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REFRAMING AID IN A WORLD WHERE THE POOR LIVE IN EMERGING ECONOMIES

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Abstract
This special issue of International Development Policy analyses the major shifts affecting traditional development assistance, particularly with regard to global public policy and the emerging economies. In this introductory chapter, the authors examine the changing development landscape and the shifting geography of poverty to question the role of aid organisations in middle-income economies (MICs). They argue that continued donor engagement in these richer countries is warranted for two reasons. First, and in the best interest of lower-income countries (LICs), traditional donors and MICs must cooperate in the design and implementation of global policies to protect global public goods. Second, foreign aid agencies can assist MICs in reducing poverty at home. They must, however, tread lightly in this political endeavour that often implies supporting domestic drivers of change in pushing for tax reform and improved public service delivery. The authors focus in particular on the pivotal role of the emerging middle classes and civil society organisations in MICs. Finally, they introduce policy coherence for sustainable development as a shared framework for MICs and high-income countries (HICs) to effectively address the poverty and global public goods agendas.

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1. Introduction
The landscape for aid is undergoing a major international rethink (Evans, 2010). Many are grappling with the question of how aid can be done better – for example, via an aid transparency and accountability revolution (Barder, 2009) or conditional cash transfers and output-based aid (Birdsall and Savedoff, 2010). Others are stepping back from the aid paradigm altogether and beginning to
explore possible alternatives to international development cooperation. They argue that contemporary aid effectiveness debates have missed the point by focusing solely on the quality or quantity of aid, rather than discussing wider structural issues (see e.g. Fischer, 2010).

The very definition of what aid is and what it hopes to achieve are increasingly on the table for discussion, and the scope for a new kind of development assistance – an Aid 2.0 – is increasingly evident.1 The global development landscape is currently undergoing significant changes. In this chapter, we focus on three of them that will largely contribute to determining the future of aid.

First, there is a shift in the geography of poverty. The traditional remit of development assistance has long been to alleviate poverty and promote socioeconomic development in poor countries. Yet, today, the vast majority of the world’s poor do not live in the poorest countries, but in middle-income ones (MICs). Over the past 15 years, many developing economies have grown substantially and graduated from low-income (LICs) to MICs. In these richer economies, international development assistance typically accounts for a very limited share of gross domestic product (GDP) and government revenue. Hence aid tends to play only a marginal role in MICs. The transfer of official development assistance (ODA) to these countries has been put into question because of their capacity to finance their own development without foreign aid. Poverty alleviation increasingly depends on domestic policies in the MICs themselves, which requires addressing inequality through political engagement rather than technical approaches.

Second, there is a mushrooming of new aid donors. Over the past few years, large MICs such as Brazil, China, India and South Africa have become significant donors themselves: non-traditional donor states (meaning non-members of the Development Assistance Committee – DAC) accounted for about US$10 billion a year in 2010 – a doubling since 2005. The emergence of these bilateral donors together with the rise of large private donors erodes the de facto oligopoly exerted by the DAC members. Increasing donor competition opens new doors to address development challenges but it may also diminish the power of aid conditionality.

Third, the international cooperation agenda increasingly centres on the provision of global public goods or the fight against global public bads. This has resulted in the mushrooming of new financing and delivery modalities and of innovative finance mechanisms, most notably in the area of public health and climate change. Bilateral and multilateral aid agencies – willingly or unwillingly – focus ever more on financing, implementing and monitoring global public policies whose scope and objectives go well beyond poverty reduction. Such global public policies address biodiversity, peace and security, public health, energy security, financial stability, migration, environmental degradation and other issues that are critical not only for developing countries, but for donors as well.

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1 For early suggestions on Aid 2.0 see these examples: www.owen.org/blog/3397 and www.how-matters.org/2010/08/05/development-aid-2-0 (accessed on 11 October 2011).