



Report

# Why do countries become donors?

Assessing the drivers and implications of donor proliferation

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# Abstract

Despite growing aid fatigue in the global North, the number of bilateral aid-providing states is at an all-time high and continues to expand. In this paper, we examine the paradox of new donor countries' (NDCs) dramatic growth by asking two questions. First, what is driving donor proliferation? And second, what sort of donors are emerging from this rapid increase? Drawing on sociological theories of normative diffusion, we argue that an important driver is the desire to legitimise one's reputation as an advanced and influential state. We study the consequences of donor proliferation through a quantitative analysis of 26 NDCs, comparing their achievements to those of traditional donors on three metrics of aid quantity and quality. Our results reveal that NDCs may be adopting the traditional donor form, but not its associated functions and responsibilities, creating a gap between policy intent and practical implementation. While NDCs are contributing to global development's ongoing viability, vigilance is required to preserve its robustness.

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# Acronyms

|             |  |
|-------------|--|
| <b>NDC</b>  | New donor country                                      |
| <b>OECD</b> | Organisation for Economic Co-operation and Development |
| <b>DAC</b>  | Development Assistance Committee                       |
| <b>ODA</b>  | Official Development Assistance                        |
| <b>GNI</b>  | Gross National Income                                  |
| <b>UN</b>   | United Nations   |
| <b>US</b>   | United States  |
| <b>EU</b>   | European Union   |
| <b>UNDP</b> | United Nations Development Programme                   |
| <b>CIS</b>  | Commonwealth of Independent States                     |
| <b>SSC</b>  | South-South cooperation                                |
| <b>TC</b>   | Triangular cooperation                                 |

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# 1. Introduction

At a time of tremendous scepticism about aid, the number of aid providers is, ironically, at an all-time high. Described as a ‘silent revolution’ (Woods 2008), the last quarter century has seen a proliferation of states across all regions of the world providing aid. Many of these new donor countries (NDCs) lie outside the official membership of the Organisation for Economic Co-operation and Development’s (OECD) Development Assistance Committee (DAC). This increase presents both an opportunity and a challenge for the global development community.

In theory, additional donors should mean more concessional development resources, a broader range of knowledge and experience and, thus, greater scope for reducing poverty. Arguably, there is a larger and wider constituency that supports global development as the number of donors grows. More donors can also potentially increase the financing options at country level, allowing donor nations to specialise and to better align with and respond to recipients. Despite these potential benefits, however, new donors may pose an existential challenge to traditional donors’ bargaining power and established ways of working. There is concern that they may be diluting standards among traditional donors and fragmenting the global aid system (Kragelund, 2015; Mawdsley, 2015).

The aim of this study is to understand and assess the dramatic growth of NDCs in international society and its potential consequences for development cooperation. We define NDCs as states that have recently started to provide or significantly expand their role in Official Development Assistance (ODA). Other terms used to describe NDCs include ‘Southern’ donors, non-DAC donors, and emerging/re-emerging donors. In using the term NDC, we recognise that some states may not accept the ‘donor’ label’s neo-colonial connotations (Eyben & Savage, 2013; McEwan & Mawdsley, 2012). For some, this is due to its association with paternalistic donor practices; for others it may stem from the implicit responsibilities the label ‘donor’ carries (Bracho, 2015: 16). We believe the term NDC reflects these obligations, as well as new donors’ heterogeneity, particularly those who do not identify with the Southern label, such as Arab and Central and East European countries. To date, analysis of NDCs has almost exclusively focussed on Southern aid providers’ growth and the differences between Southern and traditional donors. Yet, this lens only partially captures NDCs’ proliferation in global development.

The analysis here explores the phenomenon of NDC proliferation with a wider frame. Using sociological theories of normative diffusion, it suggests the increase in NDCs is driven by the desire for state legitimacy as an advanced and influential nation. Identity as a donor has gradually become institutionalised as a global norm that signals state reputational legitimacy, which indirectly incentivises NDC proliferation. After undertaking a historical examination of the processes and actors contributing to such norm-driven proliferation in section 2, the analysis in section 3 moves into an examination of the consequences of proliferation. Here, we are interested in whether NDCs are simply adapting to normative pressures to ‘become a donor’ or whether they are substantiating this convergence to a ‘donorship model’ by adhering to key metrics of donor performance. In other words, is their desire for reputational legitimacy through the donor ‘form’ matched by a commitment to the ‘functions’ of a robust donor?

In order to do this, in section 3 the paper compares NDC performance to established DAC donors on three aid allocation variables that we believe are relevant to all states that seek to materially substantiate their donor identity: (1) investment in ODA, (2) commitment to countries with high levels of poverty and fragility, (3) support for multilateral institutions and engagement. Due to limited data, this analysis must limit its sample to 26 NDCs, including both new DAC joiners (post-2009) and non-DAC donors reporting their ODA through the DAC. While our sample does not cover the entire NDC population, including donors that do not report to the DAC like Brazil, Chile, China, Colombia, Costa Rica, India, Indonesia, Mexico, Qatar, and South Africa, we believe it still captures important dynamics among a sizable subset of the NDC category. As Table 1 highlights, this definition includes some donors with long-standing engagements in foreign aid and development cooperation, especially from the Middle East region. In these cases, we argue their ‘newness’ derives from their relatively recent institutional and operational expansion as an aid partner/provider and from articulating this status on global or regional platforms.

With some exceptions, our results in section 3 empirically demonstrate that over the period 2010-2014 NDCs were spending less ODA/GNI per capita and directing a smaller share of their ODA to poor countries and fragile states than established donors. While NDCs appeared to invest a greater proportion of their ODA into multilateral institutions than traditional DAC donors, these

results appear to be driven by new EU member states with formal obligations to the EU budget. Thus, our findings potentially indicate that NDCs desire to adopt the donor ‘form’ may not be matched by a strong commitment to some of the core ‘functions’ of a donor. While we do not view these results as either an exhaustive or final

assessment of NDC achievements but as a starting point for future research, the observed gap between form and function suggests there is an urgent need to investigate the performance of all donors. We conclude in section 4 with some reflections on the implications of these findings for the wider development ecosystem.

**Table 1. New Donor Countries under examination**

| Donor             | New DAC Members (after 2009) |            | Donor                   | Non-DAC Members |
|-------------------|------------------------------|------------|-------------------------|-----------------|
|                   | First Year of Reported ODA   | Joined DAC |                         |                 |
| Republic of Korea | 1987                         | 2010       | Saudi Arabia            | 1966            |
| Poland            | 1975                         | 2013       | Kuwait                  | 1970            |
| Iceland           | 1990                         | 2013       | United Arab Emirates    | 1970            |
| Czech Republic    | 1993                         | 2013       | Taiwan (Chinese Taipei) | 1988            |
| Slovak Republic   | 1999                         | 2013       | Turkey                  | 1990            |
| Slovenia          | 2005                         | 2013       | Israel                  | 1997            |
| Hungary           | 1975                         | 2016       | Estonia                 | 1998            |
|                   |                              |            | Lithuania               | 2001            |
|                   |                              |            | Latvia                  | 2002            |
|                   |                              |            | Cyprus                  | 2005            |
|                   |                              |            | Thailand                | 2006            |
|                   |                              |            | Liechtenstein           | 2007            |
|                   |                              |            | Romania                 | 2008            |
|                   |                              |            | Malta                   | 2009            |
|                   |                              |            | Bulgaria                | 2010            |
|                   |                              |            | Russia                  | 2010            |
|                   |                              |            | Croatia                 | 2012            |
|                   |                              |            | Kazakhstan              | 2013            |
|                   |                              |            | Timor Leste             | 2014            |

