

# Brave New World

## A Literature Review of Emerging Donors and the Changing Nature of Foreign Assistance

**Julie Walz and Vijaya Ramachandran**

### Abstract

In this paper, we look at the scale and scope of emerging donors, many of which are developing economies themselves. On the basis of a survey of the literature, we find that estimates of annual aid flows from new donors (so-called non-DAC donors) vary greatly and are somewhere between \$11 billion and \$41.7 billion, or 8 and 31 percent of global gross ODA. We find that new donors are not a monolithic group but instead represent three distinct models of aid delivery, which we describe as the DAC Model, the Arab Model and the Southern Model.

While we see the need to increase transparency and accountability of aid flows across these delivery models, we do not see a convergence to the DAC model. Rather, emerging donors may follow different paths, in accordance with their own traditions and standards. We argue that encouraging aid transparency, especially reporting data on project-level assistance, must be the core focus of the aid community. To engage the non-DAC donors, the forum for international aid coordination might need to be moved away from the OECD-DAC platform; DAC could instead serve as one donor caucus within a larger international system of aid reporting.

**JEL Codes:** F53, O57, Z00

**Keywords:** OECD-DAC, Emerging donors, BRICs, Arab donors, Aid transparency

**Brave New World: A Literature Review of Emerging Donors  
and the Changing Nature of Foreign Assistance**

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“What we have here – in states like China, Iran, Saudi Arabia, and Venezuela – are regimes that...collectively represent a threat to healthy, sustainable development. Worse, they are effectively pricing responsible and well-meaning aid organizations out of the market in the very places where they are needed the most. If they continue to succeed in pushing their alternative development model, they will succeed in underwriting a world that is more corrupt, chaotic, and authoritarian.” -- Moises Naim, editor in chief, Foreign Policy, 2007

“[The DAC] should welcome, not discourage, a greater role by donors outside DAC. It is entirely logical that we move from a world dominated by North-South flows of aid to a much more multi-polar approach where the web of co-operation links countries of every sort. The DAC should not aspire to be a donors’ cartel. Greater choice for developing countries is in principle good.” – Richard Manning, chair of the OECD DAC, 2006

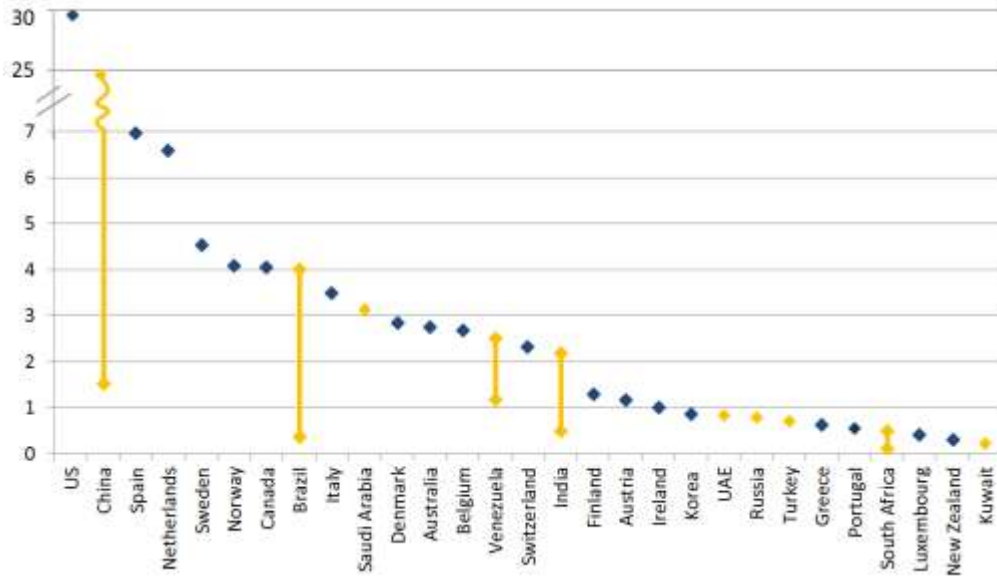
Emerging donors comprise growing nations with strong economies that are increasing their international footprint through many channels, including foreign assistance. Poverty levels remain high within many of these countries, stirring a debate about whether resources would be better spent by focusing on the poor at home, rather than half a world away.

Furthermore, there are fears about the impact on the standard donor-recipient aid structure. Traditional donors that are members of the Organization for Economic Cooperation and Development’s (OECD) Development Assistance Committee (DAC) worry that emerging donors might support “rogue states,” increase levels of indebtedness, ignore environmental protections, focus on extracting resources, and undermine the improvements that have been made over the past several decades. With limited data, much is still unknown about these players. Some, such as Arab donors, report their Official Development Assistance (ODA) to the OECD-DAC although they are not members. Others, including the BRICs, do not follow the DAC’s reporting standards. Figure 1 shows estimates of ODA, from emerging and traditional donors.

Overall estimations for the non-DAC donors range from \$11 billion to \$41.7 billion – between 8 and 31 percent of global gross ODA. In terms of both gross ODA (Figure 1) and ODA as a percent of Gross National Income (GNI) (Figure 2), the range of estimations has a dramatic effect on how the non-DAC countries line up in relation to the DAC donors. If upper estimates are to be believed, China, Brazil, and Saudi Arabia give more ODA than half of the DAC donors. Four non-DAC donors (Venezuela, Saudi Arabia, United Arab Emirates (UAE), and China) reach the UN target of 0.7% of GNI; a benchmark that 18 of the 23 DAC member countries do not reach. Lower estimates are less dramatic, yet still represent a remarkable (and growing) contribution. China’s aid estimates range anywhere

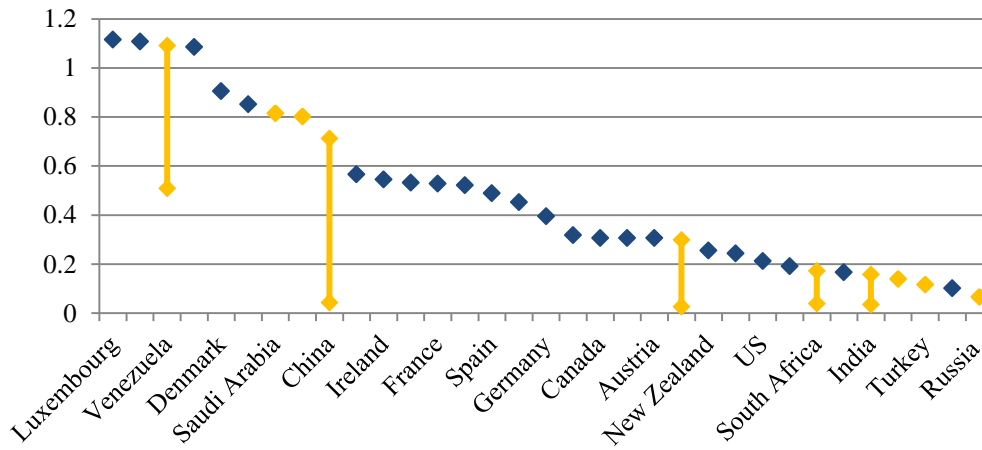
from \$1.5 to \$25 billion; if the upper estimate is accurate, it ranks as the second largest donor after the United States.<sup>1</sup>

**Figure 1: Gross ODA (\$ Billions)**



Note: Excludes Japan, France, Germany, United Kingdom due to scaling of graph. Lines connect high and low estimates.

**Figure 2: ODA as a Percent of GNI**



Note: Lines connect high and low estimates.

<sup>1</sup> Analysis from Brautigam and Lancaster, among others, estimates that China’s foreign assistance ranges from \$1.5 billion to \$2 billion. The high estimate is from a NYU Wagner School Study and reported by Lum et al. There are disagreements on whether some Chinese economic activities should be classified as foreign investment or foreign aid; the NYU study includes pledges of aid, loans, and government-sponsored investment projects.

