The age of choice:developing countries in the new aid landscape

A synthesis report

Romilly Greenhill, Annalisa Prizzon and Andrew Rogerson

Working Paper 364

Results of ODI research presented
in preliminary form for discussion
and critical comment

Working Paper 364

The age of choice: developing countries in the new aid landscape

A synthesis report

Romilly Greenhill, Annalisa Prizzon and Andrew Rogerson

January 2013

ODI
203 Blackfriars Road,
London
SE1 8NJ
www.odi.org.uk

ISBN 978 1 909464 07 0
Working Paper (Print) ISSN 1759 2909
ODI Working Papers (Online) ISSN 1759 2917

Contents

Tables and figures

Acknowledgements

The authors would like to thank Matthew Geddes, who provided excellent background data analysis to inform the global and country-level estimates, and Maia King, who contributed to the Cambodia case study and conducted the in-country research. Thanks are also owed to interviewees in Cambodia, Ethiopia and Zambia, who generously gave up their time to contribute to this report. We would also like to thank the Council for the Development of Cambodia, which facilitated interviews and helped frame the research in Cambodia; and Mohammed Mussa and Chrispin Matenga, who provided very valuable research support in Ethiopia and Zambia, respectively. Finally, we would like to thank Andrew Norton and Edward Hedger at the Overseas Development Institute, who provided very valuable peer review comments on the report.

This report was generously funded by the UK's Department for International Development and the Australian Agency for International Development. The usual disclaimers apply.

Acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
Afrodad	African Network on Debt and Development
ASEAN	Association for South-east Asian Nations
BRICS	Brazil, Russia, India, China and South Africa
CCM	Country Coordinating Mechanism
CPA	Country Programmable Aid
CPI	Climate Policy Initiative
CRS	Creditor Reporting System
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DAG	Development Assistance Group
DCI	Development Cooperation Ireland
DFI	Development Finance Institution
DFID	Department for International Development
ECOSOC	Economic and Social Council
EITI	Extractive Industries Transparency Initiative
EoDB	Ease of Doing Business
EPRDF	Ethiopian People's Revolutionary Democratic Front
ERR	Economic Rate of Return
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
GAVI	Global Alliance for Vaccines and Immunisation
GDP	Gross Domestic Product
GEF	Global Environment Facility
GNI	Gross National Income
GTP	Growth and Transformation Plan
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
IAD	Institutional Analysis and Development
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IPEA	Institute for Applied Economic Research (Brazil)
LIBOR	London Inter-bank Offered Rate
LIC	Lower-income Country
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MIC	Middle-income Country
MoFED	Ministry of Finance and Economic Development (Ethiopia)
MoFNP	Ministry of Finance and National Planning (Zambia)
NGO	Non-governmental Organisation
NSDP	National Strategic Development Plan
NTDA	Non-traditional Development Assistance
NTP	Non-traditional Provider
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development

OOF	Other Official Flow
PFM	Public Financial Management
PPP	Public–private Partnership
RGC	Royal Government of Cambodia
TDA	Traditional Development Assistance
UK	United Kingdom
UN	United Nations
UNDP	UN Development Programme
UNECA	UN Economic Commission for Africa
US	United States

Executive summary

The aim of this paper is explore the implications of the new and complex aid landscape for developing country governments. In 2000, development assistance was overwhelmingly provided by traditional bilateral and multilateral donors, which provided aid in specific ways and according to a particular set of norms. Today, this is being complemented by the growth of other forms of development assistance, including from non-Development Assistance Committee (DAC) donors, climate finance funds, social impact investors, philanthropists and global funds, as well as less concessional flows.

This study explores the challenges and opportunities this new landscape presents to developing country governments. It does this in three ways:

First, it provides a provisional taxonomy of the various forms of development assistance, including the less traditional flows.

Second, it uses this taxonomy to provide a first-cut estimate of the volume, composition and recent trends in development assistance.

Third, it summarises the findings of three country case studies in Cambodia, Ethiopia and Zambia. These studies seek to understand:

- The volume and composition of flows at country level;
- The priorities governments have in managing them;
- The fora in which governments seek to engage with different groups of providers[1]; and
- The extent to which governments have been successful in meeting their objectives.

The **taxonomy** we present defines total development assistance as all flows that are cross border, channelled to developing countries, have some level of concessionality and are provided with a public interest purpose. This includes traditional official development assistance (ODA). It also includes elements considered more innovative, newer or less traditional, and which may not meet strict ODA definitions (although some do.) This includes non-DAC assistance, philanthropy, social impact investment, global funds, climate finance, and, in our 'upper-bound' estimates, other official flows (OOFs). We present this taxonomy not as a definitive product, but as a first-cut estimate for further feedback and discussion. In particular, lack of information on concessionality levels of much non-traditional development assistance means it is difficult to track exactly which flows might fit into this category.

Second, we provide a **provisional estimate of the total volume and composition of traditional development assistance (TDA) and non-traditional development assistance (NTDA) at global level,** including trends since 2000. We find that development assistance flows grew substantially between 2000 and 2009, and their composition has shifted heavily towards what we here call 'non-traditional' sources. We find that:

- According to our more conservative, or 'lower-bound', estimate, which excludes OOFs, total development assistance grew from **$64.8 billion to $173.3 billion between 2000 and 2009**. In 2000, the 'non-traditional' component of these flows was only $5.3 billion, or 8.1% of the total. By 2009, non-traditional flows had increased tenfold to $53.3 billion, making up 30.7% of total development assistance.
- Our less conservative, or 'upper-bound', estimate, which includes OOFs, suggests that total development assistance grew from **$77.1 billion to $213.5 billion between 2000 and**

1 We use the word 'provider' in this report to refer to all those actors providing development assistance, including DAC and non-DAC donors, philanthropists, social impact investors and global funds. We deliberately do not use the word 'donor', as many of these providers do not see themselves as donors in the traditional sense.

2009. In 2000, NTDA was $17.6 billion**;** by 2009 it had grown to $93.5 billion,[2] a fivefold increase. NTDA by this expanded definition rose from 22.8% of total development assistance in 2000 to 43.8% in 2009.

Third, we draw on **country case studies in Cambodia, Ethiopia and Zambia** to explore the challenges and opportunities developing country governments experience in managing this new complex aid landscape. The study finds that:

- All three countries are receiving increasing volumes of development assistance, with a greater share accounted for by non-traditional sources, although this varies by country. Data challenges mean our analysis is likely to underestimate the current volumes of flows, particularly from less traditional providers.
- This growth is leading to more choice and more finance, and developing country governments welcome this.
- Governments identified ownership, alignment and speed as key priorities when it comes to the 'terms and conditions' of development assistance. Non-DAC donors were found to score well against this set of criteria; this was less true for global funds in Cambodia and Zambia.
- Ethiopia and Cambodia were found to be taking a strategic approach to the division of labour between different groups of development assistance providers. This was less true for Zambia, possibly because the country has better access to domestic and private sources of finance and is less dependent on development assistance.
- Governments in Cambodia and Ethiopia show limited interest in including the less traditional providers in aid coordination mechanisms; the Zambian government displayed more interest.
- Philanthropic and social impact investment flows are small at country level and are not yet changing the aid landscape significantly.
- Countries' ability to attract and manage climate finance appears to depend heavily on their own strategies.

In conclusion, we note that:

- The volume of development assistance has grown dramatically since 2000, and the composition has changed significantly, with a much larger share being accounted for by non-traditional providers.
- Countries are welcoming this additional choice and see these trends as more positive than negative. The benefits of greater choice were found to outweigh the potential costs of the additional fragmentation.
- The growth in the variety of providers of development assistance, particularly the non-traditional, is helping strengthen the negotiating power of governments, and may make it more difficult for traditional donors to influence policy.
- The ability of countries to benefit from the changed landscape depends heavily on their ability and willingness to manage these flows strategically, and also on their economic and political context.
- The changed landscape will lead to different 'ways of working' for governments, traditional donors and the international aid effectiveness community. We include detailed policy recommendations for each of these groups at the end of the report.

2 Note that OOF figures are a three-year moving average of 2002-2004 for 2000, the closest available, and 2008-2010 for 2009, to smooth out potential fluctuations from the financial crisis.

1 Introduction and rationale behind the study

Development cooperation is changing rapidly. There are both demand- and supply-side pressures, which suggest that 'traditional' donor aid from Organisation for Economic Co-operation and Development Development Assistance Committee (OECD-DAC) donors is becoming less important as a source of development finance. There is now a myriad of 'non-traditional' sources of development finance, including from non-DAC donors such as China and India, philanthropists such as the Bill and Melinda Gates Foundation and 'social impact investors' such as the Shell Foundation and Acumen Fund. Development cooperation is also being affected by changes in the global context. These include fiscal austerity in OECD countries, which is putting downward pressure on donor aid; the graduation of a number of lower-income countries (LICs) to middle-income country (MIC) status; greater access to international capital markets on the part of many fast-growing LICs and MICs; and a desire in many developing countries to reduce dependency on aid. The growth of the less traditional actors within this changed context has led to changes in the global architecture in terms of reaching agreement on aid effectiveness issues. From the 2005 Paris Declaration, primarily involving DAC donors, a new, broader 'Busan Partnership for Effective Development Cooperation' has emerged, including a larger number of players.

This study explores the implications of this more complex global landscape for partner country governments and traditional donors, and examines the challenges and opportunities governments experience in managing development assistance from traditional and non-traditional providers. Definitions of 'traditional' and 'non-traditional' are inherently controversial and subjective, as many actors labelled 'new' or 'non-traditional' have been operating for many years.

For the purposes of this paper, we define 'traditional development assistance' (TDA) to mean assistance provided by traditional bilateral and multilateral donors that are members of the DAC and that conform to DAC norms and rules to varying degrees, and which meets standard official development assistance (ODA) definitions.

By 'non-traditional development assistance' (NTDA), we mean cross-border sources of finance provided with some public or philanthropic interest purpose, which have some associated level of concessionality but also have funding or delivery mechanisms that differ from those of traditional donors and may not meet ODA definitions – although some do. We include within this category development assistance from non-DAC donors; philanthropic and institutional giving; social impact investment; global vertical funds; and climate finance. We also include other official flows (OOFs) in our upper range estimates because, although many OOF providers are traditional donors (e.g. the International Bank for Reconstruction and Development, IBRD), their assistance does not meet usual ODA thresholds of concessionality.

The study does not cover domestic resource mobilisation or purely private sector flows, which either are not cross-border or are not provided with an explicitly public interest purpose. There are two reasons for limiting the study in this way: 1) we wanted to make the scope more manageable; and 2) we believe governments are more likely to consider NTDA as a complement or substitute to ODA, and to manage it in comparable ways, something the case studies explore in more detail.

The study explores this new complexity in three ways. First, it provides a **provisional taxonomy** of sources of development assistance, including from both traditional and less traditional providers. This is not intended to be a definitive taxonomy or to create new categories or definitions; rather, it provides a first-cut estimate for feedback and discussion and a framework to inform the subsequent analysis. Second, we analyse **trends in the volume and composition of total flows of development assistance to all developing countries (low and middle income).** This will help us understand how the aid landscape has changed over the past decade and the impact this might be expected to have at country level. Finally, we draw on **three country case studies**

(Cambodia, Ethiopia and Zambia) to explore the challenges and opportunities developing country governments face in managing this changing landscape.

The main purpose of this analysis is to help developing countries, donors and those involved in international dialogues around aid effectiveness to better understand the implications of this new complex landscape for partner country aid management strategies. We aim to help countries understand how they can adapt their strategies to make the best use of the sources of development assistance available to them and to access new sources. Post-Busan, the debate on aid effectiveness is intended to take place primarily at country level, through 'country compacts'. Understanding the changed landscape from the view of partner country governments is therefore critical. The analysis also aims to help donors understand how their own role at country level may be changing.

The study aims to complement existing work in two main ways. First, by focusing on the country-level perspective, it seeks to complement the large volume of existing literature on new flows, particularly on non-DAC donors (Davies, 2010; Manning, 2006; OECD, 2010a; 2010b; Reality of Aid, 2010; Woods, 2008; Zimmermann and Smith, 2011). Much of the existing literature highlights the potential benefits of non-DAC support to countries, and some assesses the quality of aid against standard aid effectiveness indicators. However, it is in general focused on the view from the global level and the perspective of donors and funders; there is currently very little published literature that discusses countries' own views and priorities. Those studies that do exist, for example Grimm et al. (2010), focus on only a few countries or providers.

The existing literature is fairly clear on the need for additional work to fill current gaps in our understanding of the country perspective. Zimmermann and Smith (2011), for example, note that 'the most pressing question ahead of the 2015 MDG [Millennium Development Goal] deadline is […] whether developing countries will be able to take full advantage of [non-DAC donors'] new sources of funding and ideas' (12). Similarly, Kharas (2007) notes that 'The new reality of aid is one of enormous fragmentation and volatility, increasing costs and potentially decreasing effectiveness. A key challenge for the new era of development assistance will be to understand how coordination, information sharing and aid delivery will work in the new aid architecture' (1).

Second, the study diverges from the existing literature by remaining agnostic on what is meant by 'aid effectiveness'. Other studies on new flows have taken the Paris Declaration interpretation of aid effectiveness as the 'lens' through which they examine new providers, asking to what extent flows from non-traditional providers (NTPs)[3] are consistent with the Paris principles (Grimm et al., 2010; UNDP Cambodia, 2010). While focusing on aid effectiveness as a key priority, this study takes a neutral starting point with regard to the appropriateness of the Paris Declaration interpretation of aid effectiveness. Instead, one of its guiding questions is to better understand country priorities when it comes to the volume and quality of the aid they receive and to assess flows against their own criteria.

The paper proceeds as follows:

- In Section 2, we provide a provisional taxonomy of development assistance, including both traditional and less traditional sources. We then provide a first-cut estimate of recent trends in the volume and composition of these flows at a global level.
- Section 3 presents the theoretical framework that guides the three country case studies and a brief introduction to the case study methodology.

---

3. By NTPs, we mean those actors providing NTDA, including non-DAC donors and Korea; philanthropists; social impact investors; global vertical funds; and climate finance providers.

- Section 4 provides an introduction to the case studies and describes the key contextual factors that might be expected to shape country engagement with donors and NTPs.
- Section 5 presents the main case study findings, including the volume and key characteristics of the various forms of development assistance at country level.
- Section 6 concludes and summarises the policy recommendations.

2 The new aid landscape: trends in TDA and NTDA

As noted in the introduction, one of the aims of this paper is to better understand recent trends in the volume and composition of development assistance flows within the new aid landscape, and in particular the breakdown between TDA and NTDA. This is the focus of Section 2.

In Section 2.1, we present a provisional taxonomy of development assistance flows, defining our understanding of both TDA and NTDA, and the component parts of each. This is not intended as a definitive taxonomy or to create new categories or definitions, but to present a first-cut estimate for discussion and a framework to inform the subsequent analysis. We first provide a summary (Section 2.1.1) and then a more technical exposition (Section 2.1.2): those less interested in the technical details can skip over Section 2.1.2 and move straight to Section 2.1.3, which lists the components of TDA and NTDA and provides a visual mapping.

In Section 2.2, we draw on our taxonomy to present provisional estimates of trends in the volume and composition of development assistance flows at global level. Given data limitations, which are noted in the text, this is an imprecise estimate, and probably underestimates the volume of less traditional flows.

2.1 Defining TDA and NTDA

2.1.1 A summary methodology

Our main interest is in charting the impact at country level of a rapidly changing landscape, or ‘aidscape’, of development assistance providers, with an emphasis on the less traditional (and outright new) ones, and how they interact with governments and other providers. We accept that these phenomena are not best measured solely in terms of financial flows, in isolation from trade links, skills transfers and other critical attributes often bundled together with finance. We are nonetheless using finance here as a crude but simple yardstick.

The distinction between TDA and NTDA in this paper is at best a useful approximation, inevitably involving a degree of subjective judgment. There is constant innovation and experimentation within the traditional subset; conversely, ‘non-traditional’ does not imply a blank sheet in terms of history and values.

Defining development assistance involves three basic steps:

1. Consider all cross-border resource flows into developing countries;
2. Apply a public (and philanthropic) interest test, using financial subsidy as a proxy;
3. Exclude purely market-based (for-profit) external finance.

What is now left is all development assistance: that is, TDA plus NTDA. We apply a further filter to distinguish between these, although we recognise that this distinction is not perfect and the boundaries will sometimes be blurred. We define TDA as assistance provided by traditional bilateral and multilateral donors that are members of the DAC and that conform to DAC norms and rules to varying degrees, and which meets standard ODA definitions. By NTDA, we mean-cross border sources of finance that meet the three criteria above, but which have funding or delivery mechanisms that differ from those of traditional donors and which may not meet the ODA definitions.

Some NTDA flows are scored as ODA, but we included them in our 'non-traditional' category because they present new or 'complex' management issues and opportunities, mostly because their allocation/coordination processes fall outside well-established DAC approaches and, in some respects, may resemble non-DAC flows more than DAC ones. This includes global funds, climate finance and Korea, as the next section explains in more detail.

The categories included in the definition of NTDA are: financial flows from non-DAC countries; private philanthropy; flows to developing countries from non-governmental organisations (NGOs), net of ODA these NGOs receive; social impact investment; global vertical health funds; climate finance; and Korean assistance. **We identify separately, in an upper-bound estimate,** OOFs, including from the so-called non-concessional windows of multilateral banks. Remaining ODA is classified as TDA for the purposes of this report.

We **exclude** from development assistance altogether forms of finance that do not clearly meet the criteria set out above: domestic resource mobilisation (taxation and domestic financial markets) and private investments; private remittance flows; foreign direct investment (FDI); international commercial bank and bond market funding; and export credits on market terms.

2.1.2 An expanded methodology

More specifically, defining development assistance and its component parts involves the following three steps.

