



Toward a Strategic Partnership between “Emerging” and “Traditional” Donors

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Summary

The relationship between traditional and emerging donors¹ can and should be a win-win-win relationship where both donors as well as recipients can benefit, instead of a zero-sum relationship where both camps compete over strategic gains and prospective aid projects. Both emerging and traditional donors have comparative advantages, and each donors of each camps can play an appropriate role to promote the development of recipient countries by establishing a strategic partnership. For such a partnership to be established, it is recommended that precise understanding of the strength and weakness of emerging donors should be reached, by departing from preoccupation, and by taking into consideration of the viewpoints of recipient countries which had been largely neglected in conventional studies. Traditional donors should help emerging donors adopt common norms and rules which are internationally recognized as minimum standard. Also, traditional donors should facilitate the in-depth studies of emerging donors' various development experiences relevant to developing countries, and the institutionalization of the aid systems of emerging donors.

¹ This note calls the providers of development cooperation that are outside the traditional donor community as “emerging donors”, for the simple reason that it is succinct and widely-used. It must be noted that some of them have been engaged in development cooperation as long as traditional donors. It is their substantial influence in the international community that is “emerging”.

1. Increasing influence of emerging donors

The 2000s witnessed the rising prominence of emerging economies. Their increasing influence was keenly felt especially in the field of development cooperation. In the latter half of the 2000s, a range of expectations for so-called “emerging donors” were expressed: some expected that emerging donors would supplement traditional donors plagued by “aid fatigue.” Others anticipated that mounting competitive pressure would oblige traditional donors to reform their inefficient aid systems¹. Some pointed out the possibility that Chinese and Indian aid provided in tandem with trade and investment would facilitate the take-off of African economies.

However, the practices of these emerging donors also raised concern in the international community. Among other considerations, traditional donors worried that the emerging donors’ ostensible reluctance or even indifference to governance and human rights issues under the banner of “no interference to the domestic affairs” and “respect for national sovereignty and ownership” of recipients would hamper the concerted effort by DAC donors to facilitate good governance. Their concern culminated in the argument that some emerging donors were “rogue aid” providers which undermine the good governance of recipient countries². However, much of these critical arguments neglected a broader understanding of emerging donors’ aid as something different from traditional donors’ aid in terms of concept and purpose, governed by its own set of norms rather than those of the DAC. Moreover, much of the commentary was based exclusively on China and failed to pay due attention to other emerging donors. Also, they failed to analyze the issue from the viewpoint of recipients.

2. Study of emerging donors by JICA Research Institute

Against this background, JICA Research Institute (JICA RI) initiated a research project on emerging donors in 2009. It aimed to fill a gap in the literature and in policy debates by investigating the heterogeneity of emerging donors, and by shedding light on the realities of their activities from the viewpoint of recipients, instead of launching one-sided criticisms from traditional donors’ perspectives. The research raised the importance of the empirical estimation of the volume of Chinese aid which had been exaggerated, by revealing its ODA-equivalent volume³. It also revealed the multi-faceted realities of emerging donors by investigating aid from India, South Africa, Indonesia, and Thailand. Furthermore, field research by JICA RI in Cambodia examined the realities of aid from China, India, Korea, and Thailand as well as the strategy of the Cambodian government in dealing with these donors.

3. Renewed interest in emerging donors

In the 2010s, the international community has seen the activism of emerging donors such as the establishment of the Asian Infrastructure Investment Bank, and the promotion of the Belt and Road Initiative, which are interpreted as moves by emerging countries to create and consolidate a new international aid order. Alleged exacerbation of the debt sustainability of recipients by massive loans by China has also attracted the attention of the international community. Criticism of emerging donors is again gaining impetus, as in the 2000s, and the international community is obliged to ponder on how to deal with those emerging donors with ever-increasing influence. Against the background of the

waning dominance of traditional donors in designing the international aid architecture, reaching a precise understanding of the realities of emerging donors as well as the future architecture of development cooperation they want to establish is of vital importance for traditional donors if they want to meaningfully contribute to the establishment of a new international order for development cooperation. This brief was written to present policy recommendations for the above-mentioned topic of international concern, based on JICA RI research.

