

## **Lex: International aid**

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Gordon Brown's reputation for humanitarianism is almost as big as that for economic jiggery-pokery. His latest project, the International Finance Facility for Immunisation, marries the two.

This brings forward vaccination programmes in developing countries by securitising future aid payouts. Donors take advantage of low yields and keep debt off the books.

The IFFIm's structure provides some comfort. The \$4bn being raised is 70 per cent of the net present value of future aid pledges. The balance provides a cushion against any shortfalls. These arise if recipient countries fall into arrears with the International Monetary Fund. That punishes mismanagement and also pushes default risk to the bondholder.

Marrying humanitarianism with cold, hard capital markets invites cynicism. But a forthcoming paper from the Center for Global Development, a think tank, estimates that upfront funding of mass vaccination, as opposed to long-term schemes, increases their effectiveness by 25 per cent even after financing costs. Immunising a mass of people also benefits those around them. And by bulk buying up front, the IFFIm resolves the tension between health agencies using their mass purchasing power to drive down prices, and drug companies wary of the high sunk costs of new plants.

Extending the model into other aid programmes, such as infrastructure projects, is more questionable. But in this instance, upfront protection really is better than cure, for donors and beneficiaries alike.