# 2. Why are new donor countries proliferating?

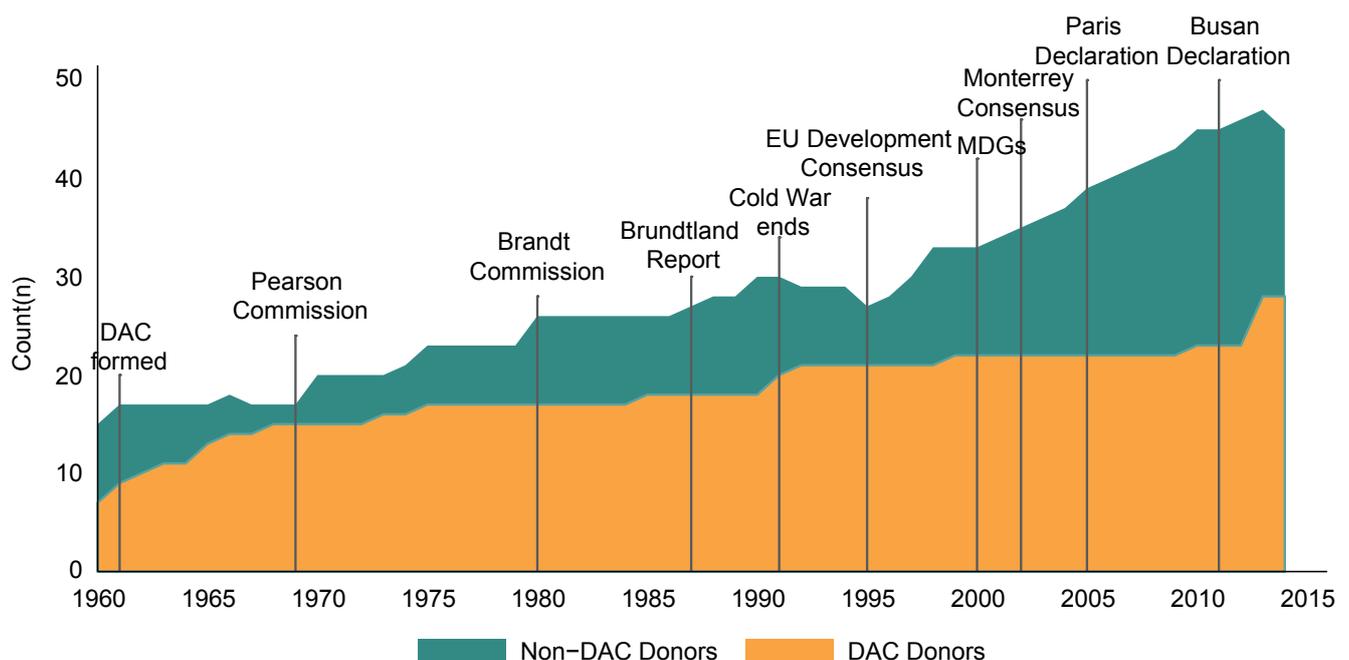
The last 25 years have seen a rapid and expansive growth of donor states. Figure 1 traces the increase in bilateral donors reporting ODA to the DAC between 1960 and 2014. This sample likely underestimates the extent of donor proliferation as it excludes non-DAC donors that do not report their ODA-eligible activities through DAC reporting systems (see Box 1). Nevertheless, proliferation is evident, from fewer than 20 bilateral donors in 1960 to nearly 50 by 2014. In 2014, this included 28 DAC country members and 20 non-DAC countries reporting to the DAC.

How does one explain this expansion in donor states? To date, there has been limited analysis of the sources of this cumulative growth in donor nations. We can, however, identify several reasons attributed to the motivations for aid-giving from which one may plausibly explain the growth in NDCs. **Moral attitudes** and commitments to global humanitarianism may be a strong motivation for states choosing to becoming donors (Lumsdaine, 1993; Lumsdaine & Schopf, 2007; Packenhan, 1966). The desire to promote ethical behaviours and global

social justice are attributed to a moral state imperative. The prevalence of **national** interests as a motivation for the provision of aid also has a long history (Alesina & Dollar, 2000; Morgenthau, 1962). Commentators point to the instrumental use of foreign aid to buttress shifting alliances, economic interests and diplomatic agendas. Aid can lubricate commercial, trade and investment opportunities, which incentivises the state to assume the role of donor. Most studies of donors suggest a combination of humanitarian and self-oriented motives lie behind the act of aid-giving, with the emphasis shifting at particular moments in time, and in relation to particular recipients and contexts (Lancaster, 2007; Lee, 1993).

Aside from these material reasons, an important, under-examined driver for aid-giving is the normative influences impinging on states in the global realm.<sup>1</sup> Institutional sociology and constructivist international relations view norms as widely shared ideas accepted as ‘common sense’ that define standards of appropriate behaviour for states and other organisations (Finnemore & Sikkink,

**Figure 1. Number of donor countries reporting ODA through DAC, 1960-2014**



<sup>1</sup> See (Fukuda-Parr & Shiga, 2016) for an important recent exception.

2001). A norm is defined, in other words, as a value or understanding of “what is good, desirable, and appropriate in our collective communal life” (Finnemore, 1996: 342). Such normative influences exert expectations of social compliance and conformity, which can generate copy-cat behaviour – or isomorphic mimicry – among states and other organisations (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Zucker, 1977). States are both rational actors and social constructions in this sense, adapting to global development norms to remain credible and to gain material advantages.

A norm becomes accepted as common sense from both social presence in and connections to an organisational field (DiMaggio & Powell, 1983; Finnemore, 1996; Meyer & Rowan, 1977; Scott, 1995). Global development is such a field, where states negotiate their role and identity as development actors, while simultaneously attempting to pursue their interests (Fejerskov, 2015; Kühl, 2015; Peterson, 2014; Swiss, 2011, 2012, 2016a, 2016b; Swiss & Longhofer, 2015). Organisations that incorporate widely accepted norms in this field maximise their reputational legitimacy, often increasing their ability to adapt, survive, compete and succeed (Meyer & Rowan, 1977: 352). The search for reputational legitimacy can thus stimulate donor proliferation. Tracing how donorship has become a widely accepted norm in the field of global development leads us to examine the history of states as aid providers.

## 2.1. Historical foundations of Northern aid providers

A long-standing idea exists that stronger nations hold a particular kind of responsibility towards weaker ones (Bracho, 2015; Rist & Camiller, 2002). In Article 55 of the United Nations (UN) Charter, for example, the

functions of a post-war international order are enshrined as a commitment to the principles of international economic and social cooperation (United Nations General Assembly, 1945). Incoming US President Harry Truman built on this statement in ‘Point 4’ of his inaugural speech in 1949. Widely seen as the start of the modern development industry, he committed the US to tackling under-development through a national programme for poorer countries (Lumsdaine, 1993). Over time, the US actively sought to foster foreign aid as an obligation of *all* developed states rather than its exclusive burden. The former Marshall Plan administrator, American Paul Hoffman, was charged with selling the sponsorship of aid programmes to European countries that had sought aid from the US a decade earlier. Foreign aid ‘redefined the nature of the world order, making sense only in the context of a new concept of what it is to be a state and of what the international realm is’ (Lumsdaine & Schopf, 2007: 224). Through foreign aid, a state’s purpose had become to assist all countries’ transitions into prosperity so they could eventually participate as aid providers. This paradigm rests on the logic that recipient states eventually graduate, achieve development and join the donor community; it has little space to consider that states might hold dual status as recipient and provider (Bracho, 2015: 12-15). By the end of the 1960s, almost all European countries had started some kind of aid programme. Identity as a donor had institutionalised itself as a mandatory part of developed country status, perhaps best exemplified by the regulatory pressures on new European Union (EU) member states to possess an aid programme (Box 2).

### Box 1. To report, or not to report: DAC is the question

One of the OECD DAC’s roles is compiling data on donors’ development cooperation. All 30 DAC members are required to annually report their development cooperation efforts in a standardised format following DAC reporting guidelines. Donors frequently use this data for their own reporting needs and the DAC uses it in donor peer review assessments. Furthermore, the data the DAC collects through its Creditor Reporting System (CRS) provides an important public function for researchers. Competing aid-datasets like the AidData collection are also partly based on the DAC’s CRS data.

DAC donors are not alone in reporting their development cooperation activities through the DAC. The DAC encourages non-DAC donor countries, whether OECD member countries or not, to report their development engagements per DAC standards. At the end of 2016, 19 non-DAC donor countries were reporting their development cooperation to the DAC. Some countries report details of all development cooperation activities through the CRS, while others choose only to report aggregate amounts. By voluntarily reporting to the DAC, non-members are implicitly complying and subscribing to DAC norms and assuming its reputational mantle. And yet, Table 1 highlights the significant gap that can exist between when members start to provide ODA reports to the DAC and when they actually join the DAC. Hungary’s gap, for example, exceeded 40 years.

Of course, many donors choose not to report their donor activities through the DAC. This makes it extremely difficult for researchers to quantitatively assess the entire population of NDCs against established DAC donors. While the DAC does try to estimate aid flows from non-reporting donors like China and India, these best estimates are not strictly comparable to those reported through the DAC.

## 2.2. The role of the DAC as donorship regulator

Perhaps the most influential actor shaping the institutionalisation of donor norms is the OECD's DAC. In 1960, the Organisation for European Economic Cooperation was reorganised as the OECD, making development assistance a defining characteristic of membership in the club of democratic and advanced countries (Lumsdaine and Schopf 2007: 225). The DAC sub-committee has the mandate to define and regulate foreign aid among its 30 members. By defining what counts as ODA and which countries are eligible for it, regularly evaluating the practices of its donor members, and setting the agenda for bilateral aid priorities among member states, the DAC develops, promotes and regulates norms and understandings of what it means to be a bilateral donor among the world's wealthiest countries (Paulo & Reisen, 2010, see also Box 1).

Full membership in the DAC 'confirms a country's commitment to promoting international development' and is a sign of a state's advanced economic and political strength (OECD, 2016). Aspiring donors are told: 'Joining the DAC brings with it many advantages. It gives providers of development co-operation an opportunity to: enhance their international credibility and broaden their influence (OECD, 2016).' This implies causal logic between becoming an aid donor and global soft power. DAC membership also provides peer review, through which members' performance is evaluated to ensure they are meeting DAC standards. The DAC legitimises the idea that a developed country will have a bilateral aid programme, and serves as a platform to create norms and coordinate

donors within its direct sphere of influence. In contrast, its role in regulating the expanding bilateral donor community is uncertain and has been discussed for some time (Bracho, 2015; DAC High-level panel, 2017; Eyben, 2012; Fuchs et al., 2012; Kim & Lightfoot, 2011; Manning, 2006).

