# Development Resources Beyond the Current Reach of the Paris Declaration

Evaluation of the Paris Declaration

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# Supplementary study on

# "Development resources beyond the current reach of the Paris Declaration"

Submitted by:
FORO Nacional Internacional*

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- This report has been prepared by Fernando Prada, Ursula Casabonne and Keith Bezanson, with the collaboration of Nestor Aquiño, Fernando Romero, Mario Bazán and Carlos Eduardo Aramburú. Francisco Sagasti provided general advice and suggestions.

## PREFACE

This independent study was commissioned by the Secretariat for the Evaluation of the Paris Declaration as a background contribution to the work of the second phase and the Synthesis of the Evaluation. Comments on draft versions were offered by the Evaluation Core Team and the Secretariat, but the final contents remain the responsibility of the authors and do not necessarily represent the views of the Secretariat, the Core Team or the Evaluation's sponsors. As the report shows, the subject is highly complex and often poorly documented. Clarifications and comments are thus invited to fprada@foro-nacional-internacional.pe and to Marika@iod.uk.com

## Acronyms

| | |
|---|---|
| AAA | Accra Agenda for Action |
| ADFD | Abu Dhabi Fund for Development |
| ARF | African Renaissance Fund |
| AsDB | Asian Development Bank |
| BCIE | Central American Bank for Economic Integration |
| CAF | Andean development Corporation |
| CGIAR | Consultative Group on International Agricultural Research |
| CRS | Creditor Reporting System |
| CSR | Corporate Social Responsibility |
| DAC | Development Assistance Committee |
| EADB | East African Development Bank |
| EC | European Commission |
| EIB | European Investment Bank |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FLAR | Latin American Reserve Fund |
| FOCAC | Forum on China-Africa Cooperation |
| EFA - FTI | Education for All Fast Track Initiative |
| GAVI | Global Alliance for Vaccines and Immunization |
| GCF | Gross Capital Formation |
| GDF | Global Development Finance |
| GEF | Global Environment Facility |
| GFATM | Global Fund to Fight AIDS, Tuberculosis and Malaria |
| GNI | Gross National Income |
| HIPC | High indebted poor countries |
| IADB | Inter-American Development Bank |
| IDA | International Development Assistance |
| IFAD | International Fund for Agricultural Development |
| IFF | International Financial Facility |
| IMF | International Monetary Fund |
| IsDB | Islamic Development Bank |
| KFAED | Kuwait Fund for Arab Economic Development |
| LAC | Latin America and the Caribbean |
| LDC | Least Developed Countries |
| MDB | Multilateral Development Banks |
| MFIMP | Multilateral Fund for the Implementation of the Montreal Protocol |
| MOFCOM | Chinese Ministry of Commerce |
| NEPAD | New Partnership for Africa's Development |
| NDBs | Non-DAC bilateral donors |
| NGO | Non-Government Organizations |
| OAS | Organization of American States |
| ODA | Official Development Assistance |
| OECD | Organization for Economic Co-operation and Development |
| OFID | OPEC Fund for International Development |
| OOF | Other official flows |

| | |
|---|---|
| OPEC | Organization of Petroleum Exporting Countries |
| PD | Paris Declaration |
| PDVSA | Petróleos de Venezuela |
| PPI | Private Participation in Infrastructure |
| PPP | Public Private Partnership |
| RDB | Regional Development Banks |
| SDR | Special Drawing Rights |
| SFD | Saudi Fund for Development |
| SRDB | Sub-regional Development Banks |
| SRI | Social Responsible Investment |
| SSC | South-South Cooperation |
| UAE | United Arab Emirates |
| US PEPFAR | U.S. President's Emergency Plan for AIDS Relief |
| WB | World Bank |
| WFP | World Food Program |

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## Executive summary


While recent suggestions of annual international aid flows that are not classified as Official Development Assistance (ODA) include figures as high as US$60 billion (i.e. over 50 percent of the ODA figure), few studies have examined this issue systematically. This study is an attempt to do so, but with limitations. It is a synthesis study —a desk study— based entirely on existing data sources. It involves no new or original research. Within those constrains, it examines "ODA-like assistance" to developing countries from sources beyond the current reach of the Paris Declaration ("non-PD resources") with the aim of better delineating sources, magnitude and implications of current and emerging trends.

OECD/DAC defines ODA as flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount).For the purposes of this paper, ODA-like assistance must meet the criteria set out in this definition.

The methodology of the study involves first a macro analysis of all financial flows to developing countries, in order to situate the scope of the resources covered by the PDrelative to all development assistance andnon-aid financial flows. This is followed by a wide-ranging examination of information from multiple sources (international data bases, national reporting statistics, empirical literature and a wide range of reports, including press reports), with a view to providing an assessment as detailed as possible of non-PD development assistance flows to developing countries.

The providers of non-PD resources fall into three categories: (i) bilateral non-DAC donors; (ii) multilateral channels that do not adhere formally to the Paris Declaration; and (iii) "private" development assistance providers, including foundations, corporate foundations, hybrid actors —such as the corporate special responsibility activities of business organizations, NGOs, advocacy and rights based organizations, networks of civil society organizations, trade unions, faith based organizations and small community based associations.

Data from all available sources on the aid activities of **bilateral non-DAC donors**are rather inconsistentand incomplete. This explains the wide variations in estimates of the magnitude of such activities. One data set puts flows from non-DAC donors that might be considered ODA-like in the range of US$12,300-US$14,140 million for 2008. While this is at least in the general range of US$9.5 billion and US$12.1 billion suggested in a United Nations commissioned study in 2006, it is about 300 percent larger than the OECD estimate of just under US$5 billion for 2005. For bilateral non-DAC donors this study shows that:

- Available data suffer from large gaps with regard to modalities, allocation patterns and use of specific instruments and conditions. There are major problems of transparency in reporting and shortcomings in standards and norms for classification purposes.

- A substantial proportion of transfers from non-DAC donors to developing countries would clearly not qualify as ODA-like. For example, in some cases, the concessional level of bilateral loans is well in substantial variance with the terms specified for ODA flows. In other cases, support consists of credit exports and insurance to promote oil exports.
- The literature review shows serious concerns in several cases of a lack of standards in areas such as environment and human rights.

**Multilateral organizations** in this study are examined under five categories: The United Nations system; Multilateral Development Banks (MDBs) and MDB-like organizations; regional integration and trade organizations; regional monetary organizations; and multi-donor organizations and global funds. Only a subset of these organizations (the MDBs, United Nations and a couple of the global funds) is currently accorded treatment under the PD. The majority fall outside its confines. While it is clear that these organizations are increasingly important channels for development financing from non-PD sources, available data do not allow for a confident estimate of an aggregate amount that could be considered ODA-like. This is the case for almost all of the regional trade and monetary organizations and the regional monetary funds, several of which are very large as measured in financial terms. Data for Sub-Regional Development Banks (SRDBs) are generally much better and suggests that an important percentage of flows from them is ODA-like, but it does not allow to provide a precise and reliable estimate. This is especially important in trying to determine ODA-like flows in Latin America and the Caribbean where SRDBs provided an average of US$11.8 billion during 2004-2008. Even for the United Nations system only a partial and incomplete picture is possible. While the larger UN agencies identify contributions by country, this is not the case for some of the agencies and for many of the funds.

While it is not possible to determine with any degree of precision the extent to which SRDB and MDB-like financing is similar to ODA, the literature reviewed in this study provides evidence that these organizations are sources of development innovation, particularly through tailoring financial products to meet their member countries' needs. They have allocated important resources to promote private investment and sub-regional trade, contributed to debt relief and have expanded their financial instruments for private sector operations and non-sovereign actors.Nevertheless, these innovations, specifically those in the form of loans, would not be classified as ODA-like because they are not financed on sufficiently concessional terms.

**Private sector**providers of development assistance involve a broad range of different entities, includingfoundations, corporate giving, hybrid actors (such as the corporate social responsibility programs of corporations), and a vast number and wide variety of NGOs. None of these organizations hasadhered to the PD. This study undertook a separate examination of each of these actors and found that:

- Of some 100,000 foundations worldwide, less than 1 percent has activities that focus on developing countries. Even for U.S. foundations,which are the most active and experienced in international development, about 70 percent of grants for international purposes is channeled through US-based organizations. Direct flows to the poorest countries (defined as IDA eligible only) amount to only about 3 percent of US foundations' financing. There is little data available on the activities and terms of the programs of European, Asian (including Japan) and South American foundations. The picture that emerges from all sources, however, indicates the financing from foundations that is ODA-like and would meet the criteria of the PD, is much smaller than might be expected.

- While data on direct grant making to developing countries by corporate foundations are fragmented and unreliable, it is clear that the amounts involved are quite modest, amounting to not much more than $40 million by seven of the largest US corporate foundations with international programs in 2008. There is virtually no systematized data on international corporate social responsibility expenditures, although there are some indications that it is substantial and growing. The Centre for Global Prosperity, for example, has estimated corporate giving from the US at around US$6.5 billion, including international CSR programs. Assuming the accuracy of this figure, however, the data furnish no indication of the percentage going to developing countries.
- A dramatic growth has occurred in the number, size and diversity of social venture capital and socially responsible investment funds. Globally in 2006 these types of funds held over US$2.3 trillion in assets US and nearly €1 trillion in Europe. While there is no doubt that an important percentage of financing from these funds is going to developing countries, as with other areas reviewed in this study, available data do not permit confident estimates or even suggestions of a broad range. What is clear is that microfinance is being accorded increasing attention by these funds and also that much of this is ODA-like.
- Numerous studies have confirmed the growing importance of non-government organizations (NGOs), including faith-based organizations, as providers of development financing. One study estimated that NGOs channeled US$26.9 billion to developing countries in 2005. Much of this, however, is provided to NGOs by DAC donors (roughly 10 percent of ODA), which is reported as ODA and treated as such under the PD. But there is no systematic reporting by the NGOs themselves on the financing for development that they raise from private sources, which could be in a range of up to 50 percent of total funding through this channel. A major percentage of this is probably consistent with the definition of ODA (i.e. finances administered with the promotion of the economic development and welfare of developing countries as the main objective and concessional in character). On the other hand, an unknown but apparently substantial percentage goes to purposes such as religious proselytism, which would not normally be considered as ODA-like. Failure to take this into account is common in much of the literature on the financial contribution of NGOs to international development. Here again, therefore, there are major barriers to determining the full extent of financing from non-PD adherents that have the qualities of ODA. Of several thousand NGOs working in international development, only fourteen are formal signatories to the PD and the main database on official assistance does not include data on NGO funding.

Among the main conclusions of this study are the following:

First, exceptional caution is required with regard to any claims on the magnitude, scope and character of financial flows to developing countries from non-PD sources. Available data on these flows are either unavailable, or weak and unreliable.

Second, in many cases determining the degree of concessionality of financial flows is becoming more difficult, given than non-DAC bilateral donors and SRDBs provide loans that vary within a wide range of grant element and high level of institutional variation in grace periods, annual interest rate and maximum maturity.

Third, while financial flows on a bilateral basis from non-PD countries are substantial, it is clear that a significant percentage of these do not meet Paris Declaration criteria. The PD framework is intended as the standard for "good donorship" and "good receivership". Some of the practices of non-PD donors are similar or identical to the "bad practices" of traditional donors that the PD is designed to rectify.

Fourth, whether or not they would qualify as ODA-like, non-PD financing sources are increasing the diversity of channels and financial instruments for development.

Fifth, the growth in numbers, diversity level and patterns of financing of entities not covered under the PD call for much more inclusive systems involving transparent information, coordination, harmonization, governance leadership and renewed attention to overall aid architecture.

Sixth, there is a paradoxical effect arising from the growing presence of non-PD donors and their interactions with those adhering to the PD: while these may increase complexity, foster fragmentation and lead to duplication,they could also be seen as advancing the PD. In many cases, non-PD actorsare relying on channels established by traditional donors that adhere to the PD, and this has led to what may be seen as an indirect adoption of PD principles.

Seventh, the growing importance of non-DAC donors has led to pressures for changes in the rules that determine what can be claimed as ODA, particularly to include different forms of South-South Cooperation. This raises fundamental questions that require careful study and debate. It also raises the need to explore complementaryand alternative frameworks to accommodate development-oriented financial flows and cooperation activities that may not easily fit conventional definitions of aid and assistance.

Finally, with regard to an estimate of non-PD resources that could be classified as ODA-like, the findings in this study point to a far more modest figure than the US$60 billion estimate provided by the Center for Global Prosperity. Given the weak state of available data, all estimates should be treated skeptically, including our own reluctant conclusion of a very rough estimate in the range of US$28-US$29.5 billion.

# Supplementary study on "Development resources beyond the current reach of the Paris Declaration"

## Introduction

The aims of the Paris Declaration (PD) of February 2005 are to bring greater coherence into international development efforts and to increase overall aid effectiveness. An ongoing evaluation of progress in implementing the PD[1] became concerned that the scope of the PD currently does not take into account a significant percentage of financing that impacts directly on progress in developing countries. In order to address this and arrive at a more realistic perspective of the true scope of the PD, therefore, the current study was commissioned. It is to serve as a contribution to the second phase of the PD evaluation that will undertake country evaluations and include in them an assessment of "other sources of development finance and development cooperation partners beyond those so far endorsing the Declaration".[2]

The TORs of this study call specifically for an exploration of development assistance resources beyond the current reach of the Paris Declaration ("non-PD resources") with the aim of better delineating their sources, magnitude and the implications of current and emerging trends. There are, however, significant limitations to this study. In the first instance, as will be clear throughout this paper, the data on development financing not accounted for in the PD are to a significant extent weak, anecdotal or simply not available. Secondly, the scope of the current study did not include original research to fill knowledge gaps. This is a "meta study", dependent on existing studies and data sets. It aims to analyze these and then synthesize them into as comprehensive and clear a picture as possible, but it can go only as far as existing materials permit.

Nevertheless, an extensive amount of material is available, including some empirical studies, several data sets and, while essentially anecdotal, a broad and increasing range of assessments by NGOs and other "on the ground" observers and an even wider range of press reports. We have tried to draw in a balanced way from all these sources, which we have organized into three categories of assistance flows beyond the current reach of the PD:

- Bilateral non-DAC donors and their related institutions for the delivery of development assistance;
- Multilateral institutions at the regional and sub-regional level, as well as international organizations operating as platforms channeling South-South and triangular cooperation;[3] and

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[1] See http://www.oecd.org/document/60/0,3343,en_21571361_34047972_38242748_1_1_1_1,00.html

[2] As indicated in the synthesis report for the first phase of the evaluation, the context where the Paris Declaration has been implemented is key: "one other crucial, and changing, part of the context, not yet properly analyzed, is the effect of non-aid resource flows and growing aid flows which may remain outside the Paris Declaration frameworks (particularly from major foundations and other private sources, non-traditional official donors, and development NGOs.)"

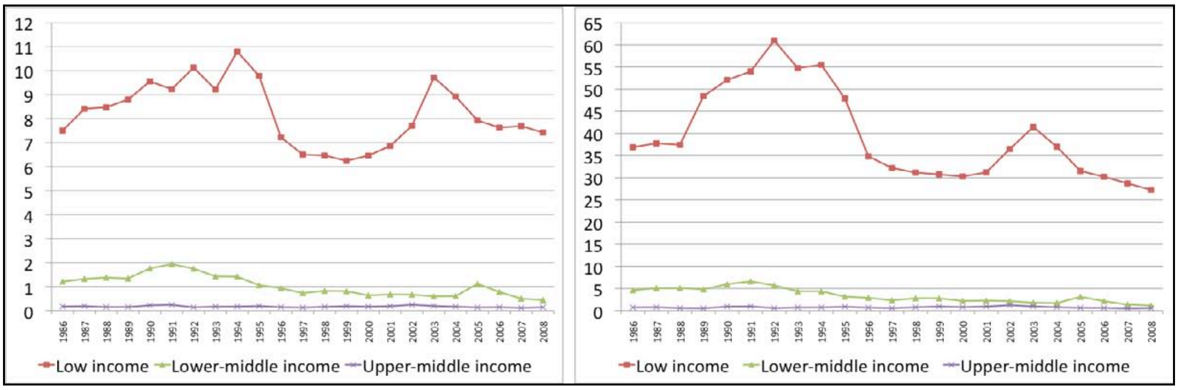
[3] Triangular cooperation refers to any arrangement where multilateral or bilateral donors provide funds or other resources to developing countries in order to implement South-South cooperation projects. It also refers to the

- Private organizations channeling resources for development purposes under conditions comparable to Official Development Assistance (ODA), such as individual and corporate philanthropy, foundations, socially responsible investment institutions and international non-governmental organizations that channel resources from private financial sources.

Looked at in aggregate terms, external aid is modest to insignificant when compared to the resources generated internally by developing countries themselves. Indeed, the aggregate numbers show that all externally generated financial resources, whether from public or private sources, are dwarfed by those generated internally. This, however, is not the case for many of the poorest developing countries.

Figure 1 shows ODA flows (which are relatively well documented) in relation to Gross National Income (GNI) and Gross Capital Formation (GCF) for three categories of developing countries. In 2008, ODA represented considerably less than one percent of GNI and less than five percent of GCF for upper-middle and lower-middle income countries. In countries such as China, Chile and Brazil it was less than two-tenths of one percent of government expenditures. In sharp contrast, ODA comprised about 7.5 percent of GNI and 28 percent of GCF in low-income countries in 2008. Moreover, it is a very high percentage of the national budgets of many poor countries. For example, ODA equaled almost 200 percent of Afghanistan's government expenditures in 2008, almost 50 percent in Mozambique and over 50 percent in the case of both Madagascar and Nepal. In the same year, ODA accounted for fully 75 percent of all public capital investment in Madagascar. For El Salvador and Honduras, it has recently averaged roughly 25 percent of government expenditures.[4]

FIGURE 1. **ODA as a percentage of gross national income (left) and gross capital formation (right) by income level (1986 – 2008)**




Source: World Development Indicators 2010

The remainder of this report is organized into three sections, as follows. The first section describes criteria applied to determine the financial resources to be examined, taking into account areas where the boundaries between PD and non-PD resources are blurred. The second section describes and analyzes the amount, sources of financing, modalities and instruments, motivations and future prospects of non-PD resources and their interactions with

case where these funds are managed by international organizations (platforms for South-South cooperation activities).

[4] Information obtained from the World Development Indicators database compiled by the World Bank.

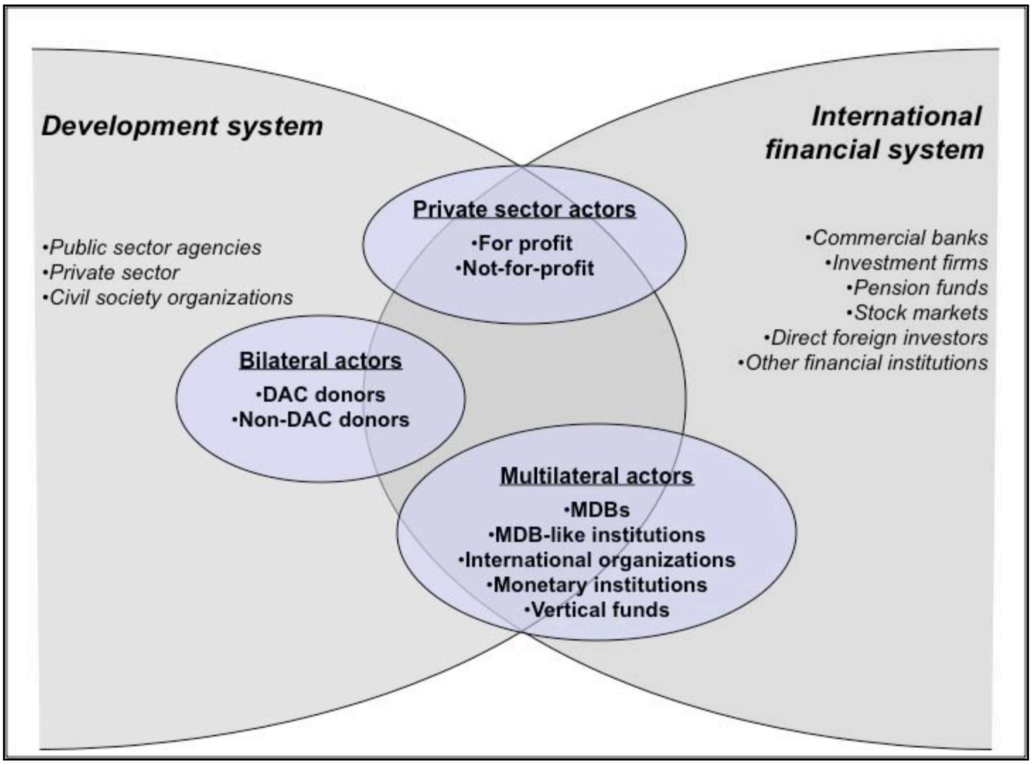
those resources and financial sources under the scope of the Paris Declaration (PD) and the Accra Agenda for Action (AAA). The last section summarizes the main findings and identifies major gaps for future research, and provides general recommendations for country evaluation teams on collecting and systematizing non-PD resources.

