Development cooperation for the future

The increasing role of emerging providers

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www.devinit.org

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Development Initiatives works to end extreme poverty by 2030

22 March 2014, Kerida Gamela Woreda, Ethiopia – a meal made with locally-produced food is served during a visit by Jackie Chan to the Farmer Training Center. The center aims to increase vulnerable farmers’ resilience to climate shocks such as drought. It is part of the Purchase from Africans for Africa (PAA) and South-South cooperation processes in Ethiopia.
Contents

Summary ....................................................................................................................................... 4
Introduction .................................................................................................................................. 7
Policy context ................................................................................................................................. 8
How much is there, from whom and in what form? ................................................................. 9
  How much is there? ..................................................................................................................... 9
  Who are the largest providers? ................................................................................................. 11
  Who are the largest providers on a share of national income basis? .................................... 12
  Who receives development cooperation? ............................................................................... 15
  How is development cooperation delivered? .......................................................................... 16
Methodology, institutions and data sources ............................................................................ 17
  Alternative estimates of non-DAC development cooperation ............................................. 17
  Data challenges: improving transparency ............................................................................ 19
Conclusion ................................................................................................................................... 20
Annex 1: Methodology, data and institutions by country ......................................................... 22
  Brazil .......................................................................................................................................... 22
  China .......................................................................................................................................... 22
  India ........................................................................................................................................... 23
  South Africa .............................................................................................................................. 23
Annex 2: UN scale of assessment and shares of global development cooperation by country ......................................................................................................................................................................................... 24
Annex 3: Development cooperation from government providers outside the DAC ................. 25
Data sources .................................................................................................................................. 25
Summary

The development finance landscape is becoming increasingly complex and diverse. Providers of development cooperation, some of whom are considered developing themselves, are contributing to development efforts. This engagement is not new, as some have been providing development cooperation for many years. The novelty lies more in the rising strength of these actors, both economically and politically.

Development cooperation versus South-South cooperation

This report analyses official contributions to international development by 26 providers that are not members of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC). For the purpose of this study, we use development cooperation to refer to the official contributions of providers outside the DAC only. For those providers that report to the DAC the expression refers to their official development assistance (ODA) flows. For Brazil, China, India and South Africa development cooperation refers to flows of financial, human or in-kind resources in line with national definitions. If these are not available, then official declarations, the work of other researchers and the ODA definition have served as guidelines to decide what to include.

Some of the providers in this study are engaged in South-South cooperation (SSC) relationships with developing countries, so they provide a wide array of economic, political and cultural support that is closer to a development compact rather than an aid relationship. We recognise the value of these relationships and flows for the development process, but decided to narrow down the scope of our work to what we call development cooperation.

We opted to use the expression development cooperation as it better reflects the narrower field of investigation we intended to cover in this study than does SSC. The term is also broader, as countries that see themselves as ODA providers would fit comfortably within this definition.

Development cooperation providers emphasise a different model of cooperation

Politically, development cooperation providers emphasise their difference from DAC donors. They promote a mutual benefit model of partnership, which their partners value, and refuse a hierarchical donor-recipient arrangement. They often reject the ODA definition used by DAC donors. They support principles of South-South solidarity, non-interference in national policies and politics and responsiveness to the demands of partner countries. Some interpret development cooperation as a political and economic relationship of which aid-like flows are just a component (South-South cooperation).

Development cooperation providers are a diverse group

Development cooperation providers are a diverse group and they also differ from DAC donors. They adopt different positions in relation to the DAC, with some aligning themselves to this group, and others being critical. There are also differences in the size of their economies, their approaches and experiences of development and their political objectives and economic interests.

Development cooperation is likely to increase

The role of these providers is likely to increase. There is an opportunity to harness more resources and knowledge to promote development and ending poverty on a global scale. Emerging powers as well as smaller providers can play a role that complements other flows. Greater dialogue and collaboration between DAC and other providers is vital, to attempt to bridge different perspectives and contributions.
Lack of data on development cooperation makes any deeper analysis difficult
Beyond political challenges, the lack of timely, detailed and comparable information on flows from these providers makes accurate assessment of future opportunities difficult. Analysis is severely limited by inaccessible and/or limited detail and coverage. Access to more and better information would benefit developing countries by helping them to better map the resource flows available to aid development and reduce poverty. Providers would gain too, securing more visibility for their efforts, assessing allocation and impact, and helping to build domestic support for their international engagement.

Development cooperation accounts for 10% of global official assistance for development
Our research helps to fill this gap, presenting the available data on 24 of these emerging providers. We estimate that development cooperation amounted to US$16.8 billion in 2011, 10% of global gross official assistance for development (DAC and non-DAC providers combined), the largest share since 2000. This estimate is in line with other recent studies.

Development cooperation is small compared with other resource flows
Development cooperation from emerging provider governments is small when compared with other public and private international flows. It is less than half of development finance institution’s resources, less than one fifth of broader official financing (other official flows) and small compared with foreign direct investment.

Development cooperation from government providers outside the DAC increased by four times between 2000 and 2011, due in part to improving data


Development cooperation is rising, while DAC assistance has been falling
The available data show that development cooperation is increasing, whereas official development assistance (ODA) from DAC donors fell in 2011 and 2012, although it has recovered in 2013. Although total development cooperation is one ninth of DAC ODA, some individual providers such as China and Saudi Arabia disburse similar amounts to that disbursed by some DAC donors.

China is the largest provider
The available data suggest that China is the largest provider, with an estimated US$5.5 billion in 2011. Saudi Arabia is the next largest, providing US$5.2 billion. This scale of development cooperation is similar to ODA from Canada. These two providers alone account for 60% of development cooperation outside the DAC. By comparison, the top two DAC donors (United States and Japan) provide 35% of DAC ODA.

