



United Nations
Development Programme



Chinese Academy of International
Trade and Economic Cooperation

Mix and Match?

How Countries Deliver Development Cooperation and Lessons for China



中国商务出版社
CHINA COMMERCE AND TRADE PRESS

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图书在版编目 (CIP) 数据

兼容并蓄与因地制宜?: 各国开展发展合作的方式
及对中国的借鉴意义 = Mix and Match? How Countries
Deliver Development Cooperation and Lessons for
China: 汉英对照/联合国开发计划署 (UNDP), 商务
部国际贸易经济合作研究院 (CAITEC) 著. —北京: 中
国商务出版社, 2016. 10
ISBN 978-7-5103-1652-4

I. ①兼… II. ①联… ②商… III. ①对外援助—研
究—汉、英 IV. ①D812

中国版本图书馆 CIP 数据核字 (2016) 第 248684 号

Mix and Match? How Countries Deliver Development Cooperation and Lessons for China

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出 版: 中国商务出版社
地 址: 北京市东城区安外东后巷 28 号 邮 编: 100710
责任部门: 职业教育事业部 (010-64218072/64515137 1043808422@qq.com)
责任编辑: 魏 红

总 发 行: 中国商务出版社发行部 (010-64266193 64515150)
网 购 零 售: 中国商务出版社淘宝店 (010-64286917)
网 址: <http://www.cctpress.com>
网 店: <http://cctpress.taobao.com>
邮 箱: cctp@cctpress.com

排 版: 北京科事洁技术开发有限责任公司
印 刷: 北京盛彩捷印刷有限公司
开 本: 787 毫米 × 1092 毫米 1/16
印 张: 13 字 数: 239 千字
版 次: 2016 年 10 月第 1 版 印 次: 2016 年 10 月第 1 次印刷
书 号: ISBN 978-7-5103-1652-4
定 价: 66.00 元

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Acknowledgement by the Authors

The authors are grateful to the following government officials, development cooperation experts and practitioners for their interest and support to this study in its different phases: Renu Modi (Mumbai University, India), Emma Mawdsley (Cambridge University, UK), Ambassador João Almino and Marcio Correa (Brazilian Cooperation Agency – ABC, Brazil), Andre Mello (Institute for Applied Economic Research – IPEA, Brazil), Augusto Castro (Embassy to China, Brazil), Sultan Mohammed Saeed Al Shamsi, Kathleen Keene Jones, Sirelkhatim Zaki Yousif, Nadia Jane Evans, Frederic Fabien Vigneau and Mohammed Abdulla Obaid Al Ali (Ministry of Foreign Affairs, UAE), Badir A. Almusharrekh (Embassy to China, UAE), Mohamed Evren Tok (Qatar Faculty of Islamic Studies), Jennifer Adams (United States Agency for International Development – USAID, US), Dr. Bradley Parks (Aid Data, US), Jianrong Qiao (Department for International Development – DFID China Office, UK), Bryn Welham (Overseas Development Institute – ODI, UK), Naohiro Kitano, Suguru Miyazaku, and Kawamura Reiko (Japan International Cooperation Agency – JICA, Japan), Izumi Ohno (Graduate Institute for Policy Studies – GRIPS, Japan), Xu Xiuli (China Agricultural University – CAU, China), Zhang Jun (Chinese Academy of Social Sciences – CASS, China), Jorge Heine (Embassy to China, Chile), Bonaventure Mulenga (Embassy to China, Zambia), Marina Rudyak (University of Heidelberg), Hannah Ryder, Niels Knudsen, Emily Davis, Christine Han, and Anja Roelofs (UNDP China), Pratyush Sharma and all the participants of the Network of Southern Think-Tanks technical working group meeting to develop indicators to measure the quality of South-South relations and processes (Johannesburg, 2 – 4 September 2015) and of the China in The World event (Beijing, 21 May 2016).

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Acronyms and Abbreviations

ABC	Brazilian Cooperation Agency
ADB	Asian Development Bank
ADFD	Abu Dhabi Fund for Development
ADG	Arab Development Group
AIBO	Academy for International Business Officials
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
BNDES	Brazilian Economic and Social Development Bank
BoP	Balance of payments
BRI	Belt and Road Initiative
CAPES	Coordination for the Improvement of Higher Education Personnel
CDC	Commonwealth Development Corporation and Colonial Development Corporation
CICETE	China International Center for Economic and Technical Exchanges
CNPq	Brazilian National Council for Scientific and Technological Development
CPLP	Community of Portuguese Language Countries
CPPCC	Chinese people's Political Consultative Conference
CRS	Creditor Reporting System
CSR	Corporate Social Responsibility
CSSF	Conflict, Stability and Security Fund
CWG	Central Working Group
CYVA	Chinese Young Volunteers Association
DAC	Development Assistance Committee
DEC	Department of Energy and Climate Change
DFA	Department of Foreign Assistance



Mix and Match?

How Countries Deliver Development
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DFID	Department for International Development
DPA	Development Partnership Administration
ECOWAS	Economic Community of West African States
Exim Bank	Export-Import Bank
FDI	Foreign direct investment
FIDC	Forum for Indian Development Cooperation
Fiocruz	Oswaldo Cruz Foundation
FOCAC	Forum on China-Africa Cooperation
FYP	Five-Year Plan
GBS	General budget support
GNI	Gross national income
GPEDC	Global Partnership for Effective Development Cooperation
HIPC	Heavily indebted poor country
IATI	International Aid Transparency Initiative
IBSA Fund	India, Brazil, South Africa Facility for the Alleviation of Poverty and Hunger
IDA	International Development Association
IMF	International Monetary Fund
IPEA	Institute for Applied Economic Research
ITEC	Indian Technical and Economic Cooperation
JICA	Japan International Cooperation Agency
LDCs	Less developed countries
LIC	Low-income country
LoC	Line of credit
M&E	Monitoring and evaluation
MCC	Millennium Challenge Corporation
MDB	Multilateral development bank
MDGs	Millennium Development Goals
MEA	Ministry of External Affairs (India)
MEC	Ministry of Education (Brazil)
METI	Ministry of Economy, Trade, and Industry
MICAD	Ministry of International Cooperation (UAE)

MIC	Middle-income country
MOA	Ministry of Agriculture (China)
MOE	Ministry of Education (China)
MOF	Ministry of Finance (China)
MOFA	Ministry of Foreign Affairs
MOFAIC	Ministry of Foreign Affairs and International Cooperation (UAE)
MOFCOM	Ministry of Commerce People's Republic of China
MOST	Ministry of Science and Technology (China)
MRE	Ministry of External Relations (Brazil)
NDB	New Development Bank
NeST	Network of Southern Think-Tanks
NGO	Non-governmental organization
NHFPC	National Health and Family Planning Commission
NSC	North-South Cooperation
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OOFs	Other official flows
PALOP	Portuguese-Speaking African countries
PBA	Program-based approaches
PPP	Public-private partnerships
PRBS	Poverty reduction budget support
PSIF	Private sector investment finance
SADEV	Swedish Agency for Development Evaluation
SBS	Sector budget support
SDGs	Sustainable Development Goals
SENAI	National Industrial Apprenticeship Service
SME	Small- and medium-sized enterprise
SSC	South-South cooperation
STEP	Special Terms for Economic Partnership
SWAp	Sector-wide approach
TrC	Triangular cooperation
UAE	United Arab Emirates



Mix and Match?

How Countries Deliver Development
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UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
US	United States
USAID	United States Agency for International Development
WHO	World Health Organization

Executive Summary

Traditional bilateral donors and South-South cooperation (SSC) providers are increasingly seeking to improve international cooperation for development.^① As the second largest economy in the world, China has also been steering efforts to more effectively deliver its foreign aid under a “South-South” framework. These efforts are particularly welcome in the context of China’s announcements on SSC made at the UN Summit in September 2015, and continuing revisions to foreign aid regulations since 2014.

Having passed through structural transformations, China has been contributing ideas, tacit knowledge, implementation capacity, technology as well as finances to more than 160 countries worldwide. As the needs of these countries vary according to different levels of national income, domestic situation and aspirations in the global arena, China must adjust how it conceives and manages foreign aid to better respond to partners’ demand. Domestically, pressure from both the central leadership and the public for better use of China’s foreign aid budget through more transparency and synergy between different initiatives has arisen. Yet, the decentralized nature of China’s foreign aid management system creates difficulties to the effective coordination of actors and initiatives. Finally, the participation of non-

^① International cooperation for development or “development cooperation” is generically referred to in this study as any activity that: i) aims explicitly to support national or international development priorities; ii) is not driven by profit; iii) discriminates in favor of developing countries; and iv) is based on cooperative relationships that seek to enhance developing country ownership (ECOSOC-a, 2015). The terminology and definition may vary from country to country. For instance, China refers to development cooperation as “foreign aid”. Even though the term is similar to the term used by traditional bilateral donors like the UK and USA, it does not necessarily hold the same meaning. For example, unlike traditional bilateral donors and even other South-South partners like India and Brazil, export credits, funds like the China-Africa Development Fund and peacekeeping operations are not considered foreign aid in China. These terminologies are described throughout this study and employed whenever there is a specific mention to development cooperation from a particular country.



governmental actors in development cooperation remains limited, raising questions with regard to the relevance and impact of China's foreign aid on the ground.

Against this backdrop, this study argues that efforts to enhance international cooperation for development are related to how effectively this cooperation is delivered. Yet, countries have different understandings of “effectiveness” depending on the tradition of development cooperation they follow as well as the principles, policies, and management systems in place. These different understandings of “effectiveness” help shape the channels through which countries deliver development cooperation as well as the criteria for defining when and where to use these channels.

By looking at how Brazil, India, Japan, the United Arab Emirates (UAE), the United Kingdom (UK) and the United States (US) conceive and manage development cooperation, this study draws lessons for China's own efforts to strengthen its foreign aid. In particular, this study seeks to understand:

- The enabling principles, policies and management systems for development cooperation at the national level;
- The channels through which countries deliver development cooperation (defined here after as “development cooperation modalities”);
- Which development cooperation modality or combination of modalities will most likely produce intended results;
- How countries select which development cooperation modality they use;
- How China might refer to international experiences when revamping its development cooperation management system.

The Enabling Principles, Policies and Management Systems for Development Cooperation

Despite the lack of an internationally agreed definition of development cooperation, there seems to be consensus on the shift from an aid-focused approach to a “development compact” based on countries' experiences, relationships of

mutual benefit, reciprocity, greater participation and local control of resources. Therefore, countries should consider not only their national policies and management systems, but also the partner country context for development cooperation to produce its intended results.

Mapping of the principles, policies and management systems for development cooperation in Brazil, China, India, Japan, the UAE, the UK and the US

	What is “ development cooperation ” and development cooperation modality?	Has the country shifted its approach?	What principles and norms guide the choice of the development cooperation modality?
Brazil	<p>Non-repayable grants invested by the federal government in the government of other countries aimed at developing the capacity of international organizations and groups or populations of other countries and improving their socioeconomic conditions.</p> <p>Development cooperation modalities are broadly understood as the means through which the country’s knowledge and experience are shared in support of structural changes in the partner country.</p>	<p>Preference for initiatives that lead to structural changes instead of ad hoc, stand-alone projects, mainly after 2007. Inclusion of new modalities over time.</p> <p>Increase in triangular (to compensate for budget cuts). Discussion on trade and investment activities that seeks higher returns for Brazil has also ensued.</p>	<p>No norms. Mainly demand-driven.</p> <p>The “ Basic Agreement on Technical Cooperation ” formalizes Brazil’s technical cooperation programs.</p> <p>The South-South and Triangular Cooperation Manual by the Brazilian Cooperation Agency contains guidance on how to manage technical cooperation</p>
China	<p>No clear official definition. Generally refer to the economic and technical cooperation activities supported by the aid funds.</p>	<p>Complete projects, goods and materials, technical cooperation and are the traditional modalities.</p> <p>Human resource development cooperation has been expanding rapidly</p>	<p>No norms.</p> <p>Based on the requests and needs of the partner country.</p> <p>Partner country context is also considered.</p>

(Continued)

	What is “development cooperation” and development cooperation modality?	Has the country shifted its approach?	What principles and norms guide the choice of the development cooperation modality?
	Development cooperation modalities are defined in the White Paper on China’s foreign aid.	since late 1990s to meet the needs of sharing China’s development experiences. Volunteer programs and debt relief have been adopted more recently.	
India	<p>A “development compact” comprising various forms of concessional finance, debt relief, trade and investment as well as technical and humanitarian cooperation. Cultural exchanges are also included.</p> <p>Despite the lack of an official definition, development cooperation modality can be broadly understood as government’s public- or private-oriented means to deliver cooperation.</p>	<p>Mainly given in the form of grants and small loans in the 40’s and 50’s.</p> <p>In 1964 technical assistance was strengthened and quickly became the main avenue for India’s development cooperation program.</p> <p>In 2004, the newly elected government launched the LoCs to scale up concessional financing, to support India’s economic and political interests as well as those of its partners.</p>	<p>No norms.</p> <p>India’s foreign policy priorities play a major role in the selection of modality.</p> <p>Also led by partners’ demands and to the extent they coincide with India’s priorities.</p> <p>Brings together policies across trade, investment, and technology transfer.</p>
Japan	<p>International cooperation activities conducted by the government and its affiliated agencies for the main purpose of development in developing regions.</p> <p>Japan uses the terms of “type” or “form” instead of modalities.</p>	<p>Loans are extensively used over the time, even though the proportion may fluctuate in different years.</p>	<p>Not guided by a set of criteria.</p> <p>Japan selects different modalities on a flexible basis of historical allocations and sometimes through a set of input targets.</p>

(Continued)

	What is “ development cooperation ” and development cooperation modality?	Has the country shifted its approach?	What principles and norms guide the choice of the development cooperation modality?
UAE	<p>“ Foreign aid ” or the assistance provided by a public, private or individual entity registered in the UAE for the development, humanitarian, charity benefit of people in another country or countries. Charity includes religiously affiliated cooperation.</p> <p>UAE development cooperation modalities are defined in the Foreign Aid Reporting Framework.</p>	<p>Development projects have always represented over 85 per cent of UAE assistance.</p>	<p>There are several donor entities, with their own priorities and decision-making processes. This may change with the formalization of the UAE foreign aid policy and strategy.</p> <p>No systematized criteria.</p>
UK	<p>Development cooperation in the UK is quite consistent with ODA as defined by the OECD-DAC.</p> <p>Development cooperation modalities are also known as aid instruments.</p>	<p>Technical assistance dropped during 1997—2005 due to the criticism about the effects of using donor’s experts and knowledge and the demand driven by donors instead of by partners.</p> <p>The proportion of budget support increased during 1997—2005 for its effectiveness and respect to country ownership, but dropped since 2010 and GBS will end since 2016, due to the consideration of value for money.</p>	<p>The Guidance on Aid Instruments and the Guidance on Aid Instruments.</p> <p>The selection of aid modalities is closely linked with UK broad development cooperation policies. From the micro level, selecting the development cooperation modalities is interactive with the whole project/program cycle.</p> <p>Different Country Contexts are specifically highlighted for the selection of aid instruments in DFID.</p>

(Continued)

	What is “ development cooperation ” and development cooperation modality?	Has the country shifted its approach?	What principles and norms guide the choice of the development cooperation modality?
US	<p>Foreign assistance in US domestically is generally broader than ODA. It excludes debt forgiveness and domestic refugee costs, and includes military, anti-terrorism and peacekeeping assistance to all countries.</p> <p>US has no clear official categorization or guidelines for development cooperation modalities, or rarely use such terms like aid modalities or instruments. The modalities or delivery forms taken by different institutions may also differ from each other.</p>	<p>Since the 1990s, nearly all of US’ foreign aid has been provided in grants. Loans declined substantially since the mid-1980s due to the serious debt crisis in Latin America and Africa at that time.</p>	<p>No unified policies and guidelines for selecting the aid modalities.</p> <p>USAID has made a series of Automated Directives System with policies and procedures to guide operations.</p> <p>Allocation considers the objective of US’ aid in the partner country, governance capacity and income level of the partner country, local major players, sector.</p>

How Do Countries Deliver Development Cooperation?

Countries have also been diversifying the channels through which they deliver development cooperation through 35 main modalities and over 60 national variations. These modalities and their national variations have been clustered into 9 groups:^① i) project-type interventions, ii) public-private partnerships (PPPs), iii) budget support, iv) educational cooperation, v) blended modalities, vi)

① These modalities were identified based on countries’ own terminologies and definitions, and clustered into 9 groups based on the nature of the modality. The clustering process was based on the authors’ own assessment and does not intend to unify or harmonize the typologies and definitions of the different development cooperation modalities. Instead, it aims to provide a framework for systematizing, assessing and analyzing the research findings in this report.

humanitarian and refugee support, vii) contribution to multilateral organizations,^① viii) peacekeeping/peace-building and ix) “other” modalities like debt financing and relief, policy engagement and charity.

Mapping of development cooperation modalities in Brazil, China, India, Japan, UAE, UK, and the US^②

Main modalities	National variations	Countries
1. Project-type interventions: peer-to-peer exchange of knowledge and technology; and provision of goods, materials, equipment and services for development-related initiatives		
Technical assistance and co-operation projects and programs	Technical cooperation	Brazil, China, India, UK, Japan
	Technical assistance	UAE, US
Volunteer and citizen participation programs	Overseas volunteer programs	China, Japan, US
Goods, materials, equipment, commodities and services	Chinese medical teams working abroad; ^③ programs, projects, goods and services; commodity aid; equipment and commodities	US, China, UAE
Scientific and technological projects, programs and networks ^④	Scientific and technological cooperation	Brazil
Other	Japan grant aid for general project; poverty reduction budget support (PRBS) and non-PRBS	Japan, UK
2. Public-private partnerships: arrangements whereby the private sector provides infrastructure assets and services that traditionally have been provided by government		

① Contribution to international organizations/multilateral aid was identified as a stand-alone modality in four of the seven countries featured in this study. Yet, this might overlap with some other modalities.

② Refer to Annex 2 for a detailed description of national variations and the countries in which they are adopted.

③ Can also be included in humanitarian cooperation (See Annex 2 for detailed description)

④ Research cooperation is present in other countries like China, UK and US. In China, for example, research cooperation is offered through grants for joint research under Confucius Institutes. Unlike Brazil, this cooperation is not part of China’s aid/ODA budget, despite having a developmental impact.

(Continued)

Main modalities	National variations	Countries
Grants and other aid to non-state actors	Challenge and innovation funds, impact investing, long term loans for infrastructure developments, discrete projects; and funding for technical assistance	UK
Infrastructure development		UAE
Economic infrastructure		US
Complete projects ^①		China
Concessional finance	Lines of credits and equalization support to the Indian Exim Bank	India
Loan aid	Overseas Development Assistance (ODA), land, other official flows (OOF), loans (by UAE government and the Abu Dhabi Fund for Development (ADFD), private-sector investment finance	Japan, UAE
3. Budget support: method of financing a partner country's budget through the transfer of resources from an external financing agency to the partner government's national treasury		
General program assistance	General budget support (GBS), sector budget support (SBS), admin cost of donors, in-donor county expenditure	UAE, UK
Development policy loan		Japan
Cash transfer		US
4. Educational cooperation: financial awards for students, joint research projects, academic partnerships and indirect (imputed) costs of tuition in donor countries		
Human resources development cooperation	Research and training programs for government officials, education programs, technical training programs, and other personnel exchange programs for developing countries	China, India

^① Complete projects in China's case can also be considered as project-type interventions. This study categorizes these as PPPs to highlight the private sector element.

(Continued)

Main modalities	National variations	Countries
Scholarships/training	Scholarship/training in partner country, in donor country; imputed student costs, grant aid for human resource development (scholarship)	Brazil, Japan, India, UAE
Other educational cooperation (joint research projects, academic partnerships, special projects, Portuguese language, teacher training)	Joint research projects, academic partnerships, special projects, Portuguese language, and teacher training	Brazil
5. Blended modalities (approaches) : mix different modalities and approaches for managing development cooperation		
Sector-wide approach		UK
Program-based approach		UK
Results-based approach (aid on delivery)		US
Structuring impact approach		Brazil
Pooled funds	Common baskets and multi-donor trust funds	UK
6. Humanitarian and refugee support		
Humanitarian assistance	Shelter and non-food items, food aid, humanitarian aid and emergency relief	US, UAE
Emergency disaster relief		Japan
Emergency humanitarian aid		China
Humanitarian assistance and disaster relief		India
Humanitarian cooperation	Emergency humanitarian cooperation, structuring humanitarian cooperation	Brazil
Support and protection of refugees		Brazil, UAE

(Continued)

Main modalities	National variations	Countries
7. Contribution to multilateral organizations		
Contribution to international organizations/multilateral aid		Brazil, China, Japan, US, UK, UAE ^①
8. Peacekeeping/peace-building		
Peacekeeping operations		Brazil, Japan, US, UK
9. Others		
Debt financing and relief	Debt forgiveness, relief of multilateral debt, rescheduling and refinancing, debt for development swap, debt buy-back, debt financing and relief	China, US, India, UAE
Grants	Non-project grant aid, small grants	India, Japan, US
Trade and investment	Interest and tariff subsidies, export credits and quotas, risk guarantees	India
Policy engagement		UK
Charity	Seasonal projects, religious education, projects to construct, renovate religious sites; support to individuals and small communities	UAE

Even though some of the development cooperation modalities mapped have the same or similar nomenclatures across the countries analyzed, their definitions, applications and the results achieved can differ significantly. For instance, in project-type interventions, China, Brazil, India, Japan and UK have been implementing activities aimed at enhancing human and institutional capabilities through the transfer, adaptation and utilization of knowledge, skills and technology (technical cooperation). The UAE and the US in turn focus on “technical

① The UAE provides both assessed and voluntary contributions to multilaterals. Contribution to international organizations/multilateral aid was not mapped for India. This suggests that contributions by this country are considered a kind of financial instrument for development (instead of a development cooperation modality) or are not considered development cooperation/foreign aid at all.

assistance”, a term used more narrowly to describe specific operational aspects of technical cooperation. In the case of PPPs, China’s complete projects could build on the experience of traditional bilateral donors to have more positive impact on the social welfare of partner countries. This could include the transfer of technological and human resources in fields like poverty reduction, sustainable and inclusive growth, and climate change.

**Which Development Cooperation Modality (or Combination of Modalities)
Will Most Likely Produce the Intended Result?**

Each development cooperation modality serves a specific purpose: project-type interventions aim to transfer knowledge and technology; PPPs are used mainly to improve the business environment and infrastructure development in developing countries; budget support complements partner countries’ national budgets via their own systems; blended modalities are generally used to deliver more comprehensive results, like sector-wide approaches (SWAs) that try to address a comprehensive policy and/or strategy of the partner country at the level of an entire sector.

A common trend across all countries analyzed is the emphasis on capacity development in project-type interventions. There tends to be a preference for more partnership-based initiatives that prioritize the exchange of knowledge and technology. This has been taking place not only through one-off activities focusing on the development of individual capacities, but also through more structured initiatives that build on providers’ own development experiences, establish relationships and create knowledge networks beyond project lifespans.

With regard to PPPs, this study finds that several countries are indirectly supporting their own enterprises through loans to conduct development cooperation projects. This has been particularly evident in the infrastructure sector. Some of the challenges facing PPPs include securing project viability, recognition of proper role-sharing and risk allocation between the public and private sectors. Innovative solutions include the UAE’s efforts to link its development cooperation policies and strategies with sustainable development, including in areas that concern PPPs for

infrastructure development.

Popular among traditional bilateral donors, budget support has been declining while most South-South partners have never provided budget support. This is mainly due to the principles of non-conditionality and non-interference in domestic affairs that guide this form of cooperation. It is not the norm for South-South partners to attach economic and political reform conditions to development cooperation, nor to monitor the use of resources by partners. In any case, it would be difficult for South-South partners to monitor these resources, as most of these countries have nascent monitoring and evaluation (M&E) systems and overall institutional capacity for development cooperation remains limited. Budget support also enjoys lower visibility than other development cooperation modalities, thus conferring less prominence to countries that are consolidating or expanding their cooperation programs.

Lastly, blending different modalities to leverage complementary strengths is becoming increasingly popular among the countries studied. For example, China's development cooperation projects are mainly designed and implemented independently. In recent years, an increasing number of complete projects have been combined with the provision of goods and materials as well as technical cooperation to offer more comprehensive support to partner countries. Yet, the combination of two or more modalities depends on the objective of development cooperation, the country context, the sector context, and the strengths and weaknesses of each modality used.

How Countries Select Which Development Cooperation Modality to Use?

A large and diverse collection of development cooperation modalities is not necessarily followed by objective criteria on how and when countries can use them. Added to this is the fact that traditional bilateral donors and South-South partners generally lack the mechanisms to coordinate development cooperation across their governments. In the absence of universal criteria for selecting development

cooperation modalities, this study finds that providers generally consider their domestic context; foreign and economic policy; principles and policies guiding development cooperation; and their national political systems when managing development cooperation.

All seven countries analyzed also highlight the importance of considering the local context when selecting development cooperation modalities. The UK, the US and Japan have formulated specific country assistance strategies to guide the delivery of development cooperation. In addition to the local context, these countries also consider the work of other traditional bilateral donors in the country in order to identify competitive advantages, define areas of engagement, strengthen policy coherence and maximize value for money.

In the case of South-South partners, general principles like the orientation of projects by demand, reciprocity and non-interference in domestic affairs are particularly important for the selection of development cooperation modalities. Criteria to guide the selection of development cooperation modalities are therefore less clear compared to traditional bilateral donors. Despite not being guided by pre-defined strategies, norms and guidelines, this approach contributes to the establishment of quality partnerships based on different standards of effectiveness. China has developed five-year country strategies for all partner countries, in which modalities are identified based on partner country demand as well as China's capacities and comparative advantages. However, these country strategies have not been made publicly accessible.

What Are the Lessons for China?

China might refer to these experiences and lessons when revamping its development cooperation management system. This study concludes with the following recommendations for policies and actions by China:

Issue guidelines on development cooperation modalities and leverage existing institutional structures to better guide and deliver Chinese foreign aid. The increasingly complex development landscape and the expanding scale of development cooperation require clear and comprehensive guidelines for better delivery of development cooperation. In order to develop these guidelines, there must be a process to review each of the modalities, identify the lessons learned during implementation and consider how and when to use each of them. These guidelines should define the different development cooperation modalities and include the principles to be followed, the strengths and weakness of each modality, how different country contexts might lead to a preference for certain modalities over others, and incentives for combining different modalities to achieve better results. These guidelines can be shared with Chinese embassies and the Economic and Commercial Counsellor's Offices in developing countries, thus reinforcing the role of Chinese embassies in assessing demand for Chinese foreign aid as well as designing and implementing initiatives in line with needs and priorities on the ground. While the guidelines would offer more technical guidance, the embassies would confer the flexibility required to ensure the participation of partner countries and a demand-driven approach.

Design more comprehensive projects and combine different modalities to increase the complementarity of development cooperation initiatives. In support of the demand-driven focus of Chinese development cooperation, it would be strategic to engage with partner countries' central governments and other stakeholders to better understand their needs, the development cooperation "landscape", and work together to find better solutions. Experts could be dispatched to conduct in-depth investigations together with local staff (or rely on other partners' analysis) prior to project implementation to work out comprehensive responses and recommendations on where and how the Chinese government can best assist. Trilateral cooperation with traditional bilateral donors and other South-South partners could also be considered when mutual complementarity and better results could be achieved based on each country's comparative advantage. The relevant Chinese ministries need to build up their coordination and management capacity for

more comprehensive programs. Wide and active exchanges of experiences with traditional bilateral donors and other South-South partners, and more constant inter-government communication and mutual learning will be helpful to achieve this goal.

Emphasize knowledge and technical transfer to build up partners' self-development capacity. Recognizing the centrality of complete projects in Chinese foreign aid, China could further increase its inputs into technical cooperation, human resource training and scholarships. Besides expanding the scale and scope of these modalities, China could ensure that relevant knowledge and technologies are transferred. More tailored local training, according to the demand of the partner country with the participation of local stakeholders, could be a way to achieve this goal. In some developing countries with competitiveness in engineering capacities, complete projects could also be piloted to open bids, or sub-contracted to local companies so as to further build their own capacities and personnel in engineering and management roles.

Encourage more and better PPPs to stimulate investment in developing countries. Besides creating an enabling environment for investment, e. g. by improving infrastructure, China could also learn from innovation fund support and other innovative forms of PPPs. China might also create new forms of partnerships with the private sector, for instance, through new funds, to facilitate public-private engagement with corporate actors, like the UK's Business Innovation Facility, Impact Fund, Africa Enterprise Challenge Fund and others. China could undertake studies and knowledge exchange on these and other similar experiences and try to design its own methods and financial facilities to support PPPs.

Enhance evaluation to improve the management of each modality and deliver international development commitments. China's Ministry of Commerce (MOFCOM) has conducted assessments of human resource training, humanitarian aid and the dispatching of medical teams with the aim of improving policies and the management of these modalities. More in-depth evaluations could be undertaken for other development cooperation modalities, and evaluations of each modality could



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rotate every five years, for example. This would be an effective way to identify existing good practices, problems and the impact of each modality on development. More importantly, it could provide new ways to improve the management of each modality and how they can help China deliver on the SSC announcements made at the UN Summit in September 2015 in support of the Sustainable Development Goals (SDGs). The findings could also help to improve the guidelines on development cooperation modalities. The interaction between the guidelines and the regular evaluation system could maintain an effective cycle of development cooperation modalities.

Balance the interests of China and its partners and work with different development actors in a single partnership space. One alternative could be exploring comparative advantages between China and its partners as a means to facilitate complementary strategies. For instance, in the areas of infrastructure development and sustainability; productive capacity and technical cooperation; the strengthening of public policies and the transfer of technologies. There is also space for China to expand its cooperation with international organizations by increasing financial contributions, trilateral cooperation, and knowledge exchange in the realm of international development. The Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) could promote flexible models of partnership and pilot innovative development cooperation initiatives in collaboration with other international organizations and governments. China could also further develop its cooperation with NGOs and academia for project implementation and independent M&E, as well as knowledge exchange.

Introduction: Enhancing Countries' Contribution to International Development

Traditional bilateral donors like Japan, the United Kingdom (UK) and the United States (US) have strived over the decades to improve the effectiveness of official development assistance (ODA). Similarly, South-South partners like China, Brazil and India as well as Arab States like the United Arab Emirates (UAE) are increasingly seeking to enhance international cooperation for development.

As the second largest economy in the world, China has been facing high expectations from its citizens and the international community regarding the allocation and impact of its foreign aid. In response to these expectations, China has been taking a greater responsibility in international development by increasing the number of its projects and programs – including in the context of China's announcements on SSC made at the UN Summit in September 2015 – continually revising foreign aid regulations since 2014, and promoting new development financing institutions like the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB). Yet, the country still faces several challenges with regard to the delivery and management of such initiatives.

In order to understand how countries might enhance their contribution to international development, one needs first to understand what constitutes development cooperation. Historically, the term “development cooperation” has been used almost as a synonym for financial aid or, even more narrowly, for ODA. As the number and diversity of actors engaged in international development increases, the ways in which development support is carried out have become more varied than ever before.

These actors include countries like China who have gone through structural transformations and can contribute ideas, knowledge, implementation capacity, technologies as well as finances to other countries going through a similar process. Based on a joint learning model, developing countries can choose partners based on their respective comparative advantages, instruments of interaction and degree of complementarity. This has caused development cooperation to develop well beyond financial transfers, with an increasing focus on knowledge and technology exchange, which enable countries to pursue their own development pathways. More broadly, development cooperation can also include remittances, trade and foreign direct investment (FDI) (ECOSOC-a, 2015).

Two Traditions of Development Cooperation

The different understandings of what constitutes development cooperation are rooted in two main traditions that began to emerge after the Second World War. ^① North-South cooperation (NSC) was one that centered on the Organization for Economic Cooperation and Development, led by its Development Assistance Committee (OECD-DAC), and sometimes described as the “venue and voice” of the world’s major donor countries on aid, development, and poverty reduction in developing countries (OECD 2006). The other, SSC, centered on the non-alignment movement and the principles of equality, sovereignty, territorial integrity of all nations, and promotion of mutual benefits, as initially formulated at the Bandung Conference in 1955. These two traditions have evolved over the last six decades under parallel but very different sets of processes, relationships, and historical narratives (Alden, Morphet and Vieira 2010; Li and Carey 2014).

^① New approaches like “East-East” cooperation and Arab models of development cooperation begin to emerge, building on the experiences of traditional bilateral donors and South-South partners.

Table 1. Two main traditions of development cooperation^①

	North-South cooperation	South-South cooperation
Geopolitical context	Cold War (1940—50s) (period of tight bipolarity)	Cold War (1960s) (period of loose bipolarity)
Rationale	East-West	Third World
Definitions	Official Development Assistance ^② (OECD, 1969)	SSC for Development (High-Level Committee on SSC, 2012) ^③
Governance	OECD-DAC	Decentralized at the global and regional levels (i.e. Development Cooperation Forum, High-Level Committee on SSC, regional fora)
Actors	OECD-DAC countries (hereto referred as “traditional bilateral donors”) and developing countries (as recipients and more recently as “partners”)	Southern countries (hereto referred as “South-South partners”), presumably in a horizontal partnership.

^① Under discussion and pending more concrete evidence (e.g. relating to the statement of no conditionality, definitions, and estimated amounts) .

^② ODA is defined as “those flows to countries and territories on the DAC List of ODA Recipients and to multilateral institutions which are: i) provided by official agencies, including state and local governments, or by their executive agencies; and ii) each transaction of which: a) is administered with the promotion of economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent).” Accessible via the Organization for Economic Cooperation and Development (OECD)-DAC website; <http://www.oecd.org/dac/stats/officialdevelopmentassistance/definitionandcoverage.htm>.

^③ The Framework of Operational Guidelines on the UN Support to South-South and Triangular Cooperation (TrC) (SSC/17/3 2012) contains the UN Secretary General’s working definition for “South-South Cooperation for Development”. The document complies with decision 16/1 of the High-level Committee on SSC and the definition is currently being used by UN organizations and agencies. This topic will be further discussed later in this session. According to the Framework, SSC is defined as “a process whereby two or more developing countries pursue their individual and/or shared national capacity development objectives through exchanges of knowledge, skills, resources and technical know-how, and through regional and interregional collective actions, including partnerships involving governments, regional organizations, civil society, academia and the private sector, for their individual and/or mutual benefit within and across regions”. As such, SSC contributes to increasing countries’ adaptive capacity, by building capacities and enhancing abilities to respond successfully to climate change. TrC is further defined as a typically Southern-driven initiative that might include an element of SSC supported by a developed country, multilateral organization or any other third party. In line with the principles of national sovereignty and ownership, developing countries themselves initiate, organize and manage SSC. Developed countries and international organizations play a facilitation role and do not take the lead in executing South-South operational activities, which remain solely the domain of developing countries themselves.



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(Continued)

	North-South cooperation	South-South cooperation
Conditionality	Top-down often with policy conditionality	Demand-driven and generally free from conditionality (see Table 2)
Accountability	OECD-DAC guidelines and instruments/Paris Declaration on Aid Effectiveness. Peer reviewed by OECD-DAC. Data compiled and periodically released by the national governments and OECD-DAC	National accountability systems. Mutual trust of partners. No monitoring mechanism beyond occasional reports of data and anecdotal details
Estimated Amounts	US\$ 135.2 billion in 2014 (A/70/311)	US\$ 20 billion in 2014 (A/70/311) ^①

Source: reviewed and updated by the authors (AHMAD, 2013).

