

DEVEX REPORTS

EMERGING DONORS



Executive Summary

Squeezed by budget pressures at home, donor governments in the developed world have been tightening their foreign aid spending since the global financial crisis. Devex's [groundbreaking survey](#) of nearly 1,000 development executives revealed a broad consensus across the aid community that this trend will persist.

Yet in the case of the emerging donors, which are commonly understood to include the BRICS countries and other rising economies, our survey found that development executives are far more bullish. Despite signs of slowing growth in these countries, executives believe that this new breed of development actors will continue to boost their foreign aid spending over the next decade. Global development advisory firm Dalberg predicts that emerging donors could contribute close to 20 percent of total foreign aid by 2020, up from an estimated 7-10 percent in 2012.

Even now, just several years after bursting onto the development scene, emerging donors are already transforming the foreign aid industry — expanding the funding pie and challenging how traditional donors have long done business. In some of the world's most difficult environments, where international assistance is both required and impactful, traditional donors and their implementing

partners are working alongside these new players. This makes it critical to understand emerging donors' aid modalities, priorities and practices. As the scope and scale of emerging donor activity increases, so will opportunities for deeper and more direct support and partnership.

Drawing on our industry-leading coverage of development finance and policy, this exclusive Devex report provides an in-depth assessment of the funding strategies and priorities of eight emerging donors: the BRICS economies (Brazil, Russia, India, China, South Africa), as well as South Korea, the United Arab Emirates and Turkey. Our extensive research, including one-on-one interviews with foreign aid officials in these countries and an exhaustive review of official donor and third-party documents, uncovers three key trends in the emerging donor landscape.

Sustained aid growth

Driven by a mix of humanitarian and geopolitical considerations, emerging donors have been markedly increasing their foreign aid spending and should continue to do so for the foreseeable future. Case in point, in 2013, the United Arab Emirates recorded the largest percent jump in its official development assistance among all donor governments — a staggering 435 percent increase. The outlook for Russia's

re-emerging foreign aid program is far less certain, however, as Western sanctions over Ukraine begin to take their toll on Moscow's balance sheet.

Focus close to home

Even as they contend that their foreign aid programs have global ambitions, emerging donors generally direct the vast majority of their funding toward neighboring regions. In apparent efforts to bolster their regional standing and at the same time maximize their local knowledge, India and South Africa have a particularly sharp focus on their home regions. On the other hand, China is an exception to this trend. As part of its economic and diplomatic push into Africa, Beijing channels just over half of its foreign aid to the continent.

Diversity in sector priorities

Emerging donor governments acknowledge and leverage their comparative advantages and align their foreign aid programs accordingly, leading to a diversity of sector priorities. Brazil's technical cooperation program, for instance, capitalizes on its tried and tested domestic expertise in agriculture, health and education. Meanwhile, Russia's heavy focus on health and education is a by-product of its familiarity with the medical and school systems of its development partners in the former Soviet Union.

Inside the Report

Emerging Donors at a Glance	4
China	6
United Arab Emirates	8
Turkey	10
South Korea	12
India	14
Brazil	16
Russia	18
South Africa	20

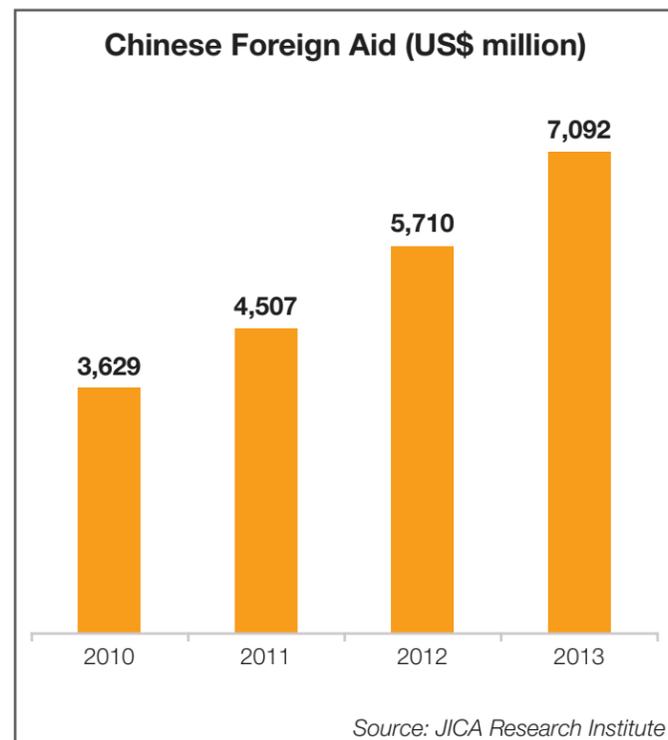
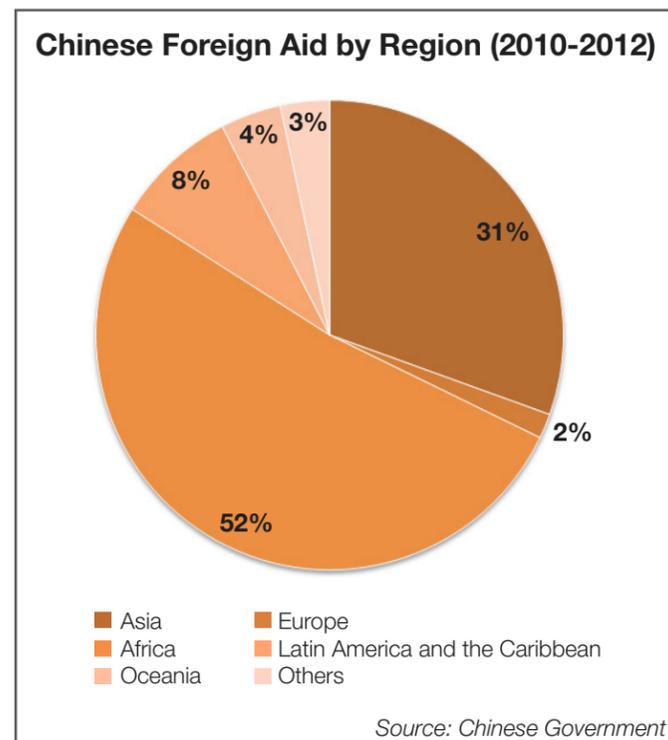
Emerging Donors at a Glance