There are no agreed spending targets for development cooperation providers
There is some debate on how these providers should contribute to global efforts and how to assess their fair level of contribution and level of commitment. Some of these countries are
becoming major economic and political powers, but also face their own national development challenges that should be taken into account. The Busan declaration states that these countries have common but different responsibilities as development cooperation providers. Apart from non-DAC EU members, who endorsed a 0.33% ODA as a share of gross national income (GNI) target by 2015, these providers have not committed to any international targets. Most of them contribute low shares to development cooperation. These providers gave 0.09% of their GNI as development cooperation, about a third of the level provided by DAC donors. Saudi Arabia is an exception, providing 0.87% of its GNI in 2011. The UN Scale of Assessment, which measures how much each UN member has to contribute to the organisation, can be used as a comparator. This shows that most providers have shares of global assistance for development below the United Nations (UN) Scale of Assessment level.

Reducing poverty does not seem to be a driver of development cooperation, as most is focussed on neighbours or strategic regions
If development cooperation is intended to be for poverty reduction, this should follow need. To build a picture of how these flows respond to need in aggregate is a challenge as country-by-country data is limited. Based on available data, most providers focus on their neighbours or on strategic regions rather than targeting poverty. The Middle East – a relatively well-off region – and Africa are the two regions receiving most development cooperation, each receiving more than US$5 billion in 2011, together accounting for three-quarters of total flows. The lack of data makes it impossible to tell whether flows to Africa are going to high or low poverty countries.

Data on development cooperation are limited
The majority of developing countries that provide development cooperation choose not to report to the DAC database, which presents ODA data, and have not reached an alternative agreement for standardised reporting. As a result, assessments of global development cooperation beyond the DAC are inevitably not comprehensive. Comparison between non-DAC providers among themselves and with DAC donors currently rests on partial estimates at best and broad estimates in many cases; more in depth assessments on decision-making, delivery mechanisms, composition, and impact are severely limited. Where data exist, they are hard to collect because of their format or their restricted public availability (some data have not been published).

Lack of transparency limits the scope for citizens, partner countries, civil society, the international community and government providers to improve accountability, decision-making, allocation and impact themselves. Improving information expands opportunities to benefit the poor more.

The future development framework must incorporate development cooperation
It is vital that any future framework for development finance includes the increasingly important contributions of providers outside the DAC. ODA will retain an important role but some providers are unlikely to align to it. The ODA definition itself is under revision and a number of other alternative measures adopted at national level could provide the basis for a common and agreed standard for reporting development cooperation efforts.

Development cooperation is important, especially as it aims to challenge and complement DAC donors’ efforts. It can also cover a more extensive terrain and includes a set of additional financial instruments, flows and relationships. An agreed framework to interpret, map and assess this wider development cooperation landscape is highly desirable, although a significant political endeavour.

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1 www.oecd.org/dac/effectiveness/49650173.pdf
Introduction

Some countries considered to be developing are themselves emerging as important providers of assistance to fellow developing countries. Our Investments to End Poverty report stresses the importance of understanding all resources available for the eradication of poverty. The report provides reliable, accessible information and detailed analysis on resource flows to developing countries. Where data is available, this report incorporates development cooperation from a limited number of official providers that are not members of the Organisation for Economic Co-operation and Development’s (OECD) Development Assistance Committee (DAC), the most established group of donors.

Since 1990 poverty has dropped and the first Millennium Development Goal of halving poverty rates been reached before the deadline. Reinvigorated by past progress, the post-2015 High-Level Panel called for the end of extreme poverty by 2030. To bring the income of the remaining 1.2 billion poor above PPP$1.25 a day is within our reach. But additional measures will be needed, as projections show that growth will not be enough.2 What contributions can governments outside the DAC make? What will be the impact on the development finance architecture? Which advantages will recipient countries gain, and what risks might there be?

The need to accurately map resources from these emerging actors is strong. In the last two decades, economic and political ties between developing countries have strengthened. Trade between developing countries (intra-South) as a share of global trade increased from below 8% in 1980 to over 26% in 2011. Foreign Direct Investment (FDI) from developing countries to other countries in the South increased 20% a year during 1996–2009. Over the last decade one half of financing for infrastructure in sub-Saharan Africa has come from the developing world.3

Amid this growing South-South economic engagement, development cooperation provided by government providers outside the DAC has been rising. Official development assistance (ODA) from DAC donors has fallen in 2011 and 2012 in real terms, but rebounded in 2013. Although overall amounts are smaller than ODA, some individual providers of development cooperation disburse similar amounts as some DAC donors, notably China and Saudi Arabia.

These providers are also changing the development landscape. They bring a different model of cooperation, broaden funding options for recipients and can complement other flows.4 These emerging actors are also changing the global development system through global, regional and South-South specific cooperation institutions.

The role of these providers of development cooperation is likely to continue to increase. Fiscal constraints among developed countries are leading recipients to seek out new sources of funding. As the economic and political reach of emerging powers expands, these countries could be expected to contribute their fair share in line with the common but differential responsibilities principle agreed in the Busan declaration. Along with emerging powers, smaller providers can also play a role in increasing support for poverty eradication, complementing resources from larger providers. Greater dialogue and collaboration between DAC and other providers is vital, to attempt to bridge different perspectives and contributions.

The lack of timely, detailed and comparable information on flows from these emerging providers makes accurate assessment of future opportunities difficult. Analysis is severely constrained by inaccessible data, limited detail and coverage. Although efforts to increase transparency are under way in some cases, further steps could be taken. Access to more and better information would benefit partner countries by helping them to build up a complete picture of the development cooperation resources available to them. Providers would also benefit, by having

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their increasingly important role highlighted, allowing assessment of allocation and impact, and helping to build domestic support for international engagement.

Our research contributes to fill the information gap, presenting the data available on some of these emerging providers. Our methodology attempts to overcome data limitations, and illustrates the importance of improved transparency to improve co-ordination and decision-making, improve accountability and ensure recipient countries are fully aware of all of the flows available to them. Development cooperation from these providers deserves greater visibility, which will enable their real contribution to development to be fully recognised.

Policy context

Government providers of development cooperation outside the DAC emphasise their difference from DAC donors. They reject the concept of aid as a hierarchical donor-recipient arrangement, preferring a mutual benefit model of partnership. They espouse principles of South-South solidarity, non-interference in national affairs (including conditionality on public policies), and cooperation driven by the demands of partner countries.

