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Non-DAC donors and the changing landscape of bilateral aid

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Introduction

Wealthy nations have allocated over US $5,230,000m. in development assistance to developing countries over the past 50 years, with bilateral aid accounting for approximately 43% (Tierney *et al.* 2011). While no single institutional framework encompasses all these bilateral donors, the Organisation for Economic Co-operation and Development's (OECD's) Development Assistance Committee (DAC) has functioned as the largest forum since 1961 (DAC 2012). The Committee facilitates agreements on standards for aid and development policy for its now 24 member states and monitors aid flows of members and other donors through the Creditor Reporting Service (CRS).

The DAC brings together donor government and multilateral institutions in order to improve aid effectiveness. It provides data on economic conditions and aid flows, conducts policy analysis and peer reviews of members' aid programmes and facilitates decisions and recommendations on best practices in aid. The DAC has evolved considerably and, among other changes, has come to recognize the importance of a comprehensive approach that harmonizes aid between donor and recipient countries as well as among donors themselves. These changes are reflected in the OECD-driven high-level fora over the past decade—held in Rome, Paris, Accra and Busan—in which the OECD provided leadership in addressing pressing problems in foreign aid.

Although the DAC has been the primary institutional framework for the provision of development assistance, both established and newer non-DAC donors have grown in influence and, for some, have begun to pose a potential challenge to the traditional DAC approach. The changing landscape of bilateral aid reflects the global economy's transition toward more decentralized influence from a host of players. As bilateral donors outside the DAC expand their funding and their reach, they offer alternative models and may introduce competitive pressures into the aid market. These donors' increasing economic and political clout has led to greater involvement in the global aid governance dialogue, even as they remain outside established international aid structures. (Also see Büthe and Cheng, this volume, for a discussion of the increasing role of private actors in aid, transnational NGOs as aid channels, private foundations and venture philanthropy, and peer-to-peer development funding.)

This chapter describes basic patterns in aid allocation, with an emphasis on the differences between DAC and non-DAC donors, the key 'players' outlined in the framework chapter.[1] While some non-DAC donors have had long-running aid programmes (e.g. some Arab countries), we mostly refer to non-DAC and newly emerging donors simply as non-DAC donors because they have only recently garnered any significant attention as foreign aid donors.

We consider differences between DAC and non-DAC donors over time (1973–2009), by region of recipient and by aid sector. These comparisons are based on project-level information from AidData (Tierney *et al.* 2011), which provides the most comprehensive database of aid flows both inside and outside the DAC. We then consider brief case illustrations of four non-DAC donors: Kuwait, Brazil, India and China. While Chinese aid is not publicly available, we include some initial findings from a recent initiative by the World Bank to code Chinese aid from public documents (Foster *et al.* 2009). These comparisons offer insights about the relative 'power', as outlined in the framework chapter, of these two sets of donors.

Taking stock of the differences between DAC and non-DAC bilateral aid is important because many observers have suggested that non-DAC donor aid may actually undermine development objectives (Naim 2007; Rowlands 2008). On the other hand, others claim that they compare favourably with DAC members on several fronts (Dreher *et al.* 2011; Woods 2008). The debate about whether non-DAC donors undermine DAC efforts speaks to the 'paradigms' dimension outlined in the framework in that each set of donors may have different priorities that may be more or less beneficial to recipient countries.

Notably, most studies of non-DAC donors up to this point have lacked the comparable data on both DAC and non-DAC aid flows necessary to pinpoint the differences between their aid models. As such, we attempt to identify factors that may differentiate DAC and non-DAC donors and discuss how development paradigms may or may not be changing. We conclude the chapter with a discussion of how examining non-DAC donors may shed light on development policy questions, as well as highlighting yet unanswered scholarly questions in need of further engagement.

Who are the non-DAC donors?

The recent rise of non-DAC donors actually constitutes their 're-emergence' onto the global scene (Walz and Ramachandran 2010, 5). Kuwait began its aid fund in 1961, and countries such as Russia and India have also been providing development assistance in various forms for over 40 years. Other donors of course have only recently entered the scene, and thus justify the newly emerging donor label.

While non-DAC donors' development programmes vary in age, intent and scope, they can be roughly grouped into a few categories, roughly consistent with those that Walz and Ramachandran (2010) identified: newer non-DAC donors, Arab countries and the Southern regional giants. The newer non-DAC donors include post-communist states such as Slovakia, Poland and Hungary, as well as Asian and Latin American donors such as Thailand, Colombia and Brazil. Most of these newest donors are still net aid recipients themselves; for these states, becoming donors may be one way to signal their increasing stability and their importance in the global economy. They generally target neighbouring countries in small project-level aid. This aid totals nearly US $170m. (2009 value), of which over 60% stays within each donor's region (Tierney *et al.* 2011).

A second group of non-DAC donors includes such giants as China, India and Venezuela, which have the potential for the greatest influence on global development because of their growing economic and political clout. They also generate the most controversy because their development models are the most different from accepted principles and practices. These donors stress mutual assistance and South–South co-operation, but they are cautious about fully joining the official international donor community. Maintaining independence means they are less likely to co-ordinate with other donors and are reluctant to report their aid. Since these states do not report aid, the estimates vary from US $1,500m. to $25,000m. (2009 values) for China, and between $1,000m. and $2,500m. for India and Venezuela (Walz and Ramachandran 2010, 2).

The Arab countries are the oldest donors that have remained outside the DAC, and their reported aid flows to the DAC's Creditor Reporting Service (CRS) show a strong social solidarity. Although willing to co-operate on transparency issues, the major Arab donors channel little of their aid flows through multilateral organizations and protect their policy independence by maintaining separate aid structures such as the OPEC Fund for International Development. Arab aid tends to fluctuate with oil prices, but it makes up a larger percentage of the donors' gross national income (GNI) than does aid from many DAC countries, and it totals at least US $69,400m. (2009 value) since 1973. Whereas Arab donors initially focused their aid within the Middle East, they now channel almost 44% of their aid toward African countries, with a further 26% remaining within their own region (Tierney *et al.* 2011).

The aid challenge and non-DAC donors

The increasing importance of non-DAC donors comes at a critical time for the DAC and the global governance of development. After decades of substantial official development assistance, many recipients may be no better off than they were 50 years ago (Doucouliagos and Paldam 2009; Easterly 2006). Poverty, hunger and disease have not been eradicated by projects and programmes, and in many instances they have become more complex and seemingly insurmountable challenges. This has tempered the legitimacy of North–South aid governance and highlights potential pitfalls of a programmatic, top-down approach that may weaken recipient ownership of the development process and jeopardize its effectiveness. One of the most prolific critics of the DAC model, a long-time economist at the World Bank, has identified several weaknesses including the absence of bottom-up feedback, the complicated processes of a bureaucratic approach to aid and donors' tendency to measure effectiveness in terms such as volume of output rather than poverty reduction (Easterly 2006).