	China	United Arab Emirates	Turkey	South Korea	India	Brazil	Russia	South Africa
Launch Year of Foreign Aid Program	1950	1971	1985	1987	1964	1960	1955	1968
Total Aid Budget	\$7.1 billion (2013)	\$4.9 billion (2014)	\$3.4 billion (2014)	\$2.2 billion (2015)	\$1.6 billion (2015-16)	\$731 million (2010)	\$714 million (2013)	\$183 million (2013)
Principal Aid Agency	None	Ministry of International Cooperation and Development	Turkish International Cooperation and Development Agency	Korea International Cooperation Agency	Development Partnership Administration	Brazilian Cooperation Agency	Russian Cooperation Agency	South African Development Partnership Agency (planned)
Regional Priorities	Africa Asia	Middle East and North Africa Majority-Muslim countries	Middle East and North Africa Turkic-speaking countries	Asia-Pacific	South Asia	Latin America and the Caribbean Portuguese-speaking African countries	Commonwealth of Independent States (former Soviet Union)	Africa
Sector Priorities	Infrastructure Economic development	Various	Social Infrastructure Humanitarian assistance	Transportation Education Health	Infrastructure Technical cooperation	Agriculture Health Education	Health Education Food security	Peace building Democracy and governance Humanitarian assistance

Donor Profile: China

KEY INSIGHTS

- Rivaling Western donors in the size and scope of its foreign aid portfolio, China was the sixth-largest bilateral donor in 2013.
- Just over half of Chinese foreign aid is channeled to Africa, a key element of Beijing’s diplomatic and economic push into the continent.
- 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.



China looks at aid differently. Most of [China’s aid] is geared toward providing mutual economic collaborations.

Xue Lan
Dean
Tsinghua University School of
Public Policy and Management



By far the biggest and most influential emerging donor in 2013, China disbursed \$7.1 billion in foreign aid — nearly double 2010 levels. Rivaling Western donors in the size and scope of its foreign aid portfolio, China was the sixth-largest bilateral donor in the world in 2013. The Chinese Ministry of Commerce manages the bulk of China’s highly fragmented aid program.

While China’s foreign aid program reaches 121 countries according to its 2014 foreign aid white paper, the global superpower sharply focuses its assistance on Africa, a key element of Beijing’s diplomatic

and economic push into the continent. Between 2010 and 2012, Africa received 52 percent of Chinese foreign aid, well ahead of Asia (31 percent), and Latin America and the Caribbean (8 percent).

China’s foreign aid program has a heavy focus on infrastructure. Between 2010 and 2012, economic infrastructure projects, including over 70 transport projects such as roads, bridges and airports, accounted for 45 percent of China’s foreign aid spending worldwide. China is, however, diversifying its aid portfolio to include softer, capacity-building activities in the fields of agriculture, health,

education and environmental protection.

Eager to draw a contrast with Western donors, China emphasizes that it attaches no conditions to its foreign assistance. Nonetheless, 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 another manifestation of the “win-win” approach, resource-rich countries also often use their natural resources as collateral for Chinese loans. Angola, one of Beijing’s biggest aid recipients in Africa, has received billions in oil-backed loans since the end of that country’s civil war over a decade ago.

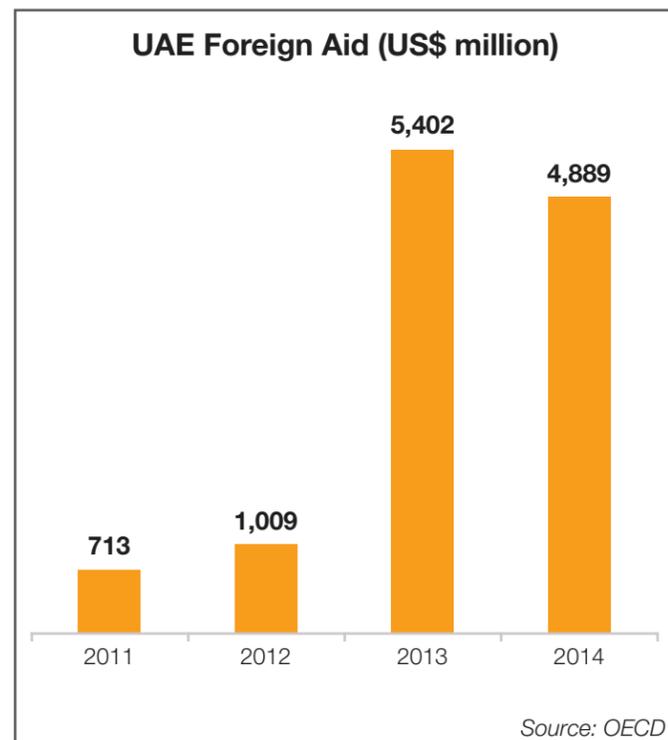
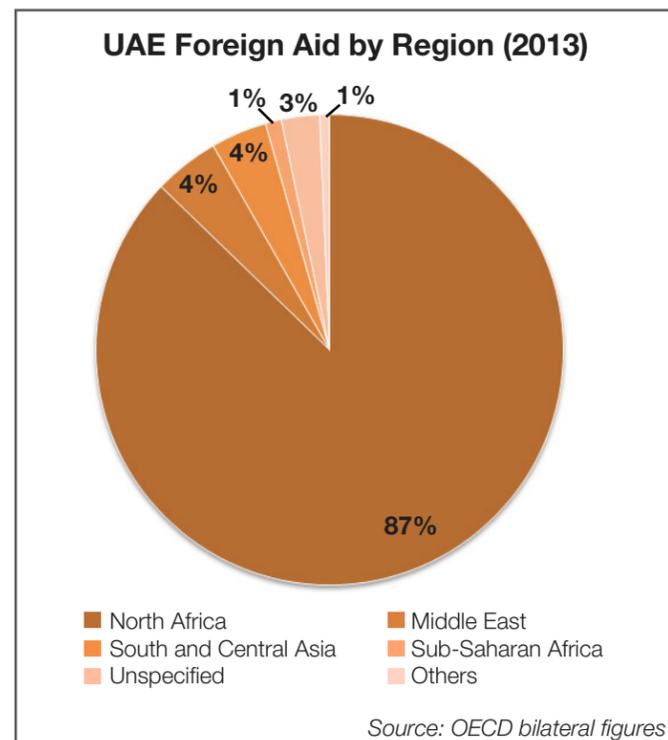
Since late 2013, Beijing has been spearheading the launch of the Asian Infrastructure Investment Bank, which has an initial start-up capital of \$50 billion. At the same time, China has pledged \$10 billion to the BRICS economies’ New Development Bank. Buoyed by a strong balance sheet, China, however, seems to be in a firm enough financial position to sustain both its growing foreign aid budget and its commitments to the two new development banks.

