LOWY INSTITUTE
SOUTHEAST ASIA AID MAP

KEY FINDINGS REPORT

ALEXANDRE DAYANT
GRACE STANHOPE
ROLAND RAJAH

ABOUT THE PROJECT

The Lowy Institute Southeast Asia Aid Map is an analytical tool designed to improve aid and development effectiveness in Southeast Asia. It seeks to do this primarily by enhancing the transparency of official development finance (ODF) flows. By promoting greater transparency, it hopes to increase coordination, improve accountability, and strengthen decision-making and policy debate on aid and development in the region.

The Southeast Asia Aid Map covers the period from 2015 to 2021. It includes data on more than 100,000 projects carried out by 97 development partners and worth some $200 billion in ODF. The research covers all 11 Southeast Asian nations: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, and Vietnam.

The Map synthesises millions of data points from official reporting mechanisms and databases. It combines this with information from thousands of publicly available documents including annual reports, financial statements, budget documents, news media reporting, and social media sources. The resulting database is the most comprehensive account ever created of ODF in Southeast Asia.

This report profiles the 11 Southeast Asian countries covered in the research and includes five short analyses on some of the key issues related to ODF in Southeast Asia.

KEY FINDINGS:

- Official development finance plays an important role in financing Southeast Asia's development, equivalent to around 10% of total government development spending in the region.
- China is Southeast Asia's single largest development partner and leads infrastructure financing. Yet, implementation problems have seen the scale of China's financing decline in recent years.
- Traditional development partners collectively still dominate development financing in Southeast Asia at 80% of the total. The multilateral development banks lead the way, followed by Japan, Europe, and South Korea. The United States and Australia are mid-sized players.
- India and the Middle East have become notable sources of non-traditional development finance, with the Islamic Development Bank playing an important role.
- Climate development finance is increasing, but Southeast Asia will need more support if it is to transition towards resilient, low-carbon development.
- Intraregional development cooperation is growing, but only makes up a small part of development finance in Southeast Asia.

To see more and use the fully interactive features of the Southeast Asia Aid Map, visit

seamap.lowyinstitute.org

LOWY INSTITUTE
SOUTHEAST ASIA AID MAP

$200B SPENT

$298B COMMITTED

107K PROJECTS

Recipient countries

	SPENT	SHARE
INDONESIA	$69.9B	35%
VIETNAM	$35.6B	18%
PHILIPPINES	$31.4B	16%
MYANMAR	$17.2B	9%
CAMBODIA	$13.3B	7%
LAOS	$11.1B	6%
THAILAND	$8.30B	4%
MALAYSIA	$6.59B	3%
SOUTHEAST ASIA, REGIONAL	$4.46B	2%
TIMOR-LESTE	$1.86B	1%
SINGAPORE	$4.40M	0%
BRUNEI	$3.04M	0%

seamap.lowyinstitute.org

TABLE OF CONTENTS

Published by LOWY INSTITUTE
31 Bligh Street
Sydney NSW 2000

Project Lead: Alexandre Dayant

Research Team: Alexandre Dayant, Grace Stanhope, Roland Rajah

Methodology by Alexandre Dayant

Cover and internal design by Ingrid Schroder.

The authors express their gratitude to Ben Bland and Teesta Prakash who were involved in the early development of the Southeast Asia Aid Map. In addition, the authors would like to thank Riley Duke, Georgia Hammersley, Susannah Patton and Robert Walker for contributing their ideas and insights in the writing of the Key Findings Report. Thanks also to Sam Roggeveen, Anthony Bubalo, Josh Goding, Stephen Hutchings, Clare Caldwell, and Rebecca Bauert for their research, review, editorial, and design contributions.

Special thanks to colleagues Annalisa Prizzon and David Rosenfeld at the Overseas Development Institute for their peer review of the data-gathering methodology.

The Lowy Institute acknowledges and thanks the Australian Department of Foreign Affairs and Trade for its funding of this initiative.

OVERVIEW

SOUTHEAST ASIA AID MAP: TRACKING OFFICIAL DEVELOPMENT FINANCE

Southeast Asia is home to around 670 million people. The region is made up of a diverse mix of countries, ranging from regional giant Indonesia, whose 270 million-strong population makes it the third-largest democracy in the world, to Brunei, with a population of just 450,000. Southeast Asia's economies are among the world's most dynamic and are deeply integrated into international supply chains. Decades of rapid economic and development progress have lifted millions of Southeast Asians out of poverty and delivered improvements in education, health, and general living standards. The region's rising economic heft also makes it increasingly important to other countries around the world in terms of the provision of global public goods including containing the threat of future pandemics, supporting an open and stable world economy, achieving the global transition to net zero carbon emissions, and upholding a rules-based international system.

Although Southeast Asia's impressive economic progress has diminished the importance of aid — or official development assistance (ODA) — the region still faces large unmet financing needs, notably for infrastructure, human development, and responding to climate change. This means development cooperation financed by various forms of official development finance (ODF) — grants, loans, and other forms of assistance — has a critical role to play. As this report shows, ODF flows remain sizeable, especially when it comes to the region's smaller, lower-income countries such as Timor-Leste, Laos, and Cambodia. But even in Southeast Asia's larger emerging economies such as Vietnam, Indonesia, and Philippines, ODF is a major source of finance for critical development priorities. Intensifying geostrategic tensions between China and Western governments have also seen a growing focus on using ODF, particularly in infrastructure, as a means of competing for influence.

All of this makes an understanding of the scale and contours of ODF in Southeast Asia of critical interest to governments in the region and their development partners.

The objective of the Southeast Asia Aid Map is to understand official development finance

The Southeast Asia Aid Map tracks and analyses all ODF in the region. It is the first of its kind for Southeast Asia. At the Map's core is a publicly accessible database tracking all ODF flowing to the region at the project level, incorporating not only financing through traditional aid, largely in the form of grants and concessional loans, but also other forms of government-backed development finance, most notably non-concessional loans.

Focusing on the period 2015–21, the Map captures more than 100,000 projects across the region from some 97 development partners. This includes traditional bilateral partners such as the United States, Japan, and Australia; traditional multilateral finance providers such as the Asian Development Bank (ADB) and the World Bank; and non-traditional partners such as China, India, and Middle Eastern countries. Intraregional development cooperation between Southeast Asian nations is also included.

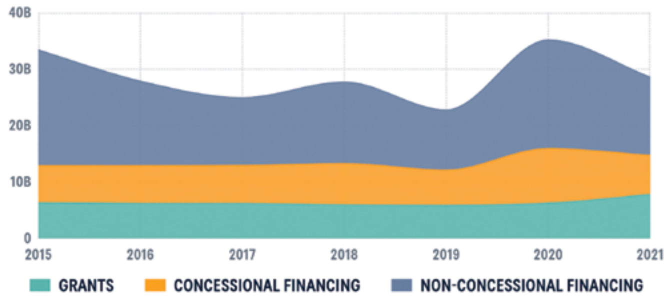
The Map not only captures project commitments (i.e. signed agreements) but also progress with delivery and implementation by tracking spent amounts (disbursements). This is critical in particular for understanding the role of non-traditional development partners such as China, where official, publicly available information on disbursements, and even non-official estimates, is limited or non-existent.

Southeast Asia receives about $28 billion a year in official development finance

Between 2015 and 2021, Southeast Asia received about $200 billion in ODF, an average of $28 billion a year (in constant 2021 US$). Virtually all of this goes to the region's emerging and developing economies (i.e. excluding Singapore and Brunei), providing financing equal to about 1% of their collective gross domestic product (GDP).

Just over half is in the form of what the Organisation for Economic Co-operation and Development (OECD) classifies as other official flows (OOF), largely consisting of non-concessional loans by China's state-owned policy banks as well as the two main multilateral development banks operating in the region — the ADB and the World Bank. The rest of ODF in the region is in the form of grants and concessional financing (mostly loans) on terms that the OECD would consider as ODA and mainly provided by the region's traditional development partners.

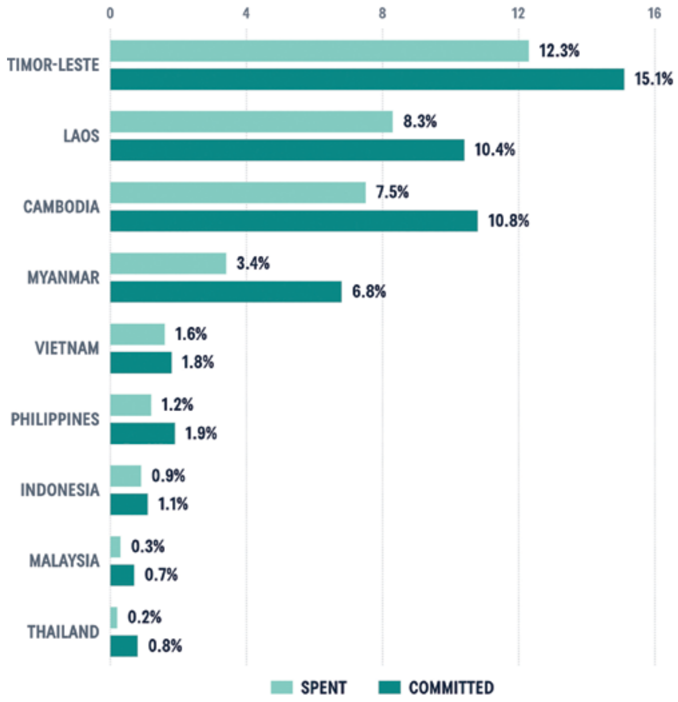
Official development finance in Southeast Asia by type
Constant 2021 US$



There is a noticeable gap between ODF project commitments and actual disbursements. Commitments averaged about $43 billion a year, 50% higher than actual disbursements during 2015–21. The gap is largest in the infrastructure category, owing to several megaprojects financed by China and to a lesser extent Japan and the ADB, as well as large gaps for Myanmar in general. Measured in project commitment terms, ODF was equal to about 1.5% of GDP during 2015–21 for the region (compared to disbursed ODF equal to 1% of GDP). Although disbursement is the more important measure, commitments are also important to track as these indicate the policy intentions of development partners and the amount of ODF potentially available.

There is important variation in the role of ODF across Southeast Asian countries. While on average ODF is about 1–1.5% of GDP depending on whether one focuses on disbursements or commitments, it is considerably more important in smaller and lower-income countries. In Timor-Leste, ODF is equal to 12–15% of GDP and in Laos and Cambodia it is roughly 8–11% of GDP. In Myanmar, ODF spent was worth 3.4% of GDP, although project commitments were twice this amount, at 6.8% of GDP.