First, **we consider all development finance flows into any developing country,** that is, countries on the DAC list of eligible ODA recipients[4] (including all LICs and MICs), and potentially from any origin, public or private, including other LICs and MICs. Domestic resource mobilisation is the largest financing source in developing countries, especially in MICs (see Greenhill and Prizzon, 2012). However, we look instead at how governments perceive and manage **external** sources.

We also focus in principle **only on transfers of real resources.** As in ODA, we do not include un-disbursed forms of support, like guarantees that have not yet been called. We differ from ODA treatment (but follow, e.g., country programmable aid (CPA) practice), by counting bilateral and multilateral loan disbursements on a gross, not net, basis. This is because, for government departments in the destination country looking for funding for investment needs, what matters most is the gross flow.

Second, **our main interest is in external sources of finance that operate largely for a *public (or philanthropic) interest purpose.*** This is not always a clear-cut distinction. It could be based on achieving a national or global public good (say disease control), on international welfare goals such as the MDGs, on recognising the special status of an intended beneficiary (low income, least developed, fragile, marginalised groups etc.) or on similar priorities. It could also simply be because of a **mutual interest** in promoting economic ties between two countries, less altruistic but still plausibly in the public interest of the recipient (as well as the provider).

This lens, however, **excludes** all purely market-based finance, whether equity or loan financed, short or longer term. We also exclude all **private remittances.** This is a necessary shortcut,

---

4. A small number of countries graduated from the DAC list of recipients between 2000 and 2009, including Aruba, the British Virgin Islands, French Polynesia, Gibraltar, Korea, Libya, Macao, Netherlands Antilles, New Caledonia and the Northern Marianas. However, these countries are small and should not have an impact on the overall figures. Moreover, ODA estimates measure effort from the donor side, not inflows from the recipient side, and so these small changes should not have an impact on the estimates to any great degree. See www.oecd.org/dac/aidstatistics/historyofdaclistsofaidrecipientcountries.htm#Chronology

absent much more information on their use at destination. Philanthropic diaspora flows are largely impossible to separate out from much larger volumes of private remittances directed within families and for their principal benefit, rather than the wider collective interest.

We **exclude** official **export credits** meeting minimum (e.g. OECD discipline) international market reference rate guidelines, or their equivalent (e.g. Chinese export credits to Ethiopia at 3% above the London Inter-bank Offered Rate, LIBOR). For instance, Berne Union (2009) estimates official export credit at an average of between $55 and $60 billion per year. The attractiveness of such 'assistance' to borrowers can transcend its financial terms for partner countries, because there are no better alternatives for raising finance on a comparable scale and/or because other attributes (speed, non-conditionality) are felt to outweigh purely financial costs. The changing role of this intermediate type of finance needs further investigation.

We also **exclude** from our definition of development assistance most semi-official assistance to the private sector on market terms (without sovereign guarantees), via so-called **development finance institutions** (DFIs). Although some net equity purchases by bilateral DFIs already score as ODA, these are liabilities conferring substantial claims on future profits, so scarcely concessional in their effect. An argument could also be made that the intervention of the DFIs catalyses private investments that would not otherwise have materialised, leveraging implicit subsidies for public as well as private benefit. We do not have good enough data to explore this distinction further. Therefore, we include only those DFIs that are reported under OOFs.

Third, as underlying motives are usually not revealed, we use a cruder test of what is and what is not a market-based transaction, and that is simply whether there is a **clear element of financial subsidy involved,** as further defined below. Ideally, this should capture both explicitly subsidised terms and constructs that allow preferential terms compared with standard market access, such as public guarantees. Grants are obviously in, as pure market terms are out, as above. Official loan terms (beyond well-established concessional formulas such as that of the International Development Association, IDA) are trickier. In practice, the boundary between ODA and other official finance, OOFs, is hard to define conclusively. The ODA test of concessionality (minimum 25% grant element at 10% discount rate) is itself ambiguously applied, at least according to some DAC members.

We believe more work is needed to clarify this boundary. A strong case can be made that, especially in the current financial environment, there is little reason not to treat most OOFs, particularly those from multilateral development bank windows, as development assistance. Such loans are mostly on better terms than those available to the same sovereign borrowers from international commercial lenders and bond markets, thanks to implicit subsidies such as non-remuneration of equity, tax exemptions and un-priced guarantees from the multilateral development banks' (MDBs') more creditworthy owners.

However, we do not have enough information, which would need to be laboriously disaggregated by instrument and sometimes borrower, to be sure of this, and even less to make accurate comparisons with bilateral loans on less concessional terms, including from NTPs. We also recognise that the decision to include OOFs from longstanding providers (e.g. IBRD) within our definition of non-traditional may be controversial. **We have therefore included all long-term lending (three-year average disbursement of OOFs)[5] by the MDBs' non-concessional windows and equivalent institutions in our upper-bound estimates only.**

5. This attempts to smooth fluctuations caused by sudden surges in gross flows, for example from the World Bank and the International Monetary Fund (IMF) during the recent global crisis, that are bound to fall back in outer years.

2.1.3 Components of TDA and NTDA

Using the criteria outlined in summary form in Section 2.1.1, and in more detail in Section 2.1.2, we reach the following definitions of TDA and NTDA.

We define as **TDA** cooperation from longstanding bilateral and multilateral donors that are members of the DAC and that conform to DAC norms and rules to varying degrees. All such assistance meets standard ODA definitions. In practice, we measure TDA as total ODA minus the 'non-traditional' elements of ODA outlined below (constituting about 11% in 2009), although recognising that this is an imperfect measure.[6]

We define as **NTDA:**

- **ODA-like flows from non-DAC donors.** These flows clearly meet the criteria as outlined above, in the sense that they are cross border, reach developing countries and have a public interest purpose – often of 'mutual interest' to provider and recipient. Estimates of ODA-like flows from non-DACs tend to include only those flows that meet the strict DAC concessionality thresholds. A large volume of flows from these providers is likely to meet our looser concessionality threshold (in the sense of having some element of concessionality) but not ODA-equivalent criteria. However, we do not have sufficient information to include these 'OOF-equivalent' non-DAC flows.
- **Philanthropic and institutional giving** (from grant givers such as the Bill and Melinda Gates Foundation) and non-government foreign donations administered by international and local NGOs. The international players, in turn, have many funding arrangements with local civil society organisations (CSOs), which makes a consolidated assessment harder. We do net out, however, NGO aid flows funded directly by ODA, as reported by DAC donors, to avoid double counting with traditional assistance.
- **Social impact investment** (support to social enterprises on non-strictly market terms), where information is available on this separately from other philanthropy. There is some possible overlap with OOFs here, as multilateral institutions are also sources of funds for social enterprises.
- **Global funds,** egregiously the Global Fund to Fight AIDS, Tuberculosis and Malaria[7] and the Global Alliance for Vaccines and Immunisation (GAVI), even though most flows through these agencies are funded by DAC donors and score as ODA. Global funds have innovative and non-traditional funding mechanisms, and in GAVI's case innovative funding sources too. Funding mechanisms often follow a cross-country challenge format, and execution is vested in various local entities, including government departments; the underlying 'donor' has no country presence.
- **Public climate finance,** much of which follows similar funding mechanisms to those of global funds. Public climate finance comprises elements that are scored as ODA and elements that are not. For reasons of data availability and certainty, we include here only the components of climate finance that are scored as ODA and reported to the DAC. Future iterations should include other non-ODA elements of publicly funded climate finance (although these are likely to be included in our OOF estimates).
- We also include **Korea** as non-traditional**,** which joined the DAC in November 2009. Korea is frequently cited as following distinctive approaches at the local level, preferring project-

6. In particular because some of what is currently able to score as ODA does not actually cross borders into developing countries, e.g. refugee and student costs, and debt cancellation.
7. The Global Fund Board has recently decided to change its financing approach, to one based on more predictable support to country health strategies, centred on cross-country allocation criteria including income, disease burden and performance. These criteria are still being worked out in detail. In the case studies, interlocutors were as yet familiar only with the proposal- or 'round'-based challenge grant financing model.

specific to programmatic interventions and as not participating in intensive aid coordination mechanisms at the country level. Given that this is perceived by recipient governments as a different aid model, and that it has not simply converged with DAC practice, the distinction is valuable.[8] Korean assistance is now scored as ODA.

- **OOFs from DAC donors** are included in our upper-bound estimates. The inclusion of OOFs within NTDA is not to suggest development practitioners, or the MICs in which they operate, are not familiar with these windows. At the institutional level, moreover, there is little practical difference between say IDA and IBRD approaches to development, or their respective management. Rather, these flows are often conventionally left out of global discussions on ‘aid’ on the narrow grounds of their (relatively) harder financial terms. Moreover, for many newly graduating MICs, dealing with OOF flows (e.g. from IBRD) will be a new experience, and this class of providers is in any case also diversifying with the rapid growth of bilateral official finance. OOFs also fit in our category of development assistance as outlined above, although, as noted, there is some uncertainty about the concessionality of all such flows. For this reason, and because we recognise that inclusion of longstanding OOF providers such as the IBRD as ‘non-traditional’ assistance may be somewhat controversial, we include it in our ‘upper-bound’ estimates only.

Table 1: A taxonomy of development assistance

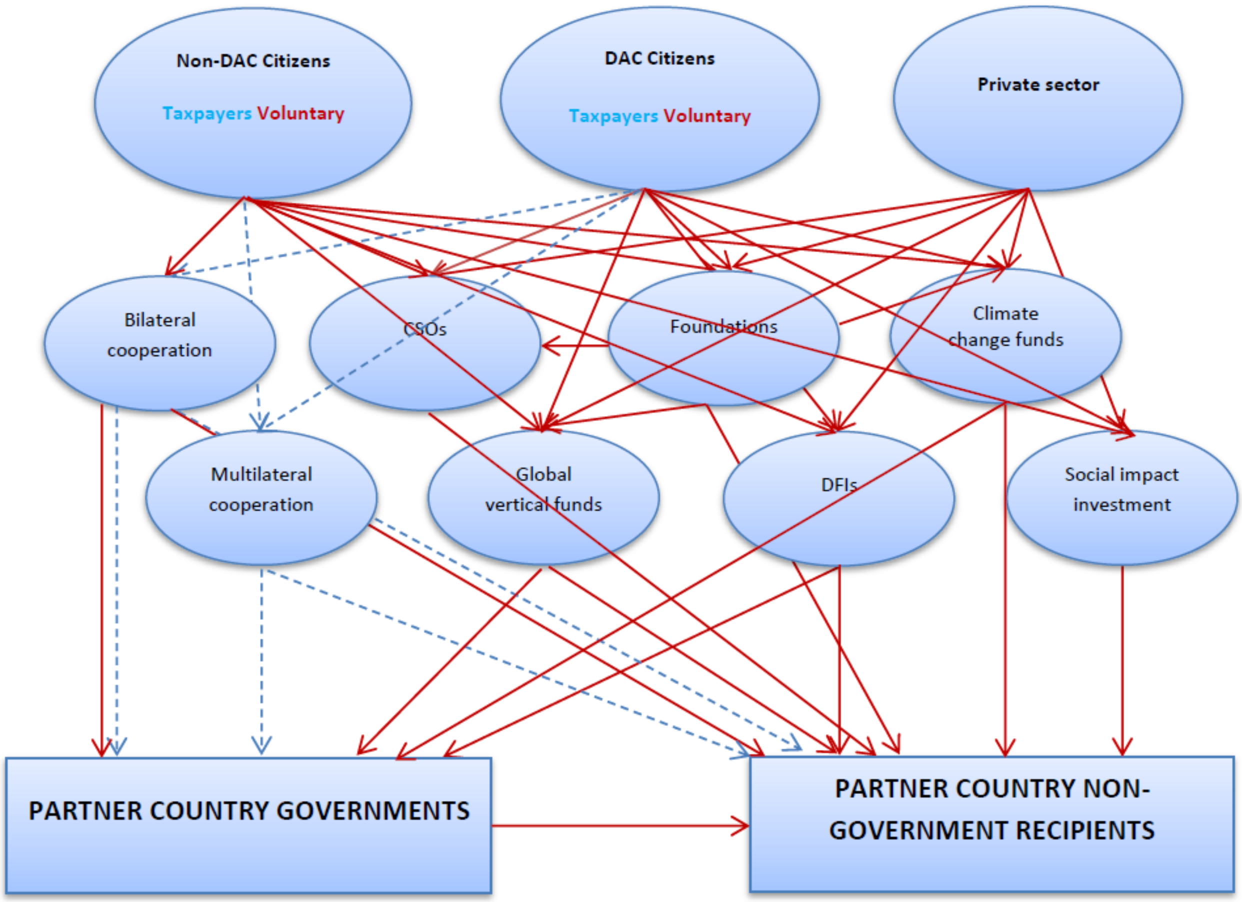
Development assistance flows		**Other flows (not considered)**
TDA	**NTDA**	
• Traditional bilateral cooperation • Traditional multilateral cooperation	• Non-DAC flows • Philanthropic and institutional giving • Social impact investment • Global vertical funds • Public climate finance • Korea • OOFs	• Domestic resource mobilisation • Export credits • DFIs (excluding those covered in OOFs) • Private remittances • FDI • Other private flows

Figure 1 illustrates the diversity of cross-border development assistance flows towards the ultimate partner country governments and non-government recipients. We distinguish between three **primary** sources of international development finance (taxpayers in DAC and non-DAC countries, able to give through voluntary channels also, and the private sector) and **eight intermediate channels,** which broadly map to the flows shown in Table 1, including ‘mainstream’ bilateral and multilateral assistance agencies, many of which fund each other as well as the ultimate beneficiaries.

The blue dashed lines represent traditional ODA flows the partner country is probably used to managing within traditional aid management frameworks, that is, mainly bilateral assistance from DAC countries and multilateral cooperation. The red straight lines outline main relationships between non-traditional sources/actors, intermediaries and partner country governmental and non-governmental recipients.

8. A case can be made that this difference in operating approach is not limited to Korea, but should include, for example, Japan, despite its significantly longer track record of DAC membership. We have not taken this route, but the scoring could be adjusted to accommodate such variants in subsequent iterations.

Figure 1: Mapping traditional and non-traditional development assistance flows



Notes: Traditional flows are shown by a dashed (blue) line.

2.2 A first-cut global estimate of development assistance flows

2.2.1 Estimating global development assistance flows

In this section, we provide a provisional estimate of recent trends in the volume and composition of development assistance flows, particularly the breakdown between TDA and NTDA. This helps us better understand the new aid landscape and the impacts it may have at the country level. These figures are necessarily provisional, given challenges in data availability, and are very likely to underestimate NTDA flows in particular. Estimates are based on 2009 data, as for some of the flows this is the latest information available.[9] They are based mostly on gross disbursements[10] and are expressed in current terms.[11]

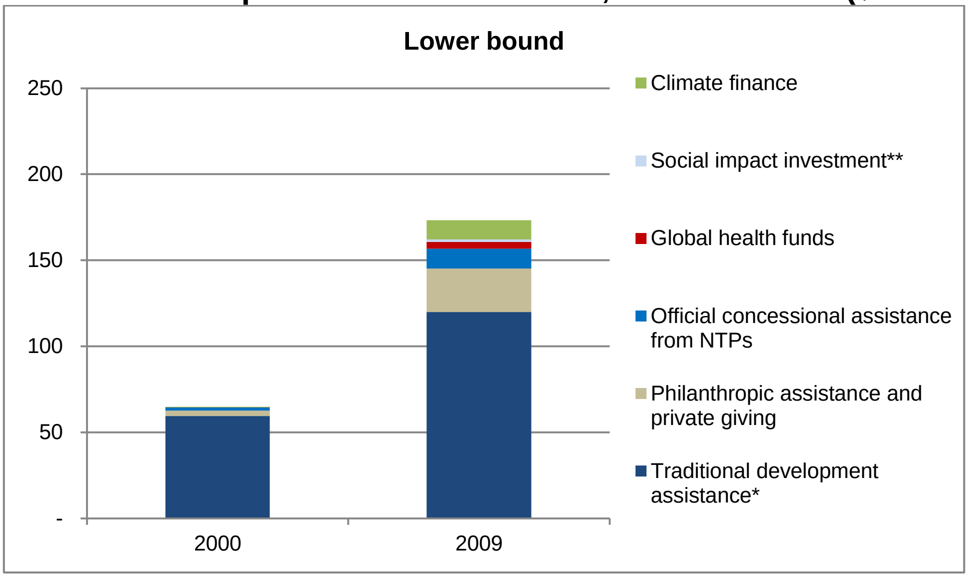
As noted above, uncertainty about the concessionality of OOF flows, and their inclusion in the NTDA category, mean we have provided two sets of estimates. Our 'lower-bound' estimate

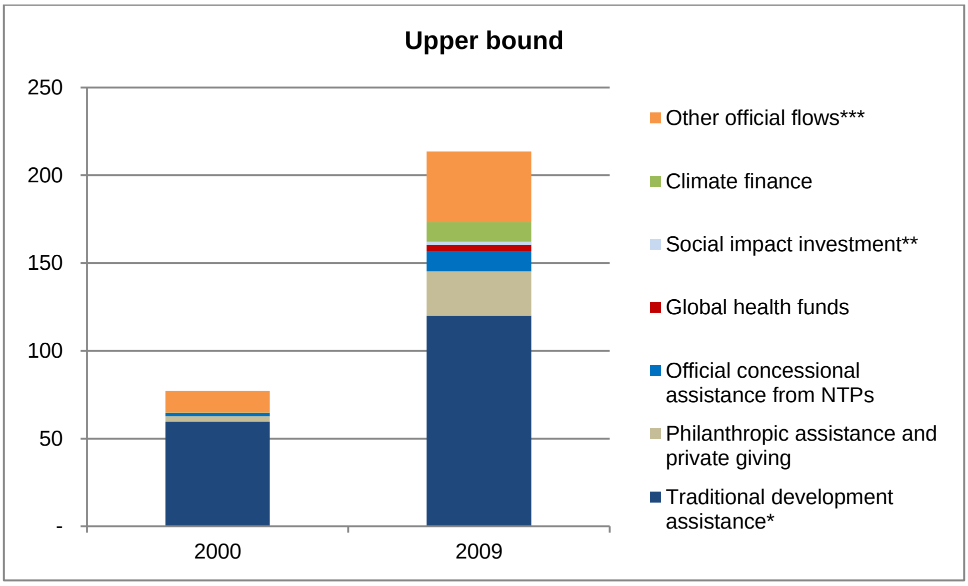
9. As mentioned above, we apply a different approach to measure OOFs – a three-year moving average – to smooth the volatility around the 2008/09 financial and economic crises. We use a three-year moving average of 2002-2004, the closest available, for our 2000 figures.
10. However, in some cases, information was available on a commitments basis only, for instance for climate financing.
11. Some flows from NTPs at aggregate level are available in current prices only. This particularly affects comparisons between 2000 and 2009, which should ideally be in real terms.

includes only the core elements of TDA and NTDA as defined above, whereas our 'upper-bound estimate' also includes OOF. Our upper-bound estimate is likely to be an underestimate, insofar as there is no systematically collected, comparable information on semi-concessional (OOF) flows from non-DAC member countries. This becomes particularly important in comparing alternative financing offers at country level.