## 2.3. The Southern turn

The Southern donor phenomenon formally launched at the first Afro-Asian summit in Bandung, Indonesia in 1955, though its emergence was a broader reaction to the colonial legacy and the Cold War's growing geopolitical impositions (Rist & Camiller, 2002). In Bandung, foundations were set for an enduring collective Southern project in the Non-Alignment Movement established at Belgrade in 1961, the 'New International Economic Order' of the 1970s and, more recently, development assistance by Southern donors to Southern donors – or South-South Cooperation (SSC). At Bandung, dependency and oppression between North and South was condemned and requests made for equal and exemplary relations with countries of the global South.

Since Bandung, Southern donors have ebbed and flowed, though have grown in number in the past 15 years. The various forms of SSC produce a patchwork of activities and relationships that states undertake. Southern donors are most commonly identified as Brazil, India, China and South Africa (BRICS without Russia), as well as countries that can include Mexico, Indonesia, Nigeria, Turkey, Colombia, Vietnam, Egypt, Thailand, Malaysia, Chile and Venezuela. Contemporary Southern donors draw on Bandung's hallmark principles to anchor their development

### Box 2. Regulating the donorship norm: the case of recent EU members

The European Councils in Copenhagen (1993) and Madrid (1995) laid out three dimensions on which to assess prospective EU members. This involved: possessing *functional institutions* to assure democratic representation, respect for the rule of law, and protection of human and minority rights; complying with *economic criteria* that included a functional market economy; and the ability to assume the obligations of membership as set out in the *acquis communautaire*, the body of treaties, regulations and agreements that constitute EU law (Milward et al., 2016: 11). In Chapter 30 of the *acquis*, member states must ensure their capacity to carry out 'external policies', including participation in the EU's development and humanitarian policies. Early regular reports of the Commission focused on whether candidate states were ready to participate in EU development activities, although by the early 2000s this focus shifted to whether the candidate state had established their own aid policy; in other words if they had become a NDC. Monitoring candidate states occurred, complemented by considerable engagement between prospective members and the EU development partners.

In 2002, the EU Council committed member states to significantly increase foreign aid volumes and tasked the Commission with monitoring these commitments. These commitments to increase aid volumes were adopted in the form of non-binding commitments, with their implementation largely dependent on member states' political will. Members were expected to increase their ODA/GNI to the level of 0.33% by 2006. In 2004, a distinction between the 'new' and 'old' members was established, with the latter expected to reach 0.17 ODA/GNI by 2010 and 0.33 ODA/GNI ratios by 2015 (Timofejevs Henriksson, 2014: 439). Though directive, these targets were not binding and most EU members (new and old) failed to attain the 2015 target.

There are now efforts underway to strengthen new EU-NDCs. These have taken on a variety of voluntary formats, including learning- and capacity-building initiatives with the UNDP Europe and Commonwealth of Independent States (CIS) office and plans for joint programming between new bilateral donors and the EU.

programming in principles like solidarity, horizontality among equals, sovereignty and non-interference, non-conditionality, mutual advantage and voluntary cooperation (Table 2). These principles allow Southern aid providers to distinguish themselves from established donors by distancing their current practices from donors of the past. Southern donors may thus obtain legitimacy by actually opposing dominant norms in development historically associated with the DAC and Northern states. And yet, one may argue that the act of a state becoming an aid provider, whether labelled donor or ‘solidaristic partner’, still signals maturing economic influence and political status and is a source of legitimacy in global affairs. This is especially the case for non-BRIC Southern NDCs that have less power and influence to gain by adopting an ‘anti-donor’ narrative. Pressures to converge to donorship norms for reputational advantages may be

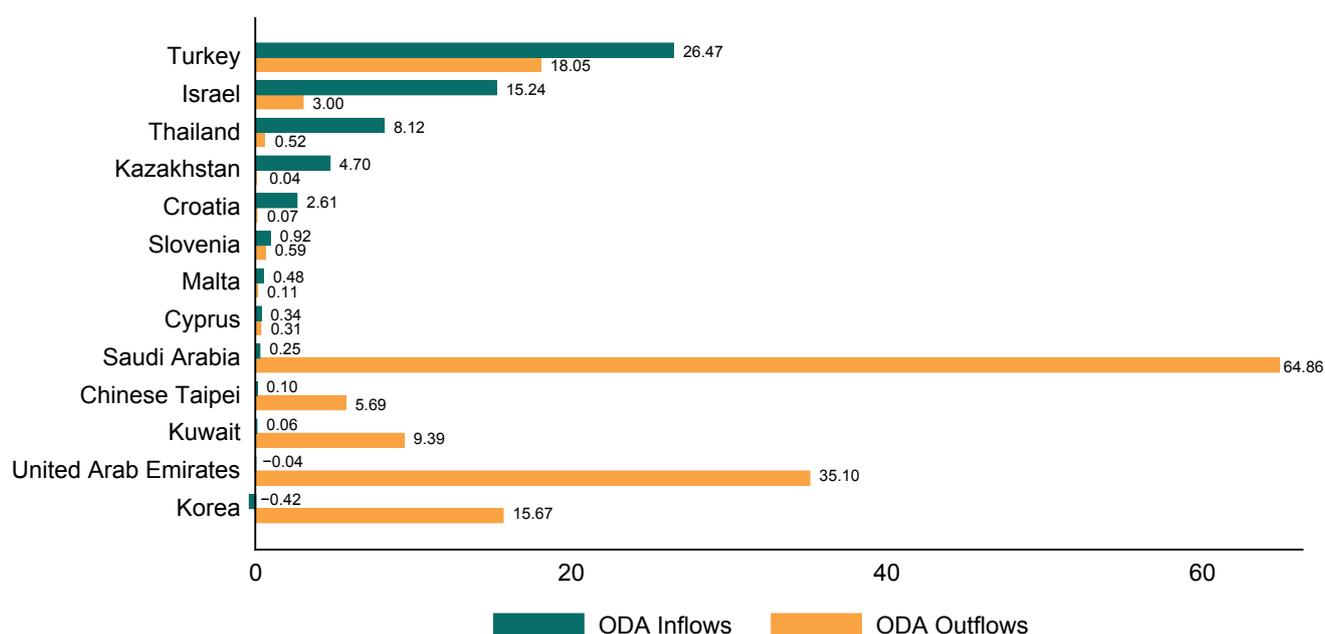
even greater for those Southern donors that choose to interact with established donors, either by reporting to the DAC or participating in triangular forms of development cooperation (Box 3).

In addition to the differences set out in Table 2, Southern donors’ dual role as aid providers and recipients also sets them apart from traditional donors. Southern states often pursue donorhood without having graduated from ODA and without leaving the community of Southern donors behind. Though not all NDCs in Figure 2 might identify as ‘Southern Donors’, the data shows that eight of the eleven non-DAC donors reporting to the DAC receive more total aid than they provided to others. The fact that NDCs are choosing to send ODA abroad while still being net-ODA recipients indicates a reputational legitimacy motive for becoming a donor. Aid provision signals their growing economic power and greater distance

**Table 2. Common differences between newer ‘Southern’ and established ‘Northern’ donors**

|                             | Southern donors   | DAC  |
|-----------------------------|---|--|
| <b>Political narrative</b>  | Non-interference<br>National interests  | Conditional<br>National interests  |
| <b>Dominant sector</b>      | Productive  | Social   |
| <b>Historical narrative</b> | Solidaristic<br>Recent development experience                                   | Paternalistic<br>Moral/charitable obligation                                 |
| <b>Power</b>                | Horizontal  | Vertical   |
| <b>Modalities</b>           | Packages of grants, concessional loans, export credits and technical assistance | Grants and technical assistance  |
| <b>Organisation</b>         | Network of government actors, state-owned enterprises and private enterprises   | National development agency, often embedded in a ministry of foreign affairs |

**Figure 2. Comparing total ODA inflows and outflows among non-DAC new donor countries, 1990-2014**



from weaker and poorer countries, even as they continue to face typical ‘problems of the South’ (Bracho, 2015: 15). Identity as a Southern provider in international arenas can thus highlight these states’ emerging powers.

## 2.4. Reputational legitimacy drives NDC proliferation: a summary

Overall, we argue that legitimacy as a donor is of strategic interest to states seeking economic and political influence in global fora and drives proliferation. Donorship implies power and the skills/resources required to deploy aid in solving problems of poverty and development in other countries. To be a donor also implies possessing the hard power to provide resources to others, as well as the softer skills and capacities to deploy these resources to resolve global challenges. NDCs adopt this donor identity not only to advance national interests or humanitarian imperatives, but to seek a new form of legitimacy on the global stage by putting themselves among a select group of wealthier and influential countries. Adopting the donorship norm fosters a state’s reputation and secures legitimacy as a mature and modern state, even if some Southern states may still lay claim to ‘developing country’ status. For others, it may be harnessed precisely to the idea of being a mature ‘developed’ country, as in the case of new European members.