Official development finance to Southeast Asian nations
% of GDP, 2015–21

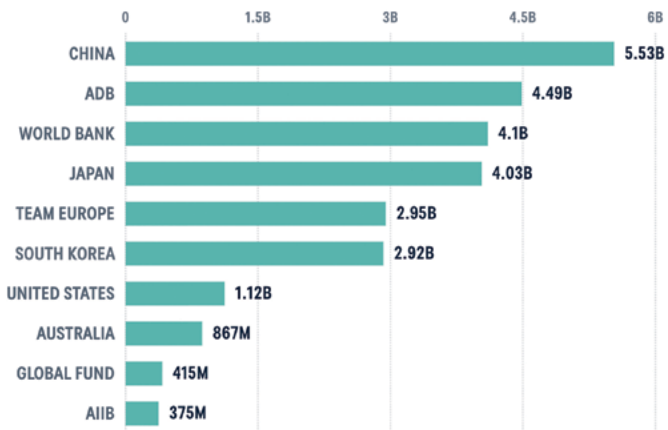


China has been Southeast Asia's single largest source of official development finance. But China's financing has been in decline in recent years

China has been the region's largest development partner, disbursing about $5.5 billion a year in ODF during 2015-2021 with three-quarters of this going to infrastructure. China accounted for about a fifth of total ODF in the region and two fifths of total infrastructure ODF during this period. Most of China's financing is concentrated geographically on particular countries, including in Indonesia as the region's largest economy as well as China's neighbours Laos and Cambodia. Unlike traditional development partners, China also focuses its ODF on Malaysia and Thailand, despite their status as higher income countries in the region.

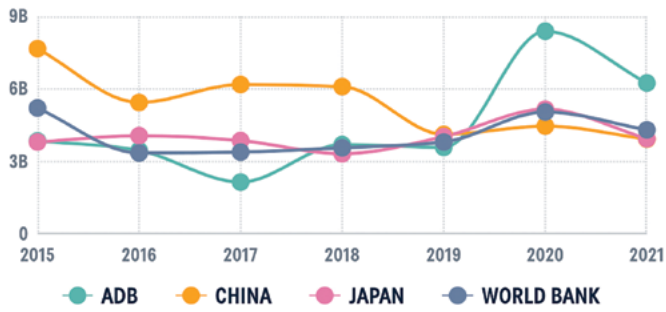
The vast majority (85%) of China's financing (as disbursed) takes the form of non-concessional loans from its two main policy banks – China Export Import Bank and China Development Bank. Only 10% of China's ODF was in the form of concessional loans and 5% in grants. This mix in part reflects China's focus on financing economic infrastructure as well as providing finance to higher income countries, Malaysia and Thailand.

Official development finance by development partner
Spent, 2015–21 annual average, constant 2021 US$



Malaysia and Thailand would make up an even higher proportion of China's ODF in the region were it not for significant project-level delays experienced by China's high speed rail mega-projects in both countries, including the $12.7 billion East Coast Rail Link project in Malaysia renegotiated in 2019 and the $13.5 billion Thailand-China High Speed Rail project signed in 2015. Indeed, there is a large gap between China's project commitments and its actual disbursements, with the latter only 40% of the former during 2015-2021. Problems with delivery have seen the scale of China's financing decline in recent years, with China consequently overtaken as the region's leading ODF provider by several traditional development partners during 2020 and 2021.

Official development finance by development partner
Spent, 2015–21 annual average, constant 2021 US$



Traditional development partners provide the lion's share of ODF, generally on much more concessional terms, and for broader development purposes beyond infrastructure

Traditional development partners – comprising members of the OECD-DAC and multilateral institutions primarily financed by them – collectively provide almost 80% of total ODF and over 90% of ODA. Whereas China's ODF is more concentrated on a sectoral (infrastructure) and geographic basis, traditional partners provide more balanced support across the region and development sectors, with a heavier focus on governance in particular.

The two leading multilateral development banks in the region – specifically the ADB and World Bank – play a crucial role. The two banks are the second and third largest ODF providers in the region providing $4.5 billion a year and $4 billion a year in financing respectively. The banks achieve scale by leveraging their balance sheets to serve the larger emerging economies through non-concessional lending while providing substantial grant and concessional loan support to Southeast Asia's less developed economies. Through this, the ADB in particular was able to respond substantially to the impact of the Covid-19 pandemic during 2020 and 2021, becoming the largest source of ODF to the region during these years.

Among traditional bilateral development partners, Japan and South Korea are leading providers of ODF in the region. Japan averages around $4 billion a year in ODF disbursed while South Korea averages $3 billion. "Team Europe" – encompassing contributions from Germany and France in particular, along with those of other European Union members and institutions – is a significant contributor, averaging about $3 billion a year. Individually, Germany, France, and the EU are the sixth, ninth, and tenth largest ODF providers respectively in the region and are major players in terms of infrastructure financing. The United States and Australia provide $1.1 billion and about $870 million a year on average respectively. Both play relatively minor roles in infrastructure financing but provide a greater amount of ODF in other sectors, largely in the form of grants.

India and several Middle Eastern partners are modest non-traditional sources of ODF, providing a combined $430 million a year to the region, with over half coming from the Islamic Development Bank

The Southeast Asia Aid Map provides insights on the role of important non-traditional development partners, other than China. Middle Eastern sources provided about 80% of this. The single most important source of non-traditional ODF other than China is the Islamic Development Bank, which provides about $225 million a year to the region. Almost all of this goes to Indonesia in the form of non-concessional loans focused on agriculture and education. The OPEC Fund for International Development is also active, though only provides around $40 million a year in ODF. Saudi Arabia is the largest bilateral Middle Eastern development partner, providing about $45 million a year, mostly for scholarships. India was the single largest non-traditional bilateral partner (other than China), providing about $70 million a year in ODF to Southeast Asia, with almost 90% going to neighbouring Myanmar for transport and energy projects, financed by grants.

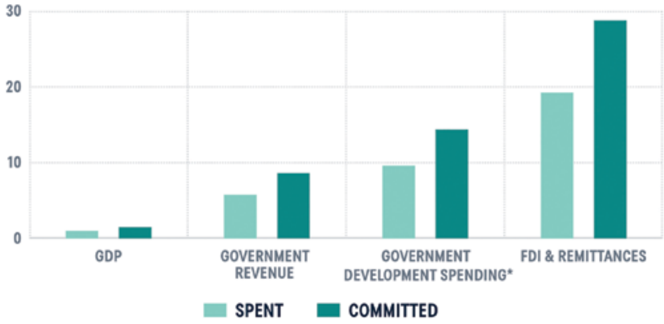
Official development finance plays a major role in meeting Southeast Asia's critical development needs

Despite Southeast Asia's rising economic heft, ODF remains important relative to the resources available for financing development, even in some of the region's large economies. While private sources of finance — domestic private investment, foreign investment, and remittances — now dwarf aid flows to the region, it is not straightforward to direct these towards specific priorities such as education, health, and social protection. Even in the case of infrastructure development, most investment continues to come from the public sector.

ODF, therefore, has a special role to play, providing support targeted to the most pressing development priorities. ODF also comes on far better financial terms than market-based financing, with a large share of ODF provided in grants and concessional financing. Even non-concessional ODF is still generally provided on much more favourable terms than that available from the market.

The relevant basis to judge the importance of ODF to the region is thus not simply relative to GDP but compared to government revenue and, more specifically, government spending on key development priorities. ODF is only 1–1.5% of regional GDP, but equal to 6–9% of total government revenue. More importantly, ODF is equivalent to around 10–15% of total government development spending on infrastructure, education, health, and social assistance combined. ODF is also equal to roughly 20–30% of foreign direct investment and remittances inflows combined, indicating that a very sizeable part of external finance continues to come through official development channels as opposed to the market and private activity.

Total ODF as a % of key economic measures
Annual average, 2015–21

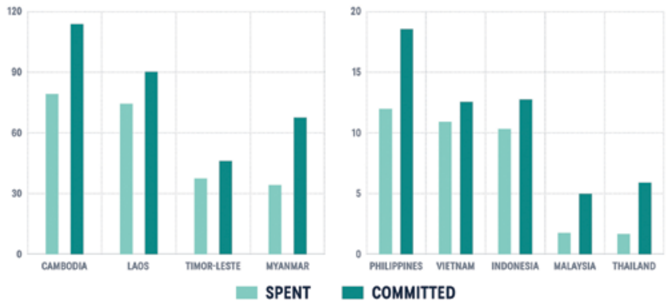


Notes: *Government development spending refers to amounts spent on fixed capital assets (as a proxy for public infrastructure investment), education, health (current expenditure), and social assistance.

Sources: Lowy Institute Southeast Asia Aid Map, International Monetary Fund, World Bank, and World Health Organization statistics.

Critically, the importance of ODF in financing development holds across Southeast Asia's emerging and developing economies, including larger economies. ODF is most important in smaller and lower-income countries such as Cambodia and Laos, who receive ODF equal to almost 80% of government development spending. ODF is also very large relative to government development spending in Timor-Leste and Myanmar. But even in the region's larger emerging economies such as Philippines, Vietnam, and Indonesia, ODF is still upwards of 10% of total government development spending. In Malaysia and Thailand, ODF has played a smaller role to date but is material if viewed in terms of commitments, which capture the value of project deals made to date in these countries, particularly for large China-supported railway projects.

ODF as a % of government development spending



Sources: Lowy Institute Southeast Asia Aid Map, International Monetary Fund, World Bank, and World Health Organization statistics.

In Southeast Asia's smaller and lower-income countries, ODF is absolutely critical to financing development. But even in stronger emerging economies such as Vietnam, Indonesia, and Philippines, ODF is far from marginal in shaping future growth and development prospects. External financing from development partners is therefore likely to remain of significant interest in the region for some time to come.

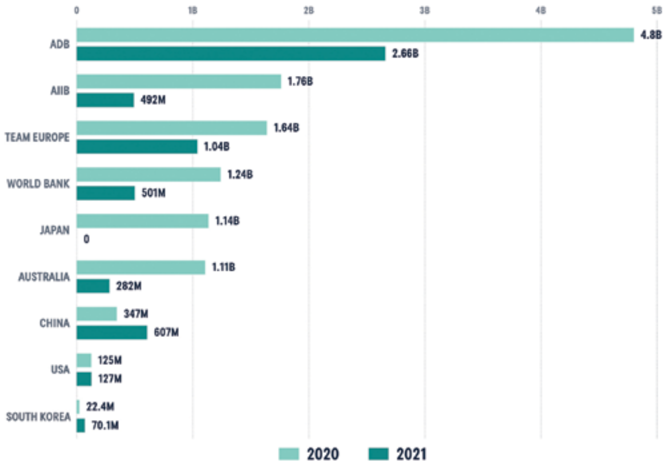
In 2020 and 2021, development partners dramatically ramped up financing in response to Covid-19, with the multilateral development banks, Europe, Japan, and Australia doing the heavy lifting

The Southeast Asia Aid Map underlines the role ODF plays in providing countercyclical and other emergency support during crises. Like the rest of the world, Southeast Asia has been badly affected by the Covid-19 pandemic. Many of the region's development partners responded with substantial additional assistance. Total ODF to the region ramped up dramatically to $35 billion in 2020, representing a 55% increase on the previous year's figure of $23 billion. In 2021, ODF flows fell back to $28 billion, still about 25% higher than the pre-Covid level.

The role of key development partners during Covid-19 varied immensely. The ADB responded the most forcefully, more than doubling its total ODF in 2020 by providing $5 billion in additional financing compared to the previous year and sustaining its financing at an elevated level in 2021. The Asian Infrastructure Investment Bank (AIIB) also responded with a large increase in financing in 2020, shifting away from its usual focus on infrastructure. Other major development partners including Europe, the World Bank, and Japan provided significant additional support. Among mid-sized bilateral development partners, Australia stands out, tripling the scale of its ODF to the region through a $1.1 billion budget support loan to Indonesia. By contrast, other major development partners, including China, the United States, and South Korea, provided relatively little additional ODF during the pandemic. As noted earlier, a key result has been that the ADB, the World Bank, and Japan all overtook China in terms of the scale of ODF provided during 2020 and 2021.

