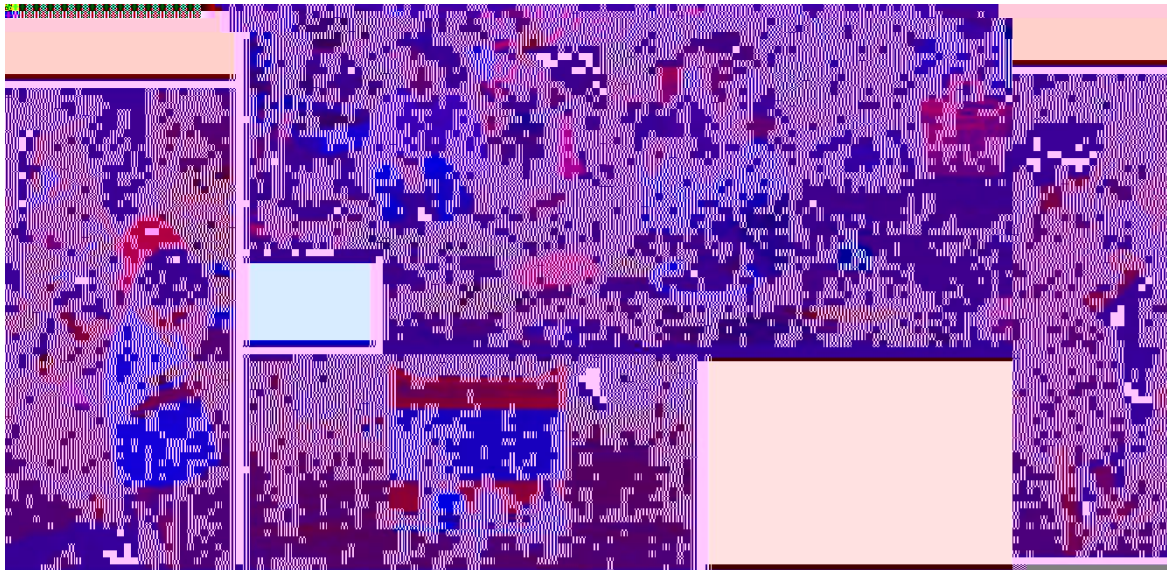


# Why Emerging Donors Give Foreign Aid and What This Implies for the Global Aid System

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## Motivation

The increasing importance of donor countries operating outside of existing international aid architecture

These donors may be unwilling to adhere to the rules and procedures of the DAC framework

In particular, non-DAC donors are suspected to provide aid

Naím

economic and political self-interest

China is also the main driving force behind the recently founded bank, which many see as a potential counterweight to established Western-dominated institutions such as the IMF and the World Bank



## Motivation

Against this background, our research addresses the following questions: Is the allocation of aid from non-DAC donors fundamentally different from that of DAC donors? And how do non-DAC donors differ from each other in their aid allocation decisions?

Previous case studies for China and India (Dreher and Fuchs 2016; Fuchs and Vadlamannati

We shed new light on the issue by making use of more recent and comprehensive aid data for non-DAC donors

In doing so, we focus on the three most active donors among the BRICS, namely Brazil, China, and India