[Read the full analysis on Devex](#)

Donor Profile: United Arab Emirates

KEY INSIGHTS

- In 2013, the UAE saw the largest percent increase in ODA, making the country the second-largest emerging donor after China.
- The UAE directs the bulk of its foreign aid spending to majority-Muslim countries, particularly in the Middle East and North Africa.
- While UAE-based philanthropic and humanitarian groups feature prominently in the UAE foreign aid program, many of these groups appear to be closely linked to the UAE government.



The most effective kind of foreign aid is that which builds upon the same strengths that enabled the UAE to evolve into the country that it is today.

Sheikha Lubna al-Qasimi
UAE Minister of International Cooperation and Development



In 2013, the United Arab Emirates saw the largest percent increase in official development assistance among all donors — a staggering 435 percent jump bringing the UAE’s ODA to \$5.4 billion. The UAE’s ODA did dip by 10 percent last year to \$4.9 billion, which would still make the oil-rich economy the second-largest emerging donor behind China.

In 2013, the UAE established the Ministry of International Cooperation and Development as the country’s policymaking

body for development cooperation. Determined to raise its aid profile even further, the UAE also recently joined the OECD Development Assistance Committee, the donor grouping for industrialized countries, as a participant, albeit not as a full member. The UAE is also in the process of developing its first-ever foreign aid strategy and policy.

The UAE channels the bulk of its foreign aid spending to majority-Muslim countries, particularly in the Middle East and North

Africa. In 2013, Egypt, Jordan, Pakistan, Afghanistan and the Palestinian territories were the biggest recipients of foreign aid from the UAE. A \$4 billion surge in financial assistance for Egypt’s cash-strapped government accounted for the spike in the UAE’s aid spending in 2013.

According to the OECD-DAC, general program assistance, economic infrastructure, education and health are priority sectors for UAE’s foreign aid program. When Egypt is excluded, health accounted for over a quarter of UAE’s foreign aid spending in 2013. The UAE has also emerged as a major donor to humanitarian crises as far as the Philippines and the Central African Republic.

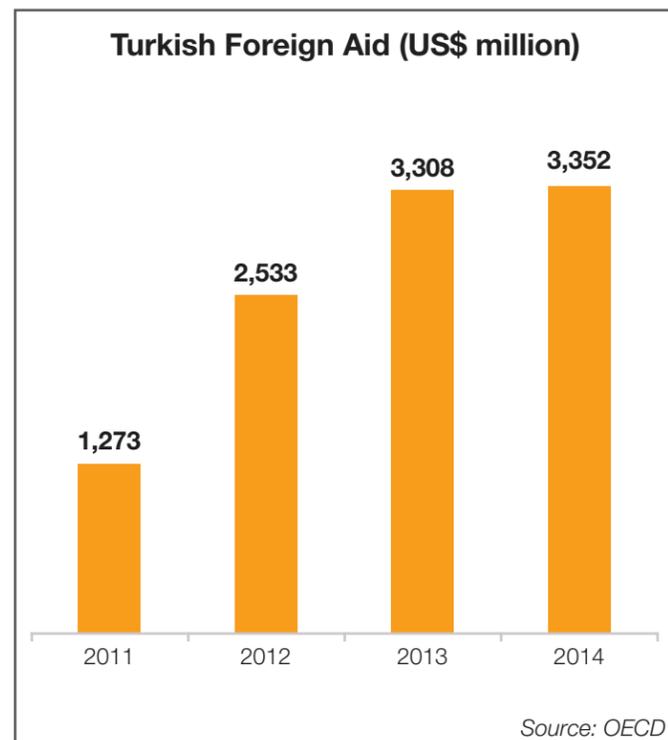
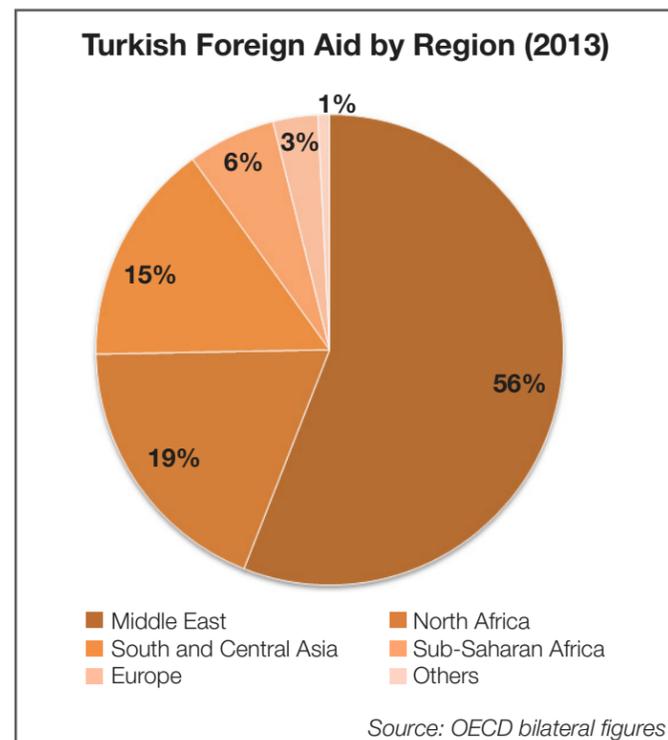
Strikingly, UAE-based philanthropic and humanitarian organizations feature prominently in the UAE’s foreign aid program, including the Khalifa Bin Zayed Al Nahyan Foundation and Dubai Cares. Many of these groups appear closely linked to the UAE government. In fact, the OECD-DAC counts resources from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

[Read the full analysis on Devex](#)

Donor Profile: Turkey

KEY INSIGHTS

- Turkey’s recent surge in foreign aid spending has been largely driven by humanitarian and development needs in the Middle East and North Africa.
- Ankara seems to prefer to channel its aid spending toward visible social infrastructure projects including hospitals and schools.
- Despite the extensive overseas presence of Turkish civil society organizations, the Turkish aid agency has only recently setup a branch for engaging with these groups.



