

**AID TO
MIDDLE-
INCOME
COUNTRIES
WHAT SHOULD
BE DONE?**

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EXECUTIVE SUMMARY

In these times of austerity and geopolitical shift, aid to middle-income countries is a hot and controversial topic. Should it be continued or cut? There are coherent arguments, supported by highly experienced development thinkers, on both sides. But the debate is far from theoretical. In the EU, in particular, there are current proposals to stop aid to a group of middle-income countries.

What could be done?

Three overlapping schools of thought on aid to middle-income countries can be identified:

1

Fragility matters

Aid should be increasingly focused on low-income and fragile countries because this is where it can make most difference on the grounds that these countries can't eradicate poverty themselves, while middle-income countries can.

2

Poor people matter (wherever they live)

Recent calculations show that around 80 per cent of poor people now live in middle-income countries. Cutting aid from these countries therefore means not aiding the majority of poor people.

3

Global community matters

Agrees with second school of thought in terms of retaining aid to middle-income countries, but differs on its function. Rather than reducing poverty directly, aid should play a game-changing role. 'Game-changer' in this context refers to where aid is used to stimulate or generate change, rather than to provide services directly.

What should be done?

Many non-governmental organisations (NGOs) believe that aid to middle-income countries should not be cut using income level (GDP) as the sole criterion; they would favour the 'poor people matter' and 'global community matters' schools of thought. In considering aid cuts, NGOs recommend that donors use these principles to guide their decision-making:

1

Poor people matter wherever they live

It is not enough for donors to assume that middle-income governments will deal with eradicating poverty when experience and evidence show that some can't and others don't. Therefore aid should be allocated using development and inequality criteria rather than a country's income alone.

2

Inequality and vulnerability matter

Aid should tackle inequality and support socially excluded groups, as well as focusing on extreme poverty.

3

Aid should act as a game-changer as well as reduce poverty directly

Aid should have a game-changing role as well as a direct poverty reducing one. It should fund innovations and remove bottlenecks to move towards long-term positive change. Examples might be improving the tax system, supporting civil society-led accountability mechanisms, or addressing barriers to participation in education or health.

4

Both aid and global public goods can happen

There is a need both to retain the traditional donor-recipient relationship with aid targeted at poverty reduction in some circumstances, whilst also developing the system that addresses global public goods.

5

Different actors have different roles

It is important to recognise that different development actors, such as governments and civil society have different roles. Although both are important in all contexts, donors should consider supporting different combinations of actors in low-income countries and middle-income countries to achieve jointly agreed objectives.

6

Gradual ending to aid

Where aid is phased out, it should be planned with a clear exit strategy, not a sudden stop.

Based on these principles, NGOs recommend that:

All donors should:

- not view middle-income countries as a homogenous group; each country has specific development challenges and contexts
- not assume that all middle-income countries will automatically stop receiving aid. Income status alone should not be used to make decisions about stopping aid
- allocate aid based on development needs, including poverty, inequality and vulnerability dimensions
- base the indicators on objective criteria and on evidence of how these are met and apply them transparently
- refrain from making aid allocation decisions motivated by commercial gain or geopolitical relationship building, and keep aid effectiveness principles central to decisions about how aid is used
- recognise the complementary roles of government and civil society organisations in development and target aid appropriately for the country context, recognising that one size does not fit all
- where appropriate, target aid on game-changing interventions, in particular aimed at reducing inequality
- where bilateral aid programmes are stopped, phase out gradually rather than abruptly
- leave the door open to reinstate bilateral aid where circumstances change
- contribute to the development of institutions and funding for global public goods
- tackle the structural causes of poverty, going beyond aid in development policy

WHAT COULD BE DONE?

INTRODUCTION

This paper is about ‘one of the most hotly contested issues in development’¹: whether aid to middle-income countries should be continued or not. Middle-income countries are defined as countries with an average per capita income of more than \$1,000 per person per annum and less than about \$12,000.² They are therefore not the poorest countries in the world – but they are hardly wealthy.

The briefing looks at three schools of thought on aid to middle-income countries, and at the state of play of current EU proposals. It then recommends ways forward for all donors, for the EU in particular and for civil society organisations’ own work.

It can be read as a standalone briefing, or alongside Bond’s two 2013 research reports that provide its foundations. One of these describes the debates on aid to middle-income countries more broadly and the other covers the evolving European Union (EU) policy on this issue in depth.³

Why middle-income countries, why now?