Government providers of development cooperation outside the DAC are diverse, including major emerging economies such as China, Brazil and India, other G20 members like Turkey and Indonesia, Saudi Arabia, other Middle Eastern countries, and recently joined members of the European Union like Bulgaria. Many have been providers for decades. Their experience and approaches to development differ, and some have previously been aid recipients. As is the case for DAC donors, their political objectives and economic interests vary. This diversity leads non-DAC approaches to differ significantly, not only from DAC donors', but also among themselves.5

These providers often reject the ODA definition used by DAC donors.6 Individual cooperation providers have developed their own definitions, standards, rationale and reporting practices. Some providers are in the process of joining the DAC, including Turkey and Russia, and already report ODA. Others, such as the United Arab Emirates, report ODA to the DAC, but include other development flows in their own reporting.7 Emerging powers such as Brazil, China and India also use their own definitions. These can be operational or even implicit, but can reveal national governments’ views of what constitutes development cooperation and its objectives.

These countries often reject the language of aid. They prefer development cooperation, being an economic and political relationship, in which aid-like flows are a component. In its widest sense this can include FDI, trade agreements and subsidies, commercial loans, commodity exchanges and knowledge transfer. Our analysis is limited to official flows. Under DAC rules, some such flows can be reported as other official flows (OOFs), particularly those that are not sufficiently concessional to meet the ODA definition or not aimed at development.8

Distinguishing development cooperation from ODA rests first and foremost on the types of flows considered. ODA is not an undifferentiated transfer to developing countries. It includes cash (grants and loans), technical cooperation, commodities, and non-transferred flows such as debt relief.8 DAC donors provide very different mixes of resources while operating within the same framework. While the DAC maintains the ODA definition, which is currently under review, 5 Mawdsley E, From recipients to Donors: Emerging Powers and the Changing Development Landscape.; Zed Books: London, 2012; Mwase N, Tang Y, ‘BRICs’ Philosophies for Development Financing and Their Implications for LICs’, 2012 http://www.imf.org/external/pubs/ft/wp/2012/wp1274.pdf
6 The DAC defines ODA as flows to developing countries that are provided by official agencies; given for the economic development and welfare of developing countries; concessional, with a minimum grant element of 25%. See: http://www.oecd.org/dac/stats/officialdevelopmentassistance/definedandcoverage.htm
7 The United States (Foreign Assistance) and the United Kingdom (Gross Public Expenditure on Development) also report alternative measures of their contribution to development.
8 According to the DAC reporting directives, examples include: grants for representational or commercial purposes; non-concessional flows aimed at development; official export-facilitating financing, whatever the grant element; net acquisition of securities issued by multilateral development banks at market terms; subsidies for extending private credit or in support of private investments abroad; direct or portfolio investments that do not qualify as ODA; official non-ODA debt reorganisation or military debt forgiveness. See: http://www.oecd.org/dac/stats/documentupload/DCD-DAC(2013)15-FINAL-ENG.pdf
emerging providers use national standards that may be less or more restrictive than ODA (Annex 1; see also Development Initiatives, Investments to End Poverty, 2013, Chapter 9).

While DAC donors have favoured social sectors, government providers outside the DAC have tended to focus on productive sectors and infrastructure. Guided by the Millennium Development Goal (MDGs), DAC donors have increased funding to social programmes, to the extent that ODA to relevant sectors has exceeded that to economic infrastructure and productive activities. Prior to 2000, the opposite was true. Over the period 1998 to 2011, ODA to social sectors more than tripled (from US$23 billion to US$65 billion), while ODA to economic infrastructure and productive sectors went from US$24 billion to US$45 billion.10

Development cooperation providers have been expanding to new fields such as agriculture, health, education, governance and humanitarian assistance. The sharing of best practices based on successful national policies within provider countries has been a possible driver of this expansion. In fact, the economic and social progress of some providers appeals to fellow developing countries, seeking to exploit their development models to suit their own situations.

Critiques of these providers highlight practices such as tied aid, poor labour and environmental standards, and lending that fuels excessive debts. On the other hand, partner countries favour: a variety of funding sources, especially in a time of austerity among DAC donors; a ‘no-strings attached’ approach; substantial investments in infrastructure and the productive sector; rapid disbursements, and comparatively low interest rates on lending.11

These providers also engage with the multilateral system and emerging powers attempt to reshape it. They generally advocate the UN system and seek greater representation in the International Monetary Fund (IMF) and World Bank. South-South platforms are gaining strength, such as the India-Brazil-South Africa Forum or the BRICS meetings (bringing together Brazil, Russia, India, China and South Africa). But institutionalisation remains limited.12 Regional development banks are increasingly important, while the BRICS have proposed their own development bank.13 Trilateral cooperation is also attracting support as a complementary form of cooperation that exploits the strengths of different actors.14

How much is there, from whom and in what form?

How much is there?

Based on the limited data available, development cooperation from government providers outside the DAC reached US$16.8 billion in 2011. Development cooperation only accounts for a small proportion of wider international public and private flows to developing countries. Available data suggest that in 2011 it was half of the amounts disbursed by development finance institutions and 21% of other official flows.15 It was 3.6% of foreign direct investments.

13 Along with the development bank, BRICS countries also established the Contingency Reserve Arrangement and a BRICS Business Council.
15 In DAC terminology, other official flows are transactions between the DAC donors’ official sector and developing countries on the DAC ODA recipients list that do not meet the qualifying criteria to be considered ODA. These are official flows that reach developing countries but cannot be considered ODA either because they are not aimed primarily at development or because they have a grant element of less than 25%. Source: http://stats.oecd.org/glossary/
Development cooperation corresponded to 10% of global gross official aid (the combined total with DAC donors) in 2011, the largest share since 2000. But it is relatively small in comparison with gross ODA from DAC donors, amounting to US$149 billion – nine times the flows identified here (Figure 2).

Development cooperation and ODA, 2011, gross disbursements. Source: Development Initiatives calculations based on the OECD DAC database and national sources

Development cooperation increased fourfold between 2000 and 2011, while DAC ODA doubled (Figure 2). Between 2010 and 2011, development cooperation from emerging providers increased 7.1% (US$1.1 billion), while ODA fell 1.1%.
Figure 3: Development cooperation from government providers outside the DAC increased by four times between 2000 and 2011, due in part to improving data

Given data limitations, these amounts are likely to be an underestimate. They only include bilateral flows and contributions to certain international organisations for 26 country providers (see ‘Methodology, institutions and data sources’ below and Annex 1). Also, the increases over time are partly due to increased numbers of providers reporting of cooperation flows, and improving the quality of these data.