How states adopt the donorship norm varies considerably, but there is an implicit acceptance running through all institutionalisation processes that legitimacy as mature states requires a role as a donor in international development cooperation. A ‘developed’ country is expected to share its wealth, expertise, and privilege – and to do this by engaging with ‘less-developed’ countries. Achieving reputational legitimacy is well-documented in Southern donors – their evolution into providing development cooperation reveals their capacities and willingness to help others if it will put them at the top of the developing-country spectrum (Bracho 2015: 14). The global recognition and respect achieved by these NDCs has contributed to a notable status-increase in their international identity (Mawdsley, 2015: 3). At the same time, we recognise that states do not simply passively receive the global donorship model and each new donor state is also building upon its unique circumstances, histories and culture. As such, the implementation of donorship is shaped and reshaped in ways that can transform what it means to be a legitimate donor. The rest of this paper demonstrates how such a transformation may, in fact, be occurring.

### Box 3. Triangular cooperation as a mechanism of institutionalising donorship norms

Triangular cooperation (TC) is a development relationship in which a DAC donor and/or multilateral agency partners with a ‘pivotal’ country (often a Southern middle-income country) to work with a third recipient country (McEwan and Mawdsley, 2012). While TC does not in itself create new donors, it does legitimise the diffusion of the donorship model by implicitly encouraging NDC aid provision in conjunction with a more established donor partner. TC increases NDC familiarity with the international development community’s norms and requirements, particularly the DAC and its stakeholders. A partnership among donor-equals is also a way for NDCs to obtain and signal reputational legitimacy and can constitute a form of national self-promotion within a broader foreign relations strategy. For example, in Brazil, TC is identified as means of ‘consolidat[ing] Brazil’s place as a pivotal southern country in the international arena [because] TC allows Brazil closer engagement and a more visible profile with Northern partners and with recipient countries’ (McEwan and Mawdsley 2012: 1201).

Admittedly, TC can also serve the interests of established donors seeking to prove their own legitimacy in an increasingly crowded donor landscape. TC allows ‘institutional bonds with emerging powers’ and demonstrates ‘openness to ongoing changes in the development cooperation landscape’ (Siefert and de Renzio, 2014: 12). By bringing new and established donors together in ongoing dialogue, TC may also ensure the global aid regime’s ongoing value and viability.

# 3. What are the consequences of NDC proliferation?

If reputational legitimacy motivates countries to become donors, what kind of aid providers are NDCs becoming? In other words, to what extent is a donor's reputational legitimacy accompanied by a strong and committed functional legitimacy? This question is important if one believes that donor legitimacy is not only attained by providing aid, but by doing it well in the long run. Without demonstrating that becoming a donor is good for global development, NDCs risk losing the status and standing they may have gained by becoming donors in the first place.

Sociological theory explains this potential risk as reputational legitimacy **decoupling** from functional legitimacy. As a result of decoupling, norms become 'more what organizations "say" rather than "do" and are 'not what is reflected in behavior' (Fukuda-Parr & Shiga, 2016: 5). De-coupling commonly occurs when

implementing global norms, where states seek to maximise the reputational benefits of adoption but minimise adherence costs (Meyer et al., 1997). The result is the commonly observed 'gap' between policy intent and practical implementation. Described another way, de-coupling is when organisational form is separated from core organisational functions, resulting in contradictory organisational behaviours. While such gaps may be more likely to emerge in weaker states with less capacity to implement policies and programmes linked to global norms (Clark, 2010; Cole & Ramirez, 2013; Swiss, 2009), more capable states are not immune to de-coupling. Established DAC donors, for example, did not achieve the bulk of international targets on aid effectiveness despite ambitious commitments and pledges (Box 4). In some cases (e.g. country concentration), traditional DAC donors' performance even deteriorated (Brown & Swiss, 2013).

## Box 4. Aid effectiveness and New Donor Countries

The DAC's ability to consolidate and institutionalise aid practices among aid actors is perhaps best seen through its role in crafting the aid effectiveness agenda in the early 2000s. The 1996 DAC publication, 'Shaping the 21st Century: The Contribution of Development Co-operation', had implications for donorship norms in that it explicitly welcomed new donors:

*Countries, institutions and individuals with recent experience in successful development can be especially effective in sharing their experience and insights with others. They also provide concrete examples of the shared international benefits of development. We need to strengthen and encourage the participation of those who can bring the experience of their own development into an expanding base of international co-operation. Such efforts are now part of our joint work in the DAC (OECD, 1996, p. 17).*

Similar statements were repeated in the 2005 Paris Declaration on Aid Effectiveness, though with less explicit focus on NDCs. In the subsequent Accra Agenda for Action and Busan Partnership for Effective Development Cooperation, the evolution of states into donors was more explicitly flagged, albeit with discussions displaying the fractured geopolitics dividing North and South (Eyben & Savage, 2013; Mawdsley et al., 2013). Evidence of the ongoing challenge of combining all donors' interests can be gleaned, perhaps, in the absence of high-level representation from non-DAC donors like China and India at the Global Partnership for Effective Development Cooperation Forum in Nairobi in November 2016. More recently still, the DAC is reflecting on a new role in encouraging emerging economies to be more actively engaged in global conversations on development effectiveness (DAC High-level panel 2017).

To what extent, then, is NDC proliferation actually resulting in robust donor programmes, or is there adoption of the donor form without adherence to strong donor functions? To answer this question, we compare NDC and established DAC donors on three metrics that capture donors' functional strength. Most existing donor rankings and benchmarks tend to impute donor performance from both the quantity and quality of aid delivered (Barder et al., 2016; Birdsall et al., 2010; Easterly & Pfutze, 2013; Easterly & Williamson, 2011; Knack et al., 2011; Palagashvili & Williamson, 2014). Furthermore, as Barder et al. (2016) write, most approaches rarely measure aid quality directly, but assess whether donors are living up to the commitments they have made to deliver aid in ways that are intended (and widely believed) to increase its quality. This is primarily because most donors (and recipients) will have different understandings of what constitutes effective aid. Nonetheless, assumptions about what drives aid quality are framed by indicators presented in DAC-championed declarations on aid/development effectiveness. As Box 4 highlights, these are highly contested by NDCs, particularly Southern donors (Chandy & Kharas, 2011; Fuchs et al., 2012). These metrics may therefore be unsuitable for comparing donors' relative performance.

By contrast, aid allocation patterns are often used to assess impact and effectiveness (Kilby and Dreher, 2010; Stone, 2010). As a result, we use three aid allocation metrics to compare NDCs to more established DAC donors: ODA allocation, needs-based allocation and multilateral allocations. These indicators are less DAC-centric and capture a donor's commitment to deliver aid in ways that contribute to global development because they imply a financial or geopolitical burden on the entity providing the aid (Bracho, 2015: 3).

**1. Donor ODA allocation:** All bilateral donors are encouraged to meet globally agreed-upon aid targets. Most influential was the 0.7% ODI/GNI ratio promoted in the UN's 1969 Pearson Commission report. Although a highly contested target (Clemens & Moss, 2005), it is widely accepted as the amount of aid that donors should be providing. Its effect has been to firmly instill in donors a sense that they have an obligation to provide concessional development finance at a certain level. Achieving the target is a quick way to assess donor generosity to the global development project; yet, very few countries ever meet the 0.7 target.

- 2. Donor aid allocation to the neediest nations:** Providing aid to countries most in need – including Least-Developed Countries, Low-Income Countries and fragile states – is one way to assess selfless donor commitment. Even though donors accept that some of the largest populations of people living in poverty are found in Middle-Income Countries (Kanbur & Sumner, 2012; Sumner, 2013), there is still a strong expectation that aid is most required where development needs are the greatest.
- 3. Donor aid allocation through multilateral institutions:** Global cooperation requires strong investment and political commitment to the multilateral system. Multilateral channels reduce bilateral donors' control over sectoral and geographic allocations to allow for investments that serve the collective global good (Gulrajani, 2016). Functional donors can be expected to invest heavily and predictably in multilateral organisations (OECD, 2015). Nonetheless, donors' multilateral commitments vary significantly, and the international system as a whole has been under-supported and under-funded by bilateral donors (Chandy & Kharas, 2011: 746).

These three metrics capture the state of donor aid quantity and quality and assess comparative donor performance. If we find inferior performance among NDCs, this is suggestive of some potential decoupling between donor form and donor functions. While we recognise the limitations of this analysis, especially the possibility that there may be a delay in reflecting NDC commitments in aid allocations, we believe that it is valuable to examine NDC donor performance to understand the trajectory of donor proliferation. Moreover, we would expect the gap between form and function to be most evident in the earliest years of NDC existence and to shrink gradually as interaction and dialogue with more established donors grows. In our sample, the bulk of NDCs have at least ten years of history recording aid to the DAC, where in many cases NDC existence pre-dates this reporting.<sup>2</sup> If early progress is being made, our analysis should therefore capture it.

To undertake this investigation, we used the most robust available quantitative aid data on NDCs: the OECD Query Wizard for International Development (QWIDS) database that aggregates OECD data from the Creditor Reporting System (CRS).<sup>3</sup> Our analysis is limited by the availability of data on NDCs. For instance, the QWIDS data only tracks data from donors choosing to report ODA figures

2 Less than third of the 26 donors in the NDC category (Lichtenstein, Romania, Malta, Bulgaria, Russia, Croatia, Kazakhstan, Timor Leste) have less than ten years recording aid to the DAC.