Figure 2 provides overall estimates in the volume and composition of development assistance flows in 2000 and 2009, and Figure 3 provides a more detailed breakdown of the composition of NTDA in the same years. In each case, separate charts are provided for upper and lower bounds.

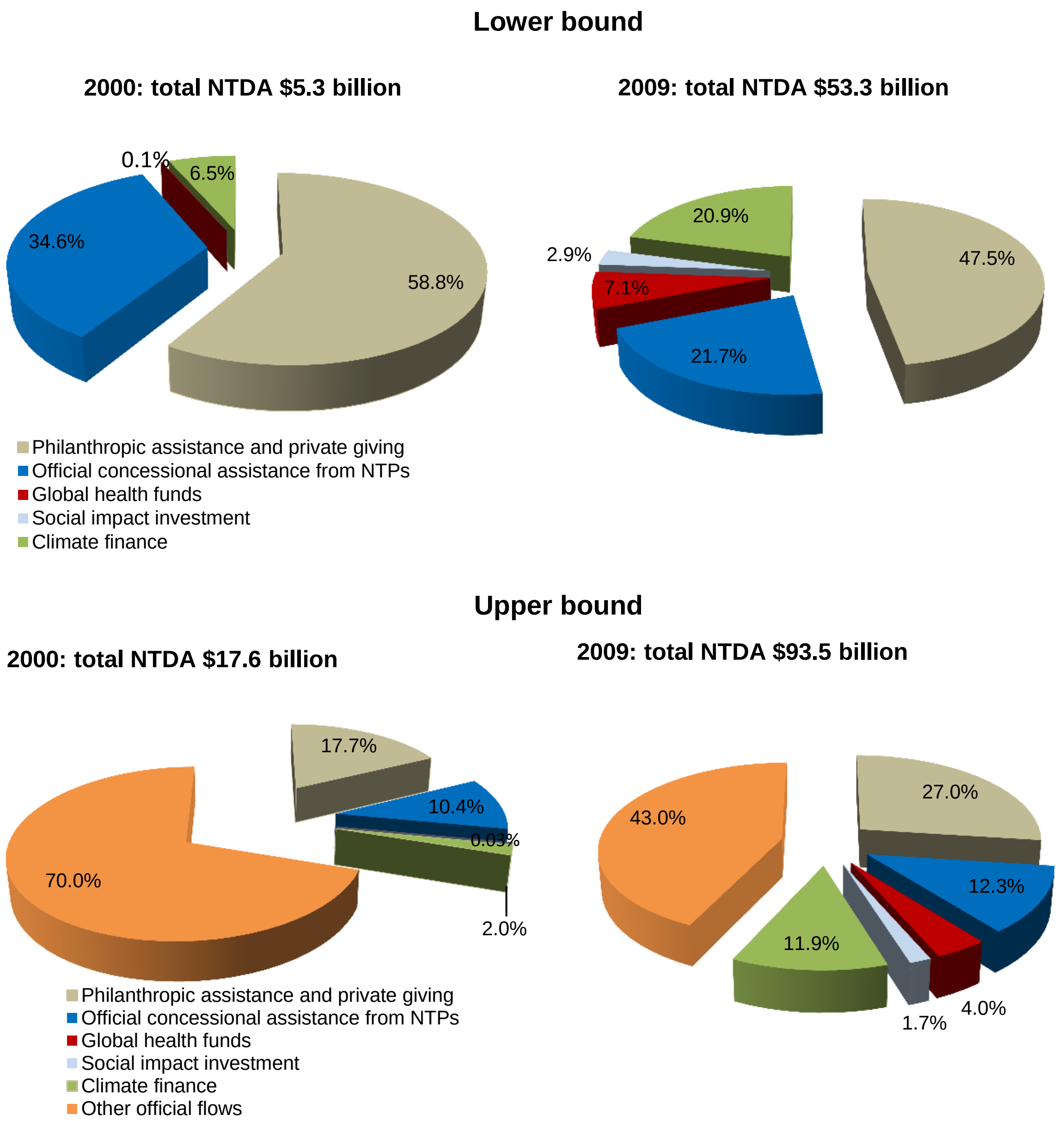
Figure 2: Trends in development assistance flows, 2000 and 2009 ($ billions)





*Note: * net of NTDA; ** 2011 figures from E.T. Jackson and Associates (2012); *** three-year moving average: 2002-2004 for 2000 figures and 2008-2010 for 2009 figures.*
Source: Authors' elaboration on the basis of CPI (2011); E.T. Jackson and Associates (2012); Hudson Institute (2012); OECD (2003); OECD.stat website (accessed 2012); GAVI and Global Fund websites (accessed 2012).

Figure 3: Share of overall NTDA by main actor, 2000 and 2009



Notes: See Notes in Figure 2.
Source: Authors' elaboration on the basis of CPI (2011); E.T. Jackson and Associates (2012); Hudson Institute (2012); OECD (2003); OECD.stat website (accessed 2012); GAVI and Global Fund websites (accessed 2012).

The component elements of the data presented in Figures 2 and 3 are calculated as follows:

We estimate **NTDA from official sources (non-DACs plus Korea) to be approximately $11.5 billion in 2009.** The figures presented in this paper include assistance from non-DAC members countries reporting to the DAC[12] and the BRICS (Brazil, Russia, India, China and South Africa);[13]

---

12. On the basis of OECD Creditor Reporting System (CRS) database data accessed on 25 October 2012. Countries included are Chinese Taipei, Cyprus, Czech Republic, Estonia, Hungary, Iceland, Israel, Kuwait (Kuwait Fund for Arab Economic Development), Latvia, Liechtenstein, Lithuania, Malta, Poland, Romania, Saudi Arabia, Slovak Republic, Slovenia, Thailand, Turkey and United Arab Emirates. Values are reported as gross disbursements of flows that are classified as ODA.

they come in between those provided in Economic and Social Council (ECOSOC, 2008), Park (2011) and Prada et al. (2010), ranging between $9.5 billion and $15 billion for 2008 (see also Greenhill and Prizzon, 2012, for a review), that is, between 10% and 12% of ODA- eligible external assistance from DAC donors. ODA-equivalent flows from non-DAC members reporting to the DAC were **$2.4 billion in 2000** (see Greenhill and Prizzon, 2012).

Second, we estimate **philanthropic and private giving at $25.3 billion in 2009,**[14] based on Hudson Institute (2011) data. This includes assistance from foundations and corporations as well as private giving and voluntary contributions. These figures are underestimates, as they refer to US data only (we have no robust comparative information for non-US philanthropy); they also differ substantially from global estimates of philanthropic assistance flows of $56-75 billion per year, as in Kharas and Rogerson (2012). We followed a more conservative approach, as in Prada et al. (2010), deducting in particular the imputed value of volunteering and similar elements that do not appear to fit our present definition of development assistance. In 2000, philanthropic assistance – still for US foundations only – was estimated at **$3.1 billion** (OECD, 2003), which gives a rough indication of this segment's probable high rate of growth, despite likely definitional problems (e.g. Hudson Institute considers the earlier OECD estimate overly conservative).

Third, we estimated the amount of **social impact investment** to developing countries at **$1.6 billion.** These figures are based on estimates for developing regions in a report prepared for the Rockefeller Foundation (E.T. Jackson and Associates, 2012) and are based on 2011 data.[15]

Fourth, **total disbursements from the Global Fund and GAVI were $3.8 billion in 2009,** $3.1 billion[16] and $0.7 billion,[17] respectively. Total flows in 2000 were **$329.5 million,** attributed exclusively to GAVI (of which $325 million from private sources). The first grant from the Global Fund was disbursed in March 2002.[18]

Fifth, we scored **$11.1 billion for climate finance** in 2009, which is entirely ODA. Figures are based on CPI (2011) data: $9.5 billion from bilateral donors (Rio-markers classification) and multilateral assistance (grant and concessional loans from the IDA, the European Union, EU, the Asian Development Bank, ADB, the Inter-American Development Bank (IADB) and the African Development Bank, AfDB). In 2000, climate finance – on the basis of the contributions to the Global Environment Facility (OECD data) – was **$343 million.**

Finally, included in the upper-bound estimates **are OOFs,** to a total amount of **$40.2 billion in 2009.** We estimated these by considering a three-year average for 2008-2010, as 2009 was characterised by a spike in IBRD flows (during the financial and economic crisis). These figures most likely include significant amounts of climate financing, over and above ODA, that we have not been able to disaggregate. We do not have a direct disbursements-based comparison for 2000, but we do have the three-year average of **$12.3 billion for 2002-2004.**

---

13. On the basis of Zimmermann and Smith (2011) – gross development cooperation flows – with the exception of Brazil, where we consider the primary source in 2009 constant price values (IPEA, 2009). Volumes are gross of relatively small contributions from these NTPs to vertical health funds (Global Fund and GAVI, $ 71 million in 2009).
14. These figures do not include contributions to GAVI and the Global Fund but they include climate finance ($450 million).
15. Some flows classified as social impact investment in E.T. Jackson and Associates (2012) might be included in philanthropic assistance figures.
16. http://www.theglobalfund.org/en/about/donors/
17. http://www.gavialliance.org/funding/donor-contributions-pledges/
18. See Radelet (2004).

2.2.2 Summary findings on development assistance flows

The detailed analysis presented in Section 2.2.1 demonstrates the following overall trends in development assistance flows:

- According to both our lower-bound and upper-bound estimates, **development assistance flows grew substantially between 2000 and 2009, and their composition has shifted heavily towards what we here call 'non-traditional' sources.**
- **Our lower-bound estimate** (i.e. excluding OOFs) suggests that total development assistance grew from **$64.8 billion to $173.3 billion between 2000 and 2009.** In 2000, the 'non-traditional' component of these flows was only $5.3 billion, or 8.1% of total development assistance. By 2009, non-traditional flows had increased tenfold to $53.3 billion, making up 30.7% of total development assistance.
- Our **upper-bound estimate** (including OOFs) suggests that total development assistance grew from **$77.1 billion to $213.5 billion between 2000 and 2009.** In 2000, NTDA was $17.6 billion, while by 2009 it had grown to $93.5 billion,[19] a fivefold increase. NTDA by this expanded definition rose from 22.8% of total development assistance in 2000 to 43.8% in 2009.
- The composition of flows within our 'non-traditional' category has also changed. Within NTDA, the share of both philanthropic and official concessional assistance fell between 2000 and 2009 (although within a rapidly expanding pie), with the share of global health funds, social impact investment and climate finance all increasing.

For all the imprecisions inherent in the data, and especially the wide fluctuations inherent in OOFs, this underlines that non-traditional flows are already very significant and have been growing very rapidly over the past decade.

19. Note that OOF figures are a three-year moving average of 2002-2004 for 2000, the closest available, and 2008-2010 for 2009, to smooth out potential fluctuations from the financial crisis.

3 Case study theoretical framework and methodology

As we have just seen, development assistance has been growing rapidly over the past decade, and a growing share of it is now accounted for by what we call ‘non-traditional’ flows. Non-traditional flows are inherently unevenly distributed and are likely to be concentrated most heavily in MICs and resource-rich countries, meaning that not all countries will benefit from them evenly. Nevertheless, the global figures suggest that such flows are a potentially significant source of finance at the country level.

In addition to the global mapping presented above, this study seeks to better understand the challenges and opportunities developing country governments experience in this new complex landscape. It does this by conducting a comparative analysis of three country case studies. The aim of the case studies is twofold: to validate the significance of the global trends at local level; and to explore how countries, primarily governments, experience flows from traditional and non-traditional providers and manage them to meet national development needs. In this section, we present an overview of the case study selection process and the methodology and theoretical framework for the studies.

We have conducted three exploratory case studies in what we understand to be typical cases. We took a case study approach because of the complexity of the phenomena being studied, and the need to examine in some depth government priorities when it comes to the different forms of development assistance; this makes a case study approach by far the most appropriate. Three case studies were selected: further studies may be considered in future to gain a better understanding of the relevance of these findings for different categories of countries (MICs/LICs/fragile, more or less aid dependent etc.).

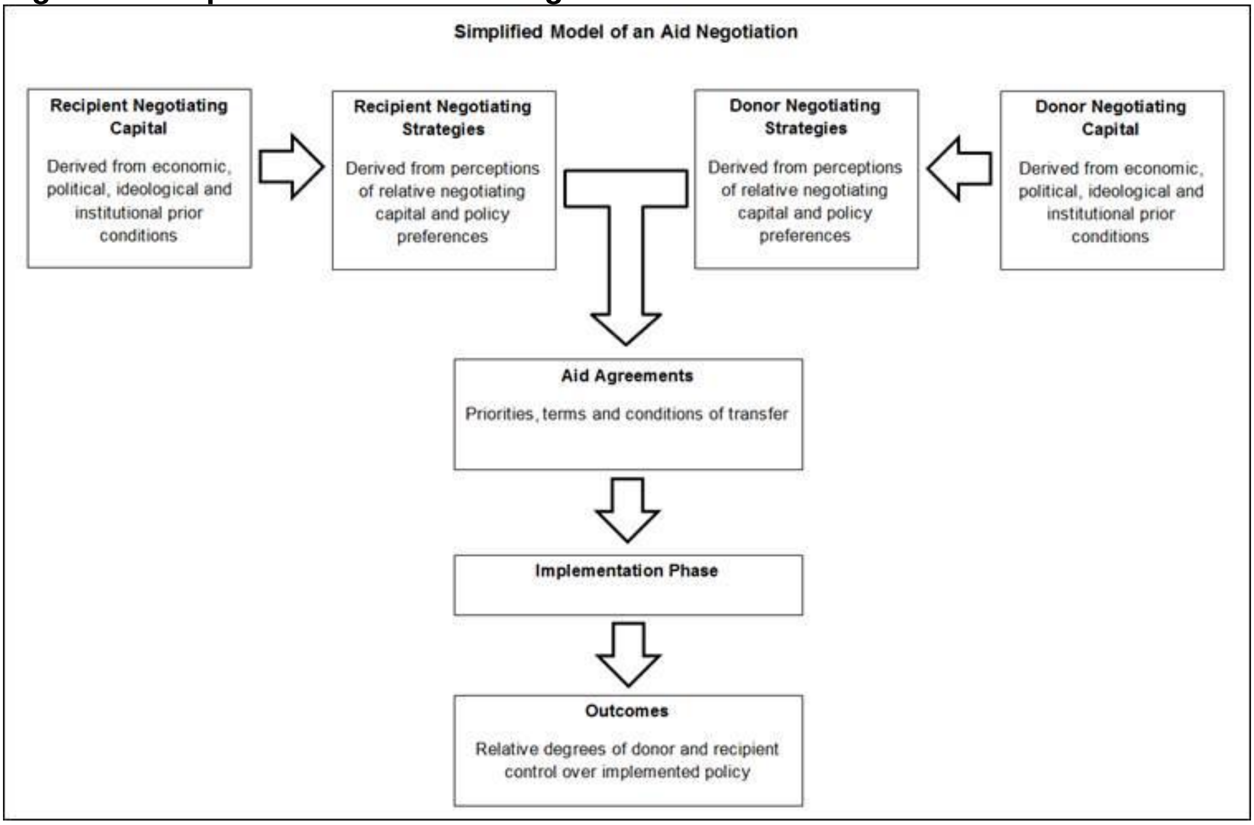
Each case study was conducted over a two-week visit during June-September 2012. The methodology comprised a mixture of desk-based research on country context and of key aid management documents, and a series of semi-structured, mostly face-to-face, interviews with 30-35 key informants in country, and, where needed, follow-up phone interviews. Key informants interviewed were drawn from governments (including aid management units and line ministries), DAC donors, non-traditional providers, civil society and parliaments. Key informants were identified according to their position, by reputational sampling or, where needed, through snowball sampling. Full lists of interviewees for each country can be found in the individual case study reports.

The theoretical framing informing the case studies combines elements of the framework used by Fraser and Whitfield in their 2008 study ‘The Politics of Aid: African Strategies for Dealing with Donors’ and the Institutional Analysis and Development (IAD) framework developed by Ostrom et al. (2001).

The key insight from Fraser and Whitfield (2008) lies in seeing the process of engagement between governments and donors or NTPs as one of **negotiation.** This is in contrast with much of the other literature on the political economy of aid. Some of this literature assumes donors and recipients have a shared set of objectives (e.g. the MDGs or human rights), and thus that there is a cooperative relationship or ‘partnership’ between donor and recipient, with no divergences of objectives (Fraser and Whitfield, 2008). Other literature uses principal agent theory to examine the relationships between donor countries (principals), contractors and donor agencies (agents) and potentially ultimate recipients (also principals) (Bertens et al., 2001). This study follows Fraser and Whitfield in seeing aid agreements (with any provider) as the result of aid negotiation, in which both sides have a set of (potentially divergent) interests and priorities they need to negotiate in order to reconcile.

