Enhancing Concessional Assistance for a Post-2015 Development Agenda

Aggregate concessional financing flows to developing countries reached at least $220 billion in 2012, of which about $76 billion went to developing Asia and the Pacific. The international development community and national governments can take wide-ranging actions to enhance these flows and channelize them toward a potential post-2015 development agenda.

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Enhancing Concessional Assistance for a Post-2015 Development Agenda

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## CONTENTS

FIGURES, TABLES, AND BOXES ................................................................................................................................. iv  
ABSTRACT ....................................................................................................................................................................... v  
ACKNOWLEDGMENTS .................................................................................................................................................... vi  
ABBREVIATIONS ........................................................................................................................................................ vii  
EXECUTIVE SUMMARY ................................................................................................................................................ viii  
1. INTRODUCTION ........................................................................................................................................................ 1  
2. EMPIRICALLY ESTIMATING AGGREGATE CONCESSIONAL FINANCING TO ASIA AND THE PACIFIC .......... 1  
   2.1 Traditional Bilateral and Multilateral ODA ........................................................................................................ 2  
   2.2 New Bilateral Donors from the South .................................................................................................................. 7  
   2.3 Private Philanthropic Flows .................................................................................................................................. 11  
   2.4 Assessing Total Concessional Financing for Asia and the Pacific ................................................................. 14  
3. GETTING AID TO EFFECTIVELY SUPPORT A POST-2015 DEVELOPMENT AGENDA .................. 15  
   3.1 Common Recommendations for All Forms of Concessional Assistance ..................................................... 15  
   3.2 Additional Recommendations Specific toTraditional ODA ................................................................. 19  
   3.3 Additional Recommendations Specific to South–South Concessional Flows ............................................. 23  
   3.4 Additional Recommendations Specific to Private Philanthropy .............................................................. 25  
4. CONCLUSIONS .......................................................................................................................................................... 29  
REFERENCES ............................................................................................................................................................... 30
FIGURES, TABLES, AND BOXES

FIGURES

A Recent Available Minimum Estimates of Net Aggregate Concessional Financing to All Developing Countries, 2007–2012 .......................................................... viii


2 Total Net ODA from All Bilateral DAC and Multilateral Donors to Developing Asia and Pacific ........................................................................................................ 4

3 Rising Net Traditional ODA to Asia and the Pacific FCAS and LDCs .............................. 5

4 Recorded ODA and Actual ODA per $2.00/day Poor Person in Asia and the Pacific, 2012 .................................................................................................................. 7

5 ODA as a Share of GDP in Developing Countries ............................................................ 8

6 Net Disbursement of ODA from Non-DAC Countries ...................................................... 9

7 Private Philanthropic Flows to Developing Countries ..................................................... 13

8 Net ODA as a Percent of GNI from DAC Donors, 2013 ................................................... 20

9 Proxies for MDG Focus of Concessional Financing, by Sector, 2010–2012 .................. 26

10 Formalization of Grantee/Project Selection Depending on Structure of Family Philanthropic Unit in Asia .............................................................. 28

TABLES

1 Estimate of Gross Concessional Flows for Development Co-operation from Key Partners .................................................................................................................. 11

2 Estimating (Minimum) Total Concessional Assistance to Asia and the Pacific, 2012 .......... 14

BOXES

1 Defining Official Development Assistance ....................................................................... 2

2 Areas for Development Assistance from New Bilaterals ............................................... 8

3 The Debate on the Definition of ODA ............................................................................. 22

4 Example of Triangular Cooperation: Germany–Mexico–Guatemala—Managing Solid Waste ............................................................................................................. 24

5 Strategies to Multiply Impact of Philanthropic Flows ....................................................... 27
This paper seeks to empirically estimate the aggregate volume of concessional financing flows (comprising of traditional ODA, concessional flows from emerging donors, and private philanthropic flows) to all developing countries, as well as the share going to developing Asia and the Pacific. Empirical evidence shows that aggregate concessional financing flows to developing countries were at least $220 billion in 2012, of which at least $76 billion went to developing Asia and the Pacific. Traditional ODA still remains the single most important reported source of concessional financing for developing countries in general, although estimated private philanthropic flows appear to be more important in the Asian context. ODA-like financing flows from emerging economies appear to be relatively small.

The paper examines mechanisms whereby different types of concessional flows—with diverse objectives and motivations—might be directed to effectively support a common post-2015 development agenda. Concessional flows are sensitive to poverty and MDGs, but much remains to be done to focus these on national and international development priorities. Common measures that can help channelize these flows toward a post-2015 agenda include continued sensitization of aid providers through wide-ranging consultations, establishment of objective and transparent indicators measuring developing countries’ need for and capacity to use assistance, and improvement in data and information (particularly for flows from private philanthropists and emerging bilaterals).

In addition, the international development community and national governments can take specific actions. Providers of ODA flows must maintain a focus on vulnerable countries. International forums can encourage developed countries deliver on their ODA commitments. Measures must be adopted to ensure that south–south concessional flows do not crowd out traditional financing, including through triangular cooperation between northern and southern donors and developing country partners. Private philanthropy can be directed toward a post-2015 agenda mainly by national governments through appropriate policies, better promotion of targeted causes, and demonstration of social impacts of specific programs that need support.
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ABBREVIATIONS

BRICS  Brazil, the Russian Federation, India, the People’s Republic of China, and South Africa
CGP   Center for Global Prosperity
CRS   Creditor Reporting System
DAC   Development Assistance Committee
ESCAP Economic and Social Commission for Asia and Pacific
FCAS  fragile and conflict-affected situations
GDP   gross domestic product
GNI   gross national income
GNP   gross national product
IATI  International Aid Transparency Initiative
LDC   least developed countries
LIC   low-income countries
MDG   Millennium Development Goals
MIC   middle-income countries
NGOs  nongovernment organizations
ODA   official development assistance
OECD  Organisation for Economic Co-operation and Development
PRC   People’s Republic of China
PRSP  Poverty Reduction Strategy Papers
EXECUTIVE SUMMARY

1. **Objectives.** This paper seeks to empirically estimate the aggregate volume of concessional financing flows to all developing countries, as well as the share going to the developing Asia and Pacific region. It then examines mechanisms whereby different kinds of flows—with diverse objectives and motivations—might be directed to effectively support a post-2015 development agenda.

2. **Aggregate concessional financing flows to developing countries.** Aggregate concessional financing flows to all developing countries is captured in this paper as: (i) bilateral ODA from DAC donors; (ii) multilateral ODA; (iii) bilateral ODA from non-DAC donors; (iv) bilateral ODA-like flows from emerging donors (e.g., Brazil, India, Indonesia, the PRC, and South Africa); and (iv) philanthropic flows from DAC countries and emerging donors (e.g., Brazil, India, the PRC, and South Africa), including family philanthropy (e.g., India and the PRC). Together, these are estimated as at least $220 billion in 2012. Furthermore, preliminary data available for 2013 on bilateral, multilateral and non-DAC ODA suggest that these components have gone up.

3. Available estimates show recent fluctuations in ODA flows, while private philanthropic flows (excluding family giving, for which trends are not available) have risen steadily. ODA still remains the single most important reported source of concessional financing in 2012, but estimated private philanthropic flows are close to two-thirds of ODA. ODA-like flows from emerging economies are still small, but financing flows understate the influence of south–south cooperation in the form of technical assistance, trade patterns, and investment relationships.

Figure A: Recent Available Minimum Estimates of Net Aggregate Concessional Financing to All Developing Countries, 2007–2012

Notes: Private philanthropic flows exclude systematic data on family philanthropy by Asian countries, as this is not available over time. In 2012, family philanthropy in India and the PRC alone could be about $20 billion in addition to the $200 billion estimated from other concessional sources.

4. **Concessional financing flows to Asia and the Pacific.** The amount of aggregate concessional financing from various sources going to the Asia and Pacific region is difficult to estimate due to data shortcomings. Back-of-the-envelope “guess-timates,” based on broad assumptions, suggest that between $76.3 billion and $79.4 billion of the aggregate concessional financing to developing countries in 2012 went to Asia and the Pacific. Applying a range of estimates obtained from scholarly articles, it appears that concessional financing per $2.00/day poor person in Asia and the Pacific was between $44.20 and $46.00 in 2012, while it was between $93.12 and $95.98 in all developing countries. Further, given leakages, administrative costs, nondevelopment expenditures, and conditionalities that come with concessional financing, it is estimated that the amount of concessional financing reaching the ‘frontline’ in terms of actual development programs and projects in Asia and the Pacific would be just $16.40 to $17.80 per $2.00/poor person in 2012.

5. **Overall challenges.** Given a limited amount of concessional financing going to Asia and the Pacific, the challenges are to enhance the availability of funds for and to channelize funds toward a post-2015 development agenda. Since concessional funding is provided on a voluntary basis, motivated by self-interest as well as altruism, and financing is often needed most in countries that are least able to use it efficiently, directing concessional financing toward a post-2015 agenda is a process that will require time and effort from various stakeholders. Bilateral aid providers, multilateral development banks, and receivers of concessional financing must all accept and fulfil their responsibilities in this respect.

6. **Recommendations.** All forms of concessional financing can be channelized toward a post-2015 agenda through some common measures, although the degree of influence will vary.

- **First,** the development community must *establish and publicize the post-2015 agenda* (including country-level variations in targets) through a consultative process. Emerging donors and private philanthropists must be involved in the process in order to create wide ownership of the agenda beyond just traditional donors. Potential receivers of concessional financing have to customize targets to country-specific needs, and establish a results-oriented approach through their poverty reduction strategy papers or national plans.