Aid is working. 600 million people have lifted themselves out of poverty in the last 25 years. In the last decade, 50 million more children than before are in school. Between 1990 and 2010, maternal mortality worldwide dropped by almost 50 per cent. Aid is far from being the only factor in these global achievements, but it has made an important contribution.

However, aid is under pressure. There was over a decade of political consensus (since the Millennium Development Goals were set) that the world should maximise its efforts to reduce developing country poverty, and that aid should aim to further these efforts. Now, this is all up in the air. This is partly because of the current austerity policies mandating fiscal tightening, which has made politicians more nervous about continued public support for aid from some sectors of society. It is also because of the changing geopolitical landscape, the rise of powerful developing countries, changes in the relationship between these countries and European countries, and questions about the aid relationship. For example, India has more poor people than any country in the world but it is also a rising power and is itself an aid donor. What, then, is the best way for it to relate to its aid donors, and they to it? This question is even more important when it is remembered that aid is only one contributor to poverty eradication. The structural causes of poverty, mediated through international relationships on tax, trade, migration and climate change, to name a few, are more significant.

The picture becomes even more complicated when political motivations for aid allocation are taken into account. Most donors aspire to allocate aid according to need, but none have ever fully achieved this in practice. Rather, aid has always been allocated according to a mix of recipient and donor interests. This is unlikely to change, desirable as such a change may be.

In this context, the role of aid to middle-income countries has come into the spotlight for all donors but particularly the EU. In the context of the ongoing Euro crisis – the most serious crisis the EU has faced – the European budget (and within that, the amount of money to be spent on aid) is undergoing its regular seven-yearly review. Which middle-income countries should and shouldn’t receive EU aid, and how the EU’s relationship with these countries should operate in future, is being reassessed.

Three schools of thought on aid to middle-income countries

The issue of aid to middle-income countries is complex and challenging because there are convincing and also contradictory arguments in several directions. The debate can be summarised broadly into three overlapping schools of thought, which stylise different emphases within the debate.⁴

1

Fragility matters

This school argues that aid should be increasingly focused on low-income and fragile countries because this is where it can make most difference, on the grounds that these countries can’t eradicate poverty themselves, while middle-income countries can. Its proponents argue that economic development will largely eradicate poverty in middle-income countries in the next decade or two, and that if aid were to be focused on the poorest and most fragile countries, poverty could be eradicated there as well. They point out that these most fragile countries have no chance of developing without aid.

Crucial in this school of thought is the limited nature of aid, and an acceptance that allocation of aid in particular places means less of it somewhere else.

2

Poor people matter (wherever they live)

This second school of thought cites recent calculations showing that around 80 per cent of poor people now live in middle-income countries (because some large countries have moved from low to middle-income status), and projections that many poor people will still live in middle-income countries by 2030. Cutting aid from these countries therefore means not aiding the majority of poor people.

The argument is developed in two directions. First, far from being able to look after themselves, some middle-income countries do not have the resources to eradicate poverty. This is partly because their overall gross national income (GNI) is not high enough, but also because the degree of inequality means the pool of potential taxpayers is too small⁷, while corporate tax avoidance means that foreign investment fails to translate into much revenue. Furthermore, middle-income status is not fixed; many countries move in and out of middle and low-income status. Second, even where middle-income countries do have the domestic resources to eradicate poverty, donors have a moral responsibility to continue to target aid on the poorest and most vulnerable groups and regions if the government is failing to do so.

3

Global community matters

This final school agrees with the second in that it proposes retaining aid to middle-income countries but differs on its function. It proposes that rather than reducing poverty directly, aid should play a game-changing role. It counters the second school by pointing out that in large middle-income countries, aid has always been, and still is, a tiny proportion of the country's income – it is simply not sufficient to pay for everything.⁸ Rather, it should be funding innovations and removing bottlenecks to move towards long-term positive change. Examples might be improving the tax system, facilitating the setting up of social protection or the removal of bottlenecks to service delivery, supporting civil society-led accountability mechanisms, or addressing barriers to participation in education or health.⁹ Any of these measures might contribute to reducing inequality, which itself helps prevent fragility and conflict.

This third school of thought is starting to move away from traditional donor-recipient thinking, towards a vision where all countries contribute internationally to funding solutions to global problems ('global public goods'), including climate change, communicable disease and poverty. This kind of mechanism would also be of a game-changing nature but at a global level.¹⁰ 'Game-changer' in this context refers to where aid is used to stimulate or generate change, rather than to provide services directly.

