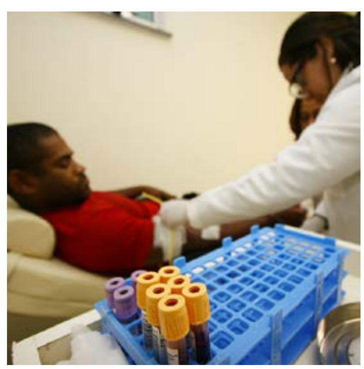
REPORT

EMERGING DONORS 2.0



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EMERGING DONORS 2.0

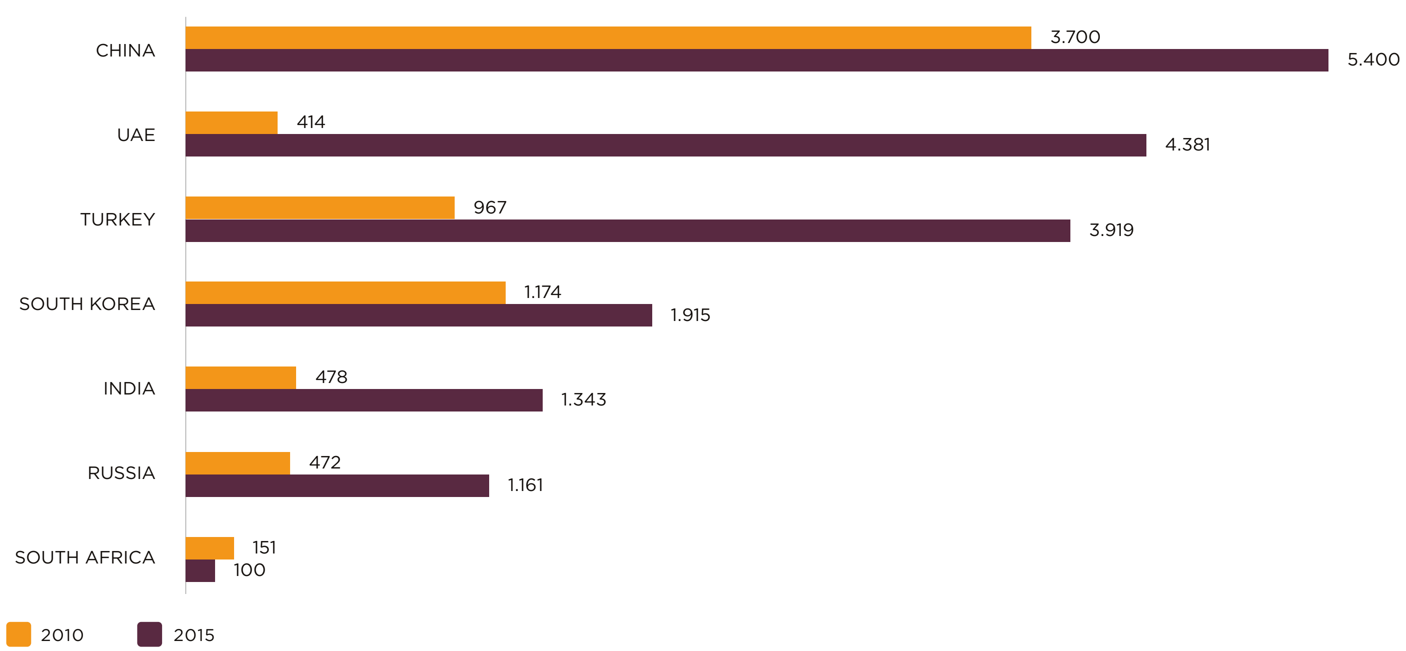
In this period of transformation across the global development industry, the emergence of new development donors is one of the most significant drivers of change. Emerging donors, such as the BRICS countries (Brazil, Russia, India, China, South Africa) and other rising economies, are the new breed of development funders that are shifting traditional notions of foreign aid and influencing the landscape of international development finance.

At the most basic level, emerging donors are expanding the foreign aid funding pool and helping fill the gaps left by the belt-tightening in advanced economies following the global financial crisis. Devex estimates that foreign aid from emerging donors increased by a staggering 47 percent from $5.7 billion in 2010 to $8.4 billion in 2015. These investments represent approximately six percent of total official development assistance (ODA). In some cases, such as the United Arab Emirates and Turkey, aid spending levels escalated even more dramatically over the same period.

Determined to enhance their international standing through their foreign aid engagement, emerging donors are expected to stay the course even in the face of global and domestic economic uncertainty.

AID FLOWS FROM EMERGING BILATERAL DONORS (2010 VS. 2015)

US$ MILLION



Note: *Only includes emerging bilateral donors where data is available for both 2010 and 2015.*
Sources: *Donor data (India), OECD and donor data (Korea, Russia, South Africa, Turkey, UAE) and JICA Research Institute (China)*

The practical motivations, expectations and competencies of emerging donors can differ from traditional donors. China is proliferating its own brand of infrastructure development through both its sprawling bilateral aid program and the multilateral Asian Infrastructure Investment Bank. Brazil is winning praise from aid experts for capitalizing on its portfolio of homegrown development interventions to address development needs in health, agriculture and social sectors elsewhere in the global south. Aid regimes in the United Arab Emirates and Turkey are positioning themselves to respond to the complex development challenges across the Middle East.

The emergence of new development donors is offering aid recipient countries more options in terms of both development financing and approaches. This "age of choice" in development finance is enhancing the bargaining power of national governments vis-à-vis traditional donors which have attached certain conditions to their foreign aid disbursements. While emerging donors may do business differently, international development implementers looking to diversify their funding sources or seeking new partnerships should understand where and how emerging donors are investing and operating.

This exclusive Devex report provides the most up-to-date and in-depth assessment of the funding strategies and priorities of eight emerging bilateral donors: the BRICS economies, as well as South Korea, the United Arab Emirates and Turkey. Our analysis also includes three emerging international financial institutions: the Asian Infrastructure Investment Bank, New Development Bank and Green Climate Fund.

In the 2014 edition of this report, Devex anticipated that the BRICS countries and other emerging economies would continue to increase their foreign aid engagement, even despite global economic uncertainty and domestic fiscal pressures. In this latest iteration, our research and in-depth interviews with emerging donor officials and experts reveals that the ambitions of these donors show no signs of receding.

On the contrary, emerging donors are stepping up their global development engagement even further by expanding their overseas aid footprints, pooling resources through new multilateral institutions, and institutionalizing foreign aid regimes. Here are some of our other key findings:

Pooling experience, capacity and financing through emerging MDBs.
Emerging donors are recognizing and embracing their comparative advantages and aligning their foreign aid programs accordingly. China's heavy focus on infrastructure has, in part, been driven by its ability to finance the sizeable upfront investments needed for infrastructure development, as well as its own technical expertise in the sector. In an effort to augment and restructure a multilateral financing architecture that had left some countries underrepresented, emerging donors have pooled their experience, capacity and financing to pave the way for the establishment of the China-led Asian Infrastructure Investment Bank and the BRICS-led New Development Bank.

The new MDBs, both of which became operational in 2016, are intentionally providing alternative sources of financing that are less tied to poverty reduction and good governance.

Striving for a global aid footprint.
Eager to leverage local knowledge and experience, many emerging bilateral donors continue to direct the vast majority of their funding toward neighboring regions. But as these emerging nations seek to expand their

presence on the international stage, their aid agencies are eyeing a more global aid footprint. India has seen the share of its bilateral aid directed to South Asia fall from 87 percent in 2012-13 to 73 percent in 2018-19 and is aggressively expanding its aid program to Africa. Now with an active presence in both Africa and the Americas, funding from the Korea International Cooperation Agency (KOICA) to the Asia-Pacific dropped from 47 percent in 2012 to 39 percent in 2016.

Pursuing cooperation, not competition, with established players.
While there is some sense of rivalry between traditional and emerging donors, new donors are demonstrating their willingness to pursue avenues for collaboration with the more established players. Tellingly, 16 of the 24 projects funded by AIIB, which counts several advanced economies as shareholders, have involved co-financing arrangements with established MDBs, such as the World Bank and Asian Development Bank.

In 2014, Brazil and the U.S. Agency for International Development forged a strategic partnership which is bolstering Brazil's reputation as a leader in triangular cooperation. This collaboration and cooperation is helping maximize aid impact by leveraging resources and expertise from the more established players, while enhancing the reputation of emerging donor nations among the international development communities.

Streamlining and harmonizing aid efforts.
Learning from reform efforts underway in several traditional donors, such as the United States and United Kingdom, emerging donors are also taking steps to streamline and harmonize foreign aid, which were once characterized by a high degree of fragmentation and poor coordination.

In March 2018, China announced plans to establish a dedicated international development cooperation agency. The vast majority of the emerging bilateral donors now have dedicated aid agencies either in place or in the pipeline. Several emerging donors are seeking greater transparency in aid delivery and reporting.

In addition to South Korea, which is a full member of the OECD Development Assistance Committee, Russia, Turkey and the United Arab Emirates have also started reporting detailed aid spending data to the OECD in recent years. Ranking last in the most recent Publish What You Fund aid transparency index from 2016, China has been more reluctant to make its foreign aid information and data accessible to all.

Some opening for international bidders.
The drive toward greater transparency among several emerging donors is not yet extending to procurement data, making it difficult to gauge the extent to which foreign aid contracts are open to international players. Most evidence reported in academic studies suggests that Chinese aid remains generally tied to the procurement of Chinese goods and services. In an apparent bid to achieve value for money, some emerging donors are opening up their aid business to international bidders. Publicly committed to untying its aid program, South Korea reports that in 2015, 49 percent of its ODA was untied, up from 32 percent in 2010. Meanwhile, AIIB, which has been staffed by veterans of the established MDBs and adheres to international competitive bidding rules much like the other international financial institutions.