- **Second,** the global development cooperation framework must be *nuanced to meet specific needs of different countries,* and also take a holistic view of available financing.
  - In low-income countries with good governance, assistance can be provided as budget support, with the receiving country responsible for designing aid-financed projects/activities in line with their own priorities. In low-income countries with weak governance, the aid providers have to play a more active role in design and delivery.
  - In middle-income countries, external concessional financing can be focused on sectors with higher regional spill-offs and global benefits. Middle-income countries must take greater responsibility for funding activities in sectors where the benefits are more country-specific. Bilateral and multilateral donors can take on a more catalytic role, while receiving countries must establish policy and institutional mechanisms that can raise more financing for development activities.

- **Third,** *improving data and monitoring* will enable the development community to get a more accurate handle on the amounts of financing available. Common definitions and reporting mechanisms must be consultatively established by the development community, and aid players must be encouraged to use them for reporting. Multilateral development banks can assist in upgrading data platforms. Aid receivers (especially in well-governed countries) will be well served by establishing national aid-coordinating agencies that can measure, channelize and monitor...
development assistance. Effective monitoring and evaluation of assistance by developing countries—with technical inputs from aid providers as necessary—can promote evidence-based policy-making, detect problems early, keep programs on track, and generate lessons for replication. If developing countries can credibly demonstrate results, this can incentivize providers to provide greater resources.

- Fourth, developing a simple and transparent aid allocation index, combining efficiency of aid use and developing country needs (relative to a post-2015 development agenda), can provide a marker for aid givers. Multilateral development banks can work with researchers to establish/update this index. The existence of such an index, of course, does not bind the development community to use it. However, it will provide a source of readily accessible information on where concessional funds should flow. Monitoring actual allocation from various sources against the (dynamic) index also allows interested donors to coordinate and adjust allocations over time, and may help depoliticize aid allocation decisions. However, among private philanthropists, larger corporate groups or foundations in developed countries are more likely to take note of this index, than smaller family philanthropists in developing countries who are motivated more by religious, national, community, or business concerns.

7. **Specific recommendations for traditional ODA.** While these are difficult times for the global economy, DAC donors may be further encouraged to step up their financing and deliver on pledges through international donor forums. On a positive note, traditional ODA flows are empirically found to be sensitive to MDGs, and there is a gradual trend toward concentration of ODA in least developed and fragile states. These trends give reason to believe that traditional ODA would also have a tendency to flow to countries that are farthest from post-2015 targets, and must be encouraged through international forums. At the same time, it is important for the development community to manage communication on ODA to avoid creating great expectations—since headline amounts of ODA do not capture administrative costs, leakages, and are not reflective of funds reaching the ‘frontline’ in terms of projects and programs in developing countries. As a longer term measure, it will be useful to redefine ODA to capture contribution to global well-being rather than just grant components.

8. **Specific recommendations for south–south concessional financing.** South–south flows generally come with less stringent conditions than traditional ODA—and may occasionally involve disregard for human rights issues, or be blended closely with commercial interests. This can lead to crowding out of traditional donors. In order to minimize south–south flows from crowding out north south flows, triangular cooperation offers a potential for horizontal partnerships between southern countries, coupled with engaging traditional donors as the “triangulators.” Stakeholder engagement to bring together potential northern and southern donors must be facilitated by national governments, to identify mutual areas of interest.

9. **Specific recommendations for incentivizing private philanthropic flows.** Since much of family philanthropy in Asia and the Pacific is focused within the originating country, national governments should take the lead in channelizing these funds in desired directions. These flows can be influenced by measures such as: (i) the quality, coverage, and efficiency of government programs in any country/sector, which can attract private givers to the cause; (ii) government policies like tax breaks; (iii) government match-funding initiatives that can leverage private flows; (iv) establishment of credible national facilitation or coordinating bodies to channelize private giving and volunteerism in particular directions; and (v) promotion of targeted causes, and guiding the private sector as well as international donors toward these causes through, for example, effective use of social media. Encouraging professional management of family philanthropic units and exploring crowd-funding can also enhance flows in particular directions.
1. INTRODUCTION

1. The architecture of development financing is changing. National governments in many developing countries can now access diverse sources of financing, including market-based resources. South-south cooperation is emerging as a complement to traditional development assistance. In particular, resource flows from emerging economies have surged in recent years, although they remain significantly smaller than financial support provided by traditional donors. Remittances and foreign direct investments also form an important part of the overall resource flows to developing countries.

2. At the same time, the poorer and more vulnerable countries continue to face significant development challenges and constraints. They are hampered by risks to creditworthiness, which makes it relatively difficult for them to access market-based resources. Against this backdrop, they face a continued need for developmental resources. Furthermore, as and when the post-2015 development agenda is finalized, these countries will also need support to achieve new targets, which could be more ambitious than the millennium development goals (MDGs).

3. This paper seeks to empirically estimate the aggregate volume of concessional financing flows to all developing countries, as well as the share going to the developing Asia and the Pacific region. It looks at the available data, and identifies gaps and shortcomings that affect the estimation. It also examines mechanisms whereby different kinds of flows—with diverse objectives and motivations—might be directed toward a common post-2015 development agenda. This includes actions that could be taken by providers and by recipients of concessional assistance, as well as the development community as a whole.

4. Concessional financing for the purposes of this paper is taken to comprise of traditional official development assistance (ODA), ODA-like flows from emerging donors, and private philanthropic flows. It is noted that the focus of this paper is on concessional financing only, and it excludes other financial flows to developing countries, including market-based resources, remittances, and foreign direct investment (FDI).

2. EMPIRICALLY ESTIMATING AGGREGATE CONCESSIONAL FINANCING TO ASIA AND THE PACIFIC

5. This section examines available data on the three different sources of concessional financing (para. 4) available to the developing Asia and the Pacific region—to arrive at empirical estimates of the aggregate. Data on traditional bilateral and multilateral ODA is readily available from the Organisation for Economic Co-operation and Development (OECD). The gap between the needs of developing countries and available ODA has paved way for the emergence of new bilateral donors from the south and private aid givers. These new players do not yet have harmonized definitions of aid or standardized reporting mechanisms, hampering an analysis of data. However, available data shows the importance of new sources of concessional financing.

6. It is recognized that there is no unique definition of concessional financing. This paper focuses on grants or loans that are extended on terms substantially more generous than market loans, with the aim of achieving a certain goal. The concessionality is achieved either through interest rates below those available on the market or by grace periods, or a combination of these.
2.1 Traditional Bilateral and Multilateral ODA

7. Traditional ODA from multilateral organizations and OECD Development Assistance Committee (DAC) donors benefits from a clear definition, which facilitates reporting and measurement. While there is debate on this definition, this section reports on data that follows the existing definition (Box 1).

Box 1: Defining Official Development Assistance

ODA is defined as those flows to developing countries and multilateral institutions provided by official agencies, including state and local governments, or by their executive agencies. Each transaction meets the following tests: (i) it is administered with the promotion of the economic development and welfare of developing countries as its main objective; and (ii) it is concessional in character and conveys a grant element of at least 25%. The grant element computes concessionality as “the difference between the face value of the loan and the sum of the discounted future debt service payments to be made by the borrower expressed as a percentage of the face value of the loan.”


2.1.1 Data Trends and Regional Patterns

8. Traditional ODA to all developing countries went up during 1990–2012. Since the adoption of the MDGs in 1990, net ODA disbursements to developing countries has been on a rising trend—both in aggregate nominal and real terms (Figure 1). Net disbursement of multilateral and bilateral DAC ODA to developing countries amounted to $126.9 billion in nominal terms in 2012, more than double the nominal amount in 1990 (Figure 1). ODA has also risen in real terms in this period, though the increase is less sharp than the nominal increase. However, there have been significant fluctuations in the overall trend. In particular, real ODA has declined during 2010–2012.

9. Net ODA to Asia, however, has been declining based on all indicators since 2008. Net ODA at current prices to developing Asia fell from $38.4 billion in 2008 to $30.9 billion in 2012, while net ODA to Africa rose from $44.4 billion to $50.1. In parallel, real ODA to Asia, Asia’s share in ODA to developing countries, Asia’s ODA per capita and ODA as a share of Asia’s GNI—all show a decline since 2008 (Figure 2).

10. The Pacific has fared better than Asia in terms of net ODA flows. Real ODA to the Pacific, as well as ODA per capita in the Pacific, and the Pacific’s share in total net ODA flows to the developing world has risen since 2008 (Figure 2). In per capita terms, ODA to the Pacific region far outstrips ODA to the rest of the world. Net ODA to the Pacific at current prices stood at $2.1 billion in 2012, compared to $1.5 billion in 2008.
11. The recent declining trend in net ODA to developing Asia and the Pacific reflects the decline in net ODA to the growing group of middle-income countries (MICs). In 2009, ODA to MICs in the Economic and Social Commission for Asia and the Pacific (ESCAP) amounted to $18.2 billion. In 2012, this had fallen to $15.9 billion. Declining ODA to developing Asia and the Pacific is partly a reflection of rapid growth in the region.