Turkey, in its development assistance, is much more tangible. In many countries, they build hospitals, they build roads, schools, they go and collect rubbish in big cities.

Alpaslan Özerdem
 Director
 Center for Peace and Reconciliation Studies
 Coventry University



Along with the UAE, Turkey has only recently vaulted to the top of the pack among emerging donors. Between 2010 and 2014 alone, Turkish ODA rose more than threefold to \$3.4 billion. Operating directly under the prime minister’s office, the Turkish International Cooperation and Development Agency is Turkey’s principal aid agency.

The surge in Turkish foreign aid has been largely driven by

humanitarian and development needs in the Middle East and North Africa in the aftermath of the Arab Spring. In 2013, nearly half of Syrian ODA was channeled toward relief efforts for Syrian refugees.

Outside its immediate region, Turkey also has sizable aid programs in an assortment of fragile states and Turkic-speaking countries including Afghanistan, Kyrgyzstan, and Bosnia and Herzegovina. Turkey

also delivered tens of millions of dollars in disaster relief to Indonesia in 2005 and Haiti in 2010 in the wake of natural calamities in both countries.

Across its global aid portfolio, Ankara channels its aid money toward visible social infrastructure projects that can be more easily appreciated like schools and hospitals. In Somalia, the biggest recipient of Turkish ODA in sub-Saharan Africa, Turkey has announced plans to build East Africa’s largest children’s hospital — which would become only the latest in a string of Turkish-built hospitals in the war-torn country. Turkey has been commended by aid experts for its efforts to leverage its Islamic heritage to build relationships with local actors and, at the same time, build a robust on-the-ground presence in Somalia.

On the other hand, while Turkish civil society has an extensive overseas development presence, to date, there has been little to no coordination between Ankara and these groups. TIKA has only recently set up a dedicated branch in charge of coordinating partnerships with Turkish civil society organizations.

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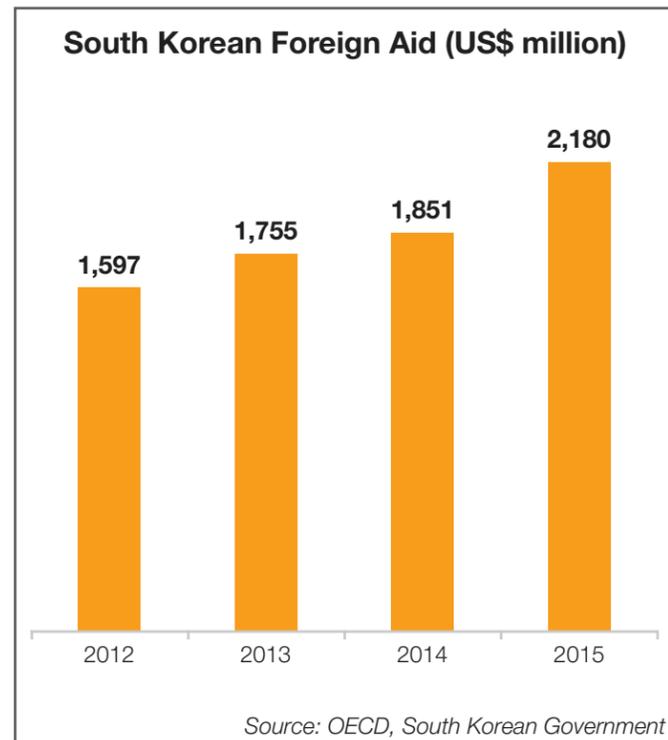
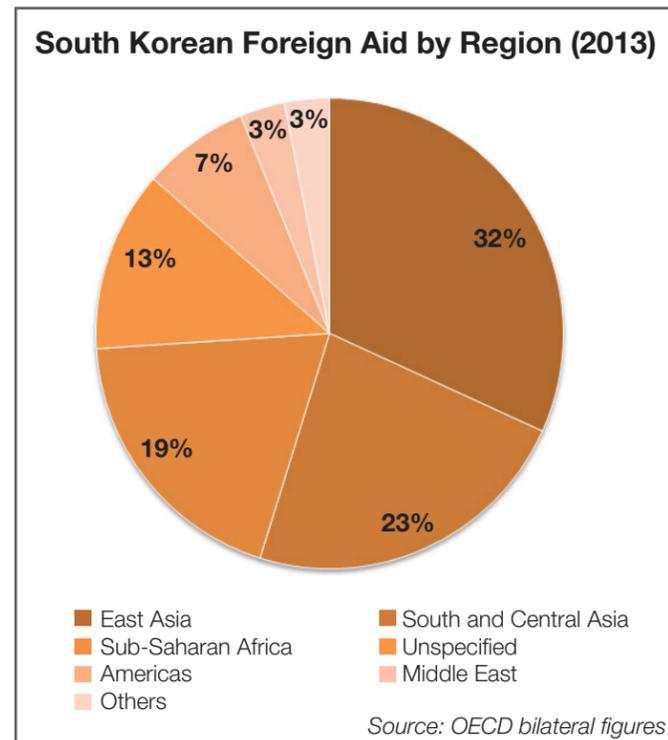
Donor Profile: South Korea

KEY INSIGHTS

- While South Korea is likely to fall short of its goal of spending 0.25 percent of its gross national income on ODA this year, the emerging donor still plans to boost its aid budget for the ninth consecutive year in 2015.
- Transportation, education and health are priorities for South Korean foreign aid. South Korea directs the bulk of its foreign aid to the Asia-Pacific region.
- South Korea has committed to untie 75 percent of its bilateral ODA by 2015, potentially opening the door to international implementers in the country's aid industry.