ODF response to Covid-19

Change in ODF relative to 2019, constant 2021 US$

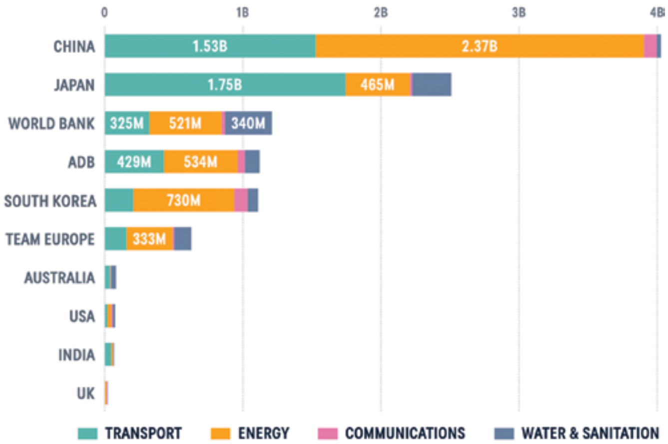


China is Southeast Asia's leading infrastructure financier but faces competition from the multilateral development banks, Japan, South Korea, and Europe, while the United States and Australia play minor roles

Infrastructure is the largest single category of ODF, encompassing projects in transport and storage, energy, communications, and water and sanitation. Between 2015 and 2021, the region received on average $11 billion in infrastructure ODF, comprising about 40% of total ODF to the region. Infrastructure ODF is heavily polarised between a handful of major financiers and the rest. China is by far the region's leading infrastructure financier, providing $4 billion a year on average or a little under 40% of total infrastructure ODF. Japan is the second-largest at $2.5 billion a year. Both China and Japan have a heavy focus on infrastructure, with this accounting for 73% and 62% of their total ODF respectively. The World Bank, the ADB, and South Korea are the next largest financiers, each providing about $1 billion a year in infrastructure ODF. Team Europe is also significant, averaging about $620 million a year. Other development partners play a minor role, with Australia, the United States, India, and the United Kingdom the next largest, but each providing less than 1% of total infrastructure financing in the region.

Infrastructure development finance in Southeast Asia

Top 10 partners, average spent per year 2015–21, constant US$ billions



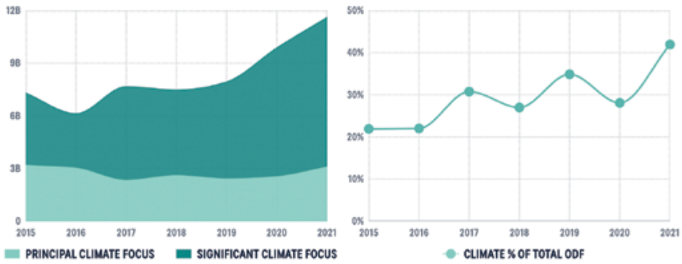
Despite China's leading role, the infrastructure competition picture in Southeast Asia is mixed. This is because there is a large gap between China's commitments and its disbursements. Between 2015 and 2021, China signed projects worth about $12 billion a year — three times more than its actual infrastructure ODF disbursements and three times the value of the infrastructure projects signed by Japan, the next largest player. China is consequently by far the dominant player in terms of commitments across most infrastructure sectors, with the exception of water and sanitation. But measured in terms of disbursements or projects delivered, China faces significant competition — notably from Japan in transport and storage, and South Korea in communications. In energy, China enjoys a dominant position, disbursing almost half of all ODF in the sector. The overall picture is thus mixed. In terms of the promise of substantial infrastructure finance, China is far ahead, with no other partner signing anywhere near the scale of infrastructure project deals. But measured in disbursements or actual projects delivered, China faces competition from a variety of players.

Climate development finance reached almost $11.6 billion in 2021. But the outlook is mixed, with far more concerted efforts needed to help Southeast Asia transition to more resilient low carbon development

Tracking climate-related ODF is difficult due to differing accounting approaches and limited reporting, even among traditional development partners. The Southeast Asia Aid Map nonetheless attempts to capture this, relying on climate financing reporting to the OECD where this exists and otherwise seeking to apply the same methodology to projects that would appear to qualify. This approach identifies whether projects have climate-related objectives (i.e. mitigation or adaptation) as their "principal" purpose or as a "significant" objective within a project otherwise focused on other development objectives.

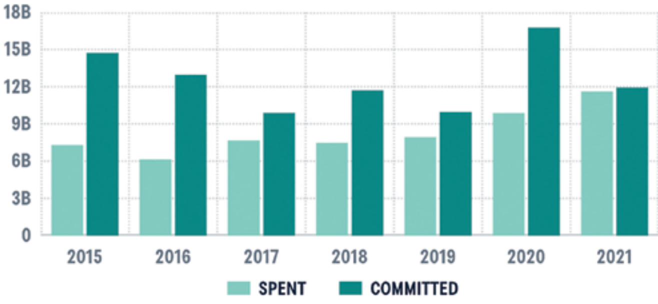
The Map shows that climate-related ODF has been rising in Southeast Asia, reaching $11.6 billion in 2021 and roughly doubling as a share to over two-fifths of total ODF. The ADB and Japan are the largest providers of climate development finance, with each providing almost $2 billion a year between 2015 and 2021. China, Team Europe, and the World Bank are the next largest, averaging about $1 billion a year each.

Climate development finance in Southeast Asia
Spent, constant 2021 US$



Despite the apparent increase in climate-related ODF, there remain a number of negative signs. First, the increase in climate development finance has only been through projects rated as having a significant climate objective. By contrast, projects with a principally climate-related objective have remained flat in volume terms and declined as a share of total climate-related ODF. Second, in terms of financing the energy transition, the Map finds that while financing for non-renewable energy projects (fossil fuel and waste fired) has declined significantly, so too has financing for renewable energy projects. Hence, to the extent that there has been a switch in financing focus, this has to date simply been achieved through a sharp reduction in overall energy support, at odds with the region's need for more and cleaner energy. Related to this, a third issue is that rising climate-related ODF has occurred within a broader context of relatively stable total ODF over the entire 2015–21 period, indicating that climate amounts have not been additional to existing development support. Fourth, though the amount of climate-related ODF disbursed is rising, new climate-related project commitments have decreased over 2015–21, aside from a temporary spike higher in 2020. Overall, the trajectory of climate development finance therefore appears far from the dramatic scale-up needed to support the region's transition to resilient low carbon development.

A mixed outlook for climate development finance
Constant 2021 US$



Intraregional cooperation is growing but is still a small part of official development finance in Southeast Asia

Intraregional ODF provided by one Southeast Asian country to another has remained minor, averaging just $76 million a year during 2015–21 or only 0.3% of total ODF in the region. Thailand is by far the largest intraregional development partner, providing about 85% of total intraregional ODF, most of it focused on the Mekong subregion of which it is a part. Vietnam is the second-largest provider, accounting for the majority of the remainder of intraregional ODF. Most of its financing is focused on supporting its neighbour, Laos. Overall, Laos, Myanmar, and Cambodia are the largest recipients of intraregional ODF recorded by the Map. Indonesia's intraregional ODF has remained minor, despite its status as the largest economy in the region (though in line with its status as a lower middle-income country). From 2015 to 2021, Indonesia's intraregional ODF averaged just $200,000 a year, with most directed to Myanmar, Timor-Leste, and on a regional basis. The Map records even smaller contributions to intraregional ODF from the region's three richest countries: Singapore, Brunei, and Malaysia.

TRADITIONAL PARTNERS STILL DOMINATE OFFICIAL DEVELOPMENT FINANCE

China has become Southeast Asia's largest development partner, but the majority of official development finance (ODF) to the region continues to come from traditional development partners. These are defined as members of the OECD Development Assistance Committee (DAC), as well as multilateral organisations primarily financed by those countries.

In Southeast Asia, major traditional partners include the multilateral development banks, Japan, South Korea, European countries, the United States, and Australia. Between 2015 and 2021, these institutions and countries accounted for nearly 80% of ODF spent in the region. They were also the leading providers of ODF in all Southeast Asian countries except Malaysia and Laos, where China dominates. During the pandemic years of 2020 and 2021, the role of traditional development partners became even more pronounced, with their share of ODF disbursed increasing to 85%.

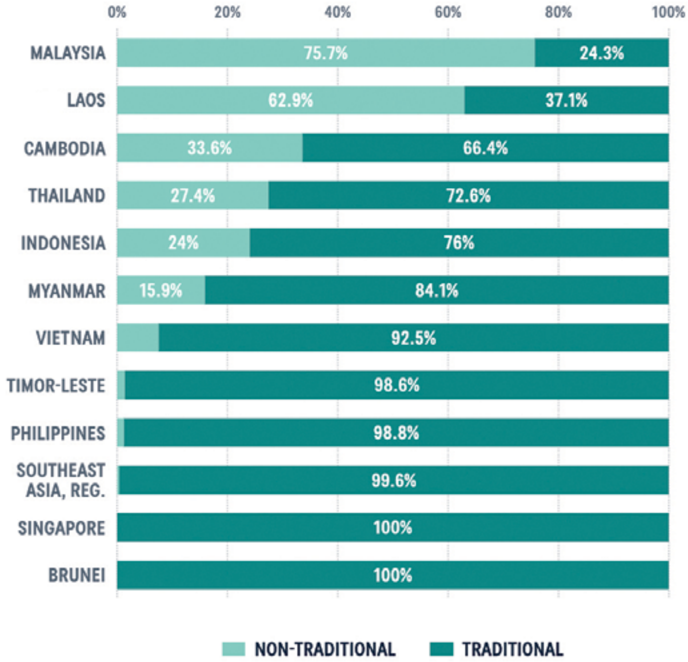
Unmatched concessional support from traditional development partners

The provision of grant financing in the region is largely dominated by traditional partners. Over the 2015–21 period, traditional partners disbursed approximately $42 billion in grants, while non-traditional partners, led by China and India, contributed $2.5 billion. The United States was the largest single provider of grant financing (providing $7.4 billion), followed by Japan ($5.8 billion), Australia ($4.9 billion), Germany ($3.5 billion), and European Union institutions ($3 billion).

The sector most supported by traditional partners in Southeast Asia was government and civil society, accounting for 24% of total funding. Infrastructure — combining transport and storage, energy, water and sanitation, and communications — accounted for a total of 30%. This balance of funding has remained largely consistent over time. By contrast, non-traditional partners (led by China) spent just 3% on governance and more than 70% in infrastructure-related sectors.

Traditional partners, led by the Asian Development Bank (ADB) and the World Bank, increased their funding for health in response to the Covid-19 pandemic, providing $3.5 billion in funding in 2021, compared to between $1.2 billion and $1.4 billion per year from 2015 to 2019. Funding for governance also increased substantially during Covid-19, as traditional partners provided significant budget support to Southeast Asian countries, including to sustain key government expenditures.