Who are the largest providers?

On available data, the largest provider is China, with an estimated US$5.5 billion in 2011. Saudi Arabia is the next largest providing US$5.2 billion. The scale of development cooperation from these two countries is comparable with ODA from Canada. Turkey (US$1.3 billion) and Brazil (US$1 billion) follow, on a par with Korea and Austria among the DAC countries respectively (Table 1).

Table 1: Some emerging providers disburse amounts as large as DAC countries

<table>
<thead>
<tr>
<th>Non-DAC government provider</th>
<th>US$ million</th>
<th>Comparable DAC provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>5,518</td>
<td>Canada</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>5,239</td>
<td>Canada</td>
</tr>
<tr>
<td>Turkey</td>
<td>1,273</td>
<td>Korea</td>
</tr>
<tr>
<td>Brazil (2010 data)</td>
<td>1,026</td>
<td>Austria</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>816</td>
<td>Portugal</td>
</tr>
<tr>
<td>India</td>
<td>787</td>
<td>Portugal</td>
</tr>
<tr>
<td>Kuwait(KFAED)</td>
<td>495</td>
<td>Greece</td>
</tr>
<tr>
<td>Russia</td>
<td>479</td>
<td>Greece</td>
</tr>
<tr>
<td>Poland</td>
<td>424</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>381</td>
<td>Luxembourg</td>
</tr>
</tbody>
</table>
Between 2005 and 2011, development cooperation from these providers doubled on average. Saudi Arabia’s contributions increased the most, both in terms of actual amounts (US$4 billion) and on a relative basis (increasing by four times). Almost all of Saudi Arabia’s increased cooperation went to the Middle East.\(^{18}\) Cooperation from Chinese Taipei (also known as Taiwan) fell the most, 35% (US$206 million) over the period.

This form of development cooperation is also highly concentrated: the two largest providers – China and Saudi Arabia - provided 60% of the total in 2011. The largest five accounted for more than three-quarters (Figure 4). By comparison, the top two DAC donors – United States and Japan – provided 35% of DAC ODA and the top five largest about two thirds (65%) in 2011.

Figure 4: China and Saudi Arabia alone provided 60% of development cooperation

Who are the largest providers on a share of national income basis?
There is some debate as to whether development cooperation providers should contribute their fair share to global efforts and show a level of commitment to global well-being in line with their rising political influence and the dimension of their economies. The scale of their contribution could be based on the shared but differentiated responsibilities as agreed in the Busan declaration.

In 1970, advanced economies agreed to contribute 0.7% of their gross national income (GNI) as ODA. While this has been endorsed several times since then, only six countries have met it so far – Luxembourg, Sweden, Norway, Denmark the Netherlands and the UK.\(^{19}\)

For providers outside the DAC, this fair share should take into account the progresses made by these countries as well as the domestic challenges that they still face. Recent members of the EU have agreed to reach a 0.33% target by 2015. Among these countries, some have joined the DAC, most recently Poland, Slovenia and the Slovak Republic, and it is likely that others will follow.

None of the Eastern European countries are on track to meet this target by 2015. Slovenia and Lithuania are the best placed, with 0.13% of their GNI going to development cooperation (Figure 5). But as a share of gross national income, a commonly used proxy for ‘generosity’, emerging powers currently allocate relatively low shares to development cooperation (Figure 6).

\(^{18}\) Saudi Arabia only reports ODA by region.
\(^{19}\) France briefly met the threshold before 1970. The UK government established a path to meet the target in advance to 2015 and met the target in 2013. Provisional data on UK ODA in 2013 will be available in April 2014.
Development cooperation as a share of GNI in non-DAC European Union member states, 2011. Source: Development Initiatives calculations based on OECD DAC database

In 2011, Turkey gave 0.17%, China and Brazil below 0.1%. Saudi Arabia stands out with a sustained high ratio: 0.87% in 2011, which is higher than DAC countries apart from Luxembourg, Sweden and Norway. Apart between 1993 and 2001, Saudi Arabia has always given relatively large shares of its GNI as development cooperation. The United Arab Emirates follow with just over 0.2%, while all other providers have lower ratios of development cooperation to GNI, with Thailand providing just 0.01% (Figure 5).

Between 2005 and 2011, development assistance as a share of GNI from governments outside the DAC has been 0.09% on average (0.07% without Saudi Arabia). It corresponds to one-third of the DAC ODA to GNI ratio, which has been 0.3% on average.

Development cooperation as a share of GNI in 2011. Note: Brazil data = 2010. Concessional loans for China are estimated. Source: Development Initiatives calculations based on the OECD DAC database and national sources

An alternative basis for judging differential responsibilities for these providers is the UN Scale of Assessment (Figure 7). This is how the UN apportions its costs among member states, using a formula intended to capture each country’s capacity.20 It can be used as a starting point for a

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20 The formula takes into account GNI with adjustments for debt burden, per-capita income and least developed country status. It is not adjusted for relative purchasing power. It has a minimum commitment of 0.001% and a maximum of 22% (0.01% for Least Developed Countries). The methodology will be reviewed in 2015 to better account for shares of world GNI. For criticism critique
potential measure of how much national resources could be used for international shared objectives.

Most providers are below their UN scale of assessment share. Only three are above the UN scale – Turkey, Saudi Arabia and Liechtenstein. Brazil and Russia are the countries with the largest gap – respectively of 2.29% and 2.11%. China follows with a gap of 1.22% (Figure 7, Annex 2).