# I. Situating non-PD resources in the context of the international development financing system

## 1. An institutional overview: the international developing financing system

The international development financing system is defined as the set of institutions that provide external financing and technical assistance to developing countries, and global and regional public goods to the international community (Sagasti, Bezanson and Prada 2005). These institutions are located at the intersection of the international financial system and national and the international development systems and comprise three different categories of actors, bilateral, multilateral and private (Figure 2):

FIGURE 2. **The international developing financing system**




a. ***Bilateral actors***, which include the traditional DAC donors and a diverse group of non-DAC donors (Kragelund 2008). The DAC describes itself as being the "venue and voice" of the world's major donor countries. With the exception of South Korea, whose membership was approved in 2009, all others have been aid donors for many decades. Among the most important non-DAC donor countries would be China, India, Saudi Arabia, Venezuela, Brazil, Thailand and Turkey. There are others (see Annex 1), including members of the European Union (e.g. Poland and the Czech Republic), countries currently negotiating OECD membership (e.g. Estonia and Turkey) and members of the Organization of Petroleum Exporting Countries (OPEC) (e.g. Kuwait and UAE), and a group of "non-traditional" or "emerging" donors from developing countries.[5]

b. ***Multilateral actors***, which may be said to be populated by four distinct groupings:

- Multilateral Development Banks (MDBs) composed of the World Bank Group, regional and sub-regional development banks (RDBs and SRDBs respectively); and MDB-like organizations such as the International Fund for Agricultural Development (IFAD), the OPEC Fund for International Development, the European Investment Bank (EIB) and the European Commission (EC).
- International organizations at the global and regional level, such as the United Nations and its related organizations and trust funds. In addition, there is a diverse group of international cooperation and regional integration organizations such as the Organization of American States and the New Partnership for Africa's Development (NEPAD) that operate as platforms for South-South cooperation (SSC).
- Monetary institutions such as the International Monetary Fund (IMF) and regional organizations providing short-term financing to cope with balance of payments imbalances, such as the Asian Monetary Fund and the Latin America Reserve Fund.[6]
- Multi-donor organizations such as specific purpose or "vertical" funds and a greater variety of public-private partnerships for development financing constitute a fourth group within this category.

c. ***Private sector actors***, which includes two groups. First, the for-profit private sector, including investors providing direct foreign investment in developing countries, and other institutions that channel private financing to developing countries such as commercial banks, pension funds, stock markets, equity investment firms and investment funds. Second, the not-for-profit private sector, including corporate social responsibility programs, private foundations, international non-governmental institutions,individual philanthropy and organizationsthat channel individual's donations and remittances.

There is no accepted inventory of the institutions and actors that populate these three categories. A recent World Bank review included 236 organizations in its "List of Main Development Organizations" (World Bank, 2008, Annex 3). The internet-based not-for-profit "Directory of Development Organizations" lists 65,000 organizations from civil society, academic and research institutions, governments and the private sector as international development organizations.[7]

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[5] Apart from "non-DAC," it is difficult to find a single term that describes these actors. They are not all "new" and some do not like to be labeled "donors". The study will cover this by referring to them specifically and ascertaining later whether there are appropriate categories to classify them.

[6] FLAR in Spanish.

[7] See http://www.devdir.org/

## 2. Defining the scope of the study and non-PD resources

Each of the three categories described above includes formal adherents to the PD,[8] but also a large number of non-adherents, especially in the second and third categories. In the case of bilateral donors, all DAC members are adherents to the PD, as are a majority of non-DAC donors. A handful of non-DAC countries, however, have not yet taken this step.[9]Regarding multilateral institutions, some multilateral development banks, such as the World Bank and regional development banks, and several international organizations (e.g. the UN Development Group and the main vertical funds) are adherents, but this is not the case for the diverse network of institutions operating at the sub-regional level such as sub-regional development banks and regional integration schemes that operate as platforms for SSC activities (Sagasti and Prada 2006). In the case of the private sector, there are few adherents to the Paris Declaration. The exceptions are a small group of civil society organizations and a few private or quasi-private special initiatives such as the Millennium Campaign, the Global Alliance for Vaccines and Immunization (GAVI), the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), and the Education for All Fast Track Initiative (FTI).

Turning to the developing countries themselves, most (110 in total)[10] have taken the steps required to become formal adherents to the PD principles (Annex 1). Most have done so as aid recipients, but a growing number are now simultaneously aid recipients and donors. Some of these have endorsed the PD principles only as recipients but not as donors. In several cases, this is because they wish first to see changes to some of the PD principles that affect their status as donors.[11] Specifically, certain specific aspects of current PD criteria would not recognize some of their South-South Cooperation (SSC) efforts as official development assistance.[12] The question for this study is what proportion of current SSC would be considered as "aid" under existing PD criteria. These criteria derive from the OECD definition which refer to "flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed

[8] The complete list of countries and organizations adhering to the PD and the AAA is found in the following link http://www.oecd.org/document/22/0,3343,en_2649_3236398_36074966_1_1_1_1,00.html It is important to note that the Paris Declaration and AAA do not have the same status as formal international agreements or treaties. Adherence implies a willingness to voluntary implement its provisions, but that there are even some questions about whether certain countries have endorsed these instruments selectively (e.g. only as recipients of aid but not as "donors.")

[9] Non-DAC donors that have not adhered to the PD include: Bulgaria, Cuba, Chile, Costa Rica, Iran, Latvia, Lithuania, UAE and Venezuela, as well as a group of middle-income countries with small technical cooperation programs.

[10] The status of Brazil has not yet been confirmed. If it is an adherent, the total would be 111.

[11] Modifying some DAC criteria in order to recognize as ODA certain aspects of South-south cooperation was raised as an issue at the high level meeting in Accra that produced the Accra Agenda for Action. This led in turn to the "High Level Event on South-South Cooperation and Capacity Development" (Bogota, Colombia, March 24-26, 2010). The Bogota Statement recognizes the complementarities with "North-South" development cooperation while emphasizing the singularities of the initiatives of developing countries as donors. See http://www.impactalliance.org/ev_en.php?ID=48980_201&ID2=DO_COMMUNITY

[12] This is an important debate that is discussed in the third section. For example China is progressively becoming a major provider of SSC. In this regard, Davies (2007) indicates that, "(…) according to donors to China, China probably signed up in its capacity as a recipient rather than as a donor country" (pp. 65).

10 percent rate of discount)" (OECD Glossary).[13]

Thus, the application of two criteria is required to determine the scope of this study: (1) whether development assistance providers have endorsed the Paris Declarationor not; and (2) whether the assistance they provide can be considered as ODA, ODA-like or not. Table 1 summarizes the configurations that emerge from the combination of both criteria. Even with this, however, it should be noted that there could be permeability between at least some of the categories. For example, regarding categories 3 and 4, military and security assistance (beyond some strictly limited purposes specifically defined by the DAC)clearly falls outside the boundaries of ODA, but it can include development resources in the form of grants and technical cooperation, mainly for post-conflict reconstruction purposes or for alternative development of anti-narcotic programs.

Similar problems of classification can arise for category 5. Some private sector contributionsentail resources and financial instruments for development purposes and could be considered as ODA-like. For example, "socially responsible" investment (SRI), corporate social responsibility (CSR) and blended value instruments from private investors (Girishankar 2009) entail resources for development purposes with characteristics comparable to ODA in certain key respects. Also, resources obtained from international capital markets and intermediated by financial institutions in the form oflower-than-market interest rate loans, which are often used to strengthen domestic capital markets and underpin microfinance operations,also contain an implicit grant element and could be viewed as ODA-like resources.

The primary focus of this study is, therefore, *on "ODA-like assistance" from assistance providers that have not yet adhered to the Paris Declaration.*It addresses this through two approaches. First, a macro analysis has been undertaken of all financial flows to developing countries based on the Global Development Finance (GDF) database of the World Bank and the Creditor Reporting System of the DAC. This is aimed at gaining a broad view of the scope of the resources covered by the PDrelative to all development assistance andnon-aid financial flows. This may be termed an aggregate picture from a recipient point of view.Second, using the three categories defined above (i.e. bilateral, multilateral and private) we have drawn from multiple sources of information (international data bases, national reporting statistics, empirical literature and a wide range of reports, including press reports), with a view to providing a much more granular assessment of non-PD development assistance flows to developing countries.

TABLE 1. **Scope of development resources and the current reach of the PD**

| Source of development resources | Type or category of development resources |
|---|---|
| 1. Assistance providers endorsing the PD | ODA through bilateral, multilateral and other channels; and ODA-like assistance (i.e. with development purpose, meeting the grant element threshold) |
| 2. Assistance providers not yet endorsing the PD | ODA-like assistance (i.e. with development purpose, meeting a grant element threshold) e.g. private and non-official grantors, non-DAC official providers of development assistance–including South-South and "triangular" cooperation |

[13] In the case of commercial credit loans, the DAC considers that loans with a grant element above 35 percent are considered concessional loans, and therefore are part of ODA flows.

| | |
|---|---|
| 3. Assistance providers endorsing the PD | Assistance falling outside the boundaries of ODA (e.g. military, commercial, non-concessional loans, etc.) |
| 4. Assistance providers not yet endorsing the PD | Assistance that is not ODA-like (e.g. military, commercial, non-concessional loans, etc.) |
| 5. "Non-aid" development resources | Private flows at market terms (investment, export credits, etc.) and domestic development resources |

Source: Adapted from Terms of Reference for this study

## 3. Estimating non-PD resources from a recipient perspective

Table 2 comprises the aggregated data from the GDF database, which provides a broad picture of development resources flowing to developing countries. The figures of net official flows include ODA and ODA-like resources but they also include non-concessional loans from bilateral and multilateral lenders. It is immediately apparent that net official flows provide only a small portion of total financial flows to developing countries as a whole. This, of course, is not the situation for all developing countries. As noted earlier in this paper, the proportion of ODA to GNI and to gross capital formation is miniscule in middle-income countries, in contrast with the situation of low-income countries. Net official flows to middle-income countries were in fact negative for most of the previous decade (2003 to 2009), although they were slightly positive in 2008 because of a combination of public efforts to mitigate the financial crisis and a reduction of private flows. While net official flows to low-income counties remained positive over the same period, they amounted to only US$5.1 billion in 2008—a relatively small figure compared to net private flows (US$29.2 billion).

TABLE 2. **Net capital flows to developing countries**
(Annual average, US$ billion)

| | | 1970-1979 | 1980-1989 | 1990-1999 | 2000-2008 |
|---|---|---|---|---|---|
| **1.** | **Net private flows[a]** | **27.50** | **40.92** | **175.01** | **496.39** |
| **2.** | **Net official flows[b]** | **13.26** | **34.74** | **50.49** | **42.48** |
| | | | | | |
| **3.** | **Net equity flows** | **5.13** | **13.45** | **113.61** | **328.62** |
| 3.1. | Foreign direct investment[c] | 5.12 | 13.17 | 97.18 | 290.13 |
| 3.2. | Portfolio equity flows | 0.02 | 0.28 | 16.43 | 38.49 |
| | | | | | |
| **4.** | **Net flows on debt** | **30.79** | **48.97** | **83.07** | **152.85** |
| 4.1. | Official creditors | 8.43 | 21.49 | 21.67 | -14.92 |
| 4.2. | Private creditors | 22.37 | 27.48 | 61.40 | 167.77 |
| | | | | | |
| | **Memo** | | | | |
| **5.** | **Changes in reserves** | **n.a.** | **-0.97** | **48.72** | **367.12** |
| **6.** | **Grants[d]** | **4.83** | **13.25** | **28.82** | **57.41** |
| **7.** | **Worker's remittances** | **4.32** | **20.77** | **53.56** | **183.99** |

Source: Global Development Finance 2009
[a]Net debt flows from private creditors + net equity flows; [b]Grants + net debt flows from official creditors; [c]Net flows; [d]Technical cooperation grants not included

A somewhat similar differentiation applies with regard to net private flows. Private flows (including FDI, commercial bank lending and capital market financing) are concentrated in middle-income countries and even more in a small group of emerging economies. FDI, the greater component of private flows, amounted to US$588 billion in 2008, of which 55 percent went to upper middle income countries, 40 percent to lower middle income countries and the remaining 5 percent to low income countries (GDF database).

At the aggregate level, three main trends emerge when comparing these broad categories of financial flows from the 1970s to the present:

First, globally *official flows have declined dramatically in comparison with private flows*. During the 1970s, net official flows were almost one third of net financial flows (and half of net private flows); while during the present decade they amount to less than eight percent of the total.[14]

Second, *private capital flows have been the main source of international development financing* and their dominance has increased steadily over the past two decades. Foreign direct investment (FDI) has increased at the fastest rate and now accounts for roughly 60 percent of all net private flows, reaching an average of US$290 billion during 2000-2008.

Third, increased private flows are still overwhelmingly concentrated in middle-income and a few low-income developing countries. An average of 70 percent of global FDI to developing countries was concentrated in 10 middle-income countries.[15] Over the same period, low-income countries received at average of only 4.2 percent of FDI net inflows. This, too, was highly concentrated, with 70 percent going to only 10 countries.

Portfolio equity has also grown substantially and now amounts to US$38 billion per year. In the case of debt flows, which averaged US168 billion annually during 2000-2008, private creditors have also surpassed official creditors. In addition, as the above table shows individual (mainly workers') remittances increased to an annual average of US$184 billion from US$21 billion two decades earlier.[16] Finally, the strengthening of international and domestic capital markets has contributed to leveraging additional resources from external and domestic savings to development financing, at least in emerging economies. For example, the value of outstanding local-currency bond markets in 20 emerging economies have jumped from US$2.9 trillion in 2005 to US$5.5 trillion in 2008, to represent nine percent of global bond issuance (IIF 2009).[17]

The two decades long global dominance of private flows as a percentage of all financial flows to developing countries may, however, be shifting somewhat as a consequence of the recent financial crisis. Some slowing of aggregate private flows has occurred, although FDI and remittances have been resilient and may recover to their pre-crisis levels in 2010 (World Bank 2010). As overall private flows have slowed, there have been major increases in transfers from multilateral institutions and also large increases in their capital bases, which indicate that this trend is likely to continue for some time. The IMF recently increased its capital availability by more that US$$250 billion. The capital of the Inter-American Development Bank was increased this year by 70 percent (to US$170 billion), which will allow it to increase its average annual credit to the Latin American region to US$12-15 billion from US$7-9 billion. The IDA-16 replenishment process is expected to

[14] Considering financial flows in net terms allows comparability between different sources of financing, especially when private sources are included. In terms of aid and financing from official sources, presenting information about net flows allows a better appreciation of the specific contribution of loans and grants in development financing.

[15] China, Russia, Brazil, India, Mexico, Turkey, Chile, Poland, Kazakhstan, Romania.

[16] There is growing evidence that remittances partially contribute to fund education, nutrition and health of families in developing countries (Katseli *et al*. 2006; Cox and Ureta 2003).

[17] However, just eight countries—Brazil, China, India, Malaysia, Mexico, South Africa, Thailand, and Turkey—accounted for almost 90 percent of local-currency bonds out- standing in June 2008.

increase available resources by no less than 30 percent. Discussions are underway to increase the capital of the World Bank, the Asian Development Bank and the African Development Bank. At the sub-regional level, the Andean Development Corporation (CAF) increased its capital by US$2.5 billion in 2009. Finally, negotiations concluded in March 2010 to establish a regional fund in Asia to operate in a similar way as the IMF with US$120 billion. Although these changes are very significant and should affect the balance between public and private flows, official resources do not have the potential to replace private investment as the main source of development finance in developing countries overall.

Table 2 shows clearly that, over four decades, the current reach of the PD would account for only a very small percentage of net capital flows to developing countries as a bloc. It also shows that the trend has accelerated dramatically over the past twenty years. This situates the PD in the large picture of total flows to developing countries, but it does not shed light on the proportion of either total resources or net official resources not currently covered by the PD that would meet the twin criteria of being principally aimed at the promotion of the economic development and welfare of developing countries and with a grant element of at least 25 percent.

An initial attempt was made to address this by looking only at net official flows and by separating data in the GDF database into flows by PD-adherents and non-PD-adherents. The result (Table 3) shows that non-adherent countries[18]account for less than one percent of total net financial flows and six percent of ODA flows. This, however, is a very crude and problematic measure for several reasons. First, net official flows are not comparable to ODA flows or to resources covered by the reach of the PD. This is because ODA reporting classifies multilateral disbursements as “other official flows” to avoid double counting and the resulting difference can be significant. Secondly,the GDF does not include data from the sub-regional development banks. Thirdly, although GDF distinguishes between grants in general and technical assistance grants, it does not separate these by type of donor.

TABLE 3. **Net official flows to developing countries**
(Annual average, US$ billion)

| | | **Adherents 2000-2008 (A)** | **Non – adherents 2000-2008 (B)** | **Percentage non-adherents [d] (A)/(B)** |
|---|---|---|---|---|
| **1.** | **Net official flows [a]** | **42.48** | **0.34** | **0.8%** |
| | | | | |
| **2.** | **Debt from official creditors** | **-14.92** | **-2.97** | **19.9%** |
| *a.* | *Multilateral creditors* | *2.44* | *-0.90* | *36.9%* |
| | *- World Bank* | *3.10* | *-0.27* | *8.7%* |
| | IBRD | -2.05 | -0.50 | 24.4% |
| | IDA | 5.15 | 0.22 | 4.3% |
| | *- IMF* | *-5.59* | *-0.54* | *9.7%* |
| | Non-concessional | -5.77 | -0.49 | 8.5% |
| | Concessional | 0.18 | -0.05 | 27.8% |

[18] Developing countries that are recipients but non-adherents to the PD or AAA are: Algeria, American Samoa, Angola, Azerbaijan, Belize, Bhutan, Bulgaria, Chile, Costa Rica, Cote d'Ivoire, Cuba, Dominica, Eritrea, Georgia, Grenada, Guinea-Bissau, Iran, Kazakhstan, Kiribati, Korea Dem. Rep., Kosovo, Latvia, Lebanon, Liberia, Libya, Lithuania, Macedonia, Maldives, Marshall Islands, Mauritius, Mayotte, Micronesia, Myanmar, Palau, Seychelles, Somalia, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Turkmenistan, Uruguay, Uzbekistan, Venezuela, West Bank and Gaza and Zimbabwe.

| | | | | |
|---|---|---|---|---|
| | *- Major RDBs* | *3.11* | *-0.14* | *4.5%* |
| | Non-concessional | 1.41 | -0.16 | 11.3% |
| | Concessional | 1.70 | 0.02 | 1.2% |
| | *- Other* [b] | *1.82* | *0.06* | *3.3%* |
| *b.* | *Bilateral creditors* | *-17.36* | *-2.07* | *11.9%* |
| | - Non-concessional | -14.99 | -2.06 | 13.7% |
| | - Concessional | -2.37 | -0.01 | 0.4% |
| | | | | |
| **3.** | **Grants** [c] | **57.41** | **3.30** | **5.7%** |
| | | | | |
| | **Memo** | | | |
| **4.** | **Technical cooperation grants** | **18.29** | **1.38** | **7.5%** |
| **5.** | **ODA**[e] | **82.17** | **4.93** | **6.0%** |

Source: Global Development Finance 2009

[a]Net debt flows from private creditors + net equity flows; [b]Other financial flows from a selected group of multilateral institutions, mainly sub-regional and vertical funds; [c]Technical cooperation grants not included; [d]In absolute terms; [e]Correspond to the sum of net official flows + technical cooperation grants – non-concessional debt from bilateral and bilateral creditors + donor administrative costs. However, this formula is not accurate since it assumes that “grants” correspond only to grants from official sources and donor administrative costs are negligible.

