Literature review

From aid to development partnerships

Lessons from the literature and implications of the Covid-19 crisis

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Abstract

Donor governments tend to reconsider the scale and modalities of their development cooperation programmes when recipient countries move up the income per capita ladder. More and more countries have joined the middle-income group in the past 15 years. However, the evidence about what aid cuts and different aid modalities mean for recipient countries and the strategies and policies development partners should deploy when phasing out their cooperation programmes has been scant.

A growing body of analysis has attempted to shed light on some of these questions, often labelled with the short-hand 'transition finance'. This literature review summarises the main findings and recommendations from this literature, as well as identifying gaps and areas for future research. The review also clarifies what transition, exit and graduation from aid mean, comparing criteria and policies across bilateral and multilateral donors.

The short-term 'shock' of the Covid-19 pandemic has affected the medium-term growth prospects of countries across the world differently. With several countries not expected to recover to their pre-pandemic levels of economic activity until 2024, the crisis has certainly slowed down the trajectory of many countries becoming less reliant on aid, and increased the demand for international public finance to support the health emergency and economic recovery.

Pressure to cut aid budgets in many donor countries is growing, but so are the financing gaps and requests for technical support in many low- and middle-income economies to respond to the Covid-19 crisis. The findings and recommendations from the literature on 'transition finance' can help to identify how development assistance can be deployed most effectively across countries and contexts at times when aid budgets are squeezed.

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Acronyms

ADF	Asian Development Fund
AfDB	African Development Bank
AfDF	African Development Fund
AIIB	Asian Infrastructure Investment Bank
AsDB	Asian Development Bank
BADEA	Arab Bank for Economic Development in Africa
BMZ	Federal Ministry of Economic Cooperation and Development
BOAD	West African Development Bank (Banque Ouest Africaine de Développement)
BSTDB	Black Sea Trade and Development Bank
CABEI	Central American Bank for Economic Integration
CAF	Development Bank of Latin America
CDB	Caribbean Development Bank
COL	concessional ordinary capital resources (OCR) loan
DAC	Development Assistance Committee
DFID	Department for International Development
ECOWAS	Economic Community of West African States
EADB	East African Development Bank
EBID	ECOWAS Bank for Investment and Development
EBRD	European Bank for Reconstruction and Development
EDB	Eurasian Development Bank
ETDB	Economic Cooperation Organization Trade and Development Bank
FCDO	Foreign, Commonwealth and Development Office
G20	Group of 20
Gavi	the Vaccine Alliance (formerly Global Alliance for Vaccines and Immunization)
GDP	gross domestic product
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GNI	gross national income
GPG	global public good
HIC	high-income country
IBRD	International Bank for Reconstruction and Development

ICAI	Independent Commission on Aid Impact
IDA	International Development Association
IADB	InterAmerican Development Bank
IFAD	International Fund for Agricultural Development
IIB	International Investment Bank
IMF	International Monetary Fund
IOB	Institute of Development Policy
IsDB	Islamic Development Bank
LDC	least developed country
LIC	low-income country
LMIC	lower-middle-income country
MDB	multilateral development bank
MIC	middle-income country
NDB	New Development Bank
NGO	non-governmental organisation
OCR	ordinary capital resources
ODA	official development assistance
ODF	official development finance
OECD	Organisation for Economic Co-operation and Development
OFID	OPEC (Organization of the Petroleum Exporting Countries) Fund for International Development
OOF	other official flows
Sida	Swedish International Development Cooperation Agency
TDB	Eastern and Southern African Trade and Development Bank
UMIC	upper-middle-income country
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WEO	World Economic Outlook

1 Introduction

As a recipient country approaches or joins the group of middle-income countries (MICs), donor governments reconsider the scale and modalities of their development cooperation programmes (Jalles d'Orey and Prizzon, 2019). For example, when a country crosses the World Bank's operational cut-off for the International Development Association (IDA) – not overlapping but very similar to the middle-income threshold – evidence suggests that donors cut their bilateral development cooperation programmes (Knack et al., 2013).

Why is that the case? First, donors might have to prioritise their budgets for the poorest countries and most challenging contexts, where funding might be most needed or most effective in tackling poverty, reducing inequality and improving socioeconomic development. Second, many of the poorest and most fragile countries also tend to value development assistance highly as it is one of the few external financing options they can rely on. Countries higher up the income per capita scale, instead, usually have access to other financing sources than development assistance and at a much larger scale – from tax revenues to borrowing from international capital markets (Kharas et al., 2014).[1] Finally, domestic constituencies in donor countries often challenge whether taxpayers' money should be transferred to countries that could afford, in principle, their own national investment and spending.

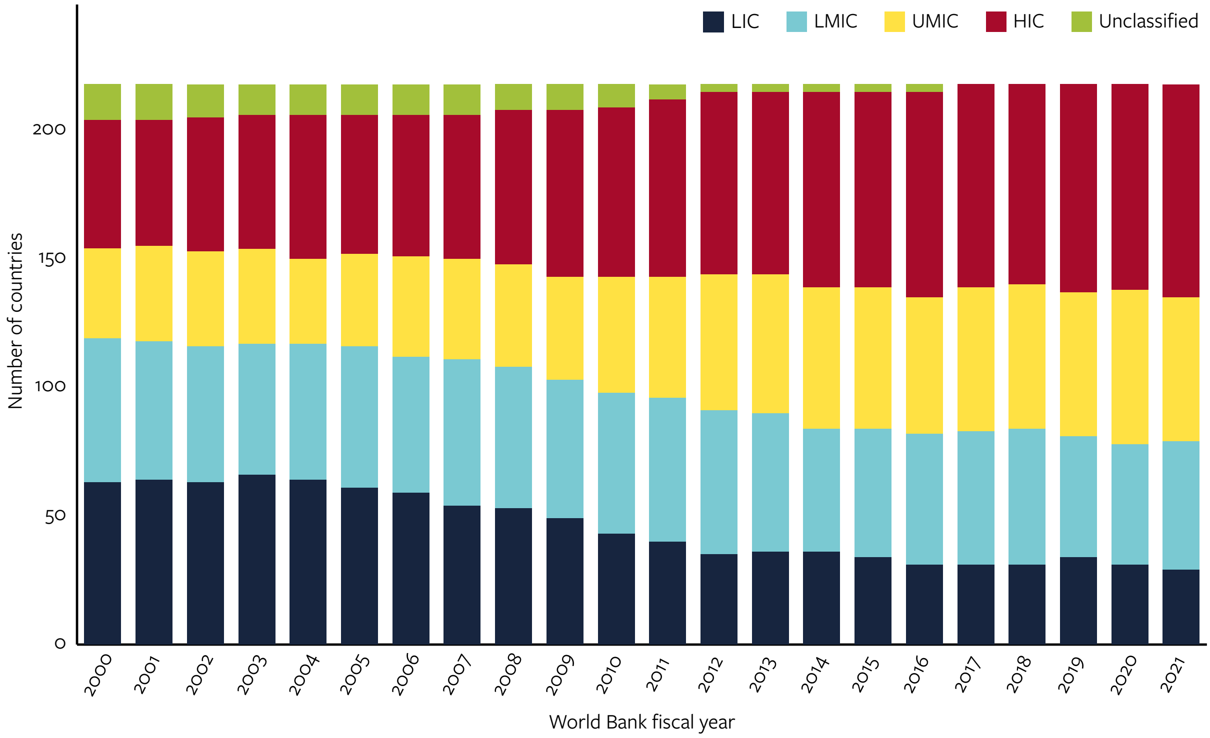
The transition away from bilateral programmes is not itself an issue. Socioeconomic progress might simply mean that development assistance is no longer needed or sought. But scaling back or phasing out a bilateral programme becomes an issue when a country's challenges are still severe and alternative funding other than aid is scarce. Negotiating and managing aid programmes also offers a platform for structured and regular opportunities for dialogue on government policies, helps to build trust between countries and enables knowledge-sharing. These opportunities can cease when bilateral aid programmes end. The transition also becomes problematic for diplomatic and commercial relations when bilateral aid ends abruptly and trust is compromised (Jalles d'Orey and Prizzon, 2019). Lastly, if the crisis brought on by the Covid-19 pandemic has shown anything, it is that economic shocks and vulnerability are increasing and becoming more frequent. This applies to all countries, independent of their income per capita.