In this paper, we will lay out key trends and themes for emerging donors. We argue that South-South cooperation has existed for the same amount of time as North-South donor-recipient relationships. But modalities differ dramatically—in fact, researchers observe three separate models of aid, only one of which is structured after the current OECD-DAC structure. Due to these different modes of providing assistance, transparency in data reporting is a real challenge; we cannot expect to improve international cooperation unless we understand how much is being spent and where it is going. We conclude with a discussion of the relevance of the DAC, positing that future collaboration between emerging and traditional donors might depend on significant changes to existing structures of global governance and on different types of fora for international aid coordination.

## Emergence or Re-emergence?

Despite popular terminology, most of the so-called emerging donors are not new to giving aid.<sup>2</sup> The history of official economic cooperation and mutual support for many of these states can be traced back to the 1950s. The 1955 Bandung Conference of Asian and African States was a significant milestone in the creation of the Non-Aligned Movement, the official beginning of a collective voice for the South. The Final Communiqué from Bandung specifically laid out the desire for economic cooperation and growth, along with an agreement to provide technical assistance to one another, thus facilitating the exchange of ideas, experts, and specific training. It suggested that educational, scientific and technical institutions should admit and train students and experts from other countries. It also noted the importance of trans-national infrastructure, proposing that studies and collective action should be focused on improving shipping lines, and it recommended the creation of national and regional banks and insurance companies. The 29 participants in this conference laid the foundation for the approaches to South-South development cooperation that we see today.<sup>3</sup> The themes of technical cooperation and infrastructure construction remain relevant half a century later. It is worth noting that the motivation for cooperation and technical assistance was not a moral obligation. Rather, it was founded upon a desire for mutual cooperation and development – before any of these countries had achieved major economic success.

In the decades that followed there was an emergence of aid programs to support the economic cooperation espoused by the Bandung Conference. Arab donors have some of the oldest and most established national aid agencies. The Kuwait Fund for Arab Economic Development was established in 1961 (for a point of comparison, that is also the year that the United States Agency for International Development, USAID, was founded), and

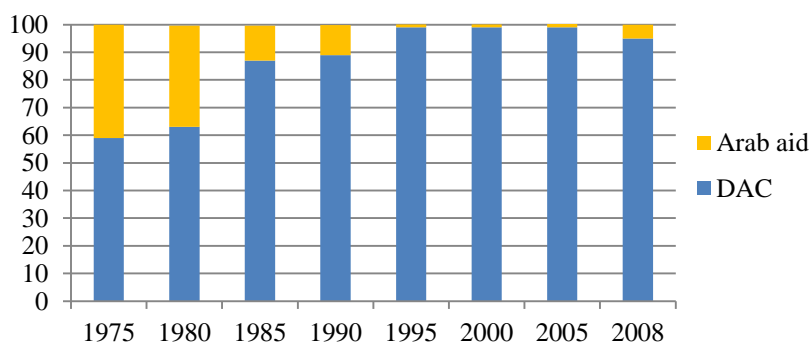
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<sup>2</sup> One of the most recent emerging donors is South Africa, whose aid program was started during the Apartheid era.

<sup>3</sup> Hosted by Burma, Ceylon, India, Indonesia and Pakistan. Participants included Afghanistan, Cambodia, Peoples Republic of China, Egypt, Ethiopia, the Gold Coast, Iran, Iraq, Japan, Jordan, Laos, Lebanon, Liberia, Libya, Nepal, the Philippines, Saudi Arabia, Sudan, Syria, Thailand, Turkey, the Democratic Republic of Vietnam, the State of Vietnam, and Yemen.

broadened to include assistance to all countries in 1974. The UAE established the Abu Dhabi Fund for Development in 1971. The Saudi Fund for Development was created in 1974. The region also pioneered the establishment of regional financial institutions – five such institutions for international development were established between 1971 and 1976. Arab aid has historically fluctuated, with aid amounts closely following oil prices. Countries are, on average, quite generous -- the average net aid for Saudi Arabia, Kuwait, and the UAE between 1973 and 2008 was 1.5% of GNI. It reached as high as 12% of GNI for the UAE during the 1970s and early 1980s.<sup>4</sup> This is exceedingly generous in comparison with the OECD DAC members whose aid generally falls below 0.2% of GNI. Between 1974 and 1994 Arab aid accounted for approximately 13.5% of the world's ODA.<sup>5</sup>

**Figure 3: Arab ODA as a ratio of DAC ODA**



Source: Table A2-1, "Arab Foreign Assistance," World Bank, June 2010

Arab nations were by no means alone. India began small regional projects in the 1950s, and established the Indian Technical and Economic Cooperation in 1964 as a flagship program to focus on training and technical assistance. China's aid program began in an *ad-hoc* fashion in the 1950s with the transfer of grain, medicine, and cotton to North Korea and soon to countries along its border. In 1963 it expanded to Africa and completed some high-profile projects, notably the Tazara railway between Tanzania and Zambia. During the Cold War, China was giving aid to 30 African nations, and giving more than the Soviet Union in all African countries, except eight strategic Soviet allies. In the following decades, China has given aid to every African nation, save Swaziland, which continues to align with Taiwan.<sup>6</sup>

Aid between Southern countries declined dramatically during the 1980s as most states were coping with high levels of debt, inflation, and OPEC countries were more constrained. The debt crisis forced countries to turn their attention inwards and thus significantly reduced South-South cooperation. OECD countries began to dominate as aid donors, representing over 95 percent of all international aid flows in the 1990s.<sup>7</sup> However, by the end of the

<sup>4</sup> "Arab Development Assistance," xiii.

<sup>5</sup> Woods, 2.

<sup>6</sup> Brautigam, 2, 34.

<sup>7</sup> Manning, 372-3.

decade, a Southern presence re-emerged. Dramatic economic growth in many “third world” countries proved a model for successful development that was not dependent on the West. Regional powers sought to increase their influence with neighboring countries, and South-South cooperation proved a way to lobby for more leverage in the international arena. Increasing involvement, especially from big players such as China, drew the world’s attention as traditional donors sensed a competing model of involvement and foreign assistance.<sup>8</sup>

Overall, the pattern that we see is not a sudden emergence of the non-DAC aid partners. As Richard Manning argues, the nearly absolute dominance of the DAC in the 1990s was an exceptional time; the historical norm actually includes a high share of non-DAC aid.<sup>9</sup> The DAC is thus accustomed to aid coming from a variety of sources. But it is not, however, accustomed to dealing with such large increases in inflows from countries that still have significant levels of poverty within their own borders, countries that are often also *recipients* of DAC assistance. This trend raises questions about whether or not traditional donors should still channel significant amounts of aid to countries such as India, Brazil, and South Africa. Emerging donors have also garnered significant attention in recent years due to their growing role in the global economy as a whole; concern about their aid programs is another manifestation of the broader challenge they pose to the status quo of an OECD-dominated world.

## Measuring New Aid Flows

One of the largest challenges in studying the non-DAC donors is quantifying how much aid they give. A handful of countries are not members of the DAC, yet do report aid flows to the OECD, including members of the EU and the main Arab donors.<sup>10</sup> However, the reported levels of ODA to the DAC may not capture all aid flows, especially for Arab donors. For instance, the AidData Initiative reports higher levels of aid and more projects than the DAC database for Arab members of the Coordination Group.<sup>11</sup> The Arab Monetary Fund publishes the Joint Arab Economic Report as another source of aid data, yet is inconsistent and available only in Arabic.<sup>12</sup> Although Arab multinationals document aid activities well, bilateral donors have been less transparent. Arab countries do not report some flows such as debt forgiveness that the traditional DAC donors consider to be ODA. Several countries, the UAE in particular, have been found to be inconsistent in their annual

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<sup>8</sup> Poverty in Focus (article by Michelle Morais de Sa e Silva), 4.

<sup>9</sup> Manning, 371.

<sup>10</sup> These countries are: Chinese Taipei, Cyprus, Czech Republic, Estonia, Hungary, Iceland, Israel, Kuwait, Latvia, Liechtenstein, Lithuania, Malta, Poland, Romania, Saudi Arabia, Slovak Republic, Slovenia, Thailand, Turkey, and the United Arab Emirates. (Source: OECD DAC <http://bit.ly/hPKuhg>)

<sup>11</sup> The AidData Initiative is a relatively new database created by Development Gateway, Brigham Young University, and the College of William and Mary. Source: Shushan and Marcouz, 1971.