Credit: Global Perspectives / Patrick Fischer/flickr.com



We are taking efforts to increase steadily the size of our ODA for several years and we are planning to increase [it more] going forward.

Minho Cho
Deputy Government Director for Official Development Assistance South Korea



An aid dependent nation turned emerging donor, South Korea plans to disburse \$2.2 billion in official development assistance in 2015 — a 38 percent jump from 2012. Citing a severe reduction in government revenue, however, South Korea concedes that it is unlikely to meet its goal of spending 0.25 percent of gross national income on ODA by this year as initially planned. The Korea International Cooperation Agency is South Korea's principal development agency.

Despite South Korea's increasingly global aspirations

for its emerging foreign aid program, Seoul still directs the largest share of its international assistance to the Asia-Pacific region. In 2015, South Korea intends to channel 46 percent of its ODA to the Asia-Pacific, followed by 17 percent for Africa. Vietnam and Afghanistan are the biggest recipients of South Korean ODA worldwide.

In alignment with partner country priorities, South Korea channels the bulk of its foreign aid spending to transportation, education and health. In 2013, South Korea

disbursed 19 percent of its ODA for transportation, 16 percent for education, and 11 percent for health. South Korea's knowledge and skills development programs, which capitalize on its own development experiences, have drawn the most attention from the global aid community.

The first former aid recipient to become a full-fledged member of the OECD Development Assistance Committee, the donor grouping for industrialized countries, South Korea is only beginning to develop knowledge-sharing partnerships with major donors, including the U.S., British and French aid agencies.

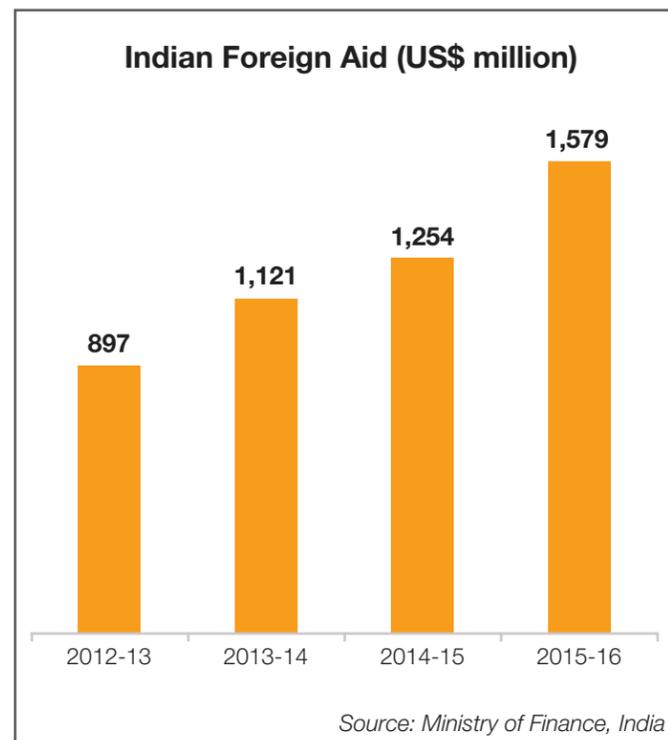
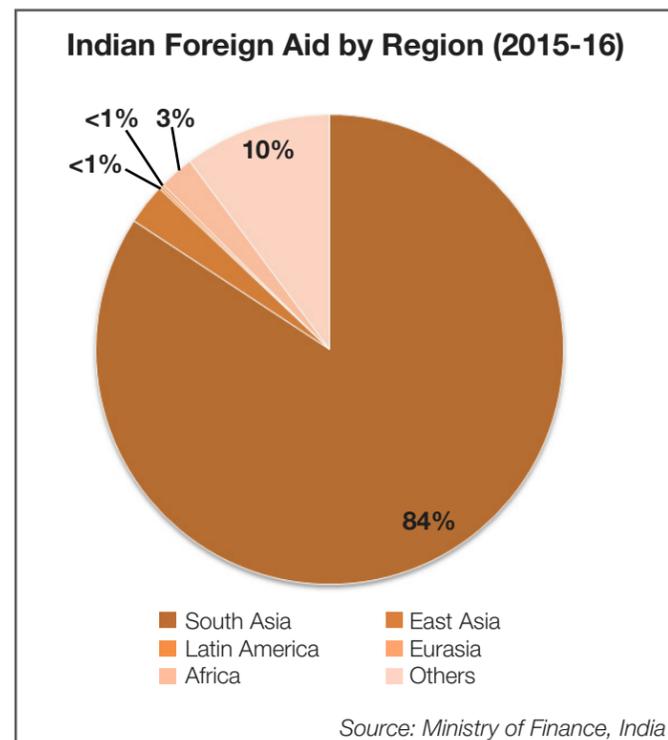
KOICA has recently set in motion plans to increase its spending channeled through civil society organizations. In 2013, only 2 percent of South Korean ODA was disbursed through CSOs, nearly all of which was channeled through South Korean CSOs. South Korea's commitment to untie 75 percent of its bilateral ODA by 2015 is likely to open more doors for international implementers and CSOs to engage with KOICA in the years to come.

[Read the full analysis on Devex](#)

Donor Profile: India

KEY INSIGHTS

- Despite fiscal pressures at home, India's new Prime Minister Narendra Modi has hiked Indian foreign aid spending even further to \$1.6 billion in 2015-16.
- India's foreign aid program has a sharp focus on infrastructure in South Asia. By far, Bhutan is the single-biggest recipient of Indian foreign aid.
- India is looking to expand its foreign aid program to Africa, primarily through technical cooperation activities.



India is keen on solidifying its status as a regional powerhouse of South Asia and many of [its] aid projects are aimed at building up infrastructure, fostering energy security and promoting greater regional trade.