The other major database, the Creditor Reporting System (CRS) fails to compensate for these problems. The CRS is compiled by the DAC and includes ODA figures reported by: DAC donors and data provided by non-DAC donors. While it contains detailed project information, much of its data is of uneven quality and there are also significant gaps for the purposes of this study. For example, its non-DAC cooperation information is provided infrequently on a voluntarily basis and is less complete than the rigorous reporting required of DAC members. In addition, it includes some but not all international organizations of the UN system.

Thus, while available databases on capital and aid (concessional) flows show that the PD deals with a relatively modest percentage of overall capital flows, they are of little value in trying to assess the magnitude of ODA-like flows to developing countries from non-DAC sources (i.e. the development flows currently beyond the scope of the PD). The following section, therefore, reports on additional efforts to address this issue by drawing from multiple sources of information and distilling from these as accurate a picture as possible.

## II. Categories of non-PD resources: Assessing their scope, amounts and modalities

This section attempts to arrive at a more informed appreciation of the extent of ODA-like development flows that fall outside the current scope of the PD (i.e. non-PD resources) by drawing from and synthesizing materials from multiple sources that include financial statements, annual reports, academic studies,NGO assessments, newspapers and other publications. It is necessarily exploratory in nature and dependent on qualitative judgments as well as quantitative analysis to the extent possible. For each category of donor (bilateral, multilateral and private sector), main actors providing non-PD resources are identified and data presented on the amount of financial resources provided and the instruments and modalities used to allocate resources to developing countries. On each of these, it tries to summarize the main issues and debates about their relative contribution.

### 1. Bilateral non-DAC donors

The category “Non-DAC donors” comprisesthe countries with international cooperation programs which are not members of DAC and which do not mandatorily report to it. Non-DAC donors include (at least) two subgroups (Annex 1). A first subgroup is made up of countries that are OECD or European Union (EU) members, but not yet DAC members. The majority in this subgroup apply DAC standards when implementing their cooperation programs, report to DAC on a voluntary basis[19]and are formal adherents to the PD. There are, however, exceptions (Bulgaria, Latvia, Lithuania and Chile are members of OECD but do not yet adhere to the PD) but the cooperation programs of these countries are miniscule, amounting to a small fraction of one percent of ODA. Accordingly, the countries in this grouping are excluded from the scope of this study.

The second subgroup of non-DAC countries is very mixed. It includes OPEC members (Kuwait, Saudi Arabia, Venezuela and the United Arab Emirates), middle income, emerging donor countries (Brazil, China, India, South Africa, Thailand, Turkey and the Russian Federation) and a fewcountries whose donor role is difficult to classify (Cuba, Iran, Israel and Taiwan).

The developing countries in the second subgroup engage in what is commonly categorized as bilateral South-South Cooperation (SSC). The sequel to the PD is the Accra Agenda for Action (AAA) which was negotiated and agreed in September, 2008. At the AAA meeting, many of the countries in the second subgroup sought inclusion of their SSC activities in the AAA framework. As a result, the "special status of SSC"was recognized in the Accra declaration (paragraph 19 of the AAA) and three areas of work were established: (1) adaptation of the principles of effectiveness of aid to SSC; (2) enrichment of the debate on effectiveness with a systematization of the experiences; and (3) identification of areas where SSC complements North-South cooperation.[20] At the "High-Level Meeting for South-South Cooperation and Capacity Development" (Bogota, 24-25 March 2010), the main SSC donor countries indicated the importance of systematizing SSC experiences, but were also critical of applying only DAC criteria to identify what constitutes official aid in the context of SSC. Some of these donors also suggested a parallel "DAC for SSC".

This is raising fundamental issues in current debates on SSC. As we have seen, DAC criteria specify that aid must have as its main objective the promotion of the economic development and welfare of developing countries and the financing must be concessional (defines as having a grant element of at least 25 percent, using a fixed 10 percent rate of discount). In addition to this, the Accra Declaration commits donors to support the purchase of goods and services through the national procurement agencies of aid recipient countries. To the extent that SSC practices do not meet these criteria, they could be considered as official aid only if a dual standard were to be applied, one for "North-South cooperation" and a second for SSC.

To examine this issue, we collected information from four sources: (1) voluntary reports to DAC that appear in its CRS database; (2) reports, case studies and publications about specific donors; (3) general databases about SSC activities (TT-SSC 2010; SEGIB

[19] For example, South Korea became a DAC member on November 25th, 2009 but it has been reporting its cooperation program since the late 1990s. Its cooperation program amounted to US$803 in 2008—one of the smallest cooperation programs, comparable to that of Finland, Greece, Portugal, Luxembourg and New Zealand that were below US$1.0 billion in 2008. Moreover, South Korea will host the next High Level Meeting on Development Effectiveness, aimed at taking stock of the progress on the PD and the AAA.

[20] The Task Team on SSC (TT-SSC), a southern-led platform hosted by the Working Party on Aid Effectiveness (WP-EFF) at the OECD/DAC and co-chaired by Colombia and Egypt, has the mandate of organizing debates and discussions to implement the three areas of work established in the AAA regarding SSC.

2008);[21] and (4) the database – still in its test stage -- of "AidData", an independent initiative "dedicated to collecting project-level data from all multilateral donors and non-DAC bilateral donors (NDBs) to provide a more complete picture of development finance flows and activities."[22] The CRS database clearly separates ODA and non-ODA projects and activities, but this is not the case for the other sources.

Tables 4 and 5 provide an initial summary of the data obtained from these sources, Table 4 is from the AidData database. Table 5 represents an attempted amalgam of data from the other sources for 2008, presented by country and showing the amount and percentage of GDP of ODA-like flows and some main characteristics.

Juxtaposing the two tables reveals immediately the sheer size of the divergences of SSC reporting that are found in different data sets. In the case of Brazil, for example, AidData indicates a 2008 figure of only US$15.2 million, whereas The Reality of Aid, 2010 puts the figure almost 23 times higher at US$340 million. Also for 2008, Kuwait is shown in one database at US$283 million and 54 percent higher in another at US$435 million. Chile in one is listed at US$1.5 million and in a second over double that amount at US$3.3 million.

The large divergences also reflect the scanty nature of much of the information provided on SSC. In many cases, the information provided is insufficient to distinguish between the ODA-like and non-ODA development flows from non-DAC countries. Based on cross-referencing from the multiple information sources mentioned above, we assembled Table 5 which suggests that the flows that might be considered as ODA-like under DAC and PD criteria could be in a range of US$12,300-US$14,140 million for 2008. This is considerably more than some other estimates. For example, it is almost 300 percent larger than the OECD estimate of just under US$5 billion for 2005 (OECD 2007).The estimate, however, is very close to one provided in a United Nations commissioned study in 2006, which suggested that SSC amounted to between $9.5 billion and $12.1 billion, representing between 7.8 percent and 9.8 percent of total aid flows (ECOSOC 2008).

TABLE 4. **ODA from selected non-DAC bilateral donors (2000-2008)**

(US$ million)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Saudi Arabia** | - | - | 339.0 | 2,391.0 | 1,734.0 | 1,005.0 | 2,095.0 | 2,079.0 | 5,564.0 | 15,207.0 |
| **Kuwait** | 648.4 | 514.7 | 417.5 | 379.6 | 677.4 | 690.4 | 494.6 | 667.3 | 283.0 | 4,772.9 |
| **Taiwan** | - | - | - | - | 421.0 | 483.0 | 513.0 | 514.0 | 435.0 | 2,366.0 |
| **UAE** | 124.0 | 256.0 | 494.7 | 127.0 | 50.0 | 219.0 | 429.0 | 88.0 | 108.3 | 1,895.9 |
| **India** | - | - | - | - | - | - | - | - | 724.1 | 724.1 |
| **South Africa** | - | - | - | - | - | 9.5 | 58.5 | 53.8 | - | 121.8 |
| **Brazil** | - | 0.1 | - | - | 2.2 | 2.8 | 2.8 | 6.5 | 15.2 | 29.5 |
| **Thailand** | - | - | - | - | - | - | - | 16.1 | - | 16.1 |
| **Chile** | - | - | 0.1 | 0.0 | 0.1 | 0.1 | 1.8 | 0.8 | 1.5 | 4.5 |
| **Colombia** | - | - | - | - | - | - | 0.0 | 0.3 | 0.3 | 0.6 |
| **Total** | **772.4** | **770.8** | **1,251.2** | **2,897.6** | **2,884.7** | **2,409.8** | **3,594.7** | **3,425.8** | **7,131.3** | **25,138.3** |

Source: www.aiddata.org data.

[21] See http://www.southsouth.info
[22] See http://www.aiddata.org/about/index.

TABLE 5. **Selected South-South ODA-like flows 2008**

| Country | Amount (US$ million) | % GDP | Main characteristics |
|---|---|---|---|
| Saudi Arabia[3] | 5,564 | 1.5[a] | • Channels: Includes contributions to multilateral funds. Excluding regional programs, its aid program amounts to US$1.5 billion.<br>• Instruments: Grants, concessional loans, credit export<br>• Recipients: 45% to Arab countries.<br>• Sectors: Transportation & telecommunication, energy, agriculture, industry, health & education & water |
| China[1] (2007) | 1,500 - 2,000 | 0.06-0.08 | • Channels: Only includes bilateral aid. Other non-aid flows could increase this figure up to US$25 billion for 2007.<br>• Instruments: Grants, concessional loans (interest free), SSC projects.<br>• Recipients: Broad regional focus (Africa around 50%).<br>• Sectors: Infrastructure, investment projects. |
| Vene-zuela[1] | 1,166 - >2,500 | 0.71-1.52 | • Channels: Not specified. Includes humanitarian aid.<br>• Instruments: Concessional loans, trade support, in-kind cooperation, subsidized loans for oil.<br>• Recipients: Only LAC region.<br>• Sectors: Energy, infrastructure, construction, industry and agriculture |
| Turkey[3] | 780 | 0.11 | --- |
| India[2] | 569 | 0.05 | • Channels: Includes only bilateral aid.<br>• Instruments: Loans, non-concessional loans, grants, debt cancellation, trade support, donations in-kind.<br>• Recipients: African and Asian countries.<br>• Sectors: Agriculture and infrastructure. |
| Taiwan[3] | 435 | 0.11 | • Channels: Bilateral aid.<br>• Instruments: Grants and concessional loans.<br>• Recipients: The number of African countries receiving assistance has fallen to just three (Chahoud 2008). Wide regional focus.<br>• Sectors: Agriculture, private sector and infrastructure (ICT, transport). |
| Brazil[1] | 356 | 0.04 | • Channels: Includes only bilateral aid.<br>• Instruments: Project co-financing, export credits, non-concessional loans, technical cooperation grants.<br>• Recipients: LAC (52%), Portuguese-Africa (27%).<br>• Sectors: Agriculture, education, health, fishery and humanitarian aid. |
| Kuwait[3] | 283 | --- | • Channels: Includes only bilateral aid.<br>• Instruments: Grants, export credits and non-concessional loans.<br>• Recipients: 54% to Arab countries.<br>• Sectors: Transportation & telecommunication, energy, agriculture, industry & water |
| Russian Federa-tion | 220 | --- | • Channels: Only includes bilateral aid.<br>• Instruments: Grants and loans, export credits and debt cancellation.<br>• Recipients: Mainly former USSR regions.<br>• Sectors: Energy, health & education |
| South Africa[1] | 194 | 0.07 | • Channels: Multilateral, mostly through NEPAD.<br>• Instruments: Grants and project financing, technical cooperation.<br>• Recipients: Mostly to Africa.<br>• Sectors: Social sectors and infrastructure. |
| Thailand[3] | 178 | --- | • Channels: Only includes bilateral aid.<br>• Instruments: Grants and loans, export credits and debt cancellation.<br>• Recipients: Mainly former USSR regions.<br>• Sectors: Energy, health & education |

| | | | |
|---|---|---|---|
| Israel[3] | 138 | 0.07 | • Channels: Almost 90% bilateral aid.<br>• Instruments: Technical cooperation, project financing.<br>• Recipients: No info<br>• Sectors: Agriculture, infrastructure and transportation. |
| UAE[3] | 108 | --- | • Channels: Includes only bilateral aid.<br>• Instruments: Grants and non-concessional loans.<br>• Recipients: 81% to Arab countries.<br>• Sectors: Electricity & water, industry, transportation, communication, agriculture and social sectors |
| Mexico (2005) | 19 | --- | • Channels: Figures correspond only to bilateral aid.<br>• Instruments: grants (tied) and concessional loans.<br>• Recipients: Only Latin American and the Caribbean.<br>• Sectors: Education, environment, agriculture, health, energy and social development |
| Argen-tina[1] | 5 - 10 | --- | • Channels: Figures correspond only to bilateral aid.<br>• Instruments: Grants and technical cooperation.<br>• Recipients: Only Latin American and the Caribbean. |
| Chile[1] | 3.0 – 3.3 | --- | --- |
| Cuba | Non-monetary contributions | | • Channels: 100% bilateral aid.<br>• Instruments: In-kind SSC through volunteers and technical cooperation.<br>• Recipients: Mostly LAC, but also Asia and Africa.<br>• Sectors: Health, humanitarian aid. |
| **TOTAL** | | | **US$ 12,300 - 14,139.9** |

Source: Adapted from *The Reality of Aid* (2010) p. 6, CRS database, annual reports. Also Kragelund (2008), Shuchan and Marcoux (2010), Anishyuk 2010.
Notes: [a]GDP data used are those for 2007; [1]ECOSOC (2008)–Table 2, in the case of Venezuela this range corresponds to different levels of oil prices; [2]IMEA (Appendix VII); [3]OECD/DAC (2010)–Table 33 (statistical annex) and annual memories.

The remainder of this section presents information pertaining to the development activities of some of the principal countries engaged in SSC. Its aim is to furnish a more detailed picture of the difficulties and challenges involved in trying to assess with confidence and precision the ODA-like assistance they provide that would qualify under PD terms.

**Saudi Arabia, Kuwait and the United Arab Emirates**:These three Arab countries have similar financial mechanisms and modalities for aid to developing countries.[23]Their bilateral aid is channeled through three funds: The Saudi Fund for Development (SFD), the Kuwait Fund for Arab Economic Development (KFAED) and the Abu Dhabi Fund for Development (ADFD). In general, these programs provide financing at highly concessional rates.[24] A recent (2010) review calculated that these three funds have made cumulative commitments of US$28.1 billion.[25] A shared characteristic across all three funds is their high concentration in infrastructure projects (transportation, energy generation and supply and water supply and sanitation), which received 65 percent of total funding over the period 1998-2007 (Nielson et al 2010:15). Because they have large endowments (a product of oil revenues), the three funds are very stable; indeed, their risk bearing capital ratio scores

[23] Neumayer (2003, 2004) found three patterns of bilateral Arab aid during the 1990s, it was: (1) concentrated in middle-income countries, (2) lacking of mechanisms of transparency regarding selectivity, allocation, and focus; and (3) concentrated in surrounding countries and targets Arab population in other developing countries.
[24] KFAED offers grants and loans at 0.5-4.0 interest rate (Hashim 2009); the ADFD and the SFD provide loans combined with small grants (ADFD, SFD's annual reports for 2008; Villanger 2007).
[25] Of this total, the KFAED granted US$15.7 billion (55.9%), the SFD US$ 8.7 billion (30.9%) and the ADFD US$3.7 billion (13.3%). The first was created in 1961 and the other two in 1974. See (Nielson et al, 2010).

among the lowest of several development funds (Sagasti and Prada 2006: Table 9).

Cooperation through bilateral funds should also consider their contributions to multilateral institutions. These countries, along with other Arab donors have established several multilateral Arab funds such as the Islamic Development Bank (IsDB), the Arab Fund (AFESD), the OPEC Fund, the Arab Monetary Fund and the Arab Bank for Africa (BADEA), which channel around 14 percent of the Arab countries' bilateral programs (Villanger 2007).[26]

There are, however, major information gaps about their modalities, allocation patterns and use of specific instruments and conditions (Shuchan and Marcoux 2010:6). Moreover, it is highly probable that at least some components of Arab aid would not qualify as ODA-like resources. In the Gulf, for instance, many assistance activities are directly related to supporting or extending the Muslim faith, including support for fulfillment of religious obligations (Benthall *et al.* 2003). Thus, Arab states label as humanitarian aid support for African Muslims to attend the pilgrimage to Mecca, or to celebrate Eid, the building of mosques and Islamic centers and the printing and distribution of the Koran (Price 2005:27). In addition, Saudi Arabia includes as part of its regional development cooperation program export credits and insurance to promote its oil exports. If these items were excluded, Saudi Arabia's cooperation program in 2008 would have been only US$1.5 billion (i.e. over 70 percent less than the figure of US$5.4 billion reported in the AidData database.

**China:** Arriving at an informed and balanced assessment of China's cooperation program is a daunting challenge. It is in the first instance highly complex, using a variety of instruments and secondly, there are huge variations in assessments of its size, purposes and conditions. For example, an OECD policy brief noted that "'Old' donors are accusing China of"free riding"on the development efforts deployed bythe international community and impairing debtsustainability in low-income countries… It is argued that corruption isenhanced, democracy impaired, and debt toleranceweakened by China's financing practices" (Reisen 2007:1). The analysis in the OECD brief disputed such accusations and concluded that: "The continent is no longer a *chasse gardée*,and competition is stimulating. Recent trends maybother Western companies and their public co-financiers,but established donors' new rivalry withChina is doing more to promote Africandevelopment than any high-flying governancerhetoric."

A very different assessment is provided in the 2010 annual Freedom House Survey "Countries at the Crossroads". A New York times op-ed, based on that survey claimed that: (i) "Aid from China has become an alternate source of (aid… that gives governments) a bargaining chip to defer measures that strengthen transparency and rule of law…; (ii) a combination of subtle and not-so-subtle conditions typically accompanies (China's) largesse. Included among these is pressure to muzzle voices critical of the Chinese government, often undermining basic freedoms of expression and assembly in these countries; (iii) Chinese aid funds are frequently conditioned on being used to purchase goods from firms selected by Chinese officials without an open bidding process; and (iv)-the opacity of its aid and the illiberal conditions that underpin it — means that over the long haul, incentives for strengthening accountable governance and basic human rights are being warped, or even reversed" (Walker and Cook 2010).

[26] There is no information about contributions to these institutions, in a way that DAC donors report their contributions to multilateral institutions as part of ODA. If included, annual Arab bilateral aid would increase.

China provides three modalities of aid: (1) grants for trade financing and investment projects,[27] granted by the Ministry of Commerce (MOFCOM); (2) zero-interest loans, also by MOFCOM, often converted into debt cancellations; and (3) concessional loans by the Ex-Im Bank, whose interest rate is subsidized with MOFCOM's resources.[28] In addition, China provides debt relief, which Chinese authorities do not account as aid (Qi Guoqian 2007).Most Chinese cooperation involves simple turnkey projects: a building, a bridge, or a health clinic (Bräutigam 2010a; Davies and Woetzel 2010), with an average cost of US$28 million per project (Hubbard 2007).

The concessional level of Chinese bilateral loans is at the centre of the debate about the size of its aid program, especially regarding investments and project support (Lancaster 2007). One study that had access to Chinese internal data on loans and grants for infrastructure projects in African countries (Foster *et al,* 2008:46) concluded that China has no consistent policy on assigning loan terms. Some loans had a grant element higher than 25 percent, while others included interest at up to 14.8 percent. The same study found similar variance in China's export credit financing through its Ex-Im Bank. The Ex-Im Bank reports only the average of its financing terms which it claims to be 2 percent annual interest, no grace period and 15 years maturity.

These difficulties are compounded by the fact that China usually bundles its financial commitments to include support on trade, investment and aid.[29]In addition, the structure of payments of some concessional loans involves in-kind repayments with natural resource exports (Zafar 2009; Zweig 2005).[30] In other cases lower-than-market rate financing is provided to support Chinese FDI in recipient countries, thus subsidizing the startup costs of installing Chinese companies (Bräutigam 2010b).[31]Finally, China's financing usually requires no less than 50 percent of procurement of Chinese equipment, materials, and services (Chahoud 2008). The structures of many of China's loans, therefore, have the characteristics of private sector concessions that would not be considered as aid under ODA criteria.