<sup>12</sup> Source: <http://www.arabmonetaryfund.org/ar/jointrep>

reporting with gaps for several years.<sup>13</sup> Thus, it is safe to assume there are still a significant amount of flows that go unreported to the DAC.

There is also a conspicuous lack of clear data from some of the largest and most rapidly evolving aid donors such as China, India, and Brazil. Many countries have no standard system for reporting ODA, or even definitions of what qualifies as development assistance. For some, such as China, this is a politically sensitive semantic debate – the national policy maintains the country gives “external assistance;” but refuses to term it “aid.”<sup>14</sup> The DAC provides one set of criteria for ODA that is not adopted by many others.<sup>15</sup> DAC defines ODA as a concessional transaction; a minimum of 25 percent must be a grant (calculated for loans at a 10 percent reference rate).<sup>16</sup> Boundaries between ODA and Other Official Flows (OOF) are drawn through the “gray areas” such as military aid, peacekeeping contributions, debt relief, and foreign direct investment. These definitions are not followed by non-DAC donors; thus even official estimates may not measure the same financial flows as DAC’s ODA.<sup>17</sup> This further complicates quantitative analysis between donors because it is almost impossible to compare the same pools of money between the DAC and non-DAC donors. It is also one of the reasons for the extreme differences in estimations of non-DAC donor aid flows; the \$25 billion estimate for China may include flows of money that more closely resemble foreign direct investment (FDI).

The literature contains varying estimates on aid flows from emerging donors. There is little consistency, which highlights the need for increased transparency from the donor countries themselves. We found that total estimates of aid from non-DAC donors in 2009 (or most recent year available) range from \$11 billion to \$41.7 billion. Put another way; *non-DAC donors give somewhere between eight and thirty-one percent of the global gross ODA from DAC donors.*<sup>18</sup> Broken down by country, the highest and lowest estimates in recent literature are shown in Table 1. For a point of comparison, we show the amount of aid these countries still receive from traditional donors and multilateral institutions. Many countries receive as much, or more, than they give.

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<sup>13</sup> Shushan and Marcoux, 1971-2.

<sup>14</sup> Recently, China has relaxed this stance, most noticeably with the publication of the official White Paper on *China’s Foreign Aid*. (Source: Grimm, Aug 2011).

<sup>15</sup> Whether or not the DAC definition accurately captures the “right” financial flows between donors and recipients and whether it is an effective measure of development spending are open questions. There are several types of financial linkages between countries; which flows may actually contribute to the reduction of poverty remains debatable.

<sup>16</sup> “Is it ODA?” DAC Factsheet, November 2008.

<sup>17</sup> “Background Study for the Development Cooperation Forum” (ECOSOC), 3-6.

<sup>18</sup> Gross ODA for DAC donors in 2009 was \$133.2 billion.



**Table 1: Estimates of Foreign Aid as a Donor and Recipient, 2009 (or most recent year)<sup>19</sup>**

Country	Outflows of Aid				Inflows of Aid*	
	US\$ (Millions)		% of GNI**		US\$ (Millions)	% of GNI
	Lower Estimate	Upper Estimate	Lower Estimate	Upper Estimate		
Brazil	356	4,000	0.03	0.30	338	0.03
China	1,500	25,098	0.04	0.71	1,132	0.03
India	488	2,171	0.04	0.16	2,502	0.18
South Africa	109	475	0.04	0.17	1,075	0.39
Venezuela	1,166	2,500	0.51	1.09	67	0.03
Turkey	707		0.12		1,362	0.22
Russia	785		0.07			
Saudi Arabia	3,134		0.82			
Kuwait	221		0.14			
UAE	834		0.80			
Non-DAC EU	1,140					
Other	636					
<b>Total</b>	<b>11,076</b>	<b>40,994</b>				

<sup>19</sup> Donors that are listed give over \$100M per year. There are several other smaller emerging donors such as Argentina (between \$5 and \$10 Million) and Chile (between \$3 and \$3.3 Million), among others.

\* ODA Total, net disbursements from all donors and multilaterals. Source: OECD DAC CRS database. All for 2009. Data extracted October 6, 2011.

\*\* Author's calculations based on GNI data from the World Development Indicators Database. GNI for year that country aid is reported, with the exception of UAE (GNI data is from 2004).

**Sources for Table 1:** Brazil: Lower Bound: ECOSOC, 2008. Data year 2007. Excludes humanitarian assistance and peacekeeping operations. Upper Bound: Estimate from "The Economist," Feb 7, 2011. Includes loans. China: Lower Bound: Lancaster, 2007. Data year 2007. Upper Bound: Lum et al, 2009 based on NYU Wagner School study. Data year 2007. Of this, 66% was provided in the form of loans (concessional lines of credit). This study may also include activities that more closely resemble FDI. Much of this study was based on reported offers or pledges and the CRS report cautions that some values may be inflated if pledges have not been fulfilled. However, other values may be undervalued, for instance when Chinese materials and labor are not reported. India: Lower bound: Zimmermann and Smith, 2011. Data year 2009/10. Upper Bound: Chanana, 2010. Data year 2009. Includes grants and loans, contributions to IOs, Investments in IFIs, and EXIM bank. South Africa: Lower Bound: Zimmermann and Smith, 2011. Data year 2009/10. Upper Bound: Braude et al, 2008. Data year 2006. Venezuela: Source for both: ECOSOC, 2008. Data year 2007. Russia: Source: Zimmermann and Smith, 2011. Data year 2009. Estimate from Russian Ministry of Finance. Saudi Arabia, Kuwait, UAE, Turkey: Source: OECD/DAC - Table 33 ODA from Non-DAC Donors. Data year 2009. Non-DAC EU: Source: OECD. Data year 2009. EU members not part of DAC yet report ODA include Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovak Republic, Slovenia. Other: Source: OECD. Data year 2009. Countries not part of DAC yet report ODA include Iceland, Israel, Liechtenstein, Chinese Taipei, Thailand.

### Three Distinct Models

At the turn of the century traditional aid donors pledged to reform the aid architecture, creating the Paris Declaration on Aid Effectiveness in 2005, followed by the Accra Agenda for Action in 2008. They promised a revised aid system, with commitments to improve ownership, alignment, harmonization, results, and mutual accountability. It became the foundation for the OECD-DAC approach to foreign assistance. However, participants in the 2005 Paris forum were not only members of the DAC. Ninety-one countries attended, including non-traditional heavy weights such as Saudi Arabia, Kuwait, Brazil, South Africa, Thailand, Turkey, and China.<sup>20</sup> India is the only notable large Southern donor missing from the original agreement, however they signed on in 2006.<sup>21</sup> Yet, China, India, and many other Southern donors, were most likely considering themselves as recipients of aid, rather than as donors.<sup>22</sup> Although both DAC and non-DAC donors are all signatories to the same declaration, and support overarching global development as embodied through the Millennium Development Goals, there is a great deal of variance. It is probably fair to say that most of the DAC donors have made little progress toward actually implementing the commitments made in the Paris Declaration and Accra Agenda, let alone progress from non-DAC donors.<sup>23</sup>

The DAC donors as a group are certainly not homogenous and there is a large degree of variation in terms of aid levels, modalities, and characteristics. Aid as a percentage of GDP ranges from 1.1 percent in Sweden to 0.09 percent for South Korea. According to one

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<sup>20</sup> "The Paris Declaration on aid Effectiveness," 12.

<sup>21</sup> Sharma, Shantanu Nandan.

<sup>22</sup> Brautigam, 133.

<sup>23</sup> The 2011 Survey on Monitoring the Paris Declaration shows that only one of thirteen targets set for 2010 has been met. [http://www.oecd.org/document/44/0,3746,en\\_2649\\_3236398\\_43385196\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/44/0,3746,en_2649_3236398_43385196_1_1_1_1,00.html)

calculation, Ireland gives no tied or partially tied aid, whereas Austria ties 49 percent of its aid.<sup>24</sup> Despite these differences, the DAC is a useful categorization of donors because in principle, members ascribe to the same standards, they largely have the same concepts of what qualifies as development assistance, and they are increasingly willing to partner with each other. Aid from the DAC countries has also changed over time, from an early focus on infrastructure-based projects to periods of emphasis on policy conditionality. It is not a static or homogenous body, yet it is often characterized as such.

