

Blending Grants and Loans

Getting the Most out of the Global Financing Architecture

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Blending Grants and Loans Session

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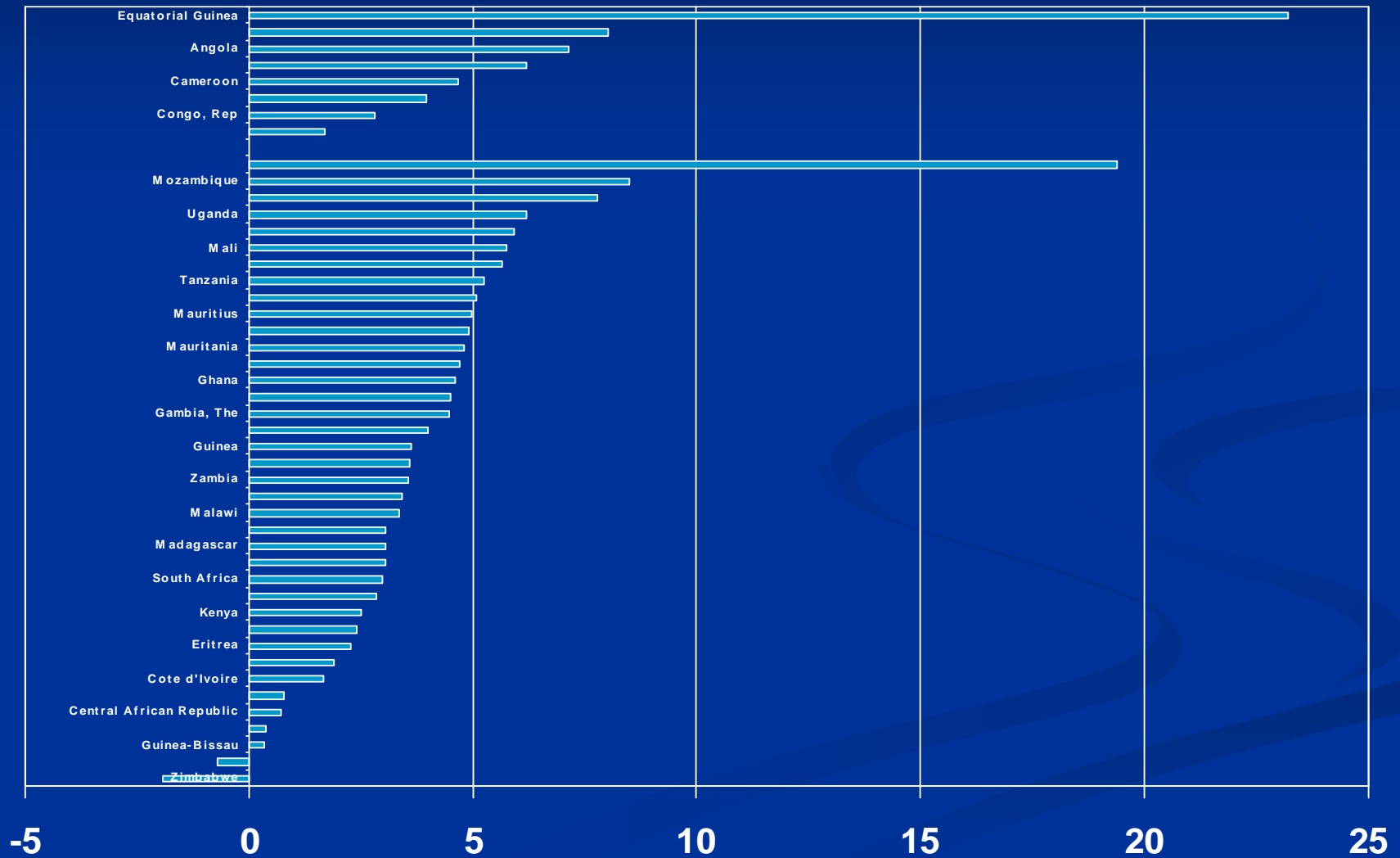
Context

- Improved growth performance and debt sustainability across both middle and low-income countries
- Persistence of development gaps some warranting concessional financing
- Unmet global public goods linked often to domestic public goods

Strong Growth Across the Developing World

	Average Growth	Number of Countries		
	2003-2008	>6	4-6	<4
MICs	5.7	28	39	19
LICs	5.1	20	15	13