12. Traditional ODA to the Asia and Pacific region is disproportionately lower than poverty. Based on latest available $2.00/day poverty figures, the net recorded traditional ODA disbursement per poor person in any developing country was $54.3 in 2012. In contrast, the figure for Asia and the Pacific was $19.1 per poor person. The net recorded traditional ODA per $2.00/day poor person in Africa was more than $84.1. While ODA to ESCAP MICs is declining, a large share of world poverty is still found in these countries. In 2010, ESCAP MICs were home to 62.5% of the world’s $2.00/day poor, but they received 19.3% of total net traditional ODA to developing countries. At the same time, Africa received 38.7% of the world’s net ODA in 2012, while being home to 24.9% of the world’s poor.

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Notes: Real ODA is defined in 2011 $. Bilateral ODA covers 27 DAC countries and multilateral ODA covers 34 multilateral organizations (and their concessional funding modalities).


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1 Middle-income countries follow the World Bank classification, and are defined by per capita GNI in excess of $1,045 in 2013.
Figure 2: Total Net ODA from All Bilateral DAC and Multilateral Donors to Developing Asia and Pacific

Notes: Regional classification follows that of the Organisation for Economic Co-operation and Development (OECD). OECD’s Oceania region is represented as the Pacific region. GNI and population figures underlying the data in the lower panels are for the recipient countries.

13. On a positive note, traditional ODA to fragile and conflict-affected situations (FCAS) and least developed countries (LDCs) has gone up. Given that the region is home to 9 FCAS\(^2\) countries and 14 LDCs,\(^3\) ODA is likely to be a key source of concessional assistance for them. In 2012, FCAS and/or LDCs in the Asia and Pacific region together received $12.5 billion in ODA, compared to $10.1 billion in 2008, and $4.2 billion in 1990. A similar trend is also observed in Africa, which is presently home to 32 LDCs. The amount of net ODA disbursements to African LDCs has gone up from $11.7 billion in 1990 to $26.6 billion in 2008, and further to $27.7 billion in 2012. This is possibly reflective of donor priorities, to concentrate assistance in these countries as opposed to countries which are better placed to access alternative funding sources (including private and nonconcessional). It will be important to continue special assistance to these countries post-2015, since they are still disadvantaged relative to other developing countries.

![Figure 3: Rising Net Traditional ODA to Asia and the Pacific FCAS and LDCs](http://stats.oecd.org/#) (accessed 18 August 2014).

14. Preliminary data for 2013 shows that traditional net ODA disbursement has gone up. While a breakdown by recipient is not yet available, traditional ODA appears to have gone up from $126.9 billion in 2012 to $134.8 billion in 2013. This marks an increase in real terms as well. Both multilateral and traditional ODA have registered increases in 2013.

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\(^2\) The Asian Development Bank lists these as Afghanistan, Kiribati, the Republic of the Marshall Islands, the Federated States of Micronesia, Myanmar, Nepal, Solomon Islands, Timor-Leste, and Tuvalu.

\(^3\) The United Nations lists these as Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, the Lao People's Democratic Republic, the Maldives, Myanmar, Nepal, Samoa, Solomon Islands, Timor-Leste, Tuvalu, and Vanuatu.
2.1.2 Estimating Traditional ODA for Development Purposes

15. Of the $126.9 billion traditional ODA net disbursements in 2012 across developing countries, how much was really for development programs and projects? Kharas (2007) found that, of $107 billion publicized as net ODA in 2005, only $38 billion was for development purposes.\(^4\) A similar analysis applied to the $126.9 billion for 2012 presents a much better—although still sobering—picture.\(^5\) Excluding similar items following the Kharas (2007) methodology, it appears that some $85.7 billion of $126.9 billion was for development purposes—i.e., to finance programs and projects on the ground in developing countries in 2012. Furthermore, Kharas (2007) estimates that leakages from the resources disbursed by a donor for development programs and projects are roughly 50%.\(^6\) Extending the Kharas (2007) analysis to 2012, it is estimated that about $42.8 billion of the $85.7 billion for development programs and projects may have translated into actual services delivered on the ‘frontline.’

16. How much in development services from ODA-financed programs and projects did the average poor person in Asia and the Pacific actually receive? Of the $42.8 billion ODA estimated to reach the ‘frontline’ in 2012, we may apply the Asia and Pacific share of total recorded ODA of 25.5% as an approximation. Thus, about $10.9 billion ODA disbursements in 2012 would have reached the ‘frontline’ in Asia and the Pacific (Figure 4). This works out to only about $6.3 per $2.00/day poor person in 2012.\(^7\) This is a far cry from the recorded ODA per $2.00/day poor person in Asia and the Pacific, of $19.1 (para. 12). In contrast, the recorded ODA actually reaching the $2.00/day poor person in the average developing country is closer to $17.9. In Africa, it is estimated at $27.9—almost four-and-a-half times the figure for developing Asia and Pacific. While these numbers are approximations, they indicate that the headline ODA numbers may be overstating the amount of assistance reaching the beneficiaries.

2.1.3 Declining Materiality of Traditional ODA

17. Traditional ODA constitutes a small proportion of aggregate resource flows to developing countries. Including sources such as military and security assistance, remittances, FDI, long term debt, private philanthropic flows, development cooperation from non-DAC countries, and nonconcessional official flows, resource flows to developing countries amounted to more than $2 trillion in 2011. Traditional ODA constituted about 7.1% of this. However, it still remains the key source of concessional finance for poor countries.\(^8\)

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4 Homi Kharas. 2007. *The New Reality of Aid*. Wolfensohn Center for Development at Brookings. Kharas adopts an approximate analysis to exclude debt relief, technical assistance, donor administrative costs, and food and emergency aid from 2005 ODA to estimate the amount of ODA actually going to development programs and projects.

5 The improvement between 2005 and 2012 estimates relies largely on the fact that debt relief—which was about $25 billion in 2005—is only around $3 billion in 2012.

6 Leaking include corruption, wastage, administrative costs, costs of preparing donor reports, running dedicated project management units, and facilitating donor missions and committees.

7 2010 data for $2.00/day poverty is used since 2012 data is not available.

18. At the same time, traditional ODA has declined as a share of GDP across regions, although it remains more material in low-income countries (LICs). Net traditional ODA disbursements as a share of GDP has fallen in developing regions—including the Asia and Pacific region and Africa. The decline in Asia and the Pacific has been more rapid than in other developing countries, likely reflecting rapid growth in the region. On a positive note, the additionality of traditional ODA remains relatively high in the LICs of Asia and the Pacific (Figure 5). A similar picture also emerges for the Pacific Islands, where the additionality of ODA is more than Africa’s, at 14.5% of GDP in 2011.

2.2 New Bilateral Donors from the South

19. This section examines data sources and trends in concessional financing from emerging bilateral donors. While there is a group of emerging donors who report to the DAC platform and follow the traditional definition of ODA, several other new bilaterals do not. These players do not have standardized data reporting mechanisms or harmonized activities, which hampers an analysis of their contribution. Therefore, estimation of aggregate south–south concessional flows is rendered problematic, due to data and reporting issues.
20. The gap between the continuing development needs of developing countries and available ODA has paved way for the emergence of these southern bilateral aid givers. These are generally middle-income countries, who may still themselves be accessing different forms of assistance in specific sectors. However, both altruism and self-interest have led them to establish development assistance programs, typically building on their own comparative advantage (Box 2).

**Box 2: Areas for Development Assistance from New Bilaterals**

Several emerging bilaterals seek to share their own development experiences and successes. The People’s Republic of China provides significant assistance in the form of turnkey projects, providing planning finances, manpower and training to implement projects. The Republic of Korea—which became a DAC member only in 2010—places an emphasis on export-led projects, human resources, and rural development, pooling human resources with capital in line with its core comparative advantage. Much of Brazil’s aid for agriculture projects is based on its own success in supporting small scale farmers. India provides assistance for training civil servants, engineers, and public sector managers of recipient nations, in line with its own expertise. Much of South African aid is focused on peacekeeping and education.

Cooperation between southern donors is increasing. The India–Brazil–South Africa Trilateral Initiative launched in 2003 seeks to promote south–south cooperation. The three countries have together launched capacity-building and agriculture projects. At the 2013 BRICS summit in South Africa, the BRICS nations (Brazil, the Russia Federation, India, the PRC, and South Africa) agreed to establish a BRICS development bank. Among its goals is to provide funding for infrastructure projects, and create a Contingent Reserve Arrangement worth $100 billion which will help member countries counteract future financial shocks.

2.2.1 ODA Flows from Non-DAC Bilaterals

21. This section examines data on ODA flows from non-DAC bilateral donors who report to the OECD-DAC platform. The data reveals some interesting insights.9

- First, non-DAC ODA tends to fluctuate quite significantly year-to-year. Several non-DAC donors report to the OECD-DAC data platform, based on the traditional definition of ODA. However, the number of reporting countries tends to vary by year. This causes aggregate fluctuations, and trends are hard to interpret. The number of reporting/contributing non-DAC donors has increased from 12 in 2000 to 25 in 2012.

- Second, of the total non-DAC bilateral net ODA of $5.3 billion in 2012, Asia and the Pacific accounts for a substantial share (Figure 6). In 2012, Asia and the Pacific received 61.3% of the total of $5.3 billion in non-DAC ODA, while Africa received 21.6%. Total non-DAC bilateral net ODA is estimated to have risen to $8.8 billion in 2013, although a breakdown by recipient is not yet available.