The three schools of thought are not mutually exclusive, and many stakeholders hold all three perspectives, believing that aid should contribute to all three purposes. However aid is limited, so the emphasis in policy thinking towards one school or another does have practical consequences.

What is happening to EU aid

Policy decisions on aid to middle-income countries are currently being made at EU level. The EU (including its member states) is the largest aid donor in the world and the EU institutions are the second largest. The future of the EU aid programme is therefore important. The EU currently contributes aid to around 140 developing countries. The proposal on the table, known as 'differentiation', aims to recognise diverging needs of developing countries and concentrate EU aid in those that are least developed. As part of this, bilateral aid to some middle-income countries would be stopped. While not a new concept, differentiation has become increasingly politically prominent in recent years. The debate is about which countries should no longer receive bilateral aid from the EU, and what form of partnership with those countries should continue. Most EU aid goes through two channels, the Development Cooperation Instrument which is part of the main EU budget, and the European Development Fund, which is the financing instrument for cooperation with the African, Caribbean and Pacific group of countries. The Development Cooperation Instrument will be the first to apply the policy of differentiation both in terms of eligibility and volume of development assistance. The European Development Fund will then follow suit, although not in all aspects of the policy.

Why the legal definition of aid is important

Most Development Cooperation Instrument funding¹¹ needs to qualify as aid under the strict OECD overseas development assistance (ODA) definition. This is important because it protects the principle that the purpose of aid must be poverty reduction. Aid counted as ODA is legally mandated to carry this purpose, and the EU is still committed to reaching 0.7 per cent of GNI as ODA-defined aid. Meanwhile there are multiple pressures to 'stretch' the definition and count funds that go to developing countries as ODA, even if their primary purpose is not clearly and definitely reduction of poverty. This latter trend needs to be resisted.

WHAT COULD BE DONE?

The EU is currently undergoing its regular seven-yearly budget negotiation, setting spending levels for 2014-2020. In the background, the 2011 EU development policy *Agenda for Change* had confirmed that poverty reduction will continue to be the primary overarching principle governing EU aid. The differentiation policy being discussed as part of current EU budget negotiations interprets this as meaning a reduced proportion of aid for middle-income countries and an increased one for the poorest countries.

The large majority of Development Cooperation Instrument aid is given as 'grant based bilateral aid', from the EU to the developing country. For bilateral aid, different parts of the EU machinery are proposing different criteria for allocation. The European Commission (EC) and the Council of Ministers propose that upper-middle-income countries or countries with more than one per cent of global GDP should no longer receive bilateral Development Cooperation Instrument aid – although in practice political considerations are coming into play during the negotiations, with some EU member states arguing for particular named exceptions or for general flexibility.¹² The European Parliament is proposing a more nuanced set of criteria based on human development and inequality indicators as well as GNI.¹³ The Development Cooperation Instrument currently provides aid to 46 countries and the Commission proposal would result in 19 of these (which are upper-middle-income countries¹⁴, plus two lower-middle-income countries with more than one per cent of global GDP¹⁵) losing EU bilateral aid. But 16 of these countries meet at least one of the European Parliament's development and inequality-related criteria for retaining aid, and half of those meet all four of them.¹⁶

Meanwhile there are other ways countries without bilateral programmes may still receive aid from the EU. First, a small proportion of the Development Cooperation Instrument funds are allocated thematically rather than bilaterally, and this source may continue for any middle-income countries without bilateral programmes. It is proposed that for the next period these Development Cooperation Instrument thematic funds will include categories for 'Global public goods and challenges' (this one absorbs several of the current thematic funds) and one for 'civil society organisations and local authorities'.

Second, the EU is proposing a new type of relationship with developing countries. This is expressed in a complementary aspect of the differentiation proposal, for 'differentiated development partnerships'. This will focus on blended finance, technical cooperation and trilateral cooperation, but could also encompass funding for knowledge-sharing, technological and cultural cooperation, public-private partnerships, capacity development and consultancy and dialogue initiatives.¹⁷ These would be funded partly through the thematic envelopes of the Development Cooperation Instrument and partly through a new Partnership Instrument (funding stream), which would channel around a billion Euros, replacing the Industrialised Country Instrument'. Some of this funding might count as aid but some would not; indeed the Partnership Instrument is explicitly not ODA, and one reason for its creation is to move beyond a traditional aid relationship with some rising middle-income countries.¹⁸ "The Partnership Instrument is intended to step outside the development cooperation mindset and to promote policy cooperation with both established and emerging strategic partners, with other countries of strategic interest to the EU, and even, if necessary, to support actions in the sole interest of the EU", says the guideline on Partnership Instrument implementation. The developing countries amongst the 'strategic partners' currently listed in the same document are the BRICS (Brazil, Russia, India, China, South Africa) and Mexico.