Average Annual GDP Growth in sub-Saharan, 1996-2005 (Percent)



Source: WDI, WB

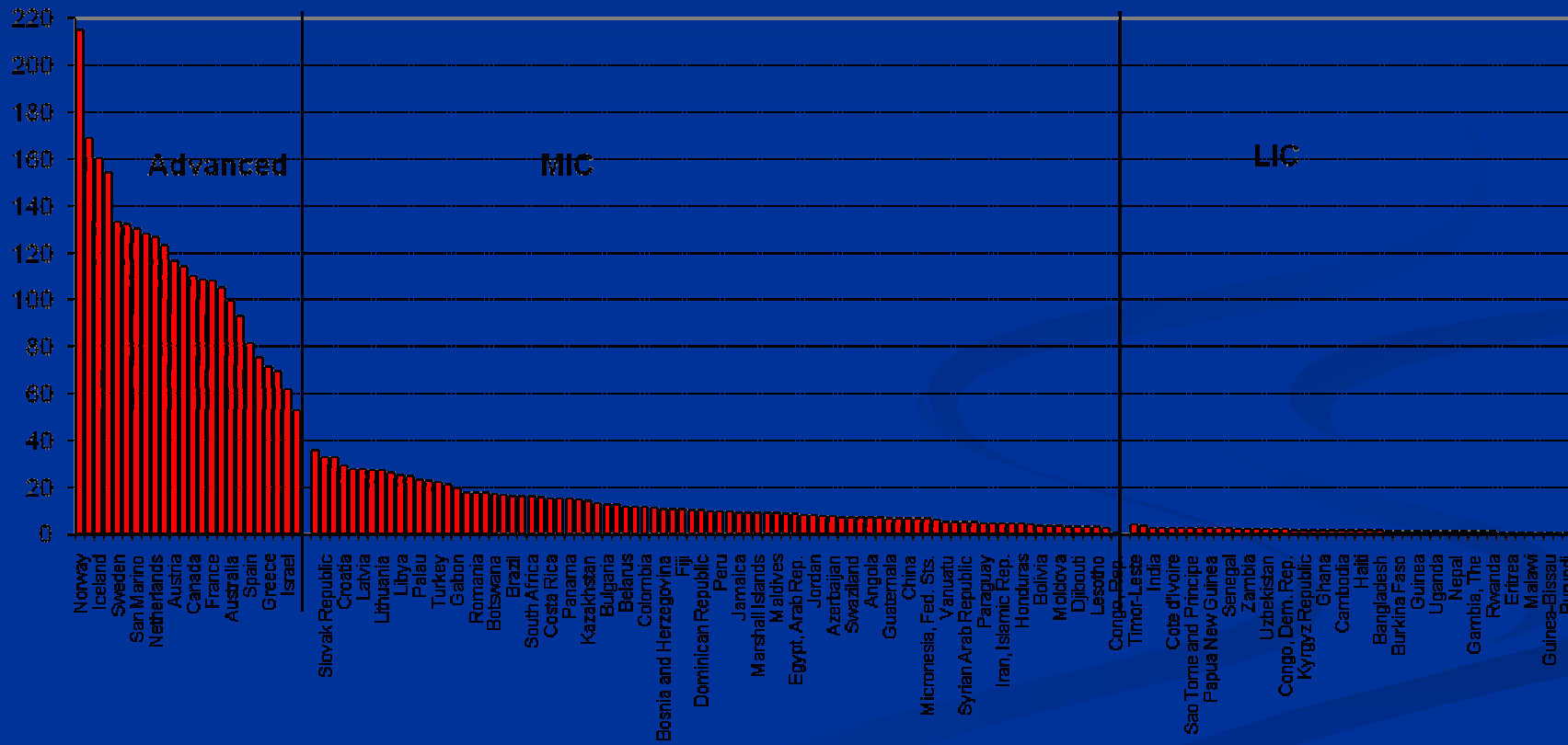
Despite Progress Large Development Gaps Remain

	Population (Billions)	Avg. Per Capita Income per day (Current US\$, 2007)	Proportion of World's Poor (Percent, %)
Advanced	0.9	114.0	0.0
MICs	4.5	9.2	78.5
LICs	1.1	1.5	21.5