Even if funding and procurement opportunities are limited now, development organizations should keep their finger on the pulse of emerging donor activity and investment in the markets where they operate.

WHAT'S INSIDE?

EXPLORE MORE ON DEVEX.COM

EMERGING DONORS AT A GLANCE: THE BILATERALS

	TURKEY	CHINA	UNITED ARAB EMIRATES	SOUTH KOREA	RUSSIA	INDIA	BRAZIL	SOUTH AFRICA
Launch Year of Foreign Aid Program	1985	1950	1971	1987	1955	1964	1960	1968
Total Aid Budget	$8.1 billion (2017)	$5.4 billion (2015)	$4.6 billion (2017)	$2.2 billion (2017)	$1.2 billion (2017)	$1 billion (2018-19)	$397 million (2013)	$100 million (2015)
Principal Aid Agency	Turkish International Cooperation and Development Agency	None but aid agency is planned	Ministry of Foreign Affairs and International Cooperation	Korea International Cooperation Agency	Russian Cooperation Agency	Development Partnership Administration	Brazilian Cooperation Agency	South African Development Partnership Agency (planned)
Regional Priorities	Middle East and North Africa Former Ottoman Empire countries	Africa Asia	Middle East and North Africa Majority-Muslim countries	Asia-Pacific	Commonwealth of Independent States (former Soviet Union)	South Asia	Latin America and the Caribbean Portuguese-speaking African countries	Africa
Sector Priorities	Humanitarian Aid and Refugee Support Governance Education Health	Infrastructure Economic Development	Commodity Assistance General Program Assistance Humanitarian Assistance Transport Agriculture Health	Education Health Governance Agriculture and Rural Development Technology, Environment and Energy	Health Education Food Security	Infrastructure Technical Cooperation	Agriculture Health Social Development Public Administration	Democracy and Governance Human Resource Development Socioeconomic Development Humanitarian Aid Post-Conflict Reconstruction

EMERGING DONORS AT A GLANCE: THE MULTILATERALS

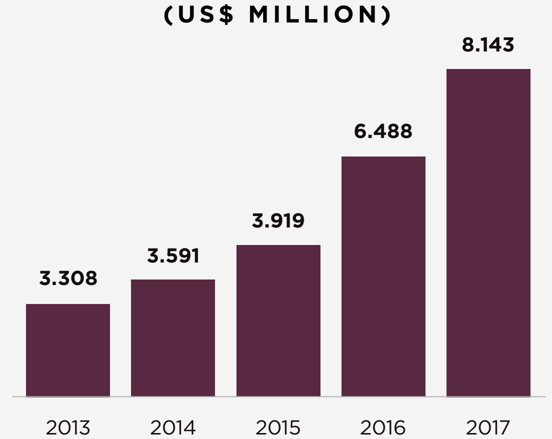
	ASIAN INFRASTRUCTURE INVESTMENT BANK	NEW DEVELOPMENT BANK	GREEN CLIMATE FUND
Year of Commencing Operations	2016	2016	2014
Headquarters	Beijing, China	Shanghai, China	Songdo, South Korea
Total Financing to Date	$4.5 billion	$3.4 billion	$3.7 billion
Regional Priorities	Asia	BRICS countries (Brazil, Russia, India, China, South Africa)	Worldwide Aims to provide at least 50 percent of adaptation funding to particularly vulnerable countries, including least developed countries, small island developing states and African states
Sector Priorities	Infrastructure Emphasis on transport	Clean Energy Transport Irrigation, Water Resource Management and Sanitation Sustainable Urban Development Economic Cooperation and Integration	Climate Finance Aims for 50-50 split in its grant equivalent funding between mitigation and adaptation

TURKEY

KEY INSIGHTS

- Turkish foreign aid spending has increased more than threefold over the past five years largely in response to the protracted refugee crisis in neighboring Syria.
- Ankara prefers to channel its aid money toward physical infrastructure projects, such as schools and hospitals.
- Turkey concentrates its foreign aid on fragile states, such as Somalia and Afghanistan, and former Ottoman Empire countries such as Bosnia and Herzegovina and Albania.

TURKISH FOREIGN AID (US$ MILLION)



Source: *OECD*

Eager to bolster its regional and international standing, Turkey has more than tripled its official development assistance over the past five years, reaching $8.1 billion in 2017, according to figures from OECD. Operating directly under the prime minister's office, the Turkish International Cooperation and Development Agency (TIKA) is Turkey's principal aid agency.

The surge in Turkish aid spending is mainly attributable to Ankara's response to the protracted conflict and refugee crisis in neighboring Syria. In 2016, 90 percent of Turkish ODA was channeled toward relief efforts in Syria, up from 69 percent the year before. Turkey is the single biggest aid donor to Syria, accounting for nearly two-thirds of total ODA to the war-torn country. Meanwhile, the European Union has pledged more than six billion euros to support refugees in Turkey and curb migration into Europe. While TIKA is operational in some 140 countries, a handful of fragile states and former Ottoman Empire countries join Syria among the top recipients of Turkish aid, including Somalia, Afghanistan, Albania, and Bosnia and Herzegovina. Most recently, the Turkish government has provided significant humanitarian support to Rohingya refugees fleeing the violence in Myanmar's Rakhine state.

Devex research and analysis indicates that humanitarian aid and refugee support, governance and civil society, and education, health and population are priorities for the Turkish foreign aid program worldwide.

Across its global aid portfolio, Ankara channels its development assistance fund toward physical infrastructure projects, such as schools and hospitals, that are visible and more easily appreciated. In Somalia, for instance, one of the Turkish aid program's marquee projects is the reconstruction and refurbishment of Mogadishu's Digfeer Hospital, opened by Turkish President Recep Tayyip Erdogan himself in January 2015. One of the largest hospitals in East Africa, Digfeer Hospital has since been renamed in Erdogan's honor. Ankara has drawn praise from aid experts for its efforts to leverage its Islamic heritage to build relationships with local actors and deliver aid more effectively on the ground in Somalia.

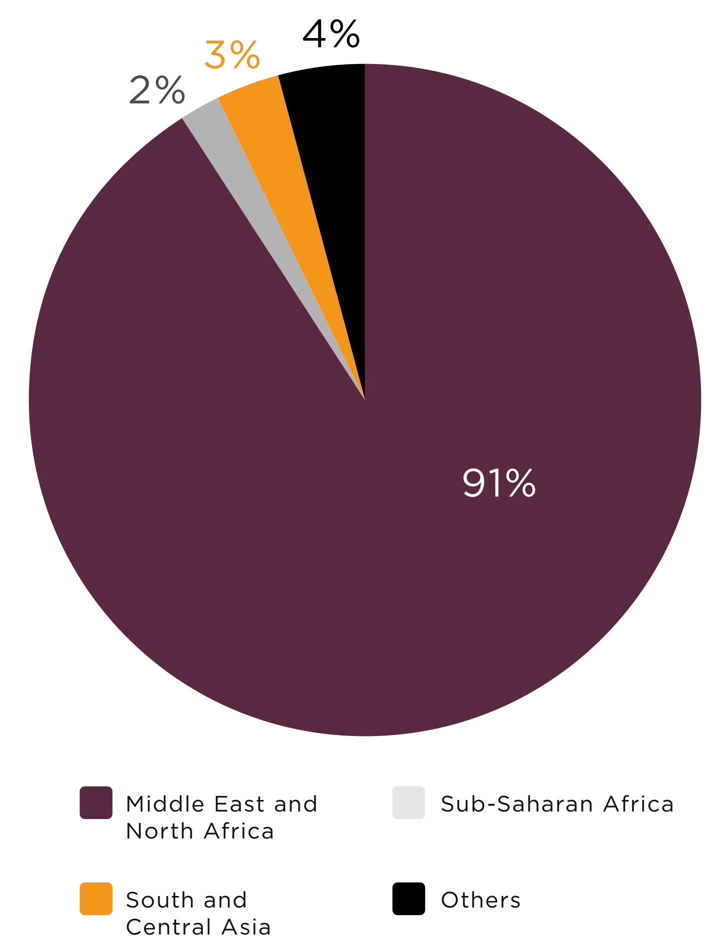
While Turkey directs the vast majority of its ODA toward bilateral programs, in 2016 Ankara channeled around 5 percent of its aid spending through the U.N. system and multilateral development banks, including the World Bank.

> "Turkish aid is human-centric. If a project does not touch the lives of ordinary people, it is unlikely to get financed."
>
> **MEHMET OZKAN**
> *Director for Turkish International Cooperation and Development Agency in Colombia/Latin America*

ILLUSTRATIVE PROJECTS

- **Reconstruction of Recep Tayyip Erdogan Hospital**
  Mogadishu, Somalia
- **Construction of Bahter High School**
  Mazar- i-Sharif, Afghanistan
- **Construction of Turkey-Palestine Friendship Hospital**
  Gaza, Palestinian Territories

TURKISH FOREIGN AID BY REGION (2016)



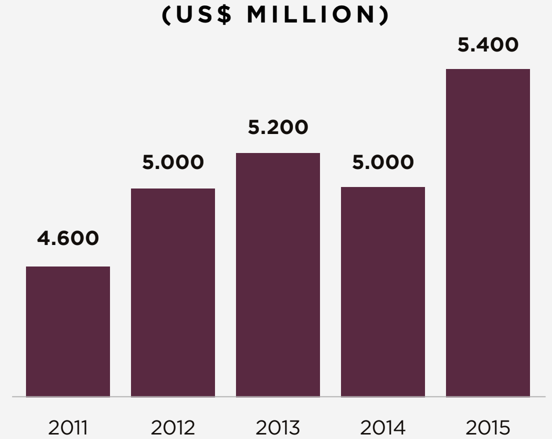
Source: *OECD*

CHINA

KEY INSIGHTS

- China is the biggest bilateral emerging donor and directs the vast majority of its aid toward infrastructure projects, particularly in Africa and Asia.
- In line with Beijing's "win-win" approach to development cooperation, Chinese foreign aid is generally tied to the use of Chinese goods and services.
- In a move that has shaken up the multilateral financing landscape, China has recently spearheaded the establishment of the Asian Infrastructure Investment Bank.