The notion of emerging donors is relatively misleading, as it lumps very distinct groups of non-DAC donors into one. Several studies have classified these non-DAC countries into various groups based on the modalities and characteristics of their aid programs as well as their role in the global political economy. Richard Manning (2006) identified four: OECD members not part of the DAC, EU members not part of the OECD, Middle East and OPEC countries, and “the others” that don’t fall into the above three categories. Zimmermann and Smith (2011) divide them into three groups: Emerging donors, South-South Cooperation, and Arab donors. We base our analysis on the classification identified in Zimmermann and Smith, arguing that their classification also represents three quite distinct *models* of foreign assistance: the DAC model, the Arab model, and the Southern model. Although there is some overlap between models, the fundamental philosophies and intentions behind aid programs are distinct.

Just like within the DAC, there is a large amount of variation within these models; countries grouped together are certainly not identical. Until there is comprehensive, project level data for these countries, it will be almost impossible to do the kind of quantitative assessment that is sorely needed.<sup>25</sup> The value of typology, however, is that it provides a lens with which to view further cooperation. Although both considered emerging donors, China and the Czech Republic pose dramatically different challenges for cooperation with the DAC donors

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<sup>24</sup> 2011 Commitment to Development Index: [www.cgdev.org/cdi](http://www.cgdev.org/cdi)

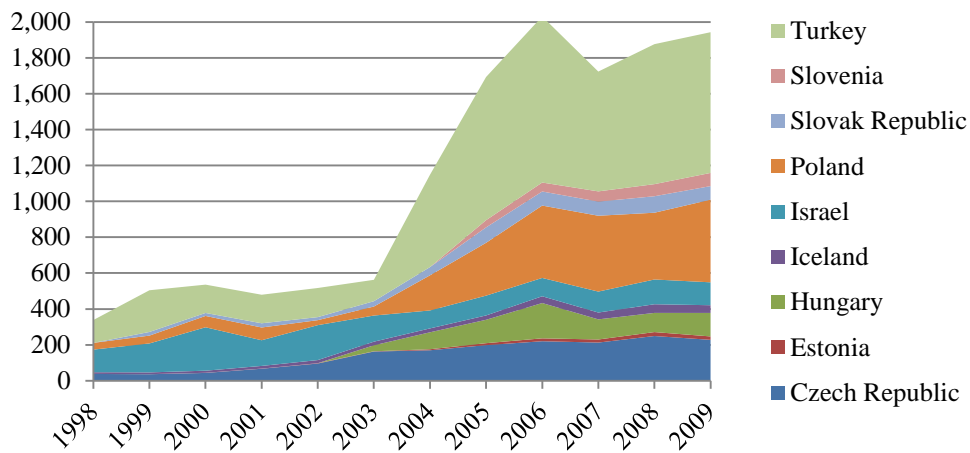
<sup>25</sup> A recent paper by Axel Dreher, Peter Nunnenkamp, and Rainer Thiele did one of the first quantitative studies of non-DAC donors, using project level data from the AidData Initiative. They find that, on average, new donors are less responsive to recipient need, as measured by per-capita income, malnutrition, and child mortality. They find that new donors give aid despite high levels of corruption or undemocratic tendencies, yet do not perform much worse on this standard than traditional donors. The study is constrained by the project level data which is not necessarily comprehensive for all countries. They also lack data on some of the main non-DAC players - namely China, India, and Venezuela. The authors group all non-DAC donors together in their main analysis. We argue that the trends demonstrated by Brazil and Colombia are very different from those in Latvia and Poland or those in Saudi Arabia and Kuwait. By lumping such diverse groups of donors, they may be masking other trends among the non-DAC donors. The authors do recognize this weakness and run tests to look at groups of individual donors divided by region. On the whole, the study is an important contribution to the literature on emerging donors. Another recent empirical study by Nkunde Mwase examines the determinants of BRIC loans to Low Income Countries, finding that more money is given to countries which might be considered to suffer from poor governance, and that loan financing is likely driven by commercial factors. Data used for this analysis is from the World Bank’s debt database on loan commitments. Quantitative studies such as these are extremely valuable in evaluating trends that are widely discussed. Further work in this area needs to be done, yet comprehensive analysis hinges on data availability and improved project-level reporting.

and the international community. Emerging donors are not necessarily in competition with the DAC model as Moises Nam and others may argue. Rather, there is room for cooperation, as long as the DAC recognizes the differences, and does not aim to fit all donors under one umbrella.

***The DAC Model***

A large handful of non-DAC donors model their emerging aid programs after the DAC, often reporting aid statistics to the body. They are the candidates most likely to officially join, following the path of South Korea that became a member on January 1, 2010. These are primarily countries that are members of the OECD or the European Union but not the DAC –the Czech Republic, Estonia, Hungary, Iceland, Israel, Poland, the Slovak Republic, Slovenia, and Turkey. Their aid programs and definitions of ODA generally follow the DAC guidelines and the amounts they give have risen significantly over the past decade.

**Figure 5: ODA from OECD non-DAC donors over time (\$Millions)**



Source: OECD DAC

Although some of the DAC-model countries may not have large foreign aid programs, they are more accustomed to participating in Western multilateral institutions. There is often little political hesitation to refer to the programs as “aid” or to align with traditional donors; for many this is actually a goal. The 12 newest members of the EU have all adhered to the 2005 European Consensus on Development, pledging to increase net ODA to 0.17 percent of GNI by 2010 and 0.33 percent by 2015.<sup>26</sup> As members of the OECD these countries have full observer status and can participate in the DAC meetings. Several countries, including the Czech Republic and Poland, have already received the DAC peer reviews. When determining membership, the DAC will assess size of the country’s aid program, existence of institutions, the quality of statistical reporting, and the implementation of the DAC recommendations.

<sup>26</sup> Zimmermann and Smith, 724.

The largest barrier for these countries, apart from the size of their foreign aid programs, is the lack of comprehensive data collection and reporting.

Turkey stands out among this group as it is often an emerging economy considered to be more “BRIC-like.” Not a new donor, Turkey’s foreign aid program began in 1985 with a package to aid the Sahel countries. For years it remained a net recipient of foreign aid; although it currently receives small and largely symbolic amounts of aid, it is a net contributor and gives only slightly less gross ODA than Korea. The Turkish International Cooperation and Development Agency (TIKA) was founded in 1992.<sup>27</sup> As with many countries in this group, aid is mostly targeted at neighbors and strategically important partners although contributions to Africa are growing. The majority (52 percent) of Turkey’s aid is targeted to Asia, 19 percent to the Middle East, 15 percent to Europe, and 6 percent to Africa.<sup>28</sup>

We also place one of the BRICS in the DAC-like group – Russia. As a former superpower, Russia is now seen as a “re-emerging power” and donor.<sup>29</sup> During the Cold War the Soviet Union provided some of the largest global quantities of aid – in 1986 alone it gave \$26 billion.<sup>30</sup> Following the dissolution of the USSR, Russia became a large recipient of aid and has only recently re-emerged as a donor. Russia’s aid program appears to be part of an overall strategy to re-build the nation’s global image and influence, and there is discussion of creating an independent aid agency. Unlike aid from the other BRICS, Russia channels a large amount of its assistance through multilateral organizations including the Eurasian Economic Community, the World Bank, and the UN. In 2007 Russia committed to increase aid toward the 0.7 percent target and has aligned its program with the principles of the DAC donors.<sup>31</sup> It thus sets itself apart from the aid programs of its fellow BRICS and seems to align more directly with the traditional donors.

The DAC Model countries are providing foreign assistance in a manner that mirrors the traditional DAC donors; characteristics and modalities of giving aid are largely similar to their DAC peers. The focus of assistance is often on social sectors and follows classic donor-recipient relationships. Aid programs are recent and still fairly small, yet these countries strive to be seen as part of the international donor community as embodied by the DAC.