The lack of transparency in DAC aid has been a critical weakness and may contribute to the lack of aid effectiveness. Although both DAC and many non-DAC donors report aid flows to the CRS, they do so in different forms and often provide only vague or partial accounts of their activities on the ground. Without this information, donors may establish overlapping projects, which could overwhelm recipient capacities, and citizens could be less able to hold agencies accountable for the foreign provision of goods and services (Davies 2008; Kragelund 2008).

As donors more fully recognized this problem, they articulated goals at high-level meetings in Paris (2005) and Accra (2008) to establish more uniform and comprehensive reporting, but even established donors have been slow to implement these standards. This motivated the multistakeholder efforts of the International Aid Transparency Initiative (IATI) to encourage best practices in reporting and the adoption of a common data format to make aid information more useful to citizens and governments in developing countries (IATI 2013). Efforts such as IATI and AidData to create consistent and inclusive aid flow databases may result in better understandings of the landscape of foreign aid. But much remains to be done, especially the translation of aid information into better aid outcomes through co-ordination across donor types and with governments.

Due to an increasing awareness of these and other problems, the pressing questions in the aid community today are focused on measuring and improving aid effectiveness. Four high-level donor fora since Rome (2003) 'grew out of a need to understand why aid was not producing the development results everyone wanted to see and to step up efforts to meet the ambitious targets set by the Millennium Development Goals (MDGs)' (OECD 2012). These meetings resulted in agreements outlining principles to maximize aid effectiveness. There is some evidence that donors are attempting to respond and provide more effectual aid. After research identified 'good governance' in recipient countries as a key to aid's success (Burnside and Dollar 2000), DAC donors committed to a wide range of measures to direct their aid toward the states most likely to use it well. Examples such as the Millennium Challenge Corporation (MCC) suggest that donors have tried in some ways to respond.

As these standards have become more prominent and accepted, many turned their concerns to non-DAC donors. In particular, scholars and policymakers alike have expressed concerns about whether newer non-DAC donors will follow the new norms or undermine them in crucial ways. These concerns depend on some critical assumptions, however, most notably the profile of the non-DAC donors. Are these donors giving a significant amount of aid such that the donor community should be concerned? Do the patterns—regional and sectoral—differ enough from what the current community practises? Will non-DAC donors introduce pressure that motivates DAC donors to move toward or away from more effective and sustainable practices?

Many observers caution that non-DAC donors may undermine development aid's fundamental objectives because their practices differ so significantly from DAC norms. They worry that if these donors' aid does not meet the standards and practices developed by decades of DAC experience, it could undercut necessary reforms, pile new debt on ex-HIPC (heavily indebted poor country) states, and overwhelm recipient governments (Naim 2007; Manning 2006). Others argue that these fears are unfounded and that donors outside the DAC have better track records on some issues than those within it (Dreher *et al.* 2011; Kragelund 2008). Further, the donor competition that they introduce could extend aid flows to a broader range of states and sectors and give recipient countries greater ownership in the development process (Kragelund 2008; Woods 2008). Similarly, Büthe and Cheng (this volume) argue in their chapter that private actors' shift in focus from humanitarian to development aid grew from a widespread perception that NGOs could be more flexible, efficient and innovative than government aid bureaucracies.

This increased choice in aid is growing more important as the traditional development assistance models face more scrutiny in the search for greater aid effectiveness (Rowlands 2008; Walz and Ramachandran 2010; Woods 2008; Easterly and Roodman 2004). Because of the shifting global economy and the declining legitimacy of DAC aid models, non-DAC donors are gaining a stronger voice in development communities (Arab Coordination Group Institutions and OECD Development Assistance Committee 2009). The partnership agreement at the 2011 Busan High Level Forum on Aid Effectiveness included China, India, Brazil, South Africa, the Arab states and many other non-DAC donors, for example, but did not actually bind them to its terms. This shows that these donors are increasingly able to exercise their growing economic and political clout to influence the development governance dialogue, even while maintaining their own independent aid models (Barder 2011).

The changing landscape of foreign aid?

We now turn to an examination of the basic patterns and differences in DAC and non-DAC provision of foreign aid. AidData includes project-level funding and sector information for over 866,700 bilateral aid projects between 1973 and 2009. The non-DAC donors included in

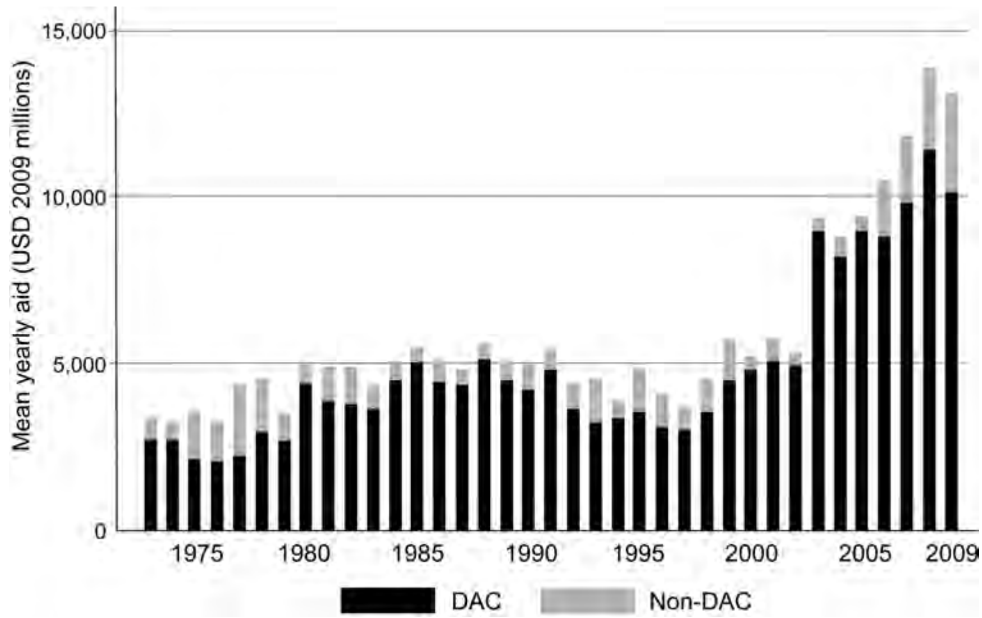

Figure 20.1 DAC and non-DAC donors' yearly total aid
Source: Tierney *et al.* 2011; data compiled from AidData.org

AidData are Brazil, Chile, Colombia, Estonia, Hungary, India, Republic of Korea, Kuwait, Latvia, Lithuania, Poland, Qatar, Saudi Arabia, Slovak Republic, South Africa, Thailand and the United Arab Emirates.[2] Although AidData coverage for some of these donors is not complete, it represents the most comprehensive picture available as it includes aid flows reported to the DAC, the UN and other sources. Because the data on DAC donors is likely to be more accurate, any estimates of non-DAC donor aid most certainly under-report the relative share. Any conclusions thus need to be considered as the minimal role and effects of non-DAC donors. Two of the most prominent non-DAC donors, China and Venezuela, do not report their aid to any organization, so they cannot be fully included in this analysis, though we consider China as a case illustration.