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Figure 6: Net Disbursement of ODA from Non-DAC Countries

$\text{billions}$


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9 These include non-DAC members Bulgaria; Cyprus; Estonia; Hungary; Israel; Kuwait; Latvia; Lichtenstein; Lithuania; Malta; Romania; the Russian Federation; Saudi Arabia; Slovenia; Taipei, China; Thailand; Turkey; and the United Arab Emirates.
Third, a larger share of non-DAC ODA is likely available for development purposes, compared to traditional ODA. As non-DAC donors provide relatively little by way of debt relief or technical cooperation, a greater fraction of their ODA is in the form of projects and programs.\(^\text{10}\) There is insufficient information on administrative costs and leakages.

Fourth, aggregate non-DAC bilateral ODA in 2012 was only 4.1% of traditional ODA, and is thus not likely to replace traditional ODA soon.

Fifth, OECD figures do not represent the full picture since several emerging donors—Brazil, the People’s Republic of China (PRC), India, Indonesia, and South Africa—do not report their development assistance to OECD-DAC, and do not conform to the traditional definition of ODA.

### 2.2.2 ODA-like Flows from Non-DAC Bilaterals

Several emerging bilaterals do not follow standardized definitions and reporting mechanisms (to OECD-DAC), which makes it difficult to estimate their development assistance. There are no consolidated estimates of India’s overseas assistance as there is not centralized agency administering foreign exchange programs. South Africa has established a centralized agency only in 2013. Till then, South African aid was distributed by various organizations and government departments, in a fragmented manner. PRC’s foreign assistance includes military assistance, which does not meet the 25% grant element benchmark required by DAC.

Nonetheless, data on non-DAC ODA as maintained by OECD can be supplemented with data on development assistance from a few other countries. Incomplete data from India, the PRC, Brazil, South Africa, and Indonesia has been compiled from various sources, including web-based estimates, research, and government publications. It suggests that ODA-like flows—measuring gross concessional flows for development cooperation—is at least $3.3 billion in 2011, from the PRC, India, and South Africa (Table 1). Extrapolating data for Brazil based on the average rate of increase in ODA-like flows during 2008–2010, and assuming a figure for Indonesia close to its 2010 ODA-like flows, it is estimated that ODA-like flows from all of these countries would have totaled about $4.0 billion in 2011.\(^\text{11}\) Extrapolating linearly to 2012, this figure may have reached $4.5 billion in 2012.

The above estimates of ODA-like flows have several caveats attached.

- The $4.5 billion figure estimated is for gross rather than net ODA-like flows. Factoring out 9% for repayments,\(^\text{12}\) it is estimated that net ODA-like flows from the above five countries could be about $4.1 billion in 2012.
- A breakdown by recipient country is not systematically available. While the PRC and South Africa provide more aid to Africa, and a substantial portion of Brazil’s aid goes to Portuguese-speaking nations, India’s aid is concentrated toward its neighbors in Asia.

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\(^\text{10}\) By the Kharas (2007) methodology, about 88.3% of non-DAC ODA in 2012 is estimated to have been for development projects and programs. In contrast, about 65.5% of traditional ODA in 2012 is estimated to have been for development projects and programs.

\(^\text{11}\) There are estimates suggesting that aggregate ODA-like south–south flows may be around $15 billion already (Kharas and Rogerson 2012).

\(^\text{12}\) This is derived from the ODA for non-DAC countries, whose net disbursements in 2012 were 91% of gross disbursements.
### Table 1: Estimate of Gross Concessional Flows for Development Co-operation from Key Partners
(Current $ Millions)

<table>
<thead>
<tr>
<th>Country</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Source of Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>291.9</td>
<td>336.8</td>
<td>362.2</td>
<td>482.1</td>
<td>n.a.</td>
<td>Until 2010: Brazilian Cooperation Agency</td>
</tr>
<tr>
<td>PRC</td>
<td>1,466.2</td>
<td>1,807.0</td>
<td>1,946.5</td>
<td>2,011.2</td>
<td>2,470.0</td>
<td>Fiscal Yearbook, Ministry of Finance, PRC</td>
</tr>
<tr>
<td>India¹</td>
<td>392.6</td>
<td>609.5</td>
<td>488.0</td>
<td>639.1</td>
<td>730.7</td>
<td>Annual Reports, Ministry of Foreign Affairs, India</td>
</tr>
<tr>
<td>South Africa¹</td>
<td>108.0</td>
<td>108.5</td>
<td>99.6</td>
<td>106.0</td>
<td>146.6</td>
<td>Estimates of Public Expenditures 2010–2012, National Treasury, South Africa</td>
</tr>
<tr>
<td>Indonesia</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>9.9</td>
<td>n.a.</td>
<td>Web-based research</td>
</tr>
</tbody>
</table>

n.a. = not available, PRC = People’s Republic of China.

Notes: (1) Figures for India and South Africa are based on their fiscal years. (2) Not all information is accessible through the web, so parts of the development co-operation programmes might not be reflected in these figures.


#### 2.2.3 “Guess-timating” Aggregate Concessional Flows from Southern Bilaterals

25. The minimum estimate of net non-DAC ODA and ODA-like flows that broadly constitute south–south concessional is $9.4 billion in 2012, of which about $4.3 billion goes to Asia and the Pacific. OECD data reveals that $3.2 billion of the total $5.3 billion in non-DAC net ODA went to Asia and the Pacific in 2012. While a similar breakdown for ODA-like flows from Brazil, the PRC, India, South Africa, and Indonesia is not readily available, it is estimated based on available regional information, that the region’s share in these flows would be lower—closer to 26% of $4.1 billion, or about $1.1 billion.

26. Research suggests that the maximum net non-DAC ODA and ODA-like flows could be $16.2 billion, of which the region’s share could be $7.4 billion. Based on an inconsistent number of non-DAC countries and emerging economies, a wider range of estimates of non-DAC ODA and ODA-like flows are available. Applying regional shares used above, it is estimated that the share of Asia and the Pacific could be up to $7.4 billion.

#### 2.3 Private Philanthropic Flows

27. This subsection examines the data on private philanthropic flows. Private organizations, including philanthropic foundations, nongovernment organizations (NGOs), and religious or community-based groups, constitute a mechanism to mediate resources toward development activities. In many countries, private giving outstrips ODA. For example, while ODA was about 11% of total US economic engagement with developing countries in 2010–2011, US private philanthropy was close to 14%. Less reliable estimates from India and the PRC suggest private philanthropy (about $20 billion in 2011) is more important than official bilateral concessional financing (about $3 billion in 2011). However, severe data shortcomings hamper estimation of these flows.
2.3.1 Data Issues around Philanthropic Flows

28. There are various impediments to reliably estimating the amount and efficiency of private philanthropic flows.

- First, there are no internationally available comprehensive estimates of global private philanthropy based on a common definition. Different regulations and legislative definitions of charitable organization and international giving make comparisons difficult. In the absence of a common definition of private philanthropic organizations, it is difficult to understand their activities and role vis-à-vis other development cooperation providers. Available estimates are generally based on private giving broadly defined to include private charitable donations through NGOs, private philanthropic organizations, corporations, religious organizations, volunteering, and universities and colleges—and do not clarify what proportion of this spending is development-oriented. Neither does data on private philanthropy flows necessarily provide a breakdown of disbursements to developing countries. Data on family philanthropy is fragmented, and hard to capture.

- Second, it is difficult to determine the development effectiveness of private philanthropy. Much of private philanthropy is disbursed directly to projects and/or to civil society organizations in developing countries, and is outside government’s official channels. Thus, private philanthropy might be less susceptible to misuse because it is delivered directly to the implementers, might be disbursed with less conditionalities, and might also be able to take more risks than official cooperation and therefore can support more innovative projects. At the same time, since private philanthropy is largely off-budget, it may not align with global and national development strategies and priorities. In fact, it might complicate national economic and financial management if there are many organizations disbursing relatively small amounts in an uncoordinated manner, using parallel systems.

- Third, comparing cost effectiveness of private philanthropy with that of ODA poses challenges. It may be expected that private philanthropy has lower transaction costs than ODA as private flows may have less bureaucracy and administration to contend with, and larger portions of their resources reaches the poor. However, there is little formal evidence to this effect, as data on the administration costs of many private philanthropic organizations are not readily available. Most northern foundations are required to submit basic financial accounts for tax purposes, and so, in principle, it should be possible to analyze administration costs of these organizations. In contrast, private philanthropic organizations from the south have few reporting requirements, and cost data for these organizations are not readily available.

- Fourth, foundations, corporations, and NGOs have different delivery channels which further confound estimation. Financial flows do not always capture volunteer activities and in-kind transfers. Inability to capture the value of these elements leads to underestimation of philanthropic flows.

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13 Development Cooperation Forum. 2013. UN Special Policy Dialogue on “Private Philanthropic Organizations in International Development Cooperation: New Opportunities and Specific Challenges.” The Issues Note for the Forum suggests defining “private philanthropic organizations or foundations focused on development cooperation as nongovernment nonprofit entities providing grants (or concessional loans) to other organizations, institutions or individuals for the purpose of promoting economic development and welfare of developing countries.”