Fraser and Whitfield present a simplified model of an aid negotiation (see Figure 4), in which recipient negotiating capital (derived from context) leads to certain negotiating strategies (derived from perceptions of relative negotiating capital and policy preferences). Development assistance providers also have negotiating capital, derived from the same set of prior conditions, which lead in turn to provider negotiating strategies. A combination of these strategies leads to aid agreements, which involve priorities and 'terms and conditions' of the aid transfer. Implementation follows these agreements. Fraser and Whitfield determine outcomes as the relative degrees of provider and recipient control over implemented policy.

Figure 4: Simplified model of aid negotiation



Source: Fraser and Whitfield (2008).

As is clear from Figure 4, another key insight from Fraser and Whitfield is the focus on **context** in shaping country and provider negotiating capital. As a simplified example, countries that are less aid dependent are likely to have a stronger position in negotiating with development assistance providers than those that are heavily so, while those with weaker governance environments may find it more difficult to negotiate. Countries with strong and sustained performance on economic growth or human development may also find themselves more attractive recipients of aid, strengthening their bargaining power. The context does not determine the outcome of negotiations in a mechanistic sense, but it presents providers and recipients with a set of constraints to consider in deciding what they think can be achieved through negotiation. The authors focus on four elements of context: economic conditions; political conditions; ideological factors; and institutional conditions. Each of these (e.g. degree of aid dependency, growth rate, geostrategic importance, domestic political legitimacy and so on) will have an impact on a country's relative negotiating power.

The other theoretical framework used to inform this study is the IAD framework developed by Ostrom et al. (2001). Like Fraser and Whitfield, Ostrom et al. stress the importance of context in shaping behavioural interactions. The IAD framework goes further to identify the units of analysis that must be examined in assessing any situation, which include context, action arena, incentives, interactions and outcomes. Each of these interacts with the others: the context shapes the arena in which negotiations take place and incentives guide the positions different actors take within that arena, leading to behavioural interactions and thus outcomes. Given the scope of the study, we do not go into the level of detail proposed by Ostrom et al. in analysing incentives and behavioural interactions, which would be challenging given the large number of actors involved. The key insight to be gained from the IAD analysis is the importance of identifying the **arenas** in which negotiations take place, and of taking account of context in shaping behavioural interactions.

Our study combines these two frameworks to analyse the interactions between governments and providers. We amend the models in various ways. Like Fraser and Whitfield, we focus on aid agreements as an outcome of negotiation between governments and providers. However, rather than analysing just one negotiation process, we are interested in whether governments seek to negotiate, or at least engage, with different kinds of providers together or separately. We focus less in this study on the formal process of loan and grant negotiations, which can often be fairly legalistic/technical, and more on the broader process of project identification, development of policy strategies, discussion of conditionalities and policy dialogue.

Also following both Ostrom et al. and Fraser and Whitfield, we focus on the importance of context in shaping negotiating capital and ultimately outcomes. For the purposes of our study, we find economic and governance/political contexts to be the most relevant; Fraser and Whitfield's ideological and institutional contexts are less important. We also include as an additional contextual element countries' aid management structure and progress towards meeting the Paris Declaration targets on the part of government and traditional donors, while recognising that this will itself be dependent partially on the economic and political context. The government's structure for, and capacity to, manage aid, as well as the willingness of both governments and donors to improve aid effectiveness in country, arelikely to have an impact on priorities and negotiating capital with respect to providers.

Drawing on the IAD framework, we also emphasise the importance of negotiation arenas. However, rather than taking arenas as a given, we ask whether governments seek to engage with different kinds of development assistance providers in the same fora. We focus particularly here on arenas related to aid coordination in country (e.g. sectoral or technical working groups, regular high level donor–government meetings, etc.), as these are often key fora in which donors and government engage in discussion of sectoral strategies, project identification, policy dialogue and conditionalities.

Like Fraser and Whitfield, we focus heavily on the ability of governments to secure their objectives through aid negotiations. However, unlike them, we do not assume the ultimate desired outcome is maximum government control over policy. Instead, one of the key research questions for the study is to understand government priorities when it comes to the volume, purpose and 'terms and conditions' of the development assistance they receive, and how successful they are in achieving those priorities. We define 'terms and conditions' of aid fairly loosely, as meaning a set of aid quality elements such as conditionality, alignment, concessionality and so on. This loose definition is deliberate because we wanted to allow space for governments to outline their own priorities, rather than going in with a predetermined set (e.g. as defined by the Paris Declaration). As an example, we seek to understand whether it is more important to the government that assistance be fast and well aligned or that it be concessional, with Ethiopia, for example, placing more emphasis on the former than the latter.

This framework, and the overall objectives of this study, led us to develop the following guiding questions for our case studies:

1. How has the volume and composition of total development assistance, including between different providers, changed since the early 2000s?
2. What is the economic, political and aid management context that determines the ability of countries to mobilise and utilise development assistance, and that shapes outcomes of negotiations between governments and providers?
3. What are governments' priorities when it comes to the volume, purpose and terms and conditions of the flows they receive? To what extent do these priorities differ between different types of providers?
4. In which arenas do governments seek to engage with providers, and which strategies do they employ to negotiate with them? How do these arenas and strategies differ between different types of providers?
5. To what extent are governments achieving their objectives when it comes to negotiating with providers? How has the existence of less traditional providers helped or hindered government in achieving these objectives?

Throughout this study, we focus on the government perspective, rather than that of NGOs or citizens in country, although in all countries a number of non-governmental stakeholders were interviewed. We recognise that government objectives may not be fully aligned with the interests of citizens or consistent with development outcomes. Particularly in fragile or difficult environments, government priorities may be far away from those of NGOs or citizens. Governments may (and do) seek to implement projects with the minimum of environmental and social safeguards, for example, even though this may be detrimental to the interests of some communities. Nevertheless, we focus on government perspectives in this study because we contend this is the largest gap in the current literature, as outlined in the introduction.

4 Introduction to the country case studies

4.1 Why these countries? Case study selection

As indicated in Section 3, selection of case studies was based on a ‘typical case’ approach. While recognising that most country experiences are context specific and that ODA/gross national income (GNI) ratios do not necessarily represent measures or proxies for aid dependency (see Glennie and Prizzon, 2012), we focus on the middle of this spectrum so our findings are most relevant for other partner countries.

To do so, we first calculated the ratio of total (traditional and non-traditional) development assistance on the basis of the AidData[20] database for partner countries included in the list of DAC recipients (OECD, 2012c). The AidData database covers[21] commitments classified as ODA from DAC donors (on the basis of the Creditor Reporting System (CRS)) as well as some development assistance flows (see Section 2) from official donors that are not members of the DAC.[22] AidData figures are partial and incomplete,[23] but for the purposes of this preliminary analysis they were identified as the best source available for cross-country comparable information. Considering commitments for 2009, data analysis shows that the average ratio of development assistance to GNI is 10.4%, with 5.3% being the median.[24]

Second, we included additional criteria to ensure – to the extent possible given the limited number of countries considered in this study – a representative sample of partner countries regarding **regions** (Africa and Asia), **income classification** (LIC and MIC), **resource endowment** (limited natural resources and a resource-rich country) and **fragility.** All these factors, apart from regions, would be expected to influence a country’s negotiating power with respect to its development assistance providers (see Section 3). Third, we took into account pragmatic considerations in terms of Overseas Development Institute (ODI) contacts and language capacity.

This led to the selection of **Cambodia**, **Ethiopia** and **Zambia** as case studies. All were found to be within the typical range of development assistance flows to GNI, and all were close to the average. In 2009, Cambodia was at 8.6%, Ethiopia 12.4% and Zambia 8.5%. These three countries presented a mix of **regions** (an Asian country, two African countries), **income classification** (Zambia joined the MIC group in 2011, Ethiopia and Cambodia are both LICs) and **fragility** (Cambodia is fragile according to a number of classifications).[25] Zambia is heavily **natural resource endowed,** the other two countries less so.

20. AidData.org. For a description of the database, see Tierney et al. (2011).
21. For more information see AidData (2011).
22. These include the Arabic Bank for Economic Development in Africa, the Bill and Melinda Gates Foundation, Brazil, the Caribbean Development Bank, the Congo Basin Forest Fund, Estonia, the GAVI Alliance, the GEF, the Global Fund, India, Kuwait, Latvia, the Nigerian Trust Fund, the North American Development Bank, the Organization for Petroleum-exporting Countries Fund for International Development, Poland and Saudi Arabia.
23. They do not include flows from some notable NTPs such as China, or from philanthropic organisations apart from the Bill and Melinda Gates Foundation, DFIs or social impact investment.
24. There is a long tail of countries, mostly upper-middle-income countries, which have a very low volume of development assistance, hence the divergence between median and mean.
25. Note that Ethiopia is also classified as fragile according to the UK Department for International Development (DFID) list of fragile states cited by Harttgen and Klasen (2009)

4.2 Contextual information about the case study countries

Relative negotiation power between the partner country and development assistance providers is influenced by, among other factors, the economic and governance context in which aid negotiation takes place, as illustrated in the adapted Fraser and Whitfield (2008) framework in Section 3. In this sub-section, we review macroeconomic and development finance data as well as governance indicators and compare them across the three case studies. We also look at at how each country has individually progressed towards implementation of the Paris Declaration targets. This has helped to ascertain whether and how main priorities regarding the terms and conditions of development assistance from different providers may differ between the three case studies, as well as whether and how evolution in the economic and governance context may have affected them. A more extensive comparative analysis is presented in Annex 1.

4.2.1 Economic context

Cambodia, Ethiopia and Zambia have all been fast-growing economies, at least in the second half of the past decade. Cambodia's average growth rate was 6% between 2000 and 2010 and Ethiopia's 8% between 2005 and 2010, and Zambia's has been more than 5% over the past decade, though Zambia's growth is strongly linked to trends in mineral prices. This compares with an average annual gross domestic product (GDP) growth rate within LICs of 5.3% over the period 2000-2010.[26]

However, progress in human development varies by country. Ethiopia has been the second top mover over the past decade when it comes to the Human Development Index (HDI) (UNDP Ethiopia, 2010), albeit starting from a very low base. Cambodia has seen marked improvements in health and education, but with increasing inequality. In Zambia, despite higher income levels, growth has not yet translated into strong human development outcomes. For instance, in 2011, the country's HDI ranking was still 164 out of 187 countries (UNDP, 2012), slightly below the regional average, despite comparatively high income levels.

As one might expect with a new MIC, Zambia has much greater access to private capital flows than the other two countries. Zambia achieved a peak of FDI inflows of 11.5% of GDP in 2007, which was nearly recovered in 2010. This compares with only 1% in Ethiopia and 7% in Cambodia in 2010. The LIC average was around 3.1% in the same year. In September 2012, the government of Zambia issued $750 million 10-year Eurobonds, which went oversubscribed by 24 times (Republic of Zambia, 2012).

As per the case study selection process, **the three countries differ when it comes to natural resource endowment.** Zambia is a resource-rich country, with rents estimated at 27% of GDP in 2010, more than 10 times the LIC average (World Bank, 2012). Ethiopia is much less endowed, although the country has large hydropower potential to tap domestic demand and generate foreign exchange by selling energy to neighbouring countries.[27] Cambodia has only limited natural resource endowment, but significant potential arose with the discovery of oil off the coast, which the IMF (2007) has estimated could bring revenues of $1.7 billion by 2021, although these figures are subject to quite a lot of uncertainty. However, size of the domestic market is also important; here, Ethiopia is a significantly larger potential market than the other two countries given its greater population size.

---

26. We compare main indicators between the three case studies on the basis of the LIC group average. This is motivated by our focus on data between 2000 and 2010 data, during which period Zambia was classified as a LIC. Zambia graduated to the middle-income group in 2011.
27. See, for instance, http://www.gibe3.com.et/

In terms of **ODA/GNI ratios,** Ethiopia was higher, at 11.9%, in 2010 compared with Cambodia and Zambia (6.9% and 6.4%, respectively), which both come in below the LIC average (9.3% in 2010). Ethiopia was the eighth top ODA recipient in 2009/10 (OECD, 2012d) and the top ODA recipient in Sub-Saharan Africa in 2010 (OECD, 2012b), although ODA per capita is significantly lower than the Sub-Saharan African average.[28] In Zambia, incidence of ODA both as a share of GDP and of central government expenditure has decreased sharply over the past decade. For instance, **since 2007, FDI inflows have been as high – or even greater than – ODA flows.**

Finally, all three countries have been rated by the IMF as at **low risk of debt distress** (IMF, 2010; 2012a; 2012b): Cambodia's external debt stock/GNI ratio was 43.4% (2010), declining from 74.3% in 2000; Ethiopia recorded a 10.6% ratio in 2008 after achieving a peak in the external debt to GNI ratio of 83% in 2003; and Zambia's ratio was close to 10% in 2010 and achieved its peak of 233% in 1992. Both Ethiopia and Zambia have benefited from recent debt relief initiatives, which have brought down debt stocks substantially (e.g. Zambia's external debt/GNI ratio lowered to 24% in 2006 after the Heavily Indebted Poor Countries, HIPC, Initiative and the Multilateral Debt Relief Initiative, MDRI).[29]

4.2.2 Governance context

Governance contexts vary significant between the countries. Cambodia has a particularly brutal history of conflict and a neo-patrimonial system, leading to distortions in bureaucratic accountability, selectivity in law enforcement and a high prevalence of poor service delivery (Chea et al., 2008; Pak et al, 2007). Cambodia's history of genocide also leads to real capacity problems across the government. Ethiopia has been a one-party system, the EPRDF, since 1991, for the past 21 years under the Meles Zenawi government. Zambia is a democratic country that has seen frequent transfers of power (Fraser, 2008).

Furthermore, Zambia scores better than the other two countries on both the International Finance Corporation (IFC) Ease of Doing Business (EoDB) indicators (IFC, 2012) and the Transparency International Corruption Perceptions Index (Transparency International, 2011a). Zambia was declared Extractive Industries Transparency Initiative (EITI) compliant in September 2012 (EITI, 2012). In 2012, it stood at 94/183 on the EoDB indicator compared with 127 in Ethiopia and 133 in Cambodia. A similar set of rankings can be found on the Transparency International index, with the three countries in the same order (91/182 for Zambia, 120/182 for Ethiopia and 164/182 for Cambodia.) However, during our country visits and background research, we found that Ethiopia was perceived to have low levels of corruption at low levels of administration;[30] the opposite was true in Zambia. For example, the Global Fund suspended assistance to Zambia following allegations of corruption within the Ministry of Health in 2009 and appointed the UN Development Programme as principal recipient.

---

28. Around $40 per capita after 2008 vis-à-vis $50; in 2006, ODA per capita in Ethiopia was $27 – exactly half of Sub-Saharan African levels (World Bank, 2012).
29. It is worth noting – especially to understand the country negotiating power towards traditional providers - that Ethiopia did not experience any major debt or a balance of payment crisis in the 1980s (i.e. no balance of payments imbalances, import controls and good exchange rate management). So fundamentals were more or less right when the Ethiopian People's Revolutionary Democratic Front (EPRDF) entered negotiations with the World Bank and IMF in 1993/94 (Fraser and Whitfield, 2008). On the other hand, Zambia was not highly aid dependent, but also its debt burden was exceptionally high: in 1984, Zambia was apparently the most indebted country in the world as a share of GDP, exceeding GDP per capita levels (Whitworth, 2012). For a review of the debt history of the country see Whitworth (2012) and Fraser (2008), the latter analysing how eligibility for and implementation of the HIPC Initiative and subsequently of MDRI assistance largely influenced aid negotiations in the country vis-à-vis traditional donors between the mid-1990s and the mid-2000s, particularly in the context of privatisation of the mining sector.
30. However, still, a recent Transparency International report on East African countries found that 48% of people in the sample had paid a bribe to at least one of nine service providers in Ethiopia (Transparency International, 2011b).

Countries also differ in their relative geostrategic importance. Ethiopia has a strategic position for DAC donors in the Horn of Africa, being one of the most stable countries in the region, a platform for US intervention and a diplomatic hub for Africa. Zambia has no particular geostrategic importance at this time, but it played a crucial role during African independence (Chisala, 2006). Cambodia is now strategically important for China within the Association for South-east Asian Nations (ASEAN) region, and there have been growing diplomatic ties between the two countries since 1997. It is no longer important for the US since the end of the Cold War.

The countries also have different attitudes towards NGOs. Both Cambodia and Ethiopia have taken a tough attitude towards aid channelled via NGOs, on political as well as efficiency grounds. For example, in Ethiopia the 2010 Charities and Societies Proclamation introduced a series of restrictions on sources of financing towards certain areas of CSO intervention as well as on the cost composition of CSOs. Zambia has a less restrictive approach to this sector.

4.2.3 Implementation of the Paris Declaration and aid management structures

All three countries have seen some progress towards Paris Declaration targets (see Annex 1), and have made faster progress than the global average. Only one of the Paris targets has been met at global level (OECD, 2011a). Perhaps surprisingly, progress has been the slowest in Zambia, which has only seen 3/13 of the Paris targets achieved, compared with 6 in Ethiopia and 5 in Cambodia (OECD, 2011b; 2011c; 2011d). Cambodia appears to have made the most progress towards the targets, having seen improvements in nine of the areas; Ethiopia and Zambia have progressed on six and five indicators, respectively.