The literature on the factors driving aid allocation is extensive and authoritative (e.g. Alesina and Dollar; 2000; Dollar and Levin, 2004; McGillivray, 2004), but it does not investigate the other side of the coin, i.e. the conditions under which bilateral aid flows are phased out. This is not an academic or theoretical question. In recent years, several development partners (Global Affairs Canada, the United Kingdom (UK)'s Foreign, Commonwealth and Development Office (FCDO) (formerly the Department for International Development, DFID) and the United States Agency for International Development (USAID), to name a few) have introduced new policies and

1 The focus of this note is on development rather than humanitarian assistance.

approaches to aid programmes when they phase out their bilateral development assistance or in the context of MICs. Reflecting strong and often sustained economic growth in most parts of the developing world, at least until the Covid-19 crisis hit, many more countries have indeed joined the MIC group in recent years. Only 29 economies were classified as low-income in 2019, half as many as in 2004 (World Bank, 2020) (Figure 1).

Figure 1 World Bank analytical classification 2000–2019



Note: As of FY2021 low-income countries (LICs) are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of $1,035 or less in 2019; lower-middle-income economies (LMICs) between $1,036 and $4,045; upper-middle-income countries (UMICs) between $4,046 and $12,535; high-income countries (HICs) of $12,536 or more.
Source: Authors' elaboration based on World Bank (2020).

Experts are also increasingly shifting their attention away from traditional approaches of development cooperation based on donor–recipient relations towards a model of 'global public investment' where countries contribute to a common pool to tackle global challenges (Glennie, 2020). The Covid-19 crisis is a stark reminder that collective investment in global public goods (GPGs) is needed to achieve common goals and tackle challenges across all countries, including pandemics, climate change and security (Prizzon, 2020).

We have little evidence, however, about how aid modalities change when aid flows are cut; what this means for recipient countries; and how development partners phase out their bilateral cooperation programmes and consider new approaches for international cooperation in practice.

A growing body of analysis has attempted to shed light on some of these issues across sectors[2] and beyond programme evaluations[3] (ICAI, 2016; IOB Evaluation, 2016; Rose et al., 2017; Calleja and Prizzon, 2019; Engen and Prizzon, 2019; Gatti and Mohpal, 2019; Jalles d'Orey and Prizzon, 2019; Morris and Lu, 2019; Piemonte et al., 2020; UN, 2020). This is often labelled with the short-hand 'transition finance'.[4] This literature review focuses first on how volumes and modalities of aid and development finance evolve as countries move up the income per capita ladder and graduate from concessional windows of multilateral development banks (MDBs). Second, several of these contributions analyse whether and how development partners define and plan the transition away from aid.

This literature review has four objectives and respective chapters:

- Clarify what transition and exit from aid mean, reviewing and comparing the criteria triggering these decisions across bilateral and multilateral donors (Chapter 2).
- Summarise the evidence and policy recommendations in the literature on 'transition finance' in 10 main points (Chapter 3).
- Analyse how the Covid-19 crisis could affect future income reclassifications, the main trigger for the decisions on transition, exit and graduation, and whether the 'transition finance' agenda will remain relevant post-crisis (Chapter 4).
- Identify gaps and areas for future research (Chapter 5).

2 Most of the literature has focused on the health sector (See Yamey et al. (2019) for a review) rather than other sectors and overall allocation policies.

3 See Slob and Jerve (2008) on programme evaluations for the Swedish International Development Cooperation Agency (Sida), Netherland's Ministry of Foreign Affairs, Ministry of Foreign Affairs of Denmark and the Norwegian Agency for Development Cooperation.

4 'Transition finance' can also refer to the transition from humanitarian to development assistance, as well as the transition from fossil fuels to low-carbon energy.

2 Transition, exit and graduation: definitions and criteria

'Exit' from bilateral programmes means a recipient country no longer receives financial support from a bilateral development partner (Engen and Prizzon, 2019). This can be either de jure (the recipient country no longer meeting certain eligibility criteria) or de facto (when programmes are no longer in place even before the country no longer meets the criteria and/or assistance is no longer requested). Graduation is considered a synonym of 'exit'. More precisely, it refers to assistance phased out from MDBs and vertical funds. In the case of the concessional windows of the World Bank, the African Development Bank (AfDB) and the Asian Development Bank (AsDB), graduation from concessional assistance means that the country is still eligible for funding, but the financial terms and conditions of loans become less favourable (Table 2). When a country graduates from a non-concessional window, it can no longer receive assistance from the MDB (but it can pay for it: e.g. reimbursable technical assistance).

We define 'transition' from aid – the focus of this literature review – as the period before 'exit' from bilateral programmes. Transition might last several years, during which the volume of concessional finance normally falls and instruments evolve away from grants and concessional loans towards more expensive options and often a greater focus on technical cooperation and policy dialogue (Calleja and Prizzon, 2019). This is not necessarily a linear process either, and there might be a risk of reversal if a country is exposed to severe economic shocks or disasters (Jalles d'Orey and Prizzon, 2019).