CHINA FOREIGN AID (US$ MILLION)



Source: *: JICA Research Institute*

Cumulatively the biggest bilateral emerging donor, China disbursed $5.4 billion in net foreign aid in 2015, according to preliminary estimates from the JICA Research Institute. Principally managed by the Chinese Ministries of Commerce, Finance and Foreign Affairs, Chinese foreign aid has grown nearly fivefold over the past decade, a trend which seems poised to continue in view of China's international engagement strategy under President Xi Jinping.

In March, Beijing announced aid program reforms, including the launch of a dedicated foreign aid coordination agency, the State International Development Cooperation Agency (SIDCA). In addition to streamlining the Chinese foreign aid program, promoting partnerships with traditional donors and building up the Chinese aid's monitoring and evaluation capacity are expected to be topmost priorities for SIDCA, as Devex reported. Regarded as a laggard on aid transparency among the emerging donors, China has yet to fulfill a previous commitment to create a foreign aid project database. Based on data collected by research lab AidData, 52 percent of Chinese official development assistance-like commitments were directed to Africa in 2014, well ahead of Asia which garnered 32 percent. At the most recent Forum on China-Africa Cooperation in late 2015, Chinese President Xi Jinping pledged $5 billion in grants and interest-free loans for the country's African partners. SIDCA is expected to maintain the Chinese aid program's current regional priorities, particularly Africa and Asia.

While China has been diversifying its aid portfolio to include softer, capacity-building activities in the fields of agriculture, health, education and environmental protection, Chinese foreign aid remains heavily focused on infrastructure. AidData reports that 54 percent of Chinese ODA-like commitments were geared toward transport and storage infrastructure in 2014. China's marquee infrastructure initiative is the One Belt One Road Initiative, which aims to establish a network of railways, roads and maritime routes that would connect China and the rest of Asia and parts of Africa. China is also increasing its support to humanitarian situations and causes, for instance, providing large-scale support to the Ebola response in 2014.

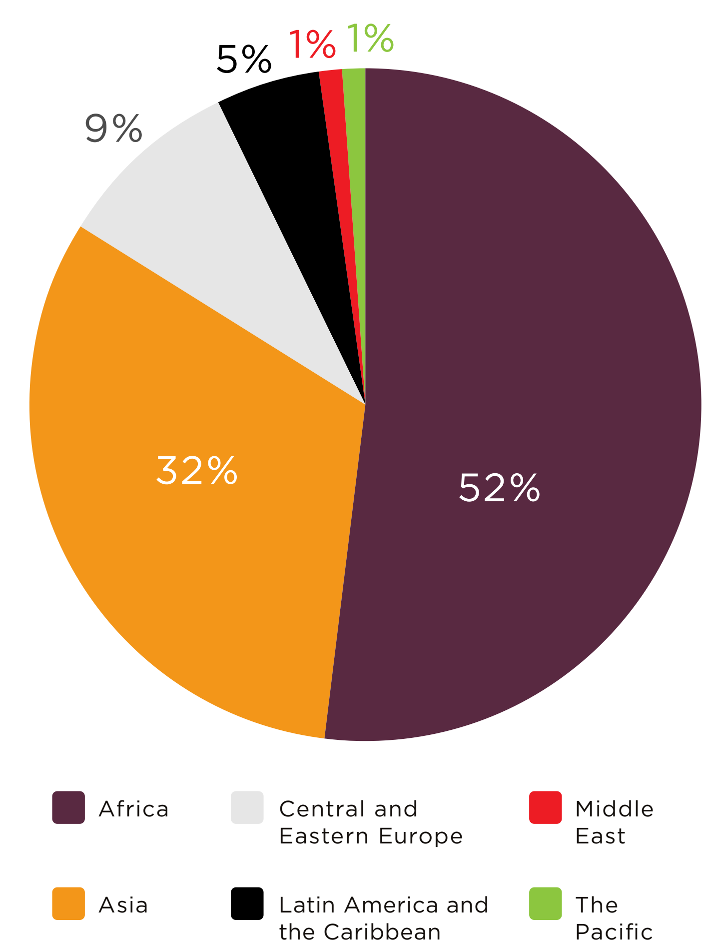
Chinese officials have long touted a "win-win" approach to development cooperation that emphasizes mutually beneficial assistance. Accordingly, while China is known to provide assistance with few, if any, political conditions attached, the use of Chinese aid is generally tied to the use of Chinese goods and services. As Devex reported, the Chinese-funded Philippine-Sino Center for Agricultural Training program involves a Chinese agricultural company to develop hybrid rice varieties. In a move that has shaken up the multilateral financing landscape, China has recently spearheaded the establishment of the Asian Infrastructure Investment Bank and also joined other BRICS economies in forming the New Development Bank.

> "One of the major challenges facing Chinese aid is understanding and responding appropriately to local social and political circumstances. Very often the company in charge of implementing the project uses approaches that may have worked well in China to an entirely different situation."
>
> **MERRIDEN VARRALL**
>
> *Director, East Asia Program at the Lowy Institute*

ILLUSTRATIVE PROJECTS

- **One Belt, One Road Initiative**
  Asia, Africa
- **Mombasa-Nairobi Standard Gauge Railway**
  Kenya
- **Philippine-Sino Center for Agricultural Training**
  Muñoz, Philippines

CHINESE ODA-LIKE COMMITMENTS BY REGION (2014)



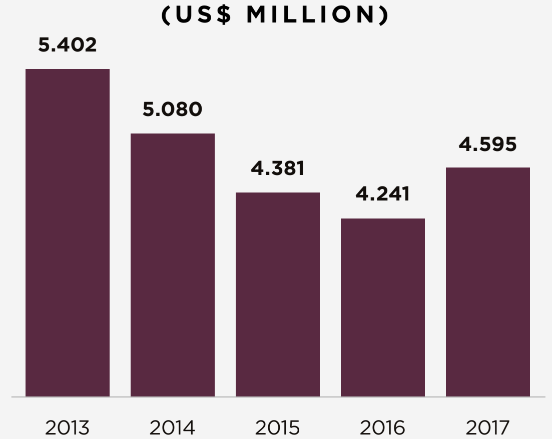
Source: *AidData*

UNITED ARAB EMIRATES

KEY INSIGHTS

- The UAE recently unveiled the country's first ever five-year development cooperation strategy which stressed that the priorities of partner countries would guide foreign aid.
- The UAE directs the vast majority of its foreign aid to majority-Muslim countries in the Middle East and North Africa.
- The UAE foreign aid program focuses on commodity assistance, general program assistance, humanitarian aid, transport, agriculture and health.

UAE FOREIGN AID (US$ MILLION)



Source: *OECD*

The UAE's official development assistance has risen nearly six-fold over the past five years, reaching $4.6 billion in 2017, according to OECD. That same year, the emerging donor recorded the highest ODA to gross national income ratio of any donor country. The UAE's ability to sustain or increase aid levels may be impacted by depressed global oil prices.

As part of its efforts to institutionalize its aid program, in 2014, the UAE became a non-voting participant of the OECD's Development Assistance Committee, the donor grouping for industrialized countries. More recently, in late 2016, the UAE Ministry of Foreign Affairs and International Cooperation unveiled the country's first ever five-year development cooperation strategy which stressed that UAE aid would be geared toward partner country priorities.

The UAE directs the vast majority of its foreign aid to majority-Muslim countries, particularly in the Middle East and North Africa. Egypt is the leading recipient of UAE foreign aid, accounting for 49 percent of the UAE's ODA disbursements in 2016. The vast majority of UAE ODA to Egypt is delivered as commodity assistance to support the import of petroleum products. Yemen, Serbia and Morocco are also among the top recipients of UAE aid for 2016. While the vast majority of UAE foreign aid is disbursed in the form of commodity assistance and general program assistance, humanitarian aid, transport, agriculture and health are also priorities. As Devex reported, in November 2017, Abu Dhabi Crown Prince Sheikh Mohammed bin Zayed Al Nahyan and the Bill & Melinda Gates Foundation jointly announced a $100 million fund to eliminate river blindness and lymphatic filariasis in Africa and the Middle East.

UAE-based philanthropic and humanitarian organizations feature prominently in the UAE's foreign aid program, including the Khalifa Bin Zayed Al Nahyan Foundation and Dubai Cares. Many of these groups are closely linked to the UAE government. The OECD-DAC counts resources from several ancillary groups as ODA because their grant-making activities follow decisions of the UAE government.

> "UAE foreign aid is fluid and is a work in progress; the government is likely to be fine-tuning it constantly as it assesses the effectiveness of various components."