To complicate matters even further, debt relief is not considered in China's official aid figures. Chinese debt cancellation has been implemented under the framework of the Forum on China-Africa Cooperation (FOCAC) and the HIPC program. China's debt relief program started in 2000 with a unilateral announcement of US$1.38 billion debt cancellation to 31 African countries (Davies 2007) and in 2005 China adhered to the HIPC program announcing the cancellation of US$280 million (ECOSOC 2008). A third pledge was made at the 2006 FOCAC Summit to cancel all the interest-free government loans that matured at the

[27] "Over the past 50 years China has assisted African countries with 133 infrastructure projects, 38 hospitals and 16,000 medical personnel to Africa". Often, these are in-kind contributions (Davies 2007).

[28] The amount of the subsidy is the difference between the Central Bank base rate and the preferential loan rate.

[29] For example, China is supporting the creation of "trade and cooperation economic zones", with the main purpose of increasing Chinese FDI to these countries (Braütigam *et al* 2010)

[30] This has been known as the "Angola model" where low-interest loans are secured with commodities as collateral: For example, an Ex-Im Bank loan to Angola with maturity over 17 years was secured by the delivery of 10,000 barrels of oil a day. Under contract, not less than 50 per cent of procurement comes from China.

[31] There are several examples of natural resource-backed loans to finance infrastructure projects. For example, "Since 2004, China has concluded similar deals in at least seven resource-rich countries in Africa, for a total of nearly US$14 billion. Reconstruction in war-battered Angola, for example, has been helped by three oil-backed loans from Beijing, under which Chinese companies have built roads, railways, hospitals, schools, and water systems". However, these loans, although large, are not widespread and there are several examples of natural resource-backed loans with no commitments to build infrastructure.

end of 2005 owed by the HIPCs and the Least Developed Countries (LCD) in Africa that have diplomatic ties with China.

All these factors make it very difficult to arrive at a confident estimate of the size and percentage of China's ODA-like resources. They also explain the wild variances in estimates that have been made. While figures from the Chinese Statistical Yearbook indicate that the average of Chinese aid over 2003-2006 was US$970 million (Lancaster 2007), other estimates vary from roughly double (Qi Guoqian 2007, Davies 2007, Saunders 2006, Reality of Aid 2010) to over 25 times that amount (NYU Wagner School 2008).

**Venezuela:** also has a large but very non-transparent aid program. It includes loans to support FDI,[32] export credits, concessional loans, contributions to multilateral organizations and acquisitions of sovereign bonds from other developing countries. But by far the dominant instrument has been Petrocaribe, an alliance established by Venezuela that provides selected countries with free or highly subsidized oil.[33] Most reports indicate that this arrangement involves over 200,000 barrels per day to over a dozen countries in Central America and the Caribbean, of which up to half goes to Cuba. The payment system allows countries to obtain oil at market value, with only a modest payment up front and the balance to be paid through a 25 year financing agreement at 1% interest. The system also allows part repayment in exports to Venezuela, such as bananas, rice, and sugar. It would appear that some components of Petrocaribe could be considered an ODA-like program: Subsidized loans to purchase oil at preferential prices often exceed the grant element of 25 percent.[34] Moreover, the amount corresponding to the difference between the costs of concessional and market rates serve to finance development projects in recipient countries, some of them for social purposes. However, Petrocaribe also finances projects between Petróleos de Venezuela (PDVSA) and oil companies in recipient countries to improve the refining, storage and delivery capacities.[35]

The Haitian earthquake of January, 2010, may, however, be shifting, at least somewhat, the dominance of Petrocaribe in Venezuela's aid program. In response to the Haitian disaster, Venezuela asserted that it would play a lead role in humanitarian assistance to relief and reconstruction efforts. At the UN donor conference following the earthquake, Venezuela announced the immediate cancellation of Haiti's US$295 million debt and pledged thousands of tons of food aid plus "all the free fuel that Haiti needs."[36] The Venezuelan pledge at the UN meeting was larger than that of the USA, EU and World Bank.[37] But, since Venezuela also announced that it would deliver its assistance bilaterally and not though the UN coordinated "cluster system", there is no independent corroboration of

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[32] Venezuela, China and Iran have provided resources to start large bi-national development funds to promote mutual investments (Corrales 2009). For example, the Chinese Development Bank and PDVSA established a US$12 billion fund, the "Strategic Fund" to develop investment projects in association (Infolatam 2009).

[33] Since its creation on June 29th 2005, 18 countries have joined Petrocaribe: Antigua and Barbuda, Bahamas, Belize, Cuba, Dominica, Granada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, the Dominican Republic, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Surinam and Venezuela

[34] See http://www.alternativabolivariana.org/pdf/petrocaribe.pdf about Petrocaribe loan conditions.

[35] For example: the liquefied petroleum gas (LPG) filling plant operating since February 2007 in Saint Vincent and the Grenadines; the fuel storage and distribution plant opened in Dominica in June 2009; and the Camilo Cienfuegos refinery reactivated in Cuba and operating from December 2007 with a production capacity of 67,000 barrels a day. There are also electricity generation projects developed in Nicaragua, Haiti, Antigua and Barbuda, Dominica and Saint Kitts and Nevis (See: http://www.petrocaribe.org/).

[36] Venezuela's Anti-Hegemonic Aid to Haiti, http://hcvanalysis.wordpress.com/2010/02/23/venezuelas-anti-hegemonic-aid-in-haiti/

[37] http://www.miamiherald.com/2010/07/05/1716791/venezuela-major-donor-of-assistance.html

what aid it is actually delivering.

Estimates of the true size of Venezuela's aid programs have resulted in such wide variations that they serve mainly to call into question the basic data from which they were derived. For example, one study reported that US$43 billion in ‘‘commitments’’ abroad had been made between 1999 and mid-2007, including direct investments, indirect investments, subsidies, grants, and donations, of which "approximately US$17 billion (or 40.1 percent) could be classified as social investments"Corrales (2009:99). A slightly earlier review (2007) based on a detailed listing of Venezuelan "aid projects" arrived at a cumulative commitment figure of US$8.87 billion.[38] Other estimates (see Table 5) suggest ODA-like flows of US$1.2-2.5 billion.

Our conclusion is that there are no comprehensive official reports or authoritative independent studies about either the volume or the detailed undertakings of Venezuela's cooperation programs. What is clear is that, like the Chinese case, a considerable percentage of Venezuela's SSC programs would not qualify as ODA. Without information about total project costs and conditions, it is impossible to estimate the amount of resources provided at concessional rates.

**Brazil:**Brazil's situation is complicated by the fact that it is both an aid donor and an aid recipient**.** Although different estimates of the magnitude of its role as a donor involve wide variations, most suggest an exceedingly modest figure(e.g. AidData and The Reality of Aid show US$15.2 million and US$356 million, respectively, for 2008). Total "official aid figures" provided by Brazil's Co-operation Agency (ABC) for 2010 are also very low (US$30 million budgeted in 2010). However, according to reviews by the Overseas Development Institute (ODI) and Canada's International Development Research Centre, cited in a recent article in The Economist, Brazil's total aid contributions in 2010 could actually be closer to US$4 billion, ranking it alongside Sweden and Canada. Much of this would also appear to be ODA-like, including: US$30 million specifically for humanitarian aid; US$25 million to the UNDP; US$300 million to the World Food Programme; US$10 million Gaza and US$350 million to Haiti.[39]

In addition, Brazil's approach to aid delivery seems to be focused specifically on social development and agricultural programs, although it has also started to provide large infrastructure loans through its national development bank (BNDES). BNDES is also a contributor to multilateral institutions such as CAF, IADB, and the recently created Banco del Sur (John de Sousa 2010).

These factors suggest that the magnitude of Brazil's aid programs is probably considerably greater than most estimates would suggest. To improve the visibility of its cooperation programs, Brazil will need to calculate in monetary terms their contributions to technical cooperation initiatives. This would also appear to apply to SSC technical cooperation in general, but to be far more pronounced in the case of Brazil.

**India:** In 2008, the governments of India and Britain announced a collaboration to help India become a leading aid donor. This was greeted with fierce criticism by campaigners in both countries on the grounds that India remained home to a third of the world's poorestpeople. Although there is continuing opposition within India and internationally to the

[38] Quixote Centre, Venezuela provides four times the assistance of the US in Latin America, http://quixote.org/venezuela-provides-4-times-assistance-us-latin-america
[39] The Economist, "Brazil's foreign-aid programme: Speak softly and carry a blank cheque", July 15th 2010.

country acting both as a major recipient of aid and as a donor (Bidwai 2010),India's announced policy involves reducing dependence on foreign aid while rapidly increasing its financing to poorer countries, mainly through soft loans.

India's cooperation program has been quite concentrated in three Asian countries: In 2008, Bhutan received almost half of total Indian aid, and Maldives and Afghanistan 19 and 15 percent respectively (ECOSOC 2008). But as India scales up its role as a donor, this is changing. Under the proposed"Indian Development Initiative", India plans a ten fold increase (to roughly US$300-400 million) in annual allocations to Africa (G24 Secretariat 2008). The Initiative indicates that this could be financed thorough a similar scheme to that of the International Financial Facility (IFF), India would borrow resources on international capital markets and then on-lend on concessional terms to countries in sub-Saharan Africa. At least 85 percent of the value of such loans, however, would be tied to Indian procurement.

In addition, India's Ex-Im Bank set up a US$500 million in credit lines to eight West Africa countries under its Techno-Economic Approach for Africa-Indian Movement in 2002 (TEAM-9). These funds seek to enhance commercial links with countries being courted by Indian oil companies (Kragelund 2010) and much of the assistance provided by India is tied to purchases of products and services from India (Jobelius 2009). A further US$704 million in Ex-Im Bank SSC financing in the Indian Budget is indicated but with no information about the grant element terms of this Financing (Chanana 2009). It seems highly improbable that either the TEAM-9 or the US$704 million would be considered as ODA-like financing.

Whatever the terms, there is no doubt that India's foreign aid is undergoing very rapid growth. India's national budget office reports the country's "aid-related budget allocations" at US$785 million and that this represents a compound annual growth rate of 6.9 percent from 2004 to 2010.[40]Again, however, there are wide variations, depending on the database consulted. Both CRS and AidData indicate a cooperation program valued at US$570 million in 2007 and US$724 million in 2008, whereas India's budget office shows a 2008 figure of US$1,622, over twice as large as the other two sources.

The above synopsis of the bilateral development cooperation programs of some of the main non-DAC donor countries underscores the difficulty in arriving at a credible estimate of the amount of ODA-like development resources beyond the reach of the PD.

We examined two additional factors and sources of information in trying to come to a better appreciation of the scope of bilateral non-DAC donor flows outside the current scope of the PD. These are: (1) a number of studies that have tried to come up with an overall perspective on non-DAC aid to African countries, particularly in sectors such as infrastructure; and (2) the development resources from non-DAC donors being channeled to and from certain types of public enterprises in order to gain secure access to natural resources (e.g. to a national oil company for access to energy). First, with regard to non-DAC countries as donors in Africa, most studies have focused on the growing influence of China, and to a lesser extent India and Brazil. In the case of China, while the studies point to the non-availability of precise figures and terms, they leave no doubt that China is rapidly becoming an important financial actor in Africa or that it is beginning to overshadow many traditional DAC donors(Jacoby 2007; Van Dijk 2009; Asche and Schüller 2008). Estimates of annual flows of Chinese aid to Africa range from US$1.4 billion (Qi Guoqiang, 2007 and Bräutigam, 2009) to US$5 billion (GDI 2007).

[40] See indiabudget.nic.in

Studies on new investment in the infrastructure sector in Africa suggest that this is an area where data availability and data quality are improving. A World Bank study in 2008 found that overall infrastructure resources provided to Africa by emerging donors jumped from around US$1 billion per year in the early 2000s to around US$8 billion in 2006, but falling back to US$5 billion in 2007, —of which China provided 80 percent, Arab countries 16 percent and India the remaining 4 percent (Foster *et al* 2008). The World Bank database on infrastructure[41] also indicates that most Chinese infrastructure projects involve financing of US$50 million or less, although it also shows a few projects of over US$1 billion.

This growing influence of China in Africa has led to expressions of very serious concern over modalities and implications. According to some highly respected analysts of international political economy, Chinese aid is damagingenvironmental, social and good governance standards established by multilateral institutions (Woods, 2008 and Naim, 2007). These claims are supported with examples that include a "no-strings-attached" loan to fund railways in Nigeria which cancelled World Bank efforts to address corruption and a highly polluting, coal-based Chinese technology in Indonesia that "no international agency would have signed off on" (Naim 2007). Other studies have pointed to China's "no strings attached" policy neutralizing international pressure regarding human rights, freedom of expression and democratic liberties (Walker and Cook 2010).

Second, a growing part of the new donors' cooperation programs come to and from public enterprises, not only in the energy sector (through national oil companies) but also in other fields.In February 2009, for example, the Chinese Development Bank granted the two largest bilateral loans ever made: US$15 billion to Rosneft and US$10 billion to Transneft, two Russian public companies, to secure the provision of oil. Also in 2009, Vnesheconombank from Russia extended two loans to two companies in Kazakhstan and Ukraine for US$3 and US$1 billion respectively to shore up their finances (GDF 2009). Although these loans cannot be considered ODA-like resources, transfers between quasi-government entities such as public enterprises constitute another area of SSC that should not be overlooked.

## 2. Multilateral assistance providers: growing complexity at the sub-regional level

A significant proportion of non-DAC development financing is being channeled through multilateral institutions. Under DAC rules, "contributions to international institutions with governmental membership which conduct all or a significant part of their activities in favor of development and aid recipient countries" is considered as ODA.

Multilateral organizations may be grouped into five categories: (1) The United Nations system, including its agencies, funds and commissions; (2) Multilateral Development Banks (MDBs) and MDB-like organizations; (3) regional integration and trade organizations; (4) regional monetary organizations; and (5) multi-donor organizations and global funds. To view flows to these organizations through a PD optic requires determination of which institutions within the four groups are not yet PD-adherents and then of which types of financing can be considered as ODA-like.

**The United Nations system:** DAC lists a total of 55 UN entities for which

[41] The Private Participation in Infrastructure (PPI) Project Database has data on more than 4,300 infrastructure projects in 137 low and middle-income countries, covering projects in the energy, telecommunications, transport, and water and sewerage sectors. See http://ppi.worldbank.org/index.aspx

contributions may be reported in part or in whole as ODA.[42]The financial reports of the larger UN agencies identify contributions by country. For these, it is possible, therefore, to identify contributions from non-DAC and non-PD countries. This, however, is not the case for some of the agencies and for many of the funds and commissions. Table 6 summarizes non-DAC contributions to several international organizations and MDBs as reported in OECD/DAC (2010). In the case of smaller donors, such as Argentina, Chile, Mexico, Indonesia and South Africa, these contributions are bigger than those reported in their cooperation programs (Table 6) and should be considered part of ODA-like contributions. Nevertheless, the information in the table provided by the DAC in its Development Cooperation Report is still partial and incomplete. It does not provide information as to whether these contributions are assessed contributions or voluntary, and it does not include information about some of the largest UN Funds such as the Food and Agriculture Organization (FAO) or the World Health Organization (WHO).

TABLE 6. **Examples of some non-OECD member countries' contributions to selected UN organizations (2008)**

(US$ million)

| | Argen-tina | Brazil | Chile | China | India | Indo-nesia | Kuwait | Mex-ico | Rus-sia | Saudi Arabia | South Africa | UAE | Vene-zuela |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **UNDP** | 0.60 | 0.55 | 0.68 | 3.82 | 4.55 | 0.41 | 0.57 | | 0.77 | 4.00 | 1.56 | 0.32 | 0.49 |
| **UNICEF** | 0.01 | 3.01 | 0.08 | 1.29 | 2.80 | 0.10 | 0.20 | | 1.00 | 2.50 | 0.03 | 13.94 | |
| **UNRWA** | | 0.20 | 0.02 | 0.08 | 0.02 | 0.01 | 2.50 | 0.01 | | 0.04 | 0.15 | 5.34 | |
| **WFP** | 0.10 | 1.44 | | 9.58 | 17.13 | 2.00 | | 0.05 | 15.00 | 503.75 | 0.32 | 0.05 | 0.75 |
| **UNHCR** | 0.03 | | 0.10 | 0.65 | 0.01 | | 2.00 | 0.10 | 2.00 | 0.11 | 0.15 | 0.05 | 0.01 |
| **UNFPA[1]** | 0.01 | | 0.01 | 0.90 | 0.22 | 0.04 | 0.05 | | 0.30 | 0.30 | 0.02 | | 0.01 |
| **UNIFEM** | 0.01 | 0.03 | 0.00 | 0.03 | 0.02 | 0.10 | 0.02 | 0.06 | | 0.10 | | 0.05 | |

Source: OECD/DAC (2010)

Notes: [1]Figures represent payments made in 2007; Source: Multilateral institutions' websites.

**MDB and MDB-like organizations**: This group comprises the MDBs (World Bank Group, Asian Development Bank, African Development Bank, Inter-American Development Bank and European Bank for Reconstruction and Development), plus a large number of MDB-like organizations that includes Sub-Regional Development Banks (SRDBs), specialized institutions such as the International Fund for Agricultural Development (IFAD), the Islamic Development Bank and others. All of the MDBs are formal adherents to the PD, but none of the SRDBs. This is not a major factor in trying to assess non-PD financing to Asia and Africa whose sub-regional banks account for a very small percentage of multilateral financing. It is, however, a major factor in Latin America and the Caribbean (LAC) where they account for more financing than the MDBs (Sagasti and Prada 2006). In LAC, the members of the sub-regional banks are largely the developing countries themselves, making these banks a major component of SSC.Also, in these countries, the developing regional countries have majority or even full control of the voting power.

**Regional integration-trade organizations and regional monetary organizations**: This grouping comprises a dense network of regional integration organizations and monetary unions. Their numbers have been increasing rapidly in Africa[43] and in the case of Latin

[42] See DAC (2007) Annex 2.

[43] "(...) with the two monetary unions the Central African Economic and Monetary Community (CAEMC) and the West African Economic and Monetary Union (UEMOA), stabilization of the exchange rate within the

America and South East Asia they have also been expanding in number and reach.[44] Many of the regional integration organizations operate as triangular cooperation platforms, channeling resources from their bilateral and multilateral donors and managing trust funds for technical cooperation, policy harmonization, policy dialogue and trade financing. Only a small minority of these adhere to the PD.

**Regional monetary funds:** These areIMF-type institutions that include FLAR (the Andean countries' monetary fund) and the recently established Asian Monetary Fund. Over a thirty-year period, FLAR mobilized US$4.9 billion, equivalent to almost 60 percent of IMF "exceptional" financing (beyond countries' quota) (Machinea and Titelman 2006). The Asian Monetary Fund has a capital base of US$120 billion. None of the regional monetary funds has adhered to the PD.

**Multi-donor organizations and global funds**: Although the Consultative Group for International Agricultural Research (CGIAR) was founded forty years ago, the past decade has witnessed a dramatic expansion in the number of similar organizations that are referred to as "Global Funds" (GF) (World Bank 2004). Such organizations include the Global Environment Facility (GED), the Global Alliance for Vaccines and Immunization (GAVI), The Global Fund for the fight against AIDS, Tuberculosis and Malaria (GFATM), the Global Alliance for Improved Nutrition (GAIN), The President's Emergency Plan for AIDS Relief (PEPFAR)[45], the International Health Partnership (IHP+), and 3-4 others (see annex 4). These organizations have been established as independent fiduciary mechanisms to attract and apply funding to specific thematic concerns. This feature distinguishes them in considerable measure from traditional multilateral donors. To date, only three (GFATM, GAVI and Education for All – Fast Track Initiative) adhere to the PD.

It is immediately apparent by comparing the large number of multilateral organizations with the list of PD adherents that only a small subset adheres to the PD. It follows necessarily from this that a very substantial percentage of SSC financial flows through multilateral organizations is currently outside the reach of the PD. The challenge is to identify the magnitude of non-PD multilateral flows that are ODA-like, such as grants, SRDBs concessional loans and other support of triangular SSC cooperation (Task-Team on SSC 2010). The remainder of this section summarizes this effort.