Rani Mullen
 Director
 Indian Development Cooperation Research



Over a decade after announcing its intentions to transition from aid recipient to donor back in 2003, India's growing foreign aid budget now dwarfs its foreign aid receipts. In February 2015, Indian Prime Minister Narendra Modi first full budget hiked Indian aid spending even further to \$1.6 billion in 2015-16 — a 76 percent increase from 2012-13 levels. The Development Partnership Administration, a division within the Ministry of External Affairs, acts as the coordinating and monitoring mechanism for Indian foreign aid.

Keen to bolster its standing as a regional power, India directs the vast majority of its foreign aid spending to South Asia. In 2015-16, South Asia is slated to receive 84 percent of India's foreign aid. The largest recipient of Indian foreign aid, Bhutan commands nearly two-thirds of Indian aid spending in 2015-16. Eager to fill the void left by the Western aid drawdown, India is also positioning itself as a major development player in Afghanistan.

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. New Delhi openly intends to buy back. Meanwhile, in Afghanistan, the Indian government is financing a new parliament building in Kabul.

In a bid to project its global ambitions as an emerging donor, the Indian government is beginning to expand its aid footprint to Africa. Geared mainly toward technical cooperation activities, India's foreign aid to Africa accounts for 3 percent of its aid budget in 2015-16. New Delhi's most prominent development initiative in Africa is the \$125 million Pan-African e-Network, which connects 47 African countries with leading schools and hospitals in India through satellite and fiber-optic links.

The Indian foreign aid program has several partnerships with Indian civil society organizations, including the prominent Indian CSO, the Self-Employed Women's Association of India in Afghanistan. According to UNDP, the DPA has reached out to Indian CSOs to examine further areas of collaboration.

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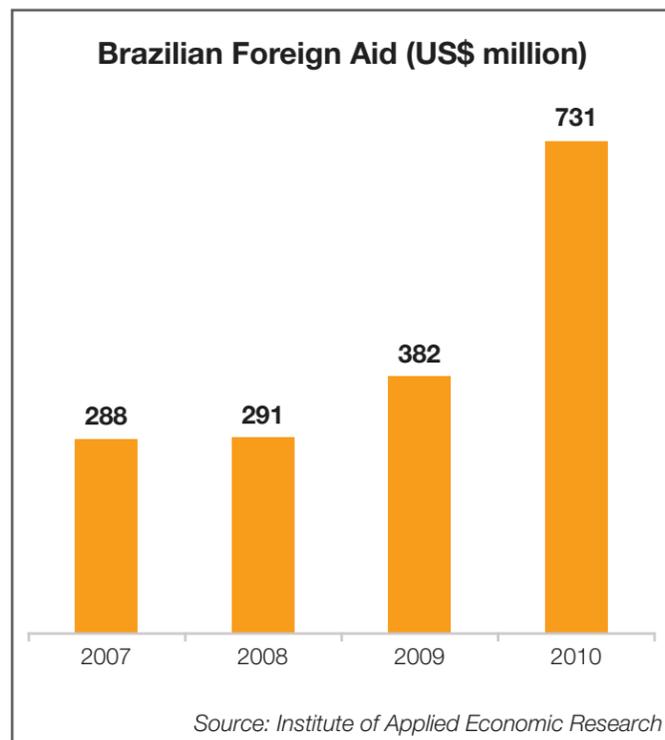
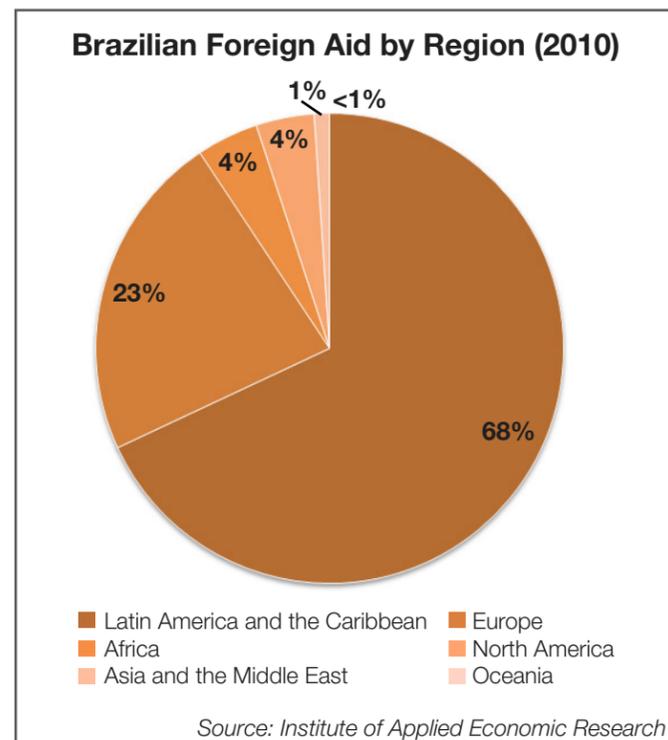
Donor Profile: Brazil

KEY INSIGHTS

- Considered the linchpin of the Brazilian foreign aid program, Brazilian technical cooperation activities are concentrated in Latin America and the Caribbean, as well as Portuguese-speaking countries in sub-Saharan Africa.
- Capitalizing on its expertise at home, Brazil's technical cooperation program is geared toward agriculture, health and education.
- A leader in triangular cooperation, Brazil has active partnerships with several major traditional donors including Japan and the United States.



Credit: Michael Ambrose/flickr.com



[Brazil] provides technical cooperation using its own civil servants. It's a direct transfer of experiences and knowledge.

Lidia Cabral
Institute of Development Studies



In Mozambique, one of the biggest recipients of Brazilian foreign aid in sub-Saharan Africa, 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.

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.

Brazil's foreign aid spending has grown rapidly over the past decade — hitting \$731 million in 2010, the latest year when figures are available. Affiliated with the Brazilian foreign ministry, the Brazilian Cooperation Agency is the principal Brazilian aid agency.

Drawing heavily on homegrown development interventions, Brazil's technical cooperation activities are widely considered the core of its foreign aid program. Between 2003 and 2010, the agriculture

sector claimed 22 percent of Brazilian technical cooperation activities, followed by health (16 percent), and education (12 percent).

Brazil's technical cooperation activities are concentrated in its neighboring region of Latin America and the Caribbean, as well as in Portuguese-speaking countries in sub-Saharan Africa. In 2010, Brazil carried out technical cooperation activities in 99 countries. Haiti is the biggest recipient of Brazil's overall foreign aid spending.