Source: WDI, 2008, WB

Magnitude of the Income Gap

Per Capita Income / day
GNI per capita, Atlas method (current US\$) 2007



The Case for Blending

A Two Way Street

Increasing Concessionality

MDGs and Social Infrastructure

Global Public Goods

Reducing Concessionality

Infrastructure

Private Sector Development

Pools of Financing

Private

Multilateral

Bilateral

Highly

Foundations

Soft Windows

ODA

Concessional

Carbon Finance

Innovative Finance

Less

Private Debt

Multilateral bank or

Bilateral Loans

Concessional

MDB type financing

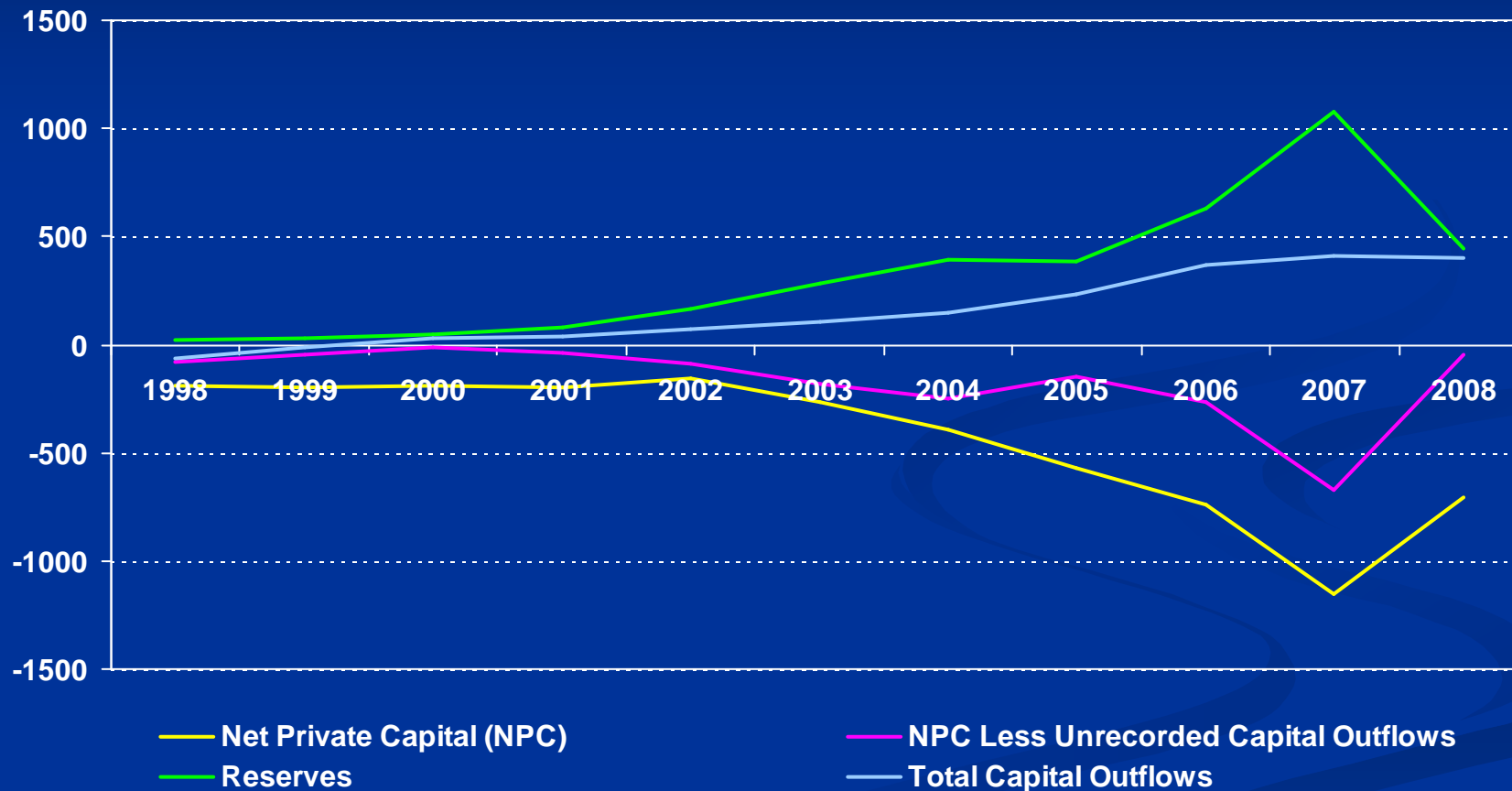
Non-DAC
finance

Private Capital Flows 1990-2008

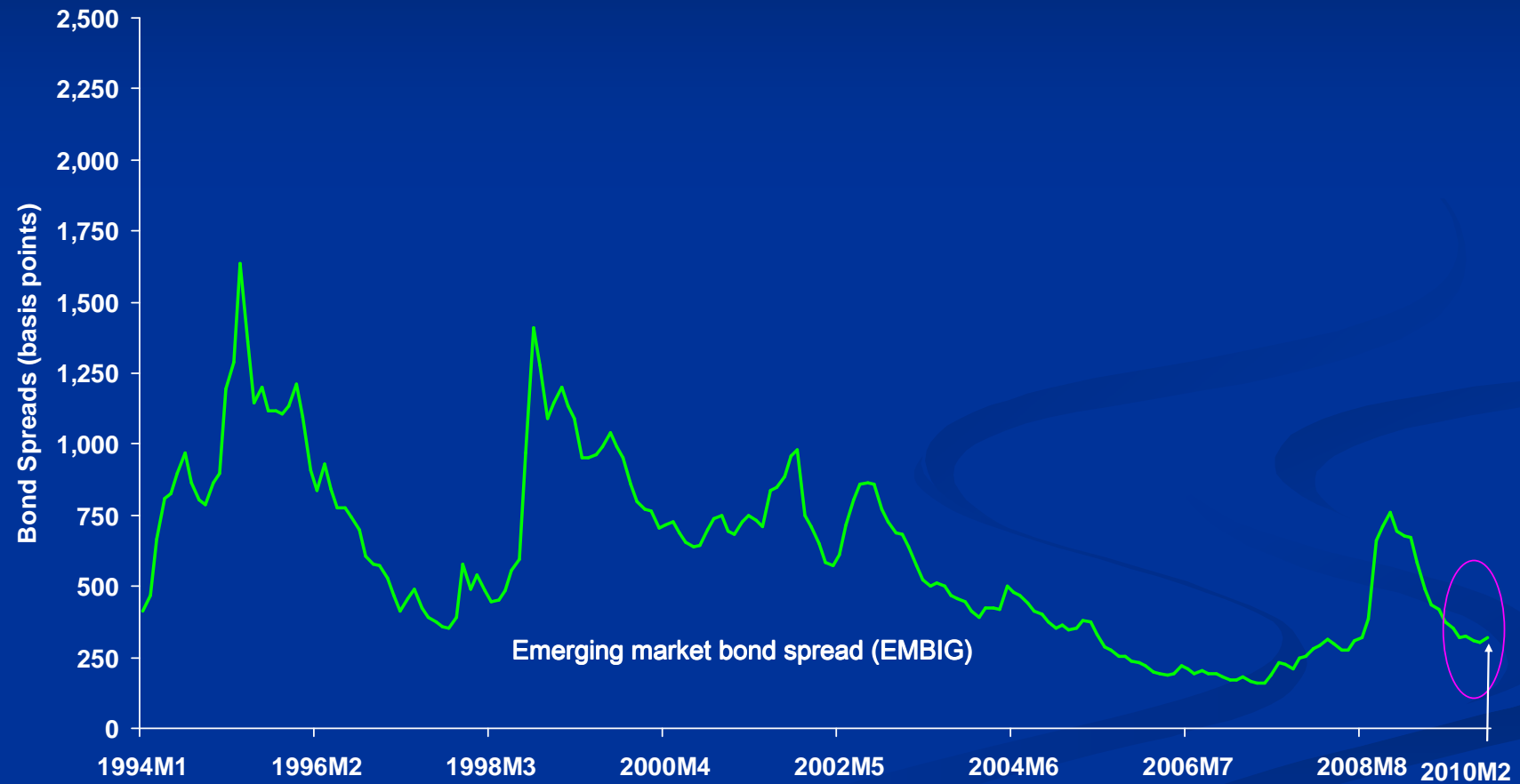


The Uphill Flow of Capital, 1998-2008

(US\$ billions)