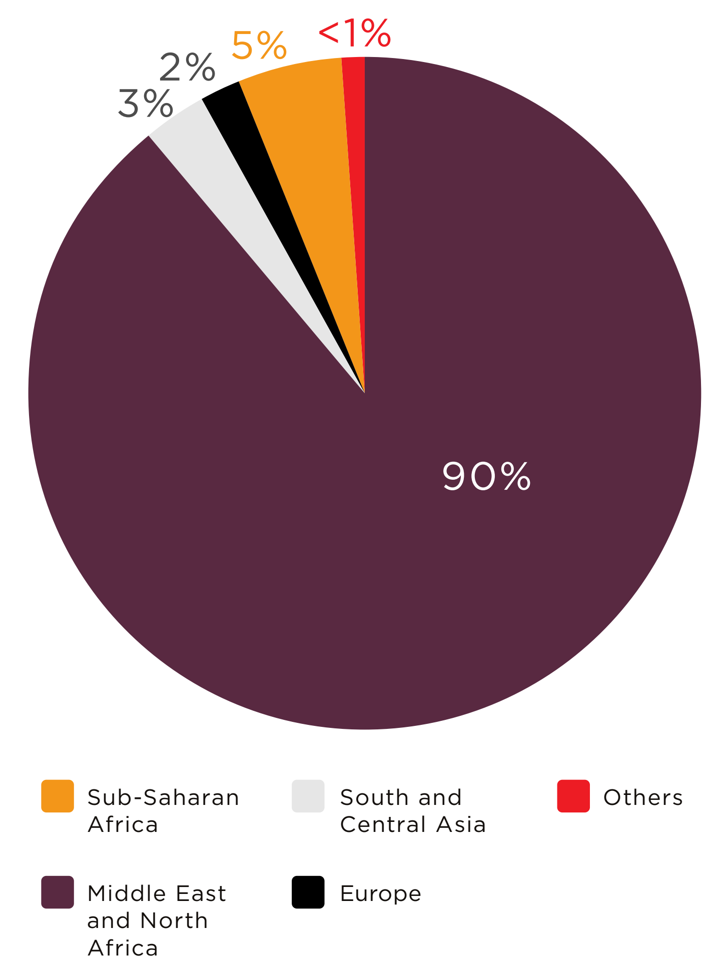
OMAR AL-UBAYDLI

Program Director for International and Geo-Political Studies, Bahrain Center for Strategic, International and Energy Studies

ILLUSTRATIVE PROJECTS

- **Toshka Agricultural Land Expansion Project**
  Toshka, Egypt
- **Upgrade of Aden International Airport**
  Aden, Yemen
- **Development of Tangier Mediterranean Port**
  Tangier, Morocco

UAE FOREIGN AID BY REGION (2016)



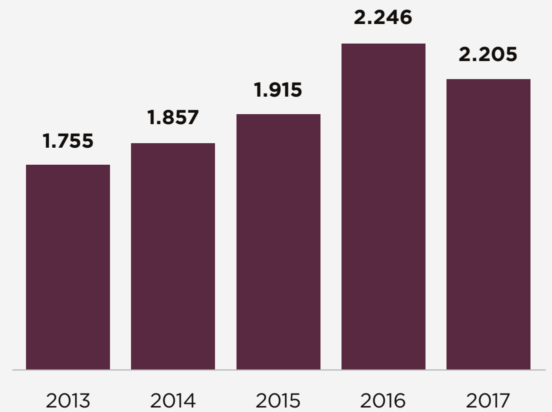
Source: *OECD*

SOUTH KOREA

KEY INSIGHTS

- Envisioning a global footprint for its aid program that extends beyond Asia-Pacific, the South Korean government has pledged to increase its aid spending through 2020.
- The Korean aid agency's 2016-20 mid-term sectoral strategy identifies five priority sectors: education; health; governance; agriculture and rural development; and technology, environment and energy.
- Seoul has committed to untie 75 percent of its bilateral ODA, potentially opening up opportunities for international implementing partners.

SOUTH KOREAN FOREIGN AID (US$ MILLION)



Source: *OECD*

The first former aid recipient to join the OECD DAC, the donor grouping for industrialized countries, South Korea disbursed over $2.2 billion in official development assistance in 2017, according to OECD. South Korea's ODA has nearly tripled since the country joined the OECD DAC in late 2009. The Korea International Cooperation Agency (KOICA) is South Korea's principal development agency.

South Korea has pledged to spend 0.2 percent of its gross national income on ODA by 2020, up from 0.14 percent in 2016. Amid a severe reduction in government revenue, South Korea previously shelved its ambitious target of spending 0.25 percent of GNI on ODA by 2015. In an apparent effort to align with OECD DAC norms, South Korea had also previously pledged to progressively untie its aid program. As of 2015, 49 percent of its official development assistance was untied, up from 32 percent in 2010.

While South Korea still provides the bulk of its aid to the Asia-Pacific, the emerging donor has increasingly global ambitions for its foreign aid program. In 2016, KOICA directed 39 percent of its disbursements to the region, a marked decrease from 47 percent in 2012. Vietnam, Myanmar, Cambodia and the Philippines were the top recipients of KOICA assistance in 2016. That same year, Africa attracted 21 percent of KOICA disbursements and Central and South America received 11 percent.

Drawing on South Korea's own development experiences, KOICA manages a diverse portfolio of aid programs across the globe. KOICA's 2016-20 mid-term sectoral strategy identifies five priority sectors: education; health; governance; agriculture and rural development; and technology, environment and energy.

In 2016, KOICA directed 21 percent of its disbursements to education, ahead of public administration (16 percent), health (16 percent) and agriculture, forestry and fisheries (15 percent).

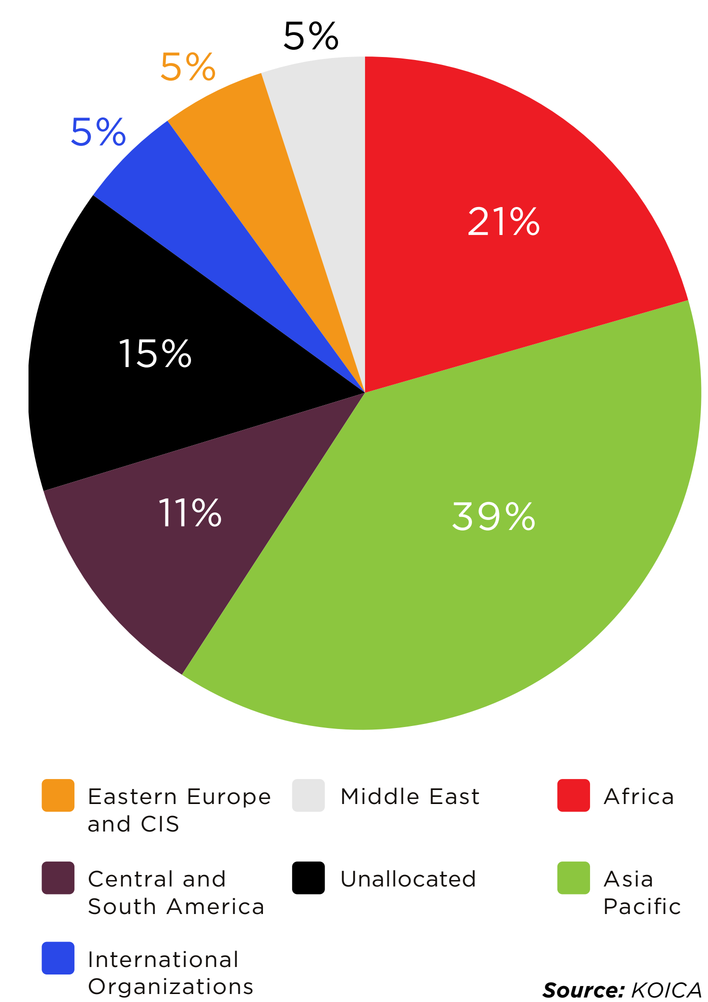
South Korea also continues to position itself as an international development convener and facilitator. In 2012, South Korea beat out five nations to become the host of the Green Climate Fund, the recently established multilateral financing entity designed to channel a significant share of climate finance to developing countries.

> "Korea intends to return the favor it once received from the international community and actively engage in addressing global challenges in a way that benefits its growing global presence."
>
> **SANGHYUN KO**
> *Official, Korea Ministry of Strategy and Finance*

ILLUSTRATIVE PROJECTS

- **Rehabilitation of Felipe Abrigo Memorial Hospital**
  Guiuan, Philippines
- **Capacity Building for Judicial Training Academy**
  Hanoi, Vietnam
- **Capacity Building for Matola Industrial Institute**
  Matola, Mozambique

KOICA ASSISTANCE BY REGION (2016)



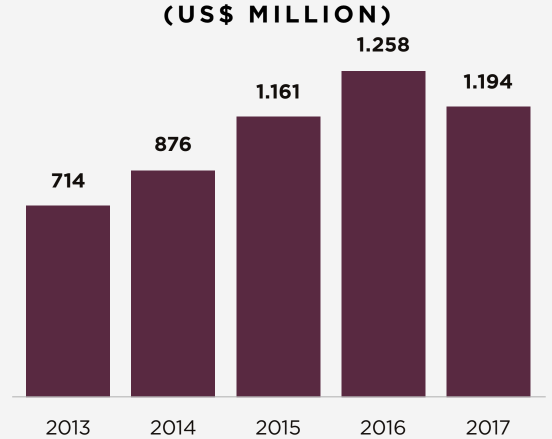
Source: *KOICA*

RUSSIA

KEY INSIGHTS

- Despite ongoing economic sanctions and uncertainty, Russian foreign aid spending has increased over the past five years.
- Capitalizing on its expertise and experience from Soviet-era programs, Russia's foreign aid priorities include health, education and food security.
- Russian aid is mainly directed toward the Commonwealth of Independent States, the loose association of former Soviet republics, as well as Moscow's worldwide allies.