Non-traditional donors account for 21% of ODF in Southeast Asia
% total ODF, spent, constant 2021 US$



Official development finance in Southeast Asia
Spent, constant 2021 US$

Multilateral development banks lead traditional development efforts

The ADB and the World Bank are the primary multilateral development banks (MDBs) operating in Southeast Asia, and are the region's two largest traditional development partners. After China, the ADB and the World Bank are respectively the second and third-most significant sources of ODF in Southeast Asia. Together, they provided more than $60 billion in official development finance to the region between 2015 and 2021, with an almost equal split (52% from the ADB and 48% from the World Bank). The vast majority (99%) of their finance was in the form of loans, of which around 20% were concessional.

The MDBs achieve financing scale by leveraging their balance sheets to support the larger emerging economies through non-concessional lending, while providing grants and concessional loans to Southeast Asia's less developed economies. As a result, the ADB was able to respond substantially to the impact of the Covid-19 pandemic, becoming the largest source of ODF to the region in these years.

Over the 2015–21 period, the three major recipients of MDB ODF were Indonesia, the Philippines, and Vietnam. The MDBs also provided substantial support to Thailand, including the ADB-financed Bangkok Mass Rapid Transit Project and large Covid-related budget support loans. Indeed, total ODF from both MDBs increased sharply in response to the pandemic, jumping 82% in 2020 compared to the 2019 level.

Japan: the largest traditional bilateral partner, by far

Japan is the leading traditional bilateral development partner in Southeast Asia. Tokyo disbursed $28 billion between 2015 and 2021, accounting for 33% of the traditional bilateral ODF — ahead of South Korea's 24% and Germany's 10%. Almost all (99%) of it was ODA. Indeed, in 2021, about 22% of Japan's global ODA went to Southeast Asia, with Vietnam and Indonesia the largest benefactors. Nearly 80% of Japan's assistance to the region was in the form of concessional loans.

Japan's development finance was primarily focused on the transport and storage sector, accounting for 43% of its ODF between 2015 and 2021 and slightly outspending China. Many of Japan's largest and most visible projects in the region were in transport, including the North–South Commuter Railway in Metro Manila, the Ho Chi Minh City Urban Railway Construction Project, and the expansion of the Mass Rapid Transit system project in Bangkok.

Japan also invested outside this traditional area of focus. One example is the humanitarian sector, where the Japanese International Cooperation Agency (JICA) provided large loans to Indonesia in response to natural disasters in 2020 and 2021. Tokyo also provided large loans during the Covid-19 pandemic to support social protection programs in Indonesia, the Philippines, Myanmar, and Cambodia. These transactions boosted Japan's spending in the governance sector, where Tokyo has generally been less active than other traditional partners.

Japan's contribution across Southeast Asia was relatively balanced in the period reviewed. Vietnam received 26%, Indonesia and the Philippines around 20% each, and Myanmar, where Japan is the largest partner, 15%. Since 2018, Vietnam has received less Japanese support, with its share falling from more than 40% in 2015 to just over 11% in 2021. The Philippines and Indonesia, by contrast, have accounted for a growing proportion of Japan's assistance.

South Korea has emerged as the second-largest traditional bilateral partner

South Korea is the region's second-largest traditional bilateral partner after Japan. It disbursed about one-quarter of its global ODF in Southeast Asia.

South Korean ODF was concentrated primarily in two sectors: industry, mining, and construction; and energy. In the former, South Korea was the largest traditional partner in the region (and second overall, after China), accounting for more than $5 billion in ODF between 2015 and 2021.

South Korea's assistance goes overwhelmingly to just two countries: Vietnam and Indonesia, which together constitute 75% of South Korean ODF to the region. This may be a result of the commercial lens South Korea applies to its development activities in Southeast Asia. South Korea's ODF is led by the Korea Export–Import Bank and focuses on supporting investments by South Korean firms, in line with the former Moon administration's New Southern Policy.

Team Europe, collectively a major player

Team Europe is collectively the fifth-largest traditional ODF partner in Southeast Asia. Germany, France, and EU institutions are individually the sixth, ninth, and tenth-largest ODF providers in the region respectively. Between 2015 and 2021, Germany spent $8.5 billion, France more than $5.3 billion, followed by the European Union institutions ($3.2 billion), United Kingdom ($2.2 billion), Norway ($1.2 billion), and Switzerland ($1.17 billion).

Germany provided both loans and grants to Southeast Asia, with around $3.5 billion or 41% of its assistance in the form of grants. France was more weighted towards loans, with just $944 million, or 18% of its spending, coming through grants.

Indonesia accounted for 52% of Germany's development assistance, followed by Vietnam (19%), while France spread its support more evenly across Indonesia (35%), Vietnam (25%), Cambodia (17%), and the Philippines (16%). Around half of the United Kingdom's development assistance in Southeast Asia between 2015 and 2021 went to Myanmar, making it Myanmar's fifth-largest traditional partner after Japan, China, the World Bank, and the United States.

European partners were primarily focused on governance (26%), education (12%), and energy (11%).

United States: largest grant provider to Southeast Asia

The United States is a mid-sized development partner in Southeast Asia, providing $7.8 billion of development financing to the region, about 4% of the overall ODF over the period. However, a notable feature of US ODF is that it was almost entirely (95%) in the form of grants, with only $415 million of loans made by the Overseas Private Investment Corporation. The two main sectors of US focus were health (25%) and governance (23%).

With respect to health, the United States is the region's largest bilateral partner (outspent only by The Global Fund to Fight AIDS, Tuberculosis, and Malaria, to which the United States is the largest contributor). The United States spent $1.9 billion on this sector between 2015 and 2021, well above China's contribution of $544 million. The United States was also the largest partner in the environmental protection sector. One-third of US ODF ($1.7 billion) during 2015–21 went to the governance sector.

Australia: a mid-sized but responsive development partner

Australia is a mid-sized development partner in Southeast Asia, providing $6 billion or about 3% of the total ODF disbursed by all development partners. Australia's ODF in the region declined from $930 million in 2015 to $571 million in 2019, but it tripled in 2020 due to the provision of pandemic support ($1.7 billion) before returning to $850 million in 2021. Like the United States, Australia's spending in Southeast Asia has been predominantly characterised by ODA grants, with these accounting for more than three-quarters of spending. Indeed, Australia is the third largest grant provider to the region, behind the United States and Japan. Australia made just two loans during the period 2015–21, both to Indonesia: one for road improvements in eastern Indonesia, and the other in 2020 to support Indonesia's Covid-19 response.

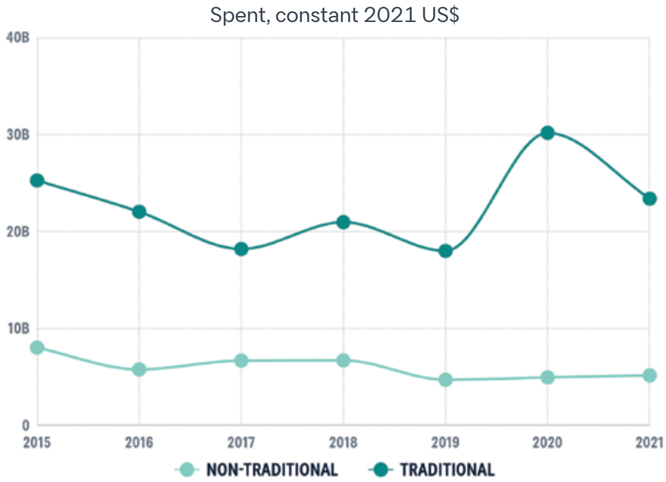
Between 2015 and 2021, Indonesia accounted for slightly more than half of Australia's development assistance to Southeast Asia. Timor-Leste was the next largest recipient, where Australia was by far the largest partner, spending more than twice as much as Japan, the next largest. Other significant recipients of Australian ODF were the Philippines, Vietnam, Myanmar, and Cambodia. Due to a reprioritisation of programming in response to the Covid-19 pandemic in 2020 and 2021, Australia gave most of its funding to the governance and health sectors. Notably, funding for health rose from less than $23 million in 2019 to $319 million in 2021.

Education has represented a declining share of Australia's development assistance to Southeast Asia. Australian funding in this sector has fallen from more than $150 million in 2015 to $45.6 million in 2021, in part due to a reduction in funding for basic education programming in Indonesia and the Philippines.

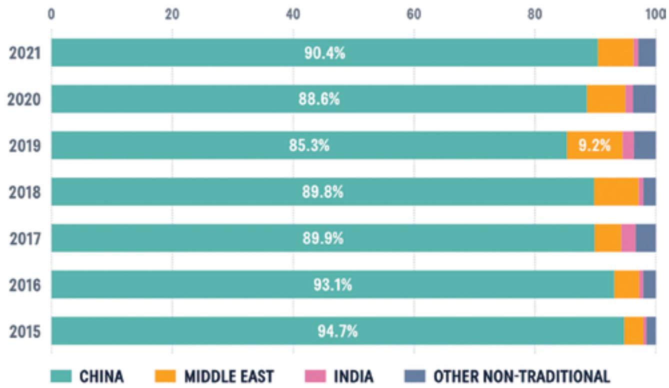
CHINA, INDIA, AND THE MIDDLE EAST AS EMERGING DEVELOPMENT PARTNERS

Non-traditional development cooperation has emerged as a notable characteristic in Southeast Asia, with China, India, and Middle Eastern countries becoming significant contributors to official development finance (ODF) in the region. Their development finance accounted for about 21% of total ODF between 2015 and 2021. Of this, China provided the lion's share, at around $5.5 billion a year or over 90% of non-traditional ODF. The Middle East accounted for around 5% with $300 million per year, three-quarters of which came from the Islamic Development Bank. India disbursed $488 million over this period, ranking third in the non-traditional group, though still only contributing 1% of total ODF disbursed in the region.

Official development finance in Southeast Asia
Spent, constant 2021 US$



Non-traditional official development finance
Spent, share of total ODF, constant 2021 US$

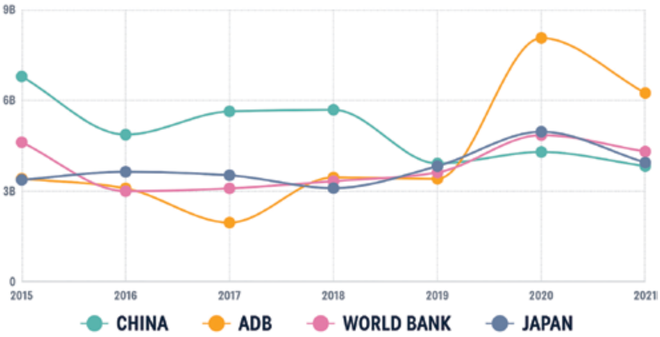


China, largest but decreasing development partner

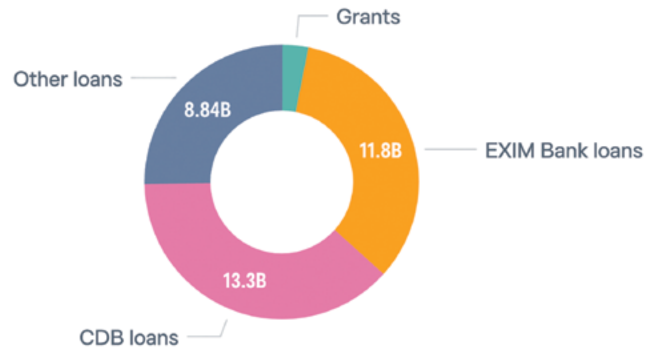
As China's power has grown, Beijing has been advocating for a restructuring of the global governance system to better align with its interests and values. As part of this effort, China launched several large-scale initiatives, such as the Belt and Road Initiative (BRI), Community of Shared Destiny, the Global Development Initiative, and the Global Security Initiative. Its aim is to position the country as a provider of global public goods, by offering Chinese resources and solutions to tackle development challenges.