14 Looking at the financial statement of some private philanthropic foundations, it would appear that OECD/DAC bilateral donors spent 5.5% of their total disbursements on administration costs, while in 2009 the Bill and Melinda Gates Foundation spent about 11.5% on programme and administrative expenses and the William and Flora Hawlett Foundation spent 9% on administration.
2.3.2 “Guess-timating” Aggregate Private Philanthropic Flows

29. Estimates of private giving vary widely, depending on data sources. OECD maintains some data on private giving, as submitted by DAC members. Based on this, aggregate private giving by DAC members is estimated as $31.5 billion in 2011. The Center for Global Prosperity (CGP) builds on the OECD figures through country-level research and partnerships in 13 DAC countries.\(^{15}\) It also attempts to estimate private giving from selected emerging economies. Their data finds that private philanthropic flows to developing countries from DAC donors, and the PRC, India, Brazil, and South Africa amount to more than $59 billion in 2011 (Figure 7). However, these figures for the emerging donors are compiled for foundations, and underestimates family philanthropy. Partial estimates of family philanthropy in Asia suggests that charitable giving in India and the PRC constituted 0.6% and 0.1% of their GDP respectively—which could mean around $20 billion additional, for 2012.\(^{16}\)

![Figure 7: Private Philanthropic Flows to Developing Countries](image)

Note: The figure for 2012 is linearly extrapolated. Family philanthropy in Asia and the Pacific is excluded.

30. Available estimates, even though incomplete, show overall private giving to be increasingly important. Data compiled by the CGP since 2005 confirms a steadily rising trend, even based on partial figures that exclude Asian family philanthropy. Extrapolating based on the linear trend of 2005–2011 suggests that these private flows to developing countries could be close to $63 billion in 2012 (Figure 7). Adding on $20 billion estimated as family philanthropy in the PRC and India (para. 29), the figure for global giving in 2012 could be upwards of $83 billion. Regional traceability of these funds is low, making it particularly difficult to estimate how much of it reached the ‘frontline’ in terms of projects and programs.

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31. The destination of private aid is difficult to assess, but may be pieced together from research and surveys. First, philanthropic flows by families in emerging Asian countries tend to be focused within the region. In 2011, a survey of family giving in Asia revealed that only 4% of private giving by Asian countries went outside Asia, while 96% was regionally focused (footnote 16). Applying the rate of 96% to the family flows in India and the PRC, it is estimated that $19 billion went to Asia and the Pacific in 2012. Second, a global survey based on top 10 developing country recipients of private giving, found that about 31.6% of global giving went to countries in Asia and the Pacific, while 46.6% went to Africa. Applying the rate of 31.6% to the CGP figures for global private giving of $63 billion in 2012, it is estimated that about $20 billion went to Asia and the Pacific. Total private giving to Asia and the Pacific in 2012 can therefore be estimated to be at least $39 billion.

2.4 Assessing Total Concessional Financing for Asia and the Pacific

32. Summarizing from the previous sections, total concessional financing available for Asia and the Pacific in the form of reported traditional ODA, reported and/or estimated concessional flows from new bilateral donors, and estimated private philanthropy (including family giving) comes to at least $76.3 billion in 2012 (Table 2). This is at least $44.20 per $2.00/day poor person. In contrast, concessional resources per $2.00/day poor person in all developing countries are at least $93.12. Estimated south–south concessional financing still does not pose quite a viable financial alternative to ODA, as it is less than a quarter of traditional ODA in the region. However, private philanthropy flows (including family philanthropy) are estimated to be more than traditional ODA, and form a serious source of funding for the region that can be tapped for development purposes.

<table>
<thead>
<tr>
<th>Table 2: Estimating (Minimum) Total Concessional Assistance to Asia and the Pacific, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td>-----------------</td>
</tr>
<tr>
<td>To All Developing Countries</td>
</tr>
<tr>
<td>$126.9 billion</td>
</tr>
<tr>
<td>To Asia and the Pacific Developing Countries</td>
</tr>
<tr>
<td>$33.0 billion</td>
</tr>
</tbody>
</table>


33. It is difficult to estimate the amount of the total concessional financing that reaches the ‘frontline’ in Asia and the Pacific without significant approximations—especially for ODA-like and private philanthropic flows. For recorded traditional ODA, the Kharas (2007) methodology suggests that only about $10.9 billion reaches the ‘frontline’ (Figure 4). For recorded ODA from non-DAC donors, a similar methodology suggests that 44% might be reaching the ‘frontline’ (footnote 9). For ODA–like flows from the PRC, India, Brazil, Indonesia, and South Africa, items like military aid and travel costs may be excluded, suggesting that about 33%–44% of recorded assistance may be reaching the ‘frontline’ for development purposes. Finally, broad estimates from Kharas (2007) suggest that about 35%–40% of philanthropic flows tend to be channeled toward food aid and emergencies, and some 7%–8% is lost to administrative costs. Allowing for program leakages, which may be lower than

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for ODA-financed projects, some 40%-45% of private philanthropic flows may be reaching the ‘frontline.’ In aggregate, based on some back-of-the-envelope “guesstimates,” of Asia and the Pacific’s aggregate concessional flows, some $28.3 billion to $30.7 billion may have actually reached the ‘frontline’—or just $16.40 to $17.80 per $2.00/poor person in 2012.

3. GETTING AID TO EFFECTIVELY SUPPORT A POST-2015 DEVELOPMENT AGENDA

34. Given a limited amount of concessional financing going to Asia and the Pacific, the challenges are twofold: to enhance the availability of funds for and to channelize funds toward effectively supporting a post-2015 development agenda. Concessional financing is provided by individual donors on a voluntary basis, and getting these diversely motivated forms of assistance to work together is difficult. Aid givers determine the amount, purpose, and direction of assistance. Bilateral aid is particularly influenced by commercial, strategic and short-term political interests of donor countries. Multilateral aid is likely to be more development-oriented than bilateral assistance. Philanthropic flows are motivated by considerations such as religion, family tradition and values, and tax considerations. It is not feasible to make these voluntary modes of concessional assistance compulsory. Also, aid is usually most needed in countries that have the least ability to use it effectively. Unfortunately, if funds are channeled into less favorable conditions, donors may wish to impose more stringent conditions in order to ensure best use of their funding, while smaller and private donors may even want to stay away from these situations.

35. In this section, we examine various mechanisms that could incentivize and direct different kinds of concessional assistance toward supporting a post-2015 development agenda. We look at some common recommendations that could work for all modes of concessional financing, and also at measures more specific to the different types of assistance. This section pulls together recommendations, from the perspectives of both providers and receivers of concessional financing. It highlights both conceptual and substantive factors.

3.1 Common Recommendations for All Forms of Concessional Assistance

3.1.1 Establishing and Publicizing the Post-2015 Development Agenda

36. As a necessary (but certainly not sufficient) condition, it is important to have well-publicized post-2015 development goals established through effective consultations. We can think of bringing different modalities of aid together only if there is an established and universally accepted agenda. The MDG framework achieved that basic condition—in terms of setting up broad goals for the development community to focus on and strive toward, and was a milestone in global and national development efforts. The MDGs also provided a platform for international and national dialogue. While individual countries adapted the MDGs to suit local contexts, the MDGs provided a benchmark for policy targets and achievements. Country experiences in attaining MDGs vary widely, but despite unevenness in outcomes, there is little doubt that establishing MDGs was a step in the right direction in terms of setting common priorities and implementing key development policies.

37. Accordingly, the development community must work together to establish a post-2015 development agenda through wide-ranging consultations, as the period for the attainment of MDGs draws to a close. Dialogue is well under way on the possible features of a renewed global partnership
for development in the post-2015 setting, and on characteristics of a monitoring and accountability framework. Representatives from governments of both donor and recipient countries, multilateral development partners, civil society, philanthropic organizations, academia and the private sector are engaged in conversations to identify the agenda. It is important to cast a wide net in terms of consultations, and bring in the southern bilaterals and philanthropic donors in a coordinated effort, in order to foster greater ownership of the post-2015 development agenda.

38. Potential receivers of concessional assistance have to customize targets and establish a results-oriented approach. Individual developing countries prepare their Poverty Reduction Strategy Papers (PRSP) or development plans. To encourage country ownership of PRSPs/national plans, the international community cannot impose post-2015 targets. However, PRSPs/national plans that draw on the post-2015 development agenda, but customize targets to meet country needs, can be a useful point of reference. High quality PRSPs/national plans that clearly identify trade-offs and choices can provide greater input into setting priorities and implementing key policies in recipient countries. Multilateral development banks can offer technical inputs (e.g., background analytical work) in a PRSP process led by developing country partners. PRSPs should also aim to establish realistic targets, taking into account policy environment, institutional capacity, and fiscal space.

3.1.2 Pursuing a Nuanced Global Development Cooperation Framework

39. The overall development dialogue must move toward a more global approach, with nuances to meet the needs of different developing countries rather than a one-size-fits-all approach. In an increasingly integrated world, development is no longer a country-specific concept, as regional cooperation and global public goods (and bads) take center stage, while absolute poverty is declining in importance as a concept.

- In low-income countries, concessional financing will remain important in the near terms. In well-governed low-income countries, aid providers must be flexible, and can consider providing assistance as budget support through the national government. Well-governed countries must take on the responsibility to set priorities and design aid-financed activities that are consistent with their own development priorities. However, in the low-income countries with weaker governance, donors could be more actively involved in ensuring effective utilization of assistance, and in designing appropriate projects and programs. There may be a need to rely more on nongovernment players to deliver assistance, and budget support may need to be limited. Performance must be measured against standards using results-based modalities.

- For middle-income countries, external financing can be focused on sectors with higher regional spill-offs, such as reducing emissions, climate change mitigation, control of communicable diseases or technology transfer. In parallel, potential middle-income recipients of aid can take greater responsibility for activities in sectors where the benefits are more country-specific—like education, maternal and child mortality, and social safety nets. If development assistance is provided for these activities, nonconcessional terms may be considered. Multilateral development banks providing nonconcessional financing in middle-income clients to meet country-specific needs related to a post-2015 agenda can help the country identify creative ways to meet their goals in terms of poverty and human development.