Despite the lack of an internationally agreed definition of development cooperation, there seems to be consensus among academics and practitioners on the shift from an aid-focused approach to a “development compact” based on countries’ own development experiences (Chaturvedi, 2014), relationships of mutual benefits, reciprocity, greater participation and local control of resources (IPEA, 2015). In this context, Alonso and Glennie (ECOSOC-a, 2015) define development cooperation as an activity that: i) aims explicitly to support national or international development priorities; ii) is not driven by profit; iii) discriminates in favor of developing countries; and iv) is based on cooperative relationships that seek to enhance developing country ownership. ^②

^① Comparisons between DAC donors and South-South partners must be assessed with caution, as the types of flows accounted for (and by) each South-South partner vary widely. South-South partners’ most valuable contribution is their own development experience – often underestimated by purely quantitative assessments of financial flows. Global estimates of SSC flows may also vary from the data reported by South-South partners themselves (when this is the case).

^② In this study, Alonso and Glennie’s overall definition of development cooperation will be used, taking into account the current general understanding of ODA (for traditional bilateral donors) and the official support to the development of other countries (for South-South partners, while respecting their different practices). The terms used for development cooperation may vary from country to country and are described in the following chapters. This study adopts the term most commonly used in the countries featured and employs it whenever there is a specific mention to the development cooperation provided by a particular country. This study also highlights when the term has been officially adopted or not.

The Interplay Between Management Systems, Modalities and Effectiveness

The collection of cooperation initiatives, the government and non-state actors involved in their implementation, the applicable norms and institutions as well as the emanating collective action in support of international development form the “development cooperation system” (Fukuda-Parr et al. , 2002). The domestic policy frameworks, institutional arrangements, and operational tools for development cooperation (e.g. financial, information and knowledge platforms), in turn, comprise the “management system” and can enable (or hinder) the delivery of development cooperation. For example, development cooperation policies can provide strategic guidance and clarity in the division of competences and responsibilities among national cooperation agencies, sector institutions, civil society, the private sector, and other actors in the development cooperation system. A coordinated commitment to organizational and operational development of the national cooperation agency and sector institutions can further enable financial and human resource management.

Development cooperation can be delivered through different modalities. Countries have not yet agreed on common typologies and definitions for the existing development cooperation modalities, many of which exist in hybrid forms. In the OECD-DAC Creditor Reporting System (CRS), “delivery modalities” include:

- General budget support (GBS);
- Sector budget support (SBS);
- Core support to NGOs and other private bodies, PPPs and research institutes;
- Contributions to specific-purpose programs and funds managed by international organizations;
- Basket funds/pooled funding;
- Project-type interventions;
- Donor country personnel;
- Other technical assistance;



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- Scholarships/training in donor country;
- Imputed student costs;
- Debt relief;
- Administrative costs not included elsewhere;
- Development awareness;
- Refugees in donor countries.

The International Aid Transparency Initiative (IATI) adds core contributions to multilateral institutions' to the above list. The OECD-DAC and IATI have further grouped “delivery modalities” into:

- Budget support;
- Core contributions and pooled programs and funds;
- Project-type interventions;
- Experts and other technical assistance;
- Scholarships and student costs in donor country;
- Debt relief; administrative costs not included elsewhere;
- Other in-donor expenditures.

Bilateral agencies and authors have further categorized the different delivery and finance modalities into broader typologies. For instance, the Swedish Agency for Development Evaluation (SADEV) categorizes aid modalities into “project support”, “budget support” and “sector program support”(SADEV, 2007). Alonso and Glennie (ECOSOC-a, 2015) categorize development cooperation modalities into “finance”, “capacity support” and “policy change” (ECOSOC-b, 2015).

Development cooperation modalities are less consistent across South-South partners. This is due to the fact that most South-South partners are still in the process of defining their own typologies for development cooperation. For instance, Brazil has been discussing whether a categorization at the activity level—for instance, through instruments used to deliver cooperation on the ground (e.g. study visits, trainings, scholarships, grants, etc.)—could be used in place of

current broader modalities. ^① Added to this is the fact that South-South partners' approaches and practices also vary largely between each other. For example, unlike India, Brazil does not consider trade and investment as part of the country's official development cooperation.

In Arab States like the UAE, motivated social and charitable work, which represents a smaller percentage of UAE overall foreign assistance compared to development and humanitarian cooperation, serves a mix of religious and humanitarian/development purposes. While the UAE records religious assistance under "charity" as part of its overall foreign assistance, this development cooperation modality is not counted as ODA.

How development cooperation is delivered has a direct impact on its capacity to respond to partners' development needs. Traditional bilateral donors and South-South partners have adopted various development cooperation modalities with relatively sophisticated management systems. Others have also shifted their approaches at various points in time. Over the past decades, some development cooperation modalities have undergone changes and new modalities have emerged, leading to continuing debate over their merits and relevance.

The Paris Declaration (2005) frames "effectiveness" in NSC terms based on ownership, mutual accountability, results, alignment and harmonization mechanisms between donors and partner countries. These principles were further cemented in the Busan Partnership Agreement in 2011 and monitored through the Global Partnership for Effective Development Cooperation (GPEDC) monitoring framework. Yet, their contribution and adherence to "aid effectiveness" principles are considered narrow and inadequate by some actors who have developed their own approaches to development cooperation (UNDESA 2014). This is the case for

^① This approach might be considered in the next COBRADI report with data on Brazilian development cooperation between 2011 and 2014. The report is expected to be launched after the publication of this report, later in 2016.



South-South partners.

SSC implies different forms of partnerships that are based on a set of principles conducive to effective development cooperation (UNDESA 2014). The Nairobi Outcome Document of the High-Level UN Conference on SSC delineated five normative principles (national sovereignty and ownership, equality, non-conditionality, non-interference, mutual benefits) and four operational principles (mutual accountability and transparency, coordination, results-based initiatives, multi-stakeholder approach) of SSC. ① Yet, these principles have not been clearly defined, nor have benchmarks been agreed upon at the global level (Chaturvedi 2014; Vazquez 2014). Examples of these principles can be found at the country-level, as for instance in China’s eight principles of foreign aid, the Panchsheel Principles in India, and the Brazilian constitutional principles of self-determination of peoples and equalities between States (to be further analyzed in the following country chapters). However, little is still known about how they apply in practice and lead to higher quality and effective SSC. ②

Table 2. Development cooperation principles

Aid Effectiveness Principles	South-South Cooperation Principles
Paris Declaration (2005) and Busan Partnership Agreement (2011)	Nairobi Outcome Document (2009)
Ownership: “ partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions” (Paris, § § 14, 15). “ Partnerships for development can only succeed if they are led by developing countries, implementing approaches that are tailored to country-specific situations and needs” (Busan, § 11a).	National ownership and sovereignty: no definition found in the Nairobi Outcome Document. Could be defined by the “ demand-driven ” nature of SSC-the contribution to national development priorities at the request of developing countries. South-South partners would not follow their own strategy of cooperation with other countries in certain sectors, but react to their demands for support.

① These principles were negotiated and agreed by UN member states at the UN High-level UN Conference on SSC (the main policymaking body on SSC in the UN), endorsed by the UN General Assembly and, therefore, the most recent authoritative source for discussion on criteria and standards for SSC.

② To be further discussed in the country chapters.

(Continued)

Aid Effectiveness Principles Paris Declaration (2005) and Busan Partnership Agreement (2011)	South-South Cooperation Principles Nairobi Outcome Document (2009)
No equivalent found	<p>Equality: partnership among equals based on solidarity (Nairobi, § 18). Can also be defined as “reciprocity”, relationship based on mutuality where both partners have a role acknowledged in the relationship. Reciprocity also has a historical root; SSC would be reciprocal because partners have never been involved in colonial history.</p>
No equivalent found	<p>Non-conditionality: no definition found in the Nairobi Outcome Document. Could be defined by the no use of policy conditionality attached to the provision of benefits such as a loan, debt relief or technical cooperation.</p>
No equivalent found	<p>Non-interference: no definition found in the Nairobi Outcome Document. Whilst non-interference in domestic affairs of partner countries is still followed in general, South-South partners begin to emphasize the principle of “non-indifference”, in order to bridge the debate on non-interference vs. conditionality.</p>
No equivalent found	<p>Mutual benefits: no definition found in the Nairobi Outcome Document. Development cooperation doesn't claim to be charity to the less fortunate but based on “win-win” relationships. Assertions of win-win outcomes, however, are often founded on a construction of the “national interest” of both partners and equated with rapid and unrestricted industrial modernization.</p>



(Continued)

Aid Effectiveness Principles**South-South Cooperation Principles****Paris Declaration (2005) and Busan Partnership Agreement (2011)****Nairobi Outcome Document (2009)**

Mutual accountability and transparency:

“donors and partners are accountable for development results.” (Paris, § 47) The Paris Declaration marks a shift from unidirectional accountability to mutual accountability, partnership between recipients and providers of development cooperation is not a principal-agent relation, but one in which both parties are equally and reciprocally responsible for meeting their respective commitments. “Transparent practices form the basis for enhanced accountability.” (Busan, § 11d)

Mutual accountability and transparency: “encourage all actors to support initiatives for information and data collection, coordination, dissemination and evaluation of SSC, upon the request of developing countries.” (Nairobi, § 20c)

Harmonization: “donors’ actions are more harmonized, transparent and collectively effective.” (Paris, § 32—42)

Coordination: coordination of “SSC initiatives with other development projects and programs on the ground, in accordance with national development plans and priorities.” (Nairobi, § 18)

Managing for results: “managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making.” (Paris, § 43) “Investments and efforts must have a lasting impact on eradicating poverty and reducing inequality, on sustainable development, and on enhancing developing countries’ capacities, aligned with the priorities and policies set out by developing countries themselves.” (Busan, § 11b)

Results-based initiatives: “SSC should be assessed with a view to improving, as appropriate, its quality in a results-oriented manner.” (Nairobi, § 18)

Inclusive development partnerships: “openness, trust, and mutual respect and learning lie at the core of effective partnerships in support of development goals, recognizing the different and complementary roles of all actors.” (Busan, § 11c)

Multi-stakeholder approach: “SSC embraces a multi-stakeholder approach, including non-governmental organizations, the private sector, civil society, academia and other actors that contribute to meeting development challenges and objectives in line with national development strategies and plans.” (Nairobi, § 19)

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Aid Effectiveness Principles Paris Declaration (2005) and Busan Partnership Agreement (2011)	South-South Cooperation Principles Nairobi Outcome Document (2009)
Alignment: “donors base their overall support on partner countries’ national development strategies, institutions and procedures.” (Paris, § § 16—31)	No equivalent found

Source: Authors’ own interpretation

Objective of This Study

Enhancing contributions to international development is directly linked to how countries conceive and manage development cooperation. Against this backdrop, this study aims to draw lessons from a collection of examples that can be considered for China’s own efforts to strengthen its foreign aid. This study aims to do so by looking at various aspects of “development cooperation” policy frameworks, management systems and modalities in Brazil, India, Japan, the UAE, the UK and the US and by answering the following questions:

- How do countries select which development cooperation modality to use?
- How do domestic management systems influence the selection and delivery of development cooperation modalities?
- Which modality or combination of modalities will produce the intended result? Against which contexts?
- What are the main lessons and recommendations for China?

Methodology

The selection of the countries featured in this study is based on; their tradition of development cooperation; the potential lessons they could provide in terms of definitions, approaches, regional scope, management systems and modalities used; the availability of data and information; and regional balance. For example, the

UK, the US and Japan are traditional bilateral donors but have quite different modalities and regional scope. Brazil, China and India are South-South partners with different definitions of development cooperation and approaches. Finally, the UAE is a supporter of the SSC framework as well as a participant in the OECD-DAC since 2014.

In compiling this study, the research team mapped the 35 main development cooperation modalities that feature in the seven countries examined in this report. These modalities were identified based on countries' own terminologies and definitions, and clustered into nine groups based on the nature of the modality. The clustering process was based on the authors' own assessment and does not intend to unify or harmonize the typologies and definitions of the different development cooperation modalities. Instead, it aims to provide a framework for systematizing, assessing and analyzing the research findings.

This study assumes that each country takes development cooperation effectiveness as one of the major criteria when selecting modalities, but they may have different understandings and standards for development cooperation effectiveness. As such, the research team respected countries' own assessments of their development cooperation modalities, strengths and limitations, and by no means tried to evaluate their effectiveness through unified analytical frameworks.

This study is mainly qualitative, based on primary^① and secondary^② sources. The methodology includes: i) a literature review^③ and a mapping of development cooperation modalities;^④ ii) interviews with government officials in charge of

① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

② Official documents, publications and online databases.

③ An e-survey to collect information on the modalities used in each country, official documents and guidelines for assessing development cooperation modalities (whenever available), and data on cooperation flows with approximately 15 government officials and academics was collected between July-August, 2015.

④ Mapping of the development cooperation modalities adopted by the seven countries featured in this study and a working taxonomy for each of them.

development cooperation, academics, and practitioners in traditional bilateral donor countries, South-South partners and partner countries conducted between June and September 2016; iii) two focus groups with approximately 20 members of the Network of Southern Think-Tanks (NeST)^① were organized in South Africa (October, 2015) and China (February, 2016) to gather the perspectives of partner countries; iv) a peer review comprising the United Nations Development Programme (UNDP) staff members in Beijing and headquarters as well as experts from Brazil, China, India, Japan and the UK; v) two workshops with approximately 50 members of the diplomatic community and development cooperation experts were organized in Beijing (April, 2016) to discuss and validate findings; and vi) analyses and drafting of the report. The sections of the report that concern interviewees were shared with them to ensure transparency and to give participants an opportunity for further remarks.

This study is divided into eight chapters. Chapter 1 – 7 introduce the specific challenges that China faces in strengthening its cooperation management system and the experiences of Brazil, India, Japan, UAE, the UK and the US in delivering development cooperation. In particular, these chapters look at the concept of development cooperation, development cooperation modalities, development cooperation principles and the main trends and management systems in the seven countries featured. Chapter 1 to 7 further discuss the norms, guidelines and other aspects these countries consider when selecting what development cooperation modalities to use.

Finally, chapter 8 analyses five select groups of modalities, their effectiveness and weaknesses, and how Brazil, China, India, Japan, UAE, the UK and the US select and implement their development cooperation modalities and lessons for

^① NeST was established on the sidelines of the first high-level meeting of the GPEDC in Mexico in April 2014, and as a follow-up to the Conference of Southern Providers held in Delhi in April 2013. The network has committed itself to “generating, systematizing, consolidating and sharing knowledge on SSC approaches to international development”. Accessible via the Southern Think Tanks website: <http://southernthinktanks.org/>



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China. The analysis considers both the domestic and foreign policy priorities, the differences and similarities between the countries featured, the local context and the management systems in place. The chapter concludes with recommendations for policies and actions by China.

Delivering China's Development Cooperation: The Challenges Ahead

KEY MESSAGES

- Development cooperation is referred to as “foreign aid” in China.
- The inter-ministerial aid coordination mechanism between MOFCOM, MOF and MOFA plays a significant role in setting up China's overall foreign aid strategy.
- Major changes to foreign aid policy or practice must be submitted to the Central Working Group for approval.
- Complete projects, goods and materials and technical cooperation are the most traditional modalities. Complete projects are the most common modality in Chinese foreign aid.
- Human resources development cooperation has been expanding rapidly since the late 1990s to meet the growing need to share China's development experiences. Volunteer programs and debt relief are the newest modalities, adopted at the start of the 21st century. China has become more active in trilateral cooperation in recent years.
- No norms guide the selection of development cooperation modality.
- The selection is mainly demand-driven, and based on the requests and needs of the partner country. Country contexts are also considered to some extent. For priority partner countries, China provides more development cooperation and generally with more diversified modalities.

- China has been diversifying its development cooperation modalities to fulfill its international commitments.
- However, the country still faces challenges with managing its foreign aid.

Overview of China's Development Cooperation

China is the world's largest developing country, with a large population and uneven economic development. Over the years, while focusing on its own development, China has been providing development cooperation within its capacity to other developing countries, and fulfilling international obligations. Development cooperation is referred to in China as “foreign aid.” The term was coined when China started to provide aid to other countries and has been used to differentiate outgoing aid from incoming aid since then. MOFCOM defines foreign aid as “activities supported by official foreign aid funds to provide partner countries with economic, technical, material, human resources and management supports” (MOFCOM 2014). Even though the term is similar to the term used in NSC, it does not necessarily hold the same meaning. For example, unlike traditional bilateral donors and even other South-South partners like India and Brazil, export credits, funds like the Forum on China Africa Cooperation (FOCAC) Development Fund and peacekeeping operations are not considered foreign aid in China.

China's foreign aid started with the provision of goods and materials to the Democratic People's Republic of Korea (DPRK) and Vietnam in 1950. After the Asian-African Conference in Bandung, Indonesia in 1955, the scope of China's foreign aid extended from socialist countries to other developing countries. In 1956, China began to help African countries and in the early 1970s, China further expanded its foreign aid to countries in the Middle East and Latin America. Since then, China's foreign aid increased in terms of proportion to GNI and to government expenditure. It is estimated that between 1971 and 1975 China's foreign aid volume

well exceeded that of the average traditional bilateral donors, and its average proportion to government expenditure reached as high as 5.88 per cent, especially in 1973 reached 6.92 per cent at its highest-ever level, well beyond China's actual capacity (Shi Lin 1989).

After the adoption of the reform and opening-up policy in 1978, China started to focus on its domestic economic development. From 1979, China began accepting foreign aid and was one of the largest recipients of ODA till the late 1990s. Meanwhile, China's foreign aid to other countries declined sharply in terms of its proportion to GNI. China's economic cooperation with other developing countries was extended from traditional forms of development assistance to include trade and investment (IOSC 2011).

With the shift from the planned economy to the socialist market economy in the 1990's, China's foreign aid entered a new stage. China had not only increased the amount of aid, it dispensed and expanded its coverage of partner countries, but also took a series of measures to reform its foreign aid management system. In 1994, the Export-Import Bank of China (Exim Bank) was established and in 1995 concessional loans were introduced into the Chinese foreign aid, which effectively expanded its funding sources to support economic cooperation with developing countries. Since then, China's foreign aid has started to play a more active synergizing role between aid, trade and investment, as has acted as an instrument to support the "go global" strategy (Mawdsley 2015).

Since 2004, due to sustained and rapid economic growth and enhanced overall national strength, China's funding for foreign aid has rapidly increased, with an annual average growth rate of 29.4 per cent from 2004 to 2009. Group consultations at the international and regional levels have become important channels for China's foreign aid commitments, namely the UN High-Level Meetings, FOCAC, China-Association of Southeast Asian Nations (ASEAN) leaders meetings, China-Pacific Island Countries Economic Development & Cooperation Fora, among others. At the series of summits marking the 70th

anniversary of the UN in September 2015, President Xi Jinping took this international platform and announced a set of measures to support other developing countries (Annex 1).

China's Principles and Policies for Development Cooperation

China's foreign aid policy is based both on the country's national capacity and the needs of the partner countries. It also possesses distinct characteristics of its time: as a developing country, China's foreign aid is part of a larger SSC and as such aims to bring benefits for both China and its partners in other developing countries following a principle of mutual benefit.

In 1964, the Chinese government declared the Eight Principles for Economic and Technical Assistance to Other Countries (the Eight Principles in short)^① — the guiding principles for China's foreign aid. The core contents featured equality, mutual benefit and no strings attached. The Eight Principles have been constantly enriched and developed during the history of China's foreign aid based on the constantly changing international architecture and domestic conditions.

In 2011, China released its first White Paper on China's Foreign Aid, which stated China's current foreign aid policy. The main features of the policy are:

- Unremittingly helping partner countries build up their self-development capacity through helping partner countries to foster local personnel and technical forces, build infrastructure, and develop and use domestic resources;
- Imposing no political conditions and respecting partner countries' right to independently select their own path and model of development;

^① The Eight Principles for Economic and Technical Assistance to Other Countries was declared by former Premier Zhou Enlai during his state visit to Ghana in 1964. The Eight Principles are: Equality and mutual benefit; never attaching any conditions or asks in return for any privileges; helping to lighten the burdens of partner countries as much as possible; aiming to help partner countries to gradually achieve self-reliance and independent development; striving to develop aid projects that require minimal investment but yield quicker results; providing the best-quality equipment and materials; in providing technical assistance, China shall ensure that the personnel of the partner country fully masters specific techniques; Chinese experts are not allowed to make any special demands or enjoy any special amenities.

- Adhering to equality, mutual benefit and common development;
- Remaining realistic in aid volumes, and meanwhile striving for the best effects through giving full play to its comparative advantages;
- Adapting its foreign aid to the development of both domestic and international situations, and making reforms and innovations accordingly.

China's MOFCOM has issued and kept updated a series of regulations and rules on the management of specific policies, like the Regulations on Foreign Aid Complete Projects in 2009 and the Regulations on the Qualification of Enterprises to Implement Commodity Aid in 2011. In May 2014, the more comprehensive "Measures for the Administration of Foreign Aid" (trial) were released, which stipulated the overall rules and management for China's foreign aid. Following these comprehensive regulations, in February 2016, MOFCOM updated regulations for the management of complete projects, goods and material aid, and technical cooperation. But these regulations are mainly guidance for management, and have no clear guidelines on how and when to use each foreign aid modality.

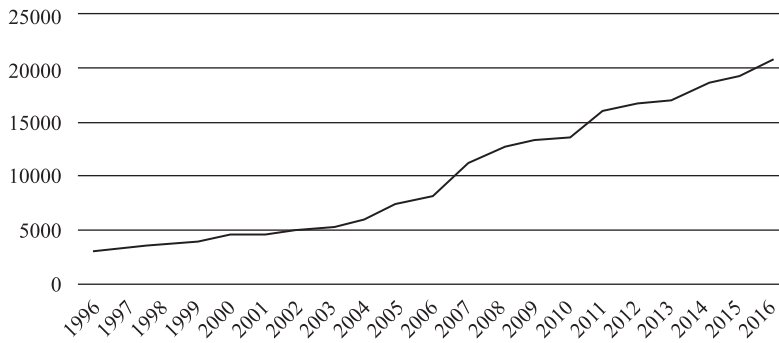
Overall Development Cooperation Volumes and Trends

Financial resources provided by China for foreign aid mainly fall into three categories: grants, interest-free loans and concessional loans. The first two come from China's state finances, while concessional loans are provided by the EXIM Bank, as designated by the Chinese government.

Over the past six decades, China has provided 166 countries with nearly US\$ 63.5 billion worth of assistance and dispatched over 600,000 aid workers (Xi Jinping, 2015). From 1950 to 2012, China provided a total of US\$ 54.86 billion foreign aid to foreign countries, including US\$ 21.99 billion grants, US\$13.30 billion interest-free loans and US\$ 19.57 billion concessional loans (IOSC, 2011/2014). According to China's Ministry of Finance (MOF), the total Chinese foreign aid budget for 2016 is US\$ 3.28 billion, 6.4 per cent higher than actual

expenditure in 2015. ^①

Figure 1. Overall development cooperation volumes of China from 1996 to 2016
(RMB million, US\$ 1 = RMB 6.3) ^②



Source: Annual Expenditure Budget of Central Government, MOF

Note 1: Concessional Loans are not included.

Note 2: Data of 1996—2015 show actual expenditure, while 2016 shows the budgeted amount.

Asia and Africa together receive approximately 80 per cent of China’s foreign aid. In recent years, with the increasing importance of China-Africa cooperation, China’s foreign aid to Africa has continued to grow. The proportion of foreign aid to African countries increased from 45.7 per cent in 2009 to 51.8 per cent in 2010—2012, ^③ while the proportion to Asian countries decreased from 32.8 per cent to 30.5 per cent ^④ over the same period (IOSC, 2011/2014). With the “Belt and Road Initiative” (BRI) ^⑤ being carried out, Chinese foreign aid towards Asian and

^① The capital of concessional loans is not included. Data source: MOF, Annual Expenditure Budget of Central Government. Accessible via China’s Ministry of Finance website: http://yss.mof.gov.cn/2016czys/201603/t20160325_1924491.html

^② For Brazil, China and India, only total development cooperation volumes are provided. Development cooperation as a percentage of countries’ gross national income (GNI) is not provided. This is due to the fact that these countries are not OECD-DAC members or observers and have not committed to any ODA/GNI target. Also, SSC can be underestimated by purely quantitative assessments of financial flows.

^③ Including concessional loans.

^④ Including concessional loans.

^⑤ The Silk Road Economic Belt and the 21st-century Maritime Silk Road, also known as The Belt and Road (abbreviated B&R), One Belt, One Road (abbreviated OBOR) or the Belt and Road Initiative is a development strategy and framework that focuses on connectivity and cooperation among countries; primarily between China and the rest of Eurasia, which consists of two main components—the land-based “Silk Road Economic Belt” and ocean-going “Maritime Silk Road”.

African countries may once again become rebalanced.

Emphasis on economic infrastructure is a distinct characteristic of China's foreign aid and addresses some of the main development bottlenecks in many developing countries. This emphasis stems from China's own experience of prioritizing infrastructure as its most pressing need and also a major contributing factor for its economic growth. Thus, China now "exports" what it finds most useful based on its own national development experience and capabilities, such as locally produced technologies and abundant labor at relatively low costs. At the same time, this strategy supports Chinese enterprises to internationalize.

Another trend in China's foreign aid is the growing inclination towards regional and multilateral arrangements. At the 2015 UN Sustainable Development Summit and the Johannesburg Summit of FOCAC, China committed to providing development finance, projects related to people's livelihoods, and knowledge exchange in fields such as climate change,^① capacity building and peacekeeping (Annex 1).

China's Criteria for Selecting Development Cooperation Modalities: Definitions, Guidelines and Management Systems

Major Development Cooperation Modalities

Currently, China offers foreign aid in eight forms: **complete projects, goods and materials, technical cooperation, human resources development cooperation, medical teams sent abroad, emergency humanitarian aid, volunteer programs in foreign countries, and debt relief**. The first White Paper on China's Foreign Aid, released in 2011, defines each form and its general practices (for a detailed description of each modality, refer to Annex 2;

^① Environment (environmental protection) and coping with climate change have received particularly more attention since 2014 (White Paper 2014, the Aid Management Measures (2014) and the 13th Five-Year Plan (FYP), and also Xi Jinping's 2015 UN Commitment).

Development cooperation modalities and definitions). China considers loans as a kind of financial instrument, not a development cooperation modality.

Among these eight forms, complete projects are the most common, given China's comparative advantage in engineering works, mature technologies and comparatively low labor costs. As such, economic infrastructure and social infrastructure have become some of the major sectors for China's foreign aid, accounting for 44.8 per cent and 27.6 per cent respectively between 2010 and 2012 (IOSC, 2014).

Meanwhile, China is also strengthening its technology transfers and experience sharing through technical cooperation, human resources training, medical teams and volunteer programs. For instance, human resources development cooperation has expanded rapidly since the late 1990s. By the end of 2012, China had run over 6,000 training sessions and on-the-job academic education programs for managerial and technical personnel and officials, training over 169,000 people from other developing countries (IOSC 2011 and 2014). In 2015, China held 1,156 training sessions attended by 30,000 people in total. ^①

As a result of mainstreaming and improvements to the governance of volunteerism within China since the early 2000s, which has enhanced the delivery of social services and people-oriented growth, interest in volunteering has increased and become a larger part of China's foreign aid. Volunteering is mentioned in key policy documents, including China's White Papers on Foreign Aid (2011 and 2014). The 2014 White Paper states that between 2010 and 2012, China sent around 7,000 volunteers to over 60 countries, highlighting projects in Liberia and Ethiopia for work on agriculture and clean energy projects (UNDP 2015). In 2014, China also pledged to strengthen volunteerism in Africa as part of the "China-Africa People-to-People Friendship Action" plan (UNDP 2015).

^① Available via MOFCOM's website; <http://www.mofcom.gov.cn>.

Even though China did not join the Heavily Indebted Poor Countries (HIPC) Initiatives, led by the World Bank and International Monetary Fund (IMF) since mid-1990s, China also has taken responsive measures to debt relief since 2000 to reduce the debt burden of HIPC as well as less developed countries (LDCs).

In many cases, China's foreign aid projects in different modalities are designed and implemented separately, which differ from the typical DAC program-based approach by designing and implementing aid projects under one initiative covering different modalities or sectors. This is mainly constrained by the fragmented management structure for each modality. However, complete projects may also be mixed with goods and materials and/or technical cooperation to provide more comprehensive support, as requested, to the partner country.

In recent years, China has become more active in trilateral cooperation. As most traditional bilateral donors have cut back development cooperation to China due to the latter's rapid economic growth, they have turned to jointly delivering development cooperation with China to partner countries. It is similar for international organizations that used to provide assistance to China. Most trilateral cooperation projects focus on capacity building and training. However, this new modality is still limited in terms of finances and the number of projects, and is usually carried out on a case-by-case basis.

Management System

The decision-making power of foreign aid in China lies with the central government, namely, under the leadership of the China's Communist Party (CCP) chaired by the President, and the State Council chaired by the Premier. MOFCOM is authorized by the State Council to oversee foreign aid. The Department of Foreign Assistance (DFA) within MOFCOM is responsible for the formulation of foreign aid policies, regulations, overall and annual plans, the examination and approval of projects and the management of project execution. Under MOFCOM, the Agency for International Economic Cooperation (AIECO),

the China International Center for Economic and Technical Exchanges (CICETE), and the Academy for International Business Officials (AIBO) are respectively entrusted with tasks such as managing the implementation of complete projects and technical cooperation projects, goods and material aid, and training programs. The Chinese economic and commercial counsellor's offices of the embassies in the partner countries are in charge of direct coordination and management of foreign aid projects in the field.

Besides MOFCOM, the Ministry of Foreign Affairs (MOFA) and the MOF are also actively involved in foreign aid policy and budget plan development. MOFA also articulates project design and implementation through embassies and economic and commercial counsellors abroad. The Ministry of Science and Technology (MOST), Ministry of Agriculture (MOA), Ministry of Education (MOE), and National Health and Family Planning Commission (NHFP) and other line ministries also take part in China's foreign aid according to their sectoral expertise and by the request of MOFCOM or their counterpart agencies in the partner country. MOFCOM also works closely with the Exim Bank on concessional loan policies and their implementation.

In order to strengthen coordination among the ministries and agencies concerned, MOFCOM, MOFA and MOF officially established a foreign aid inter-ministerial liaison mechanism in 2008. In February 2011, this liaison mechanism was upgraded to an inter-ministerial aid coordination mechanism. This mechanism plays a significant role in setting up China's overall foreign aid strategy, but any major change in foreign aid policy or practice has to be submitted to the Central Working Group for approval. Currently the mechanism has 33 members, with MOFCOM as the director ministry and MOFA and MOF as deputy director ministries.

Table 3. Chinese development cooperation system: Key players, coordination and financial flows

Ministry	Responsible modalities	Functions
MOFCOM (DFA)		The key leading ministry on development cooperation. Authorized by the State Council to oversee foreign aid. It is primarily responsible for the formulation of foreign aid policies, regulations, overall and annual plans, examination and approval of projects and management of project execution.
AIECO	Complete projects, technical cooperation projects	
CICETE	Goods and material aid	
AIBO	Human Resource Development Cooperation	
MOFA		Consults with MOFCOM to ensure that China's foreign aid policies conform to China's foreign policies and provide suggestions on country aid programs.
MOF	Multilateral aid	Communicates and negotiates with MOFCOM on foreign aid budgets and programs and appropriates funds; contributions to the World Bank and the Asian Development Bank (ADB).
NHFPC	Chinese medical teams	Formulates policies for and manages Chinese medical teams working abroad; takes part in China's aid in medical sectors in cooperation with MOFCOM.
MOE	Scholarships	Manages scholarships for students from developing countries; takes part in China's aid in education sectors in cooperation with MOFCOM.
The Office of Chinese Language Council - International - (Hanban)	Overseas Volunteer Programs (Chinese-language teachers)	Hanban, affiliated to MOE, is responsible for implementing the Overseas Volunteer Program. The Volunteer Center of the Hanban is in charge of the program's daily operation. Based on requests for volunteers submitted by different countries, Hanban will either directly organize the recruitment, selection, training and dispatch of volunteers, or entrust this responsibility to the Departments of Education of concerned provinces (municipalities/autonomous regions), or universities and colleges.

(Continued)

Ministry	Responsible modalities	Functions
Other Line Ministries		Take part in China’s aid in specific sectors as requested by MOFCOM or by their counterpart agencies in developing countries.
Chinese Young Volunteers Association (CYVA)	Overseas volunteer programs (young volunteers)	Authorized by MOFCOM, the CYVA undertakes the overseas young volunteer programs. Since the CYVA is a government-backed NGO under the guidance of the Central Committee of the Communist Youth League of China, the Communist Youth League of China are also the key actor to co-launch the volunteer programs together with the CYVA.
Exim Bank	Concessional loans	Responsible for the assessment of projects with concessional loans, and the allocation and recovery of loans.

Selection Criteria for Development Cooperation Modalities

China has no explicit policies or criteria for guiding the selection of different foreign aid modalities. However, since 2013, MOFCOM has gradually developed a foreign aid strategy framework, including a new Medium-and Long-Term Foreign Aid Strategy and five-year country strategies for all partner countries. In the country strategies, China sets a broader strategic framework for its foreign aid, including the identification of the modalities based on partners’ demand and development needs as well as China’s capacities and comparative advantages on the ground.

China’s national development plan and its overall policy on foreign affairs provides general guidance to the selection of foreign aid modalities. In China’s 13th Five-Year Plan (FYP) of the National Economic and Social Development approved in March 2016, China has, for the first time, included foreign aid policy. The 13th FYP states that “China will expand its foreign aid volumes and improve its foreign aid modalities by providing more human resource training, consultation on development planning and economic policies, and increasing foreign aid in such sectors as technology and education, health, disaster prevention and reduction, environment improvement, wildlife preservation, poverty reduction and huma-

nitarian assistance” (CPPCC, 2016).

China's foreign aid is demand-driven, based on the requests and needs of partner countries. Generally, the coordination ministry in a partner country, the MOF in many cases, will collect and coordinate their development needs and negotiate with the Chinese embassy/economic and commercial counsellor's office; the Chinese embassy/economic and commercial counsellor's office will then report aid requests back to MOFCOM and MOFA for final decisions. In addition to the needs of the partner country, China's own comparative advantages and experiences are another important factors the Chinese government considers. As illustrated before, China tends to undertake more complete projects due to its strengths in this field. And China is expanding training and technical cooperation programs to share more of its economic development experiences with other developing countries.

Country context is also considered to an extent. For countries with higher income levels that are receiving small amounts of foreign aid from China, there are generally few complete projects, while technical cooperation, human resources development cooperation and some goods and materials are more common forms.

More broadly, international context and focus are taken into greater consideration. After the end of the Millennium Development Goals (MDGs), China will continue to support the implementation of the 2030 Agenda for Sustainable Development through financial support, technology transfers and capacity building, as shown in the commitments at the UN Summit, FOCAC and other international occasions (Annex 1). Those commitments indicate how China has successfully diversified its development cooperation modalities. For example, China established a new South-South Aid Fund to support developing countries in implementing the 2030 Agenda for Sustainable Development (with an initial contribution of US\$ 2 billion), and the China South-South Climate Cooperation Fund to support other developing countries in combating climate change (RMB 20 billion, around US\$ 3.1 billion), indicating that China has introduced a new foreign aid modality.

The Challenges China Is Facing

As the second largest economy in the world, China is facing increasingly high expectations in development cooperation from the international world. It is taking its responsibilities seriously and increasing its foreign aid volumes, while also facing some challenges in the management of its foreign aid.

First, China has provided development cooperation to more than 160 countries, crossing different continents and different levels of economic development over the last few decades. At the same time, it should be noted that globally, the development landscape has changed over the years. While there remain a number of LDCs, more and more developing countries are graduating from LICs to MIC. Meanwhile, new development challenges such as climate change, migration, and peace and security are emerging. The development needs of different developing countries vary based on their own domestic as well as international situations. Deciding how to adjust its development cooperation modalities to better meet changing global needs is a challenge for China, and potentially for other development cooperation partners as well.