Table 1 summarises the motivations that could trigger the transition from aid, with some examples from the supply and demand side of development cooperation: political or security reasons; budget cuts in the bilateral aid programme – including reducing the fragmentation of the aid portfolio across countries by concentrating programmes in fewer recipient countries (OECD, 2009); the criteria for transition have been met and the country has improved its socioeconomic indicators and fiscal space; beneficiary countries might want to reduce dependency on aid; beneficiary countries have access to greater volumes of resources other than aid (see Jalles d'Orey and Prizzon, 2019, and Calleja and Prizzon, 2019).

Table 1 What drives the decision to transition away from bilateral development cooperation programmes? A supply- and demand-side summary

Supply- or demand-side	Driver	Example
Supply	Political or security reasons	USAID temporarily closed offices in Liberia (security reasons) or was forced to close its office in Ecuador (political reasons)
	Budget cuts in the bilateral aid programme	South-east Asia as a result of budget cuts in 2014 in Australia
	Criteria for transition and exit/graduation met	Chile (Germany; graduation from the list of ODA eligible countries); Costa Rica (United States)
Demand	Beneficiary country aiming to end dependency on aid and/or donor policy influence	Ghana, India, Rwanda in their policy documents or statements
	Financing options available other than concessional assistance	Countries graduating from soft windows of MDBs and access international capital markets (e.g. Viet Nam)

Note: USAID, United States Agency for International Development; ODA, overseas development assistance; MDB, multilateral development bank.
Source: Authors' elaboration based on Jalles d'Orey and Prizzon (2019) and Calleja and Prizzon (2019).

Several development partners have criteria and policies in place to define and trigger transition, exit and graduation from development cooperation programmes. Table 2 illustrates these, and we summarise some of their commonalities and limitations across bilateral and multilateral development partners here:

- The vast majority of bilateral development partners and several MDBs do not have explicit criteria and policies triggering the transition away from aid programmes and defining when operations have to cease.[5] In the case of bilateral donors, the absence of criteria and policies on transition provides greater flexibility and reflects the political nature of aid allocation decisions and the evolution of priorities (Jalles d'Orey and Prizzon, 2019). Some bilateral donors decide to close their programmes only if the country is no longer eligible for official development assistance (ODA) (more later). In the case of MDBs, graduation policies are usually in place only for those institutions with a concessional lending window.

5 The EU used to have a clear set of criteria for eligibility and transition from the Development Cooperation Instrument (Jalles d'Orey and Prizzon, 2019). The new Neighbourhood, Development and International Cooperation Instrument, under which all EU instruments now converge, has recently set generic eligibility criteria for funding (e.g. needs, absorptive capacity, commitments to and progress on jointly agreed political, economic, social and environmental reform objectives, among others). See European Parliament (2021).

- MDBs and multilateral organisations tend to have a clearer set of criteria and policies setting and managing the transition from concessional development assistance and graduation compared with bilateral donors (and these criteria and policies converge among MDBs as well). Multilateral organisations work with a budget as negotiated with their member states or shareholders, to be 'replenished' usually every three years. MDBs and vertical health funds are bound to greater scrutiny, accountability and transparency regarding the allocation of their resources to the poorest countries than bilateral donors.
- In the case of MDBs, criteria and approaches for graduation from regular non-concessional assistance tend to be looser than for concessional assistance. Non-concessional finance from MDBs is certainly not unlimited, but constraints are less binding than with concessional finance to the poorest countries (non-concessional windows of MDBs raise funds in international capital markets rather than via shareholders' replenishments). Criteria for graduation from regular lending from MDBs is either not contemplated (e.g. AfDB or InterAmerican Development Bank (IADB)) or rather loose (e.g. International Bank for Reconstruction and Development (IBRD) or AsDB). This is because it often costs less to retain borrowing shareholders with low volumes or no borrowing at all in the lending portfolio than to re-engage with them when a crisis strikes (Prizzon et al., 2016). Many regional borrowing countries, independently from their income per capita or access to finance from international capital markets, revert to MDBs at times of crisis or for long-term financing needs.
- Even though policies differ across development partners, a country exceeding a specific income per capita threshold – usually lower-income – is the main explicit trigger for graduation from concessional windows of MDBs and vertical health funds and it implicitly drives the decisions of bilateral donors (Jalles d'Orey and Prizzon, 2019).
- Final decisions on exit and graduation are however driven by factors other than income per capita. These include the ability to borrow in international capital markets ('creditworthiness') in the case of MDBs and assessments of the disease burden, for vertical health funds.
- The only exception is the Organisation for Economic Co-operation and Development (OECD) list of ODA-eligible countries, which is solely based on income per capita: a country is removed from the list when it is classified as a high-income country (HIC) for three years in a row. ODA flows have usually already fallen substantially and are already close to zero when a country is removed from the list of ODA-eligible countries. The implications of ODA eligibility for aid allocation vary across development partners. For example, Germany and the UK cannot provide aid flows that do not contribute towards their ODA target (and hence to countries that have been removed from the list).[6] Others, including the European Union (EU) and Japan, albeit marginally, can provide assistance without it being ODA-eligible (but at least 93% of funding should meet the ODA eligibility criteria for the EU (European Parliament, 2021)).

6 In principle a donor could continue to provide development assistance to a country that graduated from the list, but this would not be counted against its ODA target.

- Most policies incorporate flexibility to address future shocks. In the vast majority of cases, decisions on membership and eligibility for funding can be reversed. For example, triggered by the impact of hurricanes in the Caribbean in 2017 and initiated by the UK government, additional flexibility was agreed and introduced for countries that had graduated from the list of ODA-eligible countries. Graduated high-income economies can become ODA-eligible once again if their income per capita falls back to the MIC group (UK Government, 2018). Transition and graduation criteria for selected bilateral and multilateral agencies.

Table 2 Transition and graduation criteria for selected bilateral and multilateral agencies

		Window instrument	Eligibility criteria	Transition phase	Graduation criteria	Reverse graduation
Multilateral development banks	World Bank	IDA (concessional)	GNI per capita <$1,185 (cut-off), not creditworthy; small economy exception	Blend countries: below cut-off and creditworthy Gap countries: above cut-off for two years but not creditworthy	GNI per capita >$1,185 and creditworthy	Yes
		IBRD (non-concessional)	GNI per capita >$1,185 and creditworthy	None	Highly flexible based on a country level of development and overall economic situation (including GNI per capita above the 'Graduation discussion income') and 'capacity to sustain long-term development without further recourse to the bank's financial resources'	Yes
	AfDB	AfDF (concessional)	GNI per capita <$1,185 (cut-off), not creditworthy	Blend countries: below cut-off but creditworthy Gap countries: meets cut-off but not creditworthy	GNI per capita above >$1,185 and creditworthy	Yes
		AfDB (non-concessional)	GNI per capita >$1,185 and creditworthy	No graduation policy from regular assistance		n.a.
	AsDB	AsDF (concessional)	GNI per capita <$1,185 (cut-off) or LDC, not creditworthy (Group A: ADF only, ADF blend and COL only countries)	Group B OCR blend countries: below cut-off or LDC with lack of or limited creditworthiness; or above cut-off with limited creditworthiness	GNI per capita >$1,185, not an LDC and with adequate creditworthiness (Group C Regular OCR countries)	n.a.
		AsDB (non-concessional)	GNI per capita >$1,185 and creditworthy (Group C Regular OCR countries)	None	GNI per capita, exceeding annually updated IBRD threshold ($7,065 in 2019); availability of commercial capital flows on reasonable terms; attainment of a certain level of development of key economic and social institutions	n.a.