4. Policy Recommendations

4-1 Strategic partnership with emerging donors must be established.

Taking into consideration the vast demand for infrastructure development in the developing countries, and the huge potential for collaboration, the relationship between traditional and emerging donors can and should be a win-win-win relationship where both donors as well as recipients can benefit, instead of a zero-sum relationship where both camps compete over strategic gains and prospective aid projects.

As examined later, both emerging and traditional donors have comparative advantages, and each donors of each camps can play an appropriate role to promote the development of recipient countries by establishing a strategic partnership. Here, strategic partnership refers to the constructive relationship which enables both traditional and emerging donors to enhance the development of developing countries as well as to benefit mutually *via* cooperation and healthy competition under

internationally recognized norms and rules.

Japan would be able to mediate the interaction between traditional and emerging donors. Firstly, Japan, while being a member of OECD-DAC, maintains aid norms similar to emerging donors: in contrast to the aid norms that see aid as unilateral and a vertical flow of money and knowledge, Japan emphasizes horizontal collaboration between donors and recipient countries where both sides benefit and knowledge is co-created⁴. Secondly, Japan was the first among DAC donors in realizing the importance of facilitating horizontal South-South Cooperation among developing countries by way of triangular cooperation. Thirdly, Japan's unique experience of being a donor at the same time as being a recipient in the 1950s and 1960s provides a valuable reference point in understanding the behavior of emerging donors that are now going through similar process, and for the facilitation of their effective and efficient activity as emerging donors.

4-2 Precise understanding of the strength and weakness of emerging donors is important. (1) It is required to depart from preoccupation.

Conventional scholarship tends to treat emerging donors as homogeneous, in their enthusiasm to emphasize the difference between traditional and emerging donors. However, emerging donors are indeed heterogeneous, just as traditional donors are. That is, aid norms and practices are different among China, Thailand, and South Africa, in just the same manner as they are different among Japan, the United States, and the Netherlands. Taking the example of the

establishment of a special agency devoted to development cooperation, the situation also varies greatly: Thailand, Brazil, and Russia established this relatively early, China established it in 2018, while India, Indonesia, and South Africa still fail to have it. In addition, the norms and practices of emerging donors are changing, just as those of traditional donors have been evolving overtime. Their evolution varies greatly in accordance to the donor's economic development and resultant rise of their status in the international community as well as changes in self-recognition in the international society⁵. These unique natures of each emerging donors should be taken into consideration, when traditional donors seek to establish strategic partnership with each of emerging donors.

(2) Empirical analysis is necessary.

China frequently becomes the focus of criticism. However, the simplistic argument that China, a monolithic body comprising of the communist party, government, and its enterprises, has a single-minded mission to make the most of aid to become a major world power is beside the point. Just as in other countries, there is intricate confrontation of interests among various relevant actors in the aid process within China, and hence without dispassionate and empirical analysis of the complexity of the Chinese aid system, we would run the risk of misunderstand the future direction of Chinese aid. The same applies to other emerging donors as well.

(3) Viewpoint of recipients is crucial.

It is an irony that notwithstanding the frequent reference to the importance of ownership, the recipients' viewpoint has been neglected in the ongoing discussions on emerging donors. JICA RI's study found that although recipient countries suffer from the rise of transaction costs in dealing with increasing number of donors with different norms and procedures, nonetheless they are astute enough to make the most of any new opportunity. First, they are trying to induce favorable treatment from both traditional and emerging donors. Indeed, they are successful: they are gaining bargaining power vis-à-vis both camps, and competitive pressure from emerging donors obliges traditional donors to introduce institutional reforms to accommodate the dissatisfaction of recipients that had been long neglected. Second, recipients are trying to achieve the best-mix of donors to achieve their developmental goals, based on the understanding of the comparative advantages and weaknesses of each donor. Hence, it is important to grasp how recipient countries evaluate emerging donors, and how they are changing their assessments of traditional donors in comparison to emerging donors.