Regarding aid management structures, **all countries have aid coordination structures,** including some common elements of sectoral/technical working groups; donor-only groups; and/or annual consultative fora. Overall, **Cambodia** has a fragmented environment for aid management, partly as a result of the neo-patrimonial system and governance challenges described above. Different agencies are responsible for different elements of the aid coordination process. This institutional complexity can cause considerable profusion and proliferation of roles (Chea et al., 2008). **Ethiopia** has a much stronger and more centralised approach to aid management, at least until Zenawi's death recently. The country is very much in control of its development strategy, with strong federal control and limited responsiveness to donor preferences (DCI, 2005). Ethiopia negotiates with donors only at the margins, and has a tendency to resist policy suggestions from external sources on subjects it defines as core matters for national sovereignty (Fraser and Whitfield, 2008). The aid management system in **Zambia** finds itself in between the cases of Cambodia and Ethiopia. Aid management is centralised within what is now called the Economic Management Department at the Ministry of Finance and National Planning (MoFNP), and the MoFNP signs agreements on the behalf of the government of Zambia. However, line ministries are also highly involved in aid negotiations. Interaction between MoFNP and line ministries is characterised by some tensions around budget execution (Republic of Zambia, 2011b).

5 Case study findings

In this section, we summarise the main findings of the three case studies, including an assessment of the volume of flows of traditional and non-traditional development assistance received by each country. These findings answer the case study questions as presented in Section 3, although, in order to bring out the salient points more clearly, we have not followed the exact order or breakdown of the questions as presented earlier.

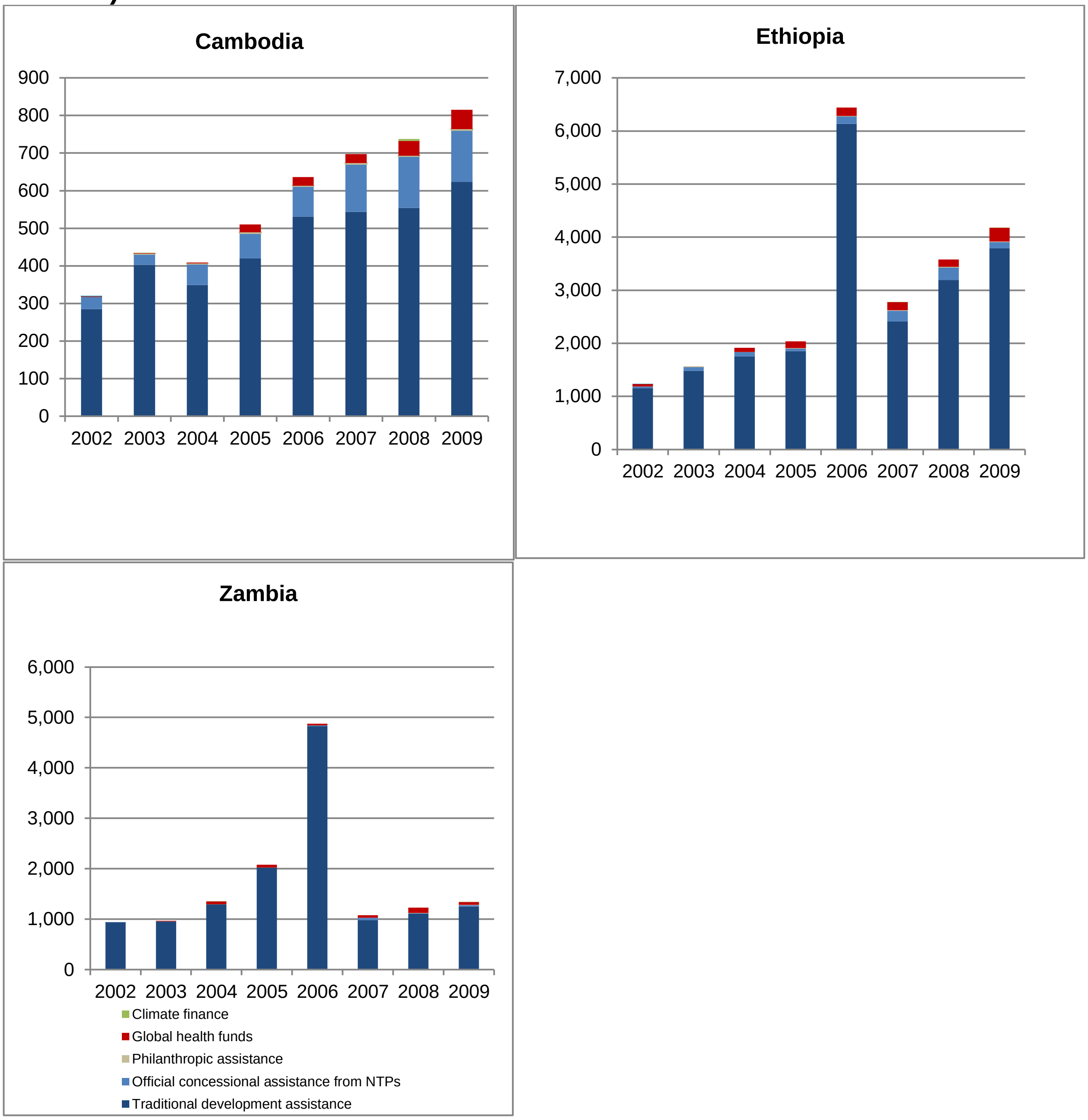
5.1 All countries are receiving flows from NTPs, and the volume has increased significantly over the past decade

As Figure 4 and Annex 2 show, all the three countries analysed have received significant flows from non-traditional providers over the past decade, and in Cambodia NTDA flows are now sizeable in relation to traditional development assistance. Considering only lower-bound definitions[31] (see Section 2.2), **the share of NTDA to total development assistance in 2009 reached 23.5% in Cambodia, 9.1% in Ethiopia and 7.1% in Zambia.** Non-traditional flows also expanded significantly in nominal terms[32] between 2002 and 2009. In Cambodia, they increased from $34.1 billion to $191.5 billion, a 5.6-fold increase; in Ethiopia from $82.7 billion to $381.6 billion, a 4.6-fold increase; and in Zambia from $0.7 billion to $95.3 billion, a 136-fold increase (although note the exceptionally small base in 2002). Full details of the trends and composition of NTDA flows in each country can be found in Annex 2.

Furthermore, our **figures for NTDA are most likely underestimated at country level.** For example, they do not include private and voluntary contributions (through international NGOs and CSOs) and flows for which information is limited at country level; philanthropic assistance is based on US foundations only; and some data are missing, for example comparable data for non-DAC donors in the early 2000s in the case of Zambia (see Annex 2).[33] Furthermore, some development assistance flows cannot easily be captured at country level. For example, climate finance sometimes targets (and reports on) regions rather than single countries. We also compared data only up to 2009, the latest year for which information on development assistance flows was available for most components. For some flows (especially climate finance, e.g. in Ethiopia), commitments have been rising rapidly and disbursements have probably gone up since 2009. We refer the reader to the three individual country case studies for further information.

31. For the country analysis, we include only lower-bound estimates. This is for two reasons: 1) to keep the analysis simple and to avoid confusion; and 2) as all countries are LICs or recent MICs, OOFs (which constitute the difference between the lower and upper bound) are very small in volume, making the difference between lower and upper bounds insignificant. Future case studies looking at other MICs may want to include OOFs.
32. Note that – as with the global estimates – we are considering current values, which is likely to exaggerate the trends.
33. However, figures on philanthropic assistance from US-based organisations overestimate actual flows to the country, as they include some regional programmes.

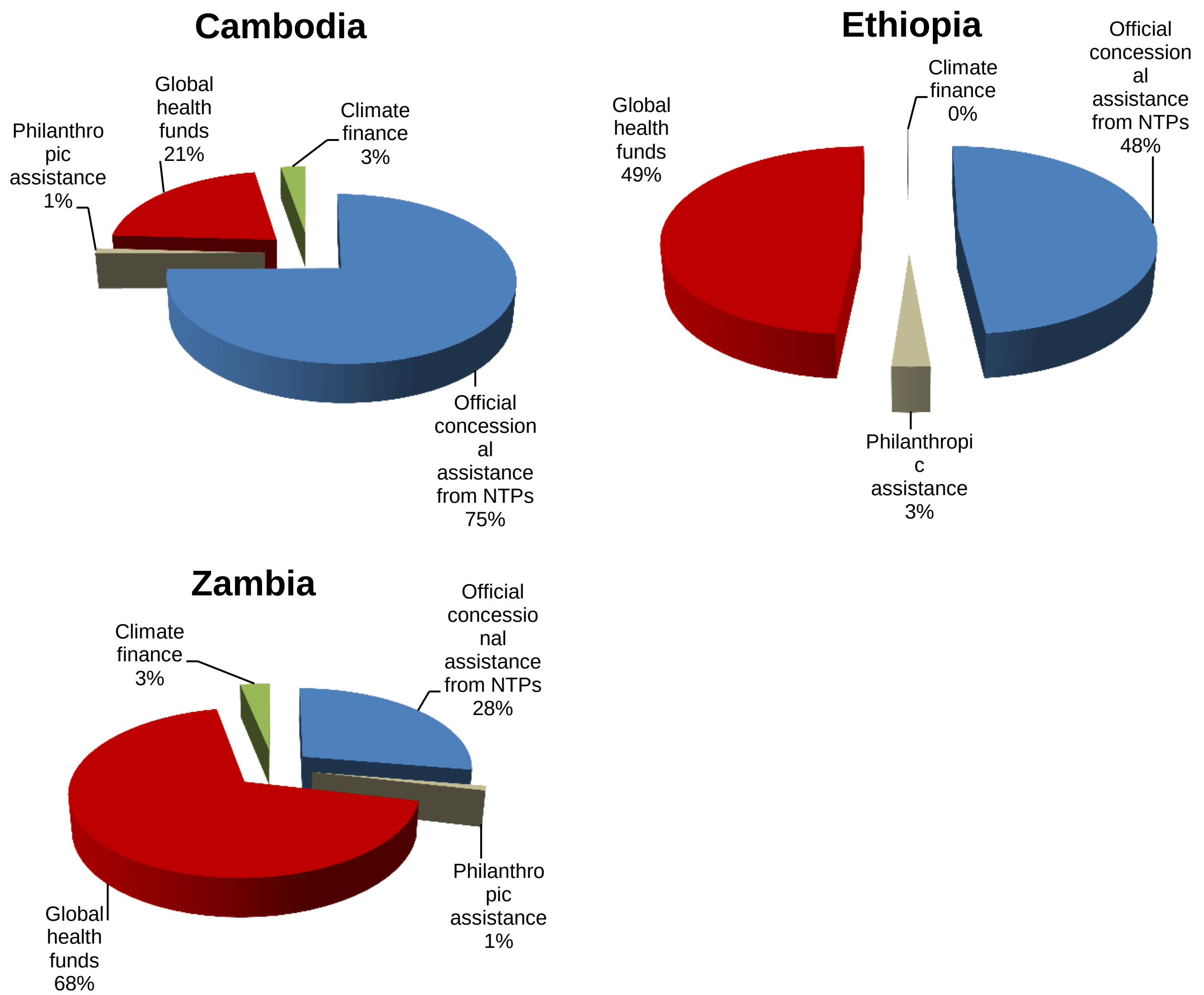
Figure 5: Traditional and non-traditional flows in the three countries, 2002-2009 ($ millions)



Source: Authors' elaboration on the basis of OECD.stat, AidData, Foundation Centre, Climate Funds update October 2012 version, disbursed data only. See Annex 2.

While in Figure 5 we aim to compare the relative size of the different flows and their evolution over the past decade, Figure 6 separates non-traditional flows – at least in their lower-bound estimates – considering average figures for the period 2007-2009. In the case of Cambodia and Ethiopia, the largest share of NTDA is represented by external assistance from non-DAC donors (including Korea, as explained in Section 2).

Figure 6: Composition of non-traditional flows in the three countries, 2007-2009 average



Source: Authors' elaboration on the basis of OECD.stat, AidData, Foundation Centre, Climate Funds update October 2012 version, disbursed data only. See Annex 2.

Assistance from official non-traditional providers is 75% of total NTDA in Cambodia, this mainly consists of assistance from China. In Ethiopia, the share is 48% (nearly as much as that from vertical health funds). In Zambia, while non-DAC donors represent only one-quarter of total assistance, NTDA is dominated by assistance provided by GAVI and the Global Fund, which account for nearly 70% of total such flows. The relative share of climate finance is still small in all three case studies (3% or less) because a limited volume of pledges materialised over the period 2007-2009; philanthropic assistance is rather small as well (3% in Ethiopia, 1% in both Cambodia and Zambia).

5.2 Partner countries welcome more choice and more finance

In Section 3, we emphasised that understanding government priorities and their success in securing development assistance that meets those priorities was a key aim of the study. All three case studies highlighted that **the need for additional resources to finance development is a key priority for governments, and NTPs are seen as particularly valuable** in helping countries meet this objective. In some cases, this is explicitly because traditional ODA flows are already falling and are expected to continue to do so, as in Zambia (AfDB et al., 2011). In other cases, they are expected to fall once the country reaches middle-income status, as in Cambodia.

Ethiopia, for example, is heavily focused on promoting investment in infrastructure, as indicated by the country's national Growth and Transformation Plan (GTP) (FDRE, 2010). Traditional ODA was found to be insufficient to meet the country's substantial infrastructure needs. The country instead has a deliberate and systematic, although implicit, strategy to tap into new financing sources, including increasing the number of official donors, philanthropists, providers of climate finance, diaspora bonds and domestic resources, such as taxation. Interviews in Cambodia also identified the need for additional resources as the country's number one priority: interviewees felt the government was very unlikely to turn funding offers down and NTPs were therefore very welcome as additional sources of finance. This finding is consistent with the earlier Paris Declaration evaluation country study of Cambodia, which noted that the country valued China and South Korea in particular as sources of additional finance beyond ODA (VBMK and RBMG, 2010).

Like Ethiopia, Zambia has a strategy to diversify financing sources beyond ODA, spurred on by the country's move to middle-income status and the departure of some traditional donors. Zambia held a High-level Policy Dialogue in November 2012 involving the government, donors, MICs, CSOs and the private sector to discuss and analyse strategies for Zambia to diversify sources of development finance and move beyond aid. Key questions for discussion included how to access futures markets, public–private partnerships (PPPs), hedge funds and new climate finance mechanisms.

In contrast with some of the global literature (ActionAid, 2011; Glennie, 2011; Tandon, 2008), **the case studies did not indicate a major push to reduce aid dependency on the part of recipient governments.** The anticipated reductions in traditional ODA appeared to be coming more from 'push factors' on the part of donors than from 'pull factors' on the part of government. Countries appeared to want to diversify financing more because ODA flows had, or were expected to, fall, rather than because of any political desire to exit from dependency on ODA. All countries are also perusing fast growth strategies and have been successful in securing high growth rates in recent years, meaning ODA/GNI ratios will automatically fall without unfeasibly large increases in ODA. As noted later, however, governments are certainly exploiting the opportunities NTPs present to increase negotiating power in relation to traditional donors.

In the specific case of Cambodia, the government particularly welcomed NTPs because they are able to finance projects at lower rates of return than traditional donors. It was reported that the government had developed proposals for projects that are of interest to it but that may not pass the strict economic rate of return (ERR) thresholds of traditional donors such as the World Bank and the ADB. An example raised by government officials in Cambodia was that of provincial roads, which are key to the country's development strategy but would not meet the 12% ERR threshold the ADB requires. China has lower requirements, so is reportedly able to build these roads instead. However, while the government may welcome such an approach in the short run, it does bring long-run risks around debt sustainability if the country is unable to generate sufficient revenues to repay loans made. It could also lead to lower priorities projects being built: in Zambia, private Chinese companies are reported to be building three new sports stadiums, even though this may not be a national priority (Fraser, 2008).

Debt sustainability did not appear to be a concern for government in any of the case study countries. All three countries have been rated by the IMF/World Bank as being at low risk of debt sustainability problems (IMF, 2010; 2012a; 2012b), and therefore did not show concern in relation to taking on new loans. In Ethiopia, for example, it was reported that the government had not turned down a loan owing to concerns over debt sustainability since 2005, with access to new finance being considered of higher priority. The Ministry of Finance and Economic Development (MoFED) is, however, working on a debt management strategy that will apparently set a target for the desired debt/GDP ratio.

Zambia has established a policy on debt, as set out in the 2007 Aid and Policy Strategy (Republic of Zambia, 2005),[34] which states that new borrowing should be aligned with the country's capacity to repay and on terms that should not unduly expose the country to preventable risk of defaulting. The policy states that the government should prioritise concessional finance and only negotiate loans with a minimum 35% grant element. Interviews with government officials, however, suggested these criteria had not been systematically applied to the loan process. The recent Sixth National Development Plan (Republic of Zambia, 2011a) also indicates that non-concessional borrowing may be taken on to finance projects with a high economic return, especially in the infrastructure sector.

Cambodia has also established a debt strategy, which states that the country can borrow only for infrastructure that supports growth and the productive sector, including roads, bridges, energy, ports and water. However, the 'low-debt risk' assessment in the recent IMF Article IV consultation means government officials in general appeared relaxed about taking on new borrowing.

In summary, governments generally seemed to welcome the new opportunities the growth of funds from NTPs provides. Concerns around the impact of NTPs on fragmentation and coordination, which are often cited at global level (see Kharas, 2007), did not come through strongly. The overwhelming priority was to raise additional resources to finance development.

5.3 Ownership, alignment and speed are key priorities; non-DAC donors score well here. Global funds do less well in two countries

As well as additional resources, key priorities in relation to the terms and conditions of financing raised by governments were found to be **ownership, alignment and speed.** This set of priorities emerged particularly strongly in Cambodia and Ethiopia; Zambia also had a wider set of priorities around the Paris and Busan agendas, and the promotion of budget support (Republic of Zambia, 2005). Governments did not appear to be setting different priorities for different groups of providers, but instead to be assessing all providers against a similar set of criteria. In all countries, **non-DAC official donors were found to score well against these criteria. This was less true of global funds in Cambodia and Zambia, however.**

All three countries placed a high emphasis on **ownership**, with Cambodia and Ethiopia emphasising this issue particularly strongly. In Ethiopia, the prioritisation of ownership is such that even grants might not be accepted if they do not finance priorities as stated in the national plan, or threaten conditions or delays that are considered unacceptable. Ethiopia's national strategy, the GRP, was sent to the donor community for comments only after having been ratified by Parliament; in many other countries, donors are deeply involved in drafting national strategies (see OECD, 2011a). According to Fraser and Whitfield (2008), Ethiopia is in control of its development strategy and seeks to negotiate with donors only at the margins. Cambodia also places particularly strong emphasis on political leadership and control, and the Prime Minister is reported to have been particularly assertive in dealing with donors.