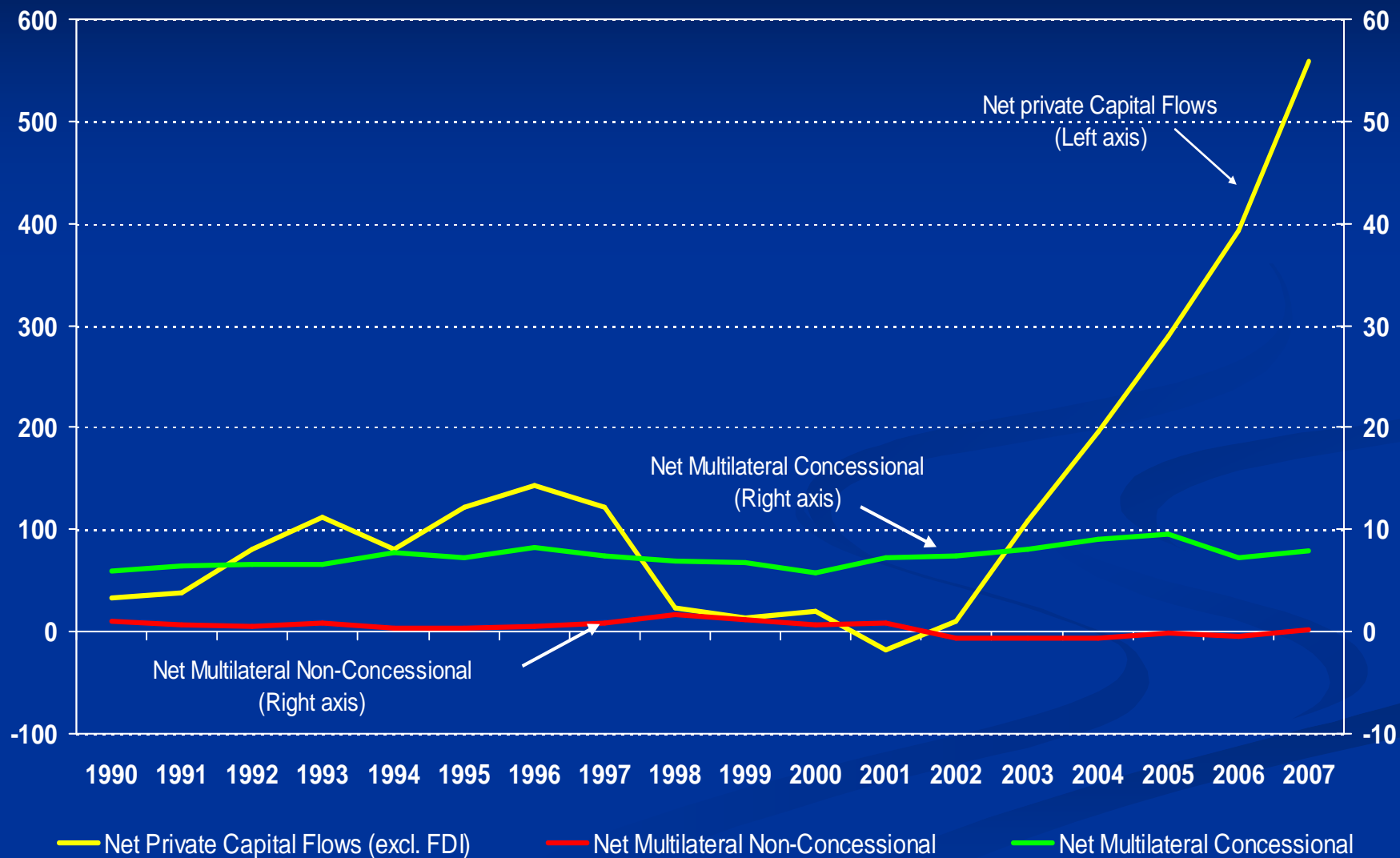


EMBI Spreads (bps)