The increasing importance of development cooperation in China's statecraft is reflected in its activities in Southeast Asia. In 2015, China emerged as the largest bilateral development partner in the region. It held this position until the arrival of Covid-19 in 2020, after which it fell to fourth place in terms of annual disbursements.

Covid-19 has shuffled the donor ranking to the detriment of China
Spent, constant 2021 US$



China's cumulative financing in Southeast Asia by financing agency
Spent, constant 2021 US$



Many Southeast Asian nations have become major participants in China's BRI. In 2021, China significantly increased its BRI-related commitments in the region, with notable large-scale commitments in Myanmar ($7.6 billion for the Mandalay–Kyaukphyu railway project) and the Philippines ($2.9 billion for the PNR South Long Haul Project, specifically the Bicol section). Some forecasts put Southeast Asia as the second-largest regional recipient of Chinese infrastructure funding between 2020 and 2030, with sub-Saharan Africa being the largest. Currently, four countries in the region (Indonesia, Malaysia, Thailand, and Vietnam) are among the top ten recipients of BRI investments. It is worth noting, however, that actual disbursements of Chinese ODF have generally trended lower than its commitments. Indeed, over the 2015–21 period, overall Chinese commitments were twice as big as its disbursements in the region.

The vast majority (72%) of all Chinese development projects in the region were financed through China's two largest policy banks, China Development Bank (38%) and the Export–Import Bank of China (34%). Together, they accounted for 11% of all financing disbursed in Southeast Asia, second to the Japanese International Cooperation Agency (12%) and more than the World Bank's International Bank for Reconstruction and Development (10%) and the Export–Import Bank of Korea (9%).

China's development finance in Southeast Asia often takes the form of large infrastructure projects, many of which are part of the BRI. Examples include the Jakarta to Bandung high-speed railway in Indonesia, as well as Malaysia's East Coast Rail Link, both financed through Chinese loans. While China's projects may offer benefits, maintenance funding and debt sustainability can present real challenges. For instance, in Laos, which the International Monetary Fund (IMF) has said is at high risk of debt distress, China accounts for 78% of the loans committed, or $7.8 billion, over the 2015–21 period. The country currently faces unprecedented financial difficulties, including $12.4 billion worth of public and publicly guaranteed debt, about half of which is owed to China.

The energy sector is the single largest recipient of China's ODF in Southeast Asia. China is the most important funder of both renewable and traditional energy projects in the region. Some 62% of all projects involving clean energy — such as hydropower, solar power, and biomass — were funded by China between 2015 and 2021. During the same period, some 64% of all non-renewable energy projects in Southeast Asia were also funded by China. Examples of such investments include the Laos Coal Electricity Integration Project and the Vinh Tan 3 Power Project.

The transport and storage sector received 27% of China's development financing in the region, making it the second-largest sector of China's disbursed ODF. Beijing remains keen to enhance its presence and connectivity in the Southeast Asian market through the BRI. Indeed, China's investment in high-quality railway facilitates easier access to new markets and promotes regional trade. In Southeast Asia, the BRI comprises four segments, beginning from Kunming in South China and extending to Vientiane in Laos, Bangkok in Thailand, and finally to Kuala Lumpur in Malaysia, and Singapore. The Thailand–China High Speed Rail, East Coast Rail Link, and Jakarta–Bandung High Speed Railway are notable examples of this infrastructure investment.

The most striking trend in China's ODF in Southeast Asia between 2015 and 2021 is the decline in China's relative importance as a partner. In 2015, China provided some 24% of the region's ODF. By 2011, this had fallen to 14%. A number of factors could explain this decline. The advent of the Covid-19 pandemic saw a significant increase in ODF by some of the region's other traditional partners, usually delivered in the form of direct budget support. But the pandemic also disrupted large infrastructure projects in the region, which, as already noted, is the way that China has typically delivered its ODF in Southeast Asia. While China did make significant ODF commitments in 2021, the lingering effects of the pandemic will likely continue to disrupt its ability to actually disburse those investments.

India has emerged as the second-largest non-traditional partner

India is the second-largest non-traditional bilateral development partner of Southeast Asia, with a yearly average of $70 million disbursed in the region. Although India's development cooperation has traditionally focused on its neighbours in South Asia, a substantial part has gone to the region under India's Act East policy. India's Development Partnership Administration (DPA) states that India's development cooperation in Southeast Asia aims to strengthen economic ties with the region, encourage integration and connectivity, and contribute to sustainable development.

From 2015 to 2021, India disbursed $490 million in grants and loans to Southeast Asia. Just two countries — Myanmar and Cambodia — received almost 90% of the funding. The development cooperation programs offered by India encompassed a broad range of sectors, including infrastructure development, capacity building, agriculture, health, education, information and communication technology, and disaster management.

One of the main channels for India's development cooperation is the Indian Technical and Economic Cooperation (ITEC) program, which provides training and capacity building in various fields to professionals and government officials from Southeast Asia.

India has also been involved in several infrastructure projects in the region. Those are often financed through India's state-owned Export–Import Bank, such as the $36 million Stung Sva Hab/Slab Water Resources Development Project in Cambodia, which will store excess rainwater to reduce flooding risks.

India differentiates itself from other non-traditional partners by also financing large infrastructure projects through grants, such as the $484 million Kaladan Multi-Modal Transit Transport Project, which seeks to improve transport links between India's north-eastern states and Myanmar's Sittwe port. This project is being constructed by India under the Grant in Aid Scheme, fully financed by Delhi.

Growing importance of Middle Eastern development finance

ODF from the Middle East — encompassing contributions from Middle Eastern countries, along with that of multilateral institutions such as the Islamic Development Bank — averaged $343 million per year over the 2015–21 period.

Saudi Arabia's development finance focused on education, most notably through the provision of scholarships, accounting for 91% of all education projects financed by Middle Eastern countries in the region. They were financed through grants from the Saudi Development Fund or the Ministry of Education. The remainder of Riyadh's development funding went to health projects, such as the construction of two university hospitals in Sebelas, Indonesia.

A third of Kuwait's development program to Southeast Asia went to the energy sector, notably the funding of power transmission lines in Laos. Another third was allocated to the agriculture, forestry, and fishing sector, mostly to irrigation infrastructure in Vietnam and Laos. Virtually all Kuwaiti projects were financed by the Kuwait Fund for Arab Economic Development and provided in the form of concessional loans.

Türkiye has maintained strong ties with the Muslim-majority nations of Southeast Asia — Indonesia, Malaysia, and Brunei — through the Organisation of Islamic Cooperation (OIC). A third of Ankara's regional development finance goes to these countries, mostly in the education sector. Türkiye has also been a large provider of humanitarian aid to Myanmar, allocating 65% of its development finance in the country to immediate crisis response.

Qatar is the smallest Middle Eastern partner in the region, accounting for only 1% of the group's ODF disbursements over 2015–21. The Qatar Fund for Development, responsible for two-thirds of Qatari's ODF, is mostly used for humanitarian purposes, but also to provide food aid during Ramadan in Muslim-majority countries.

The most significant Middle Eastern development partner in volume terms is the Islamic Development Bank (IsDB), which disbursed $1.8 billion in ODF during 2015–21. The IsDB accounted for 65% of all Middle Eastern development finance in Southeast Asia. It provided support to seven of the region's eleven countries, but 99% of its funding went to Indonesia. Most IsDB funding to Indonesia was in the form of non-concessional loans, focused on agriculture and education.

Infrastructure — encompassing transport and storage, energy, communications, and water and sanitation — is the single largest category of official development finance (ODF) in Southeast Asia.

INFRASTRUCTURE FINANCE COMPETITION HEATING UP

Infrastructure development finance accounted for almost 40% of total ODF between 2015 and 2021, averaging about $11 billion a year.

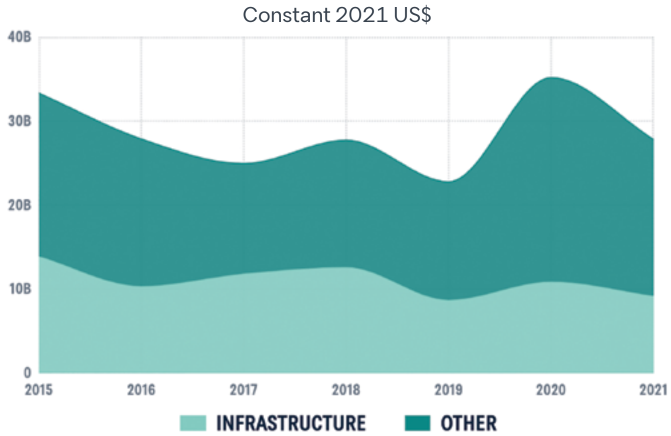
Infrastructure is a key priority for Southeast Asian governments and their external development finance partners. The region faces a substantial infrastructure financing gap. It needs more infrastructure to support economic recovery from the Covid-19 pandemic and other global crises since the early 2020s. The region also needs infrastructure to sustain its positive long-term economic trajectory, meet the Sustainable Development Goals, and rise to the challenges posed by climate change. Even before the Covid-19 pandemic, the Asian Development Bank (ADB) estimated that the region faced an infrastructure financing gap of around 4% of GDP, including for responding to climate change. The International Energy Agency estimates that developing Southeast Asian economies need to more than quadruple clean-energy investment, from $28 billion a year at present to $130 billion by 2030.

The rise of China as a major infrastructure financier has also triggered greater competition among development partners. The launch of China's Belt and Road Initiative (BRI) in 2013 has led traditional development partners, such as the United States, Japan, and Australia, to launch their own infrastructure financing initiatives. The most notable is the Partnership for Global Infrastructure Investment, launched by the G7 in 2022, which aims to provide $600 billion in financing from public and private sources.

Around 90% of total infrastructure ODF was for economic infrastructure, which includes the transport and storage, energy, and communications sectors. Transport and storage and energy account for the largest shares — 46% and 41% respectively. A small amount (3%) was directed to the communications sector. Water and sanitation accounted for 9% of total infrastructure ODF. In line with the overwhelming focus on economic infrastructure (which is generally expected to generate economic returns), over 90% of infrastructure ODF was provided in the form of loans, with non-concessional loans making up over half of total infrastructure ODF. Grants made up only 7% of infrastructure development finance.

