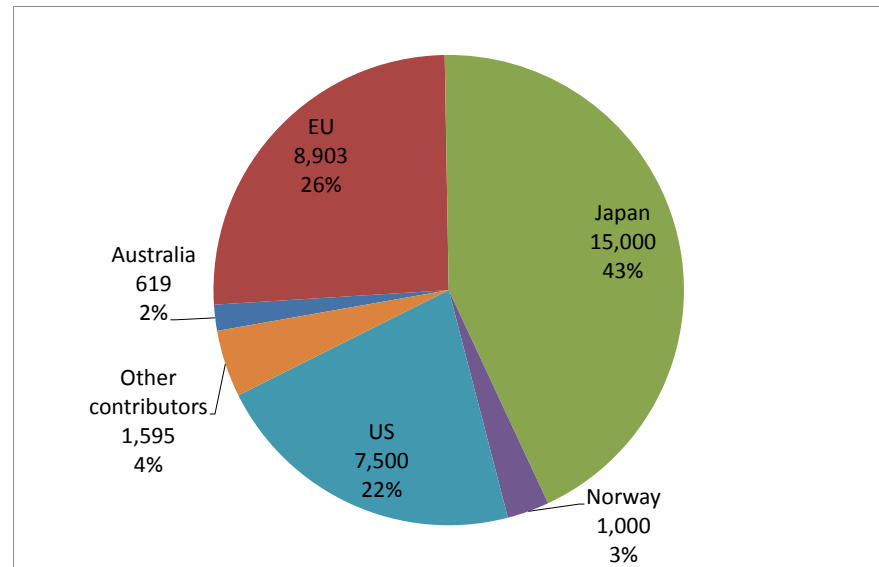
Private channels for knowledge transfer are also expanding

- Rationale for aid shifted from missing market in international capital flows to one in international knowledge flows (the Knowledge Bank)
- But the big consulting firms are also moving in to emerging economies. So are academics.
- Governments financing their own research and solutions.

4. Growing global challenges

Climate change

- \$100 billion in climate financing agreed by 2020.
- \$10 billion a year in the “fast-start” period (2010-12).
- So far (with the collapse of the CDM) entirely aid.