Second, China's development cooperation, with its rapidly expanding scale and increasing influence, has caught increasing domestic attention. There are wide concerns from the public about how to make better use of the aid budgets and improve aid effectiveness. Actions have been taken, including making mid- and long-term aid plans, country strategies, and improving evaluations. Nevertheless, officials' overall contribution to addressing public concerns is questionable as these documents are not publicized and/or followed up on. Furthermore, increasing the transparency of China's foreign aid could also help the public, as well as the international community, to better understand and support China's aid activities, and would also make them aware of the progress.

Third, China has so far not been involved in the comprehensive design of aid programs. Currently, most of the aid projects by China are stand-alone projects

based on each specific request from developing countries. China, on the whole, will not initiate a project itself, nor design a more comprehensive program together with partner countries, for example, to mitigate a sector-wide or even cross-sector challenge, combining different aid modalities. Independent projects could respond to the specific needs of partner countries, but there remains a lack of synergy that would help to better achieve a comprehensive result.

Fourth, China's decentralized management system challenges the complementarity of each modality. Even though MOFCOM is the leading ministry in charge of China's foreign aid, many other ministries are also involved. MOFCOM relies on the expertise of line ministries in their respective sectors, especially in technical cooperation and training programs. Even within MOFCOM, the three agencies mentioned in this chapter, AIECO, CICETE and AIBO, respectively manage the implementation of complete projects and technical cooperation projects, goods and materials, and training programs. This makes it challenging to blend different modalities due to difficulties in coordinating ministries and agencies.

Last but not least, Chinese foreign aid is principally led by the central government, and the role of other actors remains weak. At the provincial level, the local commercial administration departments are required to cooperate with MOFCOM to deal with foreign aid-related affairs, but they only provide support and consultation, without the authority to select aid modalities. At the global level, China has been increasingly engaging through multilateral channels, including new development financing institutions like the AIIB and the NDB. Strategies, governance structures and instruments to be used, however, are still nascent. Beyond the government, the engagement of other actors such as NGOs and the private sector in foreign aid is still rare. So far, non-governmental actors mainly implement modalities such as emergency humanitarian aid, human resources development cooperation, volunteers and medical teams. Sometimes they are also invited by MOFCOM to participate in policy dialogues, but in general, the

participation of non-governmental actors remains very limited.^① This might change in the context of new initiatives such as the newly announced South-South Aid Fund, which might see the Chinese government strengthen the role of Chinese NGOs in the implementation of foreign aid projects. In addition, Chinese companies are also indicating the need for Chinese NGOs to be involved in corporate social responsibility (CSR)-related activities abroad. In recent years, a number of Chinese NGOs have already been working towards greater internationalization, which points to the positive trend that Chinese NGOs will be increasingly involved in foreign aid project delivery.

^① South-South Aid Fund will be partly used to facilitate Chinese Non-Governmental Organizations' (NGOs) engagement abroad. There are also increasing calls from the Chinese government for NGOs to work abroad. Finally, with China's increasing investments abroad, companies are also indicating a need for Chinese NGOs to get involved in their CSR-related activities overseas.

Brazil's Experience in Delivering Development Cooperation

KEY MESSAGES

- Development cooperation is defined as “the total funds invested by the Brazilian federal government, entirely as non-repayable grants, in governments of other countries, in nationals of other countries in Brazilian territory or in international organizations with the purpose of contributing to international development, understood as the strengthening of the capacities of international organizations and groups or populations of other countries to improve their socioeconomic conditions”. It does not include loans, export credit and debt relief.
- Development cooperation modalities are broadly understood as the means through which the country's knowledge and experience are shared in support of structural changes in partner countries.
- Brazil's development cooperation modalities include: technical cooperation; scientific and technological cooperation; educational cooperation; humanitarian cooperation; peacekeeping operations; contribution to international organizations; and support for/protection of refugees.
- There is preference for initiatives that lead to structural changes instead of ad hoc, stand-alone projects, mainly after 2007.
- Going forward, TrC and reconciling Brazilian development cooperation with trade and investment will be at the fore of discussions (to compensate for budget cuts).

- No norms guide the selection of development cooperation modalities. Selection is claimed to be demand-driven and formalized by “Basic Agreements on Technical Cooperation”.
- The South-South and TrC Manual by the Brazilian Cooperation Agency contains guidance on how to manage technical cooperation.

Overview of Brazil’s Development Cooperation

Brazilian development cooperation is described as “the total funds invested by the Brazilian federal government, entirely as non-repayable grants, in governments of other countries, in nationals of other countries in Brazilian territory or in international organizations with the purpose of contributing to international development, understood as the strengthening of the capacities of international organizations and groups or populations of other countries to improve their socioeconomic conditions” (IPEA 2010). This working definition does not account for financial cooperation such as loans, export credit and debt relief and its limited scope reflects the yet unresolved association between trade, investment and development cooperation in the country.

Brazil’s engagement in development cooperation is not a recent phenomenon. The country started to provide humanitarian assistance immediately after the Second World War. In the 1960s and early 1970s, technical cooperation began to be offered to other developing countries as a result of Brazil’s enhanced engagement with the “Third World”; evidenced by the country’s involvement in the Group of 77 and the 1978 Buenos Aires Plan of Action. In the 1980s, educational cooperation and assistance to refugees gained impetus. So did technical cooperation with the creation of the Brazilian Cooperation Agency (ABC) in 1987. In the 1990s, due to the economic crisis in Brazil and the neoliberal adjustment, SSC was less present in the country’s foreign relations. A new phase began at the end of the 1990s and especially in the 2000s with Brazil’s graduation to middle-income country (MIC) status and the progressive decline in bilateral and multilateral assistance programs

towards Brazil (Correa 2010).

Since then, policy shifts from one head of state to another have imprinted Brazilian development cooperation abroad, from Cardoso's health diplomacy to Lula's focus on fighting poverty and hunger. Brazil was able to draw on its own social, political and economic development experiences to establish new partnerships, build coalitions with other developing countries and strengthen its international projection. Under Rousseff's administration a more commercial approach was adopted, with a technical group to study economic relations with Africa, coordinate government action and encourage enhanced trade and investment having been formed within the Ministry of Development and International Trade. Brazil's development cooperation has been marked by qualitative (preference for initiatives that lead to structural changes) and operational (inclusion of new modalities) increments and the overarching emphasis remains one of solidarity, non-conditionality and knowledge-sharing.

Brazil's Principles and Policies for Development Cooperation

There is no overall policy setting overarching goals, coordination and sustainable funding mechanisms of Brazil's development cooperation, for they are mainly guided by international principles such as non-intervention, ownership, sovereignty and solidarity. ^① In its international relations, Brazil must follow the principle of "cooperation among peoples for the progress of mankind", set out in the Federal Constitution (Article 4, IX). National independence, self-determination of peoples, and equality between states (Article 4: I, III, and V) are additional constitutional principles that define the demand-driven, untied nature

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

of Brazil's SSC. Foreign policy officials further stress the reciprocity^① of Brazilian development cooperation, evidenced through Brazil's focus on knowledge and technology transfer as well as its multi-dimensional approach to capacity development.

One of Brazil's main contributions to development cooperation is its transfer of technical knowledge and solutions that have had positive impacts on national development and that can be replicated in countries facing similar challenges. This transfer is conducted in a wide range of sectors involving several national partners, including ministries, departments, foundations, universities, research centers, companies and NGOs. Regarding education and skills development, for example, the Brazilian government works in partnership with the National Industrial Apprenticeship Service (SENAI) in vocational training centers to support reconstruction efforts in countries affected by conflict, such as Angola and East Timor. Another example is the partnership with Oswaldo Cruz Foundation (Fiocruz)^② in the transfer of Human Milk Bank technology, which has had a positive impact on reducing infant mortality in Brazil, Latin American and African countries (Ayllon and Leite 2009).

Brazilian development cooperation also takes a multidimensional approach to capacity development. This approach prioritizes initiatives based on two or more of the three dimensions of "capacity development" defined as human capacity, institutional development and the enabling policy environment. The work of the Ministry of Education (MEC) in Sub-Saharan Africa illustrates this feature of

① "Reciprocal" in the sense of countries that cooperate with each other may be understood as a relationship that is based on mutuality, where both have a role that is acknowledged in this relationship. In this sense, reciprocity would also have a historical root: Cooperation that is not based on colonization experiences. SSC would be reciprocal, or "horizontal" because these countries have not had colonial histories. Mawdsley, E. (2012) *The Changing Geographies of Foreign Aid and Development Cooperation: Contributions from Gift Theory*. *Transactions of the Institute of British Geographers* 37 (2), 256—72.

② Inaugurated on May 25, 1900 under the name of Federal Serotherapy Institute, Fiocruz was given the mission of fighting the great problems of public health in Brazil. Since then, Fiocruz has become a think tank concerned with the Brazilian reality and experimental medicine.

Brazilian development cooperation. In addition to actions directly aimed at improving human capital development through courses in disciplines like mathematics and Portuguese, MEC also promotes initiatives to strengthen educational systems and institutions like school feeding programs, curriculum design, and the establishment of technical education and vocational training centers. The theory of change underlying this work is grounded in the interdependent and sequential interventions of strengthening knowledge and skills, building broad-based ownership, and promoting reforms to support public policy development in education.

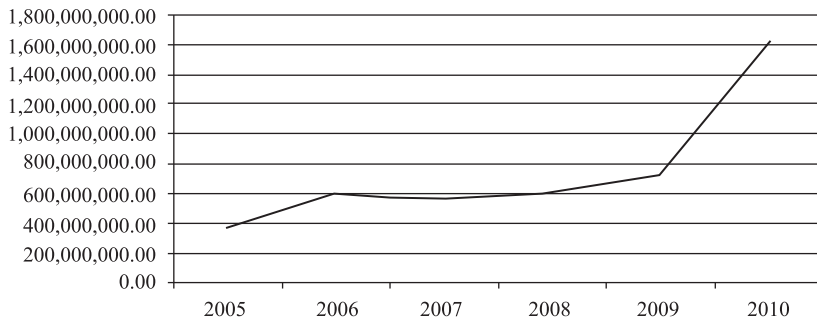
These two elements are central to the “structuring impact” focus of Brazilian development cooperation. Through this approach, cooperation projects and programs aim to strengthen local capacities and institutions that are key for sustaining functioning systems of governance and public policies. This increases their capacity to influence and their autonomy over the development process. Knowledge and technology exchange can therefore serve as a trigger for local capacity development and can stimulate long-term impacts via the autonomous development of countries.

Overall Development Cooperation Volumes and Trends

Between 2005 and 2009, Brazilian development cooperation increased from US\$ 24.9 million to more than US\$ 482 million as a result of President Lula's activist diplomacy and emphasis on SSC. In 2010, Brazil invested approximately US\$ 923 million in development cooperation, representing a nominal increase of 91 per cent compared to the previous year. Earlier concentration of diplomatic affairs within the American continent and Portuguese-Speaking African countries (PALOP) has given way to a much more geographically dispersed agenda, which encompasses countries in non-Lusophone Africa, Asia and the Middle East. In 2010, 68.1 per cent of all Brazilian development cooperation went to Latin America, 22.6 per cent to Africa, 4.4 per cent to Asia and the Middle East, 4 per cent to Europe and 1.1 per cent to North America. (IPEA 2013)

Judging from other available and more recent data from the ABC (presented and discussed in the next section), 2010 was an outlier. Figures have fallen sharply since then as result of the Brazilian economic downturn and massive cuts to government spending, particularly in the Ministry of Foreign Affairs, during the first two years of Rousseff’s administration. ^① Growing spending towards Haiti’s reconstruction after the earthquake partly contributed to the increase in overall flows of Brazilian development cooperation over the last decade.

Figure 2. Overall development cooperation volumes of Brazil (US\$ 1 = BRL 3.5) ^②



Source: IPEA 2013

Brazil’s development cooperation total budget for 2010 was comparable to Ireland’s foreign aid budget and higher than the foreign assistance provided by 5 of the 23 traditional bilateral donors that reported their ODA in the same year (OECD 2011). Yet, calculations purely based on financial and monetary transfers can underplay the significance of Brazilian development cooperation, largely based on the transfer of knowledge. These calculations do not account for decades of domestic investments in the creation of centers of excellence like Embrapa and

^① Official data on Brazilian development cooperation is available up to 2010. A new COBRADI report with data up to 2014 is expected to be launched after the publication of this report, later in 2016.

^② Official data on Brazilian development cooperation is available up to 2010. Data up to 2014 is expected to be launched after the publication of this report, later in 2016. For Brazil, China and India, only total development cooperation volumes are provided. Development cooperation as a percentage of countries’ GNI is not provided. This is due to the fact that these countries are not OECD-DAC members or observers and have not committed to any ODA/GNI target. Also, SSC can be underestimated by purely looking at quantitative assessments of financial flows.

Fiocruz. They also do not account for the value of the knowledge and technology these centers now share with other developing countries, as for instance new agricultural practices and seed varieties provided to the Cotton-4 countries^① as well as the production of antiretroviral medicines in Mozambique.

In recent years, there have been growing expectations that Brazilian development cooperation might open up trade and economic opportunities abroad in areas such as agribusiness, oil, gas and civil construction.^② An emphasis on commercial relationships and investment would arguably improve conditions for Brazilian investment abroad and would encourage higher numbers of exports for the benefit of developing countries' economies, whilst also promoting Brazilian commercial and economic interests overseas.^③ Yet, Brazilian foreign policy officials and some sectors of civil society regard economic and commercial benefits as possible medium-to long-term results of development cooperation, rather than as direct channels for market penetration and support for the internationalization of Brazilian business.

Established in 1952, the Brazilian Economic and Social Development Bank (BNDES)^④ has emerged as one of the main development finance actors globally. In 2013, total BNDES loan disbursement was approximately US\$ 40 billion more than that of the World Bank (Vazquez and Carrillo 2014). In the same year, BNDES opened its first office in Africa (BNDES Africa), in Johannesburg, South Africa, with the aim to establish a closer relationship with its partners and increase business opportunities with the continent. BNDES has been playing an important role in financing Brazilian products and infrastructure development abroad. BNDES funding has been directed towards countries like Mozambique, Ghana, and Angola with total credit lines amounting to more than US\$ 3.5 billion for infrastructure and

① Benin, Burkina Faso, Chad and Mali.

② President Dilma Rousseff announces international agency creating of trade between Latin America and Africa. Accessible here: www.youtube.com/watch?feature=player_embedded&v=d7tPg39k2XE.

③ Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

④ Originally Brazilian Economic Development Bank.

national reconstruction projects. Nevertheless, this and other forms of financial cooperation like debt relief are not accounted for as development cooperation in Brazil. Opportunities to forge formal links for Brazilian development cooperation and trade and investments for the establishment of win-win relations remain largely underexplored.

Brazil's Criteria for Selecting Development Cooperation Modalities: Definitions, Guidelines and Management System

Major Development Cooperation Modalities

Brazil's development cooperation modalities are broadly understood as the means through which the country's knowledge and experience are shared in support of structural changes in the partner country, with no relation to trade and investments.^① Brazil's development cooperation modalities have been marked by qualitative (preference for initiatives that lead to structural changes) and operational (inclusion of new modalities) increments rather than major shifts in form and geographic distribution over time. Currently the main development cooperation modalities in Brazil are: **technical cooperation, scientific and technological cooperation, educational cooperation, humanitarian cooperation, peacekeeping operations, contribution to international organizations, and support/protection for refugees** (IPEA 2013). The "structuring impact" approach guides Brazilian development cooperation management and delivery, and comprises different development cooperation modalities, mainly technical cooperation (for a detailed description of each modality and the structuring impact approach, refer to Annex 2: Development cooperation modalities and definitions)

The definitions of the development cooperation modalities in Brazil can overlap with one another.^② For example, educational cooperation may partially coincide with

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

^② Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

technical cooperation as in the rural extension projects aimed at training adults and youth in rural areas in new agricultural practices, technologies and home economics. Technical cooperation in turn may also coincide with scientific-technological cooperation. For example, Embrapa's short-term training projects, regular training programs and courses specifically designed for structuring impact projects could fit either under technical cooperation or under scientific-technological cooperation.

This juxtaposition can also occur in the practice of the Brazilian federal government. Educational cooperation and scientific-technological cooperation often involve the same entities of the Brazilian federal government with practical implications on planning and decision-making. For instance, the Ministry of Science, Technology and Innovation and its agency, the Brazilian National Council for Scientific and Technological Development (CNPq);^① the Ministry of Education (MEC) and its foundation, the Coordination for the Improvement of Higher Education Personnel (CAPES);^② and the Ministry of External Relations (MRE), through its diplomatic and consular representations abroad and the General Secretariat for Foreign Relations. Likewise, technical and scientific-technological cooperation involve entities like the Ministry of Agriculture, Livestock and Supply and its corporation Embrapa; the Ministry of Health and its foundation Fiocruz; and the ABC under the MRE.

In 2010, nearly 70 per cent of Brazil's total international cooperation was directed to international organizations, regional banks, and peacekeeping operations. The Brazilian government attributes the large share of international organizations in total Brazilian development cooperation to the country's increasing commitment to and support for specific entities like the UN High Commissioner for

① CNPq is an organization under the Ministry of Science, Technology and Innovation dedicated to the promotion of scientific and technological research and to the formation of human resources for research in the country.

② CAPES is a Foundation within the Ministry of Education in Brazil whose central purpose is to coordinate efforts to improve the quality of Brazil's faculty and staff in higher education through grant programs. CAPES is particularly concerned with the training of Doctoral candidates, Pre-doctoral short-term researchers, and Post-doctoral Scholars.

Refugees, World Health Organization (WHO) and the Pan-American Health Organization. Similarly, Brazil's participation in peacekeeping missions around the world has been increasing. The amount invested in peacekeeping missions increased from approximately US\$ 69 million in 2009 to US\$ 322 million in 2010, out of which nearly US\$ 258 million was allocated to Haiti as a result of the earthquake that hit the country that year (IPEA 2013).^①

Between 2005 and 2010, Brazil's technical cooperation expenditure increased threefold, from US\$ 17.5 million in 2005 to US\$ 57.7 million in 2010. After 2010, technical cooperation expenditure suffered a major setback. By June 2013, technical cooperation expenditure was about 34 per cent below the 2008 level and the decline continued into 2014.^② This was mainly caused by Brazil's economic downturn, as explained previously. While ABC continues to undertake new projects, foreign policy officials have remarked that they have had to put on hold several initiatives in the area of technical cooperation, particularly to African countries; these initiatives were cultivated during the previous administration.

Management System

More than 170 Brazilian institutions, including government ministries, public agencies, enterprises and foundations, are involved in the planning and implementation of Brazilian development cooperation modalities (Figure 3). At the highest level are the ministries engaged in international cooperation, representing the primary focal points for policy-making and policy coordination. The MRE plays a different role than other ministries, as it is responsible for articulating the action of each ministry according to foreign policy priorities. The General Secretariat of the Presidency of the Republic coordinates the Decentralized Program for South-South Technical Cooperation. Launched in 2012, the Program aims to enhance the participation of subnational government entities in international cooperation

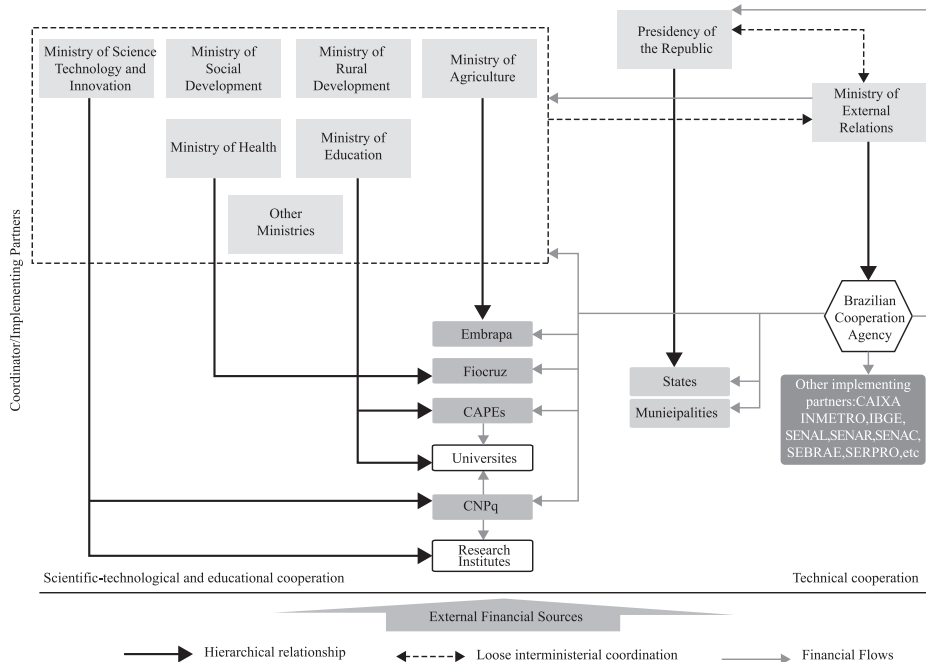
^① Official data on Brazilian development cooperation is available up to 2010. Data up to 2014 is expected to be launched later in 2106, after the publication of this report.

^② Available via the Brazilian Cooperation Agency (ABC) website: www.abc.gov.br.

initiatives related to health, security, local governance and sustainability as they relate to the MDGs. ①

The three major branches of Brazil's cooperation policy are illustrated below. The right side relates to technical cooperation, with ABC functioning mainly as a coordination and financing agency for technical cooperation while the substantive expertise relies on other ministries and agencies. The left side portrays scientific-technological and educational cooperation, with two main institutions: CAPES, and CNPq in charge of funding universities and research institutes. Embrapa, Fiocruz, CAPES and CNPq are active players in technical, scientific-technological and educational cooperation.

Figure 3. Brazilian development cooperation system: Key players, coordination and financial flows



Source: Vazquez, K. C. and Carrillo, S. (2014)

① This illustrates the growing international actions undertaken by federated states and municipalities under decentralized cooperation, inspired by Brazil's model of federalism.

Brazilian development cooperation is funded through four principal channels:

- Federal funds directed to i) ABC, to help finance technical cooperation initiatives;^① or ii) ministries and governmental agencies' own budgets/thematic funds, for direct cooperation arrangements with their partners (in coordination with ABC in the case of technical cooperation initiatives) as part of their own institutional and international agendas.
- External funding, mostly in the form of cost-sharing arrangements between UNDP and the Brazilian government for bilateral and trilateral projects.
- Sales from products and services, like Embrapa's revenue with seeds, royalties and research contracts with public and private institutions.
- Private sector donations for specific events and publications, TrC arrangements with other governments, and partnerships with private foundations.

Selection Criteria for Development Cooperation Modalities

Brazilian development cooperation responds to requests received from other developing countries and involves all partners in each phase of the project-cycle, according to interviews conducted.^② As such, it is well-suited to local institutional, technical and operational conditions and circumstances, with no “closed packages” being imposed on either partners' side. Brazilian foreign policy officials further suggest it is not necessary to apply specific selection criteria when dealing with requests received, as different development cooperation modalities in Brazil are dealt with by specific public offices, each with their own designated guidelines (legislation, norms and procedures).^③

The Brazilian government aims to meet all requests it receives, irrespective of

① ABC is primarily responsible for funding airplane tickets, per diems and travel insurance. The legal and administrative framework under which ABC operates as well as its status as a subdivision of the MRE limits resource allocation options to those mentioned above with very few exceptions.

② Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

③ Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

country or region. ^① This ultimately depends on the capacity of national partner institutions to provide timely and contextually relevant responses (Vazquez 2011) as well as the priorities and endogenous capacities of the partner. ^② For example, if Embrapa receives a request from ABC, it looks for specific expertise from one of its 38 research centers, identifies the internal capacity to respond, and designs a long-term course of action in coordination with ABC and the partner country. Another example is Fiocruz's work to deliver goals set in the "Community of Portuguese Language Countries" (CPLP). When designing and implementing public health systems and institution-strengthening programs, Fiocruz takes into account the lack of qualified health workers in the PALOPs, and the institutional fragility in many of these countries, and tries to address these needs through ancillary initiatives relating to human resources development, health laboratory services and research.

Yet, the institutional framework for international cooperation in the Brazilian government, based on one focal point for each major modality of cooperation, presents challenges to the conception and management of Brazilian development cooperation. The numerous cooperation ideas, institutional culture, interests, and organizational practices require close coordination. This is particularly relevant as synergies among the different modalities and initiatives are explored under the structured approach of Brazilian development cooperation. For instance, the Food Acquisition Program includes both humanitarian assistance and technical cooperation, while the More Food Africa program combines technical and financial cooperation. Brazilian peacekeeping operations also show that Brazilian development cooperation is increasingly intertwined with peacekeeping efforts, for instance, using Brazilian forces to reconstruct infrastructure and to deliver humanitarian assistance.

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

^② Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

ABC has released a South-South and TrC Manual containing guidance for managing bilateral technical cooperation to other developing countries. According to Brazilian government officials, ABC does not set guidelines on when to use technical cooperation. Policies are said to be flexible in order to account for the different requests received from partner countries.^① The demand is identified through requests received, usually through ABC (technical cooperation), from countries interested in cooperating with Brazil. The most common channels are long-term agreements, such as the CPLP and the “Cultural and Educational Cooperation Agreement”, presidential visits, bilateral meetings, joint committees, demand received through the Brazilian embassies abroad, by ABC from foreign embassies in Brazil, technical visits, missions, contacts developed through ongoing cooperation projects, and through accumulated experience from previous development cooperation projects.

In the case of technical cooperation, the initiative must have been previously endorsed by a legal and/or institutional framework that guides its implementation. The “Basic Agreement on Technical Cooperation” is an international act ratified by the National Congress that formalizes the technical cooperation relations between the Brazilian government and the partner government. This international act can also be signed between Brazil and an international organization for the implementation of trilateral technical cooperation programs with UN agencies. The cooperating governments jointly define the general framework, the cooperation programs and projects they want to implement and the institutional framework that will guide the implementation of cooperation according to the provisions of the Basic Agreement. Some agreements can establish areas, sectors or specific subjects. The Basic Agreement must be complemented by further instruments such as Complementary Agreements or Executive Programs, implementing instruments via concrete plans.

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

India's Experience in Delivering Development Cooperation

KEY MESSAGES

- Development cooperation is defined as a “development compact” comprising various forms of concessional finance, debt relief, trade and investment, peer-to-peer exchanges as well as technical and humanitarian cooperation.
- Despite the lack of an official definition, development cooperation modalities can be broadly understood as government's public-or private-oriented means to deliver cooperation.
- Main modalities include technical and economic cooperation, grants, concessional financing, trade and investment, humanitarian assistance and debt relief.
- From its inception in the late 1940s, India's development cooperation was mainly given in grants and small loans.
- In 1964, technical assistance was strengthened and quickly became the main form for India's development cooperation program.
- In 2004, the newly elected government launched lines of credit (LoCs) to scale up concessional financing as well as to support India's economic and political interests as well as those of its partners.
- Currently, there are no norms guiding the selection of development cooperation modalities.

- India's foreign policy priorities play a major role in the selection of modalities. Selection is also led by partners' demand, to the extent that they coincide with India's own interests.
- India brings together policies across trade, investment, and technology transfer as a multifaceted approach towards the economic growth and development of partner countries and India's own interests.

Overview of India's Development Cooperation

Indian development cooperation is commonly framed in terms of a “development compact” inspired by the country's own development experiences, thus comprising various forms of concessional finance, debt relief, trade and investment as well as technical and humanitarian cooperation (Chaturvedi 2014). Cultural exchanges have also been included as a way to build good will and strengthen ties between India and its partner countries (Mawdsley 2015). There is not yet an official definition for Indian development cooperation.

India's development cooperation dates back to the late 1940s, shortly after the country's independence. In 1946, the then Prime Minister Pandit Jawaharlal Nehru's address to the Indian Council of World Affairs already pointed to the need to foster mutual cooperation and understanding in the region and tackle imbalances and inequity at the global level. ^① Trade financing, technical assistance, training programs and other cooperation initiatives between India and other Asian countries

^① At the 1st Asian Relations Conference (New Delhi in March-April 1947) Nehru declared: “Asia is again finding herself (...) one of the notable consequences of the European domination of Asia has been the isolation of the countries of Asia from one another. (...). Today this isolation is breaking down because of many reasons, political and otherwise (...). This Conference is significant as an expression of that deeper urge of the mind and spirit of Asia, which has persisted (...). In this Conference and in this work there are no leaders and no followers. All countries of Asia have to meet together in a common task.” Accessible via the Asian Relations Conference website; http://icwadelhi.info/asianrelationsconference/index.php?option=com_content&view=article&id=51&Itemid=137.

were initiated. Focus was given to program-based development assistance to country development plans,^① such as the US\$ 36 million aid package to Nepal's second FYP for 1960—1965 (but beginning in 1962 due to the suspension of the Nepalese parliament) and the annual financing of the first two Bhutanese government's FYPs with over US\$ 4 million between 1961—1971 (Chaturvedi, Fues, and Sidiropoulos 2012a; Chaturvedi 2016).

Historically, India's development cooperation was firmly located within a foreign policy paradigm of non-alignment and South-South solidarity. Strategic national interests also played a role in some South Asian interventions especially in recent decades. More commercially and geopolitically strategic imperatives started to become clear as in early as the 1980s as India started to rise, while simultaneously asserting that it was acting together with other developing countries in global politics. This new orientation reflected India's aspirations with regard to natural resources, security and regional and global leadership with an emphasis on trade and investment (Mawdsley 2012a).

India's Principles and Policies for Development Cooperation

Similar to Brazil, there is not an overall development cooperation policy setting the overarching goals, coordination and sustainable funding mechanisms of India's development cooperation, and practices are very much guided by foreign policy and private interests. Yet, India's development cooperation remains couched in the language of South-South solidarity, respect for sovereign dignity and autonomy, mutual benefits and shared experiences as declared in several documents like the Colombo Plan,^② the Panchsheel Principles and the Non-Aligned

① No longer used in Indian cooperation.

② The Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific was conceived at the Commonwealth Conference on Foreign Affairs held in Colombo, Ceylon (now Sri Lanka) in January 1950 and was launched on 1 July 1951 as a cooperative venture for the economic and social advancement of the peoples of South and Southeast Asia. In the early years, Colombo Plan assistance from developed to developing countries comprised of both the transfer of physical capital and technology as well as a strong component of skills development. In 1954, Japan joined the Colombo Plan backed by strong support from its key ally, the USA.

Movement.

India also asserts its difference from traditional bilateral donors by insisting that it responds to the needs and priorities of its partners, and that it does not impose its own agenda or policy conditionalities to loans, debt relief or technical cooperation.^① India's development cooperation is also premised on the principles of non-interference. Thus, India's SSC does not interfere with domestic politics and debates over development models of the partner countries. Assertions of win-win outcomes are often founded on the "national interest" of both partners and associated with industrial modernization, however, these are often made with little attention to how uneven social, environmental and economic consequences can be addressed, ameliorated and/or compensated, according to some authors (Mawdsley 2015).

Indian development cooperation is distinctive in one main aspect compared to NSC and SSC: it brings together policies across trade, investment, and technology transfer as a multifaceted approach to achieve economic growth and development within partner countries as well as to strengthen India's own interests.^② Security-related motivations also underpin India's development cooperation, including in Afghanistan and Indian Ocean Rim countries. This "development compact" (Chaturvedi 2014) stems from India's booming economy, global political agenda and changing strategic imperatives. Solidarity is still important and present in India's diplomatic rhetoric and practices, but mainly with regard to global issues and the provision of global public goods. Examples like the India, Brazil, South

^① India's "demand-driven" approach to development cooperation refers to the partner country determining the overall nature of development cooperation and the specific projects to be implemented.

^② There is still little discussion with partner countries with regard to how India helps devise comprehensive development approaches. Bhutan is an exception. The India-Africa Forum Summit—the official platform for African-Indian relations—is perhaps another exception that gained momentum in 2015. The Summit was first held in 2008 in New Delhi, India. It was the first such meeting between the heads of state and government of India and 14 countries of Africa chosen by the African Union. The third summit in a rotation basis was held in New Delhi, India from 26—30 October 2015. The five-day summit started with official-level consultations followed by a Head of State/government-level summit on 29 October 2015 with bilateral meetings on 30 October 2015. This was the Modi government's biggest diplomatic outreach involving delegates from all African nations.

Africa Facility for the Alleviation of Poverty and Hunger (IBSA Fund) demonstrate how solidarity is translated into SSC practice and should be replicated. ^① Nevertheless, India's cooperation is increasingly centered on trade and investment opportunities abroad and the generation of win-win situations based on a combination of political, development, security and economic interests.

This approach is often criticized for blurring the lines between “aid”, geopolitics and commerce through the bundling together of concessional financing and technical cooperation. For instance, much of India's concessional financing exists in the form of subsidized loans and repayment schedules aimed at furthering exports of Indian goods and services. According to interviews conducted and evidence from the literature, at least 75 per cent of these loans are usually tied to the use of Indian companies and experts (Mullen 2013). ^② As such, critics question whether these credits should even be thought of as development cooperation. ^③

Nevertheless, by combining concessional financing and technical cooperation India can scale up its development cooperation and arguably respond to partners' demands more effectively. ^④ For instance, the provision of adaptable, appropriate and affordable irrigation technologies by the Indian Company Kirloskar Brothers Ltd. to Senegal enhanced the total acreage under cultivation in the country. Senegal can now meet 40 per cent of its rice demand locally, as opposed to 19 per cent prior to the implementation of the project. The Indian government has played a pivotal role in this process through LoCs to Kirloskar Brothers Ltd., capacity

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

^② Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

^③ Note that finance originating out of the public exchequer and authorized by parliament or reflected in consolidated fund falls under the ambit of public money. It is not private capital owing to the sovereign guarantee provided by the government.

^④ Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

building and human resources development to Senegal. ^① The Indian government formally reports the portion of the credit's interest rate that is subsidized compared to market rates and is counted in the national development cooperation budget. ^②

Overall Development Cooperation Volumes and Trends

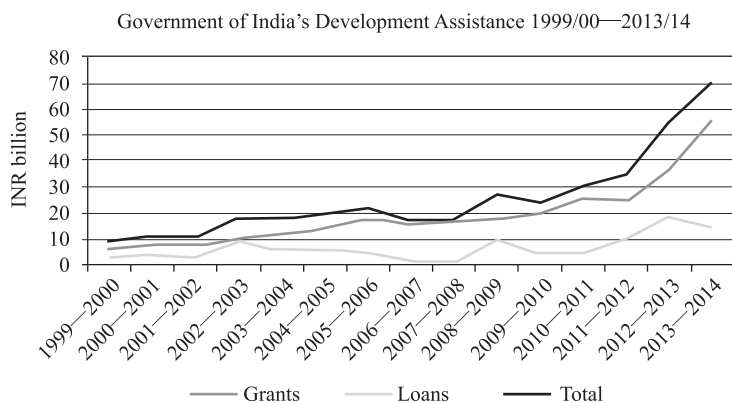
India's development cooperation has grown dramatically, rising four-fold between 2003—2004 and 2013—2014 (Mullen 2013) at an average annual growth rate of 32 per cent between 2009—2010 and 2013—2014. In 2013—2014, India's total development cooperation budget was approximately US\$ 1.3 billion^③ (Piccio 2013), comparable to Finland's foreign aid budget and higher than the foreign assistance of 11 of the 28 traditional bilateral donors (OECD 2014). In some countries, India's development cooperation is quite significant compared to its total ODA. In 2012—2013, India was the fifth largest provider of development cooperation to Afghanistan, having invested nearly US\$ 2 billion in technical cooperation and LoCs to build local infrastructure, police forces, judiciaries and diplomatic services. (Ministry of External Affairs 2012, Al Jazeera 2013), accounting for approximately 30 per cent of total ODA received by Afghanistan in the same year (OECD 2013).