34 The Aid and Policy Strategy was written in 2005 but approved in 2007.

Measured against this priority, non-DACs were found to be popular with governments because of their overall policy of non-interference in government policy, and also their limited conditionality. In Ethiopia, interview evidence suggested that non-DACs were also valued because they did not challenge or question the fundamentals of the government's economic strategy, which is quite heterodox when compared with the usual policy prescriptions of traditional donors. The leaders of both Cambodia and Ethiopia have publicly praised China in particular for its respect for national ownership. Late Ethiopian Prime Minister Meles Zenawi said 'it will be wrong for people in the West to assume they can buy good governance in Africa. Good governance can only come from inside; it cannot be imposed from outside. That was an illusion. What the Chinese have done is explode that illusion. It does not endanger the reforms of good governance and democracy in Africa because only those that were home-grown ever had a chance of success' (in Brautigam, 2009: 286).

Governments also raised **alignment** as a key priority, particularly **sectoral alignment.** In all three countries, non-DACs were found to be better aligned with government priorities because of their focus on infrastructure, energy and growth-promoting sectors. These are often underserved by traditional donors, which focus more on the social sectors. In Cambodia, for example, in 2006 the transportation sector was one of the most under-funded when comparing aid (including from non-DAC donors) against the requirements set out in the National Strategic Development Plan (NSDP). Aid was only $53 million compared with an NSDP requirement of $138 million, and China provided only $13 million of this (RGC, 2008). By 2008, aid to the transportation sector was almost exactly equal to the NSDP requirement ($142 million versus a requirement of $138 million), with Chinese aid having grown to $87 million, more than 80% of the difference (RGC, 2010). Cambodia is now in fact over-resourced in the transportation sector in relation to the NSDP, mainly because of China's contribution (RCG, 2011). While we do not have comparable data for the other two case studies, interviews with government officials indicated a similar picture.

Finally, **speed** emerged as a key priority in all three countries, which is interesting given that it is not emphasised in the Paris Declaration on Aid Effectiveness. In Ethiopia, speed was considered of such high priority that one interviewee gave examples of concessional loans being rejected in favour of less concessional financing from China because the process was taking too long and the safeguards were too burdensome. As with ownership and alignment, non-DAC donors were found to score well against this criterion in the three case study countries (see also Sato et al., 2011 on Cambodia and Afrodad, 2011 on Ethiopia). In Cambodia, for example, one government interviewee noted that, by the time traditional donors start building, China would have already completed the project. Officials in Ethiopia also reported that Chinese loans were disbursed more speedily and efficiently than those from traditional donors.

In contrast with the non-DAC donors, **global funds and some philanthropists were found to score poorly in terms of alignment in Cambodia and Zambia.** In Zambia, significant amounts of money in the health sector are being channelled through global funds and philanthropic organisations such as the Global Fund, the Clinton Foundation, the GAVI Alliance and Gates. Ministry of Health officials interviewed for the country evaluation of the Paris Declaration reported that these programmes were insufficiently aligned with country systems, such as those for financial management and procurement, and tended to distort national ownership at sectoral level (Republic of Zambia, 2011b). A similar story was found in the case of the Global Fund in Cambodia. The three diseases covered by the Global Fund do fall within the government's Health Policy and Strategy, so in this sense it is aligned. However, one of the government's priorities within the health sector is to strengthen health systems, with the aim of supporting treatment of the three diseases in both the short and the longer term. It was reported that the government and donors in Cambodia had attempted to negotiate with the Global Fund to allocate a proportion of funds towards strengthening health systems, but this proposal had not been accepted. The earlier Paris Declaration evaluation of Cambodia also found that global programmes in the health sector had contributed to a growing misalignment between donor support and stated government priorities, including over-funding of HIV/AIDS in relation to other government health priorities (VBMK and RBMG, 2010).

Interestingly, while the Global Fund in Ethiopia has a more typical institutional set-up, similar to Cambodia (with a separate Country Coordinating Mechanism, CCM, not linked to the sectoral working groups), this was not raised as a particular concern by in-country stakeholders, including government. This may be because the Ethiopian health minister is very influential and was formerly a vice-chair of the Global Fund, able to shape Global Fund investments to be more in line with health systems. It may also be because of Ethiopia's relative success in bidding for Global Fund financing and showing results from Global Fund spending.

5.4 Ethiopia and Cambodia are taking a strategic approach to the division of labour between traditional and non-traditional providers

Interview evidence in Ethiopia and Cambodia suggested that both countries are taking a strategic approach to managing funds from traditional and non-traditional providers. In both cases, it also appeared that governments were using the existence of NTPs to increase their negotiating capital in relation to traditional donors, and there was some evidence to suggest they were able to secure better outcomes in relation to their priorities. This factor was less in evidence in Zambia, perhaps given the slightly lower share of NTPs to total external resources there.

Ethiopia, perhaps because of its large size, its geostrategic position in the Horn of Africa, its relatively effective public administration and its strong progress on poverty reduction, was found to exercise the highest level of negotiating capital with regard to both traditional and non-traditional providers and to have had the most success in securing its objectives (see Furtado and Smith, 2009, on this point in relation to traditional donors). Interviews with both government and donors indicated that the government had formed an implicit division of labour between donors as a starting point. Traditional DAC donors are channelled mainly into the social sectors (with the exception of the World Bank and the ADB) and non-DAC donors into infrastructure, particularly road construction. They also have a division of labour between different areas of government, with the government having agreed with Korea for it to operate at regional level, based on Korea's usual *modus operandi*, whereas other donors focus on the federal level. Donors interviewed reported that, in their view, the government treats different donors in different ways and adapts its language and strategy accordingly.

Ethiopia also has a largely implicit or informal (though largely shared within government) set of preferences in terms of aid modalities and concessionality, which it uses to rank donors. As noted above, the strong negotiating position it has as a result of its context enables it to take this approach. Government appears to prefer concessional budget support financing, then projects. As noted above, if traditional donors impose safeguards that slow down the process, it moves on to less traditional donors that offer lower rates of concessionality. If other options are exhausted, the government seeks to tap domestic resources and diaspora bonds. Some interviewees also felt that the emergence of NTPs had further increased the government's negotiating power in relation to traditional donors, enabling it to implement more heterodox policies than would usually be negotiated under traditional policy conditionality from the IMF and the World Bank.

Cambodia's more challenging governance context and fragmented institutional set-up means it takes a less coherent strategic approach to negotiating with traditional and non-traditional providers. However, it was also evident that the government was using NTPs (in particular China) to bolster negotiating power in relation to its more challenging relationship with traditional donors. In a study on emerging donors from a recipient perspective in Cambodia, Sato et al. (2011) note that 'the Cambodian government accepts aid from emerging donors despite associated transaction costs not as a passive willingness to "accept whatever aid is offered" but rather as part of a carefully considered strategy that views the new donors as providing alternatives important to the country's balanced development. At the root of this strategy lies also a deep dissatisfaction with traditional donors' (2011).

Interviews with both donors and the government in country, and earlier studies (e.g. Chea et al., 2008), suggest the government is becoming more assertive in dealing with traditional donors and thus better able to meet its objective of greater ownership, particularly at the political level. One example of such assertiveness relates to reports by an official that the government intends to phase out infrastructure lending from the World Bank as a result of frustration with the Bank's 2011 decision to suspend lending to Cambodia following disputes over land evictions around Boeung Kak Lake (McCartan, 2011). A second example is the decision of the government to cancel the biannual Cambodia Development Cooperation Forum, which reviews progress against conditionalities, among other objectives, which some interviewees attributed to disputes with the World Bank. Interviews with both donors and NGOs revealed that weak implementation of conditionalities was not leading to a reduction in aid flows. One anecdotal example raised was that the government missed the Joint Monitoring Indicator on creating an anti-corruption entity, but then said they would retain it as a condition but not commit to meeting it. It is not clear, however, how much this has changed from previous years, in which contributions from China were at much lower levels.

There was less evidence in Zambia that the government was taking a strategic approach to managing its traditional donors and NTPs. As we discuss further in the next section, Zambia is not making attempts to separate traditional donors and NTPs, and we found little evidence of the government using the emergence of NTPs to bolster negotiating power. This may have several contextual reasons. First, the volume of flows from NTPs was found to be slightly smaller in relation to that from traditional donors in Zambia than in the other two countries.[35] For example, disbursements from China are at only 2.7% of total disbursements (Republic of Zambia, 2010); in Cambodia they stand at 13% (RGC, 2011.) Second, as shown in Section 4, Zambia is now less aid dependent (and more market oriented) overall than the other two countries, making negotiating with any kind of development assistance provider (as opposed to private provider) less of a priority for the government. The country also has less of a background in operating strategically in relation to donors, with donors having taken a more intrusive approach in the past, undermining the government's negotiating power (Chisala, 2006). Finally, the government in Zambia is also newer than those in Ethiopia and Cambodia. Michael Sata's Patriotic Front has been in power only since September 2011, whereas Ethiopia's Meles Zenawi led the country from 1991 to 2012 and Cambodia's Prime Minister Hun Sen has been in a leadership role in the country since 1985.

5.5 Ethiopia and Cambodia show limited interest in including NTPs in aid coordination mechanisms; this is less true for Zambia

As we saw in Section 4, all three case study countries have set up mechanisms to coordinate traditional donors, including high-level donor–government negotiating fora, sectoral working groups and, in some cases, donor-only groups. Section 3 also identified the importance of identifying the arenas in which negotiations take place. While in all countries formal aid negotiations take place outside the aid coordination mechanisms, it is interesting to focus on such mechanisms as, at least on paper, they provide key fora to discuss policy strategies, new project proposals, conditionalities

35 And also more heavily weighted to the global funds, which may have less of an impact on perceived negotiating power than non-DAC donors.

and to dialogue on policy, setting the broad parameters for donor–government discussions (Furtado and Smith, 2009).

In Cambodia and Ethiopia, NTPs either participate in aid coordination mechanisms at junior levels, sporadically or only in ‘listening mode’, or not at all. More strikingly, in neither country did government express a strong interest in including NTPs in these mechanisms, and those NTPs interviewed could not see a strong reason for participating either. In Cambodia, while the most recent Development Effectiveness Report and the overarching Rectangular Strategy both express the need to include NTPs in aid coordination fora, no government official could see any advantage in doing so when interviewed. When probed, it appeared that the pressure to include NTPs in such mechanisms was coming largely from the traditional donor community. Government officials themselves indicated that China responded directly to government requests and therefore did not need to engage in policy dialogue and coordination. A similar story was found in Ethiopia. NTPs do not engage actively in either the donor-only Development Assistance Group (DAG) or the government–donor sectoral working groups, although some do so in more passive ways. The main pressure for including NTPs in these groups again appeared from interviews to be coming from donors, with the government showing very limited interest.

A different story was found in Zambia. China, India, Brazil and South Africa were all found to be participating in donor coordination mechanisms and some sectoral advisory groups, although with different levels of frequency and activity. The interest in this engagement seems to be coming from all parties involved. Interviewees reported that the main reasons for this included efforts by traditional donors to engage with these actors and their openness to dialogue and learning from the BRICS in particular; efforts by government to encourage this participation; and openness among staff from the embassies of non-DAC donors themselves. The Chinese ambassador in particular was reported to be open and willing to learn from other partners and to share information. Interestingly, however, Zambia is developing a new Mutual Accountability Framework, which will guide efforts on aid effectiveness, and is proposing to discuss this framework with different groups of actors separately.

In the case of Cambodia and Ethiopia, the lack of interest in including NTPs in aid coordination mechanisms may owe to several factors. First, lack of conditionality and the focus on non-interference among non-DAC donors would tend to reduce interest in participation on both the government and the NTP sides. NTPs see no reason to engage in policy dialogue that they do not support; government sees less need to use aid coordination mechanisms to coordinate conditionality. This view is supported by the fact that one of the main functions of the technical working groups in Cambodia was found to be policy dialogue and monitoring of Joint Monitoring Indicators (akin to conditions) (RGC, 2010).

Second, this may indicate that government does not take the aid coordination mechanisms themselves very seriously. This would make it less of a concern for governments if NTPs fail to engage. This possibility is suggested by the varied quality of the donor–government sectoral working groups, in particular, in both countries, with some ineffective or not operational (Chea et al., 2008; Furtado and Smith, 2009).

As indicated above, governments tend to take a strategic approach to negotiating with donors and NTPs, and as such may prefer to keep the two groups separate in order to maximise their negotiating power (Grimm et al., 2010). Certainly, this suggestion is consistent with the strategic approach identified in the two countries. Cambodia’s Prime Minister Hun Sen has reportedly expressed scepticism about the harmonisation agenda; Ethiopia has also paid less attention to harmonisation in recent years. This may suggest that the two governments prefer to keep providers, and groups of providers, separate in order to maximise negotiating power. Governments may feel they do not wish to expose providers such as China to scrutiny or criticism from traditional donors as a result of their aid practices, for which it may appear to lose face. There may also be on a practical level resistance from NTPs to being involved in aid coordination mechanisms owing to low levels of in-country staffing and hence limited time to engage.

5.6 Philanthropic and social-impact investment flows are small and not yet changing the aid landscape significantly

In contrast with some of the global literature on philanthropy (Kharas, 2007), in all three case studies we found that the volumes of both philanthropic and 'social impact investment' flows were small and were not having a significant impact on the aid landscape. The embryonic nature of both sets of flows means governments are not in general articulating clear priorities and do not appear to be making deliberate efforts to negotiate with providers. This may also be partly because the majority of these flows tend to bypass governments and be channelled directly to NGOs or private sector organisations.

In Zambia, US foundations (which are by far the largest source of philanthropic flows) provided an average of less than $1 million per year over the period 2003-2011 (Foundation Center website). This compares with CPA of close to $1 billion per year over the same period, indicating that philanthropy stood at only a tiny fraction of CPA flows. Similarly, Cambodia saw an average of only $1.7 million per year from the same group of foundations, compared with disbursements from traditional development partners of $300-600 million per year (see Annex 2). Note that these figures include only those philanthropic flows channelled directly to the country or region, and exclude those channelled via international NGOs and global funds, meaning they probably underestimate actual volumes received at the country level. From the government perspective, however, what is most important is the final provider of the funds, not the ultimate source.

Interviewees receiving philanthropic funding in Cambodia could also not identify particular differences between this source of funding and that from traditional multilateral and bilateral donors. Some interviewees suggested that philanthropists tended to provide small amounts of funding, with a heavy burden of reporting requirements, but in this respect they were not seen to differ substantially from traditional donors.

Philanthropic organisations were not found to be formally involved in aid coordination mechanisms in country. This is often because they have no presence at country level, although this is starting to change – the Gates Foundation, for example, has set up a country office in Ethiopia.

Social impact investment was poorly understood in all three case study countries. Interviewees were often not familiar with the term and found it difficult to distinguish from corporate social responsibility (CSR). Most interviewees across government, NGOs and donors in Cambodia were unaware of any social impact investment in the country, and government officials felt that the policy recommendations for managing social impact investment flows would be more similar to those involved in managing private flows rather than ODA. CSR was much better known, however, across all three countries.

5.7 Countries' ability to attract and manage climate finance appears to depend heavily on their own strategy

The three countries vary significantly in their ability to mobilise and manage climate finance, and this appears to be heavily dependent on the state of development of national strategies in this area. In relation to the stylised negotiating framework presented in Section 3 above, the countries vary even in their ability to set priorities and strategies, and, as we might expect, this is having an impact on the outcomes they are currently able to secure.

At one end of the spectrum, in Zambia, climate finance is a relatively new phenomenon. Although the MoFNP has established a dedicated unit with three people, interviews suggested that the country still lacks a coherent overarching strategy and a general understanding of climate change issues, although it was reported that the government was in the process of developing an integrated development finance strategy regarding climate change. The embryonic stage of this issue means it was challenging in the case study research to identify government priorities in managing climate finance with any degree of accuracy. Some interviewees noted that climate finance faced similar challenges to ODA management, with each fund having its own peculiarities. Pledges to date have totalled more than $20 million (Climate Funds Update), and the government is expecting additional funding from the Least Developed Countries Fund and the Special Climate Change Fund, having performed well on biodiversity, climate change and prevention of land degradation.

Cambodia has a clearer set of climate finance priorities than Zambia. At the national level, priorities were stated to be similar to those in managing other development assistance flows, in particular mobilisation of additional resources and alignment, use of local organisations for implementation and avoiding the use of parallel systems. As Cambodia is a least-developed country, interviewees reported that the international negotiating priorities of that group were also important, particularly ensuring that funds are new and additional, provided on a direct access basis (akin to budget support) and in the form of grants rather than loans. However, it was found that, as the country does not yet have a climate change strategic plan, it is not yet fully successful in achieving these objectives. Cambodia faces challenges in accessing global climate change funds owing to complex rules and procedures, co-financing requirements and other factors (UNDP, 2010.) Alignment was also found to be challenging, given the lack of a plan with which donors could align. However, the Ministry of Environment is planning to develop a climate change strategic plan, which should help the government be more successful in negotiating with donors to secure its objectives.