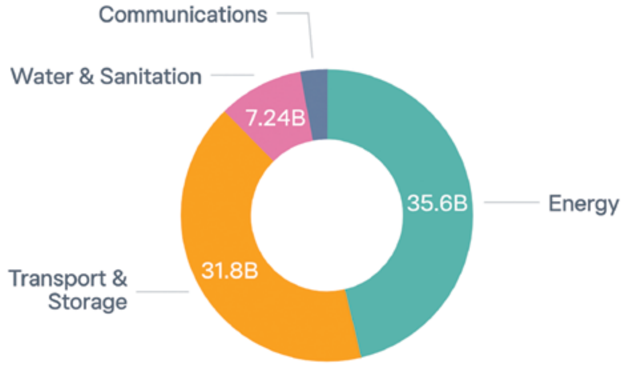
Infrastructure ODF vs other

Constant 2021 US$



Infrastructure ODF by sector

% total infrastructure ODF spent, constant 2021 US$



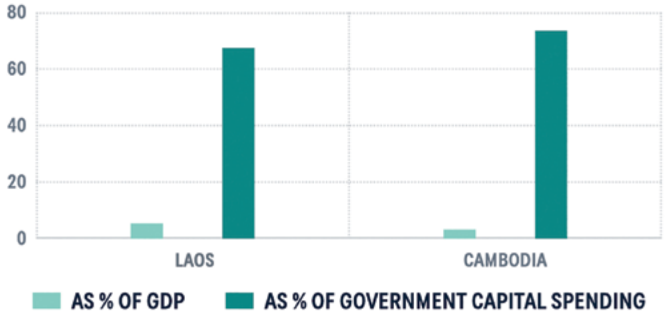
ODF plays a major infrastructure financing role

Despite the considerable scale of Southeast Asia's economies, the overall volume of infrastructure development finance they receive is making a sizeable contribution to the region's infrastructure investment, and therefore its growth and development.

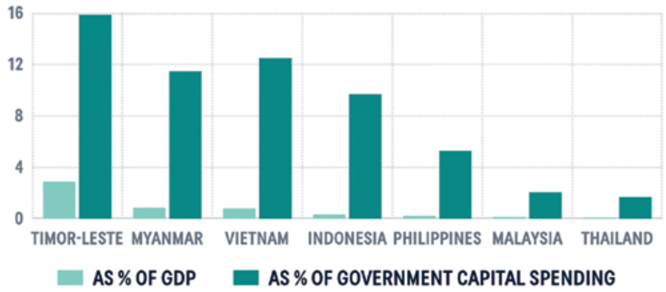
Measured relative to the size of individual economies, ODF is a large source of financing for the region's smallest developing economies — Laos, Cambodia, and Timor-Leste — where infrastructure ODF is equal to several percentage points of GDP. In Laos and Cambodia, infrastructure ODF has been equal to a staggering 67% and 74% of government capital spending respectively. In Timor-Leste, where the government has been able to draw down from its substantial petroleum fund to invest in public infrastructure, infrastructure ODF still plays an important financing role.

In the region's larger economies, infrastructure ODF is small relative to GDP, but in many cases it is still significant when measured relative to government capital spending. Infrastructure ODF is equivalent to about 10% or more of total government capital spending in Indonesia, Vietnam, and Myanmar. In the Philippines, Malaysia, and Thailand, infrastructure ODF is relatively small in terms of disbursements, reflecting problems with project implementation. But if measured in terms of project commitments, infrastructure ODF in these countries is equivalent to about 10% or more of government capital spending, similar to the level in other large Southeast Asian emerging economies.

Role of infrastructure ODF — Laos & Cambodia
Infrastructure ODF spent, constant 2021 US$



Role of infrastructure ODF — rest of region
% total Infrastructure ODF spent, constant 2021 US$



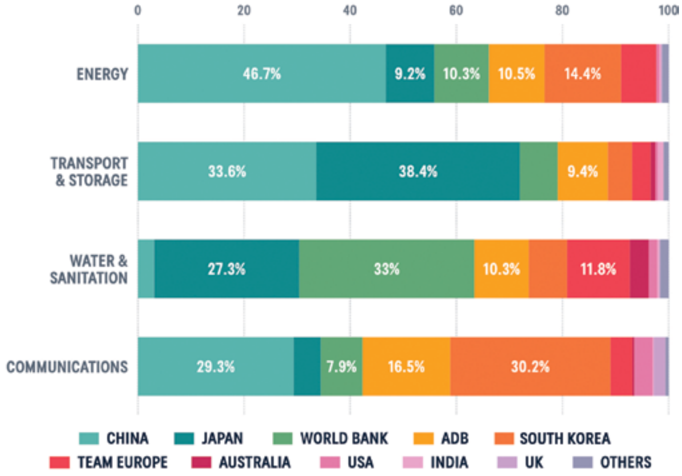
Source: Lowy Institute Southeast Asia Aid Map, International Monetary Fund, World Bank

China leads but faces competition

China is by far Southeast Asia's largest source of official infrastructure development finance. Between 2015 and 2021, China provided about $28 billion in infrastructure ODF to Southeast Asian nations or about $4 billion a year. This accounted for almost 40% of all such financing to the region. Japan is the next largest source of infrastructure ODF, providing $2.5 billion a year, while the World Bank, the ADB, and South Korea each provide a little over $1 billion a year. France and Germany are the next largest and, combined with the rest of the European Union, "Team Europe" is the sixth-largest infrastructure ODF source. Thereafter, there is a steep drop-off, with Australia, the United States, India, and the United Kingdom the next largest partners, but each providing well under $100 million a year in support.

But while China is the single largest source of infrastructure ODF overall, it is far from dominant in every sector. Japan, for instance, provides slightly more ODF in the transport and storage sector than China. In the communications sector, South Korea provides a similar amount of financing as China, while the ADB and the World Bank are also significant players. China plays a minimal role in the water and sanitation sector, reflecting its focus on economic rather than social infrastructure. Traditional development partners are more focused on this sector. China does, however, dominate the energy sector, accounting for almost 50% of ODF, with South Korea the next largest at 14%.

Infrastructure ODF by sector and partner, 2015–21 — spent
Share of total ODF spent by sector, constant 2021 US$

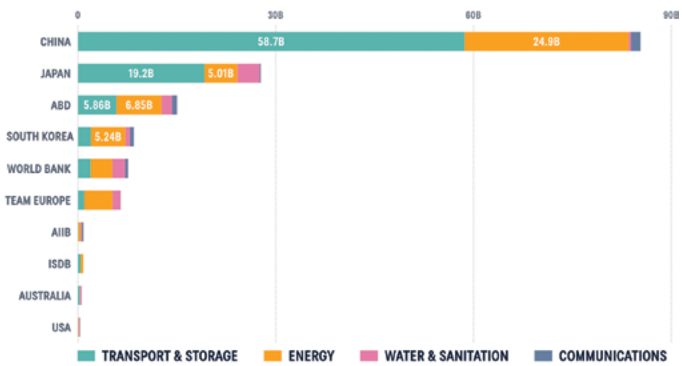


On the other hand, focusing on project commitments (i.e. deals signed) as a measure of China's role provides a very different picture. Excepting water and sanitation, where its role remains small, China dominates the signing of new infrastructure deals in Southeast Asia. China's infrastructure ODF commitments averaged about $12 billion a year between 2015 and 2021 — three times that of Japan, the next largest infrastructure partner, and more than half of total infrastructure ODF commitments in the region. On a commitment basis, China constitutes about 65% of total projects in the transport and storage sector, almost half of energy ODF, and almost 40% in the communications sector.

The result is a mixed picture in terms of infrastructure competition, given the significant difference between China's ODF commitments and its actual disbursements. Over the 2015–21 period, China committed $85 billion in infrastructure projects in Southeast Asia, three times what it actually disbursed in financing. This partly reflects delays with several large projects, notably in Malaysia and Thailand.

Overall, the sheer scale of its commitments shows that China has been offering the region far more in potential infrastructure financing than any other development partner. But while China might be out-signing the region's traditional development partners, when it comes to actual delivery, the latter are to date still providing a competitive alternative source of infrastructure finance.

Infrastructure ODF by sector and partner, 2015–21 — committed
Committed, constant 2021 US$



RISING CLIMATE DEVELOPMENT FINANCE YET OUTLOOK UNCERTAIN

Southeast Asia is expected to experience more economic loss than other parts of the globe as a result of climate change. According to the Global Climate Risk Index, four Association of Southeast Asian Nations (ASEAN) countries — Myanmar, the Philippines, Vietnam and Thailand — were among the top ten countries most affected by extreme weather events between 1999 and 2018. Six of them are forecast to be among 20 countries most vulnerable to climate change.

Southeast Asian nations have acknowledged the risks posed by climate change and have taken measures to address them, such as setting decarbonisation targets and pledging reduction plans in their nationally determined contributions. Most have also set more ambitious carbon emission reductions targets conditional upon receiving assistance from advanced economies.

The Southeast Asia Aid Map finds that climate development finance is rising, but not fast enough to meet the needs of the region.

Steady rise but mixed outlook

Between 2015 and 2021, climate development finance disbursements in Southeast Asia averaged $8.3 billion annually, totalling more than $58 billion, or 29% of official development finance (ODF) disbursed in the region during this period. The number of projects marked by the Southeast Asia Aid Map as “significant” (where climate change mitigation or adaptation is explicitly stated but not fundamental) far exceeded those marked “principal” (where climate change mitigation or adaptation is explicitly stated as fundamental to the project). The highest sum of principal projects was recorded in 2021, reflecting an increased focus on climate action by the international community. Over the period, climate development finance (that is, including both significant and principal projects) increased by 59%. But the entire increase in climate development finance was through projects rated as having a significant climate objective. By contrast, projects with a primary focus on climate-related objectives remained flat in volume terms and actually decreased in proportion to total climate-related ODF.

In addition, notwithstanding the rising disbursement of climate-related ODF, there was an 18% decline in new commitments to climate-related projects from 2015 to 2021, despite growing financing needs for climate initiatives in Southeast Asia.

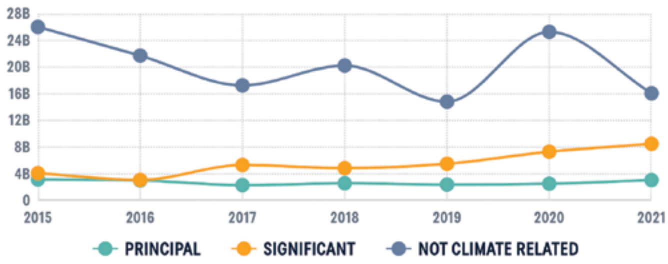
What’s more, loans consistently made up more than 80% of the $58 billion disbursed in climate-related projects over the 2015–21 period. Of this debt finance, less than half (44%) was concessional.

Laos, Myanmar, and Timor-Leste received 89%, 49%, and 30% respectively of their climate finance in the form of debt instruments. This amounted to around $5.8 billion, $1.7 billion, and $195 million respectively over seven years. The overall debt burden in these countries was already high. China, Japan, and the Asian Development Bank (ADB) were the major lenders in climate-related projects in those countries, providing 88%, 45%, and 78% of loans respectively.

In contrast, Germany, the United Kingdom, and Australia were the main providers of grant-based finance in those countries.

