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Development Aid and the Rise of New Donors

Recent research examines the ways in which China, India, Brazil, South Africa and the Gulf states are looking to define a unique role for themselves as aid-providers, and create an international identity that is different from established donors. The work, lead by YCAR Faculty Associates Gregory Chin and Fahimul Quadir, analyzes how the rising donors aim to traverse the North-South divide and challenge the dominant aid discourse of the ‘West’ by questioning some of the foundational terms used by traditional donors.

By 2011, Brazil was dispensing just under \$1 billion in development assistance to the South; a credible estimate for South Africa’s aid to Africa was already \$1.6 billion by 2004, and has increased since then; India’s forthcoming external aid agency will receive \$11.3 billion as an operating budget for the next three years. A feasible estimate for China is in the range of \$20-23 billion for 2010 if we use a broader definition of aid that includes grants, no-interest loans and economic cooperation-related concessional loans from the two large Chinese state policy banks, China Eximbank and China Development Bank. By such an estimate, China is already the second largest bilateral donor in the world, behind only the United States.

At the same time, aid authorities in China, India, Brazil and South Africa all share a reluctance to call themselves ‘donors’. Instead, they view themselves as ‘Southern development partners’ and depict their assistance not as the delivery of ‘aid’, but rather a process of building ‘development partnership’ based on solidarity and mutual respect. India’s new external aid agency will be called the ‘India Agency for Partnership in Development’, while South Africa has similarly named its new foreign aid agency the ‘South African Development Partnership Agency’. These semantic distinctions differentiate the approaches of China, India, Brazil and South Africa in providing external aid from the rhetoric and practices of the Western/Northern donors. The representatives of the Gulf States also emphasize their policy and conceptual differences from the established donors.

China has emerged in the last decade as a ‘net donor’, and the Chinese leadership has chosen to reinforce its self-identification with the countries of the

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South. At the same time, China continues to receive aid from the traditional donors, despite the fact that it has become a leading trading and manufacturing power and financial creditor. It is becoming increasingly difficult for China to sustain this hybrid position traversing the North-South divide.

In the case of India, the regional focus of its aid has diversified and its contributions have grown, but several challenges remain, including the rising expectations of its recipients and India's capacity to carefully monitor the effectiveness of its aid. In both cases, the challenges seem to have outpaced the necessary processes of institutional adaptation.

Policy & Research Implications

- The growing quantitative contributions and the qualitative differences of China, India, Brazil and South Africa as self-styled 'Southern development partners' could open the way for a future paradigm shift in development cooperation.
- For now, it is still to be seen whether the rise of these Southern countries as aid providers means a clear departure from past practices, the decline of the traditional donors or the transformation of the global aid architecture.
- It is, however, becoming increasingly evident that the cumulative rise of China, India, Brazil and South Africa as aid providers, even if not highly coordinated, presents coordination and leadership challenges to the traditional donors. The challenge is especially evident in terms of agenda- and priority-setting for global development.
- Finally, we should go beyond the traditional focus, concepts and approaches to the study of political economy and development in order to better understand the emerging dynamics that are associated with the rise of China, India, Brazil and South Africa as aid providers, and the implications for global development.

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