Finally, the European Development Fund is not to be subject to the eligibility criteria that the Development Cooperation Instrument countries will be, although it will allocate an increased proportion of funding to the poorest countries. This appears inconsistent, as the European Development Fund funds 21 upper-middle-income countries – many of them small island states. Less than one per cent of the poor people living in European Development Fund countries are in these upper-middle-income countries. The reason for the European Development Fund not being subject to eligibility criteria appears to include a mix of political, legal and economic factors.

Blended finance – not a panacea

It is important to clarify the role of blended finance, as there is much current EU enthusiasm for this use of aid. Blending is used mainly to finance infrastructure, and occurs where concessional funding is combined with commercial funding to encourage private investment. Its supporters argue this will help to unlock new financial flows and overcome some of the limitations of aid. However, many also believe blending aid and loans is very challenging, because it is extremely difficult to demonstrate that the investment is "additional" (i.e. would not have happened without the aid element). Also, poor transparency means it can also be difficult to demonstrate that the aid is really being used to reduce poverty. Blended aid is sometimes referred to – by its supporters – as "catalytic". This is a completely different catalytic role from the 'game-changing' aid discussed in this paper. Civil society organisations are not advocating blending as game-changing aid.

The EU and the three schools of thought on aid to middle-income countries

It is difficult to strip the many political dimensions – the politics of both austerity and shifting global power relationships – away from the differentiation debate. But if this were done, it would appear that the EU is following the ‘fragility matters’ school of thought in our typology of aid to middle-income countries – that available aid should be focused on the poorest and most vulnerable countries, rather than the poorest and most vulnerable people. However there is also an element of ‘global community matters’, in the aspects of the differentiated development partnerships which are game-changing and those which might contribute to global public goods.

UK aid and middle-income countries¹⁹

Over the last decade the UK has increasingly tried to focus its aid on low-income countries, as a way of focusing on poverty reduction, following our first school of thought, ‘fragility matters’.

The most recent review of UK bilateral aid was in 2011. It aimed to reduce the number of DFID-aided countries; not to cut overall aid levels but to increase impact. This was done using a combination of political and objective thinking. For low-income countries and lower-middle-income countries, DFID used a ‘needs-effectiveness’ index. The ‘need’ part of this included the number of people in a country living on less than \$2 a day, its place in the Human Development Index, and a measure of the country’s fragility. Effectiveness was measured using the World Bank’s Country Policy and Institutional Assessment²⁰. The process also looked at the amount of aid being received from other donors. Upper-middle-income countries were not looked at as most DFID aid to these had previously been cut.

As a result, it was decided that DFID would close its bilateral programmes in 16 countries, 12 of which were middle-income.

This process may have been less objective than it sounds. It was decided before the review started that aid to Russia and China would be cut. India scored very highly on the needs-effectiveness index but in 2013, following extensive political exposure, bilateral UK aid to India was cut. The intention to end UK aid to South Africa was also recently announced. The objective grounds for this are unclear – South Africa was not assessed in the needs effectiveness index because it is an upper-middle-income country. Yet it is highly unequal, so the decision may have been different if an objective inequality criterion had been used.

According to DFID, countries were considered in terms of development need, the likely effectiveness of assistance and strategic fit with UK government priorities. The latter may have carried a high proportion of weight.²¹

Nevertheless, the UK did use poverty and development indicators (not inequality ones) as part of its decision-making when streamlining its aid programme. This is not the policy it is following as a member of the EU when assessing the Development Cooperation Instrument.

WHAT SHOULD BE DONE?

Perspectives and principles from UK development NGOs²²

The development NGO sector has extensive experience working with poor people in all developing countries including those that have middle-income status, often working with the poorest and most vulnerable people. Their work includes piloting innovative solutions, working with hard-to-reach groups of people and supporting poor people to ensure their governments are accountable and deliver what is due.

As with European aid, poverty reduction is the overarching guiding principle for NGOs' work. However, although they are subject to organisational pressures they differ from government aid donors in that they generally have less need to take geopolitical pressures into account when planning their strategies, as they tend to work alongside governments rather than through them.