Figure 7: Only a handful of providers give shares of global development assistance close to their UN assessed contributions

Comparison of development cooperation as a share of GNI and UN Scale of Assessment shares in 2011. Note: Brazil data = 2010. Concessional loans for China are estimated. Source: Development Initiatives calculations based on the OECD DAC database and national sources; United Nations

Of course, the amounts of development cooperation are only one among several means to assess a country’s contribution to poverty eradication and development. Quality of development cooperation flows is equally important. Where these flows go, who they target, their composition and mechanisms of delivery should also be taken into account.

see: http://www.heritage.org/research/reports/2012/06/the-window-of-opportunity-to-overhaul-the-un-scale-of-assessments-is-closing
Who receives development cooperation?

If development cooperation is intended to be for poverty reduction, this should follow need. To build a picture of how these flows respond to need in aggregate is a challenge as country-by-country data is limited.

The Middle East and Africa are the two regions receiving most non-DAC development cooperation, each receiving more than US$5 billion in 2011, and together accounting for three-quarters of total flows. This is driven by the large shares allocated to these regions by Saudi Arabia and China (Figure 8).

Within Africa, information on sub-Saharan Africa is limited. Qualitative evidence\(^\text{21}\) shows that China focuses on the region, as does Brazil, the latter allocating almost 23% of bilateral funds to sub-Saharan countries. Turkey also notably increased its allocations to the region by six times between 2010 and 2011 (US$178 million between 2010 and 2011), equating US$211 million in the latter year.\(^\text{22}\)

![Figure 8: Larger providers drive development cooperation distribution to Middle East and Africa](image)

Development cooperation by region, gross disbursements, 2011. Note: Brazil data = 2010. Concessional loans for China are estimated. Source: Development Initiatives calculations based on the OECD DAC database and national sources; United Nations

The larger providers of development cooperation tend to have a strong focus on neighbouring countries. Saudi Arabia gives more than 90% of its bilateral assistance and the United Arab Emirates gives 44% to other Middle East countries, while two thirds of Brazil’s development cooperation directed to countries goes to Latin America and the Caribbean. Some 87% of India’s development cooperation allocated to countries goes to Asia, of which Bhutan receives the majority (59%). Only China disburses most of its funds to Africa (Figure 9).


\(^{22}\) Regional support to the Africa by Turkey also increased, from US$0.6 million to above US$75 million over 2010–2011. Development cooperation to the Middle East increased by 35%, with Syria growing by 17 times, from US$9.3 million to US$162 million.
The available data for individual providers suggest that poverty is not a prominent criterion for allocating development cooperation. The Middle East has relatively low levels and proportions of people living in extreme poverty (under a $1.25 a day). Recipients of support from Russia and Turkey, and to an extent from India and United Arab Emirates, are similarly not focused on those regions with high extreme poverty levels.23 24

Although some of Brazil’s cooperation goes to some of the poorest countries, the allocations are small compared with its support to (relatively less poor) Latin American recipients. Haiti is the major exception as a country among the poorest in the world and Brazil’s largest recipient, collecting 32% of 2010 flows (US$60 million). Similarly, South Africa does provide cooperation to fellow African countries, where poverty is generally relatively high, but these allocations are small. As for Saudi Arabia, it is not possible to assess China’s cooperation below the regional level.

**How is development cooperation delivered?**

Around 20% of total development cooperation in 2011 (US$2.3 billion) was channelled through multilateral organisations. For those that report to the DAC, this includes core funding for providers that report to the DAC. For Brazil, India and South Africa it includes both core and earmarked contributions. These countries’ data do not make a clear distinction between core and earmarked flows, a common DAC distinction under which the latter must be classified as bilateral aid – but this distinction may not fit with Southern perspectives.25 China provides no breakdown of bilateral flows and contributions to international agencies.

Subject to these limitations, the proportions of assistance through the multilateral system vary among providers. In 2011, Poland delivered the highest proportion of its aid through multilateral bodies (mostly the EU) as core funding (77% of its assistance) the highest share for non-DAC

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23 Data on poverty are unavailable for some top five recipients. Russia: Democratic People’s Republic of Korea (11.3% of bilateral development cooperation), Libya (4.0%) and Afghanistan (2.5%). Turkey: Afghanistan (10.7%), Somalia (7.7%) and Libya (4.4%). United Arab Emirates: Libya (7.8%) and Afghanistan (5.2%).

24 Data on India are very partial. Bhutan is by far the top recipient (59%) and has a low poverty rate (1.7%). Other top recipients are Afghanistan (9%, no poverty data), Maldives (6.1%; 1.5% poverty rate), and Nepal (4.6%; 24.8% poverty rate).

25 According to the DAC reporting directives only core funding to multilateral bodies is classified as multilateral, as international organisations can choose how to use it, within their mandate. Earmarked funds are allocated to specific geographies or purposes. Therefore, the original provider still retains some control on earmarked funds – a key characteristic of bilateral flows.
providers, and much higher than the 27% average among DAC donors. At the other extreme, Kuwait did not report any contributions to multilateral agencies.26

The DAC allows only funds allocated to certain eligible international organisations to be recorded as ODA. However, this list excludes some bodies established by countries outside the DAC, such as the Organization of American States and the India-Brazil-South Africa Fund.

The public sector plays a large role in the delivery of development cooperation from these government providers individually, in collaboration with other donors and with the private sector. Involvement of civil society has so far been low, although interest is on the rise.27

Methodology, institutions and data sources

Alternative estimates of non-DAC development cooperation

Estimates of development cooperation from government providers outside the DAC vary widely depending on methodology, sources and years of estimate (Figure 10). Our estimate is in line with those in recent studies.

Figure 10: Most recent estimates of non-DAC development cooperation vary

Different estimates of development cooperation outside the DAC. Note: Data for UN ECOSOC are from personal communication (UN ECOSOC, forthcoming). Data for Brazil were not available for 2011.

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26 Data are from the DAC CRS, therefore this refers only to multilateral organisations that are included in the DAC list of ODA recipient bodies.

Differences in country coverage and approach lead to variability in estimates. Table 2 presents details for some of the most recent studies on the subject.