^① Accessible via the INDIAFRICA website: <http://www.indiafrica.in/FViewsRenuModi.html>; Large-scale irrigation projects tend to be associated with displacement, massive soil problems, regressive labor and gender outcomes, and environmental concerns. Depending on the other agricultural technologies that accompany them (e.g. high levels of pesticides and herbicides) they can be associated with major human and non-human pollution issues. Economically, it would be good to know how benefits are distributed, i.e. to small farmers, the local economy or agribusiness and export. These are the sorts of questions that scholars are seeking answers on. In this regard, India is not singled out any more than the majority of other Northern and Southern development partners.

^② It comes under the heading of “interest equalization support” in India's annual budget document.

^③ Exclusive to LoCs.

Figure 4. Overall development cooperation volumes of India (INR billion)^①



Source: Calculations by IDCR based on India Budget 1999/00 to 2013/14 (accessed October 2013)

Despite recent increases, India's total overall development cooperation budget remains relatively small, noting that measuring development cooperation purely based on financial flows can underplay the geopolitical significance of South-South cooperation (Bach 2013). In addition, by adjusting these figures to purchasing power parity, partners may get a great deal more value for money from India than from traditional bilateral donors, depending on the type of flow (Mawdsley 2015, Mullen 2013).

Exact amounts of Indian development cooperation are also difficult to ascertain due to the lack of systematic data collection and robust accounting systems, in particular with regards to concessional finance (Mullen 2013, Mawdsley 2015). In 2010, India committed US\$ 1 billion in LoCs to Bangladesh largely for transportation infrastructure. The Indian government reported only the part of the interest rate that was subsidized as development cooperation. In addition, the terms of the original LoCs, under which 85 per cent of the goods and services used to construct the roads and railways were supposed to be procured from Indian sources,

^① For Brazil, China and India, only total development cooperation volumes are provided. Development cooperation as a percentage of countries' GNI is not provided. This is due to the fact that these countries are not OECD-DAC members or observers and have not committed to any ODA/GNI target. Also, SSC can be underestimated by purely quantitative assessments of financial flows.



were changed in the spring of 2012 to 30 per cent. In addition, US\$ 200 million of the original US\$ 1 billion LoCs was converted into a non-conditional grant (Mullen 2013).

Traditionally, India's development cooperation has focused on its regional neighbors (Chaturvedi 2014, Mawdsley 2012b, Mullen 2013). In 2012—13, Bhutan received 36 per cent (US\$ 213 million) while Nepal received 8 per cent (US\$ 49 million) of India's technical cooperation spending (Piccio 2013). Shifts towards other regions such as Africa point to emerging economic and geopolitical interests that in some cases supersede the older political ties of the Non-Aligned Movement and the Commonwealth (India-Africa Forum Summit Declaration, 2008, 2011 and 2015). For example, in 2004 India launched the Techno-Economic Approach for Africa-Indian Movement, a special credit facility for eight West African countries, to promote socio-economic development and infrastructure through access to Indian low-cost technologies and investment. India's Pan-African e-Network Project in turn uses Indian IT expertise to link academic institutions and hospitals in 47 African countries with Indian counterparts via a satellite network enabling "tele-education" and "tele-medicine".

India's Criteria for Selecting Development Cooperation Modalities : Definitions, Guidelines and Management System

Major Development Cooperation Modalities

Despite the lack of an official definition, India's development cooperation modalities can be broadly understood as the government's public- or private-oriented means to deliver cooperation. Often nomenclatures for the different cooperation modalities are used interchangeably with major ongoing programs, as the Indian Technical and Economic Cooperation (ITEC) Program. From its inception in the late 1940s, India's development cooperation was mainly offered in the form of grants and small loans. In 1964, technical assistance was strengthened through the ITEC program and quickly became the main form for India's development cooperation

program up until the turn of the century. ^① In 2004, the newly elected government launched the LoCs to scale up concessional financing.

Chaturvedi S. and S. K. Mohanti propose a “development compact” framework for India’s cooperation (Chaturvedi and Mohanti 2016) under which the following five main modalities are indicated (Chakrabarti 2016): capacity building;^② development finance;^③ trade and investment;^④ technology transfer;^⑤ and grants.^⑥ Other modalities, although not officially defined, include humanitarian assistance (Chaturvedi 2008; Meyer and Murthy 2011), and debt relief (Roychoudhury, Chenoy, and Chopra 2015; Sharan, Campbell and Rubin 2013; DIE 2009).

In light of the above, this study considers the following modalities: **technical and economic cooperation (capacity building and technology transfer); grants; concessional financing; trade and investment; humanitarian assistance (disaster relief); debt relief; and multilateral assistance** (for a detailed description of each modality, refer to Annex 2: Development cooperation modalities and definitions).

^① India’s capacity building programs were formalized under ITEC in 1964 although India has engaged with Southern partners in capacity building since its independence.

^② Comprised of training programs in host countries; sending experts to partner countries; scholarships; third country training programs; deploying volunteers; conducting feasibility studies; prototype production and training centers.

^③ Comprised of concessional loans on interest with or without capacity building components; commercial rates of interest for different time periods.

^④ Comprised of duty free trade preferences; trade permits; infrastructure improvements for trade facilitation; trade promotion and trade support services; providing business facilitation services; assistance for improving regulatory capacity; providing investment funds; developing intra-regional supply chains; regional and sub-regional trade agreements; providing freely convertible currency for trade; tax incentives for FDI.

^⑤ Comprised of technical cooperation; joint scientific and academic research; turnkey projects; technology transfer with or without components of capacity building; subsidizing licensing or exemption from intellectual property rights arrangements.

^⑥ Comprised of technical cooperation; joint scientific and academic research; turnkey projects; technology transfer with or without component of capacity building; subsidizing licensing or exemption from IPR arrangements.

While technical cooperation remains an important dimension of India's development cooperation, there has been a significant increase in the volume and weight of LoCs in India's total development cooperation in recent years, particularly to African countries. India has extended development assistance worth US\$ 7.4 billion through LoCs given by the Export-Import Bank to Africa. Of this US\$ 6.8 billion has been approved and about US\$ 3.5 billion, nearly half, was distributed by 2015. These LoCs have led to the completion of 137 projects in 41 countries across Africa (Beri 2015). The top five partners of Indian LoCs in 2012 were the Sudanese government (US\$ 350 million), Ceylon Petroleum Corporation^① (US\$ 150 million), Bank Mellat^② (US\$ 200 million), the Ethiopian government (US\$ 122 million), and the Economic Community of West African States (ECOWAS) Bank for Investment and Development (US\$ 250 million). (Mullen 2013)

Available data shows a growing regional focus of Indian LoCs towards Africa between 2004-2012 while grants have largely focused on a few countries to India's South Asian neighborhood (Mullen 2013, Chaturvedi 2014, Taraporevala and Mullen 2013). Africa's share within Indian LoCs went from a quarter of all LoCs in 2004 to over half by 2012. (Mullen 2013). In the same year, Sub-Saharan Africa received 53 per cent of the Indian Exim Bank's lending, followed by Asia with 42 per cent. An average of only 4 per cent of the annual budget for grants was directed towards Africa between 2000—2001 and 2013—2014.

Management System

The Ministry of External Affairs (MEA) and the Ministry of Finance are nodal in Indian development cooperation modalities, with the Ministry of Commerce

① Ceylon Petroleum Corporation is the national oil and gas company of Sri Lanka. Additional information is accessible via the Ceylon Petroleum Corporation website: <http://www.ceypetco.gov.lk/>. This was set up as a state enterprise by Act. No. 28 of 1961 in parliament and further amendments carried out subsequently.

② Bank Mellat is a private Iranian bank established in 1980 with capital of Rials 33.5 billion; a merger of ten pre-revolution private banks, comprising Tehran, Dariush, Pars, Etebarat Taavoni & Tozie, Iran & Arab, Bein-al-melalie-Iran, Omran, Bimeh Iran, Tejarat Khareji Iran and Farhangian.

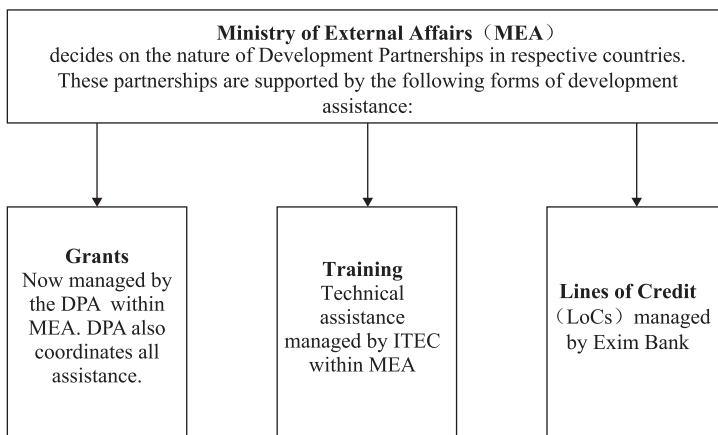
and the Exim Bank playing a growing role. Around 50 other ministries, departments and agencies are also involved in development cooperation through technical cooperation programs. However, differences within and between these institutions can lead to some policy incoherence, while difficulties also arise in measuring and monitoring development cooperation because of grey areas in definitions, and accounting systems that do not always discriminate between different types of financing (Chaturvedi 2012).

In 2012, the Development Partnership Administration (DPA) was set up within the MEA signaling a more coordinated and higher profile place for Indian development cooperation. The DPA has three divisions. DPA-I tracks grant projects in Africa and the LoCs offered to other countries by the Exim Bank; it also manages grant assistance projects in Bangladesh, and the Sri Lanka Housing project. DPA-II manages capacity building programs, including more than 8,500 civilian and 1,500 defense training slots allocated under the ITEC/Special Commonwealth Assistance for Africa Program/Technical Cooperation Scheme of the Colombo Plan during 2012 – 2013, involving 161 partner countries. DPA-II also handles grant assistance projects in Asian and Latin American countries, along with humanitarian and disaster relief. DPA-III deals with the implementation of grant assistance projects in Afghanistan, the Maldives, Myanmar, Nepal and Sri Lanka.

The Exim Bank works closely with the DPA, the Department of Economic Affairs, and India's overseas diplomatic missions mainly in the provision of LoCs. The Ministry of Finance used to manage loans and credits offered as development cooperation by India and the resources allocated under these cooperation instruments had to be accounted for through the Indian budget. This limited the amount of foreign assistance India could provide due to limits imposed by the government budget. By providing credit lines that are recommended by the government but managed by the Exim Bank, the government did not need to create new management structures nor add portfolios in the MEA.

Indian development cooperation is funded through the Indian government budget and the international debt market. The Exim Bank raises the funds for the LoCs from the international debt market and is therefore unconstrained by the Indian government’s budget limits, which allows the Indian government mobilize greater resources from the private sector to support development partnership projects in other developing countries.

Figure 5. Indian development cooperation system: Key players, coordination and financial flows



Source: Mullen, Rani (2013) *India’s development assistance: will it change the global development finance paradigm?*

Selection Criteria for Development Cooperation Modalities

India’s foreign policy priorities play a major role in the selection of development cooperation modalities. This selection is also led by partners’ demand, to the extent that they coincide with India’s self-driven motives. Energy access has become an increasing focus of India’s development cooperation. Cooperation on hydroelectricity and power transmission lines in Afghanistan has largely benefitted the Afghan population while investments for the construction of roads have enabled India to access local natural resource production sites. In 2011, a consortium of private and Indian state-owned companies won the rights to develop the Hajigak iron-ore mines in Bamiyan, while in the Spring of 2012 Indian firms also bid and were short-listed for mining rights on copper and gold mines in Afghanistan. In

order to transport the potential iron mined, India also built a 135-mile highway connecting the Afghan-Iranian border with major cities in Afghanistan and the Iranian port of Chabahar (Mullen 2013).

Driven by the respect for sovereignty and an egalitarian relationship between partners, as well as the limited human resources of the MEA, the Indian government allows potential partner countries to determine the development cooperation they seek from India. Demand is identified through direct cooperation requests to Indian embassies abroad, demand received by DPA from foreign embassies in India, country conferences on specific sectors and joint committees like the India-Africa Partnership Conference. The most common channels are long-term agreements, presidential visits, bilateral meetings, technical visits, missions, contacts developed through ongoing cooperation projects, and accumulated experience from previous cooperation projects. ^①

Requests are then passed to India's MEA, which determines the specifics of the grant or loan and manages projects or loans. These identification channels are coordinated with Indian businesses interests. Nevertheless, the Indian government is said to encourage private business initiatives only at the invitation of governments and maintains that the rules of the host country should be respected. ^② For example, development cooperation joint committees and country conferences usually precede the Confederation of Indian Industries Conference and serve as a preparation for sector-specific business negotiations and deals, identifying and matching partners' needs and priorities. ^③

While diplomatic imperatives are one major set of drivers for the Indian government, development cooperation is also intended to support commercial growth

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

^② Accessible via the INDIAFRICA website; <http://www.indiafrica.in/FViewsRenuModi.html>.

^③ Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

(set within a win-win formulation for the partner countries) (Mullen, 2013). Indian businesses have been involved in technology transfer, pursuing approaches held to be applicable like the “Triple A” strategy championed by the Confederation of Indian Industry for affordable, adaptable and appropriate technology (Large, manuscript). These same firms also benefit from Indian development cooperation through PPPs aimed at creating good international relations, skills and capacity building, as well as financing and trade agreements. Indian firms also benefit from Exim Bank-managed concessional finance, which is heavily linked to the purchase of Indian goods and services. In addition to securing contracts, Indian firms also benefit from the experience of partner countries to offset potential risks.

In addition to the private sector, civil society organizations and think tanks have started to play an important role in Indian development cooperation. Platforms like the Forum for Indian Development Cooperation^① and the NeST are spearheading efforts to generate, systematize, consolidate and share knowledge on SSC approaches to international development.

^① Launched in 2013, the Forum for Indian Development Cooperation (FIDC) aims to encourage detailed analysis of broad trends in SSC and contextualize Indian policies by facilitating discussions across various subject streams and stakeholders based on theoretical and empirical analysis, field work, perception surveys and capacity building needs. At the domestic level, the FIDC has worked towards raising awareness of various dimensions of development cooperation policies through seminars, discussion meetings and publications and focused on sectorial analysis in agriculture, health, education, HR development, infrastructure projects, environment and other areas. Further information about FIDC is accessible via its website: <http://fide.ris.org.in/>.

Japan's Experience in Delivering Development Cooperation

KEY MESSAGES

- Development cooperation is referred to as “international cooperation activities conducted by the government and its affiliated agencies for the main purpose of development in developing regions”.
- Japan uses the terms “type” or “form” instead of “modalities”. Japan’s bilateral aid is provided in three major forms: technical cooperation, loan aid and grant aid. Other forms include emergency disaster relief, and citizen participatory cooperation.
- Loans are extensively used, even though the proportion of loans may fluctuate annually. This reflects the fact that Japan finds it easier to mobilize resources for loans than for grants, but it also reflects Japan’s emphasis on building partner countries’ self-reliance by following the self-help principle highlighted in the ODA Charter.
- Currently there are no norms guiding the selection of development cooperation modalities in Japan. Japan selects different modalities on a flexible basis, either on the basis of historical allocations or through a set of input targets.
- Generally, grant aid is provided mainly to developing countries with low income levels, especially LDCs, while loans target countries with specific economic conditions (following different loan terms and conditions according to GNI per capita within partner countries) and technical cooperation is provided to all partner countries.

Overview of Japan's Development Cooperation

Japan defines “development cooperation” as “international cooperation activities conducted by the government and its affiliated agencies for the main purpose of development in developing regions” (GoJ 2015). In this context, ODA serves as a catalyst for mobilizing a wide range of resources from other funding activities stipulated by the Government of Japan and its affiliated agencies, including OOFs and UN peacekeeping operations as well as with private funding and activities wherein the objective is development (i.e., funding and activities conducted by various entities such as the private sector, local governments and NGOs). Its scope follows the definition by the OECD-DAC. ^①

Japan's development cooperation started in the aftermath of the Second World War, in the context of the economic reconstruction of the country. To save foreign currency, which Japan severely lacked at the time, postwar reparations were paid in Yen by the Japanese government to Japanese firms which sold Japanese goods and services to Southeastern Asian countries like the Philippines, Indonesia, and the Republic of Vietnam. This postwar reparation program helped Japanese firms to regain access to markets in Southeast Asia. The payments of these reparations continued from 1955 until 1977, with total expenditure amounting to US\$ 1.5 billion (Hiroshi Kato and Hiroaki Hamana, 2015).

Other modalities also gradually commenced during this period. Japan began to provide government-based technical cooperation programs in the form of trainees, dispatching experts and providing equipment with its accession to the Colombo Plan in 1954. In 1958, Japan extended its first Yen loan to India, inaugurating a full-fledged economic cooperation program. This program was conducted independently to its reparation programme (or its effort to atone for the war), and had a groundbreaking significance in the sense that it was the start of financial cooperation

^① See footnote 10 for the definition of ODA by the OECD-DAC.

with concessional conditions.

The 1960s saw rapid progress made to Japan's ODA system, reflecting the government's will to expand ODA to Southeastern Asian countries. With its high-speed economic growth, Japan's ODA increased rapidly. In 1965, loans surpassed postwar reparations to dominate Japan's development cooperation. In the same year, the Japan Overseas Cooperation Volunteers was inaugurated, modeled after the Peace Corps in the US. Japan also began to provide food aid and general grant programs in 1968 and 1969 respectively. In 1979, Japan established the Japanese Emergency Relief Operations. Since then, the framework of three development cooperation modalities including grants, technical cooperation and Yen loans has been established and continued to this day.

Japan's Principles and Policies for Development Cooperation

The formal recognition and codification of aid, trade and investment trinity occurred first in Japan's "New Aid Plan" of 1987, consisting of: i) ODA as defined by the DAC; ii) OOFs credits that were below market rate but not concessional enough to qualify as aid; and iii) private flows.^① In 1992, Japan's ODA Charter, revised in 2003 and 2015, further consolidated Japan's ODA policy. In its new ODA Charter (hereto referred as the Charter), Japan states how ODA relates to the national interest of Japan for the first time in history. The Charter describes development cooperation as one of the most important and agile means for Japan's diplomacy. Japanese development cooperation "contributes more proactively to the peace, stability and prosperity of the international community" and ensures "Japan's national interests such as maintaining peace and security, achieving further prosperity, realizing an international environment that provides stability, transparency and predictability, and maintaining and protecting an international order based on universal values" (GoJ, 2015).

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

Structured under the Charter, the Medium-Term Policy on ODA (issued in 1992 and revised in 2005 by the Japanese Ministry of Foreign Affairs, or MOFA) expands the implementation policies on the provision of foreign assistance. In addition, MOFA issues the Priority Policy for International Cooperation annually. For example, the 2015 Priority Policy (MOFA 2015) sets four key areas following the basic principles outlined in the new Charter: cooperating to share universal values and promote international peace and stability, enhancing strategic development cooperation for the economic growth of developing countries and Japan, promoting human security, and building strategic partnerships.

At the country level, the Japanese government has been formulating five-year cycle country assistance policies for all its partner countries since 2010. In each country policy, a “rolling plan” is attached as an annex, which outlines an overall picture of Japan’s development cooperation for the country with a systemized list of individual projects in accordance with priority areas, development issues and assistance programs. The rolling plan is revised once a year and shared with the partner country and other relevant parties with a view to further improving aid predictability. ^①

Overall Development Cooperation Volumes and Trends

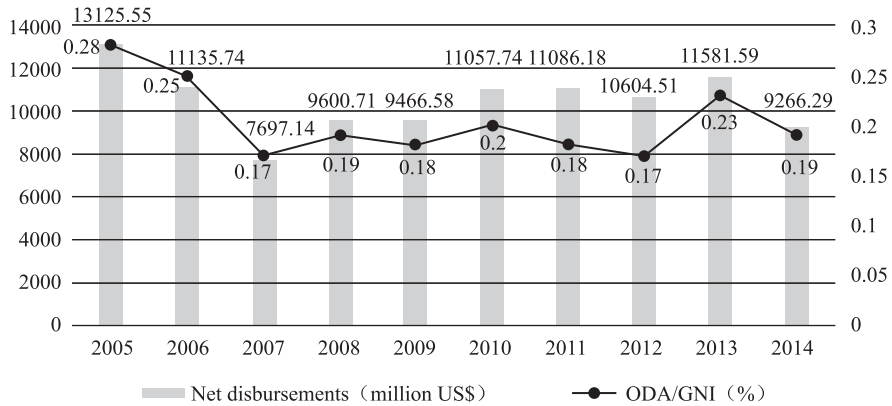
For the past decade, Japan’s ODA declined and remained volatile mainly due to domestic economic stagnation, and reconstruction spending following the earthquake in 2011. In 2013, Japan’s net ODA amounted to US\$ 11.8 billion (a 36.6 per cent increase from 2012, the highest among all OECD-DAC members), due to increases in debt forgiveness and ODA loans. As a result, Japan moved up one place to become the fourth largest traditional bilateral donor with ODA to gross national income (GNI) ratio at 0.23 per cent. In 2014, however, Japanese ODA dropped to US\$ 9.266 billion in the absence of debt cancellations^② and the ODA to

^① Further information is available on MOFA’s website: http://www.mofa.go.jp/policy/oda/assistance/outline_cap.html.

^② 2013 was a repayment peak year for Yen loan borrowers.

GNI ratio fell to 0.19 per cent.

Figure 6. Overall development cooperation volumes of Japan (2005—2014)



Source: OECD-DAC Statistics.

Approximately 66 per cent of Japan's bilateral ODA goes to 20 top partners, most of which are MICs in Asia. The emphasis on ASEAN countries is articulated in the three versions of the Charter. While Asia remains the top destination for Japan's ODA, its proportion in Japan's total ODA is decreasing compared with the 1970s—1990s. Japan has been increasingly focusing on Africa through a series of commitments to increasing the share and volume of its aid to Africa through the Tokyo International Conference on African Development. About a quarter of Japan's gross bilateral ODA is allocated to LDCs as compared to the OECD-DAC average of 41 per cent (OECD 2014).

Japan's Criteria for Selecting Development Cooperation Modalities: Definitions, Guidelines and Management System

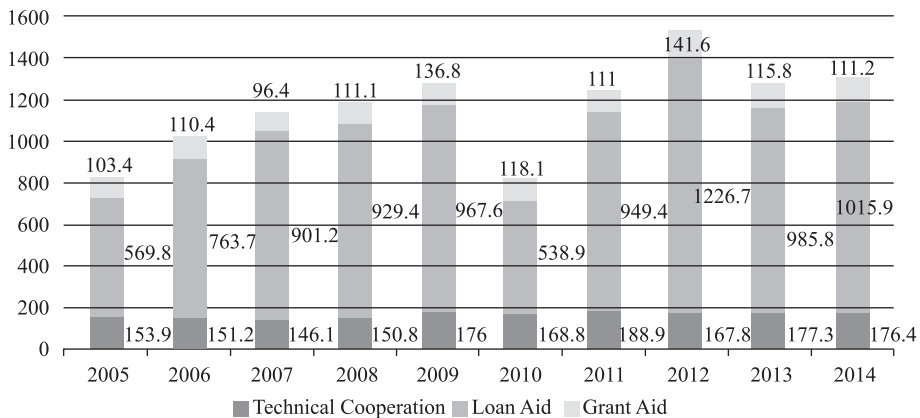
Major Development Cooperation Modalities

Japan uses the terms of "type" or "form" to refer to its development cooperation modalities. Japan's ODA is broadly classified into two types: i) multilateral aid (financial contributions to international organizations); and ii) bilateral aid (technical cooperation, loan aid and grant aid). This division is for the purpose of enhanced statistical management when formulating budgets and

auditing. In such a context, emergency disaster relief and citizen participatory cooperation are all reported under technical cooperation. Technical cooperation also includes administrative and development education expenses (for a detailed description of each modality, refer to Annex 2: Development cooperation modalities and definitions).

Figure 7 show trends in the scale of Japan International Cooperation Agency (JICA)’s programs for technical cooperation, loan aid and grant aid over the past 10 years. Loan is a major modality of Japanese development cooperation, accounting for 65—80 per cent of total Japanese ODA over the past decade.

Figure 7. Japan’s ODA by modality 2005—2014 (JPY billion)



Note: 1. Loan Aid based on the Commitment Amounts including total ODA Loan and Private-Sector Investment Finance; 2. 2014 OECD-DAC designated exchange rate: US\$ 1.00 = JPY 105.8475

Source: JICA (2015).

Japan’s bilateral aid to most of its largest partners exists in the form of loans. Meanwhile, economic infrastructure support, funded predominantly by loan aid, remains the main type of Japanese ODA in priority countries.

Table 4. Top partners of Japan’s net ODA by modality in 2012 (US\$ million)

Grant aid ⁽¹⁾	Technical cooperation	ODA loan	ODA gross loan
Afghanistan 789.96	Vietnam 148.27	Vietnam 1,478.05	Vietnam 1,866.99
Tanzania 88.68	China 131.68	India 647.06	India 1,484.02

(Continued)

Grant aid ⁽¹⁾	Technical Co-operation	ODA loan	ODA gross loan
Cambodia 83. 14	Indonesia 131. 61	Iraq 338. 24	Indonesia 672. 01
Pakistan 83. 07	Philippines 85. 49	Bangladesh 248. 26	Bangladesh 392. 29
Ghana 82. 76	Afghanistan 83. 62	Azerbaijan 152. 64	China 390. 76

Note 1: Grant aid figures exclude technical cooperation;

Note 2: The data excludes debt relief.

Source: MOFA (2014), OECD-DAC statistics

Management System

Japan's ODA management system is often considered to be decentralized as there are many ministries involved in the provision of ODA. However, since organizational reforms in both MOFA (2009) and JICA (2008), a management system has been established to oversee Japanese development cooperation.

There are three influential ministries that manage Japan's ODA policy and budget: the MOFA, the MOF, and the Ministry of Economy, Trade, and Industry (METI). Each of them manages large ODA budgets and is involved in the process of project selection for different modalities of aid. JICA is the major ODA implementing agency in Japan. Following its reorganization in 2008, JICA is now responsible for implementing about 60 per cent of total bilateral ODA. Except for a few grant aid projects implemented by the MOFA due to necessity (i. e. when executing diplomatic policy), JICA is responsible for implementing technical cooperation, ODA loans, and 80—90 per cent of grant aid. JICA uses a country-based approach in which grants, loans and technical cooperation are brought together into a single country envelope. JICA is able to streamline its procedures steadily for different modalities (OECD 2014).

Figure 8. Japan development cooperation system: Key players, coordination and financial flows

Ministry and agency	Responsible modalities	Functions
MOFA	Loans, grants, technical cooperation, multilateral aid to UN agencies	The leading ministry on development cooperation. Responsible for security concerns and Japan’s image in the international community. Taking charge of supervising the implementing agency, JICA, and independently executing certain number of projects, such as: grant assistance for Japanese NGO projects, emergency assistance, cultural grant assistance, debt problem, international efforts on development cooperation, MDGs and the 2030 Agenda for Sustainable Development.
JICA	Technical cooperation, loans and grants	The implementing agency responsible for administering part of Japan’s grants as well as technical cooperation and loans.
MOF	Loans, multilateral aid to the World Bank, IMF and regional development banks.	Keeps stringent budget control and make meaningful contribution to international financial institutions.
METI	Loans	Promotion of Japan’s economic and commercial interests.

In addition to these organizations, the Ministry of Education, Culture, Sports, Science and Technology manages the budget of government-sponsored scholarship programs. Other line ministries are also involved in their respective fields, such as the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Land, Infrastructure, Transport and Tourism, and the Ministry of Health and Labor. Japan also has inter-ministerial coordination mechanisms in place to manage coordination within ODA policies, in which 12 relevant governmental departments (ministries) are involved.

The Cabinet Secretary ensures general policy coherence across the government. There is also clear and well-coordinated cooperation between MOFA and JICA, based on the “whole-of-government approach at country level” (OECD 2014). Japan has strengthened the orientation of its development cooperation by establishing “ODA Task Forces” in partner countries, comprising Japanese embassies, JICA field offices and other development-related agencies as well as governmental and non-governmental actors based in partner countries. These Task Forces are responsible for delivering

country assistance policies and ensuring the coherent and cohesive implementation of country assistance policies. JICA and other Japanese institutions providing ODA also report to MOFA, which is responsible for consolidating the data received and reporting back to the OECD-DAC based on the OECD-DAC Reporting Directives.

Selection Criteria for Development Cooperation Modalities

Japan does not have a clear set of criteria that systematically define how ODA is distributed across modalities, policy priorities or country typologies. Instead, Japan selects different modalities on a flexible basis based on the income level of the partner country. Grants tend to be provided mainly to developing countries with low income levels, especially LDCs in Sub-Saharan Africa. Loans are mainly directed to low income countries (LICs) and MICs, and follow different terms and conditions according to the GNI per capita level of the partner country. Technical cooperation is provided for all partner countries. The Charter, Medium-Term Policy on ODA, Priority Policy for International Co-operation issued by MOFA annually sets the basic guidance for the selection of modalities. At country level, the five-year cycle country assistance policies also tailor different aid modalities to the country in question, in accordance with priority sectors, development issues, as well as its relationship with Japan.

Japan also supports South-South and TrC mainly in the form of technical training and expert dispatch, which aims to promote mutual learning between partner countries. Japan calls this kind of cooperation “Partnership Programs” with MICs (as pivotal countries) to conduct aid projects in a third country (Vazquez 2013).^① Through TrC, Japan aims to support experience-sharing between MICs

^① The Partnership Program was introduced in 1994 to institutionalize Japan's South-South and Triangular initiatives and make them adaptable instruments for development cooperation. The Partnership Program is a comprehensive framework established between the Japanese government and the government of a partner country to jointly implement technical cooperation to support the development endeavors of other developing states and regions. The Partnership Program generally sets out a statement of commitment to partnership, including cost-sharing principles between two parties, although the scope and the level of detail varies. Some Partnership Programs specify the exact cost-sharing ratio in the document, the forms of technical TrC and the annual joint planning cycle. Some Partnership Programs spell out priority areas for joint activities. To date, Japan has concluded Partnership Programs or equivalent technical cooperation agreements with 12 countries, including Argentina, Brazil, Chile, Egypt, Indonesia, Jordan, Mexico, Morocco, Philippines, Singapore, Thailand and Tunisia (Vazquez 2013).

and LICs. For example, Japan and Brazil have been implementing international cooperation projects for the development of the tropical savannah in Brazil called the Cerrado, since the late 1970s. These projects have been transforming the barren earth into the world's largest green belt and have greatly helped to stabilize global food prices and food supply. Building on this experience, the ProSAVANA program aims to create market-oriented agricultural development models while securing the coexistence of small-to large-scale farmers with environmental measures for Mozambique's savannah areas. By making use of past experience in the Japan-Brazil Cerrado development project, the program aimed to meet the growing demand for food due to the economic development of emerging countries, and contribute to Mozambique's food security (Sakaguchi 2012). Japan has been engaging with partner countries through joint cooperation projects that include trainings in the partner and third countries, and seminars and workshops.

Japan's loan aid provides different loan terms and conditions according to the level of GNI per capita of the partner country. JICA adjusts the terms and conditions annually. According to the latest ODA loan terms and conditions effective from April 1st 2015, a 0.01 per cent – 0.7 per cent interest rate is applied for LDCs; interest rates for LICs range between 0.1 per cent – 1.2 per cent; Japan also provides variable rates of 0.1 per cent – 1.7 per cent for most MICs. In the case of uppermost-middle-income countries, Japan only offers variable loans. ^①

Preferential terms are also available for the following sectors and fields: i) problems and issues relating to global environmental issues and climate change; ii) health and medical care and services; iii) disaster prevention and reduction; and iv) human resources development. Special Terms for Economic Partnerships

^① Although the base rate of the variable loan is the value of the 6-month Japanese Yen London Interbank Offered Rate, the spread is fixed. The actual value of interest rates are capped so that grant elements over the life of loans are at least 25 per cent, and if the actual value of interest is lower than 0.1 per cent, the interest rate is 0.1 per cent. For further information see JICA's website on the types of assistance it provides; http://www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/standard/2015_1.html.

(STEP) are extended to projects in which Japanese technologies and know-how are substantially utilized. In 2012, JICA launched the private sector investment finance (PSIF) scheme (equity investments and loans) to accelerate Japanese private firms' contribution to development through PPPs. In 2013, JICA established the Private Sector Partnership and Finance Department to catalyze private investments, in line with the private sector policy focus of Japanese ODA. Japan believes these instruments will support private sector engagement in the development processes of partner countries.

To support developing countries' economic infrastructure, Japan's ODA is provided mostly as loans supplemented by technical cooperation and grants when deemed necessary. This approach is based on Japan's own experience with building its economic infrastructure to spur industrialization. In this sense, the added value of Japan's engagement in infrastructure development is not only measured by its financial contribution, but also the experience and knowledge it shares with the developing world.

Although Japan prefers project-based development cooperation, it also provides budget support in the form of loans and grants. While the proportion of its budget support remains small, Japan has dramatically increased its loans and grants from US\$ 174 million in 2012 to US\$ 2,733 million in 2013.^① This is regarded as Japan adapting to the requirements of aid effectiveness principles (OECD 2014). For example, JICA has partnered with the World Bank to provide Development Policy Lending to Indonesia and Vietnam, which are rapidly disbursing policy-based financing in the form of loans and grants to help borrowers address actual or anticipated development financing needs. Another example is the Indonesian Climate Change Program Loan supported by JICA, the French Development Agency and the World Bank between 2008 and 2010. Total support amounted to US\$ 1.9 billion and was channeled untargeted into the Indonesian annual state budget, and

① Data from the OECD is available here; <http://stats.oecd.org/Index.aspx?datasetcode=TABLEI#>



Mix and Match?

How Countries Deliver Development
Cooperation and Lessons for China

released on a yearly basis pending performance checks against agreed goals in the implementation of policies for managing the mitigation of, and adaptation to, climate change. ^①

^① Further details are available via the French Development Agency's website; <http://www.afd.fr/webdav/site/afd/shared/PUBLICATIONS/RECHERCHE/Evaluations/Evaluations-conjointes/Evaluation-conjointe-indonesia-climate-change-iccpl>.

The United Arab Emirates' Experience in Delivering Development Cooperation

KEY MESSAGES

- The UAE's development cooperation is defined as “the assistance provided by a public, private or individual entity registered in the UAE for the development, humanitarian, charity benefit of people in another country or countries”.
- Development cooperation modalities are defined in the UAE Foreign Aid Reporting Framework, in line with OECD-DAC standards.
- Modalities are classified into three different “assistance categories” according to their main motivation: development, humanitarian and charity. These modalities are further classified into sectors and sub-sectors, in line with the OECD-DAC CRS, depending on the purpose of the activity.
- The UAE development cooperation is allocated and disbursed by several different donor entities at the emirate and federal level, the largest of which is the Abu Dhabi Department of Finance. Each of these entities has their own priorities, criteria and governance structures.
- At times, the Ministry of Foreign Affairs and International Cooperation (MOFAIC) acts as a donor, disbursing funds for particular projects. MOFAIC may also propose to other sections of the UAE government the priority areas of UAE foreign aid, amounts, and assistance categories.
- A foreign assistance policy and strategy are being developed with the aim of tailoring the UAE's development cooperation so that it most effectively positions its resources to promote sustainable development.