As Figure 20.1 shows, DAC members' aid has always constituted the lion's share of development assistance. But the overall share has fluctuated somewhat over time, including very little non-DAC aid granted in the early 2000s. Since that time, both DAC and non-DAC aid have been increasing substantially, but the relative shares still favour DAC donors by a substantial margin, at least based on available data.

Restricting the sample only to the last decade further underscores the point: there is a large increase in the share of non-DAC projects and aid. Non-DAC donors account for 4.1% of all foreign aid projects and 8.8% of the aid flows in the last five years of the database. From 2000–04, in contrast, they comprised only 0.2% of the projects and 3.4% of the share of aid flows (see Table 20.1).

Aid by region

Comparing DAC and non-DAC donors' regional aid allocation patterns highlights some key differences between the two groups' geopolitical priorities. Non-DAC donors appear to direct

Table 20.1 Total aid, 2005–2009

Total aid 2005–2009	*DAC donors*	*Non-DAC donors*	*Total*
Projects	389,751 (95.9%)	16,886 (4.1%)	406,437
Total Aid (2009 US $m.)	$553,904 (91.2%)	$53,147 (8.8%)	$607,051

most of their aid toward neighbouring countries, so the largest share of their aid remains within the region. The graph in Figure 20.2 illustrates that about one-third of DAC aid is allocated to African recipient countries, whereas non-DAC donors give over 40% of their aid to Asia, with a large share of that from the Republic of Korea. Compared to DAC donors, much less non-DAC aid flows to Africa. South Africa is the only non-DAC donor on the continent and most newer non-DAC donors have primarily concentrated on their neighbours within their respective regions. Fewer aid projects (and aid funds) from non-DAC donors are directed toward South American recipients, moreover, while more are directed toward the Central Asian republics and Central American states. Interestingly, much less non-DAC aid is reported to 'unspecified' recipients than aid from the DAC, perhaps somewhat due to the importance that these non-DAC donors place on the prestige and political leverage to be gained from reports of their aid.

Because non-DAC donors focus on their neighbours, they may compare less favourably with DAC donors in targeting the poorest countries and regions with their aid. This confirms the findings of Dreher *et al.*'s (2011) analysis and may lend some credence to claims that non-DAC

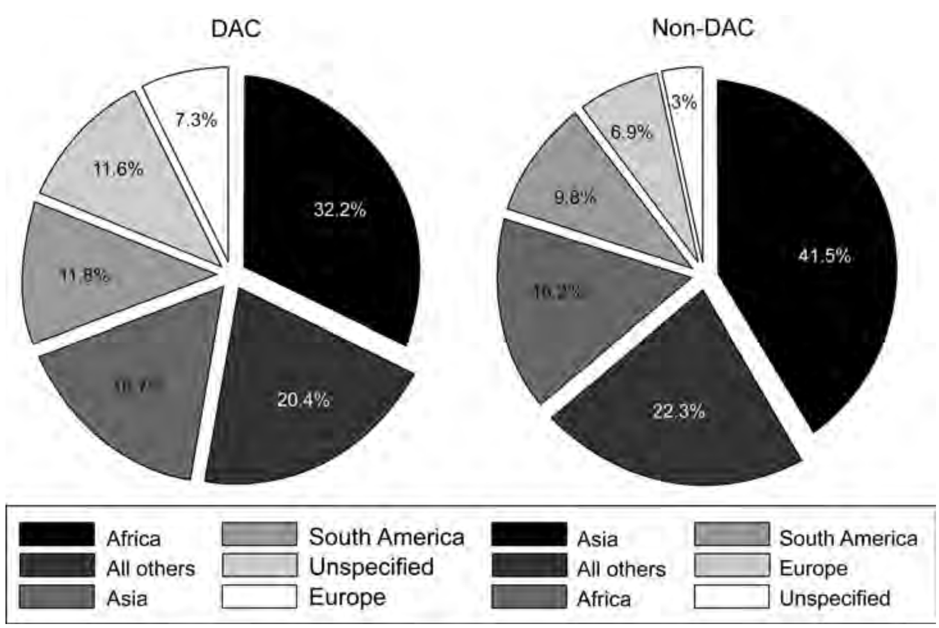

Figure 20.2 Comparing regional aid flows
Source: Tierney *et al.* 2011; data compiled from AidData.org

aid is driven more by strategic than by developmental concerns (Naim 2007; Rowlands 2008). However, these authors also found that the neighbourhood effect gave non-DAC donors a better track record than DAC members on lending to countries with good governance. As DAC members themselves struggle to reach effectiveness and governance allocation standards set at Paris and Accra, non-DAC donors may be lagging behind the trend rhetorically, but not in practice (Walz and Ramachandran 2010).

Turning to shares of aid within each region, Figure 20.3 indicates that non-DAC donors comprise a very small proportion—less than 10%—of development finance in any region of the world. Non-DAC donors provide almost 10% of the yearly aid flows to recipients in the Pacific Islands, but barely have a presence in the total aid packages of other regions, *even those regions receiving the bulk of non-DAC aid*. This may be due to the huge disparity in project size between DAC and non-DAC donors. DAC donors' projects in European countries average US $2m., while non-DAC donors' projects in the region average $64,000 (Tierney *et al.* 2011).

Because non-DAC aid is literally a drop in the bucket, concerns raised about counter-productive incentives and negative effects on governance are likely to be insignificant for most developing countries. Even for the countries receiving the largest shares of total aid from non-DAC aid flows, Cambodia (3.57%), Mongolia (3.53%), Philippines (3.48%) and Ukraine (3.08%), none receives more than 1% from any non-DAC donor besides the Republic of Korea.[3] This hardly amounts to a preponderance of non-DAC influence in the market for aid. Instead, the relevant key differences with DAC donors lie in non-DAC donors' overall focus on neighbours and in their more limited reach to developing countries. It is worth repeating that these conclusions rest on assumptions about comprehensiveness of data. And yet it is also hard to imagine that, if one were to complete the picture, non-DAC donors would comprise a drastically higher share of foreign aid in the world.