3 An earlier comparison between DAC and non-DAC donors used the PLAID dataset, also produced by Aid Data (Dreher et al., 2011). While PLAID had wider coverage, this coverage is not systematic so in terms of comparability across and between donor groups, we believe OECD data offers greater utility.

through DAC systems (Box 1) and excludes key non-DAC donors. Given these data limitations, our NDC sample size is limited to 26 donors both inside and outside the DAC (Figure 1). Thus, we distinguish NDC DAC donors (DAC membership after 2009) with NDC Non-DAC donors (reporting to the DAC) and compare their aid allocation to Old DAC Donors (membership prior to 2010). However partial this analysis of the NDC category may be, it provides the clearest possible longitudinal picture of NDC commitment to development since 2010.

### 3.1. How generous are NDCs?

Perhaps the most common measure of commitment to aid provision is donor generosity. Aid spending levels are a relevant indicator for understanding donor motivations for aid provision, looking at how effective a country's aid programme is, and assessing whether it is associated with higher quality aid (Barder et al., 2016).

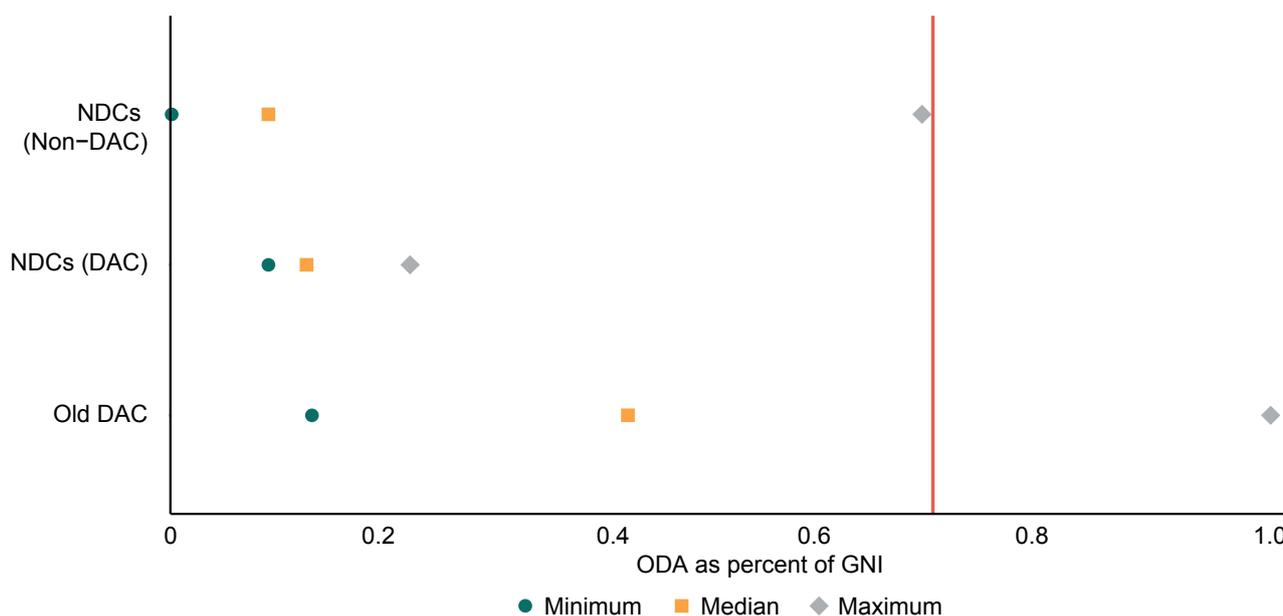
Figure 3 shows that median ODA as a percentage of GNI is significantly lower in NDCs than in established DAC donor states. The plot graphs the minimum (circle), median (square), and maximum (diamond) values of median ODA levels for all the countries in each group over the 2010-2014 period. The square reflects the median ODA as a percentage of GNI for each category: NDC (Non-DAC) median over the period is only 0.09% of GNI; the NDC (DAC) median is 0.125%; and Old DAC member median is 0.42% of GNI. The outliers represented by the minimum and maximum are donors that greatly exceed or fall below the average values for each category, while the red line represents the 0.7% ODA/GNI target. With more than four times the relative effort of Non-DAC countries, and more than three times that of the NDC (DAC) member

states, Old DAC member states spend more ODA relative to their national income than either of the NDC groups.

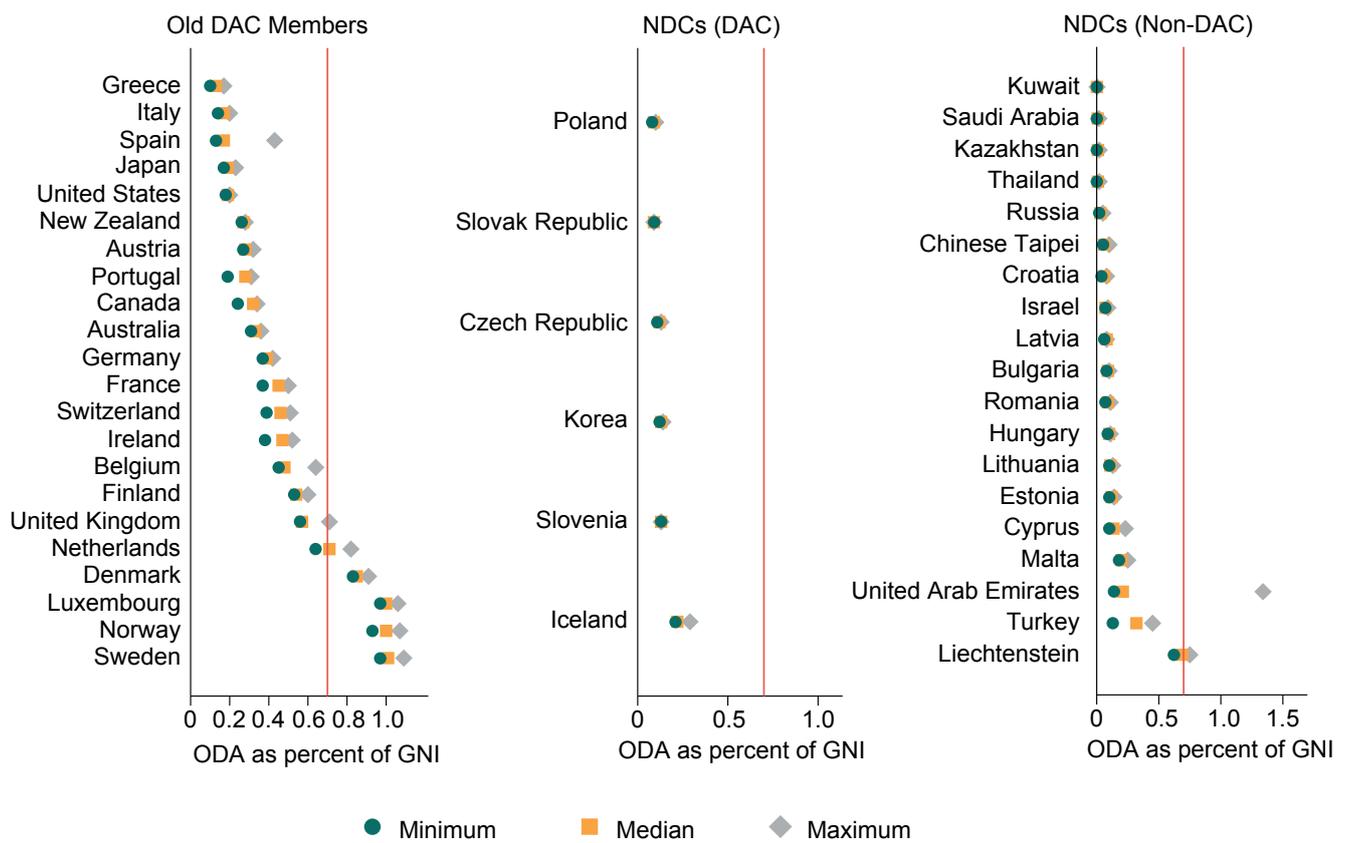
The data show how the implementation of aid generosity norms and spending targets such as the 0.7% target have been limited, particularly in NDCs. Only five DAC donors (Netherlands, Denmark, Luxembourg, Norway and Sweden) have a median aid spending level exceeding 0.7% over the 2010-2014 period, while only one NDC (non-DAC) – Liechtenstein – reaches this level (Figure 4). Interestingly, NDCs show a much narrower range of aid levels over the period than the established DAC donors. This implies that – apart from a few countries like Turkey and the UAE – NDCs are consistent in providing the same level of ODA over the five-year period.