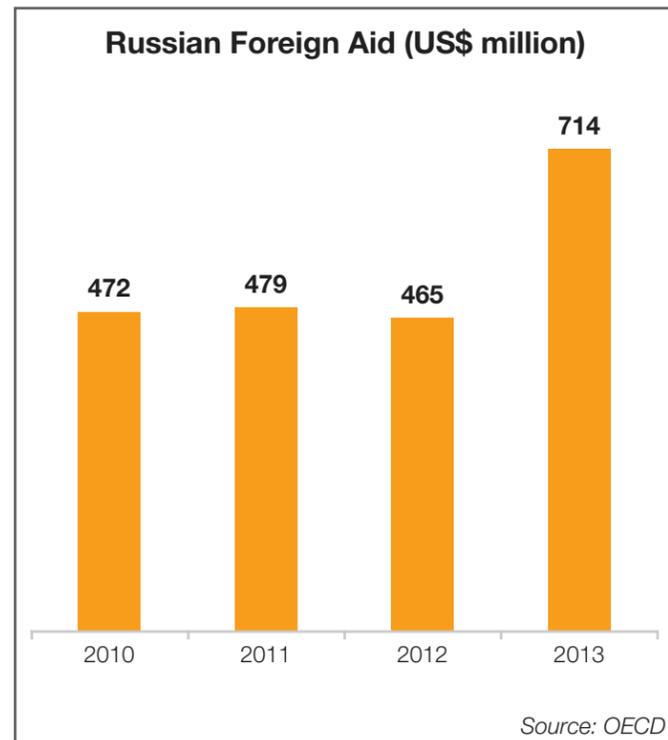
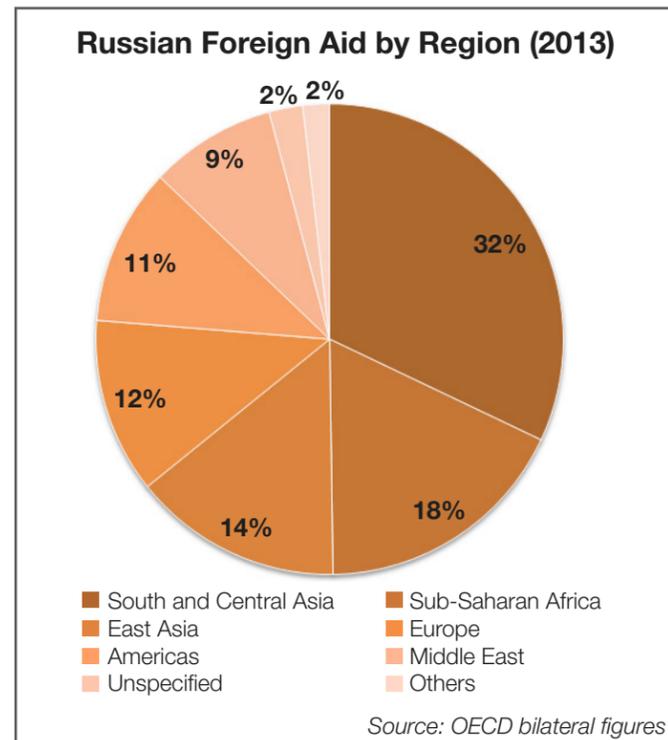
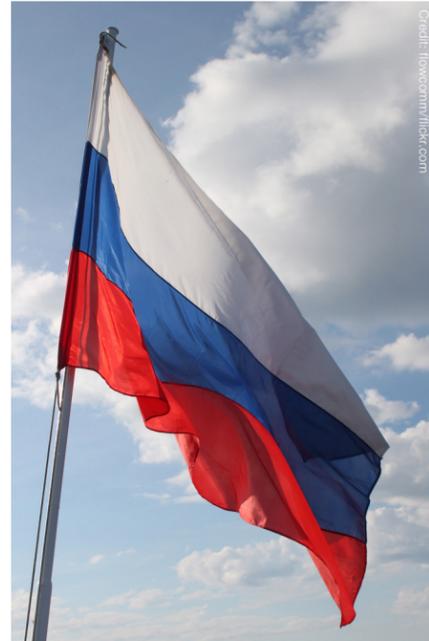
Despite the long history of Brazilian civil society engagement in development programs at home, the Brazilian foreign aid program has relied far less on these partnerships. Brazil has, however, carved out a reputation as a leader in triangular cooperation, a donor partnership involving the use of resources from both a traditional and emerging donor. Brazil has active partnerships with several major traditional donors including Japan, the United States and Germany.

[Read the full analysis on Devex](#)

Donor Profile: Russia

KEY INSIGHTS

- Russian foreign aid has grown rapidly over the past decade, but could now slow amid severe economic pressures.
- Drawing on Soviet-era expertise, Russian foreign aid has a heavy focus on health, education and food security.
- Keen to raise the profile of its foreign aid program, Russia is increasingly channeling its aid money on a bilateral basis, instead of through multilateral channels as in the past.



We share a lot in common with our partners; we inherited a similar national economic system from the Soviet Union.

Konstantin Kosachev
 Director
 Russian Cooperation Agency



Rivaling U.S. Agency for International Development in its size and scale during the Cold War, Russia's foreign aid program has made an impressive comeback over the past decade. In 2013, Russian official development assistance reached \$714 million, a sevenfold jump from 2006. Over the past year, however, falling oil prices and Western sanctions over Ukraine have sent Russia's economy into a tailspin, raising doubts over whether this trend will continue.

Drawing on its expertise and experience from Soviet-era programs, the Russian foreign

aid program has a heavy focus on health, education and food security. Between 2006 and 2010, one-fourth of Russian aid spending was allocated to health, including for infectious diseases and epidemic preparedness in Central Asia.

Russia stands out among the emerging donors for its long-standing preference to channel its aid spending through multilateral organizations, including the Global Fund to Fight AIDS, Tuberculosis and Malaria and the U.N. World Food Program. In an effort to raise the profile of its foreign aid engagement, however,

Moscow now intends to channel its assistance on an increasingly bilateral basis. Russian President Vladimir Putin recently designated the Russian Cooperation Agency, a division of the foreign ministry, as the lead agency for Russian bilateral aid.