## Data

The dataset we use covers project-level aid data from the AidData initiative

The current version of this database includes

1,008 cooperation  
between 2007 and 2010

784  
and 2013

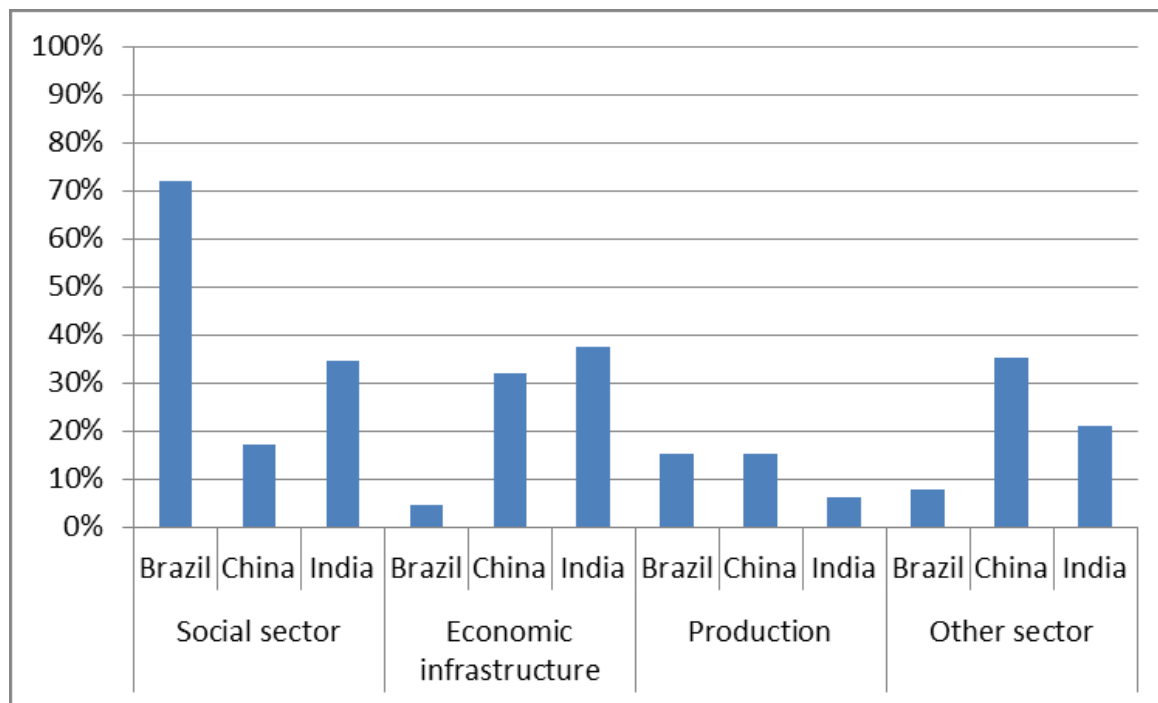
1,272 Chinese projects in Africa classified as ODA-like between 2000 and 2012





# Data

Figure 1:





## Method

Multivariate regression analysis for a cross section of recipient countries

Dependent variable: share of aid commitments a particular recipient received in the period under consideration

Explanatory variables:

*Recipient need* (GDP per capita; natural disaster deaths)

*Recipient merit* (control of corruption; level of democracy)

*Donor interest* (bilateral exports; oil reserves, etc.)





## Political and trade interests

India and Brazil channel a large share of their foreign aid to regional partners, which is in accordance with their claim of being regional leaders; China has a much more global reach  
China isolates Taiwan-recognizing countries by completely excluding them from its development cooperation

driven by access to resources

Export promotion determines the aid allocation of all three



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as do recipient need and merit

For all three countries considered, there is some evidence that they give more foreign aid to poorer recipients

India and Brazil also give significantly more foreign aid to countries in emergency situations

In contrast to the widely held belief that the emerging donors undermine DAC efforts to reward good governance, our regression results indicate a preference for recipient countries with less corruption, and for democracies in the case of Brazil and India



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## Policy implication I: Joint minimum standards

Our findings suggest that - contrary to widely held beliefs - the strategies of the three major BRICS donors (Brazil, China, India) are not exclusively focused on pursuing economic and political interests.

Hence, additional efforts by the donors that are members of the

-  
DAC donors such as China closer to the mainstream institutional framework - e.g. the DAC itself or the regular high-level meetings of the donor community - in order to agree on joint (minimum) standards in development cooperation may well pay off.





## Policy implication II: A fairer multilateral system

According to our analysis, fears that the non-DAC donors, and the BRICS in particular, are about to establish a rival aid architecture with the BRICS bank as a potential nucleus may be overblown strategies

It may well be that the BRICS would be willing to work within the existing multilateral aid system if the international community offered them a fairer representation, e.g. through voting rights in the International Financial Institutions (IMF, World Bank) that matched their economic potential