Source: Jonathan Pickering

Global challenges stretch well beyond global public goods

Global public goods

- Climate change
- Disease eradication

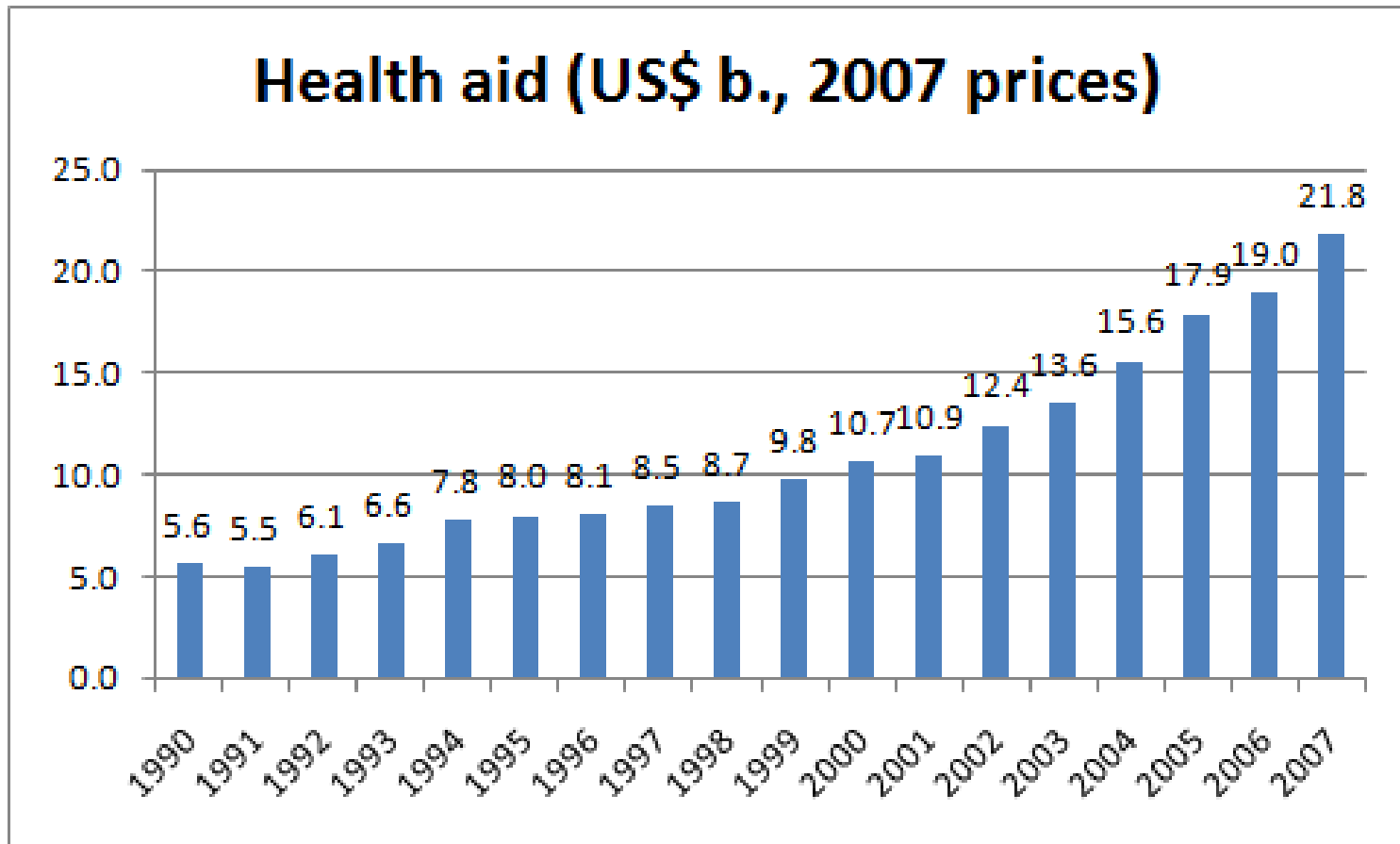
Regional public goods

- Anti-terrorism
- People smuggling
- Agricultural and medical research

Global standards and commitments

- HIV/AIDS and other diseases
 - Gleneagles commitment to universal access to HIV/AIDS treatment by 2010
- Disaster relief
- MDGs

More aid, but also ...



Source: Ian Anderson "The Bill and Melinda Gates Foundation: business versus bureaucracy in international development", Devpolicy Discussion Paper 3, ANU

Global Alliance to Eliminate Leprosy (GAEL)



Stop TB Partnership



DNDi
Drugs for Neglected Diseases initiative



President's Emergency Plan for AIDS Relief (PEPFAR)



Initiative on Public-Private Partnerships for Health



Accelerating Access Initiative



VISION
2020
THE RIGHT TO SIGHT

Medicines for Malaria Venture

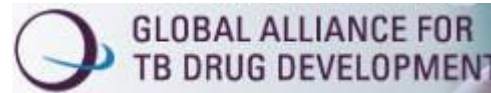


gain
Global Alliance for Improved Nutrition

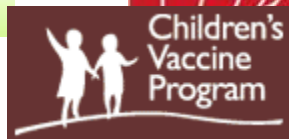


SECURE THE FUTURE®

Global Polio Eradication Initiative



Pfizer
DIFLUCAN
PARTNERSHIP



EMVI

The European Malaria Vaccine Initiative



Global Campaign for MICROBICIDES
Hope for African Children Initiative



US Presidential Initiative
FIGHTING MALARIA
SAVING LIVES IN AFRICA



Schistosomiasis Control Initiative



5. The rise of non-traditional donors

Emerging donors

- Not new
- But this time a game changer
- Everyone wants to be a donor now

Estimated Development Cooperation Expenditures of Non-DAC Countries

Country	Assistance Volume
China	\$4,500 million (2008)
Saudi Arabia	\$2,000 million (2008)
India	\$1,000 million (2008)
South Africa	\$475 million (2006)
Brazil	\$437 million (2007)
UAE	\$249 million (2008)
Kuwait	\$159 million (2008)