A similar pattern is evident in terms of ODA volumes (Figure 5 and 6). NDCs, whether DAC members or not, provide less aid when measured against their national income over the 2010-2014 period. Whether comparing donor categories on ODA as a percentage of GNI, or as the sheer volume of total aid, the NDCs (DAC and non-DAC) on average have significantly lower aid levels than established DAC donors. Lower aid spending among new donors is perhaps unsurprising, especially if the data reflects a country's earliest forays into ODA provision. We suggest, however, that aid provision's early years can tell us about donor motivations as well as the potential consequences of donor proliferation on development. Moreover, we would expect to see greater variation in the NDCs' (DAC and non-DAC) spending levels than we do if states were starting with low initial outlays and more intensive spending in later years. Instead, apart from a few outliers like Turkey and the UAE, we see that on average, over the 2010-2014 period, many of the NDCs are repeatedly committing limited resources to aid.

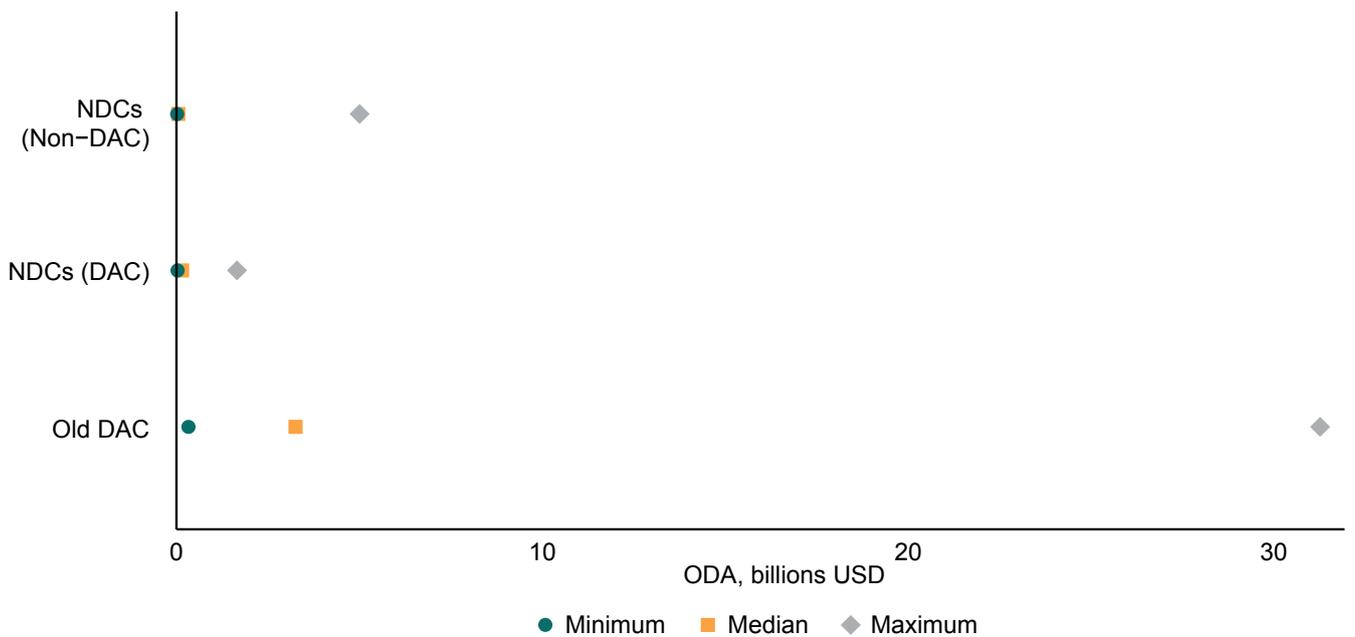
Figure 3. Median ODA as % of GNI by donor category, 2010-2014



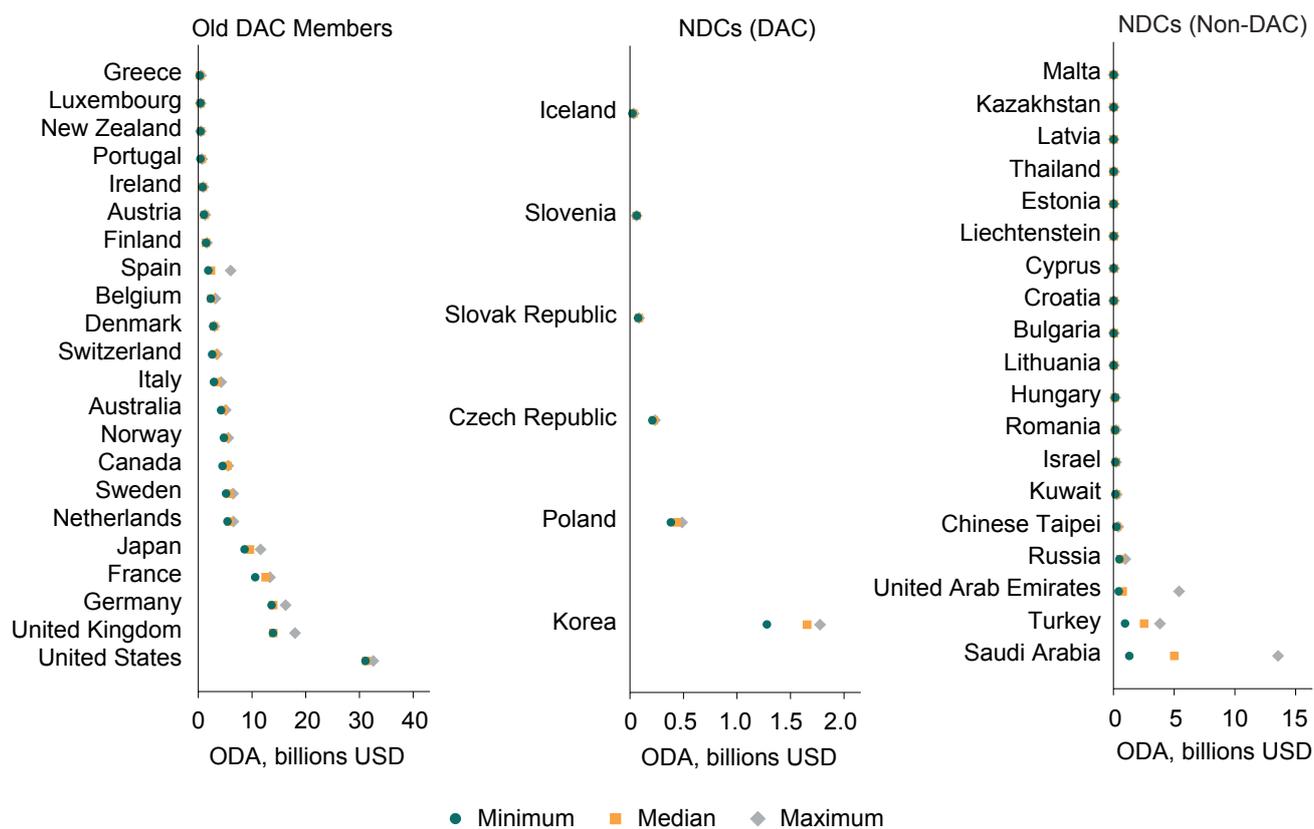
**Figure 4. ODA as % of GNI by donor category, 2010-2014**



**Figure 5. Median ODA volume by donor category, 2010-2014**



**Figure 6. ODA volume by donor category, 2010-2014**



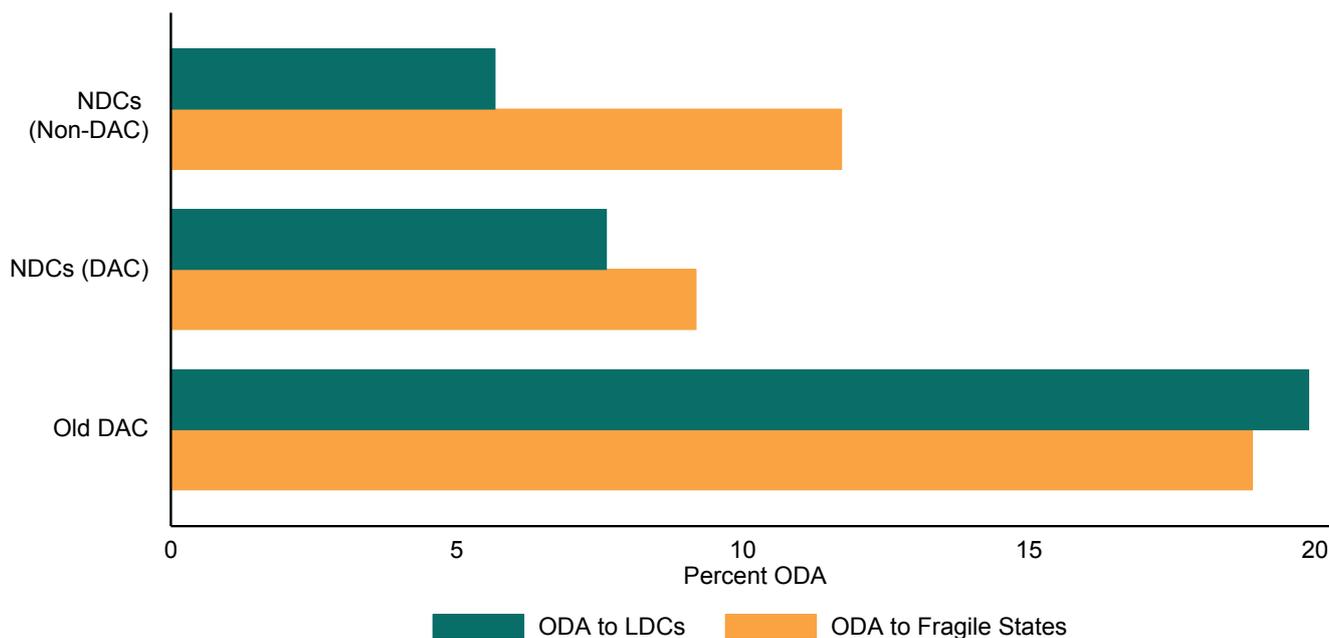
### 3.2. Do NDCs provide aid to those most in need?