RUSSIAN FOREIGN AID (US$ MILLION)



Source: *OECD*

Even as falling oil prices and international economic sanctions have put intense pressure on Russia's balance sheet, Russian foreign aid spending has continued to grow markedly over the past five years. In 2017, Russian official development assistance stood at $1.2 billion, based on OECD figures.

Administered by the Russian Cooperation Agency, Russian aid is mainly directed toward the Commonwealth of Independent States, the loose association of former Soviet republics, as well as Moscow's longstanding ideological and political allies. In 2016, Cuba, the biggest recipient of Russian aid, accounted for 46 percent of total Russian aid. After Cuba, Kyrgyzstan, North Korea, Armenia and Tajikistan ranked as the top recipients of Russian aid that year.

During the Cold War, the Soviet Union's foreign aid program rivaled the U.S. Agency for International Development in its size and scale. Capitalizing on its experience from Soviet-era programs, Russia's foreign aid priorities include health, education and food security.

Historically, Russian aid to the Commonwealth of Independent States has focused on infectious disease and epidemic preparedness.

As opposed to other emerging donors, Russia channels a significant portion of its aid portfolio through multilateral organizations, including the World Bank and the Global Fund to Fight AIDS, Tuberculosis and Malaria. While Moscow has expressed interest in delivering more of its aid on a bilateral basis, the multilateral share of Russian aid stood at 39 percent in 2016, its highest level since 2013.

In the nearly 13 years since the G-8 summit in Gleneagles when Russia cancelled $11.3 billion in debts owed by African countries, debt relief has also continued to account for a major portion of Russian ODA.

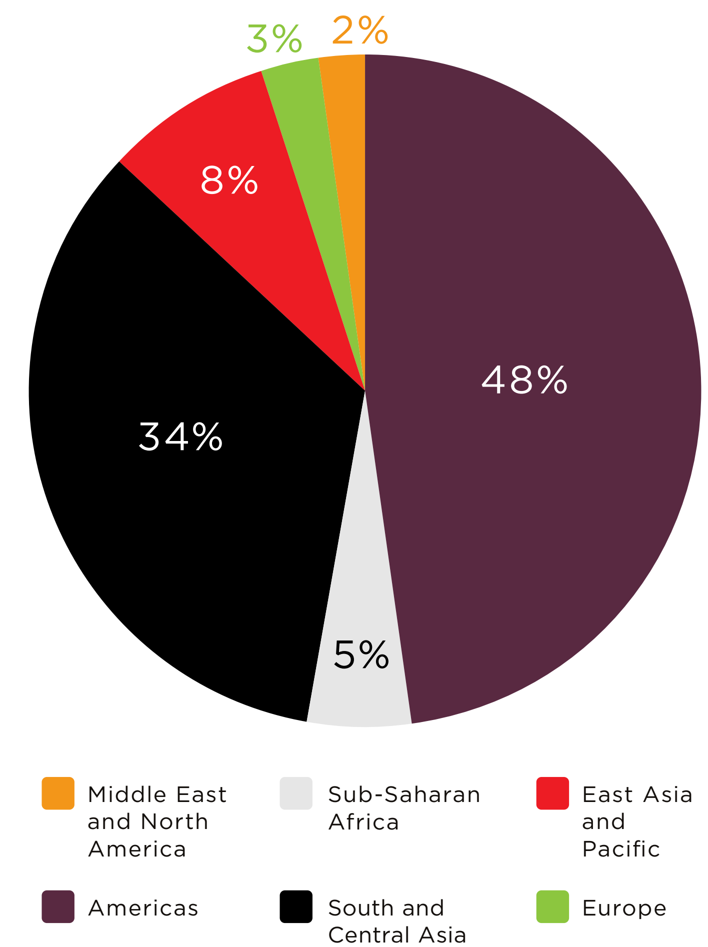
In 2016, action relating to debt represented the majority (56 percent) of Russia's bilateral ODA commitments. As Devex reported, the UN World Food Program helped broker the largest debt swap in its history when Russia agreed to waive Mozambique's public debt in return for a commitment by the Mozambican government to implement a school meal program for 150,000 children.

> "Many or most of the physicians and other health professionals in Central Asia and to some degree in the Caucasus countries, got their medical training back in the old Soviet Union… It's just common sense that there would be an affinity there that would make bilateral assistance from Russia more logical."
>
> **JUDYTH TWIGG**
> *Senior Associate (nonresident), Russia and Eurasia Program at Center for Strategic and International Studies*

ILLUSTRATIVE PROJECTS

- **Russia Education Aid for Development**
  Worldwide
- **School Meals Program**
  Armenia, Tajikistan, Kyrgyzstan
- **Boosting the Capacity of Healthcare Systems**
  Matola, Mozambique

RUSSIAN FOREIGN AID BY REGION (2016)



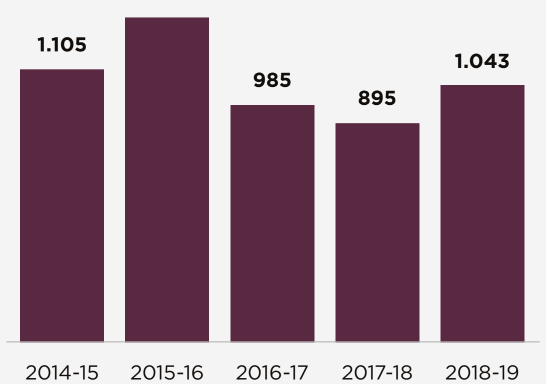
Source: *OECD*

INDIA

KEY INSIGHTS

- Even as it has signaled a renewed openness to accept foreign aid from international donors, the Modi government has stayed the course on India's emerging donor program.
- While India has historically directed the vast majority of its foreign aid spending to South Asia, New Delhi has been expanding its aid footprint globally, particularly to Africa.
- Hard infrastructure is a heavy focus for Indian aid to South Asia, while technical cooperation is a more prominent feature of Indian aid to Africa.

INDIAN FOREIGN AID (US$ MILLION)



Source: *Government of India*

In late 2015, the government of Prime Minister Narendra Modi announced that India would accept ODA from new bilateral partners for the first time in over a decade. Yet even as the Modi government appears to have backtracked on New Delhi's longstanding ambition to transition from aid recipient to donor, New Delhi has stayed the course on its emerging foreign aid program.

Buoyed by strong revenues, the Indian government's latest budget boosts foreign aid spending to over $1 billion in 2018-19, representing a 17 percent increase over the previous year. Indian foreign aid is principally channeled through the Ministry of External Affairs and Ministry of Finance. A division within the Ministry of External Affairs, the Development Partnership Administration, is the coordinating mechanism for Indian aid.

India has historically directed the vast majority of its foreign aid spending to South Asia. While the region still claims the vast majority of Indian bilateral aid – 73 percent in 2018-19 – the share to the region has fallen considerably in recent years. Commanding 48 percent of Indian bilateral aid spending in 2018-19, Bhutan remains the single biggest recipient of Indian foreign aid. Over the past several years, India has also been positioning itself as a major development player in Afghanistan. In 2018-19, Afghanistan is slated to receive 6 percent of Indian bilateral aid. India's foreign aid spending in South Asia has a heavy focus on hard infrastructure. In Bhutan, Indian aid spending is mainly channeled toward a string of hydropower projects that generate electricity which New Delhi openly intends to buy back. Meanwhile, in Afghanistan, India's marquee aid projects include the Afghanistan India-Friendship Dam and the new parliament building in Kabul, both of which were inaugurated by Prime Minister Modi.

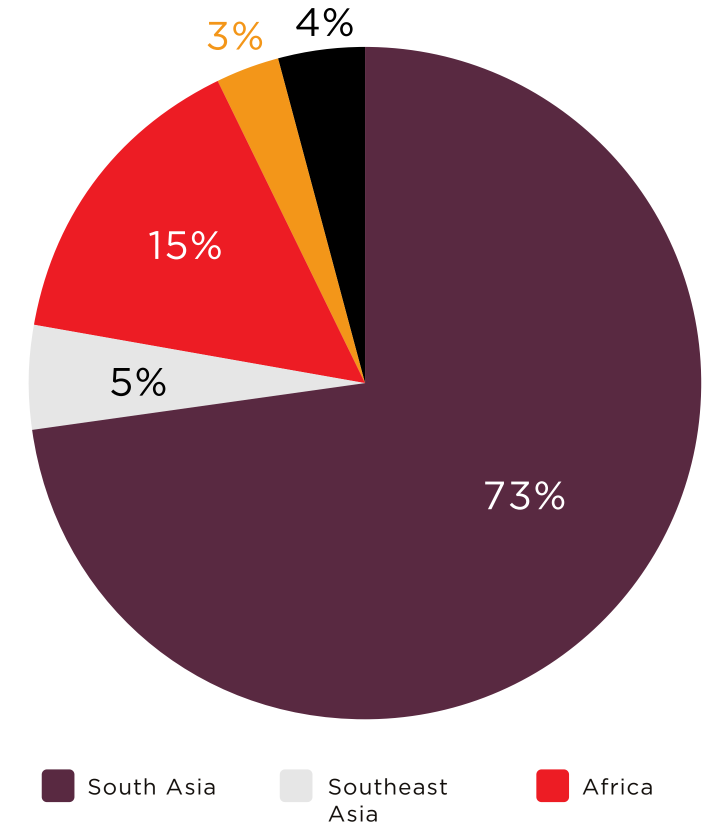
Eager to project its global ambitions as an emerging donor, the Indian government has also been expanding its aid footprint beyond South Asia, particularly to Africa. Approximately 15 percent of Indian bilateral aid has been slated for Africa in 2018-19, the bulk of which has been directed to Mauritius and Seychelles. One of New Delhi's most prominent technical cooperation initiatives in Africa is the $125 million Pan-African e-Network, which connects 48 African countries with leading schools and hospitals in India through satellite and fiber-optic links. The Indian government has announced plans to initiate a second phase of the project.