(4) It is important to grasp the strengths and weaknesses of emerging donors' aid

To establish strategic partnerships with emerging donors, it is important to grasp their strengths when trying to build an effective division of labor, and if they have weaknesses to

cooperate in ameliorating them where possible. The strength of emerging donors lies in their relative newness or even the contemporaneousness of their own development experience. In contrast to developed countries whose industrialization and rapid economic growth happened far in the past, emerging powers have the experience of overcoming their development challenges under virtually the same international and geographic environments as fellow developing countries. This means emerging donors have a huge potential capability to provide developing countries with more adaptive knowledge and experiences relating to the realities of recipients. However, a caveat applies: their development experience remains tacit knowledge that cries out for systematic theorization and documentation for it to be successfully transferred to developing countries. The other weakness is any deviation from norms and rules that are indispensable for the sound and sustainable development of developing countries. Among other considerations, excessive loan financing without due consideration of the debt sustainability for the recipient is attracting the increasing attention of the international community.

4-3. What can traditional donors do?

(1) To help emerging donors adopt common aid norms and rules as minimum standards

Recently, the dominance of DAC donors in setting common aid norms and rules seems to be on the wane, by the rising prominence of non-DAC donors. Meanwhile, an endeavor among

emerging donors to create common norms of South-South Cooperation is still in an embryonic stage. Taken together, this means that currently there are no norms and rules that are universally shared among donors. To be sure, norms of aid vary, reflecting each donor's unique history of development, their international status, or their diplomatic strategy. Still, certain norms and rules must be shared among *all* donors as minimum standards to avoid unnecessary competition or to respect the interests of recipients. Japan can and should play the bridging role in facilitating the formation of such common norms and rules.

First, traditional donors must nudge emerging donors to accept such normative values as the rule of law or the democratic accountability of government. In doing so, traditional donors should bear in mind that the introduction of such “universal values” should not be the imposition of values, and that such normative values can and should take various forms in the context of recipient countries.

Common rules include transparent and fair procurement, consideration for debt sustainability, the economic viability of aid projects, and open-access to infrastructures built by aid. Traditional donors can facilitate emerging donors to employ these rules by way of their assistance to help new donors to institutionalize their aid systems.

To be noted here is that emerging donors are in a long process of change, for the same reason that Japan improved its aid system under criticism and pressure from peer donors about its “commercialism,” lack of transparency, and

accountability. Emerging donors are in the same process, and thus traditional donors should eschew strident criticism and cease pressurizing them for their failure to meet “internationally accepted norms and standards.”

(2) To learn from emerging donors' development experiences

Traditional donors should facilitate the theorization and dissemination of emerging donors' various development experiences relevant to developing countries. Also, traditional donors should facilitate the institutionalization of the aid systems of emerging donors, as Japan has already done for such emerging countries as Singapore, Thailand, Mexico, and Brazil. Due attention shall be paid

to make such assistance suitable for the uniqueness of each new donor's situation. Likewise, traditional donors should promote the up-scaling of triangular cooperation to facilitate South-South Cooperation. After the 40 years that have passed since the adoption of the Buenos Aires Action Plan that proposed concrete actions to promote technical cooperation among developing countries, it is now required to construct a new framework for SSC that takes into consideration the drastic changes in the international political and economic situation. Since an effective and efficient SSC would facilitate the successful achievement of the SDGs, traditional donors should contribute to the establishment of a new framework for SSC.

¹ Woods, N. 2008. "Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance." *International Affairs* 84 (6): 1205-1221.

² Naím, M. 2007. "Rogue aid." *Foreign policy* 159: 96-98.

³ Kitano, N. 2018. "Estimating China's foreign aid using new data: 2015-2016 preliminary figures."

⁴ Fukuda-Parr, S, and H. Shiga. 2016. "Normative framing of development cooperation: Japanese bilateral aid between the DAC and Southern donors." JICA-RI working paper 130.

⁵ Kondoh, H. 2015. "Convergence of Aid Models in Emerging Donors? Learning Processes, Norms and Identities, and Recipients." JICA-RI working paper 106.

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Related publications and information are available at the website below.

JICA Research Institute, Research Project “Emerging Donors”
<https://www.jica.go.jp/jica-ri/publication/topic/donors.html>

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