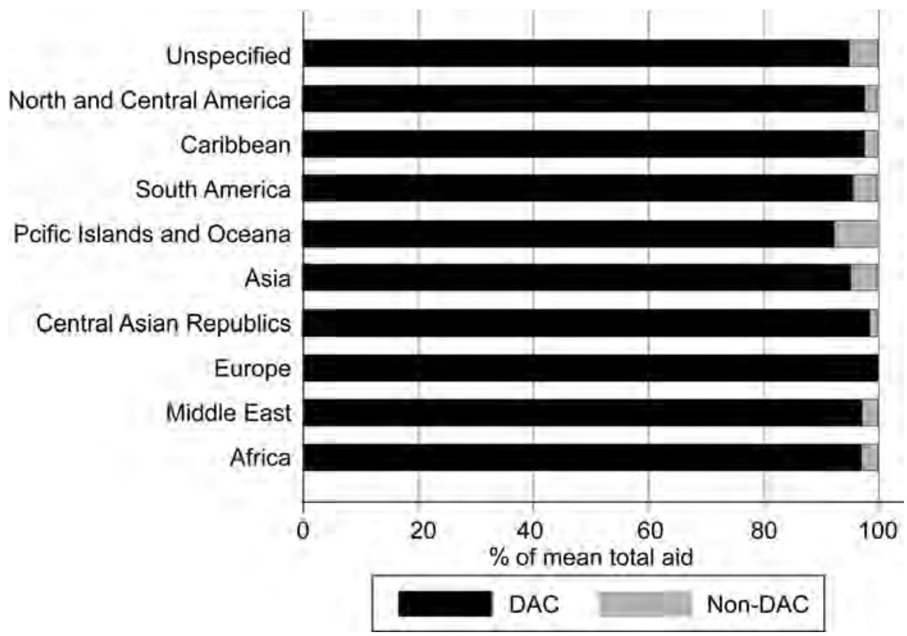

Figure 20.3 Donor allocations by region
Source: Tierney *et al.* 2011; data compiled from AidData.org

Aid by sector

Non-DAC and DAC donors' sectoral allocation patterns are more similar than their regional ones, as shown in Figures 20.4 and 20.5, although several key differences remain. In both cases, the largest share of aid depicted is actually a collection of the smallest sectors. For DAC donors, 45.8% of their aid is allocated to water, social services, transportation, communications, energy, financial and business, industry, mining and construction, and trade and tourism. For non-DAC donors, these sectors make up 39% of the total. One of the key differences picked up in this combination of sectors is that non-DAC donors focus more on communications, transportation, industry and mining than do DAC donors.

The largest sectors depicted in Figure 20.4—government, education, health, agriculture and multisector—show some differences. The largest distinction lies in aid for education, which receives a full quarter of non-DAC aid flows, nearly double the 12.2% of DAC members' (Figure 20.4). Conversely, they direct less funding toward programmes to strengthen government and civil society and on multisector projects, which are especially popular for DAC donors (Figure 20.5).

Non-DAC donors, on the other hand, have largely avoided commodity aid and budget support (Figure 20.5). Other researchers have found a similar paradox in governance standards for aid allocation, where non-DAC donors actually exhibit less of a tendency to aid corrupt countries than their DAC counterparts (Dreher *et al.* 2011). This contrast highlights DAC donors' inconsistent track records, making non-DAC donors' fresh money and fresh promises more attractive in the aid market (Woods 2008, 1220).

Continuing with an examination of Figure 20.5, non-DAC donors also tend to include proportionally more loans covering administrative costs than DAC donors, totalling over 20% of these projects. Still, just as with regional aid, non-DAC aid comprises only small portions of total aid in any sector and certainly does not dominate the market for any aid type.

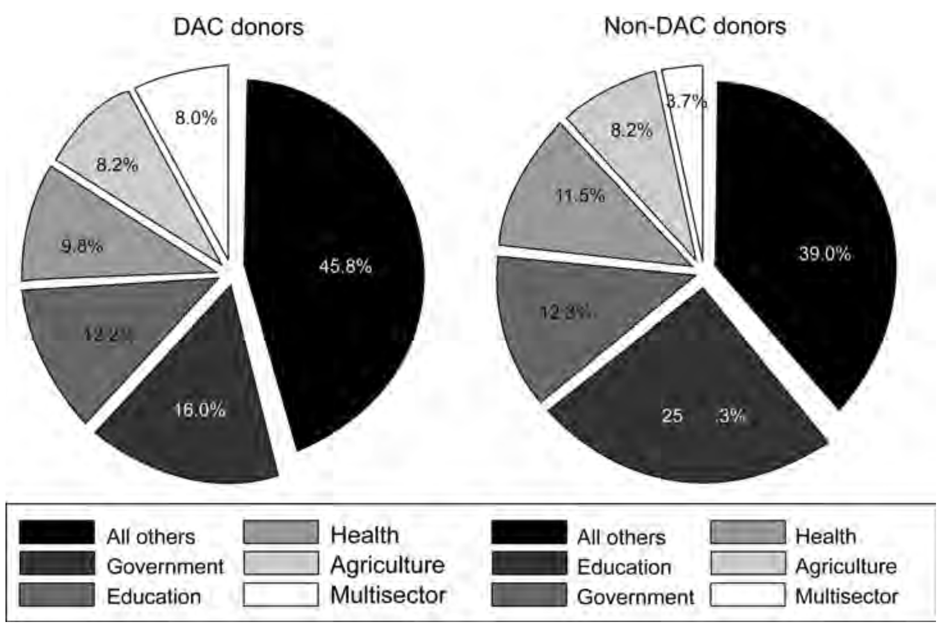

Figure 20.4 Comparing sectoral aid flows
Source: Tierney *et al.* 2011; data compiled from AidData.org

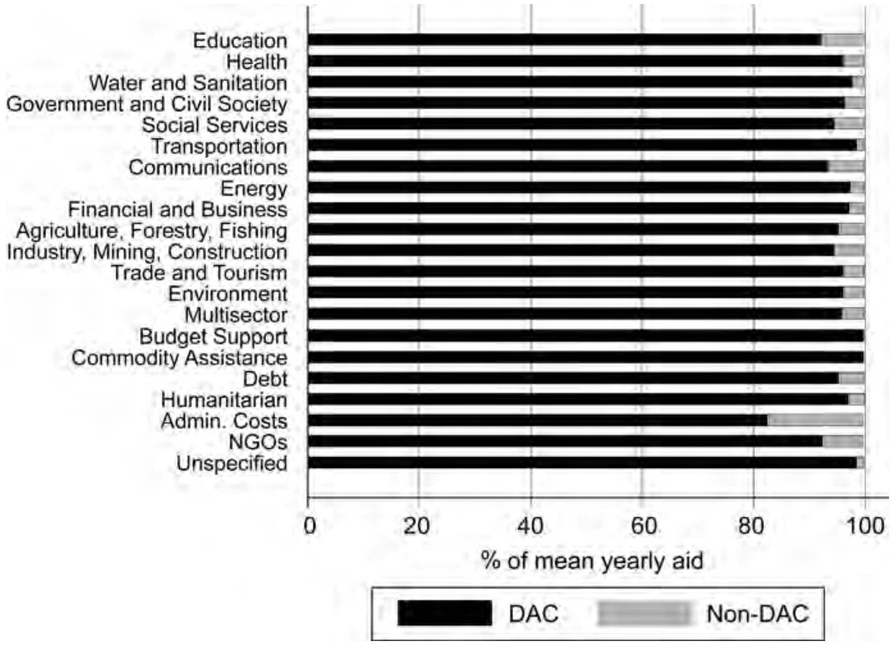

Figure 20.5 Share of sectoral aid
Source: Tierney *et al.* 2011; data compiled from AidData.org