Overview of the UAE's Development Cooperation

The UAE development cooperation is defined in terms of “total foreign assistance” or “the assistance provided by a [public, private or individual] entity registered in the UAE for the [development, humanitarian, charity] benefit of people in another country or countries” (MICAD 2015).^① SSC features in the UAE and other Gulf Arab States’ development cooperation strategies, providing almost 75 per cent of non-OECD-DAC ODA from 1973 to 2008. However, clear differences between their cooperation and both Southern and OECD-DAC approaches have raised questions surrounding the location of Arab cooperation in relation to alternative models (Waltz and Ramachandran 2011).

In 2014, the UAE became a participant of the OECD-DAC, a result of long technical collaboration that started with the UAE reporting its foreign assistance flows and developing its reporting framework back in 2009.^② While there is a tendency towards harmonization of perceptions between traditional donors and the UAE, discussions are ongoing about the inclusion of religiously-motivated social charity work and faith-based financing to development and humanitarian aid, such as the Islamic practice of Zakat^③-a discussion that is very relevant in today’s efforts to secure access to additional financial instruments. In addition, the UAE and other Arab States (in particular high-income Gulf countries) often have a more fluid

① This definition does not include peacekeeping (military assistance provided to the enforcement aspects of any peacekeeping operation. Only assistance to UN-administered or UN-approved peacekeeping operations where the activities cover humanitarian or development aspects such as human rights, demobilization of soldiers, or weapons disposal can be reported as foreign aid), military assistance, nuclear energy and civil police work (expenditure on police training can be reported as foreign aid unless the training relates to semi-military functions such as counter-insurgency work or intelligence gathering on terrorism. Also, the provision of police services to control civil disobedience cannot be reported as foreign aid) (MICAD 2015).

② Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

③ Zakat, according to Islam, is a kind of wealth tax, a voluntary contribution by individual Muslims for the welfare of the poor and destitute.

understanding of public and private cooperation than traditional donors,^① given the complex and decentralized nature of the systems for managing development cooperation in these countries.

Meanwhile, Arab States have supported the South-South model of cooperation (Tok 2014, interviews). The UAE pays an annual assessed contribution of US\$ 40,000 to the UN fund for SSC and smaller contributions to the Pérez-Guerrero Trust Fund for SSC totaling US\$ 70,000.^② In addition, the Zayed International Foundation for the Environment is due to host the eighth annual Global South-South Development Expo on behalf of the Government of UAE in October 2016.^③ While these countries still prioritize cooperation with regional counterparts, changes in the allocation of Arab development cooperation towards needs-based spending and regional diversification suggests that Arab States may be increasingly prioritizing the development aspects of foreign assistance.^④ However, “it remains unclear whether these changes are rooted in a fundamental shift in the development mindset of these countries or whether this new trend is grounded in the perceived expansion of opportunities in new regions” (Tok 2014).

The discovery of oil in the early 1960s and the unification of seven Trucial sheikhdoms into a fully independent federation in 1971, created a funding mechanism and political environment for the launch of the UAE's foreign assistance program and soon placed the country among the top three Arab providers of development cooperation. By 1980, the development cooperation/GDP ratio had reached 10 per cent, making it the world's second largest provider relative to GDP (Almezaini 2012).

① The OECD-DAC sets a firm division between public and private cooperation and only the former is counted towards a country's official development assistance.

② Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

③ Dubai, October 30 to November 3, 2016.

④ To be further discussed in the next sections.

In its early days, the UAE's foreign assistance was almost entirely directed to infrastructure, energy, water, agriculture and transport projects in other Arab States. After 1975, the UAE began to widen the geographical scope of its cooperation to include most developing countries worldwide. This shift was largely influenced by the UAE's national security concerns, cultural factors like Arab identities, and economic interests (Almezaini 2012). Sector allocation remained largely unchanged as a means to compensate for fluctuations in oil prices by expanding the UAE's influence and markets abroad. During the 1990s, the UAE's foreign assistance started to decrease due to a preference to allocate oil revenues in the national economy as well as political instability in the region during the Second Gulf War (Almezaini 2012). More recently, the UAE has been reviewing and formalizing its foreign aid policy and strategy in order to better align its development cooperation in support of the 2030 Agenda for Sustainable Development.

The UAE's Principles and Policies for Development Cooperation

The UAE's foreign assistance is one of the instruments that aims to enhance the country's international standing and prestige as a regional and international role model by 2021 (UAE Vision 2021). Different authors highlight the close relationship between the UAE's and overall Arab States' cooperation (in particular from high-income Gulf countries) and revenue earned from resource extraction with episodes in which oil prices rose without a respective increase in Gulf foreign aid, while on other occasions ODA budgets rose despite record commodity price lows (Cotterrell and Harmer, 2005; Tok, 2015). The falling oil prices may result in a move from assistance in the form of hard and soft loans to political and technical support and assistance, or other such resource-light measures. However, the increase in these measures may simply be an additional element of the assistance provided by Gulf States. Rather than being a mere after-effect of any fall in resource prices and revenues, such a shift to "capacity building" may indicate an increased willingness on the part of Gulf States to export their own political and

economic models as part of aid packages. ^①

The UAE 2021 vision has also been promoted through the establishment of institutional mechanisms for consultation and coordination among the UAE's governmental and non-governmental entities; close cooperation and partnership with traditional bilateral donors and increasingly with South-South partners; contributions to and participation in the UN and other regional and international humanitarian and development organizations. In 2013, the UAE established its development cooperation agency and in 2014 it began formulating a foreign assistance policy and strategy with the aim of tailoring the UAE's development cooperation so that it can more effectively position its resources to promote sustainable development. ^② The policy and the strategy will aim to accomplish a number of objectives, principally to regularize the UAE's foreign aid, so that forward expenditures will be consistent, reliable and effective, thus maximizing its impact on sustainable development.

Overall Development Cooperation Volumes and Trends

In 2014, the UAE disbursed a total of US\$ 6.16 billion as foreign assistance to 150 countries. Approximately US\$ 5.20 billion was provided in gross ODA to 114 countries, including 44 LDCs. Net ODA, which excludes any repayment against loans provided in previous years, is estimated at US\$ 5.05 billion and amounts to a provisionally estimated 1.26 per cent of the UAE's GNI (MEA, 2016). Sweden was second on the list of donors, giving 1.10 per cent of its GNI; followed by Luxembourg (1.07 per cent); Norway (0.99 per cent); Denmark (0.85 per cent); the UK (0.71 per cent); and the Netherlands (0.64 per cent). ^③ The increase in total foreign assistance between 2013 and 2014 was mainly a result of exceptional support to Egypt of over US\$ 4.5 billion. However, part of

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

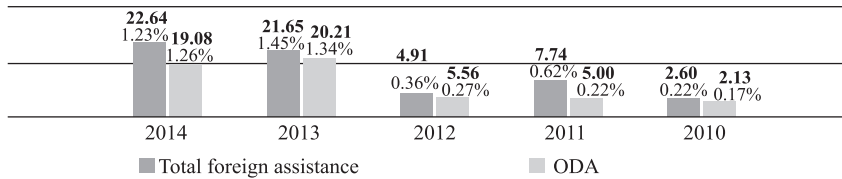
^② Additional information about the UAE's development cooperation can be found via the OECD: <http://www.oecd.org/countries/unitedarabemirates/uae-official-development-assistance.htm>.

^③ See the UAE's Government website for information about its list of development project donors: <http://www.thenational.ae/uae/government/20150408/uae-ranked-first-on-global-list-of-development-project-donors>.

the increase was also a continuation of an upward trend since 2010.

Figure 9. Total UAE disbursements as a proportion of GNI

(In AED billions and as % of GNI)



Source: MICAD (2014)

As previously discussed, the existing methods for tracking development assistance developed by the OECD-DAC are not entirely appropriate for measuring the UAE’s development cooperation. This is likely one reason why the UAE and other major Arab providers like Saudi Arabia and Qatar report only partial information on foreign assistance to the OECD-DAC, or do not report at all. ^① Therefore, the UAE and other Arab States might provide a wealth of bottom-up development lessons and experiences that are below the radar of the often top-down systems of global development finance, that are, nevertheless, invaluable to global development efforts.

Table 5. The differences between ODA and the UAE foreign assistance

Official Development Assistance (ODA) reporting	The UAE’s foreign assistance reporting
Reports official flows only	Reports official and private flows
Reports loan repayments	Does not report loan repayments
Includes only five sectors of humanitarian assistance	Includes ten sectors of humanitarian assistance
Does not report religious and cultural assistance	Reports religious and cultural assistance
“Multilateral” includes only un-earmarked	“Multilateral” includes all contributions to international organizations
Reports on ODA-eligible countries only (based on gross national income-GNI)	Reports on all countries (irrespective of income level)

Source: MICAD (2013)

① Aid Data.

Regional stability, high oil prices and increasing demand for energy resources from emerging economies have fostered new geopolitical and geoeconomic alignments. As a result of this tendency, the UAE has begun to broaden the scope of its foreign assistance to include thickening ties with new Southern allies and is increasingly directing its focus towards lower-MICs in Sub-Saharan Africa, and South and Central Asia (Ulrichsen 2012). In 2013, for the first time, Africa surpassed Asia as the top partner of the UAE's foreign assistance, encouraged by an increase to the UAE's foreign assistance to North and East African countries like Egypt, Morocco, Ethiopia and Somalia; and a relative decrease of UAE foreign assistance to Southeast and West Asia. This trend continued in 2014.

The UAE's Criteria for Selecting Development Cooperation Modalities: Definitions, Guidelines and Management System

Major Development Cooperation Modalities

The UAE development cooperation modalities are defined in its *Foreign Aid Reporting Framework*, and are in line with the OECD-DAC standards. The UAE's foreign assistance can be provided in many different ways: direct transfers to other governments (e.g. as budget support); finance for infrastructure development (e.g. construction of roads, bridges, hospitals, schools); support to programs or projects implemented by governments, international organizations and NGOs in a wide range of sectors from agriculture and education, to health and social services; and in-kind support (e.g. goods and services such as logistics support, or search and rescue missions). The UAE's foreign assistance may be provided bilaterally as loans or grants to governments or non-governmental entities, including private sector companies in partner countries. It may also be delivered multilaterally through the UN or other regional and international funds and organizations.

As the central development cooperation ministry, the Ministry of International Cooperation (MICAD) (now the Ministry of Foreign Affairs and International Cooperation (MOFAIC)) has produced guidance and rules describing how the UAE

classifies foreign assistance for statistical reporting. According to the *UAE Foreign Aid Reporting Framework*, total foreign assistance is classified into three different “assistance categories” according to its main motivation: development, humanitarian and charity.^① They are further classified into sectors and subsectors depending on the purpose of the activity.

These sectors and subsectors are equivalent terms for development cooperation modalities, even though the UAE does not use this terminology. The main sectors and sub-sectors mapped are: technical assistance, general program assistance, goods and services, scholarship/training, commodity aid, infrastructure development, loan aid, debt financing and relief, shelter and non-food items, food aid, humanitarian aid and emergency relief, support and protection of refugees,^② seasonal projects, religious education, projects to construct/renovate religious sites, and support to individuals and small communities (for a detailed description of each category, sector and sub-sector, refer to Annex 2: Development cooperation modalities and definitions).

In 2014, the UAE’s total foreign assistance was allocated towards projects in the three assistance categories across 19 sectors and sub-sectors. Between the three categories, 86.4 per cent of the UAE’s total foreign aid was allocated to development, followed by humanitarian aid (10.7 per cent) and charity (2.9 per cent).

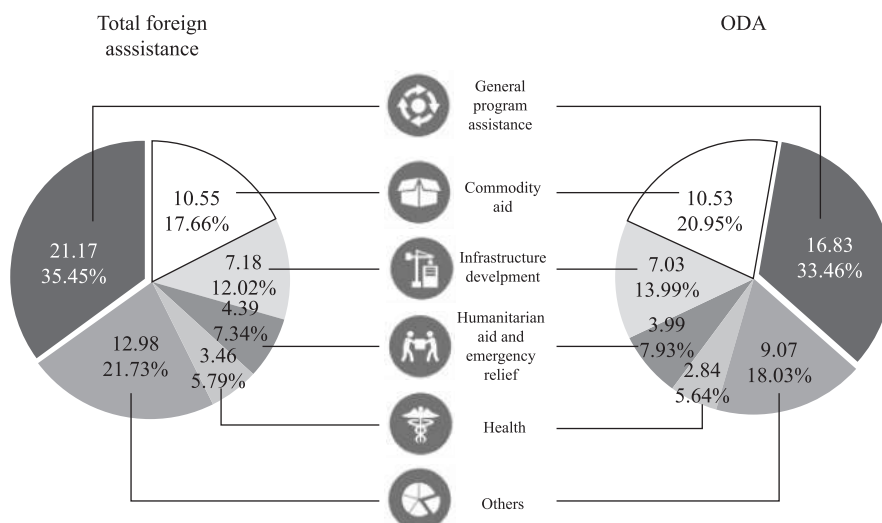
The largest sector of the UAE’s activity was commodity aid, receiving 30.5 per cent of the UAE’s total foreign assistance, followed by infrastructure development (16.6 per cent) and general program assistance (14.6 per cent) (MICAD 2014). With the UAE’s foreign assistance targeting infrastructure, energy, water, agriculture and transport in developing countries, the UAE has identified opportunities to align its assistance to the 2030 Agenda for Sustainable Development

^① While the UAE includes religiously motivated assistance (building mosques, assistance for individuals going on Hajj etc.) as part of its foreign aid reporting (under “charitable” activities) this represents a very small percentage of overall foreign assistance.

^② Not inside the UAE but in third-party countries (e.g. Syrians in Iraq, Jordan etc.).

by integrating sustainability measures. For example, the Islamic Development Bank, a major multilateral channel of Arab ODA, is launching its first Energy Strategy to guide its ODA, with an emphasis on ways to achieve sustainable energy and low-carbon goals in partner countries. There is also progress at the bilateral level, with the UAE, for example, integrating low-carbon goals into its outward ODA strategies. This includes more than US\$ 400 million of ODA to expand renewable energy solutions in developing countries, alongside efforts to reduce its own domestic carbon footprint. ^①

Figure 10. The UAE's cooperation by modality in 2014 (AED billion)



Source: MEA 2015

Trends indicate a moderate shift away from funding patterns in the previous year, with a slightly higher percentage of funds being allocated to development projects. In 2013, such projects received 94.6 per cent of total funding, up from 87 per cent in 2012 and 88.7 per cent in 2011, pushed mainly by import and infrastructure development support to Egypt, ^② Palestine and Afghanistan, as well

^① Aid Data.

^② In 2013 and 2014, the UAE provided large grants to Egypt (US\$ 2 billion and US\$ 1.88 billion respectively), to help ensure that the nation could maintain its economy, industry, trade and transportation during its transitional phase. These large grants have skewed the data, and misled analyses of the proportion of aid allocated to different sectors and types of assistance (development, humanitarian, charity).

as large-scale contributions to major global health initiatives like the polio eradication program and the “Roll Back Malaria” partnership (MICAD 2013). Charity has fluctuated, receiving 3.3 per cent of funding in 2011, 6.1 per cent in 2012 and 3 per cent in 2013.

Against these increases, humanitarian aid experienced a fall in its share of total funding from 2013, starting at 8.1 per cent in 2011, down to 6.9 per cent in 2012 and to 2.5 per cent in 2013. A large part of this was provided to the Philippines to respond to the super typhoon Haiyan as well as to Jordan, Lebanon, Iraq and Turkey to help these countries cope with large influxes of Syrian refugees. Total humanitarian aid from the UAE to those affected in the Syrian crisis reached US\$ 525 million between 2012 and 2014 (MICAD 2014).

Management System

The UAE’s foreign aid management system comprises over 39 donors in 2014, including 18 governmental entities (e.g. federal ministries, local departments and authorities), bilateral and multilateral institutions representing each emirate or a member of the official representative of the state (e.g. governmental and semi-governmental foundations and funds), and humanitarian and charitable NGOs. ①

Figure 11. The UAE development cooperation system: Key players, coordination and financial flows

Actors	Responsible modalities	Functions
Government entities (MOFAIC, Department of Finance, line Ministries)	Development, humanitarian and charity assistance	Design, implement and fund UAE foreign assistance. MOFAIC is the federal aid coordination body.

① Some of the multilateral institutions include the Arab Fund for Economic and Social Development; Arab Monetary Fund; Arab Bank for Economic Development in Africa; Islamic Development Bank; Organization of the Petroleum Exporting Countries Fund for International Development.

(Continued)

Actors	Responsible modalities	Functions
Abu Dhabi Fund for Development (ADFD)	Development, humanitarian and charity assistance	ADFD plays a supervisory role during the implementation of the project, overseeing its development and delivery. ADFD is also the fund manager on behalf of the UAE government, managing its long-term concessional loans and grant commitments to partner countries (recipients).
Humanitarian Committee for the coordination of humanitarian cooperation	Humanitarian aid and emergency relief	Coordinates, documents and unifies UAE's relief efforts
Emirates Red Crescent	Development, charity, humanitarian aid and emergency relief	The primary humanitarian relief agency in the UAE led by His Highness Sheikh Hamdan Bin Zayed Al Nahyan as President, who is the Ruler's Representative for the Western Region in Abu Dhabi.
NGOs and foundations, private philanthropies and charity associations	Development, charity and humanitarian aid and emergency relief	Organizations like Zayed Foundation, Khalifa Foundation, Mohamed Bin Rashid Humanitarian and Development Establishment, the Sharjah Charity Association, the Sharjah Charity Association and the Dar Al Ber Society provide development, humanitarian and charitable assistance within and outside the UAE. Activities include sponsoring students, assisting orphans and poor families, setting up schools, clinics, and mosques, and responding to emergencies arising from natural and man-made disasters. Additionally, Dubai Cares leads the UAE efforts in the education sector.

As a group, UAE government entities form the largest UAE donors. In 2014, US\$ 4.01 billion (65 per cent of total UAE foreign aid) was provided by government entities across the UAE (MICAD 2014). The MICAD was established in 2013 to act as a “federal” aid coordination body. MICAD works with the UAE's donor organizations to boost the UAE's position as a major international donor and a

key player in development and international cooperation (MICAD, 2013). As of February 2016, the MICAD has merged with the Ministry of Foreign Affairs, to become the MOFAIC. MOFAIC has assumed all of MICAD's responsibilities, although some aspects of the UAE foreign assistance architecture (structure of Committees etc.) are subject to change. ^①

The Department of Finance of the Government of UAE is the second main source of cooperation in the UAE. The ADFD is the main extending agency among the many UAE actors. ADFD was established in July 1971 to extend economic assistance to Arab States in the form of loans, grants or projects. After 1973, the fund expanded the scope of its operations to include all developing countries. Part of the function of the ADFD is to manage cooperation within the Ministry of Foreign Affairs. ADFD is the UAE government's official development institution. As such, members of the UAE government cabinet are represented on the ADFD board of directors, which takes decisions related to the fund.

In 2014, the UAE launched additional initiatives in a move to consolidate the impact of its foreign aid. One such initiative was convening the UAE Humanitarian Committee for the coordination of humanitarian cooperation, which aims to combine the collective expertise of the UAE's humanitarian actors in order to facilitate, oversee and coordinate the country's humanitarian aid. The Committee was chaired by a MICAD Minister, and is now chaired by the Minister of State for International Cooperation, and supported by MOFAIC in coordinating, documenting and unifying the UAE's relief efforts. Members of the Committee are drawn from the UAE entities responsible for humanitarian relief assistance. Its mandate is to ensure optimal coordination, common goals, and unity of purpose among all UAE parties involved in the provision of humanitarian relief assistance, consistent with international standards and best practices.

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

Another key actor in the UAE's development cooperation system is the Red Crescent (UAERC), one of the first organizations in the country to provide emergency relief and assistance to people in need. The UAERC has different funding channels, however, the Arab Development Group (ADG) and private donations are some of the main funding sources. As such, UAERC tends to act as a governmental organization, despite being registered as an NGO.

Selection Criteria for Development Cooperation Modalities

The MOFAIC proposes the priority areas of the UAE's foreign aid, the amount and the type of assistance given. Nevertheless, the fragmentation of UAE's foreign aid management system and the unclear lines between governmental and non-governmental cooperation institutions plays an influential role in the selection of cooperation modalities. Arab solidarity, the importance of the cooperation partner to the UAE, and other political, developmental, humanitarian and strategic considerations also determine the allocation of foreign cooperation. These considerations tend to be *ad hoc* (not based on systematized criteria) and do not necessarily take into consideration the needs of the partner country. ^①

The ADFD's lending policy is not very stringent either, thus conferring some flexibility mainly in the provision of large loans. Decisions depend on the views taken by the board of directors, which consists not only of experts but also politically appointed representatives. Decisions regarding loans and grants to countries of greater influence at the regional or international levels can also be complex as political considerations might take a prominent place, while decisions regarding grants and small loans can be made without the board of directors.

Long-term projects tend to be funded via disbursements over the project's timeline. This may have implications on program effectiveness as discrepancies between donor commitments and disbursements might arise as oil revenues

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.



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fluctuate. According to Desai and Kharas (2010), the failure to meet aid commitments through shortfalls in disbursement amounts could lead partners to cutting planned expenditure, and barriers to funding planned tasks limit program effectiveness and development.

The United Kingdom's Experience in Delivering Development Cooperation

KEY MESSAGES

- The UK's definition of development cooperation is consistent with the definition of ODA by the OECD-DAC.
- Development cooperation is understood as aid instruments (financial aid to government, grants and other aid to non-state actors, technical cooperation, policy engagement) and approaches (program-based approaches, sector-wide approaches, pooled funds).
- Technical assistance dropped during 1997 to 2005 due to criticisms about using top-down donor experts and knowledge.
- The proportion of aid spent on projects has seen a significant increase since the mid-1990s; it has become much more demand-driven and its goal is poverty reduction.
- Budget support increased rapidly between 1997—2005 and began to decline after 2010. GBS will end from 2016 due to value for money considerations.
- The emphasis on value for money also generated a new aid approach: payment by results.
- The Guidance on Aid Instruments and the Guidance on Aid Instruments guide the choice of development cooperation modalities.
- The selection of modalities is closely linked with to the UK's broad development cooperation policies. At the micro level, the selection of development cooperation modalities interacts with the whole project/program cycle.

- Different country contexts are specifically highlighted for the selection of modalities at the Department for International Development (DFID).

Overview of the UK's Development Cooperation

The UK started to provide assistance to its former colonies in 1929 when the Colonial Development Act 1929 was passed, however its main purpose, at least in the early years, was to promote the UK's industrial development and to trade with the colonies. After the Second World War, the Colonial Development and Welfare Act 1945 replaced the previous Act and was intended to support the long-term schemes of colonial governments in public works, social services and agriculture. Aid has expanded to non-Commonwealth countries since 1958. The UK began to offer a combination of budgetary and technical assistance grants, concessional loans, and loans under Export Guarantee (Barder 2007).

From the 1960s until 1997, with changes between the Labor Party and the Conservative Party, the UK's aid policies and administrative structure evolved and changed. Largely speaking, however, the UK's aid was tied to its own political and commercial interests over that period. According to Neil Marten, former Minister for Overseas Development, the government would “give greater weight in the allocation of our aid to political, industrial and commercial objectives alongside our basic development objectives”^① (Webster 2008). At that time, the UK's aid was dominated by stand-alone projects, and always linked to non-concessional export credits to procure British goods and services.

Since 1997, when “New Labor” came to power, an independent department with broad responsibilities for development issues, DFID, was established and poverty reduction was identified as the overarching goal for development

^① Neil Marten, statement on overseas aid, 20 February 1980, Parliamentary Debates, Commons, vol. 979 (1979 - 80), cols. 464 - 65.

cooperation. The unallocated proportion of the UK's aid saw great increases after this period and since 2002, almost all of the UK's aid has been unallocated. Within this context, development cooperation in the UK is quite consistent with ODA as defined by the OECD-DAC.

The UK's Principles and Policies for Development Cooperation

The UK values development in its domestic agenda and provides a solid legal basis for it. The International Development Act 2002 formally coined poverty reduction as the focus of its development assistance. Development cooperation has also gained strong political support. The Secretary of State for International Development has a seat in the Cabinet, and is also a member of the National Security Council. This facilitates policy coherence on broader development issues.

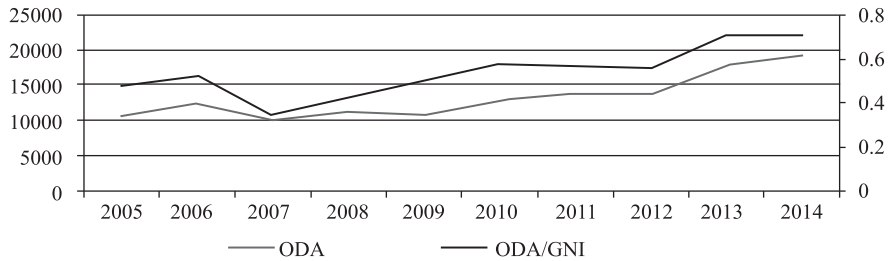
With more new global challenges emerging, the UK is also going beyond poverty reduction to address those new challenges, especially peace and security and climate change. In November 2015, Her Majesty's Treasury (HMT) and DFID jointly issued a new aid strategy, *UK aid : tackling global challenges in the national interest*,^① which set out four strategic objectives: strengthening global peace, security and governance; strengthening resilience and response to crisis; promoting global prosperity; and tackling extreme poverty.

Overall Development Cooperation Volumes and Trends

The past ten years witnessed steady growth in the UK's ODA. In 2014, the UK's ODA spending reached US\$ 19.31 billion, ranking the second largest donor in DAC just behind the US. In 2013, the UK fulfilled its commitment to providing 0.7 per cent of its gross national income (GNI) as ODA. It also made this commitment legally binding in March 2015.

① The UK's national aid strategy can be read here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/478834/ODA_strategy_final_web_0905.pdf.

Figure 12. The UK’s overall development cooperation volumes from 2005 to 2014 (US\$ billion)



Source: OECD/DAC statistics.

After DFID was established in 1997, new ways of working with developing countries were sought to improve partnerships. These also led to significant changes to development cooperation modalities. Between 1997—2005, there was a rapid increase in budget support because it was regarded “most effective for assisting development”^① and considered important for country ownership. The proportion of funds spent on technical assistance dropped dramatically from a peak of 62 per cent in 1997 to less than 28 per cent in 2005. This was mainly due to heavy criticisms by NGOs and academics about the effects of using top-down donor experts and knowledge. The proportion of aid spent on projects also significantly increased, but the nature of projects changed from disjointed infrastructure projects to demand-driven programs, often run by NGOs to further the country’s goal of poverty reduction. Meanwhile, the UK tended to “provide resources more strategically in support of sector-wide programs or the economy as a whole” (DFID 1997).

However, the situation has started to change more recently. The proportion of aid on budget support decreased sharply to 15.5 per cent of DFID bilateral aid in 2010—2011, and then to 9.6 per cent in 2012 (DFID 2011, 2012). This change was due to the UK’s domestic political situation. The Conservative-Liberal Democrat coalition government, which came to power in 2010, imposed the 0.7 per cent ODA/GNI policy. However, most Conservative supporters were skeptical about the value for money of aid. It therefore became important to show the Party that aid was

^① By Secretary of State for International Development, Clare Short. House of Commons, Parliamentary Debates, May 14 2002 column 130.

conditional upon results. Reducing budget support partly aimed to prove this, since budget support is often deemed susceptible to corruption and misuse by both traditional bilateral donors and partner countries. It also confers less visibility to traditional bilateral donors – this was especially important under the Conservative Party, since the Conservatives greatly valued budget transparency.^① The emphasis on value for money also generated a new aid approach; payment by results, where aid is disbursed proportionally to the achievement (“delivery”) of pre-defined outcomes by the partner, such as school enrollment. This approach was criticized for transferring risk to partner countries. With a drop in budget support, the proportion of funds allocated to projects kept steady increases to 44.6 per cent of the UK's bilateral aid by 2012. According to the new aid strategy released in November 2015, the UK will “end all traditional general budget support” in order to “better target spending”. Another significant shift was that a large proportion of DFID bilateral aid was channeled through or managed by multilateral agencies, reaching 35.8 per cent in 2013 (DFID 2014). These channels helped the UK spend its rapidly increasing overall aid budget.

The UK's Criteria for Selecting Development Cooperation Modalities: Definitions, Guidelines and Management System

Major Development Cooperation Modalities

In the UK, development cooperation modalities are referred to as “aid instruments”. As the major development cooperation agency, DFID has produced a series of guidance and rules for its aid, including different categorizations of aid instruments for different purposes. *The Project Header Sheet Guidance* describes how DFID classifies aid instruments for statistical reporting. *The Blue Book*, complemented by the *Smart Rules: Better Program Delivery* in 2014, categorizes aid instruments in terms of mandatory procedures and formal exchange requirements (DFID 2008).

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

But it is the *Guidance on Aid Instruments: A DFID Practice Paper* that defines the DFID's development cooperation modalities based on effectiveness considerations. The Guidance describes aid instruments in terms of programming choices faced by country offices (DFID 2008). In this Guidance, aid instruments are categorized into four groups: financial aid to government; grants and other aid to non-state actors; technical cooperation; and policy engagement. Financial aid to government includes general budget support (GBS) and sector budget support (SBS), or poverty reduction budget support (PRBS) particularly in DFID, and non-PRBS financial aid. The Guidance provides an overview of key approaches, which are not aid instruments, but approaches to aid management and delivery that involve a number of aid instruments, they are: program-based approaches (PBAs), sector-wide approaches (SWAs), and pooled funds-including common baskets and multi-donor trust funds (for a detailed description of each aid instrument and key approaches, refer to Annex 2: Development cooperation modalities and definitions).

It is also recognized in the Guidance that aid instruments are always used in parallel with each other, to make use of their complementary strengths and to achieve better results. In practice, GBS has often been delivered alongside technical cooperation and policy dialogue, and financial aid instruments, GBS, SBS, integrated and stand-alone projects are also combined with one another. The mix of different aid instruments depends greatly on the objective of aid, the country context, the sector context, and the strengths and weaknesses of each instrument. Take GBS for instance. The OECD-DAC evaluations suggest that GBS could help to expand basic service delivery, but not deliver stronger pro-poor policies. It is believed that complementary efforts are necessary to support broader domestic accountability and engage with a wider set of actors (e.g. parliaments, local governments, and civil society) other than the executive branch of government (OECD-DAC 2006). For instance, in Tanzania, DFID used a mix of different instruments alongside GBS, including technical cooperation and grants to civil society to support parliamentary oversight, improve citizens' access to information, build capacity and accountability at decentralized levels, and strengthen demand side pressures for reform (DFID 2008).

Management System

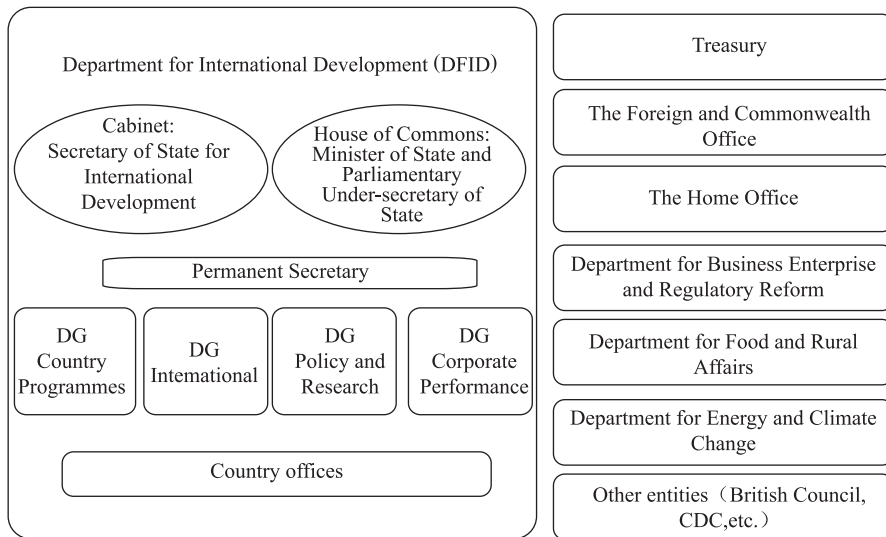
DFID is the leading department for development cooperation in UK. DFID is highly decentralized in the sense that country offices possess autonomous power to design and deliver programs based on specific country contexts. In 2014, DFID managed 86 per cent of the UK's total ODA, with the other 14 per cent managed by 10 line ministries such as the Foreign & Commonwealth Office, Department of Energy and Climate Change (DEC), Department for Business, Innovation and Skills, among others. However, according to the new UK ODA Strategy more aid will be administered by other government departments, drawing on their complementary skills (HMT and DFID, 2015), which indicates that a decreasing proportion of ODA will be managed by DFID.

To improve coordination, cross-government objectives are included in departmental business plans so that different departments can work together on areas of common interest. In some complex situations, the UK takes a whole-of-government approach led by the National Security Council, which can benefit from the expertise of each department involved. For instance, the UK is establishing a new cross-government Conflict, Stability and Security Fund (CSSF), with both ODA and non-ODA funds, as a finance instrument for the National Security Council. In addition to the CSSF, another two cross-government funds, the ODA Crisis Reserve and the Prosperity Fund, are in the process of being established (HMT and DFID 2015).

In order to further strengthen DFID's capabilities for efficient aid delivery, a series of institutional reforms have been conducted since 2010, including the creation of a Departmental Board chaired by the Secretary of State for International Development,^① and the strengthening of the Research and Evidence Division to improve value for money. In addition, DFID created a new directorate for economic

^① DFID's Permanent Secretary, four director-generals and four non-executive directors sit on this board, which meets quarterly to advise on and monitor delivery of the Secretary of State's strategy and policy priorities.

Figure 13. The UK’s development cooperation system: Key players, coordination and financial flows



Source: OECD-DAC Peer Review of the United Kingdom, 2010.

development in 2014, which reflects its new focus. Actions on human resources have been taken accordingly. Internally, DFID has doubled its number of private sector advisers since 2012 and enhanced professional development and training in this area (OECD 2014). DFID’s management also encourages innovation, especially in new approaches. A dedicated unit named the “innovation hub” was established to seek new perspectives to development challenges through establishing new mechanisms such as innovative funds.

Selection Criteria for Development Cooperation Modalities

The historical evolution of the UK’s aid modalities indicates that the selection of aid modalities has been closely linked with the UK’s broad development cooperation policies. With changing development cooperation objectives, a different portfolio of modalities has been utilized to achieve the objectives. Both the cooperation policies and modalities can also be influenced by the changing domestic situation in UK, the concepts of the ruling party, and domestic and international opinions.

At the micro level, selecting development cooperation modalities is interactive with the whole project/program cycle. The key question DFID considers is how it can maximize the impact of all donor efforts in a given country or region. Analysis of needs, country context and objective setting set a base for the next step of aid instrument choice and design. In the Guidance, the Paris Declaration on Aid Effectiveness^① and the subsequent Busan Partnership for Effective Development Cooperation set important rules to follow. More specifically, degrees of alignment with government policies and systems, choice of entry points, inclusion of civil society and the private sector, and degrees of harmonization with other traditional bilateral donors are key considerations for DFID's aid instrument design and choice (DFID 2008). This allows the country offices of DFID more flexibility and autonomy in program design, which is also in line with its decentralization system. The guidance and rules by the DFID's headquarters mainly provide direction and references, meanwhile, country offices have a fair amount of freedom to make their own decisions on overall country programs and to respond rapidly based on country contexts.

The Smart Rules: Better Program Delivery, which provides the operating framework for DFID's programs, also sets the principles and rules for program design and delivery, including the use of aid instruments. Among these principles and rules, UK legislation, especially the International Development Cooperation Act 2002, is particularly significant. In addition, the design and delivery rules, risk management, value for money, and partnership principles are also applicable for selecting aid instruments.