### ***The Arab Model***

Arab donors have some of the oldest, most established, and most generous aid programs in the world. It is not a new model of giving aid; rather it has consistently served as an alternative model to the DAC approach. Between 1973 and 2008, Arab aid averaged 13

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<sup>27</sup> Kulaklikaya, Musa and Rahman Nurdun.

<sup>28</sup> OECD DAC data, 2009.

<sup>29</sup> : Zimmermann and Smith, Provost.

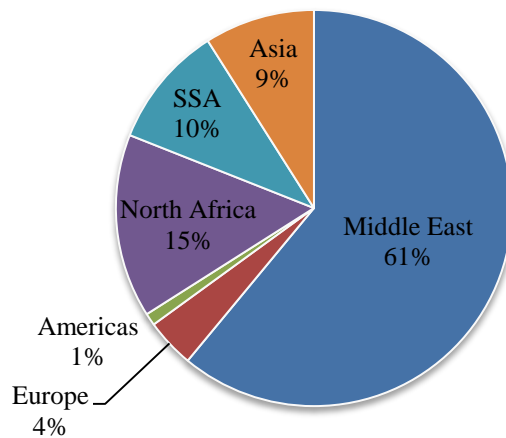
<sup>30</sup> Provost, Claire.

<sup>31</sup> Zimmermann and Smith, 724.

percent of DAC ODA and almost 75 percent of non-DAC ODA. Historically Arab donors have given very substantial amounts of aid in relation to GNI; Saudi Arabia, Kuwait, and the UAE averaged 1.5 percent of GNI between 1973 and 2008 – more than twice the UN target and almost five times more than the average DAC country. Although this level has fallen from its peak in the 1970s and early 80s, Arab donors still rank among the most generous DAC countries. However, their aid is characterized by volatility, and levels of aid are loosely correlated with oil prices and national petroleum export revenues (also this trend has been less apparent since the 1990s).<sup>32</sup> Saudi Arabia, Kuwait, and the UAE account for more than 90 percent of total Arab ODA.<sup>33</sup> Qatar is one of the more recent Arab donors and it is the Gulf country with the highest income per capita. Yet little data or information about its foreign aid activities is available.

Arab foreign aid tends to predominately flow to other Arab countries; Morocco, Oman and Yemen are some of the top recipients. Although the Middle East-North Africa region still receives almost 75 percent of Arab aid, there has been an increase in commitments over the past decade to low-income countries, especially in sub-Saharan Africa.<sup>34</sup> The Arab Fund for Economic and Social Development, which houses the Coordination Group, gives only to Arab countries with the stated goal of furthering economic and social development as well as regional integration.<sup>35</sup>

**Figure 6: Recipients of Arab Aid, 2000-2007**



Source: "Arab Development Assistance" WB Report June 2010

Arab aid is distinct from the DAC model as it remains primarily concentrated regionally and is more openly influenced by social solidarity and religious ties. Arab solidarity, especially in the early years of foreign assistance, was a primary objective. For instance, Egypt was a large

<sup>32</sup> "Arab Development Assistance," 5-7.

<sup>33</sup> "Arab Development Assistance," 1.

<sup>34</sup> "Arab Development Assistance," 13-15.

<sup>35</sup> Sushan and Marcoux, 1970.

recipient of Arab aid in the 1970s yet experienced significant declines in Arab aid following the Camp David Accords in 1978.<sup>36</sup> One statistical study found that bilateral Arab aid is more likely to flow to countries that do not maintain diplomatic relations with Israel. Countries that vote with Saudi Arabia in the UN General Assembly are also more likely to be eligible for aid from Arab donors.<sup>37</sup> Some scholars suggest the central role of Islam and religious solidarity, although others maintain that although the influence exists, it is of small importance.<sup>38</sup> The Islamic Development Bank, one of the largest Arab donor agencies, does lend only to countries that are members of the Organization of Islamic Conference and provides financing compatible with Shari'ah law which prohibits the collection of interest on financial transactions.<sup>39</sup> Arab donors have expanded to sub-Saharan Africa, this may be partially influenced by the goal of Afro-Arab unity.<sup>40</sup> Although some DAC donors may give aid to support former colonies or other cultural linkages, the Arab model is unique in this underlying motivation for aid programs and selection of recipients.

The relative cohesiveness and the high level of coordination between Arab donors is somewhat unique, and may be a result of common cultural, religious, and linguistic ties between Arab donors.<sup>41</sup> For decades, countries have worked closely with each other and through the various Arab multilateral organizations; the Coordination Group consists of nine institutions – three national ones (Kuwait, Saudi Arabia and UAE) and five regional organizations, in addition to the Arab Gulf Program for United Nations Development Organizations. Aid projects are often co-financed amongst members. Commitments to the Arab financial institutions have quadrupled since their inception in the 1970s. Yet as a percentage of total Arab aid, commitment to multilateral institutions remain low in comparison with bilateral assistance; between 1973 and 2008 the ratio of multilateral to bilateral ODA was 13 percent among Arab donors, compared to the DAC average of 30 percent. In 2009, around five percent of total Arab ODA went to multilateral institutions.<sup>42</sup> Arab donors are also unique in the procurement and disbursement processes; they have adopted common procedures as set out by the Arab Coordination Group's Procurement Guidelines.<sup>43</sup> In contrast with other Southern donors, Arab donors require a competitive bidding process, which allows for local suppliers and contractors to implement projects.<sup>44</sup> Sectoral priorities of both bilateral and multilateral Arab donors appear to have remained relatively constant over time; infrastructure projects in transport, energy, and water supply

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<sup>36</sup> Villanger, 18. The Camp David Accords led to the signing of a peace treaty between Egypt and Israel in 1979. As a result, Egypt's relations with the rest of the Arab world suffered.

<sup>37</sup> Neumayer, 13.

<sup>38</sup> Neumayer, 4.

<sup>39</sup> Villanger, 19.

<sup>40</sup> Neumayer, 4.

<sup>41</sup> Villanger, Zimmermann and Smith.

<sup>42</sup> DAC stats, 2009.

<sup>43</sup> For more information, see "The [Guidelines for the Procurement of Goods and Contracting for the Execution of Works](http://www.arabfund.org/Data/site1/pdf/GUIDELINES_FOR_THE_PROCUREMENT%202001.pdf)" [http://www.arabfund.org/Data/site1/pdf/GUIDELINES\\_FOR\\_THE\\_PROCUREMENT%202001.pdf](http://www.arabfund.org/Data/site1/pdf/GUIDELINES_FOR_THE_PROCUREMENT%202001.pdf)

<sup>44</sup> "Background Study for the Development Cooperation Forum" (ECOSOC), 29.

have dominated the agenda.<sup>45</sup> Aid is generally untied, and is made available with few conditionalities.<sup>46</sup>

### ***The Southern Model***

The other emerging donors--Brazil, China, India, South Africa, and Venezuela--are very careful to distinguish their assistance programs from the DAC donors and the traditional donor-recipient model. Rather, they maintain that their engagement is in the form of mutually beneficial relationships. Deborah Brautigam argues that Chinese aid is differentiated from traditional donors because the country follows “a distinctly different set of core ideas about development... China’s aid [has] changed, but in way that for the most part diverged sharply from the evolving notions of aid in the West.”<sup>47</sup> Jonathan Glennie distinguishes South-South cooperation as “horizontal” – players on the same level providing assistance to each other. This is in comparison with the more traditional “vertical” aid where a donor gifts aid or expertise to recipients.<sup>48</sup> Non-traditional aid is also called “mutual assistance,” largely motivated by the promotion of bilateral and regional trade and investment. For instance, China has pioneered a strategy of overseas export processing zones in African countries which it argues is mutually beneficial; Chinese officials have explained that special economic zones (SEZs) were the shortcut to their own development and they want to share that model with other countries.<sup>49</sup> But it may also be that SEZs serve as attractive venues for Chinese firms looking to move their operations overseas.

Southern donors often emphasize infrastructure, especially regional infrastructure projects, to ease trade routes and lower transactions costs. Resource rich African countries such as Angola, Sudan, and Nigeria have been popular targets and recipients of aid. As Southern donor countries grow, they face increasing pressure to meet internal demands for natural resources. Many African nations have untapped natural resources and the continent has seen a race to gain access to their industries.