At the other end of the spectrum, Ethiopia was found to have a much clearer strategic plan and, as a result, to have been much more successful in framing its objectives with regard to climate finance. The government has both put climate change at the heart of its national plan and developed a specific climate change strategy (the Climate Resilience Green Economy Strategy). The latter has very ambitious targets of mobilising a total of $150 billion in climate finance over the next 20 years, eventually reaching a peak of $20 billion per year. The government plans to raise these funds by mainstreaming green economy initiatives into existing development programmes, and accessing international climate finance. In order to meet the latter objective, Ethiopia has developed a Climate Finance Facility, launched in September 2012. The aim is to create a channelling mechanism through the MoFED to control and integrate climate finance flows to Ethiopia in order to support implementation of the Climate Resilient Strategy. It will be similar to budget support in that it will be channelled through the federal Treasury and use national accounting and reporting systems, although UNDP will manage the funds through the transition process. Ethiopia is also making progress in securing volumes of climate finance, being the second largest recipient in Sub-Saharan Africa after Kenya (Climate Funds Update, 2012). While amounts committed to date are small ($107 million according to the Climate Funds Update), and it is still far from clear whether the country will mobilise funds on the scale it desires, Ethiopia appears to have made the greatest progress towards this end.

6 Conclusions and policy recommendations

As noted in the introduction, this study had three aims: 1) to present a provisional taxonomy of the new complex aid landscape, including flows of non-traditional development assistance; 2) to present a first-cut estimate of the volume and composition of development assistance flows within this new landscape; and 3) to explore the implications of the new complexity for partner country governments. Drawing on three country case studies, it has provided an overview of trends in different kinds of assistance at country level; a review of the economic, political, governance and aid effectiveness context informing the aid negotiation process; an exploration of government priorities when it comes to the purpose and 'terms and conditions' of assistance; an exploration of the arenas in which countries seek to engage with different providers of development assistance; and an assessment of whether countries are meeting their objectives when it comes to negotiating with traditional and non-traditional providers.

Given the limited sample size for the case studies, and the fact that findings tended to differ between Ethiopia/Cambodia on the one hand and Zambia on the other, the conclusions and policy recommendations presented here should be treated with some caution. Further case studies would help confirm the replicability of the findings across a wider group of countries, and explore trends across regions, fragility and income classifications and levels of natural resource endowment. We should also re-emphasise that this study focuses particularly on partner country governments; CSOs and citizens may have a different set of views and priorities.

Despite these caveats, we can reach some conclusions on the key questions addressed. Here, we present the key findings in response to each of the guiding questions.[36] We then move to summarise the policy recommendations for governments, traditional donors and the international aid effectiveness community that emerged from the case studies.

6.1 Key findings on government priorities

6.1.1 Volume of flows from traditional and non-traditional providers

Development assistance flows grew substantially between 2000 and 2009, and their composition has shifted heavily towards what we call 'non-traditional' sources of development assistance.

- Our 'lower-bound' estimate (i.e. excluding OOFs) suggests total development assistance grew from $64.8 billion to $173.3 billion between 2000 and 2009. In 2000, the non-traditional component of these flows was only $5.3 billion, or 8.1% of total development assistance. By 2009, non-traditional flows had increased tenfold to $53.3bn, making up 30.7% of total development assistance flows.
- Our 'upper-bound' estimate (including OOFs) suggests total development assistance grew from $77.1 billion to $213.5 billion between 2000 and 2009. In 2000, NTDA was $17.6 billion; by 2009, it had grown to $93.5 billion,[37] a fivefold increase. NTDA by this expanded definition rose from 22.8% of total development assistance in 2000 to 43.8% in 2009.

While these flows are distributed very unevenly across countries, they are growing fast in all the countries reviewed. In volume terms, **non-DACs account for the bulk of non-traditional development assistance in Cambodia and Ethiopia; while global funds are very important in**

---

36. We do not present findings on context here as this is more background information than a new finding.
37. Note that OOF figures are a three-year moving average of 2002-2004 for 2000, the closest available, and 2008-2010 for 2009, to smooth out potential fluctuations from the financial crisis.

Zambia. Philanthropy and social impact investment are extremely small in all three countries.

6.1.2 Government priorities

The study found that **countries in general appear to be welcoming the additional volume of finance and the choice that NTPs bring.** Cambodia and Ethiopia were both found to be strategic about how they managed the new flows, and all countries expressed more positive than negative elements when discussing the new trends.

Consistent with the Paris Declaration agenda, **ownership and alignment emerged as key priorities** in relation to the 'terms and conditions' of development assistance. Non-DAC donors in particular were found to score well against these criteria. However, **harmonisation and reducing fragmentation were not expressed as particular priorities.** Governments appeared to reject the common (mis)interpretation of the Paris agenda on harmonisation as requiring all donors to negotiate with the government as a block. On the contrary, governments appeared more comfortable dealing with different groups of providers in different fora, perhaps to increase their negotiating power. Contrary to expectations, countries did not appear to struggle with growing fragmentation as a result of the growth of NTDA, seeming instead to welcome the additional choice.

One priority that emerged from the studies, which is not covered in the Paris agenda, was that of **speed;** again, non-DAC donors were praised for the speed of their operations. For traditional donors, improving the speed of disbursement procedures may help them become more attractive to recipients in a more competitive aid landscape.

In all countries, **the low assessed risk of debt distress meant governments were comfortable taking on new borrowing.** However, **over time, governments will need to ensure they maintain debt sustainability,** particularly when taking on less concessional flows.

6.1.3 Negotiation arenas

The study found that, **in two of the case study countries (Cambodia and Ethiopia), there was little government interest in involving NTPs in aid coordination mechanisms.** These governments appeared more comfortable negotiating with different providers in different fora. A different finding emerged from Zambia, however.

6.1.4 Ability of developing country governments to negotiate with traditional and non-traditional providers

Overall, the case studies suggest that **the emergence of NTPs is strengthening the negotiating power of governments, and may make it more difficult for traditional donors to influence policy.** Cambodia and Ethiopia already appear to be using the existence of NTPs in this way. These new developments may therefore increase country ownership, understood as government choice over policies. They may, however, make it more difficult for traditional donors to raise concerns around corruption, human rights, poverty reduction or other issues. Greater ownership emerging in this way may also not necessarily lead to better results, especially in weaker governance environments. While all countries still saw mobilising resources as a key priority, and so were unwilling to turn down funding offers, donors may in the long run find that support considered too slow, burdensome or conditional is rejected in favour of support from NTPs.

However, the ability of countries to benefit from NTPs depends heavily on their ability to strategically manage those flows, and also on their economic and political context. Within our three case studies, Ethiopia is the best example of a country with a clear set of priorities when it comes to managing such flows, including climate finance. Ethiopia is also favoured, however, by its geostrategic importance, a large domestic market and the strong leadership of the former prime minister. Not all countries will be able to replicate such a position. Countries will need to build up their capacity to attract, monitor and effectively utilise traditional and non-traditional flows.

6.2 Policy recommendations

6.2.1 Recommendations for developing country governments

- Be clear on priorities regarding the purpose, volume and terms and conditions of different kinds of assistance, and ensure these fit within overall national development strategies.
- Take an active approach to negotiating with all kinds of assistance providers and be strategic in how relationships with providers are managed. Recognising the distinctive characteristics of providers will help in securing successful negotiations.
- Recognise that national economic, governance and aid management contexts will determine negotiating capital when dealing with both traditional and non-traditional providers. Some of these (e.g. geostrategic importance) are outside of country control, but others (e.g. macroeconomic management) may be more amenable to influence by government.
- Ensure new loans taken on from both traditional and non-traditional providers meet with national policies on debt sustainability, including concessionality thresholds.
- It may not be necessary or advantageous to negotiate with all providers together, through joint aid coordination mechanisms. Separate negotiations may be more constructive in securing government objectives.
- Explore opportunities to exploit new sources of development assistance, including the non-traditional. These flows are potentially significant at global level and can provide strong complementary funding to traditional development assistance, particularly as countries graduate to middle-income status.
- Strengthen information collection on flows of development assistance from both traditional and non-traditional providers. There are good examples of countries collecting data from a wide range of providers, which others may wish to emulate.

6.2.2 Recommendations for traditional donors

- Recognise that, in the ‘age of choice’, countries are likely to have more options when it comes to sources of development assistance. Ensuring assistance supports country ownership and is well aligned will be critical in ensuring traditional assistance is still in demand. Donors may also need to be clearer on their own ‘niche’ in relation to competition from other kinds of providers.
- Direct donor conditionality is less likely to be effective in an age of choice. While recognising that traditional donors may have legitimate interests in dialoguing with countries around policy and governance issues, this may need to be done in different ways.
- The current focus on results in many traditional donors may be more challenging to achieve in an age of choice, particularly in weaker governance environments. Donors are likely to have less direct influence over governments, and it may be more difficult to clearly identify and attribute results.
- Recognise that governments may want to deal with different providers in different fora. Do not try to push governments into ‘one-size-fits-all’ coordination fora, unless there is a strong demand from government.
- Improve the speed of disbursement, which has emerged as a key government priority.

6.2.3 Recommendations for the international aid effectiveness community

- Recognise that country priorities on aid effectiveness may not be fully in line with those currently articulated in the Paris Declaration on Aid Effectiveness. Speed is an important missing element from the Paris Declaration, while concerns on harmonisation and fragmentation appear to be overstated. Ensure that future aid effectiveness agreements better reflect country-level priorities; in particular, some countries may wish to negotiate with different groups of providers separately.
- Recognise that different providers have distinctive models of providing development assistance, which can each bring particular benefits and insights. A process of mutual learning between these approaches may be more constructive then attempts to agree a ‘one-size-fits-all’ approach to aid effectiveness.
- Work with traditional and non-traditional providers to improve the availability, quality, consistency and level of detail of information on flows of development assistance, to promote better monitoring of flows at both global and national levels.

References

ActionAid (2011) 'Real Aid: Ending Aid Dependency'. London: ActionAid.
AfDB (African Development Bank) et al. (2011) 'Joint Assistance Strategy for Zambia II 2011-2015'. Lusaka: Joint Donor Group.
AfDB (African Development Bank), OECD (Organisation for Economic Co-operation and Development) and UN Economic Commission for Africa (UNECA) (2012) *African Economic Outlook 2012.* Tunis: AfDB.
Afrodad (African Network on Debt and Development) (2011) 'Mapping Chinese Development Assistance in Africa: An Analysis of the Experiences of Ethiopia.' Harare: Afrodad.
AidData (2011) 'AidData User's Guide Version 2.0'. Available at http://www.aiddata.org/weceem_uploads/_ROOT/File/User%20guide/AidData%20User's%20Guide%2011-16-11.pdf
Berne Union (2009) 'Berne Union Yearbook 2009'. London: International Union of Credit and Investment Insurers.
Bertens, M., with Mummert, U., Murrell, P., and Seabright, P., (2001) 'The Institutional Economics and Foreign Aid.' Cambridge: Cambridge University Press
Brautigam, D. (2009) *The Dragon's Gift - The Real Story of China in Africa*. Oxford: Oxford University Press.
Chea, S., Mangahas, J. Thanh An, P. and Wood, B. (2008) *Cambodia Evaluation of Aid Effectiveness.* Phnom Penh: CDRI.Fraser, A. and Whitfield, L. (2008) 'The Politics of Aid: African Strategies for Negotiating with Donors'. GEG Working Paper 2008/42. Oxford: Global Economic Governance Programme.
Chisala, V. (2006) 'Foreign Aid Dependency: The Case of Zambia'. PhD Thesis, School of Oriental and African Studies, University of London.
Climate Funds Update (2012) http://www.climatefundsupdate.org/, Accessed 2012
CPI (Climate Policy Initiative) (2011) 'The Landscape of Climate Finance'. Venice: CPI.
Davies, P (2010) 'A Review of the Roles and Activities of New Development Partners'. CFP Working Paper 4. Washington, DC: World Bank.
DCI (Development Cooperation Ireland) (2005) *Aid Modalities in Ethiopi*a. Dublin: DCI.
ECOSOC (Economic and Social Council) (2008) 'Trends in South–South and Triangular Development Cooperation'. Background Study for the Development Cooperation Forum.
EITI (Extractive Industries Transparency Initiative) (2012) 'Zambia Declared EITI Compliant.' 19 September.
ESCAP (Economic and Social Commission for Asia and the Pacific) (2012) 'Cambodia'. Briefing Notes for the Launch of the Economic and Social Survey, Phnom Penh, 11 May.
E.T. Jackson and Associates (2012) 'Accelerating Impact Achievements, Challenges and What's Next in Building the Impact Investing Industry'. Report prepared for The Rockefeller Foundation.
FDRE (Federal Democratic Republic of Ethiopia) (2010) 'Growth and Transformation Plan 2010/11 – 2014/15'. Addis Ababa: FDRE.
Fraser, A. (2008). Zambia: Back to the Future? In L. Whitfield (Ed.), The Politics of Aid. African Strategies for Dealing with Donors (pp. 299-328). Oxford: Oxford University Press.
Fraser, A. and Whitfield, L. (2008) 'The Politics of Aid: African Strategies for Negotiating with Donors'. Working Paper 2008/42. Oxford: Global Economic Governance Programme.
Furtado, X. and Smith, J. (2009) 'Ethiopia: Retaining Sovereignty in the Face of Aid', in L. Whitfield (ed.) *The Politics of Aid African Strategies for Dealing with Donors*. Oxford: Oxford University Press.
Geda, A. and Tafere, K. (2011) 'Official Development Assistance (Aid) and Its Effectiveness in Ethiopia'. Working Paper A07/2011. Addis Ababa: IAES.
Glennie, J. (2011) 'A Fresh Narrative on Aid Dependence'. Guardian Poverty Matters Blog, 13 September.

Glennie, J. and Prizzon, A. (2012) 'From High to Low Aid: A Proposal to Classify Country by Aid Receipt'. Background Note. London: ODI

Greenhill, R. and Prizzon, A. (2012) 'Who Foots the Bill after 2015? What New Trends in Development Finance Mean for the Post-MDGs'. Working Paper 360. London: ODI.

Grimm, S., Hoss, H., Knappe K., Siebold M., Sperrfechter J. and Vogler, I (2006) 'Coordinating China and DAC Development Partners: Challenges to the Aid Architecture in Rwanda'. G

Harttgen, K. and Klasen, S. (2009) 'Fragility and MDG Process: How Useful is the Fragility Concept?' Conference on the Challenges to Fragility of Development Policy, Barcelona, 7-8 May.

Hille, K. (2012) 'Beijing Considers Stronger Foreign Ties'. *Financial Times Asia Pacific*, 15 August.

Hudson Institute (2011) 'Index of Global Philanthropy and Remittances 2011'. Washington, DC: Center for Global Prosperity, Hudson Institute.

IFC (International Finance Corporation) (2012) 'Ease of Doing Business Index'. http://www.doingbusiness.org/rankings

IMF (International Monetary Fund) (2007) 'Cambodia: Selected Issues and Statistical Appendix'. Washington DC: IMF

IMF (International Monetary Fund) (2010) 'Federal Democratic Republic of Ethiopia, Joint IMF/World Bank Debt Sustainability Analysis 2010'. Washington, DC: IMF.

IMF (International Monetary Fund) (2012a) 'Cambodia 2011 Article IV Consultation. IMF Country Report No 12/46'. Washington, DC: IMF.

IMF (2012b) 'Zambia, Staff Report for the Article IV Consultation – Debt Sustainability Analysis'. Washington, DC: IMF.

IMF (International Monetary Fund) and World Bank (2010) 'Ethiopia: Debt Sustainability Analysis'. Washington, DC: IMF and World Bank.

IPEA (Institute for Applied Economic Research) (2009) 'Cooperação Brasileira para o Desenvolvimento International 2005-09'. Brasilia: IPEA.

Kharas, H. (2007) 'The New Reality of Aid'. Washington, DC: The Brookings Institution.

Kharas, H. and Rogerson, A. (2012) 'Horizon 2025: Creative Destruction in the Aid Industry'. Research Report. London: ODI.

Manning, R. (2006) 'Will Emerging Donors Change the Face of International Cooperation?' Paris: OECD DAC.

Martens, B., Mummert, U., Murrell, P. and Seabright, P. (2001) *The Institutional Economics of Foreign Aid*. Cambridge: Cambridge University Press.

McCartan, B. (2011) 'Cambodia Shrugs off Aid Curb'. *Asia Times Online*, 23 August.

OECD (Organisation for Economic Co-operation and Development) (2003), 'Philanthropic Foundations and Development Co-operation'. *DAC Journal* 4(3).

OECD (Organisation for Economic Co-operation and Development) (2010a) 'The Increasing Importance of the South to the South'. In OECD *Perspectives on Global Development 2010:Shifting Wealth'.* OECD Publishing.

OECD (Organisation for Economic Co-operation and Development) (2010b) 'Harnessing the Winds of Change'. In OECD *Perspectives on Global Development 2010: Shifting Wealth'.* OECD Publishing

OECD (Organisation for Economic Co-operation and Development) (2011a) 'Aid Effectiveness 2005-2010: Progress in Implementing the Paris Declaration'. Volumes 1 and 2. Paris: OECD.

OECD (Organisation for Economic Co-operation and Development) (2011b) 'Monitoring Survey of the Paris Declaration, Cambodia Country Note'. Paris: OECD.

OECD (Organisation for Economic Co-operation and Development) (2011c), 'Monitoring Survey of the Paris Declaration, Ethiopia Country Note'. Paris: OECD.

OECD (Organisation for Economic Co-operation and Development) (2011d) 'Monitoring Survey of the Paris Declaration, Zambia Country Note'. Paris: OECD.

OECD (Organisation for Economic Co-operation and Development) (2012a) 'The DAC List of ODA Recipients'. http://www.oecd.org/dac/aidstatistics/49483614.pdf

OECD (Organisation for Economic Co-operation and Development) (2012b), ‘Development Aid at a Glance: Statistics by Region, Africa. Paris: OECD.

OECD (Organisation for Economic Co-operation and Development) (2012c) ‘OECD.StatExtracts’ http://stats.oecd.org, accessed 2012

OECD (Organisation for Economic Co-operation and Development) (2012d) ‘Development Aid at a Glance: Statistics, Gross Bilateral ODA, 2009-2010 Average. Paris: OECD.