Table 2 Transition and graduation criteria for selected bilateral and multilateral agencies (continued)

		Window instrument	Eligibility criteria	Transition phase	Graduation criteria	Reverse graduation
Multilateral development banks	IADB	Concessional finance	GNI per capita <$2,919 (cut-off) in 2017 prices and/or not creditworthy	Above cut-off but less than two consecutive years and/or lack of creditworthiness	GNI per capita >$2,919 and/or creditworthiness	n.a.
		Non-concessional finance	GNI per capita >$2,919 and/or creditworthy	No graduation policy from regular assistance		n.a.
	EBRD		n.a.	When EBRD is no longer able to find investments in any substantial market segment or sector that satisfy its three operating principles of: 1. Transition impact, defined as the contribution of a project to the creation of a sustainable well-functioning market economy 2. Additionality, requiring the Bank to bring elements to a project which alternative sources would not bring on reasonable terms 3. Sound banking, i.e. assurance that the Bank's investment is secure and provides an adequate return		n.a.
	IFAD		On 'highly concessional' terms: Eligible member states that, at the end of the year before the replenishment period: have GNI per capita <=operational cut-off (as determined by IDA annually, i.e. <=$1,185) per capita >$1,185 but not IDA gap or IDA blend countries classified by IDA as 'small state economies'	On blend terms: Eligible member states are normally those that, at the end of the year before the start of the replenishment period: have GNI per capita >$1,185 classified by IDA as a 'blend' or 'gap' country	Member states that do not meet 'highly concessional' or 'blend' terms criteria. i.e. above $1,185 GNI per capita and *not* 'IDA blend' or 'IDA gap' countries	Yes
	AIIB, BADEA, BOAD, BSTDB, CAF, CABEI, CDB, EADB, EBID, EDB, ETDB, IIB, IsDB, NDB, OFID, TDB			Eligibility criteria only, no graduation policy		No

Table 2 Transition and graduation criteria for selected bilateral and multilateral agencies (continued)

	Window instrument	Eligibility criteria	Transition phase	Graduation criteria	Reverse graduation
Vertical health funds	GFATM	LICs and LMICs with high disease burden indicators for HIV (health), tuberculosis and malaria	LMICs with low/moderate disease burden and UMICs projected to transition within 10 years focus on transition preparedness. Once ineligible, up to three years of transition funding is provided	HICs, UMICs with low or moderate disease burden	Yes
	Gavi	GNI per capita ≤$1,630 over the past three years (cut-off) (Gavi, 2021)	Phase 1 countries: above the LIC threshold but below cut-off/ eligibility threholds; additional two years in Phase 1 taking into account specific criteria on changes in income per capita (large shocks) and a WHO/UNICEF penta3 coverage estimate below 90% Phase 2 countries: above cut-off; lasts five years	Above cut-off and no longer receiving Gavi support (Phase 3 countries)	Yes
Bilateral donors	e.g. France, Germany, Japan, Republic of Korea, Sweden	No approach to transition (case-by-case approach)			
	e.g. Australia, the UK, the US	Indirect (based on aid allocation policy) or informal approach to transition			
	OECD: ODA eligibility	LICs and LMICs	None	Three years classified as HIC	Yes

Note: n.a., not applicable, also indicates lack of information. See acronyms list for all others used here. Selected examples of bilateral donors. This table does not include the criteria for graduation from the group of least developed countries (LDCs) as this affects preferential trade access rather than access to development cooperation.
Sources: Elaboration based on Prizzon (2016), Engen and Prizzon (2019), Jalles d'Orey and Prizzon (2019), United Nations, Inter-agency Task Force on Financing for Development (2020).

3 Evidence and recommendations from the literature on 'transition finance'

This chapter summarises what we learned from the literature on 'transition finance' in 10 main points.

3.1 Aid can continue to rise when countries move to the MIC group

The country-level evidence from the literature on 'transition finance' challenges the hypothesis and cross-country findings that aid might be cut and reprioritised as a country moves up the income per capita ladder (Knack et al., 2013). Comparing data for five years before and five years after all reclassifications from the LIC to the LMIC group, in their review Engen and Prizzon (2019) demonstrate that volumes of both ODA and non-concessional flows (other official flows, OOFs) from bilateral and multilateral donors increased in the vast majority of cases.

There are many reasons why MICs could still receive development assistance, including supporting economic growth and development and resilience to shocks, humanitarian response and the provision of regional and global public goods (Dissanayake et al., 2020). More specifically, in their review of eight LMICs Engen and Prizzon (2019) found that rising ODA and OOFs were often associated with geostrategic motivations: geographic location (for example, in the case of Western military action in the Middle East after 9/11 for Pakistan, or Egypt in the turbulent Middle East and North Africa region), proximity (for instance in the case of Papua New Guinea and its main development partner, Australia), disasters (as in Pakistan and Sri Lanka), or the need for institutional strengthening (Nigeria). In their reviews across UMICs, Calleja and Prizzon (2020) outline how, beginning in 2008, Mexico – a UMIC – received much more ODA than during the previous decades, and even when it was classified a LMIC. Many interviewees questioned whether the country was transitioning from aid at all, given the rise in assistance since 2008. The increase in ODA was driven by security and rule-of-law programmes to address drug trafficking and crime and support to the climate change agenda, Mexico being a strategic partner. Similar trends are reflected in the rise in ODA in Cabo Verde following its graduation from LDC status, albeit that this was provided by a smaller group of development partners (Morris et al., 2018), and in relatively stable, rather than falling, official development finance (ODF)[7] in the case of Zambia since its reclassification as a LMIC in 2011 (Kim et al., 2018).

Bilateral and multilateral development partners should consider how scarce resources could best be allocated to MICs, and how to work in these countries without diverting resources away from

7 ODF is the sum of concessional and non-concessional official finance.

the poorest economies with limited or no access to international capital markets or flat domestic revenues. In several cases where a country has been reclassified to the MIC group, aid modalities shifted away from grants towards increasingly less concessional loans (Piemonte et al., 2020; Engen and Prizzon, 2019; Kim et al., 2018; Morris et al., 2018) or assistance was reallocated away from social sectors (see Section 3.2).