**Table 2: Details on recent estimates of development cooperation outside the DAC**

<table>
<thead>
<tr>
<th>Source</th>
<th>US$ million</th>
<th>Year</th>
<th>Country Coverage</th>
<th>Other information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments to End Poverty (2013)</td>
<td>16.8</td>
<td>2012</td>
<td>24 countries: Bulgaria, Brazil, China, Chinese Taipei, Cyprus, Estonia, Hungary, India, Israel, Kuwait (KFAED), Latvia, Liechtenstein, Lithuania, Malta, Poland, Romania, Russia, Saudi Arabia, South Africa, Slovak Republic, Slovenia, Thailand, Turkey, United Arab Emirates.</td>
<td>Bilateral and multilateral cooperation. Sources: The OECD DAC database; national sources (see Annex 1); secondary sources (publications).</td>
</tr>
<tr>
<td>Prada et al. (2010)</td>
<td>12.3-14.1</td>
<td>2008</td>
<td>17 countries: Argentina, Brazil, Chile, China, Cuba, India, Israel, Kuwait, Mexico, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, United Arab Emirates, Venezuela.</td>
<td>Bilateral cooperation. Non-DAC OECD members and European Union non-DAC members excluded. Sources: The OEDC DAC database; secondary sources (publications); AidData database.</td>
</tr>
<tr>
<td>Greenhill et al. (2013)</td>
<td>11.5</td>
<td>2009</td>
<td>25 countries: Bulgaria, Brazil, China, Chinese Taipei, Cyprus, Estonia, Hungary, India, Israel, Korea, Kuwait (KFAED), Latvia, Liechtenstein, Lithuania, Malta, Poland, Romania, Russia, Saudi Arabia, South Africa, Slovak Republic, Slovenia, Thailand, Turkey, United Arab Emirates.</td>
<td>Concessional transfers of resources to developing countries from external sources for a public interests purpose. Sources: The OECD DAC database; IPEA (2010); Zimmermann and Smith (2011)</td>
</tr>
<tr>
<td>UN ECOSOC (forthcoming)</td>
<td>19</td>
<td>2013</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td>OECD DAC database</td>
<td>10.3</td>
<td>2012</td>
<td>20 countries: Bulgaria, Chinese Taipei, Cyprus, Estonia, Hungary, Israel, Kuwait (KFAED), Latvia, Liechtenstein, Lithuania, Malta, Poland, Romania, Russia, Saudi Arabia, Slovak Republic, Slovenia, Thailand, Turkey and the United Arab Emirates.</td>
<td>Bilateral and multilateral official development assistance (ODA). Source: Voluntary country reporting</td>
</tr>
</tbody>
</table>

Note: Data for UN ECOSOC are from personal communication (UN ECOSOC, forthcoming)

The OECD DAC database is the most reliable source of data for DAC ODA, but has some limitations for tracking flows beyond the DAC. There is no consensus that the ODA definition, that underpins reporting to the DAC database, is able to reflect the development cooperation system outside the DAC group of donors itself. The number of reporting countries is increasing, but some providers are not willing to use this platform. Only 18 countries outside the DAC report
to the database, so coverage is limited.\textsuperscript{28} For example, of the 80 countries that reported humanitarian contribution for 2012 in the UN Financial Tracking Service, 50 were non-DAC countries. Reporting to the DAC is voluntary for these providers, and some only report total amounts but not details on geographies, sectors, delivery mechanisms, type of flows and individual projects.\textsuperscript{29}

This study uses national sources for data on Brazil, China, India and South Africa. Full details can be found in Annex 1. This analysis takes into account known institutional arrangements, official declarations about development cooperation, the ODA definition and the work of other scholars as detailed in each country section in the annex to come up with estimates of development cooperation from these providers. Unless specified, amounts are gross disbursements, and national currencies have been converted into US dollars in 2011 constant prices. Fiscal year amounts have been apportioned to the relevant calendar years on a pro rata basis.

**Data challenges: improving transparency**

The majority of developing countries that provide development cooperation choose not report to the DAC database, which presents ODA data. At a technical level, reporting can put providers’ systems under strain as it requires them to collect, value and transmit data aligned with the DAC standards – for example, some providers face difficulties in valuing the non-financial components of their development cooperation, such as technical assistance or in-kind donations. Politically, some of these providers prefer to present themselves as an alternative to the DAC.

These providers have not reached an alternative agreement for standardised reporting, so limiting comparability among them. Only a minority have their own reporting mechanisms, which include different ways of defining and counting their assistance. These systems have been set up to serve a number of purposes and in most cases do not necessarily include reporting to external stakeholders.

As a result, assessments of global development cooperation beyond the DAC are inevitably not comprehensive. Comparison between non-DAC providers among themselves and with DAC donors is currently left to partial estimates at best and broad estimates in many cases. Where data exist, they are hard to collect because of their format, language, and public availability (some data are produced yet not published).

Lack of transparency limits the scope for citizens, country recipients, civil society, the international community and government providers themselves to improve accountability, decision-making, allocation and impact. Improving information expands opportunities to benefit people living in poverty more.

Limitations in the data can be summarised as follows:

- Definitions of development cooperation: some countries do not provide an official definition of which flows and activities they regard as development cooperation. This can lead to over- or under-estimation through the inclusion of irrelevant items or the exclusion of relevant ones.
- Definitions of components: some identified components of development cooperation are undefined – their nature, objectives and conditions for use are not publicly stated. Understanding of these components, let alone comparability with other flows, is thus a challenge. Lack of this information can also limit clear identification of overlaps between different components.

\textsuperscript{28} There were 22 in the 2011 list. Since then, the Czech Republic, Iceland, Poland and the Slovak Republic joined the DAC.
• Limited coverage at national level: for some countries, information only covers certain components while excludes other relevant resources. Information on these components can either exist, but be unavailable to the public, or not exist at all.\textsuperscript{30}

• Unit of classification: when information is available, the unit used to present components is not necessarily suitable for the analysis, as relevant and non-relevant components can be reported bundled together under a single heading or budget unit.\textsuperscript{31}

• Granularity of available data: details on development cooperation flows are unavailable for several providers. They include:
  – Recipients: countries or international organisations
  – Sectors of intervention
  – Delivery mechanisms
  – Flow type: bilateral or multilateral
  – Project-level information: title, description, activities, financial information about the project
  – Composition: whether flows are cash or in-kind, grants or loans, transferred or not.