Second-round effects

- The end of Paris, if not DAC
- The end of leverage
- The re-commercialization of aid
- Lack of clarity around burden sharing
- Aid repels aid
- But more practical aid too

China v US at MDG Summit (September 2010)

Premier Wen used [his speech](#) to announce 30 new agricultural technology centres, 10,000 more scholarships over 5 years, cancellation of interest-free loans for least developed countries, and 100 small-scale energy projects.

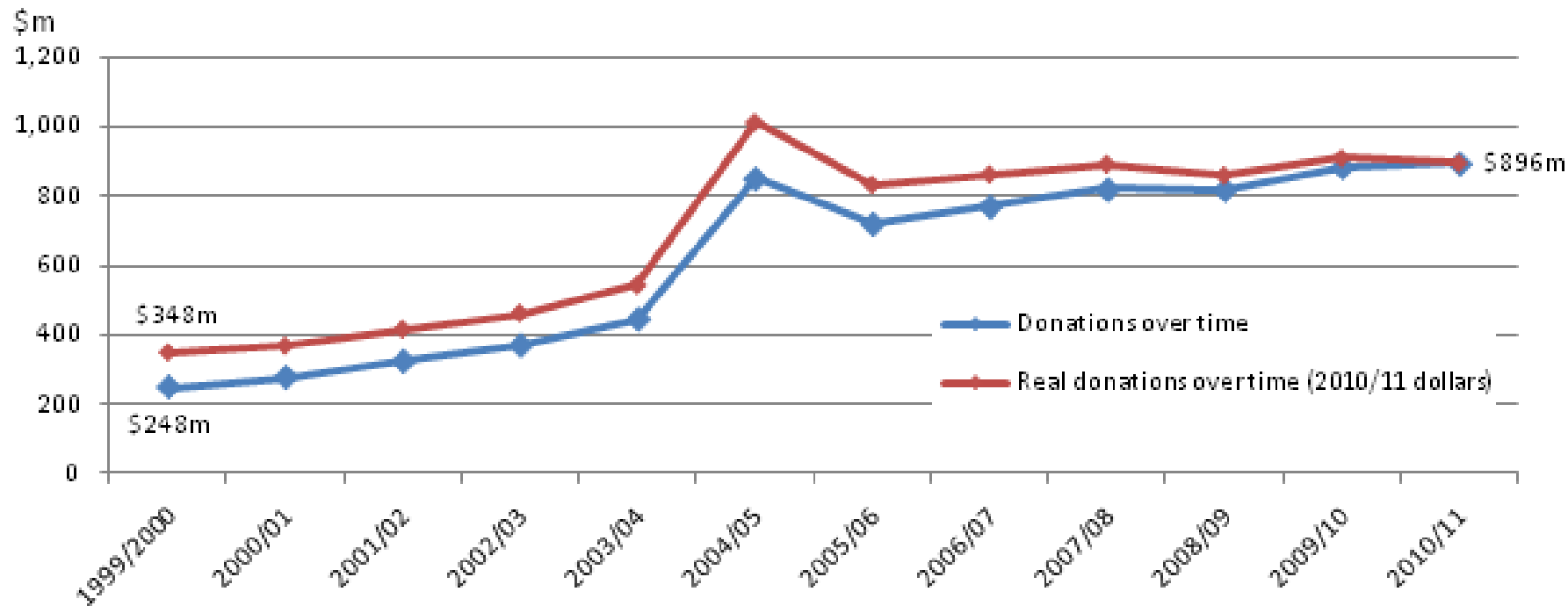
[President Obama's speech](#) could not have been more different. There were no “announceables”...The clearest single message of the speech is that the US will ‘focus our development efforts on countries...that promote good governance and democracy’. ... US aid will, according to President Obama, promote broad-based economic growth, fight corruption and promote democracy, invest in education and health, leverage policy reforms, and unleash transformational change.