3.2 As countries move up the income per capita spectrum, aid shifts away from social sectors towards productive and economic sectors

Moving away from grants and concessional loans can also change the priority sectors for which recipient countries request development assistance. For example, if non-concessional loans become the only financing option available from bilateral and multilateral development partners, governments might prioritise infrastructure development over social sectors when accessing external assistance. These latter projects do not usually generate immediate financial returns to help repay the loan. This assumption has been corroborated in several analyses:

- Gatti and Mohpal (2019) confirm that, as countries graduate from IDA and lending terms harden, investment in 'soft sectors' declines.
- Morris and Lu (2019) find that, when countries borrowed for agriculture, they tended to invest in 'hard' agricultural projects – large-scale and/or commercial-oriented investments – rather than 'soft' projects encompassing social-oriented and small-scale investments. Governments prioritised initiatives that were more commercial, focused on infrastructure and of bigger volumes.
- Piemonte et al. (2019) also find that the share of OOFs in external finance becomes greater than the share of ODA for productive sectors and infrastructure as countries move up the income per capita ladder, with a substitution effect with spending in social sectors.

As countries progress up the income per capita ladder and move away from grants towards concessional and then non-concessional loans, recipient country governments can be reluctant to borrow for certain sectors if non-concessional loans are the only option. In their review of eight LMICs, Engen and Prizzon (2019) find that their governments tended to be reluctant to borrow for 'soft' sectors – those related to human development, such as education, health and social protection. Loans were more likely to be invested in infrastructure development. This mirrors trends observed for public finance, with spending in the social sectors falling in some of the countries reviewed. This was also the case for decisions on financing rural development (Prizzon et al., 2020) and education (Rogerson and Jalles d'Orey, 2016). This impact on preferences and decisions on sectors of bilateral and multilateral programmes should be considered in the strategic approach and the set of instruments development partners continue to offer.

3.3 The 'missing middle' of development finance for LMICs: aid falls before tax revenues pick up

As they grow, MICs can find themselves stuck in what has been defined as the 'missing middle' of development finance – when the total public resources available to a country (tax revenues and ODF) fall as a share of gross domestic product (GDP) after it transitions from LIC status, and recover only when it is well into MIC status (Kharas et al., 2014).

In their country studies, Engen and Prizzon (2019) find that ODF continued to expand after the reclassification from LIC, but not as fast as GDP. This means that the share of ODF over GDP was falling as the country's income per capita was growing. While in several cases tax revenue as a share of GDP increased as the country moved away from low-income status, this was not enough to compensate for the dip in ODF as a share of GDP. In some countries, the 'missing middle' of development finance was particularly pronounced: not only did ODF as a share of GDP fall, but so too did tax revenue (Nigeria, Papua New Guinea and Sri Lanka).

This evidence calls bilateral donors to consider the ability of beneficiary countries to access alternative financing options before phasing out their programmes. Transition and exit might take place well before tax revenues – or access to international capital markets – have increased sufficiently to compensate for the fall in development assistance. Furthermore, development partners should help address the 'missing middle' by boosting non-concessional sovereign lending (especially the non-concessional windows of the MDBs but noting that countries might consider non-concessional finance for certain sectors only; see Section 3.2). Non-concessional finance from MDBs is still cheaper than borrowing from domestic or international capital markets for many countries, with less pressure on future public debt sustainability. With tax revenue falling as a share of GDP, development partners should also continue their efforts on tax policy and tax administration reform to help recipient countries boost tax revenues.

3.4 MICs still value development assistance, especially policy dialogue and technical cooperation

In the analysis by Calleja and Prizzon (2019), government officials in those UMICs or HICs reviewed (Botswana, Chile, Mexico and the Republic of Korea) did not express concerns about losing access to funding, even at the early stages of the transition from aid. In each case, ODA inflows contributed only a small share of the budget. By the time countries were reclassified as UMICs, further reductions in flows (or their complete cut) did not affect project delivery when handed over to the government. Declining ODA resources were more than offset by access to market resources or simply by raising tax revenues.

Rather than funding, government officials in those countries reviewed were concerned about losing the channels for policy dialogue and technical assistance that often accompany loans and grants from bilateral and multilateral partners. Government officials from Botswana, Chile and

Mexico pointed to capacity gaps in planning and implementation as persistent challenges. While access to donor funding fell, officials in Botswana and Chile continued to value donor support for learning and capacity development, and project planning and implementation. This is also confirmed for the case of Chile in Cattaneo et al. (2020).

Multilateral fora and financiers are one option to help address this gap in policy dialogue and technical assistance (see Sections 3.6 and 3.7). However, they are only a partial fix as instruments for peer learning and policy dialogue beyond aid are small in scale. They are also often not an option for donor countries whose programmes are restricted to countries still eligible for ODA (Chapter 2).

3.5 Instruments and modalities for joint planning and collaboration should be explored

Calleja and Prizzon (2019) find that joint funds for development cooperation, largely deployed in Mexico, have proved useful in building policy and implementation capacity in the transition from donor–recipient relationships to development partnerships between countries. Joint funds are with bilateral partners – long-standing or more recent donors, including Chile, Germany, Spain and Uruguay. They are funded equally between Mexico and its partners. The funds are designed for partners to share responsibility for programming the fund's resources. Money allocated to the joint funds with Germany and Spain can be used, for example, to finance triangular cooperation activities in third countries or to support projects within Mexico. Resources from the funds with Chile and Uruguay contribute to South–South cooperation between partner countries or in third-country partners.

Beyond the example of the joint funds in Mexico and Latin America, we did not identify in the literature any study assessing specific instruments to help the transition from donor–recipient relations.

3.6 The multilateral development finance system stays when bilateral donors have left

As Table 2 in Chapter 2 shows, countries can still borrow from non-concessional windows of MDBs even though they are high-income economies (including countries that graduated from the OECD list of ODA-eligible countries), at least in principle. The graduation from soft windows of MDBs changes both the terms and conditions – making instruments more expensive – and potentially the volume – which could be higher as there is no fixed country allocation. For many countries, the terms of non-concessional assistance from MDBs are, however, often still better than market rates.

Beyond financial assistance, MDBs could still offer countries technical assistance, via investment or development policy financing or reimbursable assistance, spaces and opportunities for policy dialogue and joint research projects (see Calleja and Prizzon, 2019). The country presence or operations of MDBs even beyond the graduation from ODA could offer a platform for bilateral donors to continue collaborating, at least indirectly, with countries where bilateral programmes are no longer in place. The creation of local offices of multilateral organisations – research and policy centres, as with the World Bank in Chile and the OECD in Mexico, and with the World Bank, the United Nations Development Programme and OECD in the Republic of Korea – also provided a space for policy dialogue and helped these countries become knowledge hubs in specific areas (e.g. financial development and knowledge sharing).

