

# Development in Brief



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## Do New Donor Countries Use Different Criteria when Allocating Aid?

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New donor countries are considered to be those which operate outside the OECD's Development Assistance Committee (DAC). Many of these donors really ought not to be classed as "new", since they have been providing development aid for a long time. But what is new is the recent sharp increase in aid allocations by new donors – a situation that often gives rise to some unease among the old DAC-donors. It is commonly alleged that new donors do not orient themselves towards the needs of beneficiary countries and good governance plays no role for them as a criterion for providing support. Instead, the aid they provide is said to serve primarily their own political and economic interests, especially in securing access to raw materials.

### Do DAC donors and non-DAC donors have different motives?

To enable conclusions to be drawn on donor motivation, Dreher et al. (2011) conducted a study to investigate whether old and new donors concentrate their aid on recipient countries which have particular political and economic characteristics. The results showed that the motives of the 16 non-DAC donors included in the study do not consistently differ from those of DAC-donors. It is true that new donors actually focus comparatively less on the needs of recipients; countries with low per-capita incomes, high levels of malnutrition and high child mortality rates do not receive any more support than countries which are better developed. However, that aside, there are more commonalities than differences. For example, when allocating aid neither new nor old donors gave preference to those beneficiary countries which were less corrupt. Furthermore, the authors found no indication that either new or old donors concentrate their support on countries with which they have strong trading relationships, or countries which are rich in energy or mineral resources.

### Is China providing "rogue aid"?

China was not included in the above-cited study, due to a lack of comparable data. This is a concern in that many critics see China's development activities as being emblematic of "rogue aid". There is no shortage of anecdotal evidence to support this theory – one only has to think of China's support for authoritarian regimes in North Korea, Belarus and Zimbabwe.

However, a more recent study by Dreher and Fuchs (2012) shows that even the criticism of China is, for the most part, not supported by empirical evidence. Between 1956 and 2009 161 countries received development aid from China. In fact this aid was allocated, as critics had suggested, on the basis of political criteria: countries which recognised Taiwan or voted against China in the UN General Assembly received significantly less Chinese aid. But a direct comparison with Western donors shows that their aid provision is also targeted in line with strategic and political considerations. However, unlike DAC donors, China communicates its strategic self-interest much more openly.

Moreover, the authors found no indication that China concentrates its development aid in a targeted fashion on authoritarian and corrupt regimes. It seems to be more the case that the People's Republic, like Western donor countries, allocates its development aid largely independently of the political institutions in the beneficiary country – an approach which reflects China's principal of non-intervention in the internal affairs of other sovereign states. Nor was any empirical evidence found with regard to another reservation that has been frequently expressed over Chinese aid: in allocating aid, no priority treatment was given to beneficiary countries that were rich in natural resources. Finally, results showed that China's

development aid contribution declines as the per-capita income of the beneficiary country increases (even more significantly than in the case of DAC-donors) – an unusual route to follow for an alleged provider of rogue aid.

### Does a "needy donor" such as India have different priorities?

Next to China, India is by far the most significant new donor. But unlike China, India is a "needy donor", i.e. it still receives a high volume of development aid itself. Given this background, India, when compared to DAC donors, directs its development activities even more firmly towards major trading partners and politically like-minded countries, with less importance being attached to the needs of recipients (Fuchs and Vadlamannati 2013). At the same time, India does not concentrate its development aid on authoritarian countries or on resource-rich countries.

### Conclusion: "Same same but different"

There may be differences in individual cases; but viewed overall, the motives of DAC- and non-DAC donors seem in principle to be less different than is commonly assumed. Hence it would be inappropriate to make sweeping, premature judgments regarding the new donors. But the final word on the matter has yet to be said, since empirical research is only in its initial stages. The availability of reliable data, especially in China and India, remains the main problem, and this will continue to make it difficult to compare the old and new donors for the foreseeable future. ■

### Sources

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