From my 2010 Devpolicy blog <http://devpolicy.org/developmentally-speaking/>

6. A globalizing citizenry

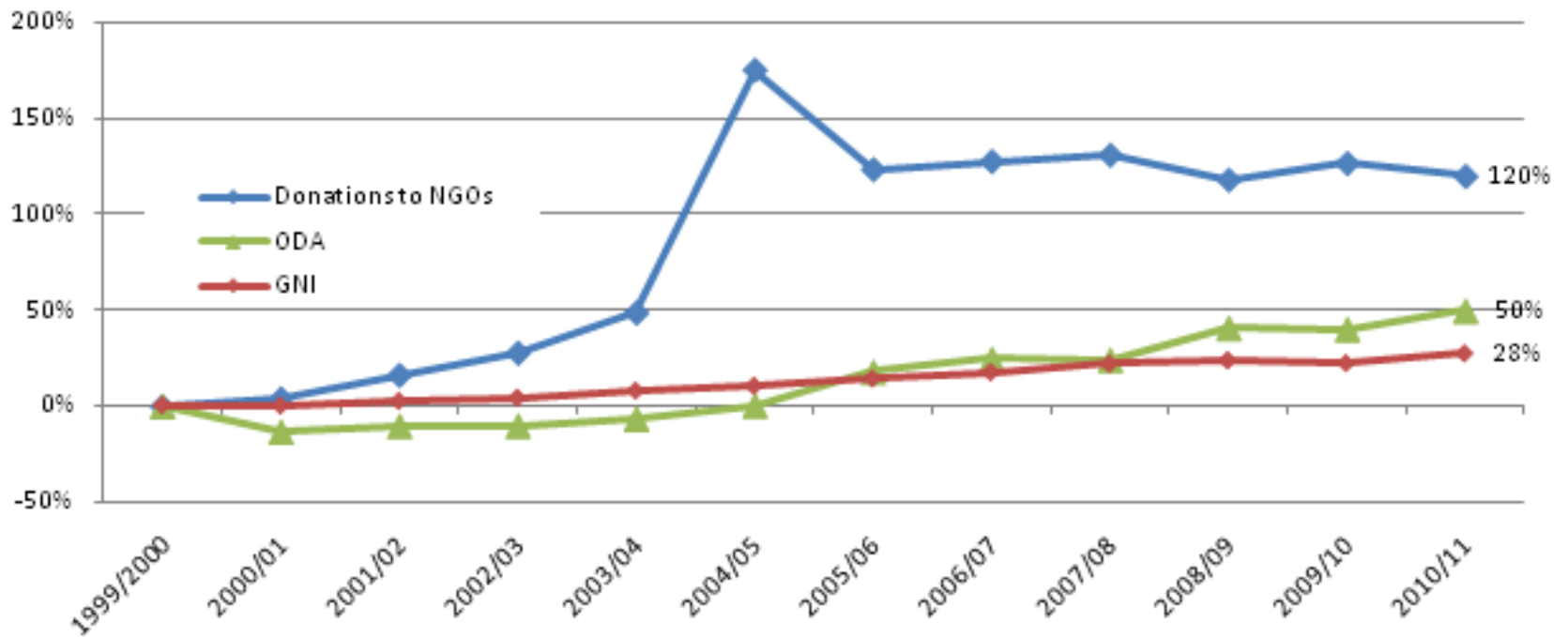
The other Australian scale-up

Total donations over time to Australian development NGOs
(real and nominal)



Growth of GNI, ODA and donations to NGOs

Cumulative growth in real, per-capita terms since 1999/2000



Philanthrocapitalism

Gates Foundation

- In 2005, \$US 35 billion.
- In 2006, Buffet added \$US 31 billion
- Spends as much as WHO on global health: about \$2 billion.
- Pays its top 5 staff \$2.7 million
- Invests in research, and at scale.
- Takes big risks
- Doesn't implement. Funds.