Ostrom, E., Gibson, C., Shivakumar, S. and Andersson, K. (2001) ‘Aid, Incentives and Sustainability: An Institutional Analysis of Development Cooperation’. Studies in Evaluation 02/01. Stockholm: Sida.

Pak, K., Horng, V., Eng, N., E. Ann, S., Kim, S. Knowles, J. and Craig, D. (2007) ‘Accountability and Neo-Patrimonialism in Cambodia: A Critical Literature Review’. Phnom Penh: CDRI.

Park, K.H. (2011) ‘New Development Partners and a Global Development Partnership’, in H. Kharas, K. Makino and W. Jung (eds) *Catalyzing Development*. Washington, DC: Brookings Institution.

Prada, F., Casabonne, U. and Bezanson, K. (2010) ‘Supplementary Study on Development Resources beyond the Current Reach of the Paris Declaration’. Copenhagen: DIIS.

Radelet, S. (2004) ‘The Global Fund to Fight AIDS, Tuberculosis and Malaria: Progress, Potential, and Challenges for the Future’. Washington, DC: CGD.

RGC (Royal Government of Cambodia) (2010) ‘A Guideline on the Role and Functioning of the Technical Working Groups’. Phnom Penh: RGC.

Reality of Aid (2010) ‘South South Development Cooperation: A Challenge to the Aid System?’ Manila: Reality of Aid.

Republic of Zambia (2005) ‘Zambia Aid Policy and Strategy’. Lusaka: Republic of Zambia.

Republic of Zambia (2010) ‘Zambia Development Cooperation Report 2009’. Lusaka: Republic of Zambia

Republic of Zambia (2011a) ‘Sixth National Development Plan 2011-2015’. Lusaka: Republic of Zambia.

Republic of Zambia (2011b) ‘Country Evaluation of the Implementation of the Paris Declaration in Zambia Phase II’. Lusaka: Republic of Zambia.

Republic of Zambia (2012) ‘Zambia Issues Inaugural US$750 million 10 year International Bond’. Press Release, 14 September.

RGC (Royal Government of Cambodia) (2008) ‘The Cambodia Aid Effectiveness Report 2008’. Phnom Penh: RGC

RGC (Royal Government of Cambodia) (2010) ‘The Cambodia Aid Effectiveness Report 2010’. Phnom Penh: RGC

RGC (Royal Government of Cambodia) (2011a) ‘Cambodia Development Effectiveness Report 2011’. Phnom Penh: RGC.

Sato, J., Shiga, H., Kobayashi, T. and Kondoh, H. (2011) ‘“Emerging Donors” from a Recipient Perspective: An Institutional Analysis of Foreign Aid in Cambodia’. *World Development* 39(12): 2091-2104.

Sulla, O. (2006) ‘Philanthropic Foundations Actual versus Potential Role in International Development Assistance’. Draft Note prepared for Global Development Finance Report.

Tandon, Y. (2008) *Ending Aid Dependence*. Geneva: South Centre and Fahamu Books.

Te Velde, D.W. and Warner, M. (2007) ‘Use of Subsidies in the Infrastructure Sector’. Project Briefing 2. London: ODI.

Te Velde, D.W. (2011) ‘The Role of Development Finance Institutions in Tackling Global Challenges.’ London: ODI.

Tierney, M.J., Nielson, D.L., Hawkins, D.G., Timmons Roberts, J., Findley, M.G., Powers, R., Parks, B., Wilson, S.E. and Hicks, R.E. (2011) ‘More Dollars than Sense: Refining Our Knowledge of Development Finance Using AidData’. *World Development* 39(11): 1891-1906.

Transparency International (2011a) ‘Corruption Perceptions Index 2011’. http://www.transparency.org/cpi2011/results/

Transparency International (2011b) 'Daily Lives and Corruption: Public Opinion in East Africa'. Berlin: Transparency International.

UNDP (UN Development Programme) Cambodia (2010) 'Climate Change Financing and Aid Effectiveness: Cambodia Country Analysis'. Phnom Penh: UNDP Cambodia

UNDP (UN Development Programme) (2012) 'Zambia Country Profile: Human Development Indicators'. New York: UNDP.

UNDP (UN Development Programme) Ethiopia (2010) 'Ethiopia is among the Top Development Movers: The 2010 Human Development Report Asserts'. Press Release, 4 November.

VBMK and RBMG (2010) 'Phase Two Evaluation of the Paris Declaration, Cambodia Country Study Report'. Final Version.

Whitworth, A., (2012) 'Creating and Wasting Fiscal Space: Zambian Fiscal Performance, 2002-2011', mimeo

Woods, N. (2008) 'Whose Aid? Whose Influence? China, Emerging Donors and the Silent Revolution in Development Assistance'. *International Affairs* 84(6): 1205-1221.

World Bank (2012) 'World Development Indicators 2012'. Washington, DC: World Bank.

Zimmermann, F. and Smith, K. (2011) 'More Actors, More Money, More Ideas for International Development Cooperation'. *Journal of International Development* 23(5): 722-738.

Annex 1: Comparing economic and governance context in Cambodia, Ethiopia, and Zambia

Economic and governance context

Variable	Cambodia	Ethiopia	Zambia
ODA flows and strategies			
ODA as a % of GNI (LIC average 6.4% in 2000; 9.3% in 2010) (World Bank, 2012)	11.2% in 2000, 6.9 % in 2010	8.5% in 2000, 11.9% in 2010	25.8% in 2000, 6.4% in 2010
ODA per capita (LIC average $16.4 in 2000 and $51.4 in 2010) (World Bank, 2012, current values)	$31.8 in 2000, $51.9 in 2010	$10.5 in 2000, $42.5 in 2010	$77.9 in 2000, $70.7 in 2010
Does the country have a written aid policy strategy?	Yes, Strategic Framework for Development Cooperation Management (2006-2010)	No	Aid and Policy Strategy (2007) and Mutual Accountability Framework (to be approved end of 2012)
Does the country have an aid target and an aid exit strategy, either formal or informal?	No formal target. However, it emerged during interviews that officials were aware that aid dependency would likely fall.	No formal target. However, it emerged during interviews that officials intend to reduce aid dependency by diversifying sources of development finance.	No formal target. However, it emerged during interviews that officials intend to reduce aid dependency by diversifying sources of development finance.
Economic management, natural resources and human development			
Government strategy	NSDP	GTP	Sixth National Development Plan
Middle-income target?	Yes	Yes, by 2030	Yes, to achieve by 2030 the status of a prosperous MIC
Economic growth (average LIC growth 2000-2010 5.3%)	• Annual GDP growth rate above 10% between 2004 and 2007 • Country severely affected by the 2008/09 financial and economic crisis • Economic growth driven mainly by garments, tourism, construction and agriculture (ESCAP, 2012)	• Average annual GDP growth rate above 8% between 2005 and 2010 • Broad-based growth across industry, services and agriculture (AfDB et al., 2012)	• Annual GDP growth rate above 5% in past decade • Growth performance resilient to crisis with prospects very much linked to trends in mineral prices • Main contributors to growth agriculture, manufacturing, transport and communications, wholesale and trade and construction (AfDB et al., 2012)
Debt (Debt Sustainability Analysis assessment and external debt/GNI, %) (LIC average 67.6% in 2000 and 28.5% in 2010) (World Bank, 2012, current values)	• Low-risk of debt distress (IMF, 2012a) • Data: external debt stock/GNI ratio 43.4 % in 2010, 74.3% in 2000	• Low risk of debt distress (IMF and World Bank, 2010) • Peak of external debt/GNI ratio of 83% in 2003 after HIPC and MDRI; 10.6% in 2008	• Low risk of debt distress (IMF, 2012b) • One of the largest beneficiaries of the HIPC/MDRI • External debt stock/GNI ratio of 233% in 1992 fell to 24% in 2006 and in 2010 it was close to 10%

Debt strategy	Yes, 2011-*2018 Public Debt Management Strategy*	No formal debt strategy	No formal debt strategy but the Aid and Policy Strategy mentions that *the Government shall […] target concessional finance and will negotiate only those loans with a 35 % minimum grant element*
Private flows (as share of GDP) • FDI inflows (LIC average 1.5% in 2000; 3.1% in 2010) • Remittances (LIC average 3.2% in 2000 and 8% in 2010)	• FDI inflows 4.1% in 2000; 7% in 2010 • Remittances 3.3% of GDP in both 2000 and 2010 • FDI as much as ODA	• FDI inflows 1.6% in 2000; 1% in 2010) • Remittances 0.6% in 2010; 0.8% in 2010	• FDI inflows 3.6% in 2000; 10.7% in 2010) • Remittances 0.8% in 2003; 0.3% in 2010) • FDI inflows greater than ODA since 2007
Natural resource endowment (estimates of rents as share of GDP)	Limited (1% of GDP) but high potential (oil and gas)	Estimated rents 5-7% in recent years, forestry but most of all hydropower	Zambia is a resource-rich country (copper, potash); rents estimated at 27% of GDP in 2010, more than 10 times the LIC average; 30% of GDP from copper
Human development	Most health and education indicators have shown marked improvement but increasing inequality	Second top mover on the HDI in the 2000s	• Growth not yet translated into strong human development improvement • One of the highest Gini coefficients on the African continent
General governance conflict	Post-conflict country	EPRDF government since 1991	Democratic country
1. **EoDB** (2012) (185 countries surveyed) (IFC, 2012) 2. **Country Policy and Institutional Assessment scores** (2012) (6=maximum; 1=minimum) A. Economic management cluster (LIC average 2005-2010 3.14) B. Policies for social inclusion/equity cluster (LIC average 2005-2010 2.88) C. Public sector management and institutions cluster (LIC average 2005-2010 3.38) D. Structural policies cluster average (LIC average 2005-2010 3.21) 3. **Corruption Perception Index 2011** (Transparency International, 2011a)	1. 133/185 2. a) Improved from 3.67 in 2005 to 4.00 in 2010, above LIC average b) Improved from 3.1 in 2005 to 3.3 in 2010, above LIC average c) Improved from 2.60 in 2005 to 2.70 in 2010 but below LIC average d) Improved from 3.00 in 2005 to 3.33 in 2010, above LIC average 3. Score 2.1, ranking 164/182	1. 127/185 2. a) Improved from 3.30 in 2008 to 3.67 in 2010, above LIC average b) Stable at 3.6 between 2005 and 2010, above LIC average c) Improved from 3.10 in 2005 to 3.30 in 2006 but set back to 3.20 in 2009; above LIC average d) Stable around 3.17, slightly below LIC average 3. Score 2.7, ranking 120/182	1. 94/183 2. a) Worsened from 3.67 in 2007 to 3.50 in 3.50 but above LIC average b) Improved from 3.4 in 2005 to 3.5 in 2010, above LIC average c) 3.20 between 2005 and 2009, 3.10 in 2010 but above LIC average d) Improved from 3.33 in 2005 to 3.67 in 2010, above LIC average. 3. Score 3.2, ranking 91/182 EITI complaint
Geostrategic relevance	Cambodia is not particularly important for	Strategic position in the Horn of Africa:	No particular geostrategic importance, at

	DAC donors, it is more important for China, which sees it as a key ally in the ASEAN region (Hille, 2012)	stable country in the region, platform for US intervention and diplomatic hub for Africa	least comparable with the period during Africa independence. Zambia renowned for its copper reserves

Performance on the Paris Declaration principles

Indicator	Cambodia (OECD, 2011b)	Ethiopia (OECD, 2011b)	Zambia (OECD, 2011c)
Target achieved (2011 Monitoring Survey): overall [38] achievement out of 13 indicators (2010 data)	**5/13 achieved** 9 improved 1 unchanged 2 set back	**6/13 achieved** 6 improved 5 set back	**3/13 achieved** 5 improved 5 set back
1 **Operational development strategies**	Improved and achieved	(Already) achieved	(Already) achieved
2a **Reliable public financial management (PFM) systems**	Improved and (already) achieved	Set back not met	(Already) achieved
3 **Aid flows aligned with national priorities**	Improved but not achieved	Set back not met	Set back not met
4 **Strengthen capacity by coordinated support**	Set back not met	Improved but (already) achieved	Improved and achieved
5a **Use of country PFM systems**	Improved but not achieved	Improved and achieved	Set back not met
6 **Strengthen capacity by avoiding parallel project implementation units**	Improved but not achieved	Improved but not achieved	Improved but not met
7 **Aid is more predictable**	Set back but already achieved	Improved but not achieved	Set back not met
8 **Aid is untied**	Improved and (already) achieved	Improved but (already) achieved	Improved but not met
9 **Use of common arrangements or procedures**	Improved but not achieved	Set back not met	Set back not met
10a **Joint missions**	Improved but not achieved	Set back not met	Improved but not achieved
10b **Joint country analytic work**	Improved but not achieved	Set back not met	Improved but not achieved
11 **Results-oriented frameworks**	Unchanged not met	Improved and achieved	Unchanged and not achieved
12 **Mutual accountability**	(Already) achieved	Achieved	Not achieved

38. Evaluation on the basis of performance from previous survey (2007 data and information) to last survey (2010 data and information).

Annex 2: TDA and NTDA, by country ($ millions, current)

Cambodia

	2002	2003	2004	2005	2006	2007	2008	2009	Source
Official concessional assistance from NTPs	32.7	28.6	56.8	66.9	81.2	127.1	137.9	138.1	OECD.stat; AidData; Cambodia aid effectiveness reports 2008 2010 2011
Philanthropic assistance	…	1.0	0.9	2.1	0.8	2.4	0.7	2.1	Foundation Center website (September 2012)
Global health funds	1.4	1.6	1.8	20.8	23.1	24.2	39.5	51.2	GAVI and Global Fund website
Climate finance	…	0.2	…	…	…	…	4.9	…	Climate Funds Update (disbursement data)
NTDA	**34.1**	**31.4**	**59.6**	**89.8**	**105.1**	**153.8**	**183.1**	**191.5**	
TDA	**284.7**	**403.1**	**348.9**	**420.3**	**531.5**	**543.9**	**554.5**	**623.7**	OECD.stat
Total development assistance	**318.8**	**434.5**	**408.5**	**510.1**	**636.5**	**697.6**	**737.6**	**815.2**	
Share of TDA in total development assistance	***89.3***	***92.8***	***85.4***	***82.4***	***83.5***	***78.0***	***75.2***	***76.5***	
Share of NTDA in total development assistance	***10.7***	***7.2***	***14.6***	***17.6***	***16.5***	***22.0***	***24.8***	***23.5***	

Ethiopia

	2002	2003	2004	2005	2006	2007	2008	2009	Source
Official concessional assistance from NTPs	36.7	68.4	79.8	49.5	138.4	199.1	234.5	115.4	OECD.stat; AidData, Geda and Tafere (2011)
Philanthropic assistance	-	3.0	8.3	8.2	9.3	15.5	10.0	4.9	Foundation Center website accessed June 2012
Global health funds	46.0	0.2	78.1	131.1	162.2	155.3	134.1	261.1	GAVI and Global website
Climate finance	-	0.2	-	-	-	1.0	-	0.2	Climate Funds Update (disbursement data)
NTDA	**82.7**	**71.8**	**166.2**	**188.8**	**309.8**	**370.9**	**378.6**	**381.6**	
TDA	**1,152.4**	**1,483.6**	**1,754.1**	**1,850.3**	**6,135.2**	**2,412.5**	**3,193.2**	**3,791.8**	OECD.stat
Total development assistance	**1,235.1**	**1,555.4**	**1,920.3**	**2,039.0**	**6,445.1**	**2,783.4**	**3,571.8**	**4,173.3**	
Share of TDA in total development assistance	***93.3***	***95.4***	***91.3***	***90.7***	***95.2***	***86.7***	***89.4***	***90.9***	
Share of NTDA in total development assistance	***6.7***	***4.6***	***8.7***	***9.3***	***4.8***	***13.3***	***10.6***	***9.1***	

Zambia

	2002	2003	2004	2005	2006	2007	2008	2009	Source
Official concessional assistance from NTPs	…	…	…	…	14.5	47.8	9.4	30.4	OECD.stat; AidData, Zambia Development Cooperation Report 2010
Philanthropic assistance	…	0.3	0.2	0.9	0.5	0.9	0.6	1.4	Foundation Center website (September 2012)
Global health funds	0.7	9.1	55.5	55.5	31.4	49.1	106.9	60.1	GAVI and Global Fund website
Climate finance	…	-	0.2	…	…	…	…	3.4	Climate Funds Update (disbursement data)
NTDA	**0.7**	**9.4**	**55.9**	**56.4**	**46.4**	**97.8**	**116.8**	**95.3**	
TDA	**931.8**	**956.1**	**1,293.1**	**2,021.0**	**4,826.9**	**978.6**	**1,110.8**	**1,250.0**	OECD.stat
Total development assistance	**932.5**	**965.5**	**1,349.0**	**2,077.4**	**4,873.3**	**1,076.4**	**1,227.6**	**1,345.3**	
Share of TDA in total development assistance									
Share of NTDA in total development assistance	***99.9***	***99.0***	***95.9***	***97.3***	***99.0***	***90.9***	***90.5***	***92.9***	
Official concessional assistance from NTPs	***0.1***	***1.0***	***4.1***	***2.7***	***1.0***	***9.1***	***9.5***	***7.1***	

Overseas Development Institute
203 Blackfriars Road
London SE1 8NJ
UK
Tel: +44 (0)20 7922 0300
Fax: +44 (0)20 7922 0399
Email: publications@odi.org.uk
Website: www.odi.org.uk
ISBN 9781 909464 07 0
Working Paper (Print) ISSN 1759 2909
ODI Working Papers (Online) ISSN 1759 2917

UKaid
from the British people

This material has been funded by UK Aid from the UK Government, however the views expressed do not necessarily reflect the UK Government's official policies.

Australian AID