Non-DAC donor illustrations

Individual donor countries' aid practices vary significantly from this composite picture of non-DAC aid because each follows unique priorities in aid allocation. Some focus on unique sectors or regions, while others follow DAC allocation patterns more closely. More established non-DAC donors approve more and larger projects, while most newer non-DAC donors tend to deliver aid in many smaller projects within each recipient country. In the following four case illustrations, we provide a closer look at the aid models of four non-DAC donors: Kuwait, Brazil, India and China. These donors are, of course, not representative of all non-DAC donors but they offer some variation in order to provide some perspective on the diversity of non-DAC donor profiles.

Kuwait

The Kuwait Fund for Arab Economic Development, established in 1961, was the first aid organization financed solely by a developing country. Kuwait gave only to Arab countries until 1975, but now has a broad reach into more distant regions where need is most concentrated. More than one third of Kuwaiti aid is directed toward African recipients, while slightly less flows to the Middle East and approximately one sixth toward Asian countries. In their agreements with many African countries, Kuwait and the other Arab donors approximate DAC members' reach more closely than other non-DAC donors. The types of projects that Kuwait funds, however, are quite different from DAC patterns or even the composite aid flows of non-DAC donors (see Figure 20.6).

With almost no allocation towards education (which is very unusual), almost a third of Kuwait's aid funding has been directed toward transportation projects. Water, energy, industry and agriculture projects also comprise significant portions, which are relatively smaller categories

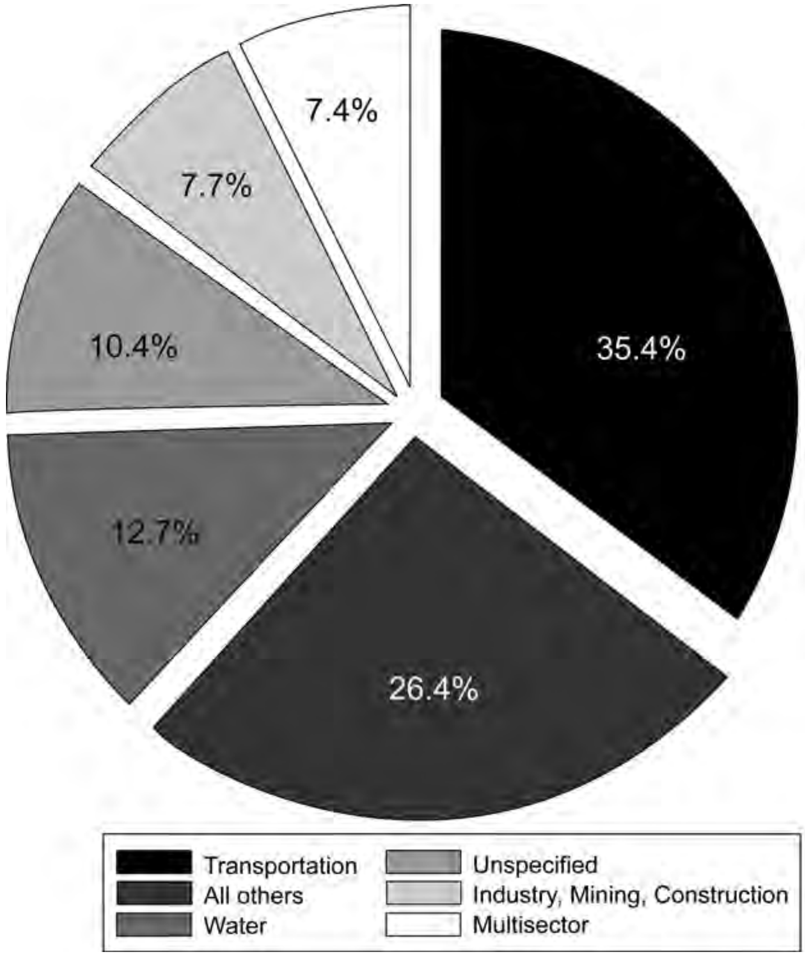

Figure 20.6 Kuwait's aid flows by sector
Source: Tierney *et al.* 2011; data compiled from AidData.org

for DAC donors. One other definitive characteristic of Kuwaiti aid is its volatility—Kuwaiti, and Arab aid more generally, tends to fluctuate with the price of oil.

Kuwait has played a key role in improving communication and co-operation, both among Arab donors and also between them and DAC member countries. Kuwait's invitation led to the 1975 creation of the Arab Coordination Group, which has provided a forum for the directors of national and regional Arab funds to 'optimize the application of resources' by sharing information and co-ordinating efforts on larger projects (Arab Fund for Economic and Social Development 2012). Since 2009, the Coordination Group renewed a dialogue with the DAC that had been left off since the 1980s. These joint high-level meetings have focused on sharing knowledge and identifying opportunities for collaborating efforts in some partner countries, and have led to the Arab donors' participation in the DAC's Working Party on Aid Effectiveness. Kuwait's participation in these dialogues indicates an acknowledgement of common objectives with the DAC in reaching the Millennium Development Goals, promoting sustainable development and supporting partner-country ownership of the development process.

Brazil

Brazil's emerging aid programme has been called a 'global model in waiting' (*The Economist*, 2010). It is much larger than the Brazilian Cooperation Agency's annual budget of US $30m. would suggest, as other Brazilian institutions provide a significant amount of technical assistance. Unlike most other non-DAC donors, but similar to DAC donors, Brazil directs the lion's share of its aid outside the region, with almost half going to African recipients and less than 15% to South America. These allocation patterns more closely resemble the wide reach and social focus of the DAC model than they do the narrower and more technical framework of most other newer non-DAC donors.

