



BLOG POST November 23rd 2017

Keeping the MICs on board is beyond price

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🕒 Reading time: 5 min



At the last meeting of its Development Committee, the World Bank had lengthy discussions on a possible capital increase to enable the institution (the IBRD component of the World Bank group) to maintain, then increase its financing volumes, especially for the middle-income countries. In December 2017, at the invitation of the French President Emmanuel Macron, a summit will be held in Paris with a view to taking new action on climate change financing, two years after COP21. The two events appear to be separate, but are in actual fact connected.

For the last 20 years, the central paradigm of international development cooperation has been one of poverty eradication. But it is now about combating climate change, and will be even more so in the future. However, this combat does not erase the issue of poverty. The poor will be the first to suffer, although the disruptive potential of climate change will spare no one, especially not this vast global middle class that has emerged with globalisation.

Poverty and climate are part of the coherent, consensual package formed by the Sustainable Development Goals (SDGs).

The World Bank lists [218 economies in the world](#) (independent countries and territories); 78 are high-income economies, 31 are low-income economies, and 109 are lower and upper middle-income economies. In total, 75% of the world's population lives in middle-income countries (MICs), compared to 70% in 1960.

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Moreover, there were 21 least developed countries (LDCs) in 1971, the year that this category of particularly fragile countries was created, compared to 47 today.

The current context is therefore one of an increase in the number of the most fragile, poorest countries, with the majority of poor people (three quarters) living in MICs, and these countries accounting for the bulk of the emerging middle classes. The fact remains that when it comes to reaching an international consensus on what must be done to implement the Paris Agreement, the international community being what it is—a world of states—half of the countries concerned account for this global middle class, whose active participation is essential to the functioning of multilateralism. Yet the discussions underway at the World Bank, the OECD Development Assistance Committee (DAC), and even the European Union, all place the emphasis on the current or future consequences for the MICs of their new (relative) wealth.

These consequences are the same everywhere: above a certain per capita income level, the most concessional financing tools—the World Bank International Development Association (IDA), the financial assistance planned by the European Commission on a country basis (National Indicative Programme, NIP)—are no longer available to the MICs. The bilateral donors that have made poverty eradication the backbone of their action—led by the Department for International Development (DFID)—discontinue their programmes in “bankable” countries. Initially technical, the debate is now rapidly becoming political: the “graduation” of concessional windows is too rapidly assumed to mean something it does not, in other words the end of access to any kind of official development assistance (ODA), and thus a form of exclusion. The—collective—need to successfully implement the Paris Agreement provides the opportunity to establish new foundations for the debate. The first of these is the multifaceted nature of poverty (poor countries and poor people in the MICs, or even in the so-called wealthy countries) and the growing importance of the question of inequalities, both between countries and within countries.

These multiple facets call for a response that is itself multifaceted, and is the one outlined by the SDGs. The second is the volume of resources needed for the implementation of the SDGs and the Paris Agreement, the two being intrinsically linked. These resources are first national, then international, public and private, and non-concessional for the most part. In the MICs, the role of public international resources (including those which, for accounting purposes, classify ODA according to the OECD's definition) is to accompany the public policies required for the success of transitions (ecological, social, etc.), to support innovation, to foster risk taking and to do so in the long term. The classical tools of the development banks are perfectly suited to this purpose. Where grants are necessary, the mechanisms already exist (especially in Europe), and need to gain momentum—in other words, to do more, since the requirements linked to the ecological and social transitions are substantial. Some of these resources are ODA.

[1] There is no reason to exclude the MICs from accessing them; the success of these transitions is a global public good. Other resources depend on the capacity of banks to increase the volume of their loans. This is the thrust of the discussions underway in Washington. It is the reason why the balance sheet of the French Development Agency (AFD), which is planning a 50% expansion of its activity by 2020 (which implies doubling it in the MICs) has been

increased. It explains the rationale behind the increase in resources at the Asian Development Bank, the several capital increases (all successful) at the CAF (Development Bank of Latin America), and is one of the reasons for the creation of the Asian Infrastructure Investment Bank (AIIB). For the poorest countries, where international public finance fills the savings gap, which cannot be addressed by capital markets or development banks, the issue is one of ODA in the classical sense of the word. It is clear that the most vulnerable of these countries do not get what they need from donors, from the OECD or elsewhere (France could—and will—do more in this respect). There is no doubt that they will be the first to suffer the effects of climate change and that their own fragility makes them vulnerable to crises. The need for assistance to the poorest countries already existed prior to the Paris Agreement, which nevertheless reminds us just how pressing it is.

This is the core mandate of ODA, enhanced by the integration of climate issues and crisis situations, etc. These dimensions of international development cooperation are complementary, non-exclusive and of equal importance. [1] Read Voituriez, T., Vaillé, J. (2017). [What rationales for ODA? Main donors' objectives and implications for France](#). IDDRI, *Working Papers* N°01/17. Photo : © DR

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