> "India's [aid] policy towards its neighbors, thus, has been guided by this necessity of cultivating a friendly image. Similarly, given the fact that India shares borders with many of the unstable South Asian countries, the need to have cordial ties also has major security underpinnings."
>
> **SHANTHIE MARIET D'SOUZA**
> *Indian foreign aid expert*

ILLUSTRATIVE PROJECTS

- **Construction of New Afghan Parliament Building**
  Kabul, Afghanistan
- **Pan-African E-Network (Fiber Optic Network)**
  48 African countries
- **Punatsangchhu Hydroelectric Project I and II**
  Bhutan

INDIAN FOREIGN AID BY REGION (2018-2019)



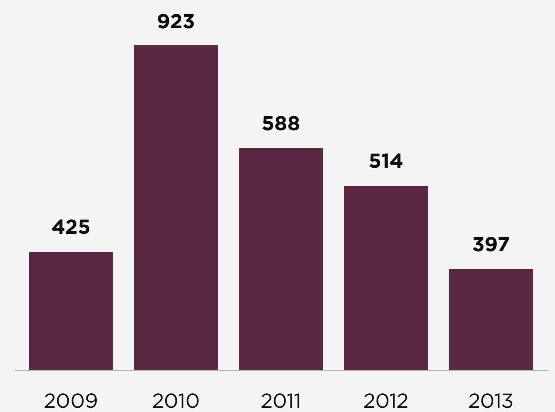
Source: *Government of India (Ministry of External Affairs programming only)*

BRAZIL

KEY INSIGHTS

- After rising steadily in the 2000s, Brazilian foreign aid levels have since dropped markedly as the country toned down its foreign policy ambitions.
- Brazil's technical cooperation focuses on health, agriculture and social development.
- Brazilian aid is concentrated on its Latin America and the Caribbean neighbors, as well as Portuguese-speaking countries in sub-Saharan Africa.

BRAZILIAN FOREIGN AID (US$ MILLION)



Source: *: Institute of Applied Economic Research (Brazil)*

Brazil's foreign aid spending stood at $397 million in 2013, the latest year when official government figures are available. After rising steadily in the 2000s under the administration of President Luiz Inácio Lula da Silva, Brazilian foreign aid levels dropped significantly between 2010 and 2013, which seems explained in part by the much more modest foreign policy ambitions of his successor Dilma Rousseff. Affiliated with the Brazilian foreign ministry, the Brazilian Cooperation Agency (ABC) is the country's principal aid agency.

The bulk of Brazilian aid is directed toward multilateral organizations, principally the U.N. system and the Inter-American Development Bank and more recently, the BRICS-led New Development Bank. Concentrated in Latin America and the Caribbean, as well as in Portuguese-speaking countries in sub-Saharan Africa, Brazil's bilateral technical assistance strongly emphasizes the theme of south-south cooperation. Drawing on the country's own development experiences, Brazil's technical cooperation activities have gravitated toward the health, agriculture, social development, and public administration sectors. Portuguese-speaking Mozambique is the leading recipient of Brazilian technical assistance. Brazil has garnered praise for helping the Southern African country build the region's first publicly owned antiretroviral factory. Brazil was the first developing country to produce antiretroviral drugs on a large scale. Between 2011 and 2013, Sao Tome and Principe, East Timor, Guinea Bissau and El Salvador rounded out the top five recipients of Brazilian technical assistance. Andrea Watson, ABC Deputy Director, emphasized to Devex that its technical assistance across the global South is demand-driven, and not tied to particular geographic or sector priorities.

Brazil typically relies on civil servants with relevant expertise to engage in the country's technical cooperation activities. Technical experts from EMBRAPA and FIOCRUZ, the state-run agriculture and health research institutes, are among the most sought-after by Brazil's foreign aid program. Between 2011 and 2013, FIOCRUZ was engaged by the Brazilian foreign aid program in 30 countries, supporting the adaptation and consolidation of national human milk bank networks, among other priorities.

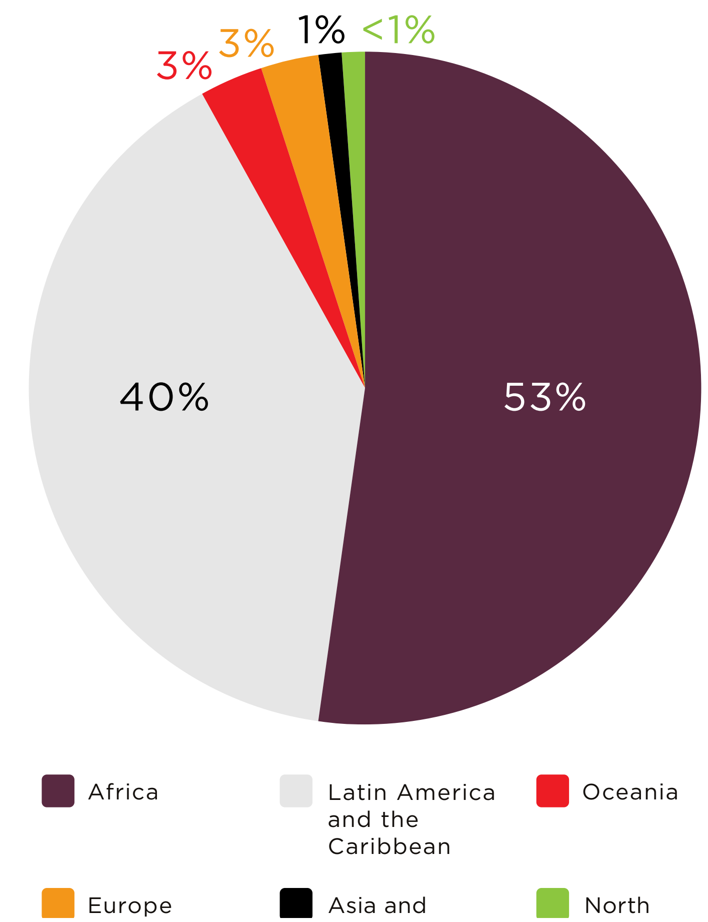
Brazil has also carved out a reputation as a leader in triangular cooperation, a donor partnership involving the use of resources from both a traditional and emerging donor. Brazil has active partnerships with several major traditional agencies, including the U.S. Agency for International Development and the Japan International Cooperation Agency. In the case of USAID, its opening of a strategic partnership mission in Brazil in 2014 has paved the way for enhanced Brazil-U.S. triangular cooperation in the agriculture sector in three countries: Haiti, Mozambique and Honduras. According to ABC, the agency is eager to explore new trilateral partnerships with other donor governments as well as international bodies. The Brazilian aid program's emphasis on partnership has not yet extended to the private sector. Watson confirmed to Devex that the agency currently does not have a policy of providing business opportunities for private sector partners in its programming.

> "The value added of Brazilian cooperation lies in the sharing of a vast wealth of successful experiences and knowledge of excellence produced and available in Brazilian public institutions of various natures, in different sectors."
>
> **ANDREA WATSON**
> *Deputy Director of the Brazilian Cooperation Agency*

ILLUSTRATIVE PROJECTS

- **Construction of Antiretroviral Factory**
  Matola, Mozambique
- **Milk Supply Chain Reinforcement Project**
  East Timor
- **Health Systems Strengthening**
  Angola

BRAZILIAN TECHNICAL COOPERATION EXPENDITURES BY REGION (2013)



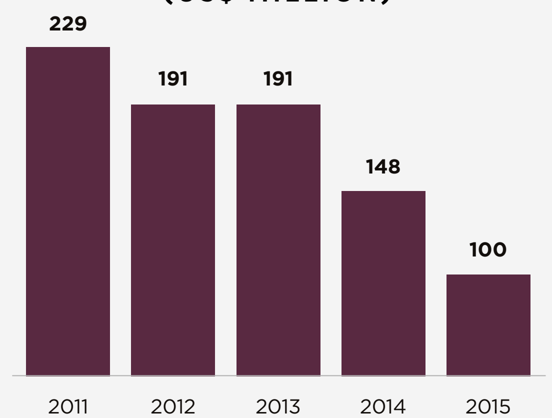
Source: *Institute of Applied Economic Research (Brazil)*

SOUTH AFRICA

KEY INSIGHTS

- South Africa directs nearly all of its modest foreign aid budget to Africa in an effort to foster solidarity with the continent.
- South Africa's aid priorities through 2020 include democracy and governance, human resource development, socioeconomic development, humanitarian aid and post-conflict reconstruction.
- The South African government intends to centralize its foreign aid activities under the long-planned South African Development Partnership Agency.

SOUTH AFRICAN FOREIGN AID (US$ MILLION)



Source: *OECD / South African Treasury*

Even as it continues to receive ODA from other international donors, over the past decade South Africa has been intent on positioning itself as an emerging donor. Between 2011 and 2015, South African foreign aid averaged a relatively modest $171 million. South Africa's aid spending levels seem unlikely to rise considerably in the near future due to the country's longstanding fiscal pressures.