Brazil's ambitious reach may be less challenging to the DAC community than some other donors because Brazilian aid focuses on social programmes and agriculture instead of the typical heavy industry and resource extraction of non-DAC donors. See Figure 20.7 for a summary of the sectors that Brazil supports. As with the DAC donors, the largest category depicted is a

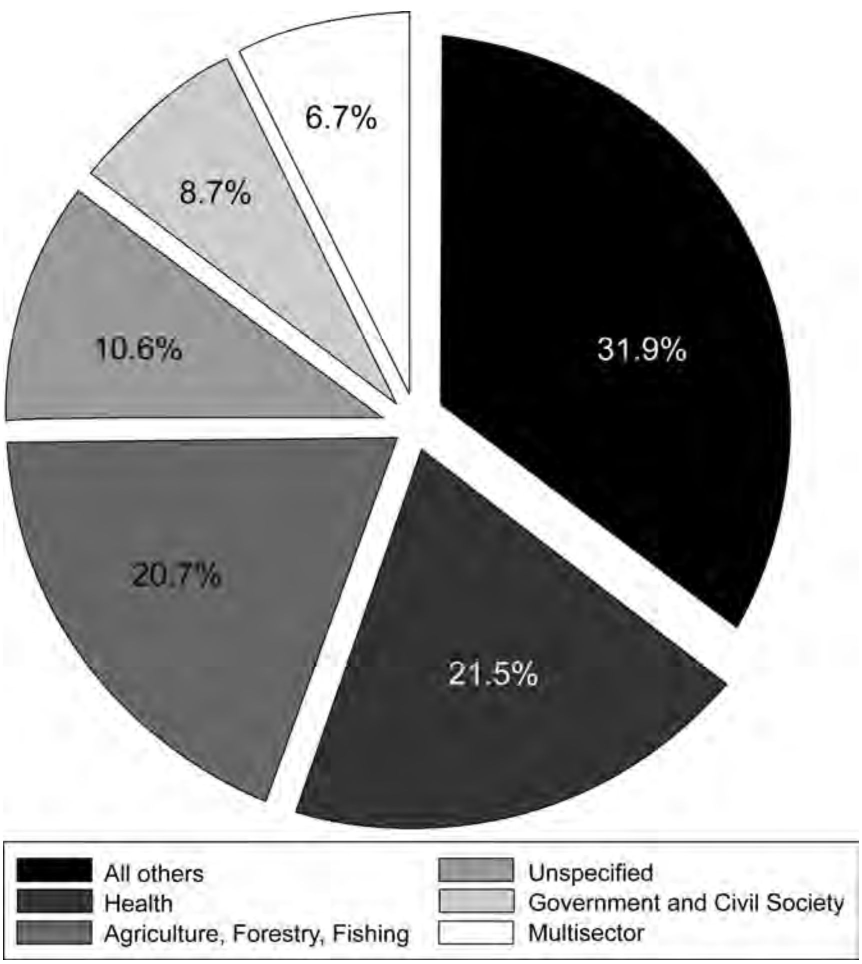

Figure 20.7 Brazil's aid flows by sector
Source: Tierney *et al.* 2011; data compiled from Aiddata.org

combination of a large number of sectors: social services, multisector, environment, communications, energy, water and sanitation, industry, mining and construction, trade and tourism, financial and business, and transportation. The largest unique categories in Brazil's sectoral allocation profile are in many ways similar to the traditional DAC profile with health, agriculture, government and education comprising large shares (compare to Figure 20.4, left pane).

Brazilian aid comprises a somewhat unique model of South–South co-ordination in that it largely exports programmes and projects that have been successful within its own borders. Arguably, this may make Brazilian aid more effective than policies drawn up in Washington or London, as advisors on a project are often drawn from the very ministries that implemented similar policies in São Paulo or Rio de Janeiro (Glennie 2012). Still, this successful model accompanies Brazil's efforts to build its economic and diplomatic power, especially in Africa, by creating inroads for Brazilian companies abroad. Further, some have criticized Brazil's growing developmental and commercial ties to leaders with poor human rights records (Romero 2012). However, Brazil funds far fewer mining and industry projects than the other BRIC (Brazil, Russia, India and China) heavyweights, perhaps because it has no need to import oil—likely a major interest driving Indian and Chinese aid to build up energy industries in African recipient countries.

Despite some sectoral similarities, stark contrasts remain between Brazil's young aid programme and more established donors' systems. Without conditionality, Brazil's aid may appear more attractive to recipients than DAC funding, but legal restrictions and understaffing create opportunities for fraud and corruption within its aid bureaucracy, especially given substantial recent funding increases (Smith 2011; Walz and Ramachandran 2010). Since Brazil remains a large recipient of aid, its presence in the global market for development may undermine traditional donor-recipient distinctions and the top-down approach to aid. On the other hand, Brazil's aid programmes do not spark the scepticism and distrust with which the DAC community views Chinese or Venezuelan aid. Brazil has also been 'much more cooperative' in collaborating with other bilateral donors than India or China have been (Rowlands 2008).

India

India is beginning to have an impact in the development community despite remaining the world's largest recipient of multilateral aid. The Indian Government began technical and economic co-operation projects in 1964, and its development assistance programme tripled between 2000 and 2010 (Mullen and Ganguly 2012). The Government announced the creation of an official development assistance agency only in 2011, planning to distribute US $11,000m. in the first seven years. It seems rather strange for a country as poor as India to send any money overseas; however, India's aid programme fills several purposes. One is certainly to increase India's presence on the global stage; another may be to counter China's growing influence in other regions.

As depicted in Figure 20.8, a basket of small sectors combined comprises the largest share of flows (water and sanitation, health, communications, social services, education, humanitarian, and government and civil society). The energy, industry and transportation sectors are the largest unique sector-specific targets of Indian aid, likely designed to help to secure energy sources and provide necessary infrastructure for joint economic ventures. In this way, India appears to be following the past trajectory of the DAC members in placing strategic concerns above all else. Since India's aid lacks conditionality like Brazil's, it may also present an attractive alternative for recipient countries seeking to protect their policy independence, even if it deviates from generally acknowledged best practices for development (Mullen and Ganguly 2012).

With the Indian economy growing at a tremendous rate, India has found greater potential to reach other countries with development aid, thus making aid a more important diplomatic tool.