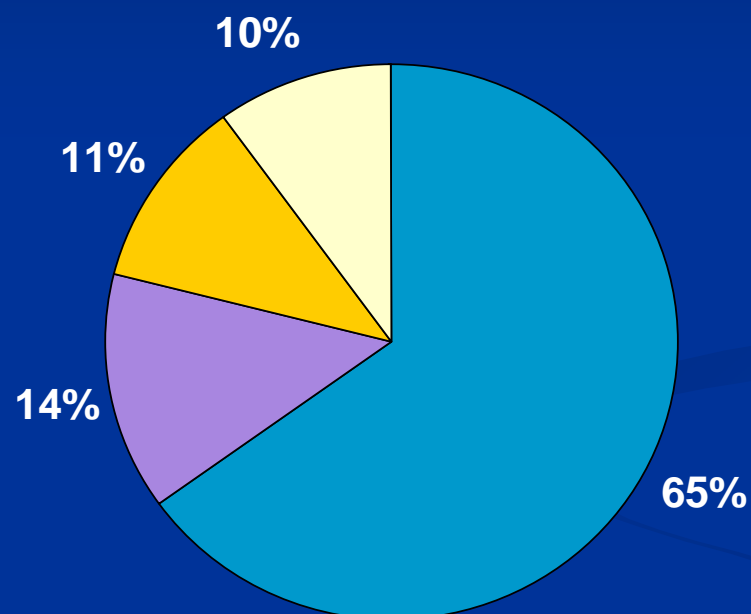
Source: JPMorgan

Net Private Capital Flows (excl. FDI) and Net Multilateral Lending, 1990-2007 (Billions, US\$)



Sectoral Composition of DAC ODA to Sub-Saharan Africa, 2002-2006

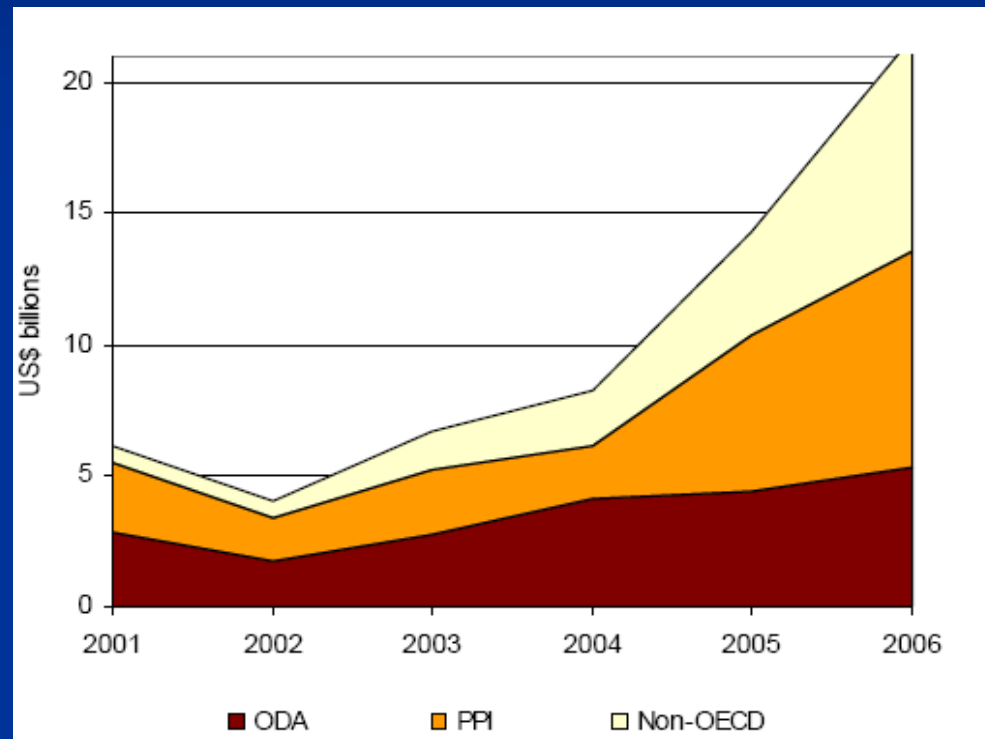
(Percent)



■ Social Infrastructure & Services ■ Economic Infrastructure ■ Production Sectors ■ Multisector

External Infrastructure Finance in Sub-Saharan Africa, 2001-2006.

(Billion US\$)



Source: World Bank-PPIAF Chinese Projects Database; World Bank-PPIAF PPI database (ppi.worldbank.org); OECD database (<http://stats.oecd.org/>), as of 2008.

Concluding Thoughts

- Private debt flows can make important development contribution but tend to be concentrated, volatile and subject to high risk premia
- MDB model provides arguably the most important means for harnessing stable market based finance for development but has been greatly under-utilized in recent years
- Lessons from Climate Investment Funds
- Complementarities between DAC and non-DAC financing
- Time to resuscitate bilateral loans?
- Synergies extend beyond leverage and concessionality