Table 7 summarizes the financial information from annual reports of selected regional development banks, sub-regional banks and MDB-like development banks. Although the categories used here (loans, grants, concessional loans and private sector operations) are not

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Common Monetary Area (CMA), and the future monetary union of the Southern Africa Development Community (SADC) and the West African Monetary Zone (WAMZ), Africa has taken the lead in the developed world in terms of regional monetary integration." (Metzger 2008:26). Other integration organizations are: Economic Community of West Africa States (ECOWAS), the Indic Ocean Commission (COI-IOC), the Arab Maghre Union (UMA), Common Market for Eastern and Southern Africa (COMESA), the East Africa Community (EAC), the Southern Africa Custom Union (SACU), Southern Africa Development Community (SADC), and the Economic Community of Central African States (CEEAC).

[44] Starting in 1960 there have been various attempts to create sub-regional areas for economic, social and institutional integration in Latin America. The most important have been the Andean Community (CAN), Mercosur, the Central American Common Market (CACM), and the Latin American Integration Association (ALADI), which seek trade and political integration. Later, to these were added organizations such as the Bolivarian Alliance for the Peoples of Our America (ALBA), the Union of South American Nations (UNASUR) and, finally, the Community of Latin American and Caribbean States (CELAC). Kumar (2007) describes the prospects of regional integration in the South East Asian region.

[45] PEPFAR is a vertical fund but not a multilateral organization. It is entirely United States bilateral initiative.

necessarily comparable,[46] they provide an indication of the magnitude of non-PD multilateral assistance. The financing by non-PD institutions included in this table averaged US$11.8 billion during 2004-2008 (i.e. an amount equal to over one-third of the amount (US$30.1 billion) mobilized by the listed institutions adhering to the PD. In addition, this figure is highly concentrated: 72.9 percent of this amount corresponds to the CAF and 15.2 percent to the Central American Bank for Economic Integration (BCIE).

TABLE 7. **Selected regional, sub-regional and MDB-like development banks: Mobilization of development resources by financial instruments (PD-adherents shaded)**
(US$ billion annual average 2004-2008)

| | Loans | Concessional loans | Grants | Private sector | Total |
|---|---|---|---|---|---|
| **Regional Development Banks (RDBs)** | | | | | |
| Inter-American Development Bank Group (IADB) | 5.70 | 0.42 | 0.15 | 0.13 | 6.40 |
| African Development Bank and Fund (AfDB, AfDF) | 2.20 | 0.78 | 0.61 | 0.16 | 3.74 |
| Asian Development Bank and Fund (AsDB, AsDF) | 6.14 | 1.29 | 0.88 | 0.18 | 8.49 |
| European Bank for Reconstruction and Development (EBRD) | 6.88 | | | 2.55 | 9.43 |
| Islamic Development Bank (IsDB) | 0.35 | | | 1.75 | 2.10 |
| ***Subtotal*** | ***21.27*** | ***2.48*** | ***1.64*** | ***4.77*** | ***30.16*** |
| **Sub-regional Development Banks (SRDBs)** | | | | | |
| Caribbean Development Bank(Caribank) [1] | 0.13 | 0.04 | 0.03 | | 0.20 |
| Central American Bank for Economic Integration (CABEI) | 1.25 | | | 0.55 | 1.80 |
| Andean Finance Corporation (CAF) | 6.11 | | | 2.49 | 8.60 |
| Nordic Investment Bank (NIB) | 0.77 | | | 0.02 | 0.79 |
| East Africa Development Bank (EADB) | 0.08 | | | 0.11 | 0.19 |
| Arab Bank for Economic Development in Africa (BADEA) | | 0.16 | 0.01 | 0.01 | 0.18 |
| West Africa Development Bank (BOAD) | 0.07 | 0.01 | | | 0.08 |
| ***Subtotal*** | ***8.41*** | ***0.21*** | ***0.04*** | ***3.18*** | ***11.84*** |
| **Other similar funds to multilateral development banks (MDB-like)** | | | | | |
| Nordic Development Fund (NDF) | 0.83 | | | 0.01 | 0.84 |
| International Fund for Agriculture (IFAD) | | 0.51 | 0.04 | | 0.55 |
| Arab Fund for Economic and Social Development (AFESD) | 0.67 | | 0.16 | 0.46 | 1.29 |
| OPEC Fund for International Development (OFID) [1] | 0.58 | | 0.02 | 0.22 | 0.82 |
| FONPLATA | 0.04 | | | | 0.04 |
| ***Subtotal*** | ***2.12*** | ***0.51*** | ***0.22*** | ***0.69*** | ***3.54*** |

Notes: [1]Figures of OPEC (2008) and CDB (2007).

[46] The categories are those reported in the Annual Reports, so they may follow different definitions. A more accurate estimation would require more detailed project level information, which is not always available.

Thesedata underscore the *growingimportance of SRDBs in development financing in their respective sub-regions*. While the World Bank (WB) committed US$4.6 billion and the IADB US$6.4 billion on average during 2004-2008 to the LAC region, CAF committed US$8.6 billion. Moreover, considering only countries within the Andean region (CAF's main recipients), CAF represented 55 percent of total net flows from multilateral institutions, while the IADB and the WB provided 30 percent and 15 percent respectively. Before the financial crisis (2004-2007) net flows from the IADB and the WB declined as their portfolio matured, while CAF increased its lending levels and market share. After the crisis, the three multilateral institutions have increased their capital base and will expand their operations in the region. CAF is scaling up its operations to non-Andean countries, which now represent 28 percent of its portfolio.[47] The creation of the Banco del Sur will further increase the importance of SRDBs in Latin America in the coming years: it has a paid-in capital base of US$7 billion and an authorized capital of US$20 billion —both figures are double that of CAF's (Ugarteche and Ortiz 2010).

Other regions have not experienced the impressive growth of sub-regional institutions of Latin America. Although Africa has a substantial and growing network of these organizations, and a new Euro-Mediterranean Bank is being established to finance countries in Northern Africa—, the amount of resources mobilized is modest compared to the African Development Bank group (AfDB) and the WB group. During 2004-2008, SRDBs in Africa allocated an annual average of about US$0.45 billion to African countries, while the comparable figures for the WB and the AfDB were US$5.5 billion and US$3.7 billion, respectively. The situation in Asia is different, for there is no equivalent there to the sub-regional MDBs found in LAC and Africa. In the Asian region, sub-regional institutions have focused on two areas: (1) central bank mechanisms for currency swaps, provision of short-term financing and integration of bond markets;[48] and (2) trade financing (Jung 2008). But overall, integration and cooperation initiatives at the sub-regional level are growing in scope, complexity and availability of financial and cooperation mechanisms, constituting a new area of expansion of development institutions (Ocampo 2006).

A challenge in trying to estimate non-PD multilateral flows that are ODA-like is to find reliable and disaggregated information about the complex interactions between multilateral assistance providers and others (i.e. DAC donors, non-DAC donors, private sector and other multilateral institutions that provide financing through inter-institutional transfers, trust funds, loans, technical cooperation and co-financing). For example, the Caribbean Development Bank (Caribank) has raised its capital base through loans from the IADB, the World Bank and, more recently, the European Investment Bank (US$65 million in total); and BADEA has allocated US$2.3 billion since 1975 to co-finance projects of a total cost of US$15.2 billion.[49] In addition, several donors have established trust funds of about US$349 million at the Caribankto provide grants to member countries, [50] AFESD financed in 2007 10.1 percent of the Fes-Ojuda motorway in Morocco (with total cost US$1.1 billion)

[47] New commitments to Andean countries grew by 60 percent from 2004 to 2008, while commitments to other countries expanded by 320 percent.

[48] This focus has taken shape in the recently created Asian Monetary Fund (AMF) under the framework of the Association of Southeast Asian Nations (ASEAN +3) and the Chiang Mai Initiative (CMI)

[49] Other donors were: Arab Funds, IsDB and OFID contributing US$3.3 billion; the WB group US$1.5 billion; the AfDB US$1.6 billion; the European Union (US$0.7 billion); and other donors (US$5.4 billion).

[50] The Basic Needs Trust Fund (BNTF) manages US$146 million with the contribution of the Canadian Government, and small contributions from ten Caribbean countries.

along with several multilateral donors;[51] and the CABEI manages 15 trust funds with a value of US$95 million from different donors.[52]

Interactions and inter-institutional partnerships are even more difficult to track in the case of regional integration and trade organizations. These institutions are mainly financed through voluntary contributions from developed and developing countries, although some of them require quotas and assessed contributions from member countries. Moreover, they administer trust funds for specific purposes and implement projects with resources from their own budget or voluntary contributions from donors. In general, they fund technical cooperation activities, conferences, research activities and policy dialogue between members, among other activities. In this sense, they are considered regional platforms for triangular cooperation and SSC activities (Sanin and Schulz 2009). For example, several institutions function as platforms for these activities in Latin America: the Iberoamerican Secreatariat (SEGIB), Latin American Integration Association (ALADI); Andean Community; Central American Integration System (SICA); Caribbean Community and Common Market (CARICOM); Southern Common Market (Mercosur), Bolivarian Alternative for the Americas (ALBA); Organization of Eastern Caribbean States (OECS), and the Rio Group, among others.[53]Nevertheless, estimating the amount of their contributions is difficult: most of them are in-kind and sometimes correspond to earmarked resources (and thus part of bilateral aid) or voluntary donors' contributions for events, conferences and technical cooperation grants between different institutions (see Annex 3). In sum, these contributions are modest in monetary terms, but they increase the number and complexity of technical cooperation grants and activities (SEGIB 2008: Chapter 4).[54]

*Non-PD multilateral donor financial mechanisms are a dynamic area of expansion of development financing at the sub-regional level.* Besides offering regular loans, technical cooperation grants, and to a lesser extent concessional loans; SRDBs and MDB-like funds are a source of innovation, tailoring their financial products to meet their member countries' needs. They have allocated important resources to promote private investment and sub-regional trade, and have also contributed to debt relief. For example, CABEI provided US$9 billion to regional members between 2004 and 2008, of which 22 percent was directed to the private sector through investment in equity, trade financing and indirect support through financial intermediaries (apex funds for microfinance, second-floor banking for microenterprises or support to NGOs, among others). BADEA allocates around US$80 million per year and EADB US$113 million to similar private sector operations.

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[51] Other donors were: EIB (22.7 percent), IsDB (11.6 percent), OPEC fund (2.4 percent), the Moroccan government (48.3 percent) and other Arab Funds (7.3 percent).

[52] Among the most important are the Spain-Honduras debt conversion fund (US$31 million) and the program of development of border areas in Central America (US$28 million).

[53] See SEGIB (2008) and TT-SSC (2010) for a list of triangular projects involving these institutions, as well as their technical cooperation grants. For example, a subsample of 35 of the 110 SSC projects described in the SSC case study database (http://www.southsouth.info) involves international organizations acting as SSC platforms. Only ten of these projects provide disaggregated information about donors' contributions, and in all other cases only an overall figure is provided. Moreover, in all these 10 cases, a significant amount of resources are coming from DAC donors, RDBs and UN funds—institutions that are adhering to the PD.

[54] Although data is not available, technical cooperation grants from SRDBs add to the fragmentation and dispersion of technical cooperation. For example, BADEA has provided technical assistance equivalent to US$103.7 million since its inception, fragmented in 438 operations consisting of feasibility studies and institutional support operations (51.1 and 48.9 percent of the total respectively. CAF manages seven trust funds equivalent to US$34 million, of which the Fund for Technical Assistance amounts to US$21 million.

CAF has consolidated its private sector operations and innovative financing by mobilizing US$2.5 billion per year during 2004-2008 (30 percent of its total portfolio). Its private sector operations were scaled up in 2008 as a response to the financial crisis, and CAF allocated US$2.5 billion to the financial sector to cope with liquidity shortages. Moreover, CAF also supports public sector development banks to promote private lending, as when it allocated US$260 million to the Colombian Trade Bank (BANCOLDEX), in parallel with an IADB loan of US$650 million in 2009. SRDBs have also provided debt relief for the African region. For example, BADEA contributed US$148.6 million to the HIPC and Multilateral Debt Relief initiative benefitting 16 eligible countries.

Sub-regional institutions have also expanded their financial instruments for private sector operations (e.g. apex funds, guarantees, investment in equity, prizes for innovations, trade financing, support for bond issuing and mobilization of domestic capital market resources). They are also now providing loans and grants to non-sovereign actors (sub-national entities, NGOs and public sector companies), and managing trust funds. These innovations, specifically those in the form of loans, are difficult to classify as ODA-like non-PD resources because they are not granted in concessional terms (even though they provide better conditions than regular capital markets). The question is *how flexible is the PD framework to include these new actors.* In this regard, the inclusion of bilateral SSC activities under the AAA framework is a step in the right direction, which suggests that multilateral SSC activities could also be considered.

As we saw in the case of country-to-country SSC, however, some financial flows from multilateral organizations are attributable to non-DAC sources. Applying either methodology to identify whether they correspond to bilateral or multilateral ODA-like resources is a challenge because of misreporting and lack of harmonized data. This study applies the second approach to estimate the magnitude of non-PD multilateral institutions' capacity to mobilize development assistance resources.

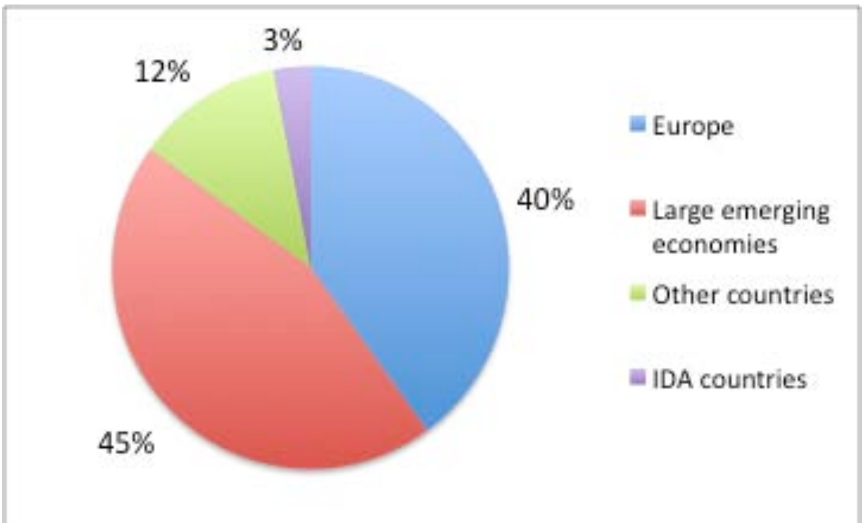
## 3. Private sector: Diversity, innovation and growing development role

Over the past two decades, the international system of development financing has witnessed a dramatic growth in the number, diversity, reach and influence of private foundations, civil society organizations, microfinance institutions, corporate responsibility initiatives, public-private partnerships and virtual networks. The directory of development organizationslists over 65,000 "international development organizations" (http://www.devdir.org/). A quick scanning of this list shows that at least 90 percent are classified as civil society organizations.These institutions range from multimillion-dollar transnational companies to thousands of low budget community-based initiatives and individual citizen activities. They are supported by unique communications capacities via the Internet and global media, other enabling technologies, more open and democratic societies in many countries, and high levels of private wealth creation and entrepreneurship.

There are four types of private development assistance providers: (1) *foundations*, including a group of them with growing power and influence in international development finance (Adelman 2006, Brainard 2006, Buse and Harmer 2006); (2) *corporate foundations,* including multinational companies getting involved in development issues through corporate foundations and corporate social responsibility; (3) *hybrid actors,* including a new generation of business-minded organizations that consider not just economic, but also social objectives (Cooch and Kramer 2007); and (4) *NGOs*, including international NGOs, advocacy and rights based organizations, networks of civil society organizations, trade unions, faith based organizations and small community based associations.[55] None of these organizations hasadhered to the PD, although the Bill and Melinda Gates Foundation has participated in events related to its implementation (Annex 1).

**Foundations:** Out of some 100,000 of the world's foundations, less than 1% have activities which touch on developing countries (Sulla 2006:2). U.S. foundations are by far the most important in the development field due to their size and experience (OECD/DAC 2006). The total number of philanthropic foundations in the US increased from 30,000 in 1993 to 76,000 in 2005 with total grants-giving growing from US$10 billion to more than US$30 billion in the same period. Most of this funding (about 90 percent), however, was channeled for domestic purposes and had no link with development assistance activities (Foundation Center 2004). Moreover, only about 30% of the international giving by US foundations goes directly to foreign implementing organizations, while the rest of the funds are channeled for development through US-based organizations and these resources are accounted for by DAC under non-governmental flows (Sulla 2006:3). Also, a significant percentage of US foundation international funding is assigned to international organizations that adhere to the PD. For example, the Gates Foundation assigns much of its international funding to medical and health organizations that adhere to the PD (e.g. GAVI, GFATM, WHO). Such funds are fully accounted for under the PD, as these organizations are PD adherents. Finally, the main developing countries that directly receive international assistance from U.S. foundations are the top emerging markets, including Russia, Brazil, India, China, Mexico, and South Africa.[56] In terms of direct flows, the poorest countries (IDA eligible only) receive only about 3 percent of US foundations' financing (Figure 3).

FIGURE 3.**International flows from US Foundations**




Among foundations, the most prominent ones from the United States disburse more

[55]See: Advisory Group on Civil Society and Aid Effectiveness (2007), Brown and Jagadananda (2007), Pratt *et al* (2006), and Tjønneland and Dube (2007).

[56] Moreover, these tend to be the same countries that receive most of the foreign direct investments and foreign portfolio equity flows, and they tend to be those emerging economies with the better current accounts and less need for development assistance

annually than do some bilateral DAC donors. In 2008, international funding by U.S. private foundations —including funding for overseas recipients and U.S.-based international programs— reached US$6.2 billion, a significant amount when compared with total U.S. government overseas development assistance of US$26 billion that year (Table 8). These figures include all international giving over US$10 thousand from more than 2,500 American foundations to US-based organizations to implement development projects overseas and to overseas recipients.

TABLE 8. **Top 25 US Foundations' international giving**[1] (2008)

| | Number | US$ million | % total grants | Growth (%) 2004-08 | Intl. giving (as % total) |
|---|---|---|---|---|---|
| **Bill & Melinda Gates Foundation** | 526 | 2,741.7 | 44.4 | 122 | 86 |
| **William & Flora Hewlett Foundation** | 246 | 622.9 | 10.1 | 1,001 | 80 |
| **Ford Foundation** | 1,233 | 282.4 | 4.6 | 9 | 52 |
| **Susan T. Buffett Foundation** | 60 | 187.0 | 3.0 | 1,926 | 54 |
| **David & Lucile Packard Foundation** | 254 | 122.8 | 2.0 | 211 | 38 |
| **Gordon & Betty Moore Foundation** | 119 | 115.4 | 1.9 | 151 | 40 |
| **John D. and Catherine T. MacArthur Foundation** | 298 | 102.5 | 1.7 | 40 | 47 |
| **Rockefeller Foundation** | 181 | 78.0 | 1.3 | 8 | 58 |
| **Andrew W. Mellon Foundation** | 155 | 60.6 | 1.0 | 61 | 22 |
| **Carnegie Corporation of New York** | 132 | 58.3 | 0.9 | 38 | 45 |
| **Turner Global Foundation** | 2 | 50.0 | 0.8 | 1,238 | 100 |
| **Lincy Foundation** | 22 | 49.9 | 0.8 | 99 | 29 |
| **Silicon Valley Community Foundation** | 414 | 45.7 | 0.7 | 1,352 | 21 |
| **Howard G. Buffett Foundation** | 40 | 38.3 | 0.6 | -- | 87 |
| **Citi Foundation** | 483 | 38.0 | 0.6 | 68 | 44 |
| **AVI CHAI Foundation** | 25 | 37.5 | 0.6 | 82 | 84 |
| **Bloomberg Family Foundation** | 2 | 36.3 | 0.6 | 504 | 100 |
| **W. K. Kellogg Foundation** | 180 | 35.5 | 0.6 | (37) | 19 |
| **Danforth Foundation** | 2 | 33.0 | 0.5 | 115 | 85 |
| **Freeman Foundation** | 132 | 31.4 | 0.5 | (41) | 71 |
| **Annenberg Foundation** | 118 | 31.0 | 0.5 | 133 | 12 |
| **Harry & Jeanette Weinberg Foundation** | 135 | 30.8 | 0.5 | 34 | 31 |
| **New York Community Trust** | 228 | 29.5 | 0.5 | 200 | 21 |
| **Walton Family Foundation** | 11 | 29.0 | 0.5 | 1,170 | 14 |
| **Charles Stewart Mott Foundation** | 192 | 27.4 | 0.4 | 8 | 27 |
| ***Subtotal*** | *5,190* | *4,914.7* | *79.6* | *145* | *62* |
| All other foundations | 9,719 | 1,260.5 | 20.4 | | |
| **Total** | **14,909** | **6,175.1** | **100.0** | | |

Source: Spero (2010). Notes: [1] Figure includes international giving to US-based and overseas recipients.