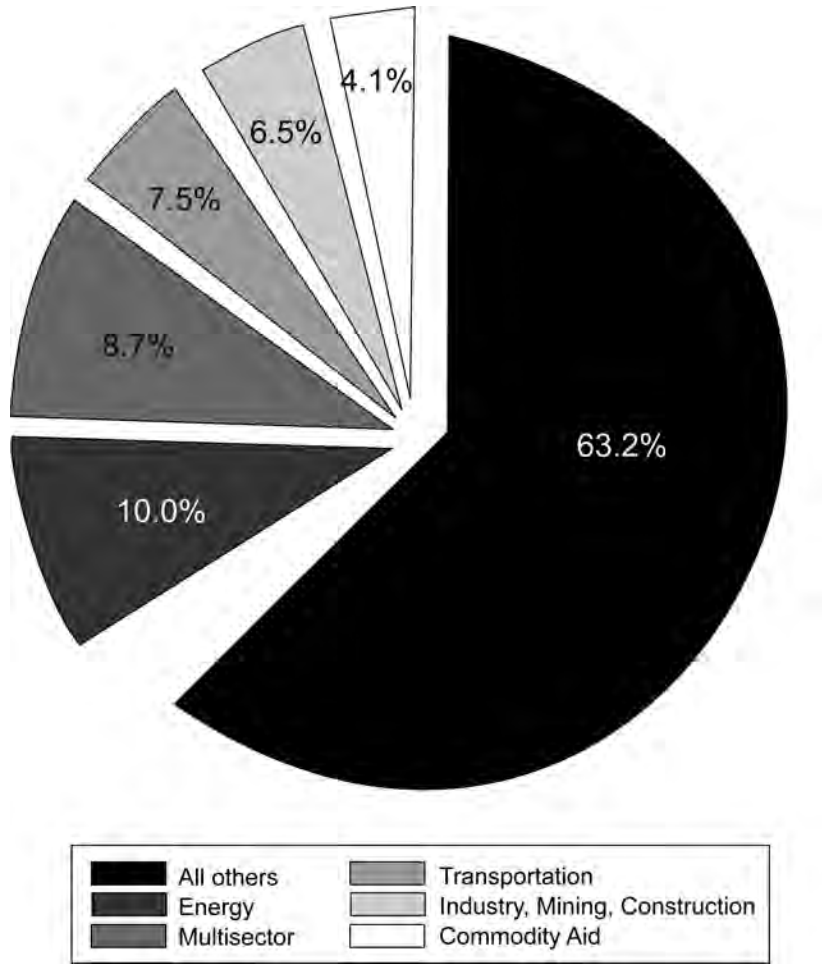

Figure 20.8 India's aid flows by sector
Source: Tierney *et al.* 2011; data compiled from AidData.org

Along with India's recent economic boom and diplomatic outreach has come more political leverage, and the state's growing aid programme is also used to counter the influence of regional competitors such as China and Pakistan. Long-standing programmes to educate foreign civil servants in India have reaped dividends in diplomatic ties with neighbouring countries, and Indian firms gain an advantage in large infrastructure development projects that require 85% Indian contractor rates (Mullen and Ganguly 2012). Although almost 95% of Indian aid has gone to recipients in Asia and the Pacific, leaders recently pledged US $5,000m. in concessional loans to Africa, extending the country's reach into regions previously dominated by Chinese aid.

China

Chinese aid has captured the attention and the scrutiny of the development community for a number of years now as the emerging heavyweight in global development assistance. But unfortunately almost no reliable data exist on Chinese foreign aid. Much of the financing flows that China provides to other countries likely do not meet the 25% grant element threshold to qualify as official development assistance (ODA) (OECD Development Co-operation Directorate 2012). Instead, growing Chinese demand for energy and foreign investment appear to have sustained a campaign to deepen economic and political ties with many countries, but especially with several resource-rich countries. Because China's international co-operation mostly lies outside ODA, some suggest that DAC frameworks and institutions are unsuited to governing its approach to foreign aid (Bräutigam 2011).

China's aid model differs more significantly from DAC practices than any other non-DAC donor's, even earning it the characterization of 'rogue aid' from some worried observers (Naim 2007). Tight-lipped administrations have enveloped Chinese aid in a 'shroud of secrecy' until very recently, and the lack of available information has fuelled conjectures and assumptions of sinister motives behind China's engagement with African nations. However, some of these concerns are unsubstantiated. For example, it does not appear that Chinese financing flows directly support investment bids or concessions for natural resource extraction (Bräutigam 2011).

Still, because of its emphasis on mutual benefit and lack of conditionality, the Chinese model of South–South co-operation may be less focused on sustainable development than it is on building economic and political ties that Beijing finds useful (Manning 2006; Naim 2007). China has never reported its aid flows or given project-level information, but the government did release its first White Paper on development assistance in early 2011. Although this may not signal a shift toward greater transparency in China's aid, it may reflect a Chinese desire to inch closer to the international donor community on its own terms. China has begun to participate in the global development dialogue and, at the most recent high-level fora on aid effectiveness, its dissent from the DAC consensus proved influential enough to change the content of official agreements (Barder 2011).

Chinese aid is unique among non-DAC donors for its sheer size; the Congressional Research Service recently estimated Chinese aid as totalling almost US $2,000m. annually for the past few years (Lum *et al.* 2009, 3). Also, other newer donors tend to direct the majority of their aid toward neighbouring countries, but the larger ones still give to a variety of countries and reach most regions of the world, making China's nearly exclusive focus on a few resource-rich African recipients highly unusual.

While data on Chinese aid flows have been difficult to obtain, we report some initial results based on recent data from a World Bank initiative using open source data. These figures should be considered with some caution, given that they are only based on a pilot of African recipients across a limited number of sectors. The Chinese financing flows to Africa are billed as 'South–South cooperation' but do not qualify as ODA. These data, however, were gleaned from a combination of reports verified by official sources (Foster, Butterfield, Chen, and Pushak 2009). China's Information of the State Council issued the first White Paper on its aid in 2011, which could signify a move toward more transparency in its donor activities, but that is yet to be seen.

The results of using these data appear in Figure 20.9 and show that infrastructure projects, as well as oil and mineral exploration, dominate Chinese foreign aid. This orientation is likely geared to making joint ventures with Chinese corporations possible. While education, health and civil society projects comprise almost half of both DAC and non-DAC donors' aid, no Chinese aid flows to these sectors. Although these data are only from a World Bank pilot effort, they offer some support to the suspicions of many that China is using development assistance to pursue and advance its geopolitical interests.