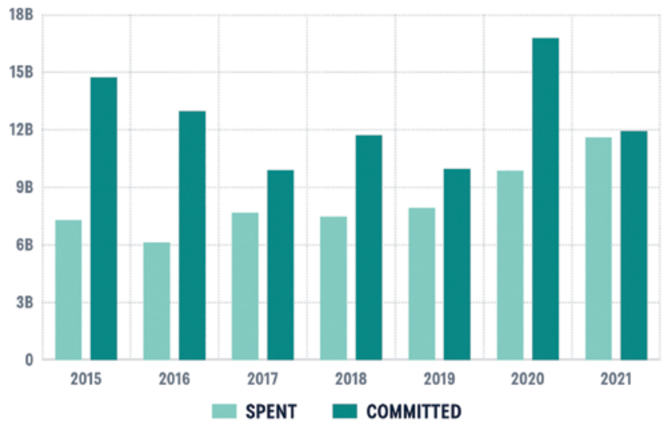
Climate development financing in Southeast Asia

Spent, constant 2021 US$



Mixed outlook for climate development finance

Transaction type, constant 2021 US$

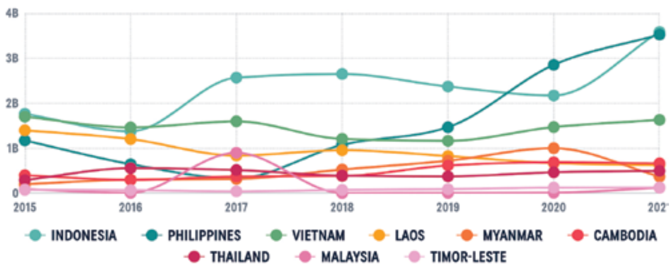


Disparities in disbursements

Indonesia, the region’s largest economy, was the largest recipient of climate development finance, receiving more than $16.5 billion between 2015 and 2021. The Philippines ($11.1 billion), Vietnam ($10.3 billion), and Laos ($6.6 billion) followed as the next major recipients. Timor-Leste and Malaysia trailed by a significant margin, receiving $1.2 billion and $650 million respectively.

Climate development finance in Southeast Asia

Spent, constant 2021 US$

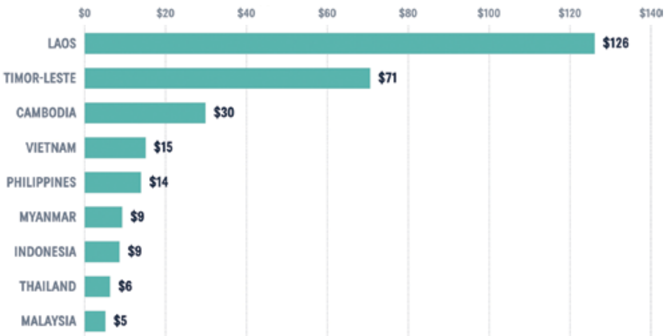


There have been some notable changes in climate development finance trends in the region in recent years. Indonesia received a significant increase in funding in 2016 as the result of loans for two projects: one from the ADB for the Sustainable Energy Access in Eastern Indonesia — Electricity Grid Development Program; and one from the World Bank for the Power Distribution Development Program-for-Results. The Philippines received additional climate finance in 2017 for the implementation of the Kapitbisig Laban sa Kahirapan — Comprehensive and Integrated Delivery of Social Services Project, funded by the ADB.

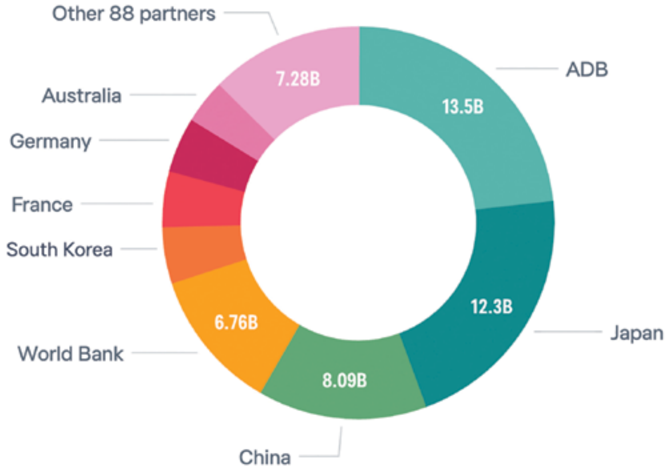
Vietnam's average annual disbursements for climate-related projects remained just under $1.5 billion, with mild growth since 2019. Malaysia had a surge in climate development financing in 2017 due to loans from Chinese state-owned policy banks for clean energy projects, but since then it has dropped back to almost negligible levels. Laos, which was the third-largest recipient of climate development finance in Southeast Asia in 2015, has seen a consistent decline in funding, largely due to a decrease in China's disbursements in the country's energy sector.

Due to the large disparity in country population across the region, evaluating ODF on an annual average per capita basis provides a more accurate understanding of climate development financing. Laos comes out far ahead of other Southeast Asian countries, with $883 per Laotian, and a yearly average of $126 in climate-related development finance spent per person. Malaysia, a mid-sized regional economy, is last, with $36 per capita over the whole period, and just $5 per capita per year. Meanwhile, Myanmar, the region's poorest country with a GDP per capita of just $1,209 (2021), received a relatively modest yearly average of $4.30 per capita, compared to $29 and $70 for Cambodia and Timor-Leste respectively. Despite being the top destination for climate development finance in volume terms, Indonesia's large population means the average annual per capita spend was only $8.62.

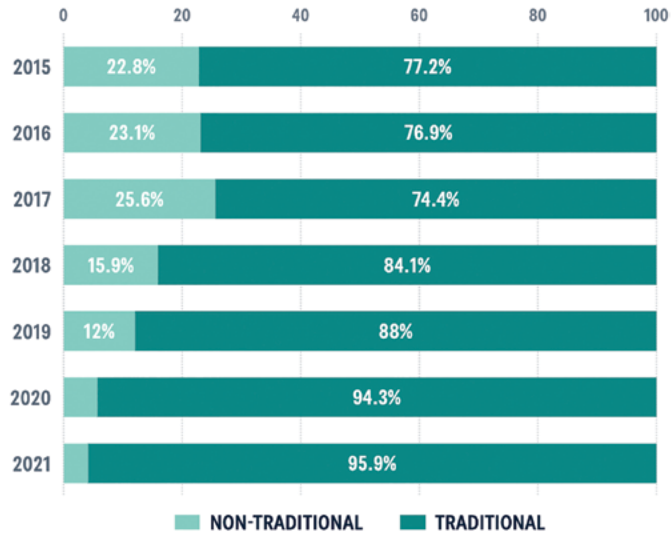
Cumulative climate development finance per capita, 2015–21
Spent, constant 2021 US$



Climate development finance by partner, 2015–21
Spent, constant 2021 US$



Climate development finance per partner type
% of total climate ODF spent, constant 2021 US$



Asian Development Bank, Japan, and China dominate

Between 2015 and 2021, the ADB was the largest provider of climate development finance, providing an average of $1.9 billion annually in the region. But Japan — the top contributor to the ADB — was by far the largest bilateral provider of climate development finance in Southeast Asia. Over the period reviewed, Japan provided $1.7 billion annually to Southeast Asia, or 35% of its total bilateral climate development finance. This was significantly higher than China, which provided 23%. South Korea provided 8%.

Over the period, the ADB allocated 43% of its total development finance flows in Southeast Asia to projects related to climate change, Japan 44%, China 21%, and South Korea 13%.

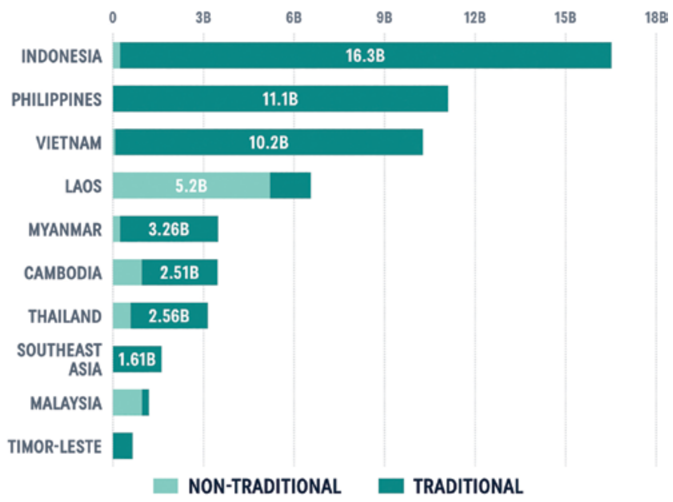
It is noteworthy that both the ADB and Japan's contributions to the region were concentrated in Indonesia, the Philippines, and Vietnam. China allocated more than five times more climate development financing to Laos (64%) than its second-biggest recipient, Malaysia (12%). By contrast, other countries opted to distribute their support across the region. Multilateral partners or those outside the region, such as European countries and EU institutions, often preferred to provide climate development finance to regional initiatives rather than to specific countries.

Non-traditional development partners (non-members of the OECD Development Assistance Committee, such as China), provide a sizeable amount of climate development finance to Southeast Asia in the form of loans instead of grants. From 2015 to 2021, non-traditional partners provided around 20% of their total disbursements to climate development projects, while traditional partners allocated 32% of their ODF to climate financing. Non-traditional partners tended to focus their financing on Laos, while larger economies — such as Indonesia and the Philippines — received comparatively little climate finance from non-traditional partners.

Between 2015 and 2018, China was the largest non-traditional partner for climate spending, mostly due to a series of disbursements for the Nam Ou Hydropower Project in Laos. But Beijing's regional disbursements peaked in 2017 at $1.9 billion and fell to just $450 million by 2021. China provided most of its finance through non-concessional loans, while Japan's financing generally took the form of concessional loans.

Purpose-specific funds (e.g. Climate Investment Fund, Global Environment Facility, Global Green Growth Institute, Green Climate Fund, and Adaptation Fund) contributed $910 million over the period in climate-relevant financing to Southeast Asia. This amounted to less than 2% of the total climate development financing over the period. However, it is noteworthy that 54% of these projects received a rating indicating a principal focus on climate, while 46% were rated as having a significant climate focus.

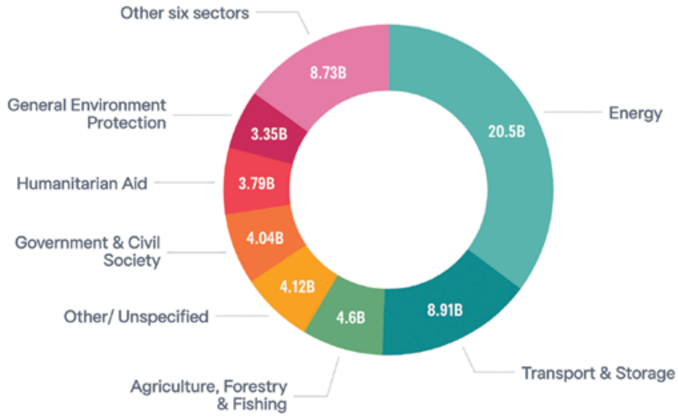
Climate development finance in Southeast Asia by country
Spent, constant 2021 US$



Challenges in financing the energy transition

Most climate development finance was spent in the energy sector, primarily on developing centralised electricity transmission grids and hydro-electric power plants.

Climate development finance by sector
Spent, constant 2021 US$



Disbursements in the energy sector peaked in 2017. This was driven by large Chinese projects such as the Nam Ou Hydropower Project in Laos, funded by the China Development Bank, and the Hanuman Wind Farm Project in Thailand, financed by the Export–Import Bank of China. Overall energy-related development financing declined after 2017 but remains the main focus within the wider category of climate-related initiatives.