Private foundations are heterogeneous on at least four levels: (i)-the share of expenditures for international development purposes as a proportion of total disbursements (it is 62 percent for the largest 25 US foundations, and around 25 percent for a sample of the largest 1,000 foundations (Foundation Center 2010:2); (ii)-the degree of direct involvement with developing countries through decentralized grant-making and fully-staffed in-country programs);[57](iii)-the degree of specialization; and (iv)-the motivations, attitude to publicity, and accountability mechanisms (World Bank 2007). As already mentioned, however, only about 30 percent of foundations' international financing goes directly to overseas implementing agencies and of this a significant percentage goes to multilateral organizations and vertical funds. Table 9 provides a picture of grants to non-United States recipients for selected foundations, although it includes grants to multilateral organizations and global funds.[58]Considering only international grants to overseas recipients in developing countries, the top 50 foundations allocated US$1.38 and US$1.26 billion in 2004 and 2008, respectively. In general, aid directed to overseas recipients is a small proportion of total international giving per institution. For example, the Bill & Melinda Foundation allocated US$899.7 million to overseas recipients (32.8 percent of total international giving) and the Rockefeller Foundation US$26.1 million (33.4 percent of total international giving).

TABLE 9. **US Foundations and international grants to overseas recipients** (2004, 2008)

| | 2004 | | 2008 | |
|---|---|---|---|---|
| | US$ million | Number | US$ million | Number |
| **1. Bill & Melinda Gates Foundation** | 899.7 | 73 | 678.4 | 131 |
| **2. The Ford Foundation** | 109.4 | 452 | 72.4 | 299 |
| **3. The William and Flora Hewlett Foundation** | 34.2 | 103 | 40.8 | 69 |
| **4. John D. and Catherine T. MacArthur Foundation** | 29.3 | 92 | 51.3 | 151 |
| **5. The Rockefeller Foundation** | 26.1 | 121 | 14.6 | 32 |
| **6. The Starr Foundation** | 18.5 | 74 | 7.3 | 33 |
| **7. Citigroup Foundation** | 18.3 | 277 | 24.2 | 277 |
| **8. Carnegie Corporation of New York** | 17.1 | 68 | 19.2 | 63 |
| **9. The Freeman Foundation** | 16.4 | 71 | 5.6 | 23 |
| **10. The Danforth Foundation** | 15.4 | 2 | - | - |
| ***Sub-total*** | **1,184.4** | **1,333** | **914.0** | **1,078** |
| **Top US 50 Foundations** | **1,388.7** | **2,384** | **1,264.1** | **2,119** |

Source: The Foundation Center Database

Regarding European foundations, the European Foundation Center suggests that there are about 150 foundations, with the 10 largest constituting 75 percent of total expenditures. The countries most active in terms of the number of foundations are Sweden, Denmark, Britain, Germany, and Switzerland, with the total giving by European foundations roughly estimated at about US$1.4 billion annually (both international and domestic giving). There is almost no information available on the details of this philanthropy, although one rough estimate suggests that about 40 percent of European foundations are engaged in some form of international activity, amounting to possibly US$600 million annually (Sulla 2006:6).

In recent years, there has clearly been an important increase in the number of philanthropic foundations established by wealthy individuals in developing countries themselves. We could not, however, find any studies that looked at these systematically.

[57] There is a distinction between these foundations. One group (Gates, Hewlett, and Packard Foundation) frequently uses Northern institutions for the implementation of specialized programs, for example those dealing with pharmaceutical research. The second group (Ford, Kellogg, Rockefeller, MacArthur, Mott and Carnegie Foundation) favors direct partnerships with developing countries' institutions (Foundation Center 2004).

[58] For example, the Bill & Melinda Foundation allocated US$262 million in 29 grants to the World Health Organization (Switzerland) or US$86 million in 15 grants to the World Food Program (Italy), amounts that are included in Table 10, but excluded in Table 11.

Available information is largely limited to press reports. While these reports would suggest that private philanthropy is increasing in Asia, there has been very little research on Asian philanthropy in general and even less is available on Asian philanthropy in developing countries. The Asian Philanthropy Forum, a recent online innovation "to encourage philanthropy in Asia, to Asia and for Asia",[59] suggests that most Asian philanthropy is directed at local community needs and social welfare. The countries with the most number of foundations are Australia, Japan, China, and Hong-Kong, Korea. Foundations are also present in Malaysia, Philippines, Vietnam, and Thailand. Australian foundations make grants at about US$250 million per year (both internationally and domestically) with religion, social service, education and research as the sectors in which they are most active. The Japan Foundation Center reports about US$56 million of international grant making by Japanese foundations,[60] but no details are provided.

Even less is known about philanthropic foundations in Latin America and Africa. Again, it is known from press reports that individuals of high wealth are establishing private philanthropy foundations in their own countries, but there are at best anecdotal accounts of the levels of generosity and focus of these.

In sum, it is clear that philanthropic foundations play an important but relatively modest role in international development efforts. The evidence also suggests that, while the number of foundations is increasing, the main focus continues to be national rather than international. An important percentage of foundations' giving is assigned to international organizations which adhere to the PD, so that percentage is accounted for by the reach of the PD. Finally, at least with regard to US foundations, the percentage of international grant giving assigned directly to the poorest countries is very small. This suggests that, foundations' giving that would meet the criteria of the PD is probably much smaller than might be expected.

**Corporate philanthropy** is becoming more sophisticated. No longer limited to marketing and publicity purposes, corporations are taking a more strategic approach to using cash and non-cash grants, employee volunteer programs and strategies that seek to increase the availability and affordability of goods and services to the very poor while making a profit (Dees 2007, Kramer *et al* 2006, Porter and Kramer 2006, World Economic Forum 2009). Different motivations behind their philanthropy —license to operate, business entry or charitable contributions— result in different approaches to their investments and grant making. Operationally, the approach of corporate foundations is quite different than many of the traditional foundations, stemming from different histories, motivations and pressures. While traditional foundations see value in high quality work on a smaller scale, a number of new corporate foundations (e.g. Nike, Shell) have assumed an operational model based on innovative ideas developed in-house with external implementing partners carefully sourced through networks or individual contacts.

Data on donations from private corporations is fragmented and unreliable. Table 10 presents data of the top seven American corporate foundations with international programs.

TABLE 10. **Selected US corporate foundations indicators** (2008)

| | (A) Total intl. | Grants | (B) Total | (A)/(B) | Total assets |
|---|---|---|---|---|---|

[59] http://www.asianphilanthropyforum.org/about-us.html
[60] http://www.jfc.or.jp/eibun/index.html

| | giving (US$ million) | (number) | giving (US$ million) | | (US$ MIllion) |
|---|---|---|---|---|---|
| **Alcoa Foundation** | 8.9 | 201 | 24.7 | 36.1% | 593.9 |
| **Intel Foundation** | 7.5 | 75 | 39.4 | 18.9% | 73.8 |
| **The JPMorgan Chase Foundation** | 6.2 | 95 | 79.9 | 7.7% | 143.7 |
| **The Bristol-Myers Squibb Foundation** | 5.1 | 59 | 28.7 | 17.7% | 26.3 |
| **The Merck Company Foundation** | 5.1 | 9 | 44.1 | 11.5% | 78.0 |
| **BP Foundation, Inc.** | 4.8 | 12 | 57.4 | 8.4% | 208.9 |
| **GE Foundation** | 4.1 | 20 | 88.3 | 4.7% | 6.6 |
| **Total** | **41.6** | **471** | **362.5** | **11.5%** | **1,131.2** |

Source: Foundation Center Database

In general, their grants are very modest (between US$4-US$9 million in total during 2008) and come from relative small corporate foundations. However, these figures only include direct grants for international development purposes, and exclude international corporate social responsibility (CSR)-type support. Other reports have estimated that corporate giving from the US is around US$6.5 billion, including all the CSR programs overseas (Centre for Global Prosperity 2009). For the health sector, the International Federation of Pharmaceutical Manufacturers and Associations reports that the contribution of ten pharmaceutical companies through donations to the Partnership for Quality Medical Donations since 1998, stood at US$2.7 billion (Drechsler and Zimmermann 2006).

**Hybrid organizations**. The third group of private development actors are hybrid organizations that comprise market-oriented "social venture capital" initiatives. They apply business growth and investment strategies to development issues. Their market-oriented approach is bottom-up, entrepreneurial and targeted and has given rise to a unique set of organizations, partnerships and instruments. Below are some examples:

- The Acumen Fund, founded in 2001 with support from Cisco Systems, Rockefeller and Kellogg Foundations, among others, was established explicitly to employ "entrepreneurial approaches to solving the problems of global poverty", with focus on delivering affordable, critical goods and services – like health, water, housing and energy.
- The Omidyar Network, which was established by the founder of E-Bay. This philanthropic investment firm fund and help scale both for-profit companies and non-profit organizations to catalyze broad, positive social impact. By finding local solutions to problems, this company provides the additional funding to make these solutions affordable and commercial.
- CleanTech Venture Network was established in 2002 by venture capitalists such as Khosla Ventures, Kleiner Perkins Caufield & Byers, and Texas Pacific Group Ventures, CleanTech invests in biotech enterprises with the potential to develop leapfrog technologies and affordable solutions to meet global environmental and social challenges. It now convenes over 8,000 of these investors and almost 10,000 companies.
- Développement International Desjardins (DID), the development arm of a large Canadian financial cooperative, specializes in providing technical services and financing for the creation of local financial institutions that serve communities in the developing world. In 2007, DID supported more than 1,700 financial cooperatives that provided loans, savings plans and insurance. Between them, these cooperatives serve more than four million families and entrepreneurs and employ nearly 5,500 individuals (DID 2009).
- The Starbucks Loan Fund for Small Coffee Farmers has committed US$6 million in

funds that provide working capital loans to farmers. Although the borrowers are not required to be Starbucks suppliers, the viability of small coffee farmers is an important element of Starbucks' business model. Starbucks has partnered with three organizations – Conservation International, EcoLogic Finance and the Calvert Foundation – to disburse the microloans to the coffee growers.

Another area of expansion of these hybrid organizations are the socially responsible investment (SRI) funds. These are mutual funds that only invest in companies that meet certain ethical and moral standards.[61] Globally in 2006 these types of funds held over US$2.3 trillion in assets in 2006 in the US and nearly €1 trillion in 2006 in Europe (Santiso 2005, Eiris 2006). Microfinance is perhaps the best example of private investing for social returns. Many early stage microfinance organizations operate as not-for-profits, relying on donations and below market rate investments to finance their services. Some have become financially sustainable. This has attracted the interest of commercial bankers and investment funds around the world, some of which have started investing in microfinance for profit.[62]

**Non-Governmental Organizations**: The fourth group comprises non-government organizations (NGOs), a very wide range of institutions with diverging ideologies, approaches, and areas of intervention. International NGOs quadrupled from 6,000 to 26,000 during the 1990s (Keohane and Nye 2000), but today there are thought to be more than 40,000 such organizations (Koch 2008). NGOs fund their activities with both public and private resources. Hence, there is a risk of double counting what NGOs allocate in the field: the amount of resources already reported in ODA and the resources reported by foundations and private philanthropists. Rowlands (2006) estimated that NGOs channeled US$26.9 billion to developing countries in 2005, of which more than 60 percent came from private donations. Table 11 presents the amount of resources disbursed by major NGOs in 2006.

TABLE 11. **Main international NGOs** (US$ million 2006)

| International NGOs | US$ | Focus |
|---|---|---|
| **World Vision International** | 2,103.7 | Children, humanitarian |
| **Save the Children International** | 863.1 | Humanitarian |
| **Care USA** | 645.0 | Multi-sector programs |
| **Médecins Sans Frontières** | 612.0 | Humanitarian |
| **Catholic Relief Services** | 597.0 | HIV/AIDS, humanitarian |
| **Plan International** | 587.2 | Health, education, water |
| **Oxfam GB** | 406.3 | Humanitarian |
| **Action Aid** | 204.1 | Humanitarian |
| **Catholic Agency for Overseas Development** | 94.9 | Humanitarian |

[61] Some examples include: funds that only invest in environmentally conscious companies ("green funds"), funds that invest in hospitals and health care centers, and funds that avoid investing in alcohol or tobacco companies. The Bill & Melinda Gates and Rockefeller Foundations are also taking the linkages between philanthropy, investing, innovation, science and technology to a new level. In 2006, for example, they launched the US$150 million Alliance for a Green Revolution in Africa (AGRA), which supports both technology-based and market-based solutions in an effort to improve the availability, affordability and variety of seeds and other essential inputs to smallholder farmers.

[62] "Making money from microfinance is certainly not illegal". CARE supported a microfinance institution in Peru in 1997 with an initial investment of US$3.5 million, including US$450,000 of taxpayer money. In 2009, Banco de Credito, one of Peru's largest banks, bought the business for US$96 million, of which CARE recuperated US$74 million (MacFarquhar, 2010).

| | | |
|---|---|---|
| **Heifer International** | 77.5 | n.a. |
| **Oxfam USA** | 52.8 | Humanitarian |

*Sources*: Kharas (2007), de Las Casas and Fiennes (2007).

Between 2005 and 2008, total ODA resources by DAC countries channeled through NGOs reached US$15 billion a year (more than 10 percent of total ODA). This amount varied widely between countries: in Japan it was 1.7 percent in 2007, while some European countries have distributed up to 60 percent of their ODA through NGOs.[63] Other countries such as Netherlands, Switzerland, and Spain have allocated between 16 to 20 percent of ODA to NGOs. Overall, grants by NGOs based in DAC member countries amounted to almost US$15 billion per year in 2005 and 2006, according to Koch *et al* (2009). In addition, NGOs have enjoyed strong historic ties with several UN agencies. By the late 1990s, UN agencies were providing more than US$2 billion a year to NGOs (Reimann 2006: 49). Yet, on an aggregate level there is very little information on how much development funding is channeled by NGOs and, for example, the CRS does not provide data on NGO funding to recipient countries.

In addition, NGOs channel individual donations for development purposes using information technologies and innovative mechanisms such as Kiva.org, MyC4.com, Babyloan and Wokai.These are person-to-person mechanisms that involve individual donations for individually selected purposes such as sponsoring a child, or a specific program such as a microcredit loan, breakfasts, meals, payment for education, etc.).However, some of these programs have become controversial, where the person-to-person donor-to-borrower connections have been shown to have been partly fictional (Roodman 2009).

Many NGOs work directly with communities, bypassing national governments. This is mainly due to their role in serving critical ‘safety nets’ (Henderson 2002); filling voids generated where markets fail; operating where politically challenged, indebted, or corrupt states are unable or unwilling to provide for unmet needs (Brinkerhoff and Brinkerhoff, 2002); and where global problems defy clear nation-state boundaries (Kaul 2001). By the same token however, many NGOs work outside governmental structures, and thus are not accountable to the government of the countries where they work. NGOs are primarily accountable to donors as shown by Ebrahim (2003). In terms of effectiveness, Nunnenkamp and Ohler (2009) did not find any indications of greater effectiveness of NGOs compared to other donors, and Nunnenkamp and others (2008) found no indication of pro-poor focus. Fruttero and Gauri (2004) found evidence that NGOs’ allocation decisions in Bangladesh were not related to indicators of community need, and that they did not avoid duplicating the efforts of other NGOs.

**Private sector development financing in perspective.** The above review of differentcategories of private development assistance shows that estimates of the amounts that it provides are subject to a very wide margin of error[64]and should be treated with caution. Some of the most systematic and serious research on private development assistance has been conducted at the Brookings Institute (Kharas 2009) and at the Centre for Global Prosperity (2009). Both concluded with the same estimate and suggested total private development

[63] For example, Norway distributed 100 percent of its aid to Lesotho through NGOs in 2005, 31 percent in South Africa, 57 in Zimbabwe and 23 in Malawi (Tjønneland and Dube 2007)

[64] Part of the reason for these inconsistencies is that some estimates include, and others do not to varying degrees, individual donations, resources from or through NGOs, and some funds provided to domestic recipients in the donor country.

assistance at about US$60 billion annually (US: US$37, UK: US$4.1, France: US$1.0; Netherlands: US$0.9). This figure has since been cited on a widespread basis, but without appropriate and heavy qualification. Indeed, in a subsequent policy brief, the lead author of the Brooking study presents the figure by underscoring that "Data on private flows are weak, but*according to our **rough estimates***(emphasis ours), private donors—foundations, NGOs and faith-based organizations—channel around $60 billion annually to developing countries." (Kharas and Linn 2008:5)

Even for the foundations where the Foundation Center claims information is improving, there are four possible main sources for data on private flows to development: (1) the Committee Encouraging Corporate Philanthropy (CEPC) "Giving in numbers", which presents detailed information from 137 companies (CEPC 2009); (2) The Chronicle of Philanthropy, with a sample of 196 companies; (3) The Foundation Center, with a sample of 109 companies and 2,500 foundations; and (4) Giving USA Foundation, which reports data for over five million corporations taken from tax revenue files. However, each source uses different methodologies to calculate grants, and they usually do not discriminate between types of organizations, domestic/international giving, commitments/disbursements, and modalities of intervention.

Despite the generally poor quality data, however, the evidence points to *the private sector as an increasing source of innovation, experimentation and adaptation of new technologies and approaches to deliver aid*. Many private donors use financial market innovations to raise financing, channel and implement international cooperation programs, such as instruments for creating and supporting markets, for mitigating and managing risks, and also combine the evaluation of economic and social returns.[65] For example, CSR initiatives are frequently complemented with schemes for socially responsible investment to comply with environmental and social standards, to provide start-up funds and equity investments for social investment projects, and to securitize future financial flows to guarantee liquidity in cooperation projects. All these innovations are starting to change the way aid is delivered. For example, conditional transfer programs, grants and donations, microfinance operations and remittances benefit from the deepening of financial markets and greater banking penetration in developing countries. The presence of bank branches in remote locations means that beneficiaries can be reached directly, for example, through credit and debit cards, which do not generate additional costs to provide cash to buy local goods and services and also help consolidate local financial markets.[66] Some innovations also allow donors to channel resources directly for specific purposes. Two examples are green credit cards, which set aside a small percentage of each transaction to support the development of clean technologies and (PRODUCT) RED, where the associated companies channel a percentage of their sales to social investment projects.

Another group of innovations comprise the use of new technologies to mobilize additional resources and deliver aid. NGOs are using communication technology in creative ways, as indicated by the popularity of Kiva.org, a microfinance site, and donors now have access to a variety of technology-based options for charity giving. For example, Justgiving.com is a U.K.-based web portal that allows supporters of a charity to create an online fundraising page, which they can email to friends asking for support. Since its

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[65] Annex 5 shows the new instruments associated with the private sector, including several mechanisms that has not been applied for other donors.

[66] "Payment cards and the poor: A plastic prop", *The Economist*, 20 August 2009.

founding in 2000, the site has raised more than US$712 million from 6.5 million people for 6,300 charities (Center for Global Prosperity, 2009: 59). An increasing number of charities are raising money via text messages. In 2008, the British Red Cross teamed up with PayPal, the online payment system, to allow people to text donations to the charity. In 2004, the Disaster Emergency Committee, a U.K. umbrella organization of 13 humanitarian NGOs, raised US$1.9 million for Asian tsunami relief from 650,000 text messages worth US$2.79 each (Center for Global Prosperity, 2009: 59). A similar fundraising appeal was launched recently to raise money for Haiti's reconstruction efforts, which mobilized resources amounting to US$150 million.

Remittances constitute a person-to-person financial flow and thus cannot be considered ODA-like. Nevertheless, it is critical for small, poor countries where remittances make up a large share of GDP, such as Tajikistan (45 percent), Moldova (38 percent), Tonga (35 percent), Lesotho (29 percent), and Honduras (25 percent). Moreover, in these countries, a significant part of these resources help poor families to complement resources devoted to education, health and sanitation. In 2008, total remittances to developing countries represented US$328 billion. Between 2000 and 2008 remittances grew at an annual rate of 15 percent (World Bank 2009), although they fell by around 10 percent in 2009 due to the global financial crisis.