40. Likewise, there must be an integrated discussion of development goals and the overall associated financing framework. Given concerns with the availability of financing from many of the traditional providers of ODA, there is a need to consider alternative sources of financing. The
framework for development cooperation should also provide means to improve the mobilization and allocation of resources for sustainable development.

- **Bilateral donors** have a responsibility to meet their international commitments in terms of development financing, and follow through on pledges. While it is unlikely that bilateral donors will be able to discard self-interest in motivating their own development financing, they can enhance their impact by supporting improvements in business and investment climate that can facilitate access to private sources of finance. In addition, innovative financing mechanisms can play an important catalytic role and help attract new sources of financing, especially from the private sector.

- **Multilateral development banks** can also play a more catalytic role. Faced with limited direct lending capacity, and the fiscal constraints of many developed countries, it is increasingly important for these banks to fully utilize their leveraging potential to mobilize additional financing from diverse sources. It can also play an important complementary role, by supporting improvements in project quality with development impact, and in so doing encourage private investors to engage in productive investments.

- **Potential receivers** of development assistance can play an important role in mobilizing financing through institutional changes. Establishing the appropriate policy environment can attract innovative financing, transfer of remittances, private sector involvement, and enhance efficiency in fiscal resource availability and usage.

### 3.1.3 Improving Data, Information, and Monitoring

41. Data on concessional assistance—especially from non-DAC and private donors—is not readily available. Only the information for ODA from DAC countries is captured based on a consistent definition. With timely, forward-looking, and disaggregated data, resources can be allocated optimally, progress can be monitored, and lessons can be shared. A data revolution on aid statistics and reporting is called for. This will take time and coordinated effort.

42. First, the development community must work together to establish a consistent definition of concessional assistance, which is communicated across diverse groups. This may take different forms for different kinds of assistance. ODA is defined based on the grant element of assistance. While this particular definition may need to be revisited, a common definition is still required. Likewise, private philanthropic flows may be defined based on whether they are focused on development cooperation as nongovernment nonprofit entities providing concessional financing for the purpose of promoting economic development and welfare of developing countries. These will involve considerable stakeholder consultations, especially with emerging donors.

43. Second, aid providers have to be further encouraged to report data on development flows on common platforms. OECD-DAC maintains databases that are the authoritative source of annual statistical information of international aid flows from OECD countries.\(^\text{18}\) The International Aid Transparency Initiative (IATI), which is a voluntary initiative for donors and other organizations to categorize and publish detailed information about development assistance in a timely and accessible

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\(^{18}\) OECD records ODA, other official flows, and private flows reported by the members of the DAC, most multilateral organizations and other non-DAC donors. The DAC has been tracking aggregate information about aid since 1960. The Creditor Reporting System (CRS) was established in 1973 to collect more detailed information about individual aid loans and grants to complement aggregate flows.
way, must be further developed. IATI is an open information standard which can be used by all
providers of development assistance, including members of the DAC, non-DAC donors, providers of
south–south cooperation, NGOs, and private foundations. A wide variety of services can access and
present this information, including country specific aid management systems, sector specific
databases, donors and NGOs, accounting systems, and new aid databases such as AidData (operated
by the Development Gateway). IATI offers its members a way to meet their commitments in the Accra
Agenda for Action for increased transparency on aid flows. Multilateral development banks can also
play a role to facilitate technical improvement in data platforms.

44. Third, potential receivers of development financing would be well served by establishing
centralized aid coordination agencies at the national level. This would have the basic advantage of
capturing data on development assistance channelized through it. For the new bilaterals, this
centralized agency could serve to channelize and measure both inflows from donors as well as
outflows to recipients. These agencies could also act as a point of entry for new donors wanting to
establish development assistance activities in the partner country, and take on an advocacy role to
attract funds for specific purposes. Over time, these agencies could also strive to capture data on
philanthropic flows. However, this recommendation presupposes well-governed agencies which can
take on this role. In countries where this is not possible, development assistance may still need to go
through more nongovernment channels which will confound measurement.

45. Fourth, potential receivers of concessional assistance should undertake monitoring and
evaluation, with help from aid providers if required. In order to promote evidence-based policy-
making, it is important to detect problems early and keep programs on track. Strong monitoring and
evaluation can also generate lessons to be incorporated into other activities. This will ensure a focus on
results, and also suggest ways to utilize assistance more transparently. To the extent that high quality
monitoring helps identify leakages, corrective measures can be taken. If developing countries can
credibly demonstrate results, this can incentivize providers to provide greater resources.

3.1.4 Developing and Publicizing Global Aid Allocation Criteria

46. It will be useful to design common aid allocation criteria adapted to development goals at a
global level. Ideally, this should be based on transparent formula-based quantitative indicators
capturing both country needs and capacity. Dollar and Collier (2001) propose a poverty-efficiency
criteria, suggesting that aid should be allocated to achieve the largest possible reduction in poverty at
the global level. Many aid agencies have guidelines for the inter-country allocation of their own
resources, but only some use a rigorous framework with quantitative criteria combined in a formula or
a formal model. Multilateral development banks like the World Bank, Asian Development Bank, and
African Development Bank come close, in that they use similar versions of the performance-based
allocation framework to allocate concessional resources.

19 The CRS produces comparable, comprehensive annual statistics, properly scrutinized, consistent and coherent. IATI
publishes more timely, more detailed, but less comprehensive management information, including forward looking
information. Hence CRS focuses on transactions made in the calendar year, sometimes combining several projects in the
same sector in a country. IATI donors will publish details of individual projects, both financial and documentary. CRS
covers all ODA flows; IATI will cover a subset of flows for which timely data are available (e.g., just from the main aid
agency, only for country programmable aid) and is open to publication of assistance provided through south–south
cooperation and aid from non-DAC donors and others.

20 David Dollar and Paul Collier. 2001. Can the world cut poverty in half? How policy reform and effective aid can meet
international development goals. World Development 29(11): 1787–1802. These criteria may neglect poor countries,
difficult partnerships or fragile states where aid effectiveness would be low.
47. The global aid allocation criteria should consider principles of effectiveness and equity in a transparent and integrated framework. Multilateral development banks can play a role in developing these criteria. First, the criteria should result in equitable distribution of aid relative to a country’s needs. Variables that can be used to capture needs include distance from post-2015 development targets, creditworthiness to borrow on market terms, population and GNI, and structural vulnerability (e.g., fragile and conflict affected). Second, the criteria should capture the effectiveness with which a country can use aid. Variables that capture this include policy and governance indicators, as well as structural and economic vulnerability. Third, the criteria—including any quantitative formula—should be transparent. Even if sophisticated calculations underlie composite indicators, the rules of aggregation should be clear.

48. While global criteria can be developed, it is possible that diversely motivated donors will not use them to allocate aid. However, publicizing these global criteria will provide a key source of data. First, donors—including bilaterals, multilaterals, and private agencies—will find these indicators to be a ready source of information which they can use to allocate assistance toward developing countries. Second, annual monitoring of actual aid allocation against the criteria will generate information on which developing countries are particularly over-/under-assisted. This information can be used by advocacy groups, donor forums, and other stakeholders to influence aid in particular directions.

3.2 Additional Recommendations Specific to Traditional ODA

3.2.1 Continuing International Declarations and Pledges

49. Traditional ODA has fallen well short of target levels. Compared to a United Nations (UN) target of 0.7% of GNI, preliminary data suggests that DAC donors provided 0.3% of their 2013 GNI as ODA (Figure 8). While this is an improvement over the 0.29% in 2012, this constitutes a shortfall of about $179.7 billion from the UN ODA target amount in 2013 (estimated as 0.7% of DAC countries’ GNI). Applying the shares from net DAC ODA (para. 16), this represents about $43.9 billion in lost ODA for Asia and the Pacific, and approximately $8.3 in lost ODA reaching the ‘frontline’ per $2.00/day poor person in the region in 2013.

50. The value of common declarations in enhancing ODA flows should not be underestimated, even if pledges at international conferences are not binding. No sanctions can be imposed when donors fail to meet their commitments, and mild criticism at DAC reviews and in journal publications can be ignored. In the current global uncertainty, even rich countries may find it difficult to meet their voluntary targets. However, international conferences and declarations do have the effect of imposing pressure on developed countries to fulfil their commitments and obligations in terms of concessional financing.

3.2.2 Improving Information and Communication

51. Better information can help channel existing resources toward a particular agenda. In practice, given that ODA contributions cannot feasibly be made compulsory, better data on a developing country’s needs (through a global aid allocation index) or assistance shortfalls (through better monitoring of aid flows) may serve to enhance ODA flows in the direction of specific countries. Thus,
even if supply-driven aid—based on political self-interest of donors—cannot be eliminated, better availability of information may encourage donors to make their assistance more demand-driven. Similarly, credible demonstration of success stories by aid recipient countries can also incentivize donors toward particular goals.

Figure 8: Net ODA as a Percent of GNI from DAC Donors, 2013

There is a significant shortfall in traditional ODA from the UN ODA target of 0.7% of GNI.

52. It will be important to manage expectations regarding ODA. Aid’s potential contribution has consistently been overplayed by the headline numbers. There are countries like PRC and Viet Nam where success in poverty reduction and human development has been achieved with very little ODA. The fact is that some ODA will always be driven by donor interests, and the headline amount of ODA is much larger than developing countries get to manage and administer (para. 15). At the same time, the practical and useful ODA-funded activities should not be ignored, as ODA is still the main international flow that can be targeted toward the poor.