Different country contexts are specifically highlighted by DFID for the selection of aid instruments. The Guidance analyses the choices of aid instruments against different country contexts, namely, in fragile states, LICs and MICs.

① The Paris Declaration on Aid Effectiveness details 56 commitments and 12 targets to advance and monitor progress in the areas of ownership, alignment, harmonization, managing for results, and accountability.



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Due to special situations in the fragile states, multi-donor trust funds are most often used and are considered effective for scaling up resources and increasing absorptive capacity. Country examples include: the Afghanistan Reconstruction Trust Fund (ARTF), South Sudan Capacity Building Support Fund and the Timor-Leste Transitional Support Program. Joint programs/pooled funding, stand-alone projects (especially humanitarian aid), social funds and technical cooperation are also used under specific conditions in fragile countries.

In aid-dependent LICs, financial aid, typically PRBS are often used to provide a basis for the scaling-up of aid, as well as for pooling with the partner government's own financial contributions. Complementary instruments like technical cooperation and policy dialogue, and support to non-state actors are also utilized in different contexts.

The situations in MICs also differ. In weak, fragile or conflict-affected MICs, DFID mainly provides technical cooperation and financial aid to support state-building and post-conflict reconstruction. In stable MICs with growth potential and in large MICs, modalities such as technical cooperation, dialogue and projects are utilized to support policy development and key sector reforms.

The United States' Experience in Delivering Development Cooperation

KEY MESSAGES

- The definition of foreign assistance in the US is generally broader than ODA. It excludes debt forgiveness and domestic refugee costs, but includes military, anti-terrorism and peacekeeping assistance to all (not just ODA-eligible) countries.
- The US does not have clear official categorization or guidelines for development cooperation modalities, and rarely uses terms like aid modalities or instruments.
- The modalities or delivery forms taken by different institutions also differ from each other. Major examples include: cash transfers, support for equipment and commodities, economic infrastructure, technical assistance, small grants, humanitarian aid, and debt relief.
- Since the 1990s, nearly all of the US's foreign aid has been provided in grants. Loans have declined substantially since the mid-1980s due to the serious debt crisis in Latin America and Africa at the time.
- There are no unified policies or guidelines for selecting aid modalities.
- For each type of implementer, United States Agency for International Development (USAID) has developed a series of Automated Directives Systems (ADS), with policies and procedures to guide operations. In deciding which channel to use, USAID considers several factors, including the objectives of its aid in specific countries, the sector in which the aid program operates, the democratic development and governance situation in the



partner country, the capacity of government in specific countries, and local major players in each sector.

- The Millennium Challenge Corporation (MCC) allocates aid only to low-and lower-MICs that have committed to good governance, economic freedom and investment in their citizens. Significantly different from USAID, the MCC takes a country-led approach.

Overview of the US' Development Cooperation

The concept of “foreign assistance” in the US domestically is generally broader than ODA defined by the OECD-DAC. The US' foreign assistance excludes debt forgiveness and domestic refugee costs, but includes military, anti-terrorism and peacekeeping assistance to all (not just ODA-eligible) countries (OECD 2011).

The US' foreign assistance traces back to the First World War, when the US provided food aid to war-torn countries. The US' foreign assistance increased in the aftermath of the Second World War, particularly in the context of the economic recovery of Western Europe through the Marshall Plan of 1948; and the containment of communism through the Mutual Security Act of 1951—1961. In September 1961, the US Congress passed the Foreign Assistance Act, which has guided the US' foreign assistance since then. The Act also mandated the creation of USAID in the same year to administer economic assistance programs. During the Cold War period, foreign assistance was used as an important tool to compete with the former Soviet Union for regional and global influence, while also serving the US' commercial interests by expanding its influence in overseas markets (Nielhoof & Hannah 1989). Since the 1990s, foreign assistance has served to promote democracy and expand free markets, which has furthered the US' foreign policy interests.

The US' Principles and Policies for Development Cooperation

There have been three key rationales for the US' foreign assistance since the end of the Second World War: national security, commercial interests and humanitarian concerns (Tarnoff & Lawson 2013). These rationales define the objectives of the US' foreign assistance, including promoting economic growth, improving governance and human rights and promoting stability in conflict-afflicted regions. The emphasis of these rationales and objectives has changed over time, but the core messages have remained fairly consistent.

Since the terrorist attacks of September 11, 2001, the US' foreign assistance has increasingly been associated with national security policy, regarded as one of the three pillars of the US' foreign policy along with diplomacy and defense. In April 2014, the State Department and USAID jointly released the Strategic Plan for Fiscal Years 2014—2017, which states that the shared mission of the Department of State and USAID is to shape and sustain a peaceful, prosperous, just, and democratic world, and foster conditions for stability and progress for the benefit of the American people and people everywhere. Five strategic goals were laid out:

- Strengthen America's economic reach and positive economic impact;
- Strengthen America's foreign policy impact on its strategic challenges;
- Promote the transition to a low-emission, climate-resilient world, while expanding global access to sustainable energy;
- Protect core US interests by advancing democracy and human rights and strengthening civil society; and
- Modernize the way the US does diplomacy and development.

Under these five goals, 12 strategic objectives were identified to guide the US' foreign assistance between 2014 and 2017.

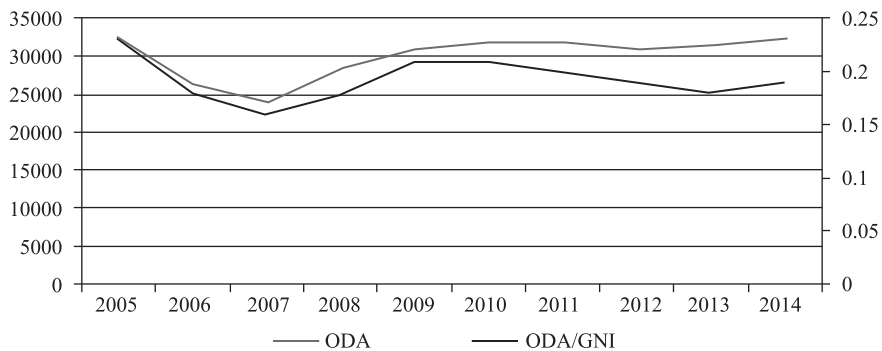
As the 2030 Agenda for Sustainable Development was adopted by UN Member States in September 2015, the US incorporated its commitment to ending extreme poverty in the 2015 National Security Strategy, as well as in USAID's mission

statement: “We partner to end extreme poverty and promote resilient, democratic societies while advancing our security and prosperity.” To achieve this objective, USAID commits to integrating this priority into its policy, planning and programming (USAID 2015).

Overall Development Cooperation Volumes and Trends

The US has long been the world’s largest donor in terms of volume, except between 1991—1999 when it was surpassed by Japan. In terms of ODA/GNI ratio, however, it still lags behind most of traditional bilateral donors, and has not yet committed to the 0.7 per cent ODA/GNI ratio target. The US’ assistance grew by 149 per cent in real terms between 1999 and 2009, much faster than OECD-DAC as a whole (62 per cent). Nevertheless, after the financial crisis in 2009, the budget deficit and the sluggish recovery of the US’ economy has put pressure on its aid budget. The US’ aid volume saw a slight decrease in real terms from 2011 to 2013, but started to pick up again in 2014.

Figure 14. Overall development cooperation volumes of the US (2005—2014)



The US’ Criteria for Selecting Development Cooperation Modalities: Guidelines and Management System

Major Development Cooperation Modalities

Since the 1990s, nearly all of the US’ foreign aid has been provided in grants. While loans represented 32 per cent of total military and economic assistance

between 1962 and 1988, this figure declined substantially from the mid-1980s. This was due to the serious debt crisis in Latin America and Africa at the time. By 2001, loans represented less than 1 per cent of total aid appropriations.

The US has a different management and operation system than that of European countries. It does not have clear official categorization or guidelines for development cooperation modalities, and rarely uses terms such as “aid modalities” or “instruments”. Since there are around 24 institutions involved in providing foreign assistance in the US, the modalities and delivery models used by different institutions also differ from one another. For example, USAID mainly classifies its aid by the channels or implementers through which the aid budget is disbursed; the MCC, focusing on infrastructure projects, selects partners after a strict screening process; the partner country that passes the appropriate threshold will organize the implementation process; the Peace Corps is mainly involved in dispatching volunteers. These details are analyzed in the following section.

Based on the analysis of the US' overall aid activities as well as academic research, the US' aid modalities are divided into the following categories: **cash transfers; equipment and commodities; economic infrastructure; technical assistance (training and experts); small grants; humanitarian assistance; debt relief** (for a detailed description of each development cooperation modality, refer to Annex 2: Development cooperation modalities and definitions).

From data on relevant government websites,^① it is evident that project-type interventions have been preferred to budget support over the past ten years in the US, as it is more difficult to monitor and measure the results of budget support. In 2005, when GBS became popular among European bilateral donors, USAID supported five countries to evaluate GBS. The evaluations sought to determine how and when using GBS as an assistance mechanism is appropriate, and the conditions that contribute to its success or lack thereof. The findings were also used to provide

① See further details about the US' development coordination here: ForeignAssistance.gov.



reference for the then newly-established MCC which was supposed to adopt a mechanism similar to the GBS for the “good performers”. The report summarizing the above five case studies concluded that given the benefits and limitations of GBS in different countries and developmental contexts, traditional bilateral donors should be selective in the use of GBS.

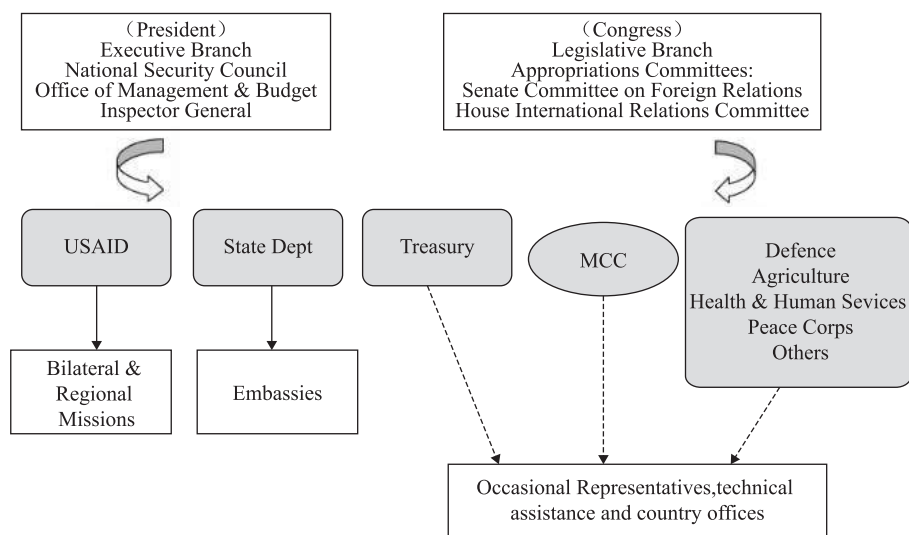
Management System

The US’ foreign assistance is decentralized, with more than 20 institutions involved. Especially since the 1990s, an increasing number of the US’ domestic departments have set up their own technical assistance programs. These include the Departments of Labor, Justice, Transportation and the Environmental Protection Agency (OECD 2011). Some bodies were also created to implement specific programs, like the MCC.

The MCC was created by Congress in January 2004 within dependent legislation beyond the Foreign Assistance Act, to provide an innovative way to offer effective foreign assistance by focusing on good policies, country ownership, and results. The MCC is managed by a chief executive officer, who is one of nine directors on the board. The Secretary of State (Chair of the Board), the Secretary of the Treasury, the US Trade Representative, and the USAID Administrator serve on the board along with four private sector representatives.

Among these institutions, USAID and the State Department are the two key actors. USAID, the primary development agency, provides technical assistance, research, policy advice and infrastructure assistance in both development and humanitarian areas. The Secretary of State is the President’s principal foreign policy advisor and the USAID Administrator reports directly to the Secretary of State.

Figure 15. The US' development cooperation system: Key players, coordination and financial flows^①



In 2006, the US Administration launched a set of reforms, which strengthened collaboration between the State Department and USAID for strategic programming, budgeting and reporting. In addition to these two institutions, the Department of Health and Human Services, Defense, Treasury and the MCC also have a role in the implementation of the US' aid. Yet, coordination among the various government entities remains a big challenge for the US' development cooperation system.

Selection Criteria for Development Cooperation Modalities

Since foreign assistance is decentralized in the US, there are no unified policies and/or guidelines for selecting aid modalities. This report selects the two major institutions, USAID and the MCC, to explain and compare their different practices in this respect.

USAID generally finances the implementation of development assistance through four general implementers: partner government entities; private sector contractors or partners, including local civil society organizations and other NGOs;

^① Simplified picture of the US' development cooperation system.



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other US government agencies; and public international organizations or traditional bilateral donors. This is similar to the UK's classification by provider, but without further specification by aid instruments (see the UK Chapter). For each type of implementer, USAID has developed a series of Automated Directives Systems (ADS) with policies and procedures to guide operations.^① In deciding which channel to be used, USAID considers several factors, including the objective of aid in the country, the sector the aid program will address, democratic development and the governance situation of the partner country, the capacity of government, and the major local players in the sector.^② In practice, USAID often combines different channels to achieve its objectives. For example, the use of partner government systems may be combined with the USAID support activities of local NGOs or non-local contractors.

USAID divides its assistance into two broad categories: project assistance and program assistance. Under project assistance, USAID provides financing for specific project inputs such as technical assistance, training, equipment, vehicles, capital, construction, and others (USAID 2014). Government-to-government projects can be financed through cost reimbursement or input financing, where USAID reimburses the partner country for allowable and documented costs for goods and services incurred during the project. USAID can also use fixed reimbursement amounts (or reimbursement upon outputs), under which the amount of reimbursement is fixed in advance based upon cost estimates reviewed and approved by USAID (USAID 2014). Regarding program assistance, USAID provides generalized resource transfers in the form of foreign exchange or commodities to the partner government to alleviate constraints that are policy or resource-based. Relating to program assistance, individual transfers of funds are dependent on the completion of performance actions by the partner government and funds are only disbursed after program actions have been completed. There are two types of

① See USAID's website for details; <https://www.usaid.gov/who-we-are/agency-policy>.

② Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

program assistance implementing mechanisms, both of which involve resource transfers but are used to achieve different results and are implemented differently: sector program assistance, and balance of payments (BoP) or GBS (USAID 2014).

In the case of the MCC, aid is allocated only to those low-and lower-MICs committed to good governance, economic freedom and investing in their citizens. Currently the MCC uses 20 indicators under these three criteria to determine country eligibility for its program assistance.^① For those countries that pass the MCC's eligibility criteria, the MCC provides large, five-year grants known as "compacts". MCC also provides smaller grants known as "threshold programs" to countries that come close to passing these criteria and are firmly committed to improving their policy performance. By May 2015, the MCC had approved US\$ 10.6 billion in compacts for 25 countries and threshold programs for 24 countries in sectors such as: agriculture and irrigation, transportation (roads, bridges, ports), water supply and sanitation, access to health, finance and enterprise development, anticorruption initiatives, land rights and access, and access to education.

Compared with USAID, a significant feature of the MCC is its country-led approach. Partner countries identify their priorities for poverty reduction, and based on this, develop their proposed projects in line with MCC standards. For those countries awarded compacts after their proposals have been accepted, they need to set up local Millennium Challenge Accounts (MCA) to receive required funds from MCC, and to manage and oversee all aspects of the implementation. Meanwhile, monitoring of funds is rigorous and transparent, often conducted through independent fiscal agents.

^① The MCC's 20 indicators are listed on its website: <https://www.mcc.gov/who-we-fund/indicators>.

Delivering Development Cooperation : Lessons for China

Development cooperation policies and the choice of development cooperation modalities in each of the seven countries examined in this report present similarities and differences between them. This chapter will provide further cross-country analysis and will compare major modalities adopted by the seven countries above, their specific practices, strengths and weaknesses. The main criteria used by the seven countries when selecting development cooperation modalities, their foreign policies and enablers/barriers posed by their management systems, are further examined in the following sections.

Major Development Cooperation Modalities : A Cross-country Analysis

KEY MESSAGE

- The seven countries featured in this study have diversified the channels they use to deliver development cooperation, with 35 main modalities and over 60 national variations clustered into 9 groups.
- Countries have put capacity building at the core of technical assistance and cooperation.
- Technical cooperation and scientific and technological cooperation are becoming more structured, longer-term and sustainable through the development relationships and knowledge networks that emerge beyond the project lifespan.

- There is also scope for enhancing links between the immediate provision of goods, materials, equipment, commodities and services with more sustainable measures.
- Increasingly, countries are providing substantial loans to support their own enterprises to conduct development cooperation projects (mainly in the infrastructure sector).
- Unlike traditional bilateral donors, South-South partners lack institutionalized organization for PPP management. The majority of PPP support goes to upper-middle-income-countries.
- Challenges facing PPPs include securing project viability, insufficient recognition of proper role-sharing and risk allocation between the public and private sectors.
- Popular among traditional bilateral donors, budget support has declined, while most South-South partners have tended not to provide budget support to date.
- Traditional bilateral donors follow uniform standards to conduct educational cooperation under the expenditure of technical cooperation. This allows them to blend different modalities like dispatching experts, providing equipment and materials, building small-scale, hard infrastructure with local training, exchange programs and other forms of educational cooperation.
- SWAp is more effective when i) traditional bilateral donors are an important part of sector financing and ii) the sector is one in which public expenditure and service delivery play a substantial role.

The seven countries featured in this study have diversified the channels they use to deliver development cooperation through main 35 modalities and over 60 national variations. These modalities have been clustered into 9 groups based on the nature of the modality. These are: i) project-type interventions, ii) PPPs, iii) budget support; iv) educational cooperation; v) blended modalities (approaches); vi) humanitarian and refugee support; vii) contribution to multilateral organizations; viii) peacekeeping/peace-building; and ix) other (e.g. debt financing and relief, policy engagement, charity).

The clustering exercise by no means intends to harmonize the typologies and definitions of the development cooperation modalities introduced in the previous chapters into the same group. It does not intend to use OECD-DAC typologies and definitions to explain SSC or vice versa. The clustering merely systematizes the findings of the previous chapters and the subsequent analysis according to specific research questions.

For example, even though some typologies happen to be the same used by both OECD-DAC and South-South partners, their definitions and application can differ significantly. There are also many similarities between the modalities adopted by the seven countries featured in this study. Differences and similarities between the modalities in five of these groups (project-type intervention, PPPs, budget support; educational cooperation and blended modalities) will be discussed in the following sessions. Annex 2 contains a detailed description of all of the development cooperation modalities used in Brazil, China, India, Japan the UAE, the UK and the US.

Table 6. Mapping of development cooperation modalities in Brazil, China, India, Japan, the UAE, the UK, and the US^①

Main modalities	National variations	Countries
1. Project-type interventions: peer-to-peer exchange of knowledge and technology; and provision of goods, materials, equipment and services for development-related initiatives		
Technical assistance and cooperation projects and programs	Technical cooperation	Brazil, China, India, UK, Japan
	Technical assistance	UAE, US
Volunteer and citizen participation programs	Overseas volunteer programs	China, Japan, US
Goods, materials, equipment, commodities and services	Medical teams working abroad; ^② programs, projects, goods and services; commodity aid; equipment and commodities	US, China, UAE

① Refer to Annex 2 for a detailed description of national variations and in which country they are adopted.

② Can also be included in humanitarian cooperation (See Annex 2 for detailed description).

(Continued)

Main modalities	National variations	Countries
Scientific and technological projects, programs and networks ^①	Scientific and technological cooperation	Brazil
Other	Grant aid for general project; PRBS and non-PRBS	Japan, UK
2. Public-private partnerships: arrangements whereby the private sector provides infrastructure assets and services that traditionally have been provided by government		
Grants and other aid to non-state actors	Challenge and innovation funds, Impact Investing, long term loans for infrastructure developments, discrete projects; and funding for technical assistance	UK
Infrastructure development		UAE
Economic infrastructure		US
Complete projects ^②		China
Concessional finance	Lines of credit and equalization support to the Indian Exim Bank	India
Loan aid	ODA land OOF loans (by UAE government and ADFD), private-sector investment finance	Japan, UAE
3. Budget support: method of financing a partner country's budget through a transfer of resources from an external financing agency to the partner government's national treasury		
General program assistance	GBS, SBS, admin cost of donors, in-donor county expenditure	UAE, UK
Development policy loan		Japan
Cash transfer		US
4. Educational cooperation: financial aid awards for students, joint research projects, academic partnerships and indirect (imputed) costs of tuition in donor countries		
Human resources development cooperation	Research and training programs for government officials, education programs, technical training programs, and other personnel exchange programs for developing countries	China, India

^① Research cooperation is present in other countries like China, the UK and the US. In China, for example, research cooperation is offered through grants for joint research under Confucius Institutes. In contrast to Brazil, this cooperation does not come under the foreign aid/ODA budget even if it has a developmental impact.

^② Complete projects in China's case can also be categorized as project-type intervention. This study categorizes it as PPP to highlight the private sector element.

(Continued)

Main modalities	National variations	Countries
Scholarships/training	Scholarship/training in partner country, in donor country; imputed student costs, grant aid for human resource development (scholarships)	Brazil, Japan, India, UAE
Other educational cooperation (joint research projects, academic partnerships, special projects, Portuguese language, teacher training)	Joint research projects, academic partnerships, special projects, Portuguese language, and teacher training	Brazil
5. Blended modalities (approaches) : a mix of different modalities that manage development cooperation		
Sector-wide approach		UK
Program-based approach		UK
Results-based approach (aid on delivery)		US
Structuring impact approach		Brazil
Pooled funds	Common baskets and multi-donor trust funds	UK
6. Humanitarian and refugee support		
Humanitarian assistance	Shelter and non-food items, food aid, humanitarian aid and emergency relief	US, UAE
Emergency disaster relief		Japan
Emergency humanitarian aid		China
Humanitarian assistance and disaster relief		India
Humanitarian cooperation	Emergency humanitarian cooperation, structuring humanitarian cooperation	Brazil
Support and protection of refugees		Brazil, UAE
7. Contribution to multilateral organizations		

(Continued)

Main modalities	National variations	Countries
Contribution to international organizations/multilateral aid		Brazil, China, Japan, US, UK, UAE ^①
8. Peacekeeping/peace-building		
Peacekeeping operations		Brazil, Japan, US, UK
9. Others		
Debt financing and relief	Debt forgiveness, relief of multilateral debt, rescheduling and refinancing, debt for development swap, debt buy-back, debt financing and relief	China, US, India, UAE
Grants	Non-project grant aid, small grants	India, Japan, US
Trade and investment	Interest and tariff subsidies, export credits and quotas, risk guarantees	India
Policy engagement		UK
Charity	Seasonal projects, religious education, projects to construct, renovate religious sites; support to individuals and small communities	UAE

The lessons from five selected groups of modalities are summarized below.

Project-type Interventions

Project-type interventions can be broadly described as peer-to-peer exchanges of knowledge and technology as well as the provision of goods, materials, equipment and services for development-related initiatives.

The OECD-DAC defines “project” as a set of inputs, activities and outputs, agreed with the partner country, to reach specific objectives and outcomes within a defined timeframe, with a defined budget and geographical area. Projects can vary

^① The UAE provides both assessed, and voluntary contributions to multilaterals. Contribution to international organizations/multilateral aid was not mapped for India. This suggests that contributions by these countries are considered a kind of financial instrument for development (instead of a development cooperation modality) or are not considered development cooperation/foreign aid at all.

significantly in terms of objectives, complexity, amounts of funding involved and duration. There are smaller projects that might involve modest financial resources and last only a few months, whereas larger projects might entail larger amounts of resources, successive phases and longer duration. A large project with a number of different components is sometimes referred to as a “program” . Feasibility studies, appraisals, evaluations, and development cooperation channeled through NGOs or multilateral organizations to implement traditional bilateral donors’ projects and programs are also considered project-type interventions for the purpose of this study.

Project-type interventions largely consist of technical assistance and technical cooperation in the seven countries studied. The following forms of project-type interventions have been identified from the practice of the seven countries featured in this study; i) technical assistance and cooperation projects and programs; ii) volunteer and citizen participation programs; iii) goods, materials, equipment and services; and iv) scientific and technological projects, programs and networks. ^① The approaches and practices taken by different countries in each category are analyzed below.

Technical assistance and cooperation projects and programs: technical assistance and technical cooperation have a long history in development cooperation. Technical assistance has been used for many years to deliver expertise, typically by placing external consultants in positions where they can advise and support counterparts in developing countries. Technical cooperation is the more common term for describing the overall strategy and as a broad description of “any activity aimed at enhancing human and institutional capabilities through the transfer, adaptation and utilization of knowledge, skills and technology” while “technical assistance” is used more narrowly to describe specific operational

^① Definitions available in Annex 2.

aspects of technical cooperation. ^①

Some agencies acknowledge the fact that countries still use the two concepts interchangeably. For example, in the OECD definition, “technical cooperation (also referred to as ‘technical assistance’) is the provision of know-how in the form of personnel, training, research and associated costs” (OECD-DAC Statistical Reporting Directives p. 40-44), comprising donor-financed activities that augment the level of knowledge, skills, technical know-how or productive aptitudes of people in developing countries; and services such as consultancy, technical support or the provision of know-how that contributes to the execution of a capital project.

Technical assistance has been criticized in academic and practitioner circles for being traditionally supply-driven, expensive, linearly planned, and failing to promote country ownership. ^② Technical advisers are often under pressure from traditional bilateral donors and governments and often neglect to take time to build capacity based on local needs and realities. ^③ Some of these features are true of the US’ technical assistance programs for instance, which mainly consist of knowledge transfer through short-term technical training under USAID programs as well as expert advice through the placement of specialists in host government ministries to make recommendations on policy reforms in areas like law enforcement, anti-narcotics and anti-terrorism.

^① Technical cooperation is the provision of know-how in the form of short and long term personnel, training and research, twinning arrangements, peer support and associated costs. In these guidelines, Technical assistance refers to the personnel involved (individuals as well as teams of consultants) in developing knowledge, skills, technical know-how or productive aptitudes. The guidelines use “technical cooperation” as the general term. Technical assistance is used only when referring to technical cooperation personnel, e. g. advisers and experts (EU Commission 2009).

^② Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

^③ Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

Technical cooperation has become more popular in the last twenty years as a way of describing knowledge transfer activities, with “cooperation” implying a change in attitude towards a more equal partnership compared with “assistance”. As a result, countries have been taking steps to reform technical assistance in order to ensure that capacity building is its main purpose. In the UK, development initiatives have shifted from a donor policy instrument to building capacity for developing country governments (Williams, Jones, Imber and Cox 2003). There has been a greater focus on knowledge exchange and research. Financial resources are usually disbursed to UK research institutes working in consortia with developing country institutions, thus offering opportunities for capacity development, agenda-setting and mutual learning. In Japan, TrC arrangements are used where the historical context, languages, and regional characteristics of the partner country are so different, that dispatching experts from third countries with closer cultural ties may help deliver services more efficiently. Japan also builds physical and non-physical infrastructure and helps develop systems for operating and maintaining such infrastructure, as well as providing human resource and institution development, using Japan’s own experience and expertise to guide it.

In Brazil, capacity development is at the heart of its technical cooperation. This can be observed at the design stage, through initiatives that focus on two or more levels of capacity development: individual (skills), institutional (learning) and systemic (capabilities and system design) levels. It can also be observed at the implementation stage, through the joint management of projects by the partners involved. India’s technical cooperation in turn consists of continued transfers of knowledge, technology and expertise available in India to other developing countries in the form of a combined package of activities in one project. It frames development cooperation policy under the twin foundations of economic and technical cooperation, with the former focusing on technology transfer, trade, investment and efforts to promote business regulation and opportunity, and the latter engaging with capacity building and human resources development.

In China, even though technical cooperation is largely based on the provision

of technical services, equipment, technical cooperation and complete projects, there is still a focus on building local capacity. For instance, Chinese experts dispatched to developing countries provide technical guidance on the production, operation or maintenance of complete projects and are also responsible for developing the managerial and technical skills of local personnel. The focus on technical services and equipment for technical cooperation and infrastructure projects is also considerable in the UAE although the research found less evidence of the links between these initiatives and local capacity development.

Volunteer and citizen participation programs: volunteer and citizen participation programs (or “ people-to-people exchange ”) have become increasingly recognized as a development cooperation modality. They range from the dispatching of volunteer specialists to developing countries to structured engagements between providers and partner governments with networks of NGOs and other civic groups from provider countries. Since the mid-20th century, many large national and international volunteering programs have been established. Organizations such as Volunteer Services Overseas — which, since 1958 has sent 43,000 volunteers to work in more than 120 countries, and Peace Corps, which since 1961 has sent nearly 220, 000 volunteers to 140 countries, mobilizes thousands of volunteers each year. In China, mainstreaming and improving governance of volunteerism within the country has prompted interest in increasing the use of this modality in China’s development cooperation, and more specifically as part of an enhanced “ people-to-people exchange ” .

Volunteerism can build local capacity and increase social inclusion. In Japan, citizen participation in development cooperation can take place via the activities of NGOs and other civic groups as well as through JICA’s ODA projects such as volunteer programs. However, many volunteering schemes have been criticized for not responding to local needs, reinforcing unequal relationships, and, following the global economic downturn, focusing too much on providing services that governments should deliver and marginalizing the benefits to the volunteers and the values of volunteerism itself. For instance, in the engagement of civic groups in



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partner countries, there is little evidence that volunteerism increases local appropriation, transparency and positive impact, either through consultative mechanisms throughout the project life-cycle or through joint design, implementation or M&E of individual projects by traditional bilateral donors and South-South partners alike.

Today new domestic and international volunteering programs have been created under a stronger enabling environment in developing countries, offering new potential solutions and opportunities for cooperation. The US' approach to volunteerism and citizen participation is one that seeks to address some of these challenges through the provision of small grants that may then be used by grassroots organizations to further their developmental objectives. Grants can also be provided to think tanks and organizations in countries where the US has limited direct channels to promote its strategic goals and influence. This is the case of the USAID-funded Eurasia Foundation, where grants are provided to strengthen the role of former Soviet Union NGOs in democratization and private enterprise development.

Goods, materials, equipment, commodities and services: There is scope for enhancing the association between the immediate provision of goods, materials, equipment and services with the transfer of knowledge and technology, not only to address partners' immediate needs but also to help them improve capacities and develop industries in the long-run. For example, China not only dispatches medical teams and provides free medical devices and medicines to partner countries, but also passes on traditional Chinese medicine skills and practices to local medical staff, helping improve overall local medical and health knowledge. China also provides supporting equipment and materials for complete projects, contributing to partner countries' efforts to develop value-generating activities and link value chains.

The US and the UAE utilize similar approaches through the provision of “commodity aid”, that is the provision of food aid and the delivery of food security programs (e.g. cash payments for food supplies, project food aid excluding

emergency aid), combined with longer-term mechanisms like capital goods import support (e.g. non-food goods and services, LoCs) and commodities import support (e.g. non-food commodities, general goods and services, oil imports). Equipment and commodities provided under development assistance are usually integrated with other forms of cooperation to meet objectives in a particular social or economic sector. In the US, textbooks have been provided in both Afghanistan and Iraq as part of a broader effort to reform the educational sector and train teachers. Similarly, food aid can be provided directly to meet humanitarian needs or for more general development purposes, such as to encourage attendance at a maternal/child health care program.

Scientific and technological projects, programs and networks: Brazil is the only country featured in this study that has a specific modality for scientific programs and projects as part of its official development cooperation. ^① This form of project-type intervention consists of the use and exchange of human, physical, financial and technological resources between two or more institutions from different countries for the purpose of facilitating joint programs and research projects (IPEA 2010). Scientific and technological cooperation ranges from individual trainings and joint research programs to the development of research networks between Brazilian researchers and their counterparts in other developing countries on a broad range of issues.

Like technical cooperation, scientific and technological cooperation has taken a more structured, longer-term sustainable approach through the development of relationships and knowledge networks beyond the project lifespan as well as knowledge co-creation.

Others: other forms of project-type interventions include financial modalities that are often intertwined with delivery modalities. In Japan, grant aid consists of financial cooperation implemented by the Japanese government with no obligation

^① Other countries may have similar programs, but they do not count them as development cooperation.

for repayment by the developing country concerned. In recent years, grant aid has not been limited to structuring measures, such as facility construction or the provision of equipment, but has also focused on cooperating in non-structuring areas such as technical guidance and the development of human resources, resulting in more effective cooperation. For instance, to provide local people with the knowledge to enable them to operate and maintain equipment installed through grant aid, Japan either dispatches experts from Japan, or invites local people to Japan for training. There are also cases where the training and research facilities required for technical cooperation are built using grant aid.

In the UK, non-PBRS financial aid is used to support both integrated and stand-alone projects. This modality is not mixed with government funds and is generally reported as a project-type intervention in the OECD-DAC reporting system. The non-PBRS financial aid could be more flexible. It may be provided for specific purposes, or may be used to reimburse the government's own expenditure in particular areas. It can also be delivered within a range of harmonized approaches including pooling funds, SWAps and PBAs. Project execution generally consists of four procedures, namely, procurement, payment/accounting, reporting and audit. The partner government can account for how the resources have been used by providing an Annual Audited Statement confirming that DFID's resources were used as intended, or DFID may use another independent auditing process. However, this instrument has been criticized for not using partner countries' systems, leading to possible distortions in the national budgeting and policy-making processes. ^①

This study finds that project-type interventions are more likely to achieve their goals when the following features are in place:

Knowledge and technology transfer: When providing ODA to developing countries, traditional bilateral donors also introduce their products and systems,

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

thereby facilitating overseas expansion of their strategic, political and economic interests. A similar rationale applies to South-South partners under the “win-win” or “mutual benefits” principle. Yet, there is growing consensus that the transfer of knowledge and technology not only through the introduction of products and services, but also through the transfer of patents and technical skills to fabricate, operate and maintain such technologies can enhance countries’ self-development capacities. Knowledge co-creation and joint research networks are also options to be considered. Project-type interventions can therefore be designed to enhance knowledge and technology exchange for long-term, sustainable development.

Country leadership and ownership: Ownership and involvement in project-type interventions may be compromised due to insufficient country-level capacity, political will, leadership or initiative, as well as donor controls and the use of parallel management structures. Greater local participation in the planning and design of interventions, as well as in management, evaluation, and accountability can be enhanced by reducing the number of parallel implementation units and drawing more on national management systems and activities in response to developing countries’ priorities rather than driven by traditional bilateral donors. Countries have also recognized technical cooperation as being primarily for the purpose of capacity building and are investing in the design of comprehensive development cooperation initiatives that can be adapted to local contexts that empower individuals and bridge gaps in mutual understanding and trust, including through people-to-people approaches, rather than solely focusing on technical support.

Coordination and integration: Technical cooperation is becoming more coordinated and better aligned with national programs, although a large proportion of activities are still not well integrated into development strategies or are lacking coordination with other activities taking place in countries. The scope, scale and results of such initiatives might be enhanced through trilateral arrangements and in combination with other forms of project-type interventions (e.g. peer-to-peer approaches) and delivery and financing modalities (e.g. complete projects, PPPs

and loans). More structured, cross-sector, solution-oriented development programs and projects also tend to substitute stand-alone activities.

Consideration of alternatives: Project-type interventions depend on established procedures for identifying needs and planning and designing technical cooperation support, including enhancing clarity about roles and expected results, analyses of national contexts and underlying capacity constraints. In many cases, the provision of technical assistance personnel and the use of parallel implementation units are taken as a given, without questioning their appropriateness, and there is limited experience in the use of alternative forms of provision such as the use of public sector expertise (e.g. civil servants who participate in the design and implementation of relevant public policies) through knowledge exchange between developing countries.