Private resources and new approaches also *contribute to create incentives to mobilize imagination, inventiveness and in-kind resources* through the provision of prizes. According McKinsey & Company report, the dollar amount for prizes over US$100,000 has tripled in the last decade to US$375 million a year (Sullivan 2010). This idea has been applied to incentives to adopt and adapt new technologies to practical solutions (IFPRI 2008).

## III. Findings and conclusions

The studyhas examined a wide variety of data on development resources beyond the current reach of the PD (non-PD resources) and grouped them into three categories: bilateral, multilateral and private sector actors. Through the lens of the PD, an effort has been made to arrive at an approximation of the magnitude, scope and character of these non-PD resources. The main findings are:

First, *exceptional caution is required with regard to any claims on the magnitude, scope and character of financial flows to developing countries from non-PD sources*. Available data on these flows are weak, non-transparent and generally unreliable. In many cases, data are simply unavailable. Many of the claims pointing to a new age of private international philanthropy aimed at the poorest countries would seem to be highly inflated. This study has noted, for example, that only about 3 percent of international grants from US foundations are made directly to the poorest countries. For bilateral SSC, a general lack of integrated information about projects, conditions, co-financing and financial supportmakes it impossible to determine with accuracy the extent to which SSC funding is ODA-like. While multilateral actors present more harmonized information about their operations in their annual reports, non-DAC and private sector donors tend to provide information without standardizing or coordinating concepts and definitions.[67]

Second, *it is becoming more difficult to determine the degree of concessionality of a*

[67] For example, Lum *et al* (2010) have compared different characteristics to establish a parallel between Chinese aid and ODA, regarding the grant element, and forms of payment, among other dimensions (pp 3).

*range of financial flows to developing countries*. The increasingly wide variety of financial instruments now being used (see Annex 5) by both PD and non-PD donors is making determination of grant element less certain. The OECD/DAC Development Cooperation Report (2010) looked at a range of new financial mechanisms and concluded that "this new and evolving landscape is a challenge for the DAC because it is difficult to track innovative financing accurately (…) donors will need to provide clear details in their reporting on where funding is coming from if the DAC is to be able to monitor trends and assess whether innovative financing is adding to donor ODA efforts, or merely substituting for them."

This challenge is greater in the case of financing from non-PD sources. Non-DAC bilateral donors and SRDBs provide loans that vary within a wide range of grant element (Annex 6). Each institution has its own policy for grace periods, annual interest rate and maximum maturity. For example, CARIBANK has five tiers of recipients when providing concessional loans, ranging from 10 to 30 years of maturity, 5 to 10 grace periods, and 2.5 to 5 percent of interest rate. BADEA calculated that using a weighted average to estimate overall levels of concessionality their loans had more than 50 percent of grant element in 2008 (BADEA Annual Report 2008). Foster (2008) found that the grant element of China's Ex-Im Bank loans to Sub-Saharan countries depends on the specific project and country and that it is unrelated to the country gross national income (GNI) *per capita*. To complicate matters further, Braütigam (2010b) found a similar variety of instruments and conditions in the commercial loans provided by China in support of its own enterprises operating in developing countries and to bilateral recipients.

Third, *while financial flows on a bilateral or SSC basis from non-PD countries are substantial, it is clear that a significant percentage of these do not meet Paris Declaration criteria.* In some cases, the terms of financing are not sufficiently concessional; the flows in other cases are highly or wholly tied to the purchase of goods and services from the donor country or conditional on either control over or guaranteed access to natural resources; and in some cases, the financing is for individual consumption, such as pilgrimages to Mecca. The PD framework is intended as the standard for "good donorship" and "good receivership". Some of the practices of Non-PD donors are similar or identical to the "bad practices" of traditional donors that the PD is designed to rectify.

Fourth, although an accurate determination of non-PD resources that are ODA-like is not possible, it is clear from this study that *non-PD donors add to* a *growing diversity of channels and financial instruments to deliver development resources*. This finding is supported by a number of other studies conducted at sector level. For example, Drechsler and Zimmermann (2006:15) tracking study of financing in Ghana's health sector reported multiple new channels and sources, including private households, the banking sector, new donors andHIPC funds. A similar multiplicity of actors was found in studies of the infrastructure sector in Sub-Saharan Africa (Foster, 2008) and in humanitarian programs (Harmer and Cotterrell, 2005).

Fifth, *the emergence of new donors and the pattern of their development financing point to an even greater need than before the PD for transparent information, coordination, harmonization and governance leadership.* The number and diversity of new actors, especially civil society organizations, is increasing transaction costs for aid recipient countries, including as a result of reporting and accountability obligations to different donors. One review, for example, cites the situation in Tanzania which received over 540 donor missions in 2005 (Hammad and Morton 2009). There are ongoing attempts to address this through improved integration of PD and non-PD efforts. These include meetings and processes that discuss development issues and that include the involvement of both DAC and non-DAC donors, such as the UN Financing for Development process, the 2005 2nd High Level Forum (HLF) on Aid Effectiveness that produced the Paris Declaration, and the 2008 Accra 3rd HLF. Other fora include the G20, the Commonwealth, and the International Organization of the Francophonie. But while these efforts may be improving the integration of SSC perspectives into some donor frameworks, they are almost entirely focused on incremental aid delivery issues rather than on overall governance of a system. As a result, they are not providing the permanent framework required to bring all donors together on a shared and harmonized agenda. Because of this, the rise of non-DAC countries as aid donors continues to be closely linked to calls for reform of overall aid architecture.

Sixth, *there is a paradoxical effect in the interactions between PD and non-PD donors which, while contributing to fragmentation and duplication of effort is at the same time advancing the PD*. This study has described how non-PD donors participate in acomplex network of interactions and, in several cases, rely on channels established by traditional donors. Increasingly non-DAC donors are contributing to replenishments and providing trust funds, and are integrating their aid programswith multilateral organizations, while multilateral institutions at the sub-regional level are increasingly becoming a preferred channel of ODA. A substantial proportion of ODA and non-DAC donor bilateral aid is being implemented through non-governmental mechanisms. While it is true that the long-term effectiveness of such interactions will require a much higher degree of knowledge sharing and agreement on enforceable standards between PD and non-PD donors than is the case today, the interactions are also evidence of how some PD principles are being embraced indirectly by the decisions ofeven the least transparent non-PD donors. For example, China has increased its contribution to the World Bank's capital base and thus its voting power and is likely to contribute to IDA-16 and establish fiduciary funds at multilateral institutions in the future. Venezuela contributes to OPEC, which itself has adhered to the PD. The present study has provided evidence of a growing network of interactions between donors and this suggests that an indirect effect of the PD on the activities of non-PD donors.

Seventh, *the growing importance of non-DAC donors has led to pressures for modifications to the rules that determine what is ODA in order to include different forms of South-South Cooperation. This raises fundamental questions that require careful study and debate. It also raises a serious risk of change driven more by political correctness than by concern for development effectiveness.* Some adjustments have already been made to the definition of ODA in order to more accurately represent aid flows from DAC donors (Araujo *et al* 2008: 30)[68]and SSC activities have been included as an emergent topic in the AAA.This study has shown, however, that an important and growing component of development financing falls outside the reach of the PD and that this requires a broader, more comprehensive and meaningful discussion on how aid and development resources work in the field and how to improve their effectiveness. It would, however, be most unfortunate if this were to result in two sets of rules, a first for traditional donors and a second for new and emerging donors. The PD and AAA represent major advances in donor transparency, in the criteria required for aid effectiveness and in mutual accountability. These should be preserved and advanced further in order to include new and emerging donors,

[68] Some categories that have been added since 1978 are: debt forgiveness on non-ODA debt, administrative costs, imputed student costs, interest subsidies and promotion of development awareness (Araujo *et al* 2008: 30).

This will require measures that address the inequalities in the governance of the international aid architecture. There are currently rather few incentives for non-DAC donors to provide aid within the confines of the established international aid architecture of the PD, which is still centered on support by the DAC Secretariat, while formally including an equal number of DAC and developing country members in the Working Party on Aid Effectiveness. Industrialized countries dominate DAC governance and developing countries, including non-DAC donors, are underrepresented. From the perspective of developing countries, therefore, the unbalancednature of the current aid architecture undermines its credibility and its legitimacy as a governance framework for decision-making on aid.

Finally, with regard to an estimate of non-PD resources that could be classified as ODA-like, the findings in this study point to a far more modest figure than the US$60 billion the estimate provided by the Center for Global Prosperity. For reasons that we have made clear, we are hesitant to hazard an estimate. Yet the Terms of Reference for this study call for an estimate. Recognizing this, we would offer as a very rough estimate a figure in the range of US$28-US$29.5 billion (i.e. about 50 percent smaller than the $60 billion of the Center for Global Prosperity), arrived at as follows:

- Bilateral: The Reality of Aid suggests a range of US$12-US$14 billion for mainly bilateral SSC aid. The data on which this rests are the figures provided by the non-DAC countries themselves. They have not been reviewed independently to determine the extent to which the funds would meet the criterion of being ODA-like. Our examination of these flows (section II of this paper) suggests that an important percentage of these flows would probably not qualify as ODA-like. Some are clearly export credits and others unlikely to include a sufficiently high grant element. In other cases, however, countries such as China seem to have underreported their level of total financing. Given these factors, a cautious approach would suggest application of a deflator of, say, 25 percent. This would result in a range of US$9-US$10.5 billion.
- Multilateral: The area that would appear to involve ODA-like flows not captured under the PD is the Sub-Regional Development Banks. Other multilateral flows are either already accounted for under the PD through adhering organizations (e.g. the UN, Bretton-Woods institutions and regional banks) or involve generally very modest amounts of financing for the promotion of inter-regional trade and integration. We also exclude trust funds and projects that function as SSC platforms in non-PD organizations because no disaggregated data are available on these. This results in a prudent and conservative figure of about US$11 billion.
- Private: We have aggregated and included amounts only from the sources providing data on their international giving. This has included the US foundations and corporate foundations that provide such data. This results in a crude estimate of about US$8 billion.

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**ANNEX 1.** Countries, territories and organizations adhering to the PD and AAA per category and subcategories[69]

**Donors**

**A. Bilateral donors**

| | | |
|---|---|---|
| **DAC members** | | |
| • Australia | • Austria | • Belgium |
| • Canada | • Denmark | • Finland |
| • France | • Germany | • Greece |
| • Ireland | • Italy | • Japan |
| • Korea | • Luxembourg | • The Netherlands |
| • New Zealand | • Norway | • Portugal |
| • Spain | • Sweden | • Switzerland |
| • The United Kingdom | • The United States of America | • The Commission of the European Communities |
| **Non-DAC donors** | | |
| ***OECD and/or European Union members***[1] | | |
| • Czech Republic | • Estonia | • Hungary |
| • Iceland | • Mexico | • Poland |
| • Romania | • Slovak Republic | • Slovenia |
| • Turkey | • Chile | |
| ***Other non-DAC donors***[2] | | |
| • Brazil[3] | • China | • Colombia |
| • India | • Israel | • Kuwait[4] |
| • Russian Federation | • Saudi Arabia[4] | • South Africa |
| • Thailand | • United Arab Emirates | • Venezuela |

**Notes**
[1] Bulgaria, Latvia, Lithuania and Malta belong to this group but have not adhered to the PD or AAA. Chile, a new OECD member, has also not adhered to the PD.
[2] Other donors that have not adhered to the PD or AAA: Cuba, Iran, and Venezuela.
[3] To be confirmed
[4] Members of the Organization of Petroleum Exporting Countries (OPEC). Other members of OPEC and non-PD adherents are Venezuela and the United Arab Emirates (UAE).

**B. Multilateral donors**

| | |
|---|---|
| **Multilateral Development Banks (MDBs) and MDB-like organizations**[1] | |
| • African Development Bank | • Arab Bank for Economic Development in Africa |
| • Asian Development Bank | • European Bank for Reconstruction and Development |
| • European Investment Bank | • Inter-American Development Bank |

[69] See http://www.oecd.org/document/22/0,3343,en_2649_3236398_36074966_1_1_1_1,00.html

| | |
|---|---|
| • International Fund for Agricultural Development (IFAD) | • Islamic Development Bank |
| • Nordic Development Fund | • OPEC Fund for International Development |
| • The Commission of the European Communities | • The World Bank Group |
| **Regional and sub-regional international organizations (cooperation and trade)[2]** | |
| • Commonwealth Secretariat | • Consultative Group to Assist the Poorest (CGAP) |
| • Council of Europe Development Bank (CEB) | • Economic Commission for Africa (ECA) |
| • Education for All Fast Track Initiative (EFA-FTI) | • G24 |
| • International Organization of the Francophonie | • New Partnership for Africa's Development (NEPAD) |
| • Organization of American States (OAS) | • Organization for Economic Cooperation and Development (OECD) |
| • Organization of Eastern Caribbean States (OECS) | • Pacific Islands Forum Secretariat |
| • United Nations Development Group (UNDG) | |
| **International Monetary organizations[3]** | |
| • International Monetary Fund | |
| **Multi-donor organizations** | |
| • GAVI Alliance | • Global Fund to Fight Aids, Tuberculosis and Malaria |
| • Millennium Campaign | |

**Notes**

[1] MDBs at the sub-regional level and several MDB-like funds have not adhered to the PD and AAA.

[2] Several regional platforms that channel SSC with the aim to promote regional integration have not adhered to the PD and AAA.

[3] Similar organizations at the regional level such as the Asian Monetary Fund and the Latin American Reserve Fund (FLAR in Spanish) have not adhered to the PD and AAA.

### C. Private sector donors[1]

| **Civil Society organizations present at the High Level Forum (Paris 2006)** | |
|---|---|
| • Africa Humanitarian Action | • AFRODAD |
| • Bill and Melinda Gates Foundation | • Canadian Council for International Cooperation (CCIC) |
| • Comité Catholique contre la Faim et pour le Développement (CCFD) | • Coopération Internationale pour le Développement et la Solidarité (CIDSE) |
| • Comisión  Económica (Nicaragua) | • ENDA Tiers Monde |
| • EURODAD | • International Union for Conservation of |

| | |
|---|---|
| | Nature and Natural Resources (IUCN) |
| • Japan NGO Center for International Cooperation (JANIC) | • Reality of Aid Network |
| • Tanzania Social and Economic Trust (TASOET) | • UK Aid Network |

**Notes**

[1] They were present as observers during the PD process, but this diverse group of institutions is only a subset of private sector donors. The for-profit private sector, such as corporate philanthropy, social responsible firms and investment funds, among others, had no representation in this process.

## Recipients[1,2]

| | | |
|---|---|---|
| • Afghanistan | • Albania | • Argentina |
| • Armenia, Republic of | • Bangladesh | • Belarus |
| • Benin | • Bolivia | • Bosnia and Herzegovina |
| • Botswana | • Brazil[3] | • Burkina Faso |
| • Burundi | • Cambodia | • Cameroon |
| • Cape Verde | • Central African Republic | • Chad |
| • China | • Colombia | • Comoros |
| • Congo, Republic of | • Congo D. R. | • Cook Islands |
| • Czech Republic | • Cyprus, Republic of | • Djibouti |
| • Dominican Republic | • Ecuador | • Egypt |
| • El Salvador | • Estonia | • Ethiopia |
| • Fiji | • Gabon | • Gambia, The |
| • Ghana | • Guatemala | • Guinea |
| • Guyana | • Haiti | • Honduras |
| • Hungary | • Iceland | • India |
| • Indonesia | • Iraq | • Israel |
| • Ivory Coast | • Jamaica | • Jordan |
| • Kenya | • Korea | • Kuwait |
| • Kyrgyz Republic | • Lao PDR | • Lesotho |
| • Madagascar | • Malawi | • Malaysia |
| • Mali | • Mauritania | • Mexico |
| • Moldova | • Mongolia | • Morocco |
| • Mozambique | • Namibia | • Nepal |
| • Nicaragua | • Niger | • Nigeria |
| • Pakistan | • Palestinian territories | • Panama |
| • Papua New Guinea | • Paraguay | • Peru |
| • Philippines | • Poland | • Romania |
| • Russian Federation | • Rwanda | • Samoa |
| • Sao Tomé & Principe | • Saudi Arabia | • Senegal |

| | | |
|---|---|---|
| • Serbia and Montenegro | • Sierra Leone | • Slovak Republic |
| • Slovenia | • Solomon Islands | • South Africa |
| • Sri Lanka | • Sudan | • Swaziland |
| • Syria | • Tajikistan | • Tanzania |
| • Thailand | • Timor-Leste | • Togo |
| • Tonga | • Tunisia | • Turkey |
| • Uganda | • Ukraine | • Vanuatu |
| • Vietnam | • Yemen | • Zambia |

**Notes**

[1] Countries in red are also donors, although several other middle-income countries also have small technical cooperation programs.

[2] Developing countries that are recipients but non-adherents to the PD or AAA are (in red those countries that are also donors): Algeria, American Samoa, Angola, Azerbaijan, Belize, Bhutan, Bulgaria,Chile, Costa Rica, Cote d'Ivoire, Cuba, Dominica, Eritrea, Georgia, Grenada, Guinea-Bissau, Iran, Islamic Rep., Kazakhstan, Kiribati, Korea Dem. Rep., Kosovo, Latvia, Lebanon, Liberia, Libya, Lithuania, Macedonia, Maldives, Marshall Islands, Mauritius, Mayotte, Micronesia, Myanmar, Palau, Seychelles, Somalia, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Turkmenistan, Uruguay, Uzbekistan, Venezuela, West Bank and Gaza, Zimbabwe.

[3] To be confirmed.

**ANNEX 2.** Selected indicators on non-DAC donors reporting to the DAC

**Total ODA from non-DAC donors 2004-2008**
(US$ million)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2008 ODA/GNI |
|---|---|---|---|---|---|---|
| OECD Non-DAC | | | | | | |
| Czech Republic | 108.0 | 135.0 | 161.0 | 179.0 | 249.0 | 0.12 |
| Hungary | 70.0 | 100.0 | 149.0 | 103.0 | 107.0 | 0.08 |
| Iceland | 21.0 | 27.0 | 41.0 | 48.0 | 48.0 | 0.47 |
| Korea | 423.0 | 752.0 | 455.0 | 696.0 | 802.0 | 0.09 |
| Poland | 118.0 | 205.0 | 297.0 | 363.0 | 372.0 | 0.08 |
| Slovak Republic | 28.0 | 56.0 | 55.0 | 67.0 | 92.0 | 0.10 |
| Turkey | 339.0 | 601.0 | 714.0 | 602.0 | 780.0 | 0.11 |
| Other donors | | | | | | |
| Taiwan | 421.0 | 483.0 | 513.0 | 514.0 | 435.0 | 0.11 |
| Israel | 84.0 | 95.0 | 90.0 | 111.0 | 138.0 | 0.07 |
| **TOTAL** | **1,612.0** | **2,454.0** | **2,475.0** | **2,683.0** | **3,023.0** | 0.09 |

**Bilateral ODA from non-DAC donors 2004-2008**
(US$ million)

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| OECD Non-DAC | | | | | |
| Czech Republic | 63.0 | 64.0 | 78.0 | 81.0 | 117.0 |
| Hungary | 35.0 | 40.0 | 84.0 | 33.0 | 15.0 |
| Iceland | 16.0 | 20.0 | 28.0 | 37.0 | 36.0 |
| Korea | 331.0 | 463.0 | 376.0 | 491.0 | 539.0 |
| Poland | 25.0 | 48.0 | 119.0 | 156.0 | 84.0 |
| Slovak Republic | 11.0 | 31.0 | 25.0 | 28.0 | 41.0 |
| Turkey | 292.0 | 532.0 | 643.0 | 545.0 | 736.0 |
| Other donors | | | | | |
| Taiwan | 410.0 | 465.0 | 494.0 | 495.0 | 407.0 |
| Israel | 75.0 | 80.0 | 75.0 | 96.0 | 119.0 |
| **TOTAL** | **1,258.0** | **1,743.0** | **1,922.0** | **1,962.0** | **2,094.0** |

**Multilateral ODA from non-DAC donors 2004-2008**
(US$ million)

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| OECD Non-DAC | | | | | |
| Czech Republic | 45.0 | 71.0 | 83.0 | 98.0 | 132.0 |
| Hungary | 35.0 | 60.0 | 65.0 | 70.0 | 92.0 |
| Iceland | 5.0 | 7.0 | 13.0 | 11.0 | 12.0 |
| Korea | 92.0 | 289.0 | 79.0 | 205.0 | 263.0 |
| Poland | 93.0 | 157.0 | 178.0 | 207.0 | 288.0 |
| Slovak Republic | 17.0 | 25.0 | 30.0 | 39.0 | 51.0 |
| Turkey | 47.0 | 69.0 | 71.0 | 57.0 | 44.0 |
| Other donors | | | | | |
| Taiwan | 11.0 | 18.0 | 19.0 | 19.0 | 28.0 |
| Israel | 9.0 | 15.0 | 15.0 | 15.0 | 19.0 |

| | | | | | |
|---|---|---|---|---|---|
| **TOTAL** | **354.0** | **711.0** | **553.0** | **721.0** | **929.0** |

Source: OECD – Creditor Reporting System (Chart 33).