3.2.3 Maintaining Special Focus on Vulnerable Countries

53. Available evidence suggests that traditional ODA is MDG-sensitive. Hailu and Tsukada (2012) analyze data from 2001–2009 to show that ODA allocation since the adoption of the MDGs has gone toward countries which are furthest away from MDG targets. Based on an aid concentration index, the authors find that, while bilateral ODA has become more MDG-sensitive during 2001–2009, multilateral ODA has become even more MDG-sensitive than bilateral ODA has. This indicates that traditional ODA may flow in the direction of countries which are farthest from any post-2015 development goals, although this trend should be further monitored and encouraged.

54. Overall, traditional ODA has been moving toward LDCs and FCAS the region (para. 13), and this is a positive indication for the future. ODA still remains the largest source of concessional financing for Asia and the Pacific, and is likely to remain a key source of assistance for these countries in particular. These countries cannot access financial markets any time soon. The trend toward LDCs and FCAS that should be further encouraged in the post-2015 development agenda. Accordingly, some version of the MDG Goal 8 of addressing the special needs of LDCs, and landlocked and small island developing countries should be maintained even post-2015.

3.2.4 Revisiting the Definition of ODA

55. Finally, it may be time to revisit the definition of ODA to better capture its impact on any global development agenda. This is likely to be a complex process, given that ODA is a product of history and institutions. To the extent that ODA has become a benchmark of a donor country’s contribution to international well-being, it may be worth exploring how ODA can be redefined explicitly in terms of its contribution to a global agenda of development, rather than in terms of concessionality. There are obvious complexities to attribution, but steps toward developing a measure of a donor’s contribution toward the inputs required to allow a developing country achieve its goals can be an improvement over the current definition (Box 3).

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Box 3: The Debate on the Definition of ODA

The OECD’s DAC defines ODA as flows provided by the official agencies to countries and territories on the DAC list of recipients. These flows are administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25% (using a fixed 10% rate of discount). There is debate on the definition, both technical and conceptual. As an increasing number of countries reach middle-income status, their needs are evolving toward sophisticated knowledge products, private sector development, and regional cooperation. Traditional grant-based concessional financing may not meet these needs, leading to questions on whether the present definition of ODA is relevant.

The ODA definition has come under criticism for various reasons. On one hand, many argue that it is too broad as it includes expenditures not giving rise to cross-border flows to developing countries. It goes beyond actual financial flows into developing country budgets by adding in such items as administrative costs in the donor country and refugee costs. Some critics would also exclude aid to middle-income countries that still feature on the “DAC list of recipients.” On the other hand, many argue that the definition is too narrow, as it omits some official efforts in favor of development. Donors make efforts that are not counted as ODA—such as guarantees and callable capital—yet these help mitigate against investment risk. Such efforts are particularly relevant today when an increasing number of developing countries turn to loans, guarantees, and equity, rather than grants, to finance their economic growth.

Problems are compounded by the fact that donors follow different approaches in determining what makes a loan concessional. Some countries follow the approach of the multilateral development banks—where only loans that have been subsidized are reported as concessional. Others emphasize the recipients’ perspective, arguing that loans should be considered as concessional if they are given on more beneficial terms than developing countries could otherwise attain on the market. Also, the DAC discount rate of 10% is used as the market rate of interest to compute the grant element, which raises the question as to whether the same discount rate should be applied in all cases irrespective of varying opportunity cost of capital in different economic environments.

The 2012 DAC High Level Meeting (HLM) agreed to maintain the ODA definition but to elaborate a clear quantitative definition of concessionality and examine the implications of any new measures for ODA coverage. Even if the HLM mandate is not explicit about changing the ODA definition, the DAC plans to revise the ODA concept and adapt it for the new post-2015 world. This might include revision of the criteria (e.g., eligibility criteria, aim), and clarifying the concept of motivation as against development impact. A key part of the revision of the ODA definition is a new assessment of concessionality for reporting ODA loans, as mandated by the HLM. Proposals on revising the definition of concessionality have been discussed. The date of adoption is slated as the December 2014 HLM of DAC.

Apart from changing the ODA definition, the DAC proposes three new measures for development finance: (i) a monitoring tool to track donor effort for official development; (ii) total official support, to calculate the full picture with respect to budgetary expenditures in favor of development, whether giving rise to financial flows or not; and (iii) recipient benefit, to monitor flows at partner country level.

3.3 Additional Recommendations Specific to South–South Concessional Flows

3.3.1 Stepping up Sensitization

56. South–south cooperation is an emerging source of development financing. Available data on south–south development financing suggests that this amounts to about $9.4 billion to $16.2 billion in 2012, and is small relative to traditional ODA. By 2025, however, estimates suggest that this could climb to $50 billion.\(^{23}\) South–south cooperation is also a much broader concept than just aid—encompassing economic integration, military alliances, cultural exchanges, and nonconcessional financing.

57. Diverse interests motivate south–south cooperation, just as political and strategic choices guide flows from traditional donors. First, many southern countries have developed official aid policies that encompass altruism and self-interest. For example, the Saudi Fund’s declared objectives are to provide development financing and to promote non-oil exports from Saudi Arabia. Second, most southern donors prioritize neighboring countries in their assistance programs, based on concerns such as political alliances, security, and religion. India’s development assistance programs focused on its immediate neighbors, although, since rapid growth in the 1990s and as it vies for global recognition as an economic power (and a seat in the UN Security Council), it has begun to extend assistance to other parts of Asia and Africa. Third, commercial interests motivate flows. PRC’s primary motive behind development assistance appears to be the need to extend energy and raw material sources to sustain industrialization, and includes assistance to resource–rich African nations.

58. South–south flows present a different set of challenges compared to traditional ODA. First, south–south flows generally come with less strings and conditions attached than traditional ODA which can lead to crowding out of traditional donors. South–south flows have occasionally been provided without regard to human rights in receiving countries. Blending of south–south aid with commercial support can also be disruptive to traditional aid. Second, lack of transparency of information and data affects south–south flows more than ODA, in the absence of a centralized coordinating agency (like DAC). Third, in financial terms, south–south flows are less concentrated in direct MDG sectors, and tend to be biased in favor of infrastructure. About 12.5% of recorded non-DAC ODA went to education, health and water supply and sanitation in 2012, compared to 26.1% of bilateral ODA from DAC donors and 22.5% of multilateral ODA.

59. In order to direct southern donors toward a post–2015 development agenda, high level forums and multistakeholder consultations at the national and international levels can play a critical role in sensitization. While the process is slow, high level forums like Rome, Paris, Accra, and Busan have already attracted increasing interest from southern partners, and helped to put the issue of development assistance more in the public domain. Through these forums, southern partners must be encouraged to: (a) align with national and international development priorities of development partners, (b) report transparently on their financing, (c) enhance accountability toward recipient countries, by assessing the impacts of their assistance, and (d) provide assistance based on common principles such as regard for human rights, social and environmental considerations, and not provide assistance in countries with significant misgovernance for the sake of gaining access to their resources and markets.

3.3.2 Encouraging Triangular Cooperation

60. In order to minimize south–south flows from crowding out north south flows, triangular cooperation offers a potential for horizontal partnerships between southern countries, with traditional donors as the “triangulators.” Identifying complementarities between northern and southern donors can lead to several win-win situations. Triangular cooperation can be brought about by common interests and existing relationships (Box 4). This is still a new area, but offers potential for enhancing development cooperation, as opposed to crowding out. National governments must take the lead in identifying mutual areas of interest, and facilitate stakeholder engagement to bring together potential northern and southern donors under a common agenda. Multilateral development banks can also act as triangulators, through cofinancing arrangements with southern bilaterals to finance development activities in other developing countries.

Box 4: Example of Triangular Cooperation:  
Germany–Mexico–Guatemala–Managing Solid Waste

Guatemala was the first country to approach Germany and Mexico requesting assistance to achieve institutional strengthening and capacity development in integrated solid waste management. During their governmental consultations in February 2006, Mexico and Germany agreed upon the implementation of trilateral cooperation projects. Furthermore, criteria for the selection of projects and procedures were determined. A first generation of the GIRESOL Network, a capacity development tool for integrated solid waste management, was formed in Guatemala in 2007 with help from Mexican and international experts. In a second phase, seven Guatemalan environmental promoters from the first generation were trained in Mexico as instructors, who then capacitated a second generation of solid waste experts in 2008–2009.

Mexico and Guatemala came together due to a common interest in improving solid waste management in the region, building on a long experience of bilateral cooperation in other development projects. For the Mexican partners, this was an opportunity to export the successful experience of bilateral cooperation between Mexico and Germany to other countries in the region and thus improve regional integration. The Guatemalan partners were interested in the new tool of triangular cooperation for establishing a network of environmental promoters in their country to develop capacity, enhance coordination between the involved institutions, and improve solid waste management.

The good experience with German donors and the intensive bilateral exchange with Mexico supported Guatemala’s willingness to start the project. The existence of an established and well-connected GTZ program (PROMUDEL—Municipal Program for Local Development) in Guatemala facilitated the communication between the three countries and the establishment of a national coordinating committee. Of the total budget of the project, Guatemala financed 42%, Mexico financed 26%, and Germany financed 32%. The project covered 2006–2009, but activities are still ongoing.