Public-Private Partnerships

It is difficult to deliver the volume of resources required by developing countries to fill infrastructure gaps with domestic funding and ODA support alone. For both traditional bilateral donors and South-South partners, alternatives through private sector engagement are being pursued as a new trend in the international development community. Given the rapidly changing development landscape where more actors and a greater range of development finance initiatives have emerged, countries have realized there is strong demand for mobilizing more private sector financing along with public sector funding.

PPPs as a new model of cooperation have spread globally since the 1990s, but have attracted more attention in the international development community with the emergence of the private sector as an important source of development finance in recent decades. The Monterrey Consensus of 2002 emphasized the need to mobilize private resources to complement ODA in order for developing countries to achieve the MDGs. More recently, there has been an even stronger interest in the international community in including private sector contributions to the SDGs, which were adopted with the 2030 Agenda for Sustainable Development at the UN

General Assembly in September 2015.

There is no common definition of PPPs despite the fact that it has already been widely used by donor countries and international development organizations. The IMF refers to PPPs as “arrangements whereby the private sector provides infrastructure assets and services that traditionally have been provided by government, such as hospitals, schools, prisons, roads, bridges, tunnels, railways, and water and sanitation plants (IMF 2007)”. The OECD defines PPPs as “long term agreements between the government and a private partner whereby the private partner delivers and funds public services using a capital asset, sharing the associated risks”.^①

In this report, PPPs roughly include all forms of cooperation between the public and private sector in development cooperation which can make the respective advantages of the public and the private sector complementary to one another, such as concessional finance, loan aid, economic infrastructure projects, complete projects, and consultation and training services for small- and medium-sized enterprises (SMEs) and FDI.^②

While there is no agreement on what does or does not constitute PPPs, it is clear that PPPs, as a mechanism to deliver important public services, are implemented in order to engender greater benefit and efficiency based on shared responsibilities between governments and the private sector, combining private sector innovation and financing, and transferring the risk, partially or fully, from the government to the private sector. At the same time, through PPPs, governments’ responsibilities can complement those of the private sector. According to the OECD, through PPPs, “government policy can ensure that prices for goods and services ‘tell the truth’ about associated environmental impacts, for example.

^① The OECD provides comprehensive information about PPPs here: <http://www.oecd.org/gov/budgeting/oecd-principles-for-public-governance-of-public-private-partnerships.htm>.

^② Definitions available in Annex 2.

Governments that provide ODA can also target concessional flows to those countries or global public goods where the case for private sector investment is least clear or risks are highest. Governments can create advanced purchase commitments for new vaccines. Or they can simply abolish subsidies that create perverse incentives for companies to behave in unsustainable ways” (OECD 2015).

Linking development cooperation with trade and investment: The spread of PPPs is a result of a growing recognition that the private sector is an important vehicle for development; increasing pressure on development cooperation budgets to leverage other sources of financing; and providing the possibility of increasing business opportunities for domestic companies in times of economic downturn. In the past, commercial-driven reasons for development cooperation were generally opposed by traditional bilateral donors, especially those that adhered closely to the ODA definition set by the OECD-DAC. However, approaches taken by countries like India and China blur the boundaries between trade, investment and development cooperation, offering a more flexible cooperation framework that complements the traditional development architecture. For instance, India’s LoCs and China’s concessional loans are their main financial assistance instruments. In Brazil, discussions have also ensued related to a development cooperation model that includes trade and investment and that seeks higher returns for Brazil itself. ^①

Japan has for decades emphasized the idea of closely linking development cooperation with trade and investment strategies, supporting Japanese enterprises to open up foreign markets by providing ODA loans. Nowadays, more and more traditional bilateral donors tend to explore trade and investment markets in developing countries through more innovative uses of ODA. DFID, for example, requires its senior civil servants to complete commercial awareness training courses and is also working with front-line staff to improve commercial practices on the ground. DFID’s Impact Fund was created by the Commonwealth Development

^① Dilma announces international agency creating of trade between Latin America and Africa. Accessible here: www.youtube.com/watch?feature=player_embedded&v=d7tPg39k2XE.

Corporation (CDC)^① and DFID to invest in activities that combine a clear and significant pro-poor impact with financial disciplines to protect investors. This is enabled by providing market information about the transformational potential of enterprises that develop products and services that benefit the poor.^②

Loans are the main financial instruments in PPPs: Countries generally use three main financial instruments to support PPP projects: loans, equity and guarantees with loans being the most important. Concessional loans are mainly dedicated to relatively high-risk projects where commercial financiers are reluctant to invest, or in large-scale infrastructure projects which require much larger amounts of funding. However, as some loans are extended to projects much closer to market rates, they do not qualify as ODA according to the current OECD-DAC statistical reporting system.

South-South partners like India and China provide substantial concessional loans to support their enterprises with implementing development cooperation projects, through which their governments provide interest subsidies to their Exim Banks. This is also the case for traditional bilateral donors. In Japan, as one kind of loan aid assistance provided by JICA, the PSIF is a scheme that supports businesses with a positive impact on social and economic development in developing countries, such as PPP infrastructure projects through the provision of loans and equity. As a typical PPP program, the US' Power Africa Program^③ provides equity, loans and guarantees. However, in some cases, traditional bilateral donors also

① CDC, formerly the Colonial Development Corporation, is the UK's Development Finance Institution wholly owned by the UK Government with a mission to support the building of businesses throughout Africa and South Asia. These businesses are designed to create jobs and make a lasting difference to people's lives in some of the world's poorest places. See more on the CDC's website: <http://www.edcgroup.com/Who-we-are/Key-Facts/#sthash.Hk45TcZo.dpuf>.

② DFID's Impact Fund is detailed here: <http://www.theimpactprogramme.org.uk/dfid-impact-fund/>.

③ The Power Africa program aims to increase access to electrical power on the continent. So far, the program has committed US\$ 7 billion in the form of equity, loans and guarantees, and has leveraged US\$ 14 billion in further private investments from US, African and other international enterprises and financial institutions.

provide grants to support PPPs in the form of advisory services, or through coordination with other modalities such as technical cooperation.

PPPs mainly target physical infrastructure development and increasingly also social infrastructure: Most countries featured in this study use PPPs to support infrastructure building. For the US, engagement with the private sector in developing infrastructure is essential to all of its channels of development cooperation, as well as in its export promotion mainly through the MCC. JICA's PPP infrastructure projects are carried out under PSIF. In China, Chinese enterprises implement infrastructure development projects ("complete projects") with the support of China's development cooperation budget or other development financing resources.

PPPs have been gaining prominence, notably for developing infrastructure in the education, health and other social sectors. In Japan, JICA invites proposals from Japanese enterprises and collaborates with those whose proposals have been successful, and whose projects are in new fields, including hospital development projects in response to medical needs, and water supply improvement projects in cooperation with Japanese local governments (JICA 2014). The UK is working alongside the ADB and International Finance Corporation on the Climate Public-Private Partnership program, which aims to encourage new forms of private sector finance, such as sovereign wealth funds and pension funds, to invest in climate projects and funds. Within this program, DFID is also providing GBP 20 million technical assistance to support LICs and new technologies (DFID 2015). Finally, the UAE has been developing a foreign aid policy that places sustainable development at the center of its efforts, including infrastructure development.

More mature management system for PPPs in traditional bilateral donor countries: Traditional bilateral donors generally have established dedicated PPP units providing policy guidance, technical support and wide-ranging coordination between different departments or agencies on PPP policy formulation and practice, while South-South partners currently lack institutionalized organization for PPP

management.

In the case of the US, the Office of Small and Disadvantaged Business Utilization is responsible for monitoring USAID's implementation and execution of small business programs and advising the Administrator and senior leadership teams. It also provides liaison and outreach support to business concerning small business participation in USAID procurement by collaborating with other functional and geographic bureaus within USAID. On specific projects, USAID and the MCC coordinate regularly with other agencies like Overseas Private Investment Corporation to reduce duplication. In DFID, there is the Director-General of Economic Development responsible for the private sector and trade for development. DFID also works with other organizations like the Department for Business, Innovation and Skills^① to remove barriers to trade, investment and business operations. In Japan, coordination occurs between many actors, including JICA, public banks and construction consultants to help support Japanese construction companies win overseas contracts, particularly in Asia.

PPPs can have various approaches to public and private cooperation:

From the perspective of provider governments, approaches to partnering with the private sector may include: i) strategically supporting the private sector in formulating and conducting PPP projects freely with a mix of ODA and other development financing; ii) funding the private sector to specifically carry out ODA projects; iii) implementing development cooperation projects with financial support from the private sector; iv) funding channeled through multi-donor funds and other institutions; v) funding for technical assistance in the form of training or advisory consultations to support the private sector in accelerating overseas business activities.

The majority of PPP support goes to upper-middle-income countries:

Only a small number of traditional bilateral donors, like the UK, focus on low-LICs

① Now the Department for Business, Energy and Industrial Strategy (BEIS) .

more than other income groups, and China's complete projects are also largely in LDCs and LICs. With a growing trend towards PPPs flowing into wider fields relating to the welfare of local people rather than infrastructure, traditional bilateral donors need to pay more attention to the achievement of the 2030 Agenda for Sustainable Development in LDCs through PPPs.

There are also various challenges facing PPPs: including securing project viability, insufficient recognition of proper role-sharing, risk allocation between the public and private sector, and risk due to factors such as delays in construction of related facilities. Depending on the type of project and the level of legal and regulatory bureaucracy of certain developing countries, PPPs may not be the most cost-efficient option (Miyamoto 2014). PPPs can achieve better effects if: partners play a dominant role in creating an enabling environment according to their capacities; business performance is measured against commitments, and the results are made public; rules, regulations and measures to encourage and enable sustainable private sector financing and investment are put in place; specific sectors or value chains are targeted; and focus is initially placed on a small number of partnerships to demonstrate results on the ground.

Budget Support

As defined by OECD-DAC, budget support is a method of financing a partner country's budget through a transfer of resources from an external financing agency to the partner government's national treasury. The funds transferred are thus managed in accordance with the partner's budgetary procedures. Budget support is divided into: GBS and SBS. GBS refers to non-earmarked contributions to the government budget including funding to support the implementation of macroeconomic reforms (structural adjustment programs, poverty reduction strategies), while for SBS, the dialogue between traditional bilateral donors and partner governments focuses on sector-specific issues, rather than on overall policy and budget priorities. ^①

① Definitions available in Annex 2.

General characteristics of budget support include: i) it is channeled directly to partner governments' budgets, using their own allocation, procurement and accounting systems; ii) it is not linked to specific project activities; and iii) it is subject to specific conditions, especially economic and/or political reforms through policy dialogues. To facilitate the provision of budget support, related technical assistance and capacity building is generally enhanced to support reforms.

The practice of budget support has evolved over time: The dominant form of budget support during the 1980s and 1990s was structural adjustment finance provided mainly by international financial institutions, which attached conditions to structural adjustment like deregulation, privatization and liberalization. The current form of budget support took shape in the late 1990s, and is variously known as “new budget support”, or “poverty reduction budget support”. This new budget support shifted its conditionality to the performance of governments and service delivery to the poor. It is generally accompanied by a policy dialogue focused on the main policy and reform issues of the partner government, and sometimes also by capacity development assistance.

Popular among traditional bilateral donors, budget support has started to decline in recent years: Budget support became a prominent development cooperation modality among the development cooperation agencies of traditional bilateral donors in the late 1990s (MOFA of Denmark 2014). However, the context for providing budget support has changed significantly over the last decade. From the perspective of traditional bilateral donors, there is now increased attention on the results agenda and value for money requirements, and closer linkages to domestic security and commercial interests in development policies. This has created disincentives for modalities that confer greater steering to partner countries. At the same time, many partner countries are receiving larger FDI flows and public investments from non-OECD partners, which have decreased the importance of ODA and the overall significance of budget support as a source of general revenue.

In order to guide and monitor budget support, the OECD-DAC produced



Mix and Match?

How Countries Deliver Development Cooperation and Lessons for China

guidelines entitled “harmonizing donor practices for effective development cooperation delivery” in 2006 (OECD 2006). This was later complemented by a second volume. In September 2012, OECD-DAC Network on Development Evaluation issued *Evaluating Budget Support: Methodological Approach*, recommending a three-step approach for budget support evaluation.

Despite sharing some of the characteristics in terms of budget support (under the same guidelines as stipulated by the OECD-DAC), traditional bilateral donors often differ from each other in terms of specific practices. Take the UK and the US for example. First, the UK and the US use different terms for budget support. The UK uses the term “poverty reduction budget support (PRBS)”, which clearly shows that the purpose of the funds is for poverty reduction strategies. PRBS is divided into GBS and SBS, the same terms as defined by OECD-DAC. The US uses “program assistance” instead, mainly referring to budget support. It categorizes program assistance into two categories: sector program assistance and BoPs or GBS.

Second, budget support in the UK and the US targets different groups of developing countries. The UK usually provides budget support to aid-dependent LICs, and fragile or conflict-affected MICs, supplementing partner governments’ complementary funds. The US mainly provides GBS in the form of cash transfers to fragile states and strategic partners, and sector program assistance to countries with particularly well-developed national development strategies, technical capacity, and strong public financial management systems.

Third, by providing GBS, the UK aims to support the long-term macroeconomic reforms of the partner country, while the US typically finances short- to long-term foreign exchange and/or budgetary shortfalls to promote economic and political stability in the partner country (USAID 2014).

Most South-South partners have never provided budget support: South-South partners rarely use budget support mainly due to the principles of non-conditionality and non-interference in domestic affairs that guide their development

cooperation. It is not the norm for South-South partners to attach economic and political reform conditions to development cooperation, nor their role to monitor the use of resources by their partners. In any case, it would be difficult for South-South partners to monitor these resources, as most of these countries have nascent M&E systems, and the overall institutional capacity for development cooperation remains limited. In addition, budget support requires the uncoupling of aid and using partner countries' own allocation and procurement systems, which has not happened in some of the South-South partners analyzed in this report.

Generally, a donor's decision to provide budget support is based on a range of factors, including: An assessment of the partner's public financial management systems, and the likelihood that resources will be used on agreed purposes. But specific criteria vary from donor to donor, as analyzed in the former country case chapters. Budget support, as a development cooperation modality, has the potential to reduce transaction costs, facilitate traditional bilateral donors' coordination and enhance the predictability of development cooperation flows. It also fosters partner countries' institutional development, improves their public spending allocation and strengthens their policy ownership (OECD-DAC 2006). These are also principles by which the OECD-DAC is trying to guide its members.

Applying budget supply in suitable context: A joint evaluation of GBS by a group of traditional bilateral donors completed in 2006 found that there were many strengths of GBS. These included, among others: Enhancing alignment, harmonization and country ownership by using partner governments' public financial management systems, and achieving operational and allocative efficiency. However, its weaknesses also included high transaction costs, unpredictability, weak support for service improvement, and undermining domestic accountability (Idd and Associates 2006). In contrast, Ruffer and Lawson argue that GBS lowers transaction costs, improves donor coordination and the predictability of development cooperation flows, and enhances the allocative efficiency of public policies' public sector performance and accountability (Ruffer and Lawsson 2002).

A more recent evaluation by the Europe Aid Evaluation Unit – following the revised methodological approach for the evaluation of budget support by OECD-DAC in 2012 shows that budget support has contributed to improvements in public service delivery and poverty reduction, and that it is also fully aligned with government policies and processes, more predictable and can lower transaction costs (European Commission 2014).

In order to improve their effectiveness, traditional bilateral donors need to evaluate the situations of their partner countries, especially their economic and governance contexts. Dialogue between traditional bilateral donors and partner countries should focus on trust and share the same objectives in terms of reforms. From the perspective of the partner countries, better alignment with country systems and support funds is generally welcome, while conditionality is always criticized for interference. ^①

Educational Cooperation

There is no universal definition of education cooperation among all donor countries, including traditional bilateral donors and South-South partners. Brazil tends to use the term “educational cooperation” as one development cooperation modality, defined as “financial aid awards for individual students and contributions to trainees and indirect (imputed) costs of tuition in donor countries” (IPEA 2010). Other forms of educational cooperation in Brazil include joint research projects, academic partnerships, special projects and Portuguese language and teacher training (IPEA 2010).

However, unlike Brazil, other countries generally use terms like “training” and “scholarships” rather than “educational cooperation”, while referring to similar concepts. China uses “human resources development cooperation” to mean that China, through multilateral or bilateral channels, runs different kinds of

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

research and training programs for government officials, education programs (scholarships), technical training programs, and other personnel exchange programs for developing countries.

According to the OECD-DAC Statistical Reporting Directives (OECD-DAC 2010), educational cooperation is considered to be just one aspect of “technical cooperation” (sometimes referred to as “technical assistance”), which is a generic term covering contributions to development through education and training. OECD-DAC statistical reporting under “technical cooperation” items includes only free-standing technical cooperation, which relates essentially to activities involving either the supply of human resources (teachers, volunteers and experts), or actions targeting human resources (education, training, advice).

In this report, educational cooperation includes three main items: i) human resources development cooperation (short-/long-term training programs such as technical training, leadership training, online distance training); ii) scholarships and indirect (“imputed”) costs of tuition for students from developing countries, such as degree and diploma programs, and vocational education programs; iii) other educational cooperation, such as joint research, workshops/seminars, field visits, and other academic activities and exchange projects. ^①

Educational cooperation can complement other development cooperation modalities. When implementing educational cooperation modalities, most countries combine them with technical cooperation projects. The majority of traditional bilateral donors follow the uniform standards set by the OECD-DAC to conduct educational cooperation under technical cooperation expenditure, such as by blending different modalities like dispatching experts, providing equipment and materials, building small-scale physical infrastructure together with local training, exchange programs and other forms of educational cooperation.

^① Definitions available in Annex 2.

This approach helps traditional bilateral donors make full use of different kinds of aid resources to achieve better effectiveness in development cooperation delivery, expanding the impact of educational cooperation. But for some countries like China, Japan and Brazil, they apply specific educational cooperation as one single development cooperation modality, under relatively independent management procedures. However, countries like China have also trained a large number of managerial and technical personnel in partner countries by means of technical cooperation.

Educational cooperation can be complemented with technical cooperation, in-kind support, physical infrastructure development and other more systematic modalities. Targeting different partner groups, educational cooperation should be relevant and varied. For example, technical training or study visits could be carried out for personnel specializing in specific sectors while management training could be offered for officials, and leadership training for young potential leaders.

Educational cooperation projects and programs can be organized in donor countries, in partner countries and in third countries. For South-South partners, educational cooperation is mainly implemented in the provider country, with the objectives of offering the participants not only a first-hand view of new skills, technology and equipment in their fields but also exposure to other social and cultural norms. Traditional bilateral donors such as the US and the UK also run such programs, as does Japan. JICA's Training and Dialogue Programs fall into two general groups: "projects for country-focused training and dialogue" and "training and dialogue programs". The former is held in response to a specific request made by a developing country, while the latter is proposed by Japan and held in Japan. For better conducting local training, JICA established 10 centers in 9 Asian countries in charge of regionally-focused training programs on the ground. In recent years, triangular trainings have been increasingly pursued by traditional bilateral donors and South-South partners. This training is usually conducted in the third countries with partnership between traditional bilateral donors and South-South partners. For example, an Indonesian IT expert who initially received training from

JICA may be sent by the agency to Rwanda to teach African students.

Local training or “in-partner-country” training can be further strengthened and supported by sufficient resources inputs from traditional bilateral donors, such as high budgets for educational cooperation, institutional support in partner countries and human resources provision specializing in educational cooperation at managerial and technical levels which requires strong support from donors.

At the management level, traditional bilateral donors have structured administration systems for educational cooperation. Organizations ranging from the central government, local governments, foundations, associations, universities, NGOs and the private sector are all deeply involved as lecturers, administrators and personal hosts. For instance, JICA administers Training and Dialogue Programs through 15 domestic centers, but an estimated 300 other Japanese organizations are also engaged in providing these Programs.^① The US and the UK mainly conduct local trainings through NGOs. In China, the MOFCOM-affiliated AIBO is responsible for China’s human resources development cooperation programs, meanwhile around 100 other organizations such as universities, vocational centers and provincial governments also deliver a number of training programs under the guidance and supervision of AIBO.

Countries should focus more on the sustainable and long-term impact of educational cooperation, and should follow-up on the progress of students or trainees. Japan sets a good example in this regard. JICA runs a Global Network—Social Networking Services System, which is a kind of private Facebook with a unique online community of participants, lecturers and JICA staff for each training course. These individuals continue to exchange ideas, opinions, reports and documents both during and after training courses are complete.

^① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

Blended Modalities

In addition to specific modalities, there are also some approaches to development cooperation that mix different modalities, and have defined approaches to development cooperation management and delivery. In this report, they are named as “blended modalities” which include program-based approaches (PBA), sector-wide approaches (SWAp), pooled funds, results-based approaches (aid on delivery) and structuring impact approaches. ^①

In the UK, PBA, SWAp and basket funds/multi-donor trust funds generally require i) a comprehensive policy and strategy developed with the partner country, either in terms of a sector or a more macro development strategy, which is the basis for donor support and; ii) donor coordination, either led by the partner government, an international organization, or a supervisory council of traditional bilateral donors. While SWAp and PBA stress alignment with partner countries’ financial and accountability systems, basket funds/multi-donor trust funds are often managed in a separate account; they are not pooled with other government funds and may be externally managed.

Results-based approaches or “aid on delivery” are new approaches mainly used in the US, while there is no broadly accepted terminology for this yet. The key feature of results-based development cooperation is that it is disbursed proportionally to the achievement (“delivery”) of pre-defined outcomes (e.g. school enrollment) by the partner. The main purpose of this approach is to avert fiduciary risks and ensure that donor money is used appropriately (World Bank 2012), i.e. to fund expenditure prioritized by traditional bilateral donors, but without them getting directly involved in the implementation.

A structuring impact approach is specifically applied in Brazil. Structuring impact projects have become the official approach to Brazilian development

^① Definitions available in Annex 2.

cooperation, in particular, technical cooperation. They encompass the three dimensions of capacity development, human, organizational and policy, for the generation of positive impacts on the self-development capacities of countries. According to the ABC,^① the concept was first applied in Angola and Paraguay, with the establishment of professional training centers in partnership with the SENAI. ABC concluded the relevance of making this experience a systematic policy by applying and developing the approach in other technical cooperation projects, including in the health and agriculture sector.^②

In blending different modalities, these approaches aim to achieve better effectiveness in development cooperation delivery. The approaches of traditional bilateral donors mainly follow the principles of aid/development effectiveness in the Paris Declaration, the Busan Declaration and the Global Partnership of Effective Development Cooperation. For example, SWAp is regarded to have potential advantages over stand-alone projects in terms of: greater government ownership and leadership; greater alignment of donor activities with government policies and budgets; greater opportunities to link sector support to national policies and poverty reduction plans; greater focus on sector-wide issues affecting performance; enhanced transparency and predictability of development cooperation flows; enhanced donor harmonization and reduced transaction costs; and greater opportunities for civil society engagement in sector policy and planning (OECD/DAC, 2006). Compared with SWAp, the results-based approach to aid delivery places more emphasis on results and accountability, both the accountability of partner countries to development cooperation funds and the accountability of traditional bilateral donors to their domestic public on the use of their development cooperation budgets. A structuring impact approach is a more comprehensive way to

① The ABC's website further describes a structuring approach to development; <http://www.abc.gov.br/Gestao/ProjetosEstruturantes>.

② Currently, there are 22 ongoing structuring impact projects with US\$ 27,623,203 million already executed by ABC. Expectation is that these projects amount to US\$ 500 million to be invested by multiple partners over the next 20 years. See the ABC's website for more information; <http://www.abc.gov.br/Gestao/ProjetosEstruturantes>.

support capacity development. A blended modalities approach can also be proposed and led by partner countries, based on their needs in certain sectors, especially in those countries where their governments have comparatively strong organizational and coordination capacities.

The success of different approaches also depends on different contexts.

The OECD-DAC suggests that SWAp is more likely to work when i) traditional bilateral donors are integral to sector financing and ii) the sector is one in which public expenditure and service delivery play a major role. Thus, SWAp are often used in areas like education, health, transport and agriculture (OECD-DAC 2006). From the country context, political and macroeconomic stability is regarded as the pre-condition for PBA and SWAp to guarantee predictable national and/or sector budgets, while multi-donor trust funds have been increasingly useful in fragile states and countries emerging from crisis.

Selecting Development Cooperation Modalities

KEY MESSAGES

- There are no universal criteria guiding the selection of development cooperation modalities.
- Different factors influence the choice of cooperation modalities to use, how and when.
- From the providers' perspective, the domestic environment, the ruling party's policies and legislation, foreign and economic priorities are some of the main factors to be considered.
- Traditional bilateral donors tend to set clearer criteria to guide the choice of development cooperation modalities compared to South-South partners.
- While policy formulation is centralized, the management of development cooperation in many traditional bilateral donors is highly decentralized to country missions and offices.

- Country offices can select suitable modalities according to local context as well as comparative advantages and value for money.
- In the case of South-South partners, there are no pre-defined strategies, norms or guidelines. The selection of development cooperation modalities follows general principles that reflect different standards of effectiveness.
- Policy formulation and the management of development cooperation remains largely in the donor country, yet based on feedback from national representations, focal points in partner countries and local partners also play a role.
- Cross-government coordination is a common challenge to both traditional bilateral donors and South-South partners. Cross-ministerial coordination mechanisms and funds have been created in several countries to address this challenge.
- The countries examined in this report tend to prioritize the exchange of knowledge and technology and the formation of knowledge networks.
- Countries increasingly use blended modalities in order to leverage their complementary strengths and achieve results.

Overall, there are no universal criteria for selecting development cooperation modalities. Instead, different factors influence a country's choice of what cooperation modality to use, how and when. From the providers' side, domestic context, the ruling party's policies and legislation, foreign and economic policy, principles and policies that guide development cooperation, countries' own comparative advantages, and their relationship with partner countries are some of the main factors considered. For example, in the UK, a change of ruling party in 2010 led to a change in the country's development cooperation policies and modalities, as evidenced in the end to GBS. Both the UK and the US emphasize accountability to domestic constituents and the value for money, and have thus adopted cost-reimbursement or payment-by-results approaches, which are regarded as a more effective way to stimulate partner countries' performance. In Brazil, the use of modalities that emphasize knowledge-sharing and technology transfer not only

relates to Brazilian cooperation principles, but also to constitutional limitations surrounding the transfer of public money to other countries. China in turn undertakes a large number of complete projects due to its economic policy and comparative advantages in engineering. Development cooperation also covers many other areas such as poverty alleviation and agricultural development with a view to contributing to people's livelihoods.

Traditional bilateral donors like the UK and the US, have made progress in setting clear norms to guide their choice of development cooperation modalities compared to South-South partners. For example, in the UK, the International Development Act (2002) gives the government authority to deal coherently with development issues. DFID also issued the *Guidance on Aid Instruments* and the *Smart Rules : Better Program Delivery* that provides specific guidance on modality selection. The degrees of alignment with government policies and systems, choice of entry points (civil society and the private sector), and degrees of harmonization with other traditional bilateral donors are key considerations when choosing modalities. The US passed the Foreign Assistance Act in 1961, and foreign assistance has, since 2001, been regarded as one of the three pillars of the US' foreign policy along with diplomacy and defense. Even though there is no overarching guidance on development cooperation modalities, the USAID has made a series of Automated Directives System with policies and procedures to guide its operations and enhance the value for money.

Despite not being guided by pre-defined strategies, norms or guidelines, South-South partners follow general principles that reflect different standards of effectiveness. In Brazil, China and India, the selection of development cooperation modalities is mostly based on requests by partner countries and the extent to which they meet their own foreign and economic policy priorities. For example, development cooperation has been instrumental in Brazil's foreign relations, particularly with Latin American and African countries. China's foreign aid has been closely articulated with the new "BRI". India's use of development cooperation towards neighboring and African countries also supports its foreign

policy. This has been the same for the UAE until now, as the country is in the process of revising and formalizing its foreign assistance policy and strategy. In the case of South-South partners, general principles like demand-driven approaches, reciprocity, mutual benefits and non-intervention in domestic affairs are more relevant for the selection of development cooperation modalities than clear-cut criteria.

Most traditional bilateral donors have established independent government agencies to manage their development cooperation, like DFID, USAID and JICA. **While policy formulation is centralized, the management of development cooperation in many traditional bilateral donors is often decentralized to country missions so that country offices can select suitable modalities according to specific country context.** For instance, DFID headquarters in the UK mainly provides guidance and reference, while DFID country offices have a fair amount of scope to make their own decisions on overall country programs based on country conditions. Japan has also strengthened the field orientation of its development cooperation through the establishment of ODA Task Forces in partner countries, responsible for formulating country assistance policies to determine modality selection and which sectors to target.

South-South partners do not have independent development cooperation agencies or dedicated missions. Embassies, economic councilors and other representatives abroad rarely contribute to project design and implementation, but may do on an *ad hoc* basis. Policy formulation and management of development cooperation remains largely in the capital, yet based on feedback from national representations, focal points in partner countries might also be established.

For all seven countries studied, there are a variety of ministries and agencies involved in their development cooperation, and they face similar challenges in terms of cross-government coordination. To address these challenges, China established a foreign aid inter-ministerial liaison mechanism in 2008, which was upgraded to an aid coordination mechanism in 2011. India

established DPA within its MEA, which was seen as a signal for more coordinated development cooperation. Japan has also established an inter-ministerial coordination mechanism, with its Cabinet Secretary playing a facilitating role. The UK further developed these concepts by establishing cross-government funds, like the CSSF and the Prosperity Fund. Some countries make timely institutional reforms based on shifts in development cooperation priorities and modalities. A typical example is DFID which has doubled its number of private sector advisers since 2012, and created a new directorate for economic development in 2014 to address its new development cooperation focus.

All seven countries analyzed in this report specifically highlight the importance of country contexts in their selection of development cooperation modalities. The UK, the US and Japan have formulated country assistance strategies to guide development cooperation programs based on the contexts of their partner countries. In the case of the US and Japan, these strategies also consider the work of other traditional bilateral donors in partner countries in order to identify competitive advantages, define areas of engagement and maximize value for money. DFID sets guidance on the choice of development cooperation instruments against different country contexts, namely, in fragile states, LICs and MICs. USAID finances infrastructure mainly in conflict- and disaster-affected countries, but supports the design of infrastructure in a wider range of countries. Japan provides grants mainly to developing countries with low-income levels, especially LDCs in Sub-Saharan Africa, while ODA loans only target countries with appropriate economic conditions. It delivers loans according to the GNI per capita level of the partner countries at different interest rates and with a variety of loan terms and/or conditions.

China has been gradually developing five-year country strategies for all partner countries, including the identification of the modalities based on the partner's demand and development needs as well as China's capacities and comparative advantages. For countries with higher income levels receiving lower levels of development cooperation from China, there are generally fewer complete projects

but more technical cooperation, human resources development cooperation and some goods and materials support. For other countries, China provides more development cooperation with more diversified modalities. In the case of India, LoCs are being increasingly directed to Africa, while development cooperation given in the form of grants is largely focused on a few countries in India's South Asian neighborhood.

The experiences of the seven countries in this study also show a preference for more partnership-based modalities that prioritize knowledge and technology exchange and the formation of knowledge networks. In countries like the UK and Brazil, direct participation of all partners is common practice in each phase of the whole project/program cycle in order to maximize the impact on the partner country or region. In the US, the MCC follows an indirect participation model whereby partner countries develop their project proposals based on their own priorities and MCC standards. When supporting developing countries' economic infrastructure, Japan's ODA is provided mostly as loans and supplemented by technical cooperation, based on Japan's assumption that the added value of its engagement in infrastructure development is not only measured by its financial contribution, but also by the experience and knowledge it shares with the developing world.

The transfer of knowledge and technology through different types of development cooperation is highly welcomed by partner countries. However, one major challenge to achieving intended results is that the extent of knowledge and technology transfer, especially the development of knowledge networks, depends on the level of development in the partner country.

The cases examples in this report also show that different modalities serve specific objectives and are relevant for different contexts. Technical cooperation aims to transfer knowledge and technology for long-term sustainable development; PPPs are used mainly to improve the business environment and infrastructure development in developing countries; and budget support is a way to

support partner governments' budgets and to make use of their own systems based on specific conditions. Blended modalities aim to achieve more comprehensive results. For example, SWAp tries to address comprehensive policy and strategy development in partner countries at the entire sector level.

In practice, one development cooperation modality tends to be used in parallel with others, to leverage their complementary strengths and to achieve better results. The mix of different development cooperation modalities depends very much on the objective of development cooperation, the country context, the sector context, and the strengths and weaknesses of each modality. For instance, the UK often provides GBS along with technical cooperation and policy dialogue, and financial development cooperation instruments such as GBS and SBS usually integrate with a package of stand-alone projects.

The countries studied also increasingly use blended modalities. For example, Brazil structures impact projects over sector-based approaches. This not only combines more than one modality but also addresses issues in more than one sector. Under the structuring impact approach, a combination of different modalities is becoming increasingly common. For instance, the Food Acquisition Program in Africa includes both humanitarian assistance and technical cooperation, while the More Food Africa Program combines technical and financial cooperation. In many cases, China's development cooperation projects are mainly designed and implemented independently, but in recent years, an increasing number of complete projects are mixed with the delivery of goods and materials as well as technical cooperation to provide more comprehensive support.

Lessons for China and the Way Forward

Through this cross-country analysis of development cooperation experiences in Brazil, China, India, Japan, the UAE, the UK and the US, this study finds that a number of different factors guide the selection of development cooperation modalities. These are mainly influenced by the domestic situation, legislation,

principles and policies for development cooperation in each country. Despite being influenced by different traditions of development cooperation, this study finds a number of similarities regarding how each of these seven countries implement various development cooperation modalities as well as various common challenges and lessons learned.

China might refer to these experiences and lessons learned when reforming its development cooperation management system. Throughout this process, China should consider its own domestic situation as well as how it might add value within the overall South-South framework. The recommendations for China's way forward are as follows:

Issue guidelines on development cooperation modalities and leverage existing institutional structures to better guide and deliver Chinese foreign aid.

China now has eight forms of development cooperation, each responding to different needs and possessing different implementation procedures. There are currently no comprehensive guidelines on development cooperation modalities. The increasingly complex development landscape and the expanding scale of China's development cooperation requires clearer and more comprehensive criteria for the better delivery of China's development cooperation.

In order to design these guidelines, there must be a process to review each of the major modalities, identify lessons learned during practical implementation and think carefully about how and when to use each of them. DFID's Guidance on Aid Instruments may be a good point of reference.

The guidelines need to define the selection of development cooperation modalities, and include a number of principles to follow when selecting modalities; their strengths and weaknesses; the selection of modalities in different contexts, and incentives for combining different modalities to achieve better results.

After the guidelines are issued, they can be widely shared with Chinese embassies and Economic and Commercial Counsellor's Offices in developing countries, guiding their negotiations with partner countries and enhancing the design of development cooperation projects or programs. This has the potential to reinforce the role of Chinese embassies in assessing demand for Chinese foreign aid as well as designing and implementing initiatives in line with needs and priorities on the ground. While the guidelines would offer technical guidance, embassies would provide the flexibility required to ensure participation of partner countries and promote a demand-driven approach.

Besides guiding practices, guidelines also need to be applied and linked with other policies to ensure alignment. For instance, country strategies, based on feedback from embassies, could also more clearly define suitable development cooperation modalities to be used in particular countries. Guidelines could also help new officials to become familiar with development cooperation and to understand and adapt to their work more quickly.

Design more comprehensive projects and combine different modalities to increase the complementarity of development cooperation initiatives.

Most traditional bilateral donors have rich experiences in combining different modalities, partly as a result of their rich human resources in country offices. Brazil has also taken a structuring impact approach to combine technical cooperation with educational cooperation, scientific-technological cooperation and other modalities.