Bogged down by delays in authorizing legislation, the proposed South African aid agency called the South African Development Partnership Agency (SADPA) has yet to be established eight years since it was approved by the South African cabinet. In the interim, the African Renaissance and International Cooperation Fund (ARF), established in 2001, has remained the main financing instrument for South Africa's foreign aid spending. A new fund called the Partnership Fund for Development is expected to replace ARF once SADPA is operational.

In an effort to foster solidarity with the rest of the continent, South Africa directs nearly all of its foreign aid to Africa.

According to ARF's 2015-20 strategic plan, the fund will have six strategic priorities over that period: 1) to promote democracy and good governance, 2) to contribute to human resource development, 3) to support socio-economic development, 4) to provide humanitarian assistance and disaster relief, 5) to support cooperation between South Africa and other countries, and 6) to contribute to post conflict reconstruction.

In the financial year 2014-15, the latest year when figures are available, 48 percent of ARF expenditures targeted post conflict reconstruction, while socioeconomic development claimed 25 percent of ARF funds. Strikingly, one of ARF's largest projects is its support for a Cuban medical aid mission in Sierra Leone, part of South Africa's longstanding efforts to promote south-south cooperation in its development cooperation agenda. In addition to ARF programming, contributions to multilateral organizations, particularly the African Development Bank, the U.N. system, and the African Union, are also a prominent feature of South African development cooperation.

> "South Africa is probably given more credit than it should for being an emerging donor. Its external development assistance is significant but still less than the aid it receives."
>
> **NEISSAN BESHARATI**
> *Senior Research Fellow, Institute for Global Dialogue*

ILLUSTRATIVE PROJECTS

- **Rice and Vegetable Production Project**
  Guinea
- **Drought Relief Project**
  Namibia
- **Support for Cuban Medical Brigade**
  Sierra Leone

AFRICAN RENAISSANCE AND INTERNATIONAL COOPERATION FUND (ARF) PARTNER COUNTRIES (2016-17)

GUINEA

MADAGASCAR

MAURITIUS

MOZAMBIQUE

NAMIBIA

SEYCHELLES

SIERRA LEONE

ZAMBIA

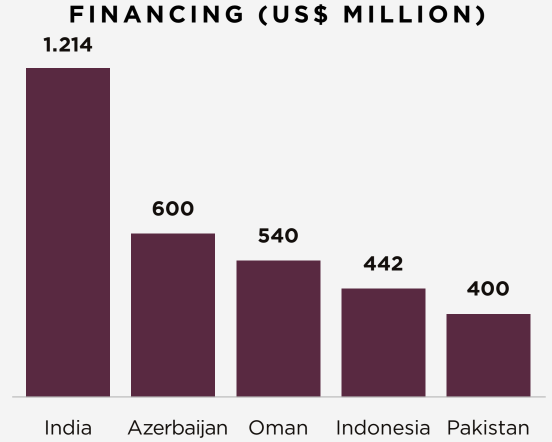
AIIB | ASIAN INFRASTRUCTURE INVESTMENT BANK

WWW.AIIB.ORG

KEY INSIGHTS

- Focused entirely on addressing Asia's infrastructure gap, in its nearly two years of operations AIIB has approved a total of $4.5 billion in financing for 26 projects.
- The bulk of AIIB financing approved thus far has been for the energy sector (44 percent) and transport (30 percent).
- AIIB has embraced the standards and practices of existing MDBs, including the adoption of environmental and social safeguards and international competitive bidding rules.

TOP RECIPIENTS OF AIIB FINANCING (US$ MILLION)



Source: *AIIB*

First proposed by China in 2013 with the stated aim of supporting infrastructure development in Asia, the Asian Infrastructure Investment Bank (AIIB) has approved $4.5 billion in financing for 26 projects since it opened for business in early 2016. Based in Beijing, the multilateral development bank claims an initial capital base of $100 billion half of which has been contributed by China, AIIB's single largest shareholder.

The bank currently has a total approved membership of 80 countries, up from 57 countries when the bank first started operations. While the United States is either the largest or second largest shareholder at well-established MDBs such as the World Bank, the Obama and Trump administrations have not sought U.S. membership in the bank even as allies such as the United Kingdom and Australia have opted to join AIIB.

AIIB focuses on six sectors: rural infrastructure and agricultural development; energy and power; environmental protection; transportation and telecommunications; water supply and sanitation; and urban development and logistics.

To date, the energy and transport sectors have garnered the vast majority of AIIB financing. Since opening for business, 44 percent of AIIB's financing has supported energy projects, the largest of which is the bank's $600 million contribution to the Trans Anatolian Natural Gas Pipeline Project in Azerbaijan. Meanwhile, 30 percent of the AIIB's financing has supported transport projects, such as the bank's $335 million contribution to the Bangalore Metro Rail Project in Bangalore, India. Claiming over a quarter of the bank's financing, India has been the leading recipient of AIIB funding. While most AIIB approvals have exceeded $100 million, there have been much smaller ones, including $20 million for the Myingyan Power Plant Project in Myanmar, which is co-financed by the Asian Development Bank and International Finance Corporation.

Despite its perception as a competitor to the well-established MDBs, AIIB has forged co-financing arrangements with the World Bank, Asian Development Bank and other MDBs for 17 of its 26 approved projects, including the Trans Anatolian Natural Gas Pipeline Project, AIIB's single biggest project. The World Bank has been AIIB's leading co-financing partner, supporting 9 of AIIB's 26 approved projects. Staffed by veterans of the well-established MDBs, AIIB has also embraced several of their standards and practices, including the adoption of environmental and social safeguards and international competitive bidding rules.

> "We require the most openness and therefore provide opportunities to businesses even not located in our member countries."
>
> **JOACHIM VON AMSBERG**
> *Vice President for Policy and Strategy, AIIB*

ILLUSTRATIVE PROJECTS

- **Trans Anatolian Natural Gas Pipeline Project ($600 million)**
  Azerbaijan
- **Bangalore Metro Rail Project – Line R6 ($335 million)**
  India
- **Gujarat Rural Roads (MMGSY) Project ($329 million)**
  India

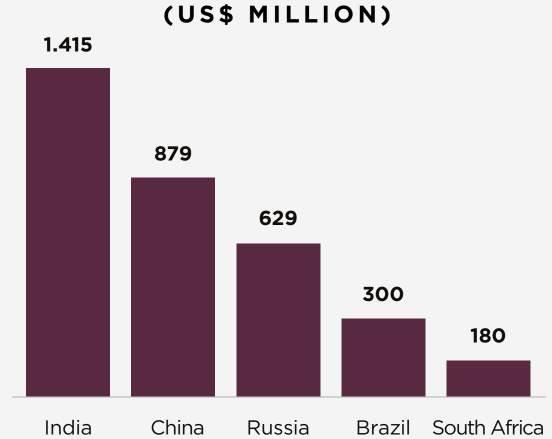
New Development Bank

WWW.NDB.INT

KEY INSIGHTS

- Backed by the five BRICS governments, NDB has approved $3.4 billion in financing for 13 projects since it became operational in early 2016.
- While NDB's financing is currently directed entirely toward the BRICS countries, the bank's 2017-21 strategy indicates that the bank will gradually expand its areas of operation.
- NDB has allocated the lion's share of its financing to renewable energy (36 percent) as well as water and sanitation (23 percent).

NDB FINANCING BY RECIPIENT (US$ MILLION)



Source: *NDB*

Backed by the five BRICS governments and economies (Brazil, Russia, India, China, South Africa), the New Development Bank became fully operational in February 2016. Based in Shanghai, China, NDB has since approved a total of $3.4 billion in financing for 13 projects.

While NDB's 2017-21 strategy indicates that there will be an expansion in its areas of operations, the bank's financing thus far has been directed entirely towards the BRICS economies.

By agreement among the BRICS economies, NDB's initial authorized capital of $100 billion is to be equally distributed among the five countries, each of whom also have equal voting rights. India, thus far, has received the largest portion of NDB financing (42 percent), ahead of China (26 percent) and Russia (18 percent).

According to NDB's 2017-21 strategy, the bank's key areas of operation over that period will include clean energy; transport; irrigation, water resource management and sanitation; sustainable urban development; and economic cooperation and integration. The strategy does anticipate that at a later stage, the bank could diversity its portfolio to include sectors not directly related to infrastructure.

In its nearly two years of operations, the bank has directed the majority (36 percent) of its financing to six renewable energy projects covering all five BRICS economies. The water and sanitation sector meanwhile claimed

> "The priority lending countries appear, for now, to be the BRICS countries, but there exists the possibility of expanding and geographically diversifying membership to other countries. The NDB is currently thinking this through."