3.7 International forums and regional cooperation as a space for policy engagement and peer learning beyond aid

In the analysis by Calleja and Prizzon (2019) on the transition paths of Botswana, Chile, Mexico and the Republic of Korea, government and national interviewees stressed how multilateral spaces – including the OECD, Group of 20 (G20), Pacific Alliance and Southern African Development Community (SADC) – were valued as key forums for policy dialogue and technical cooperation beyond aid relations.

Chile, Mexico and the Republic of Korea viewed the OECD as a particularly useful forum for the exchange of best practices on issues such as development cooperation and climate and environmental policy. International forums provide an opportunity for knowledge sharing and peer learning on policy issues such as development cooperation or climate change, especially when bilateral development cooperation programmes are phased out.

Multilateral spaces cannot replace bilateral dialogue entirely. Several countries would see options restricted to the United Nations (UN) and regional bodies, rather than the smaller groups of the G20 and OECD. Tailoring advice can also be challenging in large-scale settings; lack of travel budget, at least pre-Covid-19, can limit opportunities to participate in multilateral fora.

3.8 Aid moves away from NGOs too, and well before governments

In their country study analyses, Calleja and Prizzon (2019) highlight how the transition from bilateral country programmes disproportionately affected domestic non-governmental organisations (NGOs). These were often the first to feel the effects of donor exit, with funding cuts arising without alternative funding options (including directly or indirectly from their governments). Aid tends to be directed primarily to the government rather than to NGOs. As NGOs lost funding, community-level development programmes, often in rural and poorer areas, risked closure. This evidence is confirmed in IOB Evaluation (2016) in the case of the exit of Dutch development cooperation in Bolivia, Burkina Faso, Guatemala, Nicaragua, Tanzania and Zambia. In these cases, most NGOs received core funding from the Dutch government, making it difficult to find alternative funders when Dutch development cooperation ended.

Countries and their development partners should therefore not forget NGOs in their transition and exit plans. Aid cuts to NGOs are more acute and often start earlier than cuts in aid to governments. NGOs are often well-positioned to support poverty reduction and development at the community level, and are likely to have a continued role in supporting local development throughout the transition process. This is especially true in countries with high inequality. NGOs also serve a key function as domestic advocates on social issues. Further research is needed to understand the risks for NGOs in the transition phase, and what alternative funding options might exist.

3.9 A strategy for 'exit' needs to be in place before aid falls

In a literature review in Jalles d'Orey and Prizzon (2019), 'successful' aid exits – i.e. programmes handed over to governments – all had one element in common: the elaboration of a plan or strategy before aid was cut. For example, the Republic of Korea's transition in the 1960s, which is considered highly successful, followed a very gradual and transparent process (Runde et al., 2012).[8] According to ICAI (2016), DFID produced a strong plan for exiting from Viet Nam, based on broad consultations. The exit was well-planned and took place over a long period, allowing handover to other agencies and the Vietnamese government. After an initial lack of consultation with government counterparts, the phasing out of Swedish development assistance in Viet Nam improved substantially when the Swedish International Development Cooperation Agency (Sida) became active in dialogues with national and foreign development partners around who could take over its programmes. The approach helped to prepare the Vietnamese government and national partners to continue programmes that Sweden had been involved in (such as with Denmark). In Costa Rica, the USAID country office was prepared for the transition of bilateral programmes as much as 25 years before US assistance ended. The 'soft landing' was meant to mitigate the anticipated resource gap (Runde et al., 2012).

In other words, transition and exit should be planned well ahead of implementation and be part of a long-term strategy. Planning should include mapping the projects to be phased out, identifying which organisation (government or other development partners) should take over responsibilities, ensuring continuity, focusing on the sustainability of development programmes and managing potential risks (Jalles d'Orey and Prizzon, 2019).

8 Factors included: (1) all involved knew transition was going to happen years before it did; (2) smooth operational process and fulfilment of commitments (all funds were fully disbursed and programmes phased out before exit took place); and (3) a number of important 'legacy' institutions were created (e.g. technical and research institutions), alternative US instruments utilised (such as the Overseas Private Investment Corporation (OPIC) and Ex-Im Bank) and extensive private sector partnerships established (Runde et al., 2012).

3.10 Decisions to phase out need to be communicated in advance

It is common for exit decisions to be presented and understood as faits accomplis, often coming as a surprise to the recipient country (Jalles d'Orey and Prizzon, 2019). The way a donor's decision to exit is communicated to the recipient matters, though. In their systematic review, although the partner country did not welcome the decision, Slob and Jerve (2008) find that communication at the political level was preferred to examples where it was left to civil servants of various ranks to convey the news. Through their management of the transition from bilateral development cooperation programmes in Viet Nam, both DFID and Sida demonstrated that a plan that is communicated well in advance to all relevant parties and is applied flexibly can result in a smooth handover to the government. Effective communication was an integral part of the smooth transition from bilateral development cooperation programmes in Viet Nam of both development partners (Jalles d'Orey and Prizzon, 2019).

4 The consequences of the Covid-19 crisis for the transition away from aid

The Covid-19 crisis has exposed the vulnerability of every country to shocks, triggered a global recession unprecedented since the Second World War and put pressure on how much governments can spend on their development cooperation budgets (Carson et al., 2021). The widespread and far-reaching impacts of the crisis will also affect the drivers behind the transition and graduation from aid. What is interesting, however, is that these effects can pull in opposite directions.

On the one hand, falling income per capita in many countries as a result of economic recessions might slow down planned transitions or graduations (or stop them altogether). In Chapter 2 we stressed how the income per capita is one of the factors triggering the transition away from aid and graduation processes. For example, the 2020 OECD triennial review of the Development Assistance Committee (DAC) list of ODA eligible countries, solely based on income per capita, exceptionally agreed to delay the update by a year. Antigua and Barbuda, Palau and Panama will graduate from the list in January 2022 rather than 2021 (OECD, 2020a). Furthermore, all the other factors determining graduation from multilateral assistance – e.g. sustainable public debt, large fiscal space, low disease burden – are likely to worsen as a result of the crisis.

On the other hand, as a result of fiscal consolidation, some bilateral donors might have to cut their aid budgets, close projects or reprioritise country programmes, thus accelerating the transition away from aid and exit in some countries that would still benefit from investment and the provision of GPGs, including pandemic prevention and vaccine research.

In this chapter, we analyse the effects that the Covid-19 recession might have on income classifications up to 2024 based on International Monetary Fund (IMF) projections, and what this could mean for aid transitions and graduations in practice. Income reclassifications are often indicative of whether aid flows might be cut in a country (see Chapter 1). While income per capita is only a factor triggering the transition and exit from aid for bilateral and multilateral donors, it is the only variable for which we have projections. It justifies our focus on this variable in this chapter.