Southern countries often begin with small regional programs, and are increasingly expanding to include partners beyond their boundaries – especially those in sub-Saharan Africa. Technical cooperation is often the main focus, especially in the early years of aid programs.

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<sup>45</sup> Shushan and Marcoux, 1976.

<sup>46</sup> Neumayer, 3.

<sup>47</sup> Brautigam, 24.

<sup>48</sup> Glennie, Jonathan, “A New Direction.”

<sup>49</sup> Brautigam, 74-78.



**Table 2: Overview of Southern Donors**

<b>COUNTRY</b>	<b>MODALITY</b>	<b>TOP RECIPIENTS</b>	<b>MAIN SECTORS</b>
<b>Argentina</b>	Mainly project oriented and technical cooperation. Some debt relief.	Mostly Latin America (Bolivia, Ecuador, Peru, Cuba, Haiti). Extending to Africa (in Angola, Mozambique, Zambia).	Agriculture and food security, maternal and child health, human rights.
<b>Brazil</b>	Mainly technical cooperation and co-financed projects. Some debt relief and large amounts of emergency assistance.	Haiti, Cape Verde, East Timor. Other main focuses are Lusophone and Southern American countries.	Mainly social sectors. Some involvement in agriculture, bio-fuels/ethanol and digital inclusion.
<b>Chile</b>	Technical cooperation and scholarships.	Cuba, Guatemala, El Salvador. Most aid to Latin America and Africa (about 29 % of total aid goes to SSA).	International relations and regional integration (58%), modernization of state and decentralization (17%), social (13%), natural resources and development (10%), productive capacity (2%).
<b>Venezuela</b>	Oil deals are essentially BoP support. Also some humanitarian assistance through BANDES.	Latin America and Caribbean.	Mainly energy. Also projects in health, education, housing, water, and private sector.
<b>China</b>	Bilateral aid. Projects, in-kind, technical cooperation, and debt relief.	Africa (46%), Asia (33%), Latin America (13%)	Economic infrastructure (61%); industry (16%); energy and resources (9%); Agriculture (4%)
<b>India</b>	Mostly project oriented and technical cooperation (with the exception of more general support to neighbors). Some debt relief.	Bhutan (36%), Afghanistan (25%), Nepal (13%). Approximately 85% to Asia; 15% to Africa.	Rural development, education, health, technical cooperation. Also gives loans primarily for infrastructure.
<b>South Africa</b>	Majority through multilaterals channels (esp. NEPAD, African Renaissance Fund). Some debt relief.	Southern African Development Community (70%) and other African countries.	Much work through peacekeeping, post-conflict reconstruction, technical cooperation. Beginning to get involved with infrastructure.

Sources: “Background Study for the Development Cooperation Forum” (ECOSOC), Kragelund (2011), China White Paper on Foreign Aid, Braude et al.

## Partners *Not* Recipients

Foreign assistance and Southern cooperation is also a tool to increase leverage both regionally and internationally. The key Southern donors tend to be regional superpowers – China, India, Brazil, South Africa – and are increasingly seen by the international community as representatives for their neighbors in the global arena. For instance, Thabo Mbeki in 1999 aimed to make South Africa the leading power on the continent thus he chaired the African Union, created the New Partnership for African Development (NEPAD), and coined the “African Renaissance.” By expanding the country’s influence, culturally, economically, and through regional governing bodies, South Africa has indeed emerged as the leader in development on the continent. The same story holds true for other Southern donors.

Yet assistance programs are also used as a tool to increase leverage within the international community, and have been for half a decade. The Non-Aligned Movement and G77 arose to counter the bipolar world of the Cold War and to provide a collective voice for the South. Southern countries continue to share a belief in gaining stronger representation in the international community. Foreign aid programs can be used as a tool to win friends and gain votes in an international forum such as the UN. Both India and Brazil maintain that development aid is a tool to get political leverage at the UN, namely a seat on the UN Security Council. They use high level summits along with strategic partnerships such as the India-Brazil-South Africa Dialogue Forum (IBSA) to amplify positions on global issues by uniting their voice. As one Indian academic said “We need Africa not only for oil but for political power too.... but we do not have the money of the Chinese or the military might of the Americans. Therefore we have to rely on cooperating with African nations... where we have something to give.”<sup>50</sup> With the exception of China (which has a strong voice on its own), Southern donors have begun to work together to claim a louder, unified voice for Southern representation.

In negotiations over Tibet in 1954, China’s premier Zhou Enlai presented the “Five Principles of Peaceful Coexistence:” (1) mutual respect for sovereignty and territorial integrity (2) mutual non-aggression (3) non-interference in each other’s internal affairs (4) equality and mutual benefit and (5) peaceful coexistence.<sup>51</sup> Half a century later, Chinese officials still point to these principles as the foundation for their foreign policy and aid programs. It is also the mantra for most other Southern players. “Equality and mutual benefit” is reflected in the insistence that countries are not “donors,” but “development partners.” China and some of the other large emerging donors believe strongly in mutually beneficial relationships, rather than the traditional Western “donor-recipient” relationship.<sup>52</sup> Many of the emerging donors have had their own experiences with colonialism and Western involvement; they are very insistent that their relationship with other developing countries is

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<sup>50</sup> Ajay Dubey quoted in *The Guardian April 2008*. Source *Shaw et al.*

<sup>51</sup> Brautigam, 30.

<sup>52</sup> Multiple sources: Brautigam, Kragelund, Rowlands, Zimmermann and Smith.

a partnership, rather than a new form of colonialism. Former President Festus Mogae of Botswana expressed the sentiment of many Africans in describing the Chinese, for example, when he said “I find that the Chinese treat us as equals. The West treats us as former subjects.”<sup>53</sup>

This approach leads Southern donors to approach developing countries as business partners, rather than as subjects or recipients of targeted donations. Traditional Western donors have shifted to focus on social sectors and poverty reduction—social sector spending including education, health, and governance accounts for roughly 60 percent of the DAC sector-based ODA.<sup>54</sup> Many Southern donors, on the other hand, tend to look at productive sectors, with a focus on lowering transaction costs and supply side constraints, rather than focusing on social programs such as health and education.<sup>55</sup> Technical cooperation and training has historically been a focus of many Southern partners, and remains the main channel of assistance for smaller contributors.

## Differences and Tensions in Delivering Aid

The principle of “non-interference” is a defining aspect of Southern development cooperation; some Western critics have argued that China is bankrolling “rouge states.” The principle of non-interference can be traced back to the Bandung Conference—the Final Communiqué included the agreement to adhere to the following principles: (1) respect for the sovereignty and territorial integrity of all nations, (2) abstention from intervention or interference in the internal affairs of another country and (3) abstention by any country from exerting pressures on any other country. Southern nations have their own experiences with colonialism and economic sanctions, which helps to explain their resistance to apply political and economic conditionalities. Non-interference may also be a convenient rationale for doing business in countries that are unappealing to Western donors. But Southern donors are not bankrolling “rogue states;” it is worth noting that the largest beneficiaries of Southern assistance are also top recipients of aid from the DAC, with the exception of Burma.<sup>56</sup>

As an aspect of their non-interference policy, Southern donors traditionally do not apply conditionality on their aid. (With the exception of China’s “One-China” policy which prohibits official relations with the Republic of China -Taiwan). This is in stark contrast with northern donors and international financial institutions that have are known for requiring

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<sup>53</sup> Quoted in Paulo and Reisen. There is still criticism, however, about China’s operations in Africa.

Increasingly skeptics across Africa are raising concerns about the sustainability and construction of infrastructure projects, along with poor working conditions in Chinese-run mines and businesses. (*The Economist*, “The Chinese in Africa”) The recently-elected president Michael “King Cobra” Sata of Zambia has run on anti-China platforms. (Conway-Smith, Erin, “Zambian election results check Chinese Influence in Africa,” *The Global Post*)

<sup>54</sup> OECD DAC, 2009 data.

<sup>55</sup> Kragelund (2011), 603.