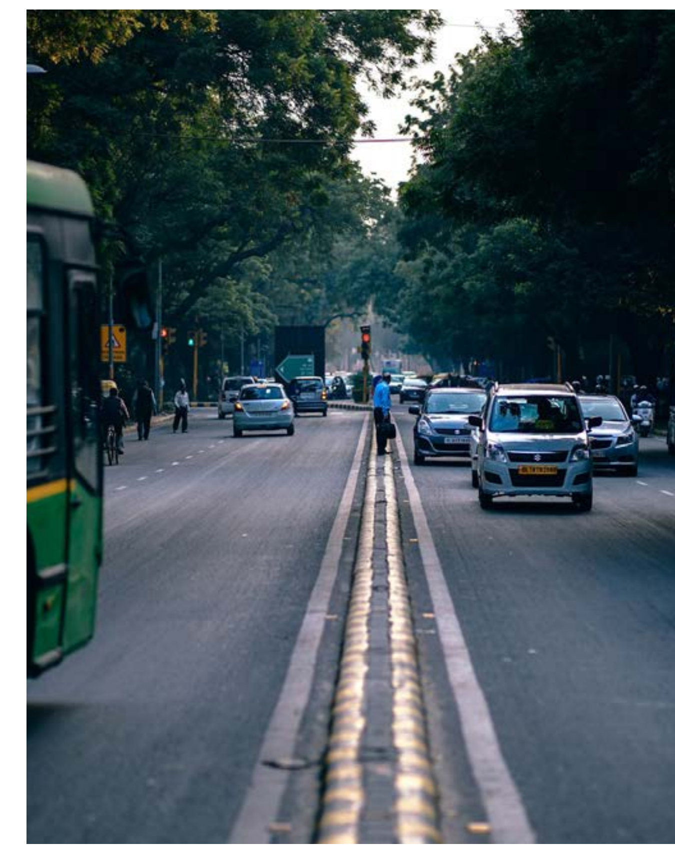
SUPRIYA ROYCHOUDHURY
Emerging Powers Coordinator, Crisis Action

ILLUSTRATIVE PROJECTS

- **Madhya Pradesh Rural Drinking Water Supply Project ($470 million)**
  India
- **Judicial Support Project ($460 million)**
  Russia
- **Madhya Pradesh Major District Roads Project ($350 million)**
  India

23 percent of the bank's financing. NDB's single largest loan has been $470 million for the Multi-Village Rural Drinking Water Supply Scheme Project in the Indian state of Madhya Pradesh. Despite the bank's strategic emphasis on economic infrastructure, its second largest loan was $460 million for judicial reform in Russia.

By contrast to AIIB, none of NDB's projects have involved a co-financing arrangement with the well-established MDBs. The bank has, however, signed memoranda of agreement pledging future cooperation with several MDBs, including the World Bank and the Asian Development Bank. NDB and ADB have already begun preparatory work on joint financing for two potential railway projects



in India. In another contrast from AIIB, NDB's procurement policy only commits to competitive bidding among firms from the member countries of the bank, which currently comprise the five BRICS economies.

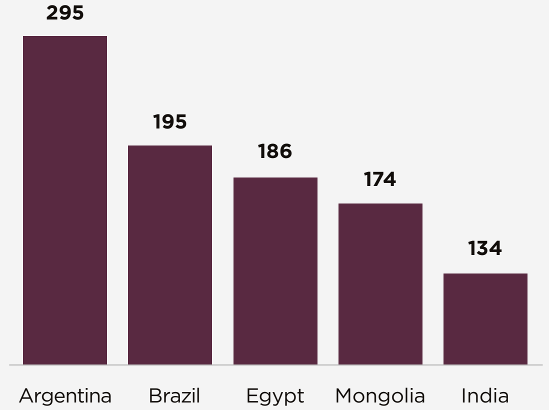
GREEN CLIMATE FUND

WWW.GREENCLIMATE.FUND

KEY INSIGHTS

- The newest and largest fund dedicated to climate finance, GCF has approved a portfolio of $3.7 billion for 76 projects worldwide since it became operational in 2014.
- GCF has committed to achieve a 50-50 split between mitigation and adaptation in its grant equivalent funding, and also pledged that at least 50 percent of adaptation funding will go to countries particularly vulnerable to climate change.
- International competitive bidding is GCF's preferred method of procurement.

TOP RECIPIENTS OF GCF FINANCING (US$ MILLION)



Source: *GCF / Boell Foundation*

Five years after it was first proposed at the U.N. climate change conference in Copenhagen, the Green Climate Fund became operational in 2014. The newest and largest fund dedicated to climate finance, GCF was designed to channel a significant share of the $100 billion in climate finance that advanced economies have agreed to jointly mobilize by 2020.

To date, the fund has mobilized $10.3 billion in pledges from 43 governments. The single largest commitment was $3 billion from the United States under the Obama administration, but only $1 billion has been invested thus far. After the United States, Japan and the United Kingdom have made the biggest pledges to the fund of $1.5 billion and $1.2 billion, respectively.

GCF has committed to achieve a 50-50 split in its grant equivalent funding between mitigation and adaptation, part of an effort to address the bias for mitigation activities which have more easily attracted private sector support than adaptation activities. Mitigation activities currently account for 43 percent of the GCF board's total approved portfolio of $3.7 billion for 76 projects worldwide, well ahead of adaptation (29 percent) and crosscutting activities (28 percent).

GCF has yet to develop a metric for grant equivalence for GCF's portfolio which consists of both grants and loans, so it is too early to tell whether GCF is meeting its commitment for a 50-50 balance between mitigation and adaptation.

> "In comparison with the development banks, GCF doesn't have to worry about its credit rating. It's not a bank; it's a fund. It can go to places where other funders might not be able to go."

NIRANJALI AMERASINGHE
Climate Finance Associate, World Resources Institute

ILLUSTRATIVE PROJECTS

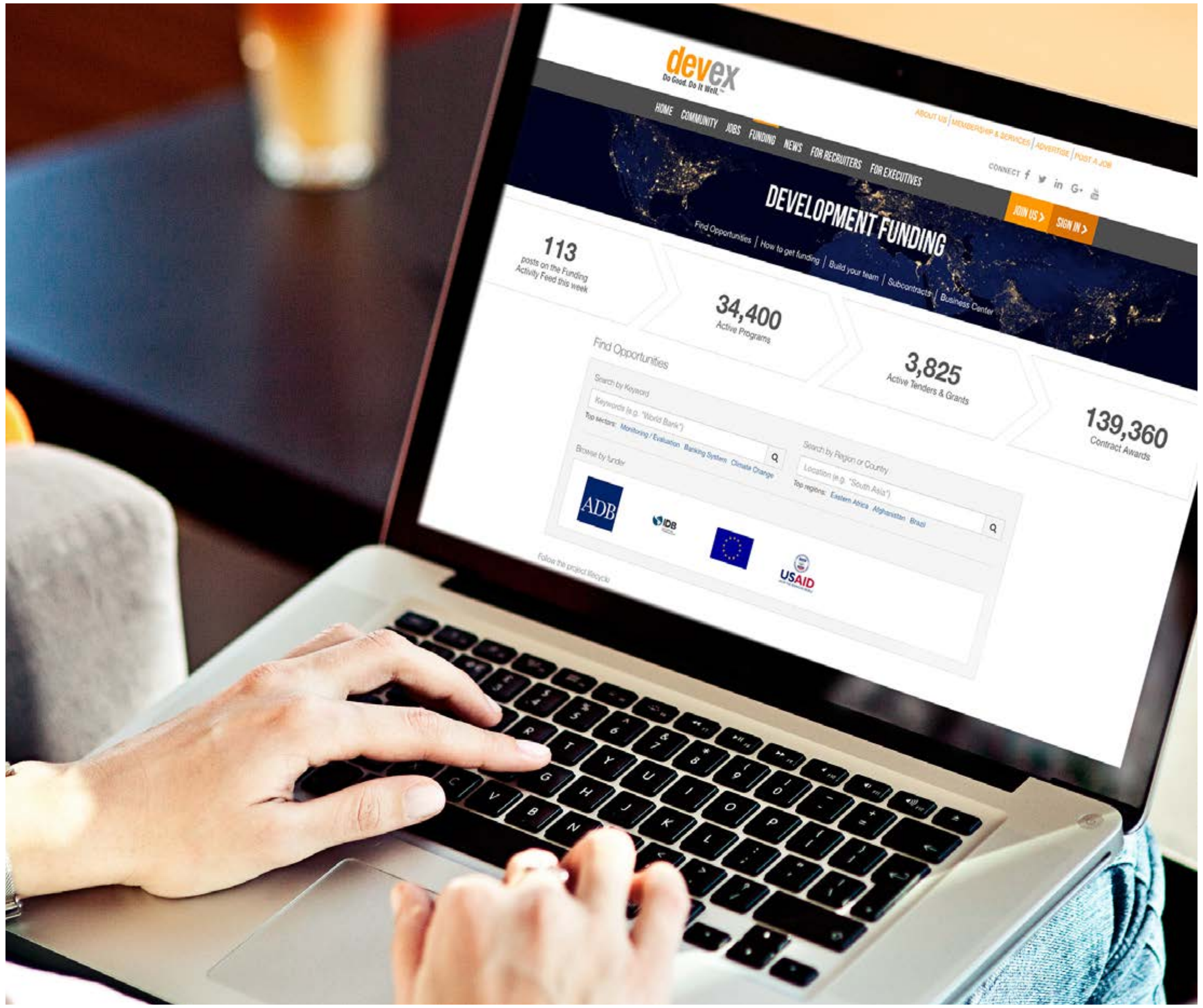
- **GCF-EBRD Sustainable Energy Financing Facilities ($378 million)**
  Multiple Countries
- **GEEREF NeXt Renewable Energy Project ($265 million)**
  Multiple Countries
- **Financial Instruments for Brazil Energy Efficient Cities ($195 million)**
  Brazil

GCF has also committed that at least 50 percent of adaptation funding which will go to countries particularly vulnerable to climate change, including least developed countries, small island development states and African states. Currently, 71 percent of GCF's approved funding for adaptation has been directed to these states.

Counting mitigation, adaptation and crosscutting activities, the five countries that claim the largest share of GCF funding are Argentina (7.9 percent), Brazil (5.2 percent), Egypt (5 percent), Mongolia (4.6 percent) and India (3.6 percent).

Co-financing arrangements with MDBs are a prominent feature of the GCF portfolio. GCF's

single largest funding tranche is $378 million in funding for sustainable energy financing facilities co-financed by the European Bank for Reconstruction and Development. GCF also considers international competitive bidding its preferred method of procurement.



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