3.3.3 Miscellaneous Measures

61. Some additional measures can also facilitate south–south flows in the direction of the post-2015 development agenda. Civil society can ensure that south–south cooperation can contribute to effective development, especially in countries where civil society groups have the capacity to organize and mobilize around core development issues. Also, best practices from south–south cooperation should be studied and promoted, across developing and developed countries, and multilateral institutions. A central repository of information would help in the dissemination of success stories.

3.4 Additional Recommendations Specific to Private Philanthropy

3.4.1 Enhancing Understanding of Private Philanthropy

62. A fuller analysis of private philanthropy may help in financing a post-2015 development agenda. Even though data is limited, “guess-timates” suggest that this is already more than two-thirds of traditional ODA to developing countries, and possibly more than the traditional ODA in Asia and the Pacific. Philanthropic flows may come with less strings attached than bilateral concessional financing, and could arguably have less administrative costs and more efficient delivery channels (although limited evidence on this is mixed). Further information and analysis on these issues will be useful. The different factors motivating private philanthropy have implications for directing private philanthropy toward a post-2015 development agenda. A greater understanding of these factors, and an in-depth analysis of the potential available philanthropic financing, will be important.

3.4.2 Focusing National Efforts on Channelizing Private Philanthropy

63. National governments should take the lead in channelizing private philanthropy funds appropriately. Philanthropic flows are affected by affiliation (like loyalties to social-linguistic communities, ethnic, and religious groups, and national focus. In particular, family philanthropic flows from emerging Asian countries tend to be focused within the country. A survey of family philanthropy in Asia revealed that only 4% of private giving by Asian countries went outside Asia in 2011, while 70% was nationally focused. Local and national NGOs were the preferred mode of contributions. Given that philanthropic flows tend to be focused mostly within originating countries—these flows should be directed by national governments to meet country-specific post-2015 goals. At the same time, philanthropic contributions in the region’s largest economies are low—estimated to be only around 0.6% and 0.1% of gross domestic product for India and the PRC, respectively. Although these figures undoubtedly underestimate family giving in the whole of Asia, a challenge is to increase amounts of private giving in Asian countries.

64. Philanthropic flows tend to be more focused on MDG sectors than other concessional financing, which must be encouraged. Charitable giving in Asia has cultural and religious roots, in which activities related to education and poverty reduction are particularly important for family philanthropists. While the sector definitions are not strictly comparable to that of ODA flows, estimates suggest that sectors which broadly proxy MDG-related sectors attract the largest share of family philanthropic flows in Asia (Figure 9). Education, health, environment, water supply and sanitation, and direct poverty-related services account for at least 50% of private philanthropic flows.

Emergent sectors like environment and women’s issues accounted for another 8% of private giving by Asians in 2010, and signals growing importance of these causes that have already gained prominence in other parts of the world. This indicates that, as the post-2015 development agenda will encompass poverty and human development goals, it is likely that existing philanthropic flows will naturally favor these sectors.

Figure 9: Proxies for MDG Focus of Concessional Financing, by Sector, 2010–2012

Notes: (i) Traditional ODA includes bilateral DAC and multilateral ODA. (ii) Private flows provide data based on a survey of Asian family philanthropy. (iii) Sectors for ODA and family philanthropy are not comparable, as ODA does not have a sector to capture ‘poverty and development’, while private flows do not capture ‘water supply and sanitation’ as a sector. (iv) ODA data is for 2012 while private flows data is for 2011.


65. Philanthropic flows are motivated by desire to show social impact—including the satisfaction of funding worthwhile causes and leveraging resources to address major social challenges. Building on over 200 quantitative surveys and over 100 in-depth interviews, a study found that 58% of family philanthropic respondents in Asia found social impact as an important factor in determining giving. In terms of impact, publicizing and sharing success stories can influence private philanthropic flows in particular directions. Impact can be multiplied by: (a) investing in scale—whereby larger amounts of resources are brought together for particular causes; and (b) investing through profitable companies—that will yield dividends for the investor, as well as have a social goal (Box 5).

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25 Development Initiatives. 2013. Investments to End Poverty. Real money, real choices, real lives. United Kingdom. This is based on a survey covering 213 corporations, 1,330 foundations, and 31 international NGOs.
Box 5: Strategies to Multiply Impact of Philanthropic Flows

The Ayala Foundation of the Philippines selects and designs initiatives to address major nationwide challenges that are not addressed by other actors. For optimal large-scale impact, the foundation attempts to build a social community of participants, including government, corporate sector, experts, and activists. Funds are solicited at both institutional (corporate, foundation, and government) and retail (individual) levels. This leverages the Ayala Foundation’s own contributions by a factor of at least 2:1. Using this framework, the Foundation has spearheaded the Gearing Up Internet Literacy and Access for Students, an initiative to enable digital learning across the country’s 6,785 public schools. Social Ventures Hong Kong is a private foundation that has earmarked a portion of its funds for impact investing. It provides capacity-training and funding over extended periods, to ensure that grantees are able to become self-sufficient over time. This is verified by personal monitoring and external auditors.


66. Philanthropic flows can be motivated by pragmatic considerations. Nonphilanthropic factors include desire for family and personal recognition, enhancing one’s standing in the community, and business interests. In particular, emerging business groups may get involved in charitable giving in order to position themselves within government entities or earn tax breaks. Government policy such as controls over industrial policy and financial resources affect family enterprises, and philanthropy can be used as a tool to influence governments toward policies that are more favorable to business.

67. Based on the above analyses, private philanthropy can be influenced by national government policies.

- First, the quality, coverage, and efficiency of government programs in any country/sector can attract private givers to the cause. If particular government initiatives are able to demonstrate greater impact and minimize leakages, private philanthropists may be willing to contribute with the expectation that their funds will be used well, and have greater social impact.

- Second, tax free status to approved charities and tax deductions to businesses that make contributions to approved charities would be a way to attract funds from the corporate sector. However, this implies fiscal revenue losses that could reduce the net funds raised—and potential impact should be estimated before such measures are adopted.

- Third, government match-funding initiatives can enable leveraging of philanthropic flows. For example, family donations are drawn to universities in Singapore through the government providing matching assistance.

- Fourth, establishment of credible national facilitation or coordinating bodies to channelize private giving and volunteerism can promote flows in particular directions. To the extent that coordinating bodies can bring together effective and transparent implementation partners, private philanthropists may donate to specific causes with greater confidence.

- Fifth, government agencies should promote targeted causes, and encourage the private sector as well as international donors to these causes. Effective partnerships with social media platforms can influence flows toward particular targets.
3.4.3 Miscellaneous Measures

68. Promoting crowd-funding can be an innovative way of raising financing for a post-2015 agenda. A variety of crowd-funding platforms have emerged recently, to allow ordinary web users to support specific philanthropic projects with small contributions. For example, Global Giving is an online marketplace that connects donors with grassroots projects in the developing world. It allows individuals to browse through a selection of small projects proposed by nonprofit organizations worldwide, and donate funds by choice. Potential donors can select from a wide offering of projects that are organized by geography or by themes such as health care, environment, and education. Microcredit crowd-funding platforms such as Kiva and Wokai facilitate crowd-funding of loans managed by microcredit organizations in many developing countries.

69. Encouraging professional management of family philanthropic units may enhance objectivity. While this is an area for further exploration, it would appear that using specialized legal agencies or professionals to manage philanthropic activities of families may help make the selection of projects or grantees less ad hoc. Among Asian family philanthropies in 2010, about 50% are identified as nonprofit legal entities managed by professionals. Survey-based responses suggest that the latter are more likely to have clearly established guidelines and procedures for the evaluation and selection of grantees and projects than those managed by family (Figure 10).

![Figure 10: Formalization of Grantee/Project Selection Depending on Structure of Family Philanthropic Unit in Asia](image-url)

70. The international community for development assistance must also play an important role in channelizing private flows toward a post-2015 agenda. Measures include publicizing a development agenda (including national and international goals), reaching out to philanthropic organizations and foundations through consultations and high level forums, promoting the use of transparent data and reporting mechanisms, and providing systematic information on needs of developing countries which can be used to guide allocation of assistance.

4. CONCLUSIONS

71. Concessional financing (including ODA) from various sources has been on a broadly rising, if fluctuating, trend. While together they constituted only about 12%–13% of all resource flows to developing countries in 2011, concessional flows are the most sensitive to poverty and MDGs, and in that sense have the most potential for helping in the achievement a post-2015 agenda. Traditional ODA—while facing competition from other sources—is still a major source of concessional financing. South–south flows are an emerging source, although much remains to be done in terms of improving information, and focusing it on national and international development priorities. Finally, private philanthropy flows (including family philanthropy) already constitute a significant source of financing. Although lack of data and information affects its measurement, these flows offer potential to be channelized in the direction of appropriate development goals, facilitated by national governments in the developing countries.

72. Common incentives that can help channel all these forms of concessional financing to varying degrees include improvement in data and information, sensitization through international and national forums, establishment of a nuanced global development cooperation framework with a holistic view of available finances, and development of objective and transparent measures of developing countries’ need for and capacity to use assistance. In addition, the paper has also proposed specific measures than can incentivize particular forms of concessional flows.

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Enhancing Concessional Assistance for a Post-2015 Development Agenda

Aggregate concessional financing flows to developing countries reached at least $220 billion in 2012, of which about $76 billion went to developing Asia and the Pacific. The international development community and national governments can take wide-ranging actions to enhance these flows and channelize them toward a potential post-2015 development agenda.

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