The main consequences of scarce information on development cooperation from government providers outside the DAC in relation to analysis are:

• Uncertainty of what counts as development cooperation
• Lack of clarity on the scale of available resources
• Double counting or exclusion of relevant flows
• Inability to accurately compare different providers
• Difficulty in separating different components and their objectives
• Challenges to assessing allocation decisions and funding gaps
• Challenges to identifying beneficiaries and impact on poverty.

There are a number of challenges to increasing transparency, but the potential gains are substantial. Transparency can lead to better decision-making in both provider and partner countries, improving allocation and improving impact. Greater transparency of how decisions are taken and resources invested can also help to build informed national and international constituencies that can contribute positively to development cooperation policies. The limitations outlined suggest there are a number of opportunities for increasing transparency.

Countries are at different stages of the process of defining their role as development cooperation providers, with attitudes toward transparency varying between and within countries. Achievement of greater transparency will depend on national legal frameworks, the institutional architecture, the priorities of domestic actors, the demands of partner countries and the engagement with the wider international community. Political will is of essential importance. Sharing of good practice between providers from the North and the South could also help to find better solutions to current challenges.

\textsuperscript{30} One example is the case of credit lines from China, for which official sources only provide information until 2001.

\textsuperscript{31} An example for this would be the loans disbursed by the Export-Import Bank of India, which does not provide data on disbursed government-supported credit lines disaggregated from other disbursed loans.
Conclusion

The data show that development cooperation from government providers outside the DAC may be small, but it is increasing. It is a diverse set of additional resources that provides an opportunity to make poverty eradication and development joint global efforts. These are global responsibilities and can bring shared benefits, although developing country governments have the primary duty to use available resources wisely. Getting amounts of assistance right is the first step, but their impact on poverty and development depends on how they are used.  

We need more granular information on financial resources, better information on decision-making processes and a clearer understanding of delivery mechanisms. We need better data on a host of indicators, not least on the number and location of people in extreme poverty. There are of course also a number of political, social and economic challenges at global and country level to eradicating poverty and supporting development.

The potential opportunities from cooperation providers are numerous. Trilateral agreements between developed, emerging and partner countries, and the multilateral system can help to seize some of these opportunities. Multiplicity is bringing increasing amounts of and more diverse resources. Innovative arrangements can build on their respective comparative advantages to maximise social impact. Cooperation between different actors can further mutual learning and the sharing of solutions to solve common problems. The effects of investments in infrastructure can boost productivity and growth and foster regional linkages, trade and foreign investments. Politically, developing countries can have more choice of partners and arrangements, and leading development cooperation providers can play a role in amplifying messages from other developing countries in key international debates on poverty eradication, public goods and development finance.

Where the balance will lie between opportunities and challenges is difficult to tell at the current stage of knowledge. The paucity of official information makes an assessment of development cooperation from government providers outside the DAC problematic, especially as different flows and agreements have different comparative advantages and different impacts. Overall, we need an adequate framework to account for contributions from these new actors, based on a global agreement between new providers, DAC donors and recipients on what good financing for development looks like.

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34 Mwase and Yang, 2012
Annex 1: Methodology, data and institutions by country

Brazil


Brazil includes in its estimates of development cooperation two aggregates:
1. federal agencies’ expenditures for public servants and collaborators for transportation, per diem, salaries, technical hours, scholarships and donations
2. contributions to international organisations. Only expenditures and current expenditures are included, so estimates exclude investments with any return and forgiven debt.

The reports categorise development cooperation expenditures in technical, educational, scientific and technological, humanitarian, peacekeeping operations and contributions to international organisations. They provide details on disbursements by main international agencies. Along with information on institutional arrangements, the 2013 report gives a breakdown of assistance by disbursing agency and recipient countries for 2010 flows. The 2010 report also provides a useful breakdown of bilateral flow types covering 2005 to 2010 flows, but not 2011.37

China

The main source is the Ministry of Commerce’s Statistical Yearbook. This includes external assistance for 2000-2011 and concessional loans for 2000 and 2001. This source reports total amount of expenditure for turn-key projects, military goods, in-kind donations, training programmes in China, technical assistance, foreign-aided joint ventures and cooperation projects, and youth volunteer programme.38 Flows include grants, zero interest loans, and interest subsidies for concessional loans. Details for the different components are not published.

The government of China included estimates for concessional loans in the Ministry of Commerce’ Statistical Yearbook until 2001. To fill this gap for subsequent years, estimates from Brautigam (2011a) were used for 2002–2009 concessional loans. This author’s estimates are based on reported concessional loans growth rates by the Export-Import Bank of China until 2005 (35%) and a lower 23% growth rate for 2005-2009.

Our estimates for total concessional loans from China for 2010 and 2011 assume that China will meet its commitment of increasing loans and aid to Africa by US$10 billion between 2010 and 2012 made at the Forum on China-Africa Cooperation in November 2009.39 Of this, an estimated US$4 billion are concessional loans. The increase is assumed to happen in equal steps each year by a proportion of 33%, increasing total concessional loans from US$1.2 billion in 2009 to US$2.5 billion in the following years.

All increases are allocated to Africa, starting from the estimated 2009 amount from China’s Foreign Aid White Paper (2011). This paper allocates to Africa a 45.7% share, 32.8% to Asia, 12.7% to Latin America and the Caribbean, 4.0% to Oceania, 0.3% to Europe and 4.5% to others. The underlying assumption is that the concessional loans envelope is capped, so availability to other regions decreases in both absolute and relative terms in 2010 and 2011.

China’s profile for the Investments to End Poverty report also presents share of sectoral allocations of concessional loans for China in 2009, sourced from the Foreign Aid White Paper (2011). The profile includes some data on China’s contributions to multilateral agencies, but due

37 In-kind donations, financial cooperation, associated administrative costs, technical hours, equipment and materials, travel and per diem costs.
38 Brautigam, 2011a
www.american.edu/sis/faculty/upload/Brautigam-Chinese-Aid-in-Africa.pdf
to low coverage of institutions and over time, these flows have not been taken into account to build global trends of development cooperation from official providers outside the DAC.\textsuperscript{40}

**India**

Data for India are from national sources. Data on technical and economic cooperation, and loans and advances to foreign governments come from the Ministry of External Affairs reports. This source also provides information on main recipient countries and regions.