4.1 The implications of Covid-19 for country analytical classifications

Income per capita – the main trigger for transition and graduation – is falling in many countries. Only 39 out of 194 countries are expected to see their nominal GDP per capita increase in 2020 over 2019 (elaborations based on IMF, 2021). How will GDP per capita recover in the medium term, and what will this mean for future country income reclassifications and indirectly for the transition away from aid? How has the Covid-19 crisis changed prior trajectories of country income reclassifications?

To answer these questions, we projected and compared the income per capita classification of countries up to 2024 using the pre-pandemic GDP growth forecasts of the IMF World Economic Outlook in October 2019 (IMF, 2019) against the latest revised figures released in April 2021 (IMF, 2021)[9]. We also projected the income per capita thresholds[10] each year considering average global inflation as forecast by the IMF (2019; 2021). Based on the two sets of forecasts, Tables 3 and 4 highlight changes in the income classification: which countries, which stage (LICs, LMICs, UMICs, HICs), in which year, distinguishing by upgrades (reclassification higher up the income per capita spectrum) and downgrades (reclassification further down the income per capita spectrum, also referred to as reversals).

The data clearly shows how the Covid-19 crisis will have an effect on income reclassifications as several economies are not expected to rebound over the medium term. Nine countries are forecast to fall back in their income per capita group, compared with only one (Zambia) estimated to do so pre-crisis. More specifically:

- Based on 2019 pre-crisis data, no downgrades in income classification were forecast in 2020 and 2021 (only Zambia in 2023, to move from LMIC to LIC as a result of its debt crisis) (Table 3).
- Unsurprisingly, the recessions brought on by the Covid-19 pandemic mean that more countries are expected to move down the income per capita ladder in the short term. Based on projections published in April 2021, a total of 16 countries could experience a downgrade in their income classification post-crisis (12 countries in 2020, another three countries in 2021 and 1 in 2022). Only seven of these are set to recover by 2024 (Table 4).[11] Out of the nine countries whose income per capita will not bounce back before 2024, seven are expected to move down from UMIC to LMIC status, one only from LMIC to LIC (in the case of Zambia the crisis had accelerated its debt defaults) and one from HIC to UMIC (Seychelles).

9 WEO forecasts as released in April 2021 are up to 2026. We had to simplify the analysis using GDP per capita figures instead of the GNI per capita Atlas method (normally used to determine the analytical classification) as these are the only ones forecast by the IMF. Needless to say, these are projections only and highly dependent on revised growth forecasts (assuming there is no further shock) and on IMF growth models (so assuming no structural change to the economy). Large differences between GNI and GDP in some countries could also generate some discrepancies in the analysis, once compared with the World Bank historical classification.

10 The World Bank GNI per capita Operational Guidelines and Analytical Classifications (http://databank.worldbank.org/data/download/site-content/OGHIST.xls).

11 Please note that Namibia changes income classification three times over the time span of this analysis.

Table 3 Changes in income classification: World Economic Outlook October 2019 data – pre-crisis forecasts

	2019	2020	2021	2022	2023	2024
	World Bank 2021 data	**2019 WEO data**	**2019 WEO data**	**2019 WEO data**	**2019 WEO data**	**2019 WEO data**
Reclassifications	**10**	**0**	**1**	**1**	**2**	**2**
Total downgrades	**4**	**0**	**0**	**0**	**1**	**0**
	Algeria (UMIC to LMIC)	–	–	–	Zambia (LMIC to LIC)	–
	Sri Lanka (UMIC to LMIC)	–	–	–	–	–
	Sudan (LMIC to LIC)	–	–	–	–	–
	Zimbabwe (LMIC to LIC)	–	–	–	–	–
Total upgrades	**6**	**0**	**1**	**1**	**1**	**2**
	Benin (LIC to LMIC)	–	Ethiopia (LIC to LMIC)	Sri Lanka (LMIC to UMIC)	Guyana (UMIC to HIC)	Bolivia (LMIC to UMIC)
	Nepal (LIC to LMIC)	–	–	–	–	Ukraine (LMIC to UMIC)
	Indonesia (LMIC to UMIC)	–	–	–	–	–
	Mauritius (UMIC to HIC)	–	–	–	–	–
	Tanzania (LIC to LMIC)	–	–	–	–	–
	Romania (UMIC to HIC)	–	–	–	–	–

Note: WEO, World Economic Outlook. LIC, low-income country; LMIC, lower-middle-income country; UMIC, upper-middle-income country; HIC, high-income country.
Source: Authors' elaboration based on IMF (2019); IMF (2021).World Bank (2021).

Table 4 Changes in income classification: World Economic Outlook April 2021 data – during/post-pandemic forecasts

	2019	2020	2021	2022	2023	2024
	2021 World Bank data	**2021 WEO data**	**2021 WEO data**	**2021 WEO data**	**2021 WEO data**	**2021 WEO data**
Reclassifications	**10**	**14**	**7**	**3**	**3**	**2**
Total downgrades	**4**	**13**	**3**	**0**	**1**	**0**
	Algeria (UMIC to LMIC)	Armenia (UMIC to LMIC)	Marshall Islands (UMIC to LMIC)	–	Namibia (UMIC to LMIC)	–
	Sri Lanka (UMIC to LMIC)	Belize (UMIC to LMIC)	Palau (HIC to UMIC)	–	–	–
	Sudan (LMIC to LIC)	Indonesia (UMIC to LMIC)	Tanzania (LMIC to LIC)	–	–	–
	Zimbabwe (LMIC to LIC)	Lebanon (UMIC to LMIC)	–	–	–	–
	–	Lesotho (LMIC to LIC)	–	–	–	–
	–	Libya (UMIC to LMIC)	–	–	–	–
	–	Namibia (UMIC to LMIC)	–	–	–	–
	–	Panama (HIC to UMIC)	–	–	–	–
	–	Romania (HIC to UMIC)	–	–	–	–
	–	Samoa (UMIC to LMIC)	–	–	–	–
	–	Seychelles (HIC to UMIC)	–	–	–	–
	–	Suriname (UMIC to LMIC)	–	–	–	–
	–	Zambia (LMIC to LIC)	–	–	–	–

Table 4 Changes in income classification: World Economic Outlook April 2021 data – during/postpandemic forecasts (continued)