The majority of NGOs think that some forms of donor aid to middle-income countries should continue; in the main, they would be positioned somewhere between schools of thought two and three on the typology of approaches. Having said this, it is worth remembering that the positions are not mutually exclusive.

General principles on aid to middle-income countries

1

Poor people matter wherever they are

As described in our 'poor people matter' school of thought, most poor people live in middle-income countries. It is not enough for donors to assume that middle-income country governments will deal with eradicating this poverty, when experience and evidence show that some can't and others don't. Aid decisions should not be based on a country's income status, GDP per capita, alone. Instead, decisions about aid allocations should use broader development and inequality criteria (see below). Clearly, if aid were allocated according to objective development criteria, the largest volume of aid would flow to low, not middle-income countries. Middle-income countries but income (and GNI/GDP) criteria alone should not be used to make decisions about stopping aid either.

2

Inequality and vulnerability matter

Economic poverty is important – if you live on less than \$2 a day you are unlikely to enjoy much quality of life or many freedoms in the Amartya Sen sense.²³ But other dimensions matter too. Economic inequality is also important, both because poverty is unlikely to be eradicated without reducing inequality, and because inequality itself damages social cohesion, contributing to conflict and fragility.²⁴ This has important consequences for the current debate. Economic inequality tends to increase, not decrease, as GDP rises – so middle-income countries tend to be more unequal than low-income countries, and upper-middle-income countries more unequal than lower-middle-income countries. This is not always the case – Brazil, for example, has bucked this trend – but it is true on average. Therefore income status is a poor indicator for aid allocation, not only because it masks numbers of poor people but because it indicates nothing about levels of economic inequality.

Furthermore, economic inequality is not the only inequality that matters. Inequality can also exist along many other dimensions – gender, ethnicity, social class, caste, HIV status and disability are just some of them. The people discriminated against in these inequalities tend to be the more vulnerable groups in a society (as well as the poorest). Aid should be empowering these groups, both as an end in itself and because it is the most effective way to tackle poverty. As with economic inequality, GDP per capita – a country's income status – doesn't indicate the extent of social exclusion in the country.

3

Aid should act as a game-changer as well as reduce poverty directly

To address discrepancies between the volume of aid and needs in developing countries, many civil society organisations support the idea of aid as a game-changer, part of the 'global community matters' third school of thought. This should be at least part of aid's role in middle-income countries, but this does not preclude some low-income country aid being used in this way. However, in low-income countries the direct poverty-reducing role of aid will continue to be very important as well.

This would mean targeting aid on knowledge-sharing, testing of innovative ideas and creating connections between different sectors. Practical examples might include support for improving tax systems, facilitating the setting up of social protection or removal of bottlenecks to service delivery, tackling barriers to participation in health or education, or supporting poor people to hold their governments to account. The latter area is crucial and can operate at many levels including support to empower poor and vulnerable people to act to ensure their rights are realised – for example, that they get the basic food supplies, or school places that they are entitled to. In many countries the barrier is not policy but its implementation.

Aid effectiveness principles must be kept central to decisions about how aid is used, to help ensure that poor people are the main beneficiaries of aid.

4

Both aid and global public goods can happen

Donor thinking, particularly in the EU, appears to be shifting away from the traditional donor-recipient relationship, at least for some of the more powerful middle-income countries. This is prompted by the global geopolitical shift and accompanying changing power relations. For poor people, this shift may have both negative and positive implications. For example, geopolitical and commercial considerations may dominate over poverty eradication in relationships between countries. Conversely, if proposals that all countries should be contributing to “global public goods” develop further, this will have beneficial affects for poor people.

Where middle-income countries still have many poor people and high levels of inequality, many NGOs believe that these countries should still receive aid targeted at poverty reduction. However, a dual approach is possible and desirable. Alongside aid funding, it is possible to start to move towards the vision of a global public sector, where all countries contribute internationally to funding global public goods – that is, solutions to global problems such as climate change. In so far as poverty is viewed as a responsibility of the global community, the roles of aid and the global public sector may meet – although eventually the role of bilateral ODA may lessen.

5

Different actors have different roles

Aid is channelled via a number of actors, including national governments, NGOs and global partnerships. These have different roles. In general, national governments coordinate and lead implementation of the national development strategy, and ensure service delivery, NGOs empower people to hold the government to account and global partnerships facilitate development of global public goods and international policy.

Aid via national governments is usually largest in volume (with exceptions – at least eight fragile states receive no aid at all in this way²⁵) and most likely to be aimed at direct poverty reduction. Therefore, while it may be appropriate in some middle-income countries to reduce aid via the government, retaining contributions channelled via NGOs or global partnerships remains important.