Contributions to international organisations have been collected from the Union (national) Budgets for 47 ministries and other public bodies. Figures on contributions to international organisations published by the Ministry of Foreign Affairs are sensibly lower and potentially not as comprehensive as those collected thanks to this exercise.

Contributions to international organisations have been collected from the Union Budgets for 47 national ministries and other public bodies. Figures on contributions to international organisations published by the Ministry of Foreign Affairs are sensibly lower and potentially not as comprehensive as those collected thanks to this exercise.

India also provides concessional lines of credit to partner countries, called government-supported lines of credit. Data on disbursements for these flows are not available. The Export-Import Bank of India disburses concessional and commercial financing, but reports disbursements without an indication of the nature of the loan. Information in the Ministry of Foreign Affairs and the Ministry of Finance reports is limited to commitments.

Thus, to account for government-supported lines of credit, data on interest-subsidy support were collected from the Union Budgets. All data cover fiscal years from 2003-04 to 2011-12 and have been converted to calendar years.

India’s Investments to End Poverty profile presents geographical and sectoral allocation of concessional lines of credit. Financial data on approved concessional financing are from the India’s Ministry of Finance reports. For each approved project, details on country recipients and sectors have been collected through textual analysis of the India’s Ministry of Foreign Affairs reports, which detail on India’s engagement in single projects, agreements and countries.

**South Africa**

Contributions to international organisations constitute the larger part of South Africa’s development cooperation. Data on this component were collected from the South Africa National Treasury’s Estimates of National Expenditures reports. Data include funds disbursed by the Directorate of International Relations and Cooperation, the National Treasury, the Department for Higher Education, Department for Basic Education, the Department of Labour, the Department of Agriculture Forestry and Fishery, and the Department of Trade and Industry.

Data for the Directorate of International Relations and Cooperation are the source for administrative costs for participating in international organisations and institutions under the International cooperation line of the national budget. National transfers from the central government (Treasury and the Department for International Relations and Cooperation) to the African Renaissance and International Cooperation Fund (ARICF). The latter was established in the 2001 and has been the principal development cooperation instrument from South Africa.

Data on country allocations refer to disbursements by the ARICF for country programmes and are sourced from the ARICF reports. Apart from a transfer to Cuba in 2011-12, all ARICF funds are for the benefit of African countries.

The South Africa’s profile in *Investments to End Poverty* report also gives details on ARICF sectoral allocation. These details have been extracted from project descriptions presented in the ARICF report and then classified into sectors accordingly.

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\textsuperscript{40} See Development Initiatives, ‘Investments to End Poverty’ (2013), chapter 9 for some data on multilateral contributions from China, [http://devinit.org/report/investments-to-end-poverty/](http://devinit.org/report/investments-to-end-poverty/)
**Annex 2: UN scale of assessment and shares of global development cooperation by country**

<table>
<thead>
<tr>
<th>Country</th>
<th>UN Scale of assessment (%)</th>
<th>% of global development assistance</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>2.93%</td>
<td>0.64%</td>
<td>-2.29%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>0.05%</td>
<td>0.03%</td>
<td>-0.02%</td>
</tr>
<tr>
<td>China</td>
<td>5.15%</td>
<td>3.93%</td>
<td>-1.22%</td>
</tr>
<tr>
<td>Cyprus</td>
<td>0.05%</td>
<td>0.02%</td>
<td>-0.03%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0.39%</td>
<td>0.16%</td>
<td>-0.23%</td>
</tr>
<tr>
<td>Estonia</td>
<td>0.04%</td>
<td>0.02%</td>
<td>-0.02%</td>
</tr>
<tr>
<td>Hungary</td>
<td>0.27%</td>
<td>0.08%</td>
<td>-0.18%</td>
</tr>
<tr>
<td>Iceland</td>
<td>0.03%</td>
<td>0.02%</td>
<td>-0.01%</td>
</tr>
<tr>
<td>India</td>
<td>0.67%</td>
<td>0.56%</td>
<td>-0.11%</td>
</tr>
<tr>
<td>Israel</td>
<td>0.40%</td>
<td>0.12%</td>
<td>-0.27%</td>
</tr>
<tr>
<td>Kuwait (KFAED)</td>
<td>0.27%</td>
<td>0.11%</td>
<td>-0.17%</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.05%</td>
<td>0.02%</td>
<td>-0.03%</td>
</tr>
<tr>
<td>Liechtenstein</td>
<td>0.01%</td>
<td>0.02%</td>
<td>0.01%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0.07%</td>
<td>0.04%</td>
<td>-0.04%</td>
</tr>
<tr>
<td>Malta</td>
<td>0.02%</td>
<td>0.01%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Poland</td>
<td>0.92%</td>
<td>0.30%</td>
<td>-0.62%</td>
</tr>
<tr>
<td>Romania</td>
<td>0.23%</td>
<td>0.10%</td>
<td>-0.12%</td>
</tr>
<tr>
<td>Russia</td>
<td>2.44%</td>
<td>0.33%</td>
<td>-2.11%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>0.86%</td>
<td>0.92%</td>
<td>0.06%</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>0.17%</td>
<td>0.06%</td>
<td>-0.11%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.10%</td>
<td>0.04%</td>
<td>-0.06%</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.37%</td>
<td>0.15%</td>
<td>-0.22%</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.24%</td>
<td>0.01%</td>
<td>-0.23%</td>
</tr>
<tr>
<td>Turkey</td>
<td>1.33%</td>
<td>1.80%</td>
<td>0.47%</td>
</tr>
</tbody>
</table>

Source: Development Initiatives calculations based on OECD DAC database, national sources and the UN.
Annex 3: Development cooperation from government providers outside the DAC

See overleaf

Data sources


China’s Ministry of Finance, China Statistical Yearbook, 2001-2012

Development Assistance Committee database, www.oecd.org/dac/stats/idsonline.htm


India’s Ministry of External Affairs, Annual Reports, 2003/04-2012/13, www.mea.gov.in/annual-reports.htm?57/Annual_Reports