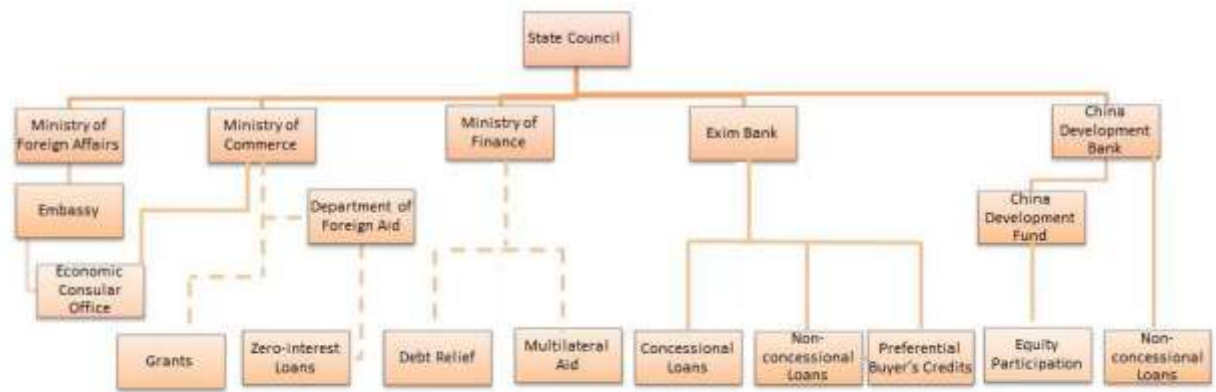
<sup>56</sup> “Background Study for the Development Cooperation Forum” (ECOSOC), 20.

specific changes to governance and macroeconomic policies in recipient countries. In recent years, traditional DAC donors have moved away from macroeconomic and political conditionalities to a certain degree, yet still include safeguards and require conformity to labor and environmental standards. Non-DAC donors generally have fewer requirements to meet. This enables more rapid disbursement compared to an often-prolonged DAC process. Southern donors also tend to focus primarily on project assistance, rather than general budget support.<sup>57</sup>

Although there may not be policy conditionalities, mutual assistance means that the majority of aid from Southern countries, especially China, India, and Venezuela, is tied.<sup>58</sup> This aid may be tied to the use of donor-country contractors and companies, donor-country goods, or oil imports. China, for instance, will finance its own companies to directly implement projects, rather than directing funds to host government accounts.<sup>59</sup> This is not uncommon; many traditional donors also give tied aid, despite an official policy of untying (with the exception of emergency assistance). Of the DAC donors: 64 percent of South Korea’s aid is tied, 45 percent of Greece’s aid, and 23 percent of the United States’ aid is tied.<sup>60</sup>

Most aid from Southern donors comes from a variety of channels within the government, leading to the difficulties in measurement and reporting standards. In China there is no separate department in charge of foreign assistance; one estimate is that there are between 15 and 23 agencies in China that play some role in their development aid.<sup>61</sup>

**Figure 7: Estimation of China’s Aid and Official Financing Decision Making Structure**



1. This figure excludes the provision of humanitarian aid that is provided by several ministries

Source: Christensen, 2010

<sup>57</sup> “Background Study for the Development Cooperation Forum” (ECOSOC), 21-22.  
<sup>58</sup> “Background Study for the Development Cooperation Forum” (ECOSOC), 30.  
<sup>59</sup> Brautigam, 82; 152.  
<sup>60</sup> Commitment to Development Index, 2010.  
<sup>61</sup> “Emerging Donors,” ONE Data Report.

India's assistance is also delivered through a myriad of aid channels. A plan for an external aid agency was quietly buried in 2010 as no single department wanted to give up its powers and a consensus could not be reached.<sup>62</sup> The creation of an autonomous aid agency also tends to mean that the nation is branded an "official donor," which some Southern donors prefer to avoid. There are several countries that do have aid agencies; Brazil has the Brazilian Cooperation Agency (ABC), and South Africa announced in 2011 the creation of the South African Development Partnership Agency. These agencies, however, are often tucked away in the foreign ministries with little control over policy or budget matters. Brazil's ABC is divided into seven units, run by diplomats whose assignments change every few years, leaving no continuity and a lack of political clout.<sup>63</sup> Expertise gaps along with monitoring and evaluation tend to hamper ABC's operations.<sup>64</sup> Many Southern donors, including South Korea, a recent member of the DAC, have a dual aid system; the Ministries of Foreign Affairs often control grants and technical assistance programs, while Export-Import banks manage loans. This is not to say that aid from DAC countries is coordinated in one agency either; the United States for instance gives aid through at least 26 different channels.<sup>65</sup> Nonetheless, it is challenging for new donors to get a handle on the various streams of aid flows from different agencies of government.

The channels through which Southern donors direct their foreign assistance also vary. China and India tend to give the majority of aid through direct bilateral relationships. China especially tends to be less collaborative with other Southern donors for fear of losing policy independence.<sup>66</sup> There is more hesitation to give to multilateral organizations as that is branded official aid and presumably there is reluctance to fall under the leadership of Western dominated institutions, such as the IMF or World Bank. South Africa and Brazil, on the other hand, are increasingly open to collaboration with each other and with multilateral organizations. South Africa actually channels more than 75 percent of their aid through multilateral organizations, especially Southern African bodies.<sup>67</sup> There is an increasing movement to channel these funds through Southern development organizations rather than relying on traditional western institutions such as the World Bank and IMF. IBSA proves to be a strong platform for uniting development assistance from India, Brazil, and South Africa. Venezuela historically channeled aid through the international financial institutions. Yet in the past five years there has been a switch to promote Latin American institutions, specifically Banco del Sur. Chavez even envisions Banco del Sur replacing the role of the World Bank and IMF on the continent.<sup>68</sup> This regional model is more similar to the coordination of the Arab model, rather than the traditional DAC approach.

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<sup>62</sup> Mitra, Devirupa and Roy, Shubhajit.

<sup>63</sup> Sotero, "Brazil as an Emerging Donor."

<sup>64</sup> Cabral and Weinstock 8-9

<sup>65</sup> Although all have official aid agencies, independent or not.

<sup>66</sup> Rowlands, 2.

<sup>67</sup> "Background Study for the Development Cooperation Forum" (ECOSOC), 25.

<sup>68</sup> "Hugo Chavez moves into Banking" *The Economist*.

## **Triangular Cooperation**

A recent form of cooperation that has yet to appear prominently on the global scale is Triangular Development Cooperation. The most common form is North-South-South where a traditional (North) and a non-traditional (South) donor work together with a beneficiary (South) to run an aid program. The rationale is that non-traditional donors that have managed to create successful economic development at home have more appropriate technical expertise that can be combined with financing and approaches from traditional donors. A good example is the Africa-Brazil Cooperation Program on Social Protection, a partnership between the Ministry of Social Development in Brazil, the Department for International Development in the United Kingdom, and the International Poverty Center, a program of the UN Development Program and Brazilian government. It is designed to use Brazil's technical expertise on social protection programs including conditional cash transfers to ensure that children are vaccinated and attend school (Bolsa Familia). Traditional donors that have been engaged or interested in triangular cooperation are mainly Japan, Germany, Spain, and Canada, along with some multilateral institutions including the UN. Most non-traditional donors have been involved in some North-South cooperation, with the exception of Arab nations. The scale of their cooperation is difficult to determine as neither non-traditional nor traditional donors report separately on cooperation projects. Triangular cooperation programs so far have consisted mainly of technical cooperation and dispersed small projects. It is an approach to aid that is not researched or implemented to its fullest extent, however is supported in theory by both sets of donors. The Paris Declaration and Accra Agenda for Action encourage increased collaboration with all development actors and specifically support further development of triangular cooperation.

## **Is DAC Still Relevant?**

With three distinct models for development, what are the implications for the traditional donors in the DAC? The first group of EU and OECD donors will most likely merge with the DAC in the near future. Yet what about the Arab and Southern models? Is the DAC an organization and model that is relevant for them?