Russian government officials have given strong indications that Moscow's beefed up bilateral aid program will focus on the Commonwealth of Independent States, the loose association of former Soviet republics — a move that is arguably designed to consolidate its sphere of influence in the region amid Russian-Western tensions. In 2013, 31 percent of Russian ODA was channeled to the CIS countries. Kyrgyzstan is the biggest recipient of Russian ODA worldwide.

As Russia ramps up its bilateral aid program, Devex has learned that the Russian Cooperation Agency is keen to bolster its engagement with Russian civil society organizations, including through capacity-building activities targeted at CSOs. For now, however, the Russian foreign aid program partners with Russian CSOs on a largely ad hoc basis.

[Read the full analysis on Devex](#)

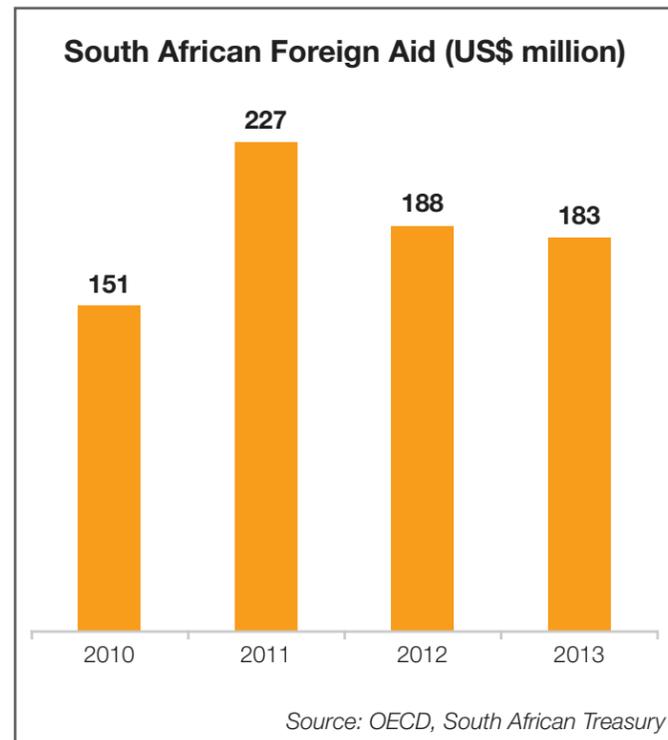
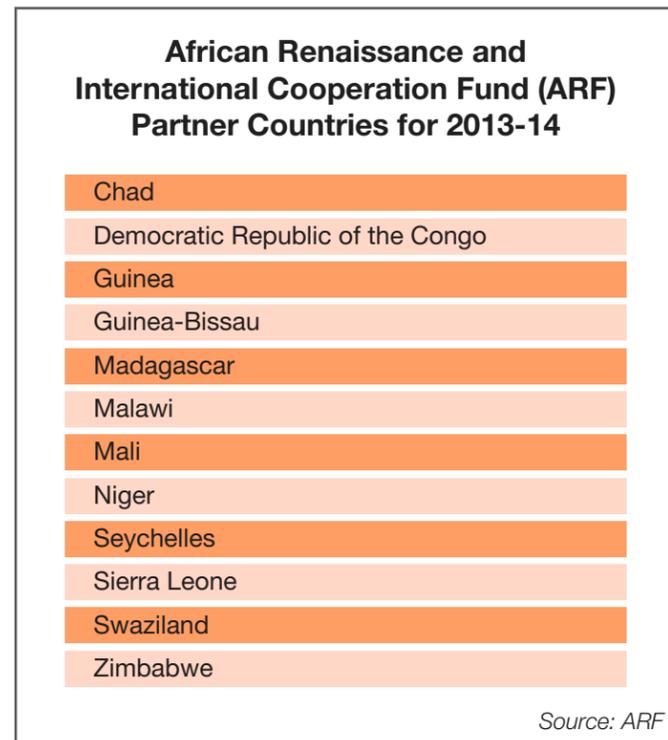
Donor Profile: South Africa

KEY INSIGHTS

- Eager to foster solidarity with the rest of Africa, South Africa directs nearly all its relatively modest foreign aid budget to the continent.
- Peace building, democracy and governance, and humanitarian assistance are priority sectors for South Africa's foreign aid program.
- South Africa is planning to centralize its foreign aid activities under the long-planned South African Development Partnership Agency.



Credit: Kynoo/flickr.com



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
Program Manager
South African Institute of International Affairs



Keen to capitalize upon its experiences addressing development challenges at home in order to build its standing abroad, over the past decade, South Africa has been aggressively positioning itself as an emerging donor. Between 2010 and 2013, South African foreign aid averaged \$187 million — a figure that is considerably lower than aid flows from its peers in the emerging donor club.

Currently, ARF, or the African Renaissance and International Cooperation Fund, is the principal financing instrument

for South Africa's foreign aid spending. The South African government, however, intends to replace ARF with a new fund called the Partnership Fund for Development, which would effectively come under the purview of a long-planned development agency, the South African Development Partnership Agency.

In an effort to foster solidarity with the rest of the continent, South Africa directs nearly all of its foreign aid to Africa. Southern Africa alone accounts for roughly 70 percent of South Africa's foreign aid. In the

financial year 2013-14, ARF recorded activities in 12 African countries including Zimbabwe, a long-standing recipient of South African foreign aid.

In the financial year 2013-14, humanitarian assistance and disaster relief claimed the largest share (30 percent) of ARF's program spending, followed by socioeconomic development (24 percent) and democracy and governance (20 percent). Post-conflict reconstruction and development, which is also widely considered to be a priority sector for South Africa's foreign aid program, garnered 3 percent. Through budget lines outside the ARF, South Africa is also a major contributor both financially and militarily to multilateral peacekeeping operations across sub-Saharan Africa.

According to Neissan Besharati of the South African Institute of International Affairs, the South African foreign aid program is generally open to working with the country's thriving civil society community. In fact, several civil society organizations have already been tapped by ARF as implementing partners.

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