	2019	2020	2021	2022	2023	2024
	2021 World Bank data	**2021 WEO data**	**2021 WEO data**	**2021 WEO data**	**2021 WEO data**	**2021 WEO data**
Total upgrades	6	1	4	3	2	2
	Benin (from LIC to LMIC)	Guinea (LIC to LMIC)	Lesotho (LIC to LMIC)	Indonesia (LMIC to UMIC)	Armenia (LMIC to UMIC)	China (UMIC to HIC)
	Nepal (from LIC to LMIC)	–	Namibia (LMIC to UMIC)	Palau (UMIC to HIC)	Maldives (UMIC to HIC)	Tanzania (LIC to LMIC)
	Indonesia (LMIC to UMIC)	–	Panama (UMIC to HIC)	Ukraine (LMIC to UMIC)	–	–
	Mauritius (from UMIC to HIC)	–	Romania (UMIC to HIC)	–	–	–
	Tanzania (from LIC to LMIC)	–	–	–	–	–
	Romania (from UMIC to HIC)	–	–	–	–	–

Note: Countries in orange have been downgraded but then bounce back before 2024. Countries in green are set to be reclassified independent of the crisis. In purple are those countries downgraded due to the crisis that will not be able to rebound over the medium term. WEO estimates for 2025 and 2026 are not shown here. Please note that Namibia changes income classification three times over the time span of this analysis.

Source: Authors' elaboration based on IMF (2019); IMF (2021); World Bank (2021).

A few other trends are worth highlighting (Tables 3 and 4):

- As per the latest estimates (IMF, 2021), fewer countries will move up the income per capita ladder by 2024 than based on pre-crisis growth projections. However, the difference is relatively small: based on pre-crisis projections five countries in total were expected to move to a higher income category between 2020 and 2024 (Table 3: Ethiopia, Sri Lanka, Guyana, Bolivia and Ukraine); considering the latest projections, three countries (Guinea, Ukraine and China). Of these, Guinea and China are expected to move up the income per capita ladder much faster based on recent projections than forecasts based on 2019 data. Furthermore, with the exception of Ukraine, the two country groups do not overlap showing how growth paths have changed as a result of the pandemic.
- A few countries were forecast to move up the income per capita classification before 2024 based on forecasts released pre-crisis. However, this will no longer be the case based on the new data (these were Guyana from UMIC to HIC, Sri Lanka and Bolivia from LMIC to UMIC and Ethiopia from LIC to LMIC).

The short-term 'shock' of the Covid-19 pandemic has affected the medium-term growth prospects of countries across the world differently. With several countries not expected to recover to their pre-pandemic levels of economic activity until 2024, the crisis has certainly slowed down the trajectory of many countries becoming less reliant on aid, and increased the demand for international public finance to support the health emergency and economic recovery. However, long-term trajectories are expected to remain the same. Extreme poverty is still estimated to continue to be concentrated in fragile countries by 2030 (Manuel et al., 2020) and aid is still expected to become an increasingly smaller source of finance, especially in MICs (OECD, 2020b).

4.2 The implications of Covid-19 for aid supply

Many governments in donor countries are facing unprecedented pressure on spending, which might include cuts in aid spending. For example, FCDO cut the ODA budget to £10 billion in 2021 from about £15 billion in 2019. In many DAC countries, however, aid budgets stayed relatively stable in 2020 (Carson et al., 2021), and will most likely remain so in 2021. With fiscal retrenchment looming in many economies, however, aid budgets are likely to fall in the medium term.

Tough choices lie ahead on how to prioritise aid flows across countries, sectors and policy initiatives, including a shift of bilateral aid towards health initiatives (and delivery directly through bilateral channels). This prioritisation would inevitably include cuts to certain beneficiary countries. Some sectors will also likely lose out due to a shift of bilateral aid towards health initiatives. With overall resources expected to decline while demand potentially rises, getting the most out of aid budgets would require adapting instruments and modalities to country priorities, needs and access to finance, now more than ever.

Development cooperation programmes and projects also bring other dimensions of international cooperation with them – policy dialogue and knowledge sharing – and these should be prioritised in the fight against a global recession and a pandemic. If the crisis has shown anything, it is that economic shocks and vulnerability are on the rise and becoming more frequent, and this applies to all countries, independent of their income per capita. Countries, even those that have already graduated from development assistance, should be able to apply for additional support at times of crisis and use it flexibly for a much quicker response. One example is the Czech Republic, which informally negotiated a support programme with the European Bank for Reconstruction and Development (EBRD) in 2020 (Devex, 2020): investment resumed as of March 2021 (EBRD, 2021). Delayed responses during crises are a recurrent issue for countries graduated from MDBs, e.g. in the case of World Bank support for the Republic of Korea during the East Asia crisis and for Hungary and Latvia during the global financial crisis (IEG, 2012).

In sum, the Covid-19 crisis might have mixed effects on the speed and timing of future transition away from aid, at least in the short and medium term. On the one hand, it will very likely slow down the income reclassifications of several countries and others, downgraded, are not expected not bounce back to their pre-crisis group in the medium term. On the other hand, the consequences of the Covid-19 crisis will accelerate donor decisions to cut their bilateral aid budgets in the medium term.

5 A future research agenda: from donor–recipient relations to development partnerships

With pressure on aid budgets and growing needs to respond to the Covid-19 crisis in many countries, a legitimate question is how development assistance could be deployed most effectively across countries and contexts. Development cooperation should be considered as a continuum of instruments and modalities, rather than as a black-or-white approach, with or without financial transfers. Aid relations are about much more than simply financial transfers. Some instruments are less expensive – technical cooperation, knowledge sharing, peer learning – and are still demanded and valued by governments, including by those higher up the income per capita spectrum. While less financially demanding than, for example, large-scale infrastructure or social programmes, these modalities are time-consuming, they need to be adapted to new cultures and they are a long-term investment. In this literature review we have shown how little is known about them beyond anecdotal evidence and country studies.

Trade negotiations, diplomacy, commercial opportunities, cooperation on science and technology and security are the pillars of bilateral relations. However, these tend to be managed separately from development cooperation programmes. Greater integration of these objectives could help address some of the challenges posed by the transition away from aid, for example ensuring that development gains are sustained and spaces for policy dialogue remain open. An example is development diplomacy, i.e. the repurposing of aid to service both diplomatic and development objectives (Gulrajani et al., 2020).

In this literature review we have analysed the main trends in development finance when countries move away from aid, and lessons from the literature on 'transition finance'. There are some gaps, though. How do, and should, instruments evolve as countries move up the income per capita spectrum? What instruments have been valued by governments and why? What worked and what could be improved? How should bilateral partners deploy instruments across country contexts when phasing out their bilateral programmes? What role should government departments beyond development agencies, bilateral development finance institutions and NGOs play in the transition away from aid? When and how should partnerships beyond aid be defined more explicitly, including on trade, security and science and technology, and how could development cooperation programmes contribute to forging new relations before being phased out? These are only a few of the questions whose answers could better inform how countries could move away from traditional donor–recipient relations towards partnerships based on international cooperation.

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