The appropriate roles for different actors will vary in specific country contexts, for example, the presence of a functioning institutional framework, and the space for NGOs to advocate for game changing interventions in the context of powerful government or private sector interests.

6

Gradual ending to aid

Where a decision is made to stop a bilateral aid programme, it should be phased out in a planned and predictable way, not cut abruptly, and there should be a clear exit strategy agreed between the donor and the developing country (including civil society). In many middle-income countries, the strategy is likely to focus on using aid as a game-changer to set the country on a road to reducing inequality.²⁶ In addition, this could also be a time to review both countries’ contribution to efforts to address the structural causes of poverty, both for the particular country and globally.

RECOMMENDATIONS

Recommendations for all donors

All donors should:

- make no assumptions that middle-income countries, or upper-middle-income countries will stop receiving aid. Income status alone should not be used to make decisions about stopping aid
- allocate aid based on development needs, including poverty, inequality and vulnerability dimensions, using indicators that measure quality of life (such as the human development index or the multidimensional poverty index). Another possible focus could be the presence or size of geographical concentrations of poverty
- base the indicators on objective criteria and on evidence of how these are met and apply them transparently
- refrain from making aid allocation decisions motivated by commercial gain or geopolitical relationship building, and keep aid effectiveness principles central to decisions about how aid is used
- recognise the complementary roles of government and civil society organisations in development and target aid appropriately for the country context recognising that one size does not fit all
- where appropriate, target aid on game changing interventions, in particular aimed at reducing inequality
- where bilateral aid programmes are stopped, phase out gradually rather than abruptly, according to a clear exit strategy agreed with the middle-income country (including civil society).
- leave the door open to reinstate bilateral aid where circumstances change. Development is not linear and sometimes countries which previously had not met criteria for aid will start to meet them again
- contribute to the development of institutions and funding for global public goods
- tackle the structural causes of poverty, going beyond aid in development policy

Recommendation for the EU

The EU should apply the recommendations for all donors. In practice, this will mean that the EU should:

- use the criteria proposed by the European Parliament (or similar) for Development Cooperation Instrument aid. This would mean aid would not be cut to some of the proposed countries – for example, eight of them meet all four of the current criteria²⁷
- continue to use the Development Cooperation Instrument thematic instruments to fund civil society where it is fulfilling a game-changing role in middle-income countries, including those without bilateral aid programmes
- shape the new Partnership Instrument, which will not provide aid under the ODA definition, as the start of an EU contribution to an emerging global public sector. This should fund genuine public goods such as climate change mitigation, rather than focussing on narrowly defined short-term EU interests. The recommended approach will in the long run pay dividends in terms of EU self-interest
- continue to ensure aid is spent according to the development priorities and needs of the recipient country, and according to aid effectiveness principles, in particular looking beyond blending, whose role in poverty eradication is limited as best
- strengthen thinking on and implementation of policy coherence for development²⁸, not least in relation to the Partnership Instrument, as well as improving EU policy coherence. This could support emerging countries in adopting coherent policies with their own neighbours

Recommendations for UK

The UK government should apply the recommendations for all donors above. In practice this will mean that the UK should:

- apply objective poverty and development criteria to all aid reviews aiming to reduce politically motivated decisions to a minimum
- add an inequality indicator to the needs index
- press the EU to base its aid allocation decisions on development and inequality indicators rather than on income alone

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- ¹¹ All bilateral and 90 per cent of thematic funding must be ODA
- ¹² The countries being discussed as possible exceptions are Colombia, Cuba, Ecuador, Peru and South Africa.
- ¹³ The indicators are: human development index, poverty headcount ratio, poverty gap index, and Gini co-efficient. The EP has proposed cut-off criteria for all.
- ¹⁴ Argentina, Brazil, Chile, China, Colombia, Costa Rica, Ecuador, Kazakhstan, Iran, Malaysia, Maldives, Mexico, Panama, Peru, Thailand, Venezuela, Uruguay, Cuba, South Africa.
- ¹⁵ India and Indonesia
- ¹⁶ For detailed analysis see appendix in Bond/ODI (2013) op cit.
- ¹⁷ Herbert, S (2013) *The future of EU aid in middle-income countries: the case of South Africa*, ODI
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- ²⁸ Policy coherence for development is an EU doctrine whereby all EU policies in all areas should support, and certainly not undermine, poverty reduction in developing countries



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