**ANNEX 3.** Examples of Triangular Cooperation

**Argentina** has been funding projects in collaboration with Brazil, Canada, IFAD, Italy, Japan and Spain, and it anticipates extending this support to new initiatives in collaboration with UNICEF and WHO. One example of such triangular cooperation is the Haiti Food Security Project, whereby experts were trained in Creole with the aim of teaching Haitian women in the countryside how to strengthen food security.

**Brazilian** triangular cooperation initiatives with Northern donors and multilateral agencies have been focused on Portuguese-speaking countries in Africa, East Timor, Latin America and Haiti (with Argentina). Its partners have included Canada, ILO, Norway, Spain, World Bank and the United States. Its triangular programs have covered areas such as vaccinations, school feeding, reforestation, malaria eradication and waste collection. Brazil has also set-up a triangular development cooperation project to train nationals of Angola and Guinea Bissau in public administration.

**Chile's** triangular cooperation is centered on the provision of technical assistance to Latin American and Caribbean countries in partnership with Japan (JICA), Germany (GTZ), Sweden, Finland, EU, FAO, the Organization of American States and the Inter-American Institute for Cooperation on Agriculture. For example, Finland has financed Chilean long-term technical assistance to develop small and medium-sized furniture production in Nicaragua. In 2006,

**Malaysia's** technical cooperation program collaborates with international organizations, such as UNDP, UNIDO, UNESCAP and Japan, to provide training, study visits and practical attachments in Malaysia to third country officials. The areas of support are varied and include technical and skills training in computer networking, technology, welding, electrical and electronic system servicing, as well as diplomacy and small-scale industries' development. Malaysia has also supplied technical experts, as under the ASEAN-Japan project, to assist in the reconstruction and development of Cambodia, by providing training to war veterans in the 1990s.

**South Africa** has been involved in a small way in triangular arrangements, such as providing police training and capacity building in Rwanda, funded by Sweden, and in the Democratic Republic of Congo, funded by Japan.

**Tunisia** has carried out more than 64 projects within the framework of triangular cooperation with financial support from multilateral institutions, such as AfDB, BADEA, EU, IsDB, OPEC Fund, UNDP and the World Bank, and bilateral governments, including Canada, France, Germany and Japan. Tunisia has provided technical assistance and capacity building expertise, mainly to Arab and African countries, in a range of areas including basic and reproductive health services, agriculture, fisheries, vocational training, tourism, public administration and teaching. For example, France has funded the training of Nigerian doctors by Tunisian physicians and Japan has supported Tunisian experts in fishery techniques, navigation and shipbuilding mechanics to conduct training programs in Mauritania.

Source: ECOSOC (2008)

**ANNEX 4.** Description of the main Global Funds and multi-donor organizations

| Name and year established | Disbursements/ Pledges | Trustee & operating procedures | Objective |
|---|---|---|---|
| GEF – Global Environment Facility (1991) | GEF 4$^{th}$ replenishment (2006-2010) $3.13bn | *Trustee*: World Bank<br>• The GEF Council is the main governing body of the GEF: 32 members who represent GEF member countries. All GEF full-size projects must be approved by the GEF Council.<br>• The GEF Assembly meets once every four years to review the policies and operations.<br>• The Secretariat coordinates the implementation of GEF activities.<br>• Implementing Agencies and Executing Agencies are responsible for creating project proposals and for managing GEF projects.<br>• The Scientific and Technical Advisory Panel (STAP) provides scientific and technical advice.<br>• The Monitoring and Evaluation Unit conducts reviews of GEF´s work and publishes lessons learnt. | • GEF projects address six complex global environmental issues: biodiversity, climate change, international waters, land degradation |
| GAVI – Global Alliance for Vaccinnes and Immunization (2000) | Disbursements: 2000-2008: $1.99bn | *Trustee*: UNICEF<br>• GAVI is an alliance of partners, not a new organization.<br>• The GAVI Board sets the policies of the alliance<br>• The GAVI Working Group supports the Board in policy development and implementation<br>• The GAVI Secretariat facilitates coordination between the partners | • Improve access to immunization services;<br>• Expand the use of all existing safe and cost-effective vaccines;<br>• Accelerate the development and introduction of new vaccines and technologies;<br>• Accelerate R&D efforts for vaccines needed primarily in developing countries. |
| GFATM – Global Fund to Fight AIDS, TB and Malaria, and the Global Alliance for Improved Nutrition (2001) | Disbursements 2001-2009: US$10bn | *Trustee*: World Bank<br>• Independent private foundation under Swiss law. Governed by a Board consisting of: an equal number of donor and developing country governments, with seven seats each; two NGO seats; and two private sector seats;<br>• Board members, chosen by their own constituencies, generally have two year terms;<br>• UNAIDS, WHO, and the World Bank hold ex-officio seats on the Board;<br>• The Board also includes a person affected by HIV/AIDS, TB or malaria, also in a non-voting seat. | • Fight against AIDS, Tuberculosis and Malaria |
| EITI – Extractive Industries Transparency Initiative (2007) | | *Trustee*: World Bank<br>• The EITI is overseen by the EITI International Board. The Board consists of representatives from EITI implementing country governments, extractive companies, civil society groups, investors, and supporting country governments.<br>• The highest governing body is the Members' Meeting at the EITI Global Conference. EITI International Secretariat is based in Oslo. Officially opened in September 2007 and hosted by the Government of Norway, the Secretariat is an independent body solely accountable to the EITI Board. The Head of the Secretariat leads a staff that includes four Regional Directors, a | • Strengthen governance by improving transparency and accountability in the extractives sector. |

| Name and year established | Disbursements/ Pledges | Trustee & operating procedures | Objective |
|---|---|---|---|
| | | Communications Manager, an Executive Secretary and an Office Manager. | |
| CGIAR<br>(1971) | Disbursement in 2008: $542m | *Trustee*: World Bank<br>• Strategic alliance of members, partners and international agricultural centres.<br>• The CGIAR is financed by its 63 members' contributions.<br>• The CGIAR system is a network that consists of the Consultative Group (the Chairman – a WB Vice-President, Cosponsors, and other members), CGIAR committees, international agricultural research centres, and a virtual System Office with the CGIAR Secretariat serving as its hub.<br>• The CGIAR reaches decisions by consensus, not by voting. | • To achieve sustainable food security and reduce poverty in developing countries through scientific research and research related activities in the fields of agriculture, forestry, fisheries, policy, and environment. |
| Global Program against corruption | | *Trustee*: UN Centre for International Crime Prevention<br>• Draws on the resources and expertise of all agencies involved in the fight against corruption:<br>• The International Group for Anti-Corruption Cooperation (IGAC) ensures coordination(database, joint projects);<br>• UNODC relies on direct contributions by Member States. | • Providing technical assistance in strengthening their anti-corruption frameworks;<br>• Supporting international groups of Chief Justices on strengthening judicial integrity;<br>• Developing and disseminating anti-corruption policies and tools;<br>• Enhancing interagency anticorruption coordination |
| EU Water Initiative- Water for Life | | The organizational framework of the EUWI is structured around:<br>• EUWI Steering Group;<br>• Working Groups;<br>• Commission/Secretariat of the Initiative;<br>• Commission-Council | • Halve the number of people with no access to safe drinking water by 2015;<br>• general adoption of river basinscale policy, planning and management, particularly for transboundary catchments. |
| EFA-FTI Education for All-Fast Track Initiative (2002) | Catalytic Fund (2003-2011): US$ 1.6 billion. Education Program Development Fund (2005-2013): US$ 115m | *Trustee*: World Bank<br>• The FTI Partnership operates at two levels: the country level and the global level. At the country level, the Local Education Group (LEG) forms the foundation for the FTI governance. It comprises the government of the Partner country, local donors, multilaterals, and CSOs and others supporting the education sector. FTI country level process is supported by global level FTI processes, directed by a representative Board of Directors, as well as a number of FTI funding instruments under separate governance.<br>• Two multi-donor trust funds: the Catalytic Fund and the Education Program Development Fund (EPDF). | • Accelerate progress toward the core EFA goal of universal primary completion, for girls and boys alike, by 2015 |

Sources: Heimans (2003); Delacour and Vellutini( 2005); GEF Annual Report 2008, CGIAR Annual Report 2008; GAVI Alliance Progress Report 2008; Globalfund 2010 Progress Report: Innovation and Impact, Geneva; EITI Fact Sheet; Education for All Fasr Track Initiative, 2009, Governance and Partnership.

**ANNEX 5.** List of financial instruments by functional categories and actors

| Financial instrument | | | Actors | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Bilateral | | Multilateral | | | | Private Sector | | International capital markets | Global / Regional |
| Type | Sub-type | Specific instruments (examples) | DAC | Non-DAC | United Nations | World Bank, RDBs | IMF / Regional | SRDBs | For-profit | Non-for-profit | | |
| Loans | Project / Programs | | X | X | | X | X | X | X | | X | |
| | Blend loans/grants, buy-downs | IBRD-IDA: blend loans, buy-downs | X | X | | X | X | X | | X | | |
| | Microfinance | Facilities: apex funds | X | X | | X | | X | X | X | | |
| | Contingent credit lines | For disasters: Catastrophe deferred drawdown option | | | | X | | | | | | |
| | | Liquidity: IMF ESF, FLAR | | | | | X | | | | | |
| | | General purposes: counter-cyclical DDO | X | X | | X | | | | | | |
| | | Lines of sovereign credit | X | X | | X | | X | | | | |
| | Concessional loans | | X | X | | X | X | X | | | | |
| | Trade financing / Export credits | US OPIC, UK Export Credit Department | X | X | | | | X | | | | |
| | Pool resources: Rescue programs | | X | X | | X | X | X | | | | |
| Grants / Donations | Result-based grants | Cash on delivery, Output-based aid, result-based aid | X | | X | X | | | | | | |
| | | MCC | X | | | | | | | | | |
| | Conditional cash transfers | | X | X | | X | | X | | | | |
| | Budget support | EU MDG Contract | X | | | | | | | | | |
| | | Global Fund, IDA Performance-based funds | X | X | | X | | X | | | | |
| | Private donations | Philanthropy, pro-bono, personal, corporate giving | | | | | | | X | X | | |
| | Project / Programs / Pre-investment | | X | X | X | X | X | X | X | X | | |
| | Technical cooperation | | X | X | X | X | X | X | | X | | |
| Bonds | Sovereign, MDBs, corporate bond issuing | | | X | | X | | X | X | | | |

| Financial instrument | | | Actors | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Type | Sub-type | Specific instruments (examples) | Bilateral | | Multilateral | | | | Private Sector | | International capital markets | Global / Regional |
| | | | DAC | Non-DAC | United Nations | World Bank, RDBs | IMF / Regional | SRDBs | For-profit | Non-for-profit | | |
| | Indexed bonds for various risks | Carbon, GDP, commodity, inflation-indexed | | | | | | | X | | X | |
| | | Catastrophe bonds | | | | X | | X | | | X | |
| | Other types | Diaspora Bonds | | | | | | | | | X | |
| | Social responsible investment | Green Bonds | | | | X | | | | | | |
| FDI | Investment (equity, concessions, PPP) | | | | | | | | | X | | |
| Remittances | Person-to-person financing, for social investment | | | | | | | | | X | | |
| Creation / support of markets | Contract purchase agreements | AccessRH, PG4Health | | | X | | | | | X | | |
| | | Affordable Medicines Facility | | | X | | | | | X | | |
| | Buy-outs | Drugs/vaccine patent buy-outs | | | X | | | | | X | | |
| | Auctioning/sales | CERs, emissions trading | X | X | | | | | X | | X | |
| | Bonds to strengthen domestic capital markets | | | | | X | | X | X | | X | |
| Funds / facilities for specific purposes | Trough fees / levies | Adaptation Fund (2% CERs) | | | | | | | | | X | |
| | | Digital Solidarity (1% sales) | | | | | | | X | | | |
| | Trough assessed contributions | Carbon Fund | | | | X | | | X | | X | |
| | Securitization of ODA contributions | International Financial Facility (IFF), for immunization (IFFIm) | | | | | | | | | X | |
| | Funds / Programs / Investment | | X | | X | | | | | | | |
| | Counter-cyclical funds | | | X | | | | | | | X | |
| International taxes, fees and charges | Global taxes | Arms trade, Carbon, Airline tickets, Currency taxes | | | | | | | | | | X |
| | User fees, charges and assessed contributions | Payments for environmental services | X | X | | | | | X | | | |
| | | REDD | X | X | | | | | X | | | |
| Blended value instruments | Social responsible investment | | | | | | | | X | | X | |
| | Charity through consumption | (PRODUCT)RED, Visa green card | | | | | | | | X | | |
| | Corporate Social responsibility (CSR) | | | | | | | | X | X | | |
| | Global lotteries to finance donations | | | | | | | | | | | X |

| Financial instrument | | | Actors | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Type** | **Sub-type** | **Specific instruments** (examples) | **Bilateral** | | **Multilateral** | | | | **Private Sector** | | International capital markets | Global / Regional |
| | | | DAC | Non-DAC | United Nations | World Bank, RDBs | IMF / Regional | SRDBs | For-profit | Non-for-profit | | |
| | Person-to-person | Kiva.org,MyC4, Babyloan | | | | | | | | X | | |
| | Securitization | Equity investment funds | | | | X | | | X | X | | |
| Risk mitigation / management | Insurance | Disaster-related: Index-based insurance | X | | | X | | X | X | | X | |
| | Insurance | Micro-insurance | X | X | | X | | X | X | | | |
| | Derivatives | Disaster-related: CAT swap | | | | X | | X | | | X | |
| | Derivatives | Cool Bonds | | | | X | | | | | | |
| | Loans | Local currency lending | X | | | X | | X | | | | |
| | Securitization of ODA flows | | X | | | X | | | X | | X | |
| | Guarantees (Credit, Policy-based, political, contractual, regulatory, credit, exchange rate risks) | | X | | | X | | X | X | | | |
| | Risk Investment | Venture funds, equity | X | X | | X | | X | | | | |
| | Debt default mechanisms | Collective Action Clauses (CACs) | | | | | | | | | X | |
| Debt relief | Debt buy back grants | Debt Reduction Facility - IDA | X | | | X | | | | | | |
| | Debt buy back grants | Multilateral debt relief facility | | | | X | X | X | | | | |
| | Debt swaps | Debt-for-nature, Debt2Health | X | X | | X | | X | | | | |
| | HIPC Initiative | | X | | | X | X | X | | | | |
| | Unilateral debt cancellation | | X | X | | X | | X | | | | |
| | Consultative groups (Brady, Paris Club) | | X | | | | | | | | | |
| International liquidity | Special drawing rights | | | | | X | | | | | | |
| | Monetary funds (Asian Monetary Fund) | | | X | | | X | | | | | |
| | Liquidity | FED to Central Banks | X | | | | | | | | | |

Source: Sagasti and Prada (2010)

**ANNEX 6.** Grant element of different institutions

| Creditor | % Grants in total ODA disbursed | Loan Terms | | | Grant Element (%) | |
|---|---|---|---|---|---|---|
| | | Maturity (yrs) | Grace period (yrs) | interest rate (%) | with CIRR rate 1 | 10% disc. rate |
| **BILATERAL CREDITORS** | | | | | | |
| **Africa** | | | | | | |
| South Africa | 100.0% | - | - | - | - | - |
| **Asia** | | | | | | |
| China - Gov't of China loans | - | 20 | 10 | 0.0% | 62.5 | 75.1 |
| - EXIM bank loans | | 10 - 25 | 0 - 7 | 1.0% - 3.0 % | 14.3 - 54.1 | 24.2 - 67.6 |
| India | 80.2% | 20 | 5 | 1.5% - 2.0% | 38.6 - 46.6 | 53.1 - 56.5 |
| Korea, Republic of | 74.3% | 10 - 30 | 5 - 10 | 0.5% - 3.0% | 21.3 - 75.7 | 35.0 - 78.4 |
| Malaysia | 100.0% | - | - | - | - | - |
| Thailand - Finance Ministry | <20% | 20 | 10 | 1.50% | 48.7 | 63.5 |
| - EXIM Bank loans | | - | - | - | - | - |
| **Middle East & North Africa** | | | | | | |
| Kuwait | 1.8% | 18 - 30 | 2 - 10 | 1.0% - 4.0% [3] | 19.4 - 62.6 | 33.9 - 74.2 |
| Saudi Arabia | ? | 10 - 50 | 3 - 10 | 1.0% - 4.0% | 12.4 - 70.4 | 26.6 - 80.8 |
| Turkey | 93.0% | - | - | - | - | - |
| United Arab Emirates | 2.3% | No recent loans to LICs | | | | |
| **Latin America & Caribbean** | | | | | | |
| Argentina | 100.0% | - | - | - | - | - |
| Chile | 100.0% | - | - | - | - | - |
| Venezuela - BANDES low HDI | - | 35 | 5 | FSO interest rate = 0.25% | 66.8 | 77.3 |
| - BANDES medium HDI | | 20 | 5 | LIBOR + (1.0% - 3.0%) | (-5.4) - 10.2 | 14.8 - 28.4 |
| - PetroCaribe | | 25 | 2 | 1.0% | 47.0 | 59.5 |
| **MULTILATERAL CREDITORS** | | | | | | |
| IDA (IDA-only countries) | 24% | 40 | 10 | 0.75% | 66.7 | 80.5 |
| IMF (PRGF) | 0% | 10 | 5.5 | 0.50% | 33.0 | 49.1 |
| AfDB | 44% | 50 | 10 | 0.75% | 70.7 | 83.1 |
| BADEA - to LICs | 3.7% | 30 | 10 | 1.00% | 61.6 | 74.2 |
| - to MICs | | 22 - 25 | 4 - 7 | 2.5% - 3.0% | 31.0 - 40.2 | 46.5 - 56.0 |
| OPEC Fund | 22.9% | 20 - 30 | 4 - 10 | 1.00% - 3.75% | 23.9 - 61.6 | 39.9 - 74.2 |
| IsDB - standard | - | 15 - 25 | 3 - 7 | 1.5% - 2.5% [4] | 23.9 - 46.0 | 41.0 - 63.7 |
| - to LDMCs | | 30 | 10 | 0.75% | 61.0 | 76.3 |
| **OTHER** | | | | | | |
| Taiwan Province of China [2] | na | 20 | 5.5 | 2.75% | 33.0 | 48.7 |

1. IMF methodology using 10-year average CIRR rate + margins for loans with maturity > 15 years and 6-month average CIRR rates for

2. Proportion of ODA as grants, not known. Terms based on data provided by HIPCs.

3. Includes 0.5% service charge

4. Administrative charge

# Supplementary Study

## Development Resources Beyond the Current Reach of the Paris Declaration

September 2010

This independent study was commissioned by the Secretariat for the Evaluation of the Paris Declaration as a background contribution to the work of the second phase and the Synthesis of the Evaluation. The study explores development assistance resources beyond the current reach of the Paris Declaration ("non-PD resources") with the aim of better delineating their sources, magnitude and the implications of current and emerging trends.
This is a "meta study", dependent on existing studies and data sets. It aims to analyze these and then synthesize them into as comprehensive and clear a picture as possible, but it can go only as far as existing materials permit.

**Ownership, Alignment, Harmonisation, Results and Accountability**

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