Zimmermann and Smith (2011) discuss ways in which the emerging donors may converge towards the DAC reporting standards (or a broader definition of official financial flows) and the institutional channels through which this might occur. But we believe that it is unlikely that the Arab model will merge with the DAC model and that Arab donors will join the DAC. In recent years Arab donors have become more active in collaborating with Western institutions and have partnered with the World Bank, DAC members, AfDB, and EBRD, among others. There are increasing opportunities for co-financed projects, advisory assistance, and broad-level discussions. Yet the Arab model remains very much a parallel structure; they have also established coordination mechanisms amongst themselves. They have not merged with the DAC for the past forty years, and there is little reason to believe

they will in the future. There is a lack of incentive to officially join the DAC, which could perhaps learn from the Arab donors about coordination, harmonization, and consultation.

As is true for Arab donors, the Southern countries also lack an incentive to join the DAC. Although they may be signatories to the Paris Declaration (as recipients), there are fundamental differences in the mentality of approaching aid between the DAC and Southern models. By joining the DAC, Southern partners would essentially give up their approach as a development partner and join the ranks of official donors, potentially harming the relationship with many recipient countries which often see them as a welcome alternative to Western donors.

Experts may argue about whether or not the DAC represents anything more than a forum for meetings in Europe. Yet membership in the DAC often means that countries can brand themselves as donors in the international community. Southern donors would likely lose a significant amount of soft power in developing countries if they are seen to be “selling out” to the West. In addition they would lose a fair amount of business and projects in the developing world if they fully ascribed to the DAC principles rather than their traditional allegiance to non-interference and other principles of the Non-Aligned Movement. This would require compromising principles from the Bandung Conference, the Non-Aligned Movement and the Five Principles Approach that most of these countries have held as a central tenant of their foreign aid strategies.

Joining the DAC would also complicate domestic politics for many Southern countries which have high levels of poverty at home. It might constrain the flows of aid they are able to receive from Western donors. It would also prove difficult to explain to domestic constituents; as Brautigam explains, aid from China, for instance, is still a very sensitive issue domestically and many details are kept secret.<sup>69</sup>

In sum, the direct benefits of joining the DAC for Southern countries may be scarce. Countries would be recognized by the international community as donors, yet becoming a member of the OECD and DAC might not do much to increase their voice in the international arena. It is highly unlikely that members of the Arab and Southern models will officially join the DAC or choose to implement the DAC style of providing foreign assistance in the near future.

## **Can New Donors Be Persuaded to Increase Transparency?**

Rather than aiming to gain new DAC members and work the non-DAC donors into the traditional model, the international donor community should focus on increasing the level of reporting, *tolerating a variety of channels and languages through which this may occur*. Every donor needs to be encouraged to compile credible data on amounts of loan and grant

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<sup>69</sup> Brautigam, 2.

disbursements, multilateral versus bilateral commitments, types of assistance, region, and sector. Currently, there is very scarce reporting on project evaluation and impact assessments. This absence is one of the reasons that claims such as this are made: “Chinese Vice Minister of Commerce Fu Ziyang said... that China has not found a single case of corruption in its aid projects to foreign countries during the past six decades.”<sup>70</sup>

More than data aggregates, what is needed is project-level data. Even Arab countries that report flows to the DAC do not submit country or project level data. The only way to improve collaboration is to ensure that all actors can operate in an information-rich environment. Project level data is also the only way to ensure accountability and would allow civil society to more actively monitor government activities. All donors, including the members of the DAC, should increase reporting on triangular cooperation. We cannot expect to improve collaboration in a system where we cannot quantify the amount of aid flows – where we do not know if non-DAC countries are giving 8 percent or 31 percent of global gross ODA.

## **Changing the International Forum for Aid Discussions**

Discussions about non-traditional donors are increasingly taking center stage in meetings about aid and aid effectiveness. The DAC is actively attempting to engage non-DAC donors; it has invited representatives from Southern countries to participate in Senior Level meetings and is initiating dialogue through programs such as the China-DAC Study Group. The Working Party on Aid Effectiveness is a start and increasingly has fostered dialogue since inception in 2003. The Task Team on South-South Co-operation is another effort with the goal of providing recommendations to the Fourth High Level Forum on Aid Effectiveness in Busan, Korea at the end of 2011.<sup>71</sup>

The problem is that these groups and studies are all taken under the OECD-DAC umbrella. The Working Party on Aid Effectiveness is a forum within the OECD-DAC, hosted by DAC and described on its website. The Working Party has organized the High Level Meetings on Aid Effectiveness in 2003 (Rome), 2005 (Paris), 2008 (Accra), and 2011 (Busan). Non-DAC participants are included, yet it is not really an independent forum for the discussion of international aid cooperation and understanding. It is an OECD-DAC forum. Southern and Arab donors will likely not fully ascribe to a donor dialogue that is led by the DAC.

The international aid community needs a more independent forum for these discussions. The DAC should be a donor caucus *within* this body, not the other way around. A more independent platform would allow equal space for the DAC, the Arab, and the Southern models, without trying to fit all three under the DAC umbrella.

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<sup>70</sup> Grimm, “Transparency of Chinese Aid” August 2011, 20.

<sup>71</sup> “Working Party on Aid Effectiveness” and “Task Team on South-South Co-operation,” OECD briefs.



The United Nations Development Cooperation Forum (DCF) has the potential to become this independent body. The DCF was mandated by the 2005 World Summit and had the first biennial meeting in July 2008.<sup>72</sup> Hosted by the UN, it is a more neutral forum than the OECD-DAC and brings together not only member states, but development-related UN bodies and civil society organizations. But it has not yet risen to the challenge and remains largely overshadowed by the DAC's Working Party on Aid Effectiveness and High Level Forums.

The International Aid Transparency Initiative (IATI) is also a more neutral platform in the early stages of development, where the DAC countries are only one piece in the larger international aid arena.<sup>73</sup> Launched in 2008 at the Accra High Level Forum, IATI is network of organizations that has agreed upon data standards; it is not a database but an initiative to publish and categorize info in a timely manner. It is designed to complement DAC's Creditor Reporting System (CRS) database, and is open to private foundations and NGOs as well. IATI aims to report project level information, including documentation about project objectives and monitoring of results. Although governed independently, IATI is still tied to the follow-up process of Accra led by the Working Party on Aid Effectiveness. With improved independence it could attract non-DAC donors. It aims to have information and reporting available in languages and formats that both governments and citizens can be comfortable with. IATI does need to strengthen incentives for endorsement and reporting; currently 22 partner countries have endorsed the initiative.

Beyond the scope of this paper (but discussed in other CGD work) is the issue of global governance (Rueda-Sabater, Ramachandran and Kraft, 2009). It is hard to imagine a higher level of cooperation across countries without fundamental changes to global governance that will give emerging economies fair representation in the Bretton Woods and other global institutions. While Belgium has 103 votes per billion dollars of GDP at the IMF, China has about 25. Countries like India, Turkey, Brazil and Russia also feel sidelined in the multilateral institutions. Efforts to address this inequity have at best been marginal. Many emerging donors are trying to build their profile in the international arena and gain influence on both a regional and global level. Allowing Southern countries to gain more representation might improve incentives for non-DAC countries to participate in international aid cooperation initiatives.

## Conclusion

Traditional donors and institutions are currently making every effort possible to coax emerging donors to join the fold. Working groups hosted by OECD-DAC aim to increase dialogue and encourage new donors to report data according to the DAC's standards. Individual large donors are also making efforts to welcome the newcomers, including

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<sup>72</sup> Website: <http://www.un.org/en/ecosoc/newfunct/develop.shtml>

<sup>73</sup> For more information: <http://www.aidtransparency.net/>

through the triangular cooperation mechanisms discussed above. We do not yet know the outcome of these efforts but it does appear that some countries are on different paths and are determined to stay the course.

In order to fully engage new donors, it needs to be recognized that they will likely not simply merge with the OECD-DAC. There is scope for aid coordination on a global level, yet it probably needs to move away from the OECD-DAC umbrella. The UN-DCF and IATI both have the potential to engage all donors, yet these are relatively new institutions and must overcome some challenges to take center stage.

Finally, encouraging aid transparency must be the core focus of the aid community, especially reporting data on project level assistance. These data are the crucial step in fully understanding the similarities and differences between traditional and non-traditional donors. Aid transparency is critical to improving the delivery of foreign assistance, to meet the goals of poverty reduction and economic development.

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