A global citizenry

Development as a key issue for young people

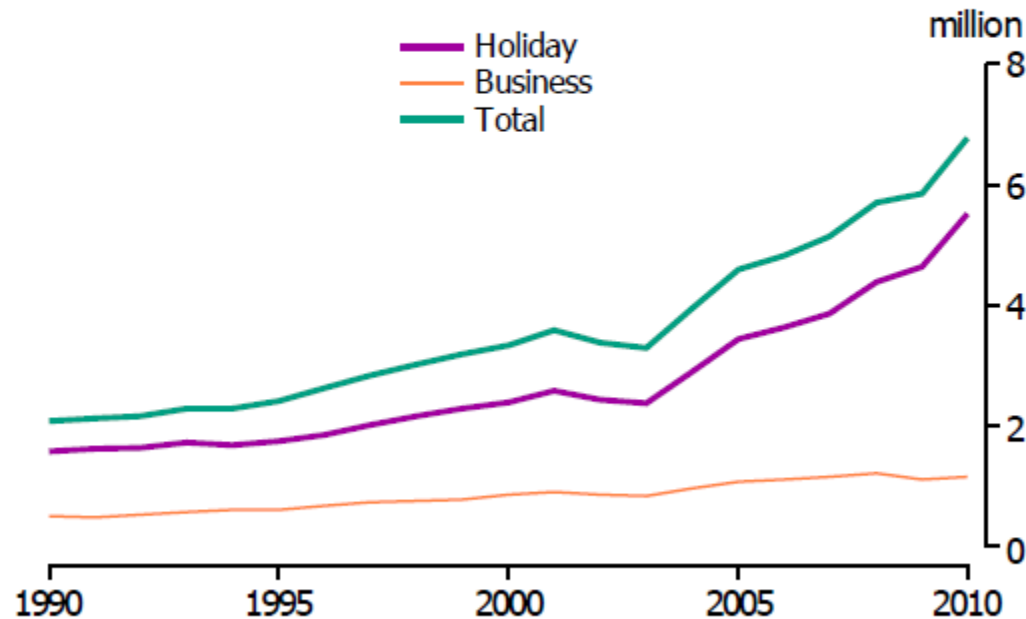
- Oaktree
- Australian Medical Students Association Global Health Conference – 400 students annually
- The volunteering phenomenon.
 - From 300 to 900 a year in a decade.

Technological change

Travel

Australian travellers

Short-term departures by Australian residents(a)



(a) Year ending June.

By 2013, 8.4 million short-term resident departures

Conclusion

The six trends

1. Declining aid volumes
2. Graduating recipients
3. Marginalization of aid by globalization
4. Growing global challenges
5. The rise of non-traditional donors
6. A globalizing citizenry

What does it all mean?

- I have no idea!
 - These forces are deeply contradictory.
 - The future of aid is uncertain
- Need to keep both the downside and upside in perspective
 - Aid is only one contributor to development.
- Overall, I would say that:
 - Aid will be challenged by fiscal pressures and reduced poverty but it will not disappear. It is one of very few international problem-solving tools available to us.
 - The number of donors and the complexity of aid will increase.

Six possible (likely?) outcomes

- Stagnating or declining official aid volumes
- Increasing commercial and strategic pressures on aid budgets
- More issues-based aid.
- Asian aid graduation will be postponed due to competition with China.
- More citizen engagement with aid and development.
- A new realism: the end of Western hubris around aid?

Thank you.

devpolicy.org