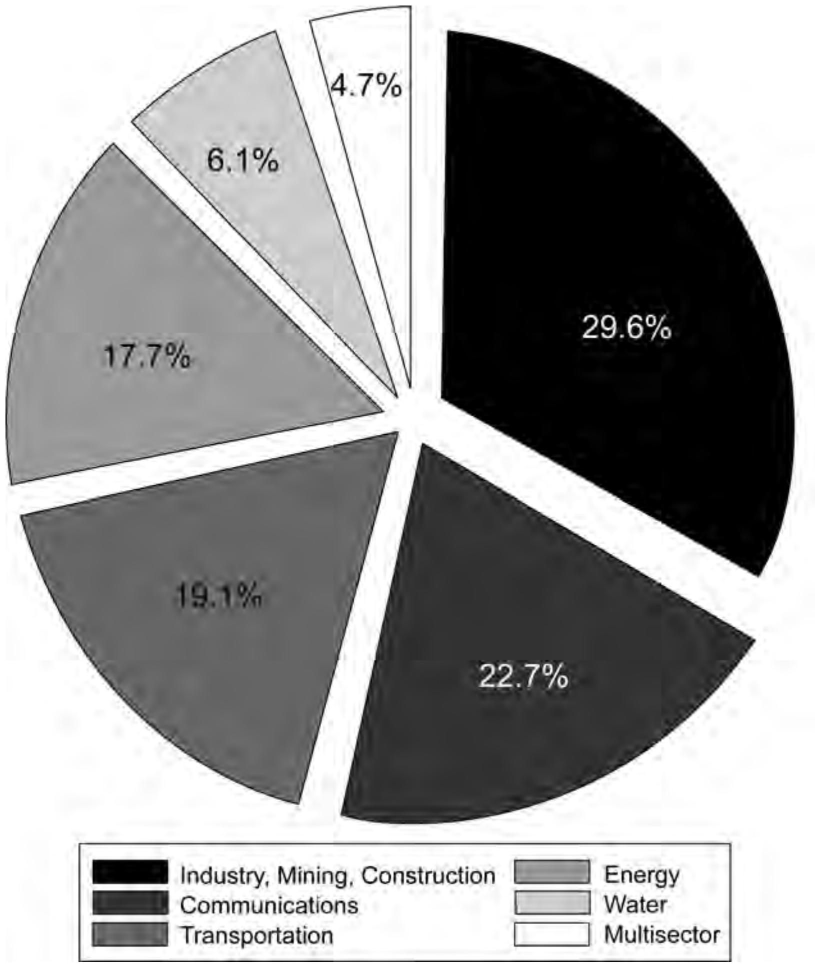

Figure 20.9 China's aid flows by sector
Source: Tierney *et al.* 2011; data compiled from AidData.org

The Chinese aid model mores closely resembles historical DAC aid than it does the current model. This difference is purposeful, as China seeks to expand its influence and secure resources by providing an alternative to the conditionality and donor-driven approach of the DAC. The Chinese aid model presents direct competition to the DAC with no conditionality, an emphasis on South–South co-operation and proactive engagement with dictators whom other donors have avoided (Rowlands 2008; Walz and Ramachandran 2010; Bräutigam 2009). This approach to aid has been highly controversial, but without more information it is impossible to assess the effectiveness of the Chinese aid model in improving welfare in its partner countries.

Discussion

Changes in the global aid dialogue reflect the DAC's recognition that development co-operation involves a broader range of actors than ever before. DAC chair Richard Manning suggested in 2006 that:

> [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.
>
> *(2006, 382)*

The 2011 Busan High Level Forum on Aid Effectiveness reflected this understanding. As non-DAC donors' growing economic clout translated to spots at the discussion tables in high-level meetings, they were able significantly to influence the resulting Partnership for Effective Development Co-operation, which was signed by a broad range of donors, developing countries, and non-governmental organizations (Barder 2011).

The Partnership reflects the delicate relationship between long-time donors and non-DAC donors, including newer non-DAC donors, Arab donors and the heavyweight BRICs. At China's insistence, the agreement stipulated that 'the principles, commitments, and actions agreed in the outcome document in Busan shall be the reference for South–South partners on a voluntary basis' (Partnership, 1). This highlights the difficulties facing a more comprehensive global aid governance: in order to include more donors, agreements and partnerships lose some of their teeth. Because non-DAC donors such as China and the Arab donors place such high value on maintaining policy independence, agreements such as the Busan Partnership cannot articulate more than 'shared principles, common goals and differential commitments'. As the Partnership jettisoned the DAC's old unanimity requirement in favour of voluntary building blocks, it acknowledged the different ways in which development principles may be put into practice while attempting to reaffirm the end goal of sustainable development.

While greater inclusiveness could result in improved legitimacy through, for example, greater ability to co-ordinate, this conclusion depends critically on some assumptions. Most importantly, it assumes that the DAC model is somehow the right model and that, by including non-DAC donors in that model, sustainable development will be more likely. The competitive pressures that non-DAC donors introduce into the aid market have had such a significant impact because their rise has coincided with a growing recognition of the weakness in the DAC model. Although some claim that these donors support rogue states, free-ride on debt relief by reindebting poor countries and bypass standards for governance and the environment, the DAC is not without its own 'flawed standards', broken promises and unfulfilled goals (Woods 2008, 1220). The broadening landscape of bilateral aid can either help or harm the aid community as it faces a crisis of legitimacy. Certainly the variety of developing countries' situations calls for a flexible and multi-faceted approach to aid, but, in order to produce effective development, sustainability and transparency must become the central criteria in global aid governance as a growing willingness to co-operate nominally translates to increased co-operation on the ground.

The wide range of allocation patterns among the four donors we considered highlights the variety that characterizes non-DAC aid. Still, each describes its aid model in terms of 'mutual co-operation' or 'development partnerships' based on the needs and capacities of recipient countries, offering in some sense at least a rhetorical alternative to the existing DAC standards for aid. It is important not to overstate the role of non-DAC donors: the information in AidData all suggests that DAC donors dominate in the foreign aid arena. But non-DAC donors may be on the rise in ways that at least create alternatives to the standard DAC model. Our data most certainly underestimate the amount of non-DAC donor aid, but, even if corrected, the picture is not likely to look drastically different. Of course, this is an open empirical question to be resolved as reporting and tracking gets better and better.

While smaller donors' practices and sectoral allocation patterns are becoming more similar to the DAC's, new heavyweights such as China and Venezuela appear to very consciously base their funding decisions on their own strategic priorities. Regardless of the motivations, growing non-DAC aid may be introducing competitive pressures into the market for development (Naim 2007; Woods 2008). This poses no inherent problem unless non-DAC aid undercuts sustainable development in recipient countries, but the concerns most have raised could be applicable to all donors (Kragelund 2008, Dreher *et al.* 2011). More experience with non-DAC aid and more research are needed to determine the impact of these aid sources on the ground. The landscape of foreign aid is most definitely shifting, but the changes may be much smaller and more varied than many expect. And it remains to be seen whether the non-DAC donor practices collectively amount to policies that are any worse than those that the DAC has produced.

Notes

1 Private donors such as the Gates Foundation are also key players on the international development scene, but unfortunately little data exist on private donors relative to public donors. More data is becoming available in recent years (see Büthe and Cheng, this volume; Büthe, Major and de Melloe Souza, 2012).
2 Note that Korea joined the DAC in 2010. Because we only examine aid to 2009, we leave its aid within the non-DAC figures.
3 The one exception is that 11% of Ukraine's aid flows from 2005 to 2009 came from Poland.

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