Prior research has demonstrated that new and emerging donors do not prioritise recipient states' needs as much as established donors (Dreher et al., 2011). More recently, the ODI Donor Resilience tool suggests that donors providing more aid to LDCs and to fragile states are more capable of dealing with contemporary development challenges. This tool does not provide data for all NDCs, only those which have become DAC members. To assess the NDCs in our sample on similar criteria, we used QWIDS data to examine the percentage of average ODA provided to least developed countries and fragile states over the 2010-2014 period (Figure 7). Donors motivated by working on behalf of the world's neediest are expected to devote a higher proportion of their aid to recipients in both categories. Figure 7 shows that NDCs (Non-DAC and DAC) have a lower median level of spending in LDCs and fragile states than Old DAC donors – providing less than half as much of their aid to LDCs as does the DAC. At the same time, one cannot ignore that NDCs, particularly non-DAC members like Turkey and the United Arab Emirates, are increasingly important investors in conflict-affected states (Box 5).

### 3.3. Do NDCs invest in multilateral institutions?

Using multilateral channels to disburse aid and support global institutions is a strong indicator of donors' inclination to champion and support global public goods (Greenhill & Rabinowitz, 2016). Providing core multilateral aid seldom results in control or recognition for the donor nation. Instead, pooling donor funds to leverage impact and support global institutions tends to see donors ceding some influence and visibility as investors (Gulrajani, 2016). In this respect, we might expect NDCs to only weakly support multilateral aid efforts given the limited jurisdictional control they can exercise over international institutions. In our analysis, however, there is mixed evidence for this claim. The median level of Old DAC donors' proportion of aid disbursed through multilateral channels between 2010 and 2014 was 33.7%. NDCs (Non-DAC) dedicated a slightly higher proportion at 37.1%, while NDCs (DAC) provided the highest share of their ODA to multilateral recipients at more than 68%. Despite a higher proportion of aid disbursed through multilateral channels, NDCs still devote much smaller volumes overall.

**Figure 7. Median share of ODA to LDCs & Fragile States by donor category, 2010-2014**



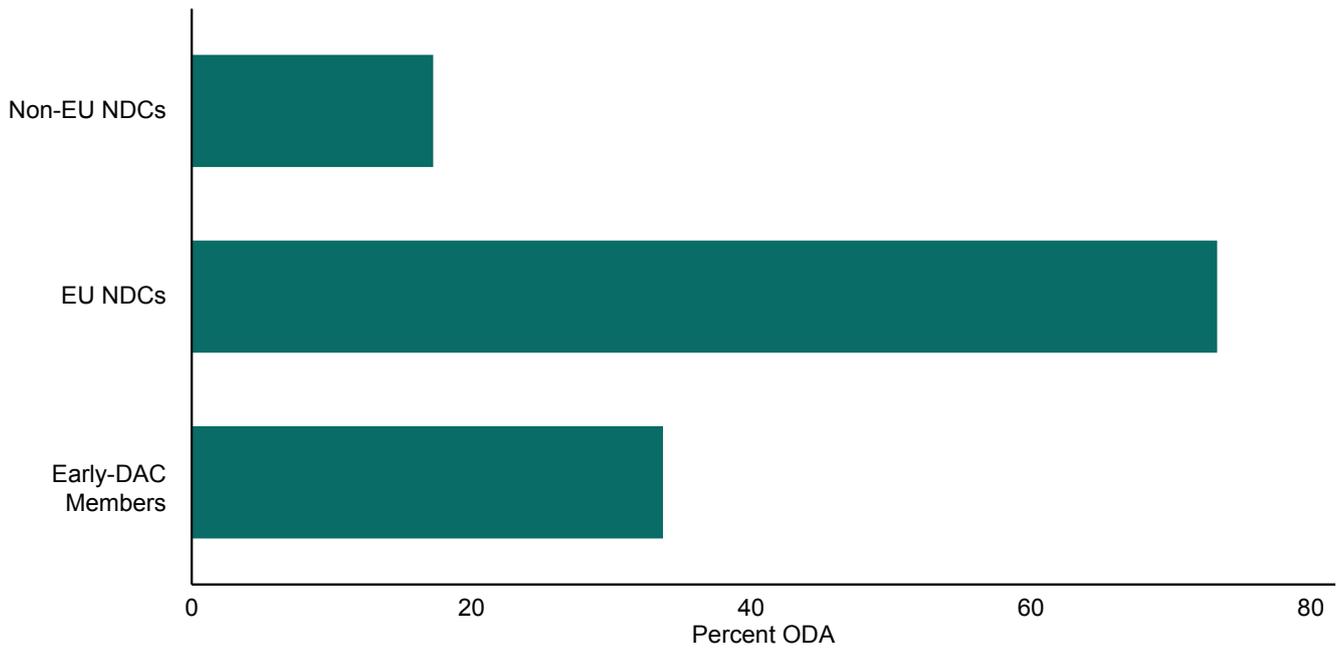
**Box 5. New Donor Countries and humanitarian aid**

NDCs are increasingly important providers of humanitarian assistance in conflict situations (Harmer & Cotterrell, 2005; Kot-Majewska, 2015; Smith, 2011). A growing percentage of international humanitarian assistance (11%) now comes from the Gulf region. The UAE, Saudi Arabia, Kuwait and Qatar are all significant humanitarian donors and flows from the first three are included in our NDC sample. Between 2011 and 2015, contributions of humanitarian aid from the Middle Eastern region increased almost 500%, accounting for around US\$2.4 billion of total humanitarian spending. Turkey was overall the second largest donor of humanitarian assistance in 2015, with contributions of US\$3.2 billion, the bulk of which financed the costs of hosting Syrian refugees. In both the Gulf states and Turkey, it is common for humanitarian assistance to be channelled through Islamic charitable organisations’ expansive networks, though the amount channelled through multilateral institutions is growing. Despite the diverse policy drivers for growing humanitarian outlays (Taraboulsi-Mccarthy et al., 2016), these efforts do indicate an important transition in the global responsibilities NDCs assume.

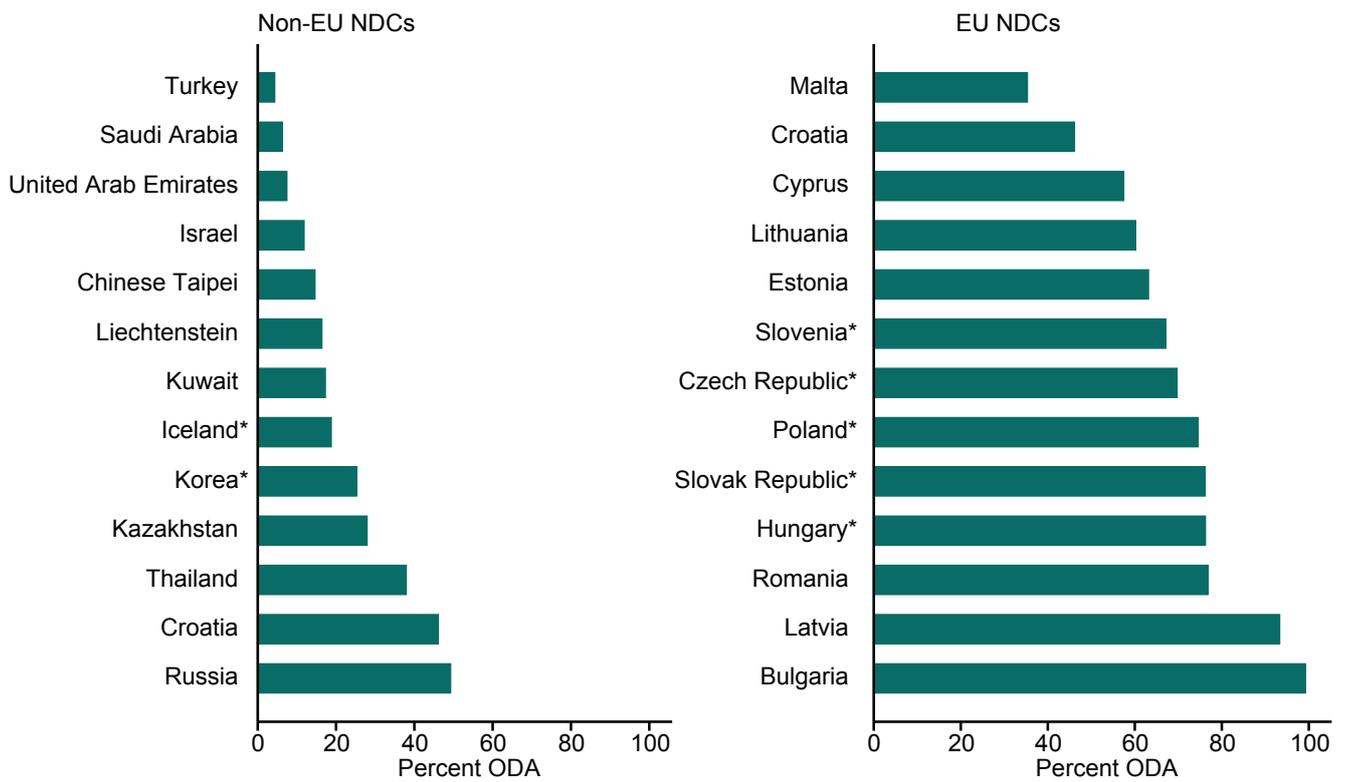
Relative to economic size, NDCs support multilateralism more than established DAC donors – an unexpected outcome. What might explain this result? To examine the pattern of support for multilateral aid, we split NDCs into two groups: EU members and non-EU members. We expect EU members will have substantially higher multilateral commitments due to mandatory contributions to the EU. EU NDC members do indeed provide more than 70% of their ODA on average via multilateral channels (Figure 8). Non-EU NDCs, in contrast, provide less than 20% of their ODA disbursed multilaterally and therefore lag behind Old DAC donors. Figure 9 compares EU and non-EU NDCs’ median share of multilateral aid and underlines that EU NDCs are investing in multilateral institutions to a degree that is unmatched by non-EU NDCs. This limited support for inter-governmentalism among non-EU NDCs may come from multiple sources. This includes the limited