For China, based on a demand-driven approach, it would be helpful to work more closely not only with partner countries' central governments, but also with a wider range of stakeholders including local governments, international organizations and NGOs, in order to better understand needs build on existing country assessments and analyses and other forms of knowledge, and to work together to find better development solutions.

Sending experts on scoping missions to conduct in-depth investigations (e.g. feasibility studies) in specific sectors or sub-sectors together with local partners may be a productive way to enhance cooperation. Likewise, jointly working out comprehensive solutions to challenges, as well as recommending where and how the Chinese government can best help, may be useful. For example, in order to help improve basic education in an African village, China could not only build primary schools, but also train teachers, provide teaching facilities, and even build roads for children to go to school.

TrC with traditional bilateral donors and other South-South partners could also be considered when countries see the potential for mutual complementarity and better results based on partners' comparative advantages. This could further help China to develop human resources for stakeholder engagement and managing projects on the ground.

The relevant Chinese ministries need to build their coordination and management capacities for more comprehensive programs. The wide and active exchange of experiences with traditional bilateral donors and other South-South partners, and more constant inter-governmental communication and mutual learning could help to achieve this goal.

Emphasize knowledge and technical transfer to build partners' self-development capacity.

Technical cooperation and educational cooperation are also popular among South-South partners that aim to share development experiences, knowledge and technologies with developing countries.

After more than 30 years of development, China has accumulated many experiences in various sectors, which can be shared with other developing countries. Many developing countries have also shown a strong interest in learning

about China's experiences. Moreover, knowledge and technology transfer are also useful for building local capacity for self-development. Many of China's technologies may be more suitable for developing countries than traditional donors' technologies due to their similar development history or contexts. Therefore, beyond complete projects, China could further increase its inputs in terms of technical cooperation, human resources training and scholarship programs.

China is, in fact, taking new steps in this direction. At the UN Summit in September 2015, China committed to establishing the International Development Knowledge Center and Institute of South-South Cooperation and Development to further facilitate knowledge- and experience-sharing with developing countries. At the Summit of the sixth FOCAC, China announced "Ten Major Cooperation Projects" for African countries, almost all of which involve capacity building components. In particular, China committed to helping African countries set up regional vocational education centers, colleges for capacity building, and five transportation universities, in order to help Africa train specialized personnel in this area.

In addition to expanding the scale of technical and education cooperation, China also needs to attach greater importance to the effectiveness of these modalities, encourage the active participation of relevant stakeholders in partner countries and make sure that suitable knowledge and technologies are transferred. It would be productive to provide more tailored local training, at the demand of partner countries, with the wider participation of local stakeholders.

In some developing countries with competitive engineering capacities, complete projects could also be piloted and sub-contracted to local companies through open bidding so as to further build local capacity and to develop personnel in engineering and related fields.

Encourage more and better PPPs to stimulate investment in developing countries

China has long believed that trade and investment are the most suitable stimuli for the economic development of developing countries. Besides creating an enabling environment for investment, such as improving infrastructure, China could also learn from the innovative ways of PPPs, by providing innovation fund support, or developing new cooperation methods with the private sector.

Among the experiences China could borrow from is Japan's PSIFs, supporting projects undertaken in developing countries by the private sector through equity investment and loans. The UK has also established various funds in recent years to facilitate public-private engagement with corporate actors. Examples include the Business Innovation Facility, the Impact Fund, the Africa Enterprise Challenge Fund and others. China could undertake study and exchange programmes in these areas and could try to design its own ways to support PPPs.

Enhance evaluation to improve the management of each modality and deliver international development commitments.

Development cooperation modalities have always evolved over time due to changes in domestic and international contexts. The regular evaluation of development cooperation modalities could help to keep up with these changes.

MOFCOM has conducted assessments of human resources training, humanitarian aid and the dispatching of medical teams with the aim of improving policies and the management of these modalities. More in-depth evaluations could be undertaken for other development cooperation modalities, and evaluations of each modality could take place every five years, for example, including by other agencies and independent third parties. This would help identify good practices, challenges and the impact of each modality.



It could also help if opportunities for improving development cooperation modalities are identified, including how they can help China deliver on its SSC announcements made at the UN Summit in September 2015 in support of the SDGs. The findings of the evaluations could also provide relevant inputs to the guidelines on development cooperation modalities. The interaction between the guidelines and regular evaluations could help maintain a sound cycle of development cooperation modalities.

Balance the interests of China and its partners and work with different development actors in a single partnership space.

Group consultations at the international and regional levels have become important channels for China's foreign aid. Nevertheless, China's contributions to international organizations still account for just a small proportion of its overall foreign aid budget. China's TrC with international organizations is also in its infancy.

There is space for China to expand its cooperation with international organizations by exploring comparative advantages between China and its partners as a means to facilitate complementarity of strategies. For instance, in infrastructure development and sustainability; productive capacity and technical cooperation; and the strengthening of public policies and technology transfer. The AIIB and the NDB could facilitate this process and pilot innovative initiatives in partnership with other international organizations including the UN system.

China could further develop its cooperation with NGOs and the academia for project implementation, independent M&E, and knowledge exchange. For instance, more projects implemented through NGOs could be at the grassroots level, where they could directly benefit local people. Academics could also provide important contributions to independent M&E and knowledge exchange. These could greatly complement government-to-government cooperation.

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China's Most Recent Foreign Aid Commitments

Date	Occasion	Commitments
09. 25. 2015	China-US Joint Presidential Statement on Climate Change	<ul style="list-style-type: none"> • Provide 20 billion RMB for setting up the China South-South Climate Cooperation Fund to support other developing countries in combating climate change, including enhancing their capacity to access the Green Climate Fund.
09. 26. 2015	UN Sustainable Development Summit	<ul style="list-style-type: none"> • Set up the South-South Aid Fund with initial contribution of US\$ 2 billion to support developing countries in implementing the 2030 Agenda for Sustainable Development; • Cancel the debt of outstanding interest-free loans due by the end of 2015 owed by relevant LDCs, landlocked developing countries and small island developing countries; • Establish an International Development Knowledge Center to facilitate studies and exchanges by country on theories and practices of development suited to their respective national conditions; • Propose discussion on establishing a global energy network to facilitate efforts to meet the global power demand with alternative clean and green energy.

(Continued)

Date	Occasion	Commitments
09. 26. 2015	High-Level Roundtable on SSC	<ul style="list-style-type: none"> • “Six 100 projects initiative” to support developing countries over the next five years, including 100 poverty reduction projects, 100 agricultural cooperation projects, 100 trade promotion and aid projects, 100 environmental protection and climate change projects, 100 hospitals and clinics, and 100 schools and vocational training centers; • Provide 120,000 training opportunities and 150,000 scholarships for people from other developing countries to receive training and education in China, and help train 500,000 professional technicians; • Set up the Institute of South-South Cooperation and Development; • Contribute US\$ 2 million to the WHO.
09. 27. 2015	Global Leaders Meeting on Gender Equality And Women's Empowerment	<ul style="list-style-type: none"> • In the next five years, help other developing countries build 100 “health projects for women and children”; • Send teams of medical experts to provide services; • Implement 100 “happy campus projects” to finance the schooling of poor girls and raise girls’ school enrollment rates over the next five years; • Host 30,000 women from developing countries at training programs in China and provide 100,000 skills training opportunities in local communities in other developing countries over the next five years.
09. 28. 2015	The General Debate of the 70 th Session of the UN General Assembly	<ul style="list-style-type: none"> • Establish a 10-year, US\$ 1 billion China-UN Peace and Development Fund to support the UN’s work, advance multilateral cooperation and contribute more to world peace and development; • Join the new UN Peacekeeping Capability Readiness System, take the lead in setting up a permanent peacekeeping police squad and build a peacekeeping standby force of 8,000 troops; • Provide a total of US\$ 100 million of free military assistance to the African Union over the next five years to support the establishment of the African Standby Force and the African Capacity for Immediate Response to Crisis.

(Continued)

Date	Occasion	Commitments
11. 30. 2015	The Paris Conference on Climate Change	<ul style="list-style-type: none"> • In 2016, launch cooperation projects to set up 10 pilot low-carbon industrial parks and start 100 mitigation and adaptation programs in other developing countries and provide them with 1,000 training opportunities on climate change.
12. 04. 2015	The Johannesburg Summit of The Forum on China-Africa Cooperation	<ul style="list-style-type: none"> • Ten cooperation plans with Africa over the next three years in the fields of industrialization, agricultural modernization, infrastructure, finance, green development, trade and investment, poverty reduction, public health, cultural and people-to-people cooperation, peace and security To support the above plans, China will provide total funding of US\$ 60 billion as specified below; • US\$ 5 billion of grant and zero-interest loans; • US\$ 35 billion of loans with concessional terms and export credit lines; • Increase US\$ 5 billion contribution to the China-Africa Development Fund and the Special Loan for the Development of African SMEs respectively; • Set up the China-Africa Fund for Industrial Production Capacity Cooperation with an initial contribution of US\$ 10 billion; • RMB 1 million emergency food aid to African countries that suffered from the impact of El Nino; • US\$ 60 million aid to support the operation of the African standing army and the Rapid Reaction Force.

Development Cooperation Modalities and Definitions

China's development cooperation modalities and definitions

Modality	Definition
Complete projects	Complete projects refer to productive or civil projects constructed in partner countries with the help of foreign aid resources provided by China. The Chinese side is responsible for the whole or part of the project process. They are also sometimes referred to as “turnkey projects”. Complete projects are a major modality of China's foreign aid, covering a wide range of sectors including industry, agriculture, culture and education, health care, communication, power supply, energy, transportation and others. At present, they account for around 40 per cent of China's foreign aid expenditure.
Goods and materials	Materials for production and living, technical products or single-item equipment, and necessary technical services covered by foreign aid financial resources provided by China. China started its foreign aid by providing goods and materials, even though it faced goods scarcity at home at the time. These supplies meet partner countries' urgent needs in life and production. Some technologies, such as civil air planes, locomotives and container-testing equipment, have helped partner countries improve their equipment capacity and develop their industries.
Technical cooperation	There are two kinds of technical cooperation in China. One is related to complete projects, that is, dispatching experts to give technical guidance on production, operation or maintenance of the complete projects, and training local people as managerial and technical personnel. The other kind is stand-alone technical cooperation, to help developing countries develop specific technologies or skills.

(Continued)

Modality	Definition
Human resources development cooperation	<p>This includes research and training programs for government officials, education programs, technical training programs, and other personnel exchange programs for developing countries. China started these programs in 1953. In 1998, the Chinese government began to run seminars for officials. The departments involved and the scale and scope of these training programs have expanded rapidly since then. By the end of 2012, China had organized over 5,950 training sessions in different sectors attended by about 180,000 people. Around 20,000 people from developing countries receive training in China every year.</p>
Chinese medical teams abroad	<p>This includes the dispatching of medical teams to partner countries and the provision of free medical devices and medicines. These medical teams then provide location-based or touring medical services in those countries. In 1963, China dispatched its first medical team to Algeria. By the end of 2012, China had sent over 24,600 medical workers to 69 countries, with most working in African countries. Medical teams usually work in underdeveloped areas of partner countries where people lack medical services and medicines. Chinese doctors not only treat local patients, but also pass on their skills to local medical staff.</p>
Emergency humanitarian aid	<p>This refers to the provision of materials or cash for emergency relief or dispatching relief personnel of China's own accord or at the partner country's request. In 2004, China formally established a response mechanism for emergency humanitarian relief and aid in foreign countries to make relief actions quicker and more effective. Over the years, China has taken an active part in emergency relief operations in foreign countries and joined in international efforts in many instances of severe disasters, more recently like the Ebola outbreak in West Africa in 2014; the floods in Sri Lanka and Malaysia in January 2015; and the earthquake in Nepal in April 2015. In 2010—2012, China extended approximately US\$ 240 million worth of materials and cash assistance to more than 30 countries.</p>
Overseas volunteer programs	<p>Launched in 2002, volunteer programs are comparatively new in China's foreign aid. China selects volunteers and sends them to other developing countries to serve local people in education, medical and health care and other social sectors. The volunteers dispatched mainly include young volunteers and Chinese language teachers. By the end of 2012, China had dispatched 15,000 volunteers to over 70 countries around the world, a large proportion of which are Chinese language teachers.</p>

(Continued)

Modality	Definition
Debt relief	When partner countries encounter difficulties in repaying interest-free loans, the Chinese government usually extends their repayment periods through bilateral discussions. To reduce debt burdens on financially troubled countries, China has cancelled the debt of a number of HIPC and LDCs that have diplomatic ties with China, on occasions such as at FOCAC Conferences, UN High-Level Meetings and the 2015 UNGA. By the end of 2012, China had signed debt relief protocols with 58 countries in Africa, Asia, Latin America, the Caribbean and Oceania, canceling 396 mature debts totaling approximately US\$ 40 billion.

Brazil's development cooperation modalities and definitions

Modality	Definition
Technical cooperation	The exchange of knowledge and experiences originated when making developing countries cooperate with other countries facing similar development challenges. Knowledge exchange is non-commercial; it occurs in response to a request, and is implemented through isolated activities or structured sectorial and cross-sectorial development programs and projects. (COBRADI 2010). The fundamentals of technical cooperation rely on the design, technical implementation and shared management of projects and actions through the direct and active participation of cooperating institutions in Brazil and its partner countries. This stems from the belief that partners build their capacities when they have shared roles and responsibilities. Capacity development is therefore at the core of technical cooperation and can be defined at the individual (skills), institutional (learning) and systemic (capabilities and system design) levels (ABC 2013).
Scientific and technological cooperation	Partnership between two or more institutions from different countries through the allocation of human, physical, financial and technological resources, joint programs and research projects (COBRADI 2010).
Educational cooperation	Financial aid awards for individual students and contributions to trainees and indirect (“imputed”) costs of tuition in donor countries. (COBRADI 2010). Other educational cooperation includes joint research projects, academic partnerships, special projects, Portuguese language training, and teacher training (COBRADI 2010). It also includes scholarships/training in partner country/donor country and imputed student costs. ①

① Professional education and industrial training, such as those provided by the SENAI in partnership with the ABC, are considered technical cooperation initiatives.

(Continued)

Modality	Definition
Humanitarian cooperation	Support for countries and populations in situations of crisis and emergency, based on the principles of humanity, impartiality, neutrality and independence, non-intervention in domestic jurisdiction and non-indifference to humanitarian emergencies. It responds to a demand from the affected country, international organizations or civil society organization and comprises the provision of financial resources, food and medical supplies, rescue teams, income-generation initiatives, among others. It can be: i) emergency humanitarian cooperation; ii) structuring humanitarian cooperation (COBRADI 2010) focusing on multidimensional actions and local coordination in support of socially sustainable development processes.
Peacekeeping operations	Peace missions in line with national interests and compliance with the UN mandate (IPEA 2013). Brazil does not have a specific strategy defining when to participate in UN peace missions, but it uses its National Defense Policy as a framework and the presidency and the foreign relations ministry ultimately make decisions. Brazil also shares its experience with preparing military and civilian personnel to participate in peace operations and mine clearance missions.
Contribution to international organizations	Paying contributions and participation shares to international organizations, and official donations, organized by modalities according to prevailing international terminology.
Support to/ protection for refugees	Support for the integration of refugees in the national territory. Any individual that Brazil recognizes as a refugee; i) due to well-founded fear of persecution for reasons of race, religion, nationality, membership of a social group, or political opinion, is outside the country of his/her nationality and is unable or unwilling to avail him/herself of the protection of that country; ii) not having a nationality and being outside the country of his/her former habitual residence, is unable or unwilling to return to it due to the reasons previously described; iii) due to grave and generalized violations of human rights, is obliged to flee their country of nationality to seek refuge in another country (Brazil, 1997, Article 1).

(Continued)

Modality	Definition
Key approach	
Structuring impact approach	<p>A structuring impact project aims to strengthen local capacities and institutions that are key to sustaining functioning systems of governance of public policies, in order to increase their capacity to influence and their autonomy over the development process. It engages multiple stakeholders in both the provider and the beneficiary country throughout life cycle of a project and typically encompasses large, long-term initiatives with significant multiplier effects in the beneficiary country. Each partner has clear and complementary roles from the design to the implementation of the project, ensuring a multidimensional approach to complex development challenges. Structuring impact projects often combine technical cooperation with other development cooperation modalities like educational cooperation and scientific-technological cooperation. They are also innovative in key two ways. First, by integrating human resources training, capacity building, and institutional development, projects stop the passive transfer of knowledge and technology. Second, by helping build endogenous capacities and capabilities in beneficiary countries, structuring impact projects contribute to the strengthening of local institutions, local capacity, knowledge and dialogue.</p>

India's development cooperation modalities and definitions

Modality	Definition
Technical and economic cooperation (capacity building and technology transfer)	<p>Continued transfer of knowledge, technology and expertise available in India to other developing countries in the form of a combined package of activities (expert, training, conference /seminar) in one project. Technical cooperation is multidimensional as it focuses on three levels of capacity development (skill development at the individual level, organizational support, and creating an enabling environment through policy and regulation). As such, it is broader than technical assistance by traditional bilateral donors (although used interchangeably by some authors), which focuses on skill development at the individual level through stand-alone activities sourced to external experts. India's technical and economic cooperation innovates compared to the modalities adopted by other providers in SSC by framing development cooperation policy under the twin foundations of economic and technical cooperation, with the former focusing on technology transfer, trade, investment and efforts to promote business regulations and opportunities. The latter engages with capacity building and human resources development (Large, manuscript).</p>

(Continued)

Modality	Definition
Grants	The grant component of Indian development cooperation is relatively small and focuses on building infrastructure through technical cooperation projects in the areas of education and information technology.
Concessional financing	Mainly comprised of LoCs, in which only the interest rate subsidy part of the credit is reported as development cooperation and financed through the national budget of the Ministry of Finance, while the actual credit is signed and managed by India's Exim Bank. India's Ministry of Finance, in its guidelines for LoCs, uses the OECD and World Bank formula to calculate the grant component of its LoCs. ① LoCs facilitate and promote India's international trade with other countries. They can also be extended to overseas financial institutions, regional development banks, sovereign governments, and other institutions (Chaturvedi 2012) to help buyers import products, goods and services from India on deferred credit terms. Through LoCs, the government guarantees loan repayments and provides an interest subsidy to the Exim Bank. The government also provides equalization support to the Exim Bank, which compensates for interest differentials between the market and what it charges to partner countries (Sinha 2010).
Trade and investment	Comprises interest and tariff subsidies, export credits and quotas, risk guarantees and other instruments to increase unilateral market access to exports by LDCs (Chaturvedi 2014).
Humanitarian assistance (disaster relief)	Activities that address human suffering caused by natural disasters like cyclones, droughts, earthquakes or floods. This definition is narrower than traditional bilateral donors' conceptions of humanitarian assistance, which also include helping civilian populations affected by armed conflict. Indeed, over the years, India has provided ample assistance to countries struck by natural disasters, but in reality, its humanitarian outreach is not restricted to such emergencies. With respect to the separation between short-term relief and development assistance, Indian officials have only recently started to distinguish between the two (Chaturvedi 2008). Today, Indian decision-makers use the same conceptual separation as traditional bilateral donors, designating short-term assistance in the aftermath of disasters as humanitarian assistance and long-term assistance as development assistance (Meyer and Murthy 2011).

① Interviews or other forms of conversations with counterparts from the selected countries and organizations conducted between June 2015 and August 2016.

(Continued)

Modality	Definition
Debt relief	Targeted at HIPC's with substantially overdue payments (Roychoudhury, S; A. Chenoy, D. Chopra; A. Joshi 2015) including under the India Development Initiative.
Multilateral assistance	Core and non-core contributions to international organizations.

Japan's development cooperation modalities and definitions

Modality	Definition
Technical cooperation	Technical cooperation draws on Japan's technology, know-how and experience to develop the human resources that will promote socioeconomic development in developing countries. Technical cooperation includes the acceptance of training participants, dispatching experts, dispatching volunteers, provision of equipment and implementation of studies aimed at supporting policy-making and planning public works projects (Technical Cooperation for Development Planning).
Loan aid	The primary types of loan aid are ODA loans and private sector investment finance. i) ODA loans in particular enable the provision of finance in larger amounts compared with technical cooperation or grant aid, and therefore have been well utilized for building large-scale basic infrastructure in developing countries; ii) private-sector investment finance aims to stimulate economic activity and improve the living standards of people in developing countries through equity investments and loans for projects undertaken in developing countries by the private sector; iii) development policy loans.

(Continued)

Modality	Definition
Grant aid	Financial cooperation with developing countries with no obligation to repay. Grant aid is divided into the following categories according to its content: Grant aid for general projects; non-project grant aid; grant aid for grassroots human security projects; for Japanese NGO projects; for human resources development (scholarship) ^① ; for cooperation on counter-terrorism and security enhancement; for disaster prevention and reconstruction; for community empowerment; for fisheries; cultural grant aid (general cultural grant aid and grant aid for cultural grassroots projects) ^② ; emergency grant aid ^③ ; food aid; grant aid for environment and climate change; for poverty reduction strategies; and for conflict prevention and peace-building.
Emergency disaster relief	Disaster relief operations are usually offered in response to requests from the governments of affected countries or international organizations following large-scale disasters. There are two forms of assistance: the dispatching of a Japan Disaster Relief team and the provision of emergency relief supplies. Japan Disaster Relief is composed of four units: rescue teams, medical teams, expert teams, and self-defense force units.
Citizen participatory cooperation	Citizen participation in international cooperation takes a variety of forms, including participation in the activities of NGOs and other civic groups as well as participation in JICA's ODA projects, such as JICA's volunteer programs and technical cooperation. JICA refers to activities based on the initiative of civic groups or the volunteer spirit of individuals as citizen participatory cooperation activities. These activities promote understanding of international cooperation and support a variety of initiatives of stakeholders.
Multilateral aid	Multilateral aid is an indirect method of providing assistance to developing countries by providing financing or donating funds to international organizations. Funds are contributed to the various bodies of the UN, including UNDP, the UN Fund for Population Activities and the UN International Children's Emergency Fund, while financing is provided to multilateral development banks (MDBs) such as the World Bank, the International Development Association (IDA, also known as the Second World Bank) and the ADB.

① Support for training young administrative officials.

② Cultural grant assistance (general cultural grant assistance and grant assistance for cultural grassroots projects) is support for equipment procurement and facilities development needed for promotion of culture.

③ Emergency grant aid is financial aid carried out by MOFA under its grant aid account, while emergency disaster relief is under the charge of JICA, in the form of dispatching of personnel and relief materials.

The UAE's Assistance by Category, Motivation and Sector/sub-sector

Category	Motivation	Sector/sub-sector
Development	Improve the economic and social welfare of foreign countries and the overall quality of life of their citizens.	Programs/projects (technical assistance), goods, services, scholarships/training; in areas like education, health, social services, water and sanitation, population policy and reproductive health programs, government and civil society, conflict prevention and resolution, peace and security, transport and storage, communication, energy generation and supplies.
		Commodity aid and loan aid; food aid and food security programs (e.g. cash payments for food supplies, project food aid excluding emergency aid), capital goods import support (e.g. non-food goods and services, lines of credit), commodities import support (e.g. non-food commodities, general goods and services, oil imports).
		General program assistance: GBS, SBS, admin cost of traditional bilateral donors, in-donor country expenditure.
		Debt financing and relief; actions relating to debt, debt forgiveness, relief of multilateral debt, rescheduling and refinancing, debt for development swap, debt buy-back.
		Infrastructure development.
Humanitarian	Save lives, alleviate suffering and maintain and protect human dignity during and after emergencies, including long-term assistance to affected populations (refugees and internally displaced persons).	Shelter and non-food items.
		Food aid.
		Humanitarian aid and emergency relief in various development areas.
		Support and protection of refugees not inside the UAE but in third-party countries (e.g. Syrians in Iraq, Jordan etc.)

(Continued)

Category	Motivation	Sector/sub-sector
Charity	Support for religious projects or for the promotion of the UAE's MOFAIC. Culture, such as building mosques or UAE cultural centers or seasonal programs during the holy month of Ramadan.	Seasonal projects (e.g. projects that help strengthen the Islamic culture).
		Religious education, projects to construct/renovate religious sites.
		Support to individuals and small communities.
Contribution to international organizations/multilateral aid	UAE provides both assessed and voluntary contributions to multilateral organizations	

The UK's Development Cooperation Modalities and Definitions

Aid instruments	Definition
Financial aid to government	Poverty reduction budget support (PRBS): i) provided in support of a government policy and expenditure program whose long-term objective is poverty reduction; ii) spent using national (or sub-national) financial management, procurement and accountability systems, although provided the partner government's public financial management systems remain the principle means by which fiduciary risk is managed, additional safeguards may be agreed to where necessary; iii) normally transferred to the central exchequer account directly or may be transferred to a sub-national level bank account but over which government has full financial authority. PRBS includes GBS and SBS. To differ PRBS from non-PRBS financial aid, the use of aid cannot be separated from the use of other domestic resources. Therefore aid is accounted for alongside the rest of the government's expenditure through the partner government's reporting and accounting systems and reports of the auditor general and other accountability mechanisms, e.g. parliament, public expenditure tracking surveys and participatory budgeting.

(Continued)

Aid instruments	Definition
Financial aid to government	<p>Non-PRBS financial aid; Use of aid can be tracked to the level of the goods and services it purchases and so it can be identified independently of other resources in the government's budget. It may be provided for specific purposes, or used to reimburse government's own expenditure on particular items. The partner government can account for how the resources have been used by providing an annual audited statement confirming that DFID's resources were used as intended, or DFID may use another independent auditing process. Projects can be managed in any number of ways, and can vary from fully integrated projects at one extreme to stand-alone projects at the other.</p>
Grants and other aid to non-state actors	<p>Mechanisms to fund the private sector include; grants awarded competitively through challenge funds; funding channeled through multi-donor challenge funds and other institutions; long-term loans for infrastructure developments; discrete projects; and funding for technical assistance. In reporting and statistical analysis, DFID categorizes much of this funding as "technical cooperation" and "grants and other aid in kind".</p>
Technical cooperation	<p>DFID defines technical cooperation as the provision of know-how in the form of; Personnel (long-and short-term specialists and consultants); training and scholarships; knowledge and research to benefit developing countries. About half of DFID's technical cooperation spending is on personnel. A very small proportion is spent on training activities. The spending on knowledge and research is focused on UK research institutes (often working in consortia with developing country institutions).</p>
Policy engagement	<p>Different from technical cooperation of providing know-how, policy engagement aims to influence the policy and practice of institutions that have an impact on or interface with poor and excluded groups; governments, parliaments, the judiciary, regulatory and other state bodies, traditional multilateral and bilateral donors; the private sector; and civil society including trade unions, faith-based and media organizations. Policy engagement can have a range of aims at different stages in the policy process; to stimulate recognition of the need for new policy; to support policy development processes; to support greater transparency and accountability within the policy making process; to encourage citizen engagement; to reform harmful or ineffective policies; and to monitor and support implementation of policies.</p>



Mix and Match?

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(Continued)

Aid instruments	Definition
Key approaches	Definition
Program-based approaches (PBAs)	<p>Defined as “a way of engaging in development cooperation based on the principles of coordinated support for a locally owned program of development, such as a national development strategy, a sector program, a thematic program or a program of a specific organization”. PBAs are characterized by the following features: i) leadership by the host country or organization; ii) a single comprehensive program and budget framework; iii) a formalized process for donor coordination and harmonization of donor procedures for reporting, budgeting, financial management and procurement; iv) efforts to increase the use of local systems for program design and implementation, financial management and M&E.</p>
Sector-wide approaches (SWAs)	<p>A SWAp is a process that can accommodate a number of aid instruments. SWAs are important for alignment and harmonization perspectives, and for their role as potential stepping stones towards SBS or GBS. For an approach to qualify as a SWAp, it must satisfy all of the following criteria: i) a comprehensive sector policy and strategy; ii) an annual sector expenditure program and medium-term sectoral expenditure framework; iii) donor coordination is government-led; iv) major traditional bilateral donors provide support within the agreed framework; and at least one of the following two criteria: Either a significant number of traditional bilateral donors committed to moving towards greater reliance on government financial and accountability systems; or a common approach by traditional bilateral donors to implementation and management.</p>
Pooled funds; Common baskets and multi-donor trust funds	<p>Common baskets or pooled funds differ from SBS in terms of scope in that they do not cover entire sector spending, but may cover specific budget lines such as drugs or district services management. They are often managed in a separate account and not pooled with other government funds and may be externally managed. Multi-donor trust funds are a form of pooled funding which have increasingly been useful in fragile states and countries emerging from crisis. Their scope is often broader than pooled arrangements under SWAs (and sometimes they have a regional or even global scope). However, management of the trust fund is typically carried out externally, usually involving an administrator, often the World Bank, UNDP or the Office for the Coordination of Humanitarian Affairs, and a supervisory council of donors.</p>

The US' Development Cooperation Modalities and Definitions^①

Modality	Definition
Cash transfer	<p>Used to support a government's BoPs situation, enabling it to purchase more US goods, service its debt, or devote more domestic revenues to developmental or other purposes. The cash transfers are generally provided under the Economic Support Fund, which advances the US' interests by helping countries meet short- and long-term political, economic, and security needs.^② Cash transfers have been made as a reward to countries that have supported the US in its war on terrorism (Turkey and Jordan in 2004), to provide political and strategic support (both Egypt and Israel annually for decades after the 1979 Camp David Peace Accord), and in exchange for undertaking difficult political and economic reforms (USAID has been providing Jordan annual cash transfers since 1997, conditioned on the benchmarks of required policy reforms that the Government of Jordan agrees to meet prior to the disbursement of funds^③). Cash transfers have also been made in case of emergency humanitarian aid, often cooperated with NGOs, like in food assistance to South and Central Somalia^④ and in response to the Typhoon Haiyan.</p>
Equipment and commodities	<p>In the form of food, commodities, weapons systems, or equipment such as generators or computers. Food aid is an important part of the US' aid, which may be provided directly to meet humanitarian needs or for more general development purpose, such as to encourage attendance at a maternal/child health care program. In 2013, US\$ 1.99 billion food assistance was provided, accounting for around 7 per cent of US' total bilateral aid. Ethiopia, South Sudan, Sudan, Syria were the largest beneficiaries. Equipment and commodities provided are usually integrated with other forms of aid to meet objectives in a particular social or economic sector. For instance, textbooks have been provided in both Afghanistan and Iraq as part of a broader effort to reform the educational sector and train teachers.</p>

^① Curt Tarnoff, Marian Leonardo Lawson, *Foreign Aid: An Introduction to US Programs and Policy*, Congressional Research Service, 2013.

^② Congressional Budget Justification; Department of State, Foreign Operations, and Related Programs, Fiscal Year 2015.

^③ See USAID's website for further information; <https://www.usaid.gov/jordan/cash-transfer-assistance>.

^④ USAID's cash transfers are described in greater detail here; <https://www.usaid.gov/results-data/success-stories/flexible-food-assistance-using-cash-save-lives-and-sustain-livelihoods>.



Mix and Match?

How Countries Deliver Development Cooperation and Lessons for China

(Continued)

Modality	Definition
<p>Economic infrastructure</p>	<p>Construction of economic infrastructure was once a significant portion of US assistance programs, but rarely provided after the 1970s. Because of the substantial expense of these projects, they were to be found only in large assistance programs, such as that for Egypt in the 1980s and 1990s, where the US constructed major urban water and sanitation systems. In the past decade, however, the aid programs in Iraq and Afghanistan have supported the building of schools, health clinics, roads, power plants, and irrigation systems. In Iraq alone, more than US\$ 10 billion has gone to economic infrastructure. USAID finances the design and construction of energy, roads, communications and water infrastructure, as well as schools and health facilities in more than 60 countries. Particular emphasis is placed on construction and rehabilitation of infrastructure in conflict and disaster-affected countries, such as Afghanistan, Pakistan and Haiti, where improved infrastructure improves stability and fuels economic recovery. Annually, USAID spends about US\$ 1 billion on infrastructure projects in conflict and crisis-affected countries. Economic infrastructure is now also supported by US assistance in a wider range of developing countries through the MCC. In this case, partner countries design their own assistance programs, most of which include an infrastructure component.</p>
<p>Technical assistance (training and expertise)</p>	<p>Transfer of knowledge is a significant part of most assistance programs. Tens of thousands of citizens of aid partner countries receive short-term technical training or longer-term degree training annually under USAID programs. More than one-third of Peace Corps volunteers are English, mathematics, and science teachers. Other aid programs provide law enforcement personnel with anti-narcotics or anti-terrorism training. Many assistance programs provide expert advice to government and private sector organizations. The Treasury Department, USAID, and US-funded multilateral banks all place specialists in host government ministries to make recommendations on policy reforms in a wide variety of sectors. USAID has often placed experts in private sector business and civic organizations to help strengthen them in their formative years or while indigenous staff are being trained. While most of these experts are US nationals, in Russia, USAID has funded the development of locally staffed political and economic think tanks to offer policy options to that government. The International Military and Educational Training Program provides training to officers of the military forces of allied and friendly nations, but this may not be taken as ODA by the OECD-DAC when coming to military training.</p>

(Continued)

Modality	Definition
Small grants	USAID, the Inter-American Foundation, and the African Development Foundation often provide aid in the form of grants that may then be used by grassroots organizations to further their developmental objectives. For instance, grants are sometimes provided to microcredit organizations, which in turn provide loans to micro-entrepreneurs. Through the USAID-funded Eurasia Foundation, grants are provided to help strengthen the role of the former Soviet Union NGOs in democratization and private enterprise development.
Humanitarian assistance	Humanitarian assistance responds to both natural and man-made disasters as well as problems resulting from conflict associated with failed or failing states. Responses include protection and assistance to refugees and internally displaced persons and provision of emergency food aid. Programs generally address unanticipated situations and are not integrated into long-term development strategies. In 2010, humanitarian programs were funded at roughly US\$ 5 billion, double the 2006 level, and they accounted for 21.6 per cent of total bilateral commitments in 2013—2014.
Debt relief	The US has forgiven debts owed by foreign governments and encouraged, with mixed success, other traditional bilateral donors and international financial institutions to do likewise. In total, the US forgave about US\$ 24.9 billion owed by foreign governments between 1990 and 2008 through legislative and bilateral negotiation. In some cases, the decision to forgive debts has been based largely on economic grounds as another means to support development efforts by heavily indebted, but reform-minded countries. The US has been one of the strongest supporters of the HIPC initiative, which began in the late 1990s and continued in 2010. The largest and most hotly debated debt forgiveness actions have been implemented for much broader foreign policy reasons with a more strategic purpose. For example, Egypt had been forgiven US\$ 7 billion debt for making peace with Israel and helping maintain the Arab coalition during the Persian Gulf War; and Jordan US\$ 700 million in 1994 after signing a peace accord with Israel; and the US forgave about US\$ 4.1 billion in outstanding Saddam-era Iraqi debt in November 2004 and helped negotiate an 80 per cent reduction in Iraq's debt to Paris Club members later that month.
Key approaches	Definition
Results-based approach (aid on delivery)	Aid is disbursed proportionally to the achievement (“delivery”) of pre-defined outcomes (e.g. school enrollment) by the partner. The main purpose of this approach is to avert fiduciary risks and ensure that donor money is used appropriately (i.e. to fund expenditure prioritized by traditional bilateral donors, but without them getting directly involved in implementation).



•————• **Brief Summary** •————•

As an emerging development partner, China has been steering efforts to more effectively deliver its foreign aid. This report examines and compares the development cooperation modalities and management systems of China and six other countries: Brazil, India, Japan, the United Arab Emirates, the United Kingdom and the United States, drawing policy recommendations for improving the effectiveness of China's foreign aid.

ISBN 978-7-5103-1652-4



RMB ¥ 66.00
(Chinese/English version)