voice and representation that some NDC states have within multilateral fora and stalled reforms to alter this status quo; reduced scope for achieving national interests when investing multilaterally and restricted organisational capacity to organise and provide multilateral funding (OECD, 2015). Nonetheless, creating new international institutions like the BRICS Development Bank and the Asian Infrastructure Investment Bank (AIIB) suggest a possible turning point for NDC engagement in the multilateral system.

**Figure 8. Median share of ODA through multilateral channels by donor category, 2010-2014**



**Figure 9. New Donor Countries median share of ODA through multilateral channels by donor, 2010-2014**



\* = DAC members

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### 3.4. Adaptation without adherence: a summary analysis

In this section, we highlighted the divergence between NDCs in our sample (DAC and non-DAC) and Old DAC donor states on three metrics capturing donor performance. Our analysis suggests these 26 NDCs invest less in ODA, are less focused on countries in need (especially poor countries) and exhibit weaker commitment to multilateral channels (except for new EU members for whom such contributions are mandatory). These results confirm previous studies showing new donors are not as strongly poverty-oriented or needs-focused compared to DAC donors (Dreher et al., 2011) and tend to be less invested in the multilateral system, with perhaps the exception of regional institutions (OECD, 2015).<sup>4</sup> DAC and NDC divergence on donor performance indicators suggests an emerging gap between NDCs' desire for reputational legitimacy and their achieved functional legitimacy as effective donors. While NDCs have attained status and influence, they do lag behind established donors' performance. In other words, NDCs adopting the donorship model does not appear to necessarily mean strong adherence to the aims of aid quantity and quality. And yet, this should not be interpreted as established DAC donors complying with their collective responsibilities towards global development cooperation. Indeed, the gap that traditional DAC donors maintain between their own rhetoric and reality can be sizable (Manning, 2006; Mawdsley, 2014; Rowlands, 2008).

At the same time, there are signs of progress: better NDC ODA/GNI ratios (Turkey and UAE exhibit greater variance in their ratios), Gulf investments in humanitarian assistance, and the creation of alternative multilateral channels. Furthermore, a sub-set of Southern donors are making progress on global indicators of development effectiveness, including using in-country systems and improving the medium-term predictability of their contributions (GPEDC 2016). NDCs are integrating foreign aid into broader concepts of economic development that may render their aid more coherent and effective (Fuchs et al., 2012). They are committed to alternative conceptions of country ownership rooted in non-interference (Chandy & Kharas, 2011) and maintain strong support among some aid recipients (Custer et al., 2015). And yet, there does appear to be scope for greater effort by NDCs on some key indicators of donor performance.

We do not see these results as the final word on NDCs' functional effectiveness but rather, a starting point for future research. To this end, we welcome greater investigation of the comparative performance between DAC and NDCs on a range of metrics over time, as well as comparative assessments of all donors' compliance with stated aims and ambitions. Better data access and coverage that would assist with such an analytical endeavour is critically needed.<sup>5</sup>

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4 This OECD report suggests that the seven largest non-DAC donors (Brazil, China, India, Saudi Arabia, South Africa, Turkey and UAE) accounted for only 2% of flows to multilateral organisations in 2013. Admittedly, multilateral funding increased by 51% (from a low base) between 2009-2013.

5 This may be hard to achieve as many governments, particularly Southern ones, worry about the potential backlash against overseas spending when domestic poverty is high (Mawdsley, 2014: 646).

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# 4. Making donor proliferation functional

This analysis makes a start at quantitatively assessing the gap between form and function in new donor countries, something many scholars investigating the historical and political evolution of emerging donors have alluded to. Mawdsley (2014: 639), for example, hints at a gap between reputational and functional legitimacy when she writes: '[w]hile many Southern states are now increasingly recognized as effective and desirable development partners by the mainstream community, they are generally viewed as demonstrating somewhat inferior ethics of aid.' Kim and Gray's (2016: 651) also suggest a gap between policy and implementation of development cooperation programmes by emerging powers, describing them as 'aid-like'. Our results lend some empirical basis to these positions.

NDCs' remarkable expansion in the last two decades is of real consequence, as well as testimony to the enduring acceptance of international global development norms in aid-giving. In some ways, this is a remarkable trend given that development agencies are scrambling to respond to demands for a 'post-aid' world. Nonetheless, it can also be explained by examining the trajectory of norm diffusion in global society. Global norms matter and identity as a donor is now intimately tied to a state's status and influence in international relations. The imperative of reputational legitimacy as a donor is now an important driver of proliferation.

Given this, what are the functional consequences of proliferation? Our analysis of 26 NDCs suggests it is possible to assume donor norms without exhibiting a strong commitment to development in terms of ODA spending, allocating to the neediest nations, and supporting existing multilateralist configurations. If donors can obtain reputational gains with minimal substantive obligations to some core principles of global development, we believe this poses both an opportunity and a threat to the global aid regime itself.

Donor proliferation may be an **opportunity** because as new actors conform to its narrative – if not the functions that were once part of this narrative – the viability of the development field enhances. In an era of deep aid-scepticism and minimal political momentum for global cooperation, the fact that NDCs are still engaged in conversations about aid provision suggests the regime is more durable than we might have hoped. Moving away from trying to actively socialise new donors, the DAC now

actively courts them, seeking to engage new actors on their own terms. The rising power of Southern donors has been an impetus for new institutions like the New Development Bank and Asian Infrastructure Investment Bank. New types of activity like TC underlines established donors' expertise and knowledge and the ways they can be harnessed to strengthen NDCs, as well as the aid regime more generally. New actors, different institutions and innovative forms of engagement can all revitalise the field and support its long-term viability.

At the same time, donor proliferation is also a potential **threat** to successful development cooperation. This threat, on one level, derives simply from aid-provider numbers. Increased actors potentially fragment aid delivery and raise the transaction costs of coordination (Chandy & Kharas, 2011; Fuchs et al., 2012). This can make collective action harder to achieve at a time when the importance of international cooperation for provision of global public goods and elimination of global public bads has never been higher. At another level, donor proliferation is problematic due to the ways NDCs may be understanding their responsibilities as aid providers. If states are adopting the form but not the functions of a dedicated donor, NDCs may undermine the fragile gains made by the traditional donor community. The potential consequence of NDCs failing to achieve functional legitimacy is that more established counterparts downgrade their own efforts in response (Bracho 2015: 9-10).

What is now needed is greater vigilance of the consequences of donor proliferation. Researchers require comparative and timely data to assess whether donors are increasingly decoupling form and function. NDCs must make efforts to consolidate their development programmes and display good global citizenship. There are certainly positive signs that NDCs are reflecting on other donors' experience to strengthen their own capacity and effectiveness, as well as the wider aid system (AMEXCID & GIZ, 2014; UNDP & Chinese Academy of International Trade and Economic Cooperation, 2016).

Finally, established donors must exemplify functional requirements by modelling robust commitments and effective performance and reducing the gap between intentions and implementation. Northern donors and the bodies that represent them must acknowledge that for many NDCs, solidarity, empathy and mutual interests

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are critical values reflecting their 'unfinished struggle' as peripheral actors in world society (Mawdsley, 2014: 643). The traditional donor community will need to develop a common development narrative in conjunction with NDCs as equal partners. This will require a clear framework for shared engagement that is fair, equitable and legitimate for all. Doing so would, arguably, allow both established donors and NDCs to step up to the challenges posed by a world where opportunities for global cooperation are shrinking, but the need for collective action is expanding.

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