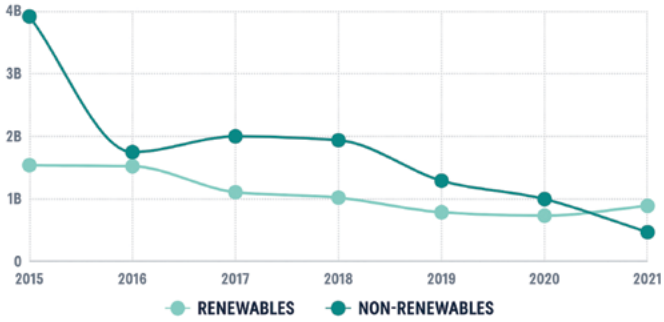
The second-largest sector in terms of climate-related disbursements was transport and storage, which was dominated by rail infrastructure. Most notable was the Mass Transit System Project in Bangkok, funded by the Japanese International Cooperation Agency (JICA) via a $1.5 billion concessional loan and marked as having a principal focus on addressing climate change.

Meanwhile, sub-sectors that specifically address adaptation — such as disaster preparedness, water supply and sanitation, and reconstruction and rehabilitation — received a total of less than $700 million per year, despite their critical importance.

Despite increasing global efforts to transition to low-emissions energy generation, development finance in Southeast Asia for non-renewable energy projects (coal, oil, gas, and waste-fired) have consistently been higher than funding for renewable energy (hydro, solar, wind, marine, geothermal, and biofuel-fired). Since 2015, a total of $12.3 billion of development finance has been spent across the region on non-renewable energy projects, compared to $7.6 billion on renewable projects. China was the region's major funding partner in both categories (62% of all renewable financing, and 64% of all non-renewable financing), followed by the World Bank for renewables (11%) and South Korea for non-renewables (21%).

What's more, while financing for non-renewable energy projects declined significantly, so too did financing for renewable energy projects. Therefore, the shift in financing focus was only accomplished by a substantial reduction in overall energy-focused development finance, despite the region's need for increased and cleaner energy.

Energy development finance
Spent, constant 2021 US$



Several of the region's major development partners have signalled a reduction in funding for non-renewables in the future. The ADB's 2021 Energy Policy flagged that it will not fund new coal-fired power generation or gas exploration in the region. Japan signed a G7 agreement to end public financing for unabated fossil fuel projects by the end of 2022. China's President Xi Jinping announced to the United Nations General Assembly in September 2021 that China would not build any more coal power stations overseas. The World Bank stopped investing in upstream oil and gas in 2019, and in the 2021 fiscal year it provided zero funding for new fossil fuels.

Overall, the pace of progress towards achieving a significant increase in renewable development projects while also supporting greater regional energy needs seems insufficient to facilitate the region's shift towards a resilient low-carbon future.

INTRAREGIONAL COOPERATION IS INCREASING BUT REMAINS MODEST

Over the past 50 years, Southeast Asia has been one of the most economically vibrant regions in the world, lifting millions out of poverty. This has allowed some Southeast Asian countries to start providing development assistance to each other. In 2021, the amount of financing within the region was $86 million, less than 0.3% of the total official development finance (ODF) flows received by Southeast Asia that year. But intraregional development finance is growing steadily. Over the 2015–21 period, it increased by 14%. Between 2019 and 2020, disbursements associated with Covid-19 support and infrastructure projects saw a yearly increase of 45% to $106 million.

Nearly all intraregional ODF projects were in the form of grants, except for a number of infrastructure projects undertaken by Thailand over the period, which were funded through concessional loans. These loans accounted for 35% of the intraregional aid financing within the region.

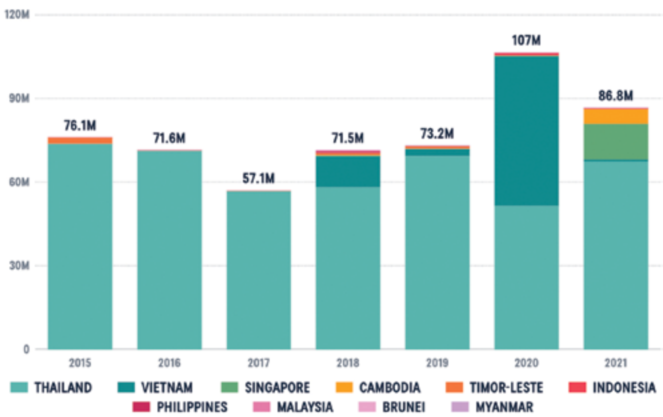
About one-third of the intraregional development funding was allocated to infrastructure, with a particular emphasis on road transportation and coal-fired power plants. This emphasis on infrastructure aligns with the development priorities of Thailand and Vietnam, the two primary providers of intraregional ODF between 2015 and 2021.

The other two main areas funded by intraregional ODF were health and humanitarian assistance. Each Association of Southeast Asian Nations (ASEAN) member state contributes an equal amount annually to the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management (AHA). Those contributions — totalling $4.3 million — account for the majority of intraregional financing from Brunei, Malaysia, Myanmar, and the Philippines.

ASEAN members, including Timor-Leste, also contribute ad hoc funding to the AHA when natural disasters strike the region. For example, Southeast Asian countries made large disbursements to Indonesia through the AHA when a 7.5-magnitude earthquake hit Central Sulawesi in 2018, triggering a tsunami as high as six metres that left many casualties.

Thailand: leading intraregional ODF provider

Intra-regional official development finance to Southeast Asia by partner
Spent, constant 2021 US$



Thailand is by far the largest intraregional development partner in Southeast Asia. In 2015, 2016, and 2017, Thailand accounted for approximately 98% of intraregional development finance and was responsible for 82% of total flows over the entire period.

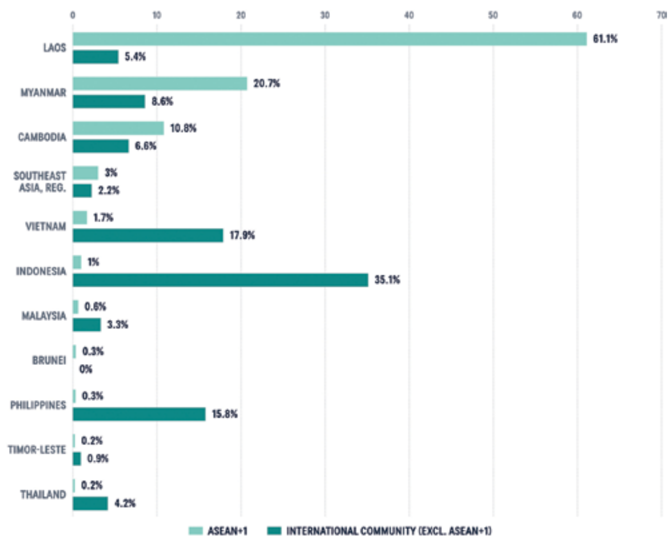
Between 2015 and 2021, Thailand's share of total intraregional financing declined as other countries stepped up their financial assistance. For example, Vietnam has invested significantly in large governance and education projects in Laos since 2018, while Singapore made a considerable contribution to intraregional assistance in 2021 by providing a significant number of Covid-19 vaccines and related financial support, accounting for 15% of intraregional aid that year.

Intraregional ODF focuses on poorer members

In volume terms, Laos (61%), Myanmar (21%), and Cambodia (11%) are the main recipients of intraregional ODF disbursements, which differs significantly from the way that the international community allocates its ODF in the region. Development partners from outside the region direct most of their ODF to Indonesia (35%), Vietnam (18%), and the Philippines (16%).

The difference in focus is largely explained by the fact that ASEAN has an explicit aim to reduce poverty and narrow the development gap among its members. To achieve this, ASEAN has identified the acceleration of economic development in Cambodia, Laos, Myanmar, and Vietnam as top priorities. Myanmar, Cambodia, and Laos currently have the lowest GDP per capita in the region.

Geographic distribution of ODF to Southeast Asia
Spent, constant 2021 US$



The Thai example

Thailand's development cooperation program is the oldest and largest in Southeast Asia. Created in 1963, it primarily targets neighbouring developing countries. According to the Organisation for Economic Co-operation and Development (OECD), Thailand's global concessional development finance (ODA) reached $72 million in 2021, with the majority (93%) directed to Southeast Asia.

Excluding Singapore and Brunei, the two high-income countries in the region, Thailand is the most generous Southeast Asian country in terms of ODF given compared to ODF received.

Since 2004, Thailand has had a dedicated agency called the Thailand International Cooperation Agency (TICA), which has shifted its focus from receiving aid to providing development cooperation. In its National Strategy 2018–37, the Thai government identifies domestic and foreign security as the primary benefit of development cooperation. Thailand prioritises ODF to the Mekong subregion and then to ASEAN more broadly.

As a result, 96% of Thailand's support to the region is primarily directed towards Laos (58%), Myanmar (25%), and Cambodia (13%). These countries had the lowest per capita incomes in the region as of 2021 and all share borders with Thailand.

Vietnam, the second intraregional partner

Vietnam is the second-largest Southeast Asian development partner and was responsible for 13% ($68 million) of intraregional ODF between 2015 and 2021.

Hanoi's foray into development cooperation is relatively recent. While the Foreign Economic Relations Department in the Ministry of Planning and Investment (MPI) was initially focused on coordinating incoming ODA to Vietnam, it has gradually expanded its role to providing development cooperation to neighbouring countries. Over the 2015–21 period, Vietnam directed almost all of its ODF to Laos and Cambodia, funding a wide range of projects, including a hydro-electric dam in Laos and Covid-19 assistance in Cambodia.

It is likely that Vietnam will become an even more important partner in coming years, given Hanoi's foreign policy agenda places significant emphasis on regional cooperation and development.

Wealth does not determine intraregional contribution

Cambodia and Timor-Leste are among the poorest economies of Southeast Asia, yet they rank fourth and fifth out of eleven respectively in terms of ODF disbursed in the region. When looking at the ratio of ODF provided to ODF received, Timor-Leste is the second-most generous Southeast Asian partner, while Cambodia is the fourth-most generous.

Cambodia has consistently provided humanitarian support to the region, particularly through its yearly contribution to the AHA. By contrast, Timor-Leste's approach has been more reactive, providing emergency assistance to its ASEAN neighbours in times of crisis. For example, Dili provided support to the victims of the 2018 earthquake in Indonesia and to those affected by floods in Laos that same year.

Indonesia created a dedicated development cooperation agency in 2019. Jakarta's intraregional ODF has nonetheless remained low, accounting for only 0.3% of intraregional financing. Between 2015 and 2021, Indonesia's intraregional ODF averaged about $200,000 a year, with the majority directed towards Myanmar (51%), the region (34%, through the AHA), and Timor-Leste (15%).

Singapore and Brunei — Southeast Asia's two high-income countries – stand out as underperformers, combined accounting for just 2.6% of intraregional ODF.

Singapore disbursed $13.5 million between 2015 and 2021, mainly providing small amounts of ODF in response to natural disasters in the region. It was only with the advent of the Covid-19 pandemic that the region's wealthiest country expanded its aid program, by donating medical supplies as well as vaccines to the region.

Brunei's intraregional ODF has also been low, providing less than $600,000 in total to the region during the period. Most of Brunei's assistance came in the form of its yearly donation to the AHA, but the country also provided support to Laos when it experienced flooding in 2018.

BRUNEI

$3.04M	$3.04M	8	100%
SPENT	COMMITTED	PROJECTS	COMPLETED

Brunei is a high-income country, one of only two in Southeast Asia. Its $14 billion GDP (2021) makes up just 0.4% of the region's GDP, and it has by far the smallest population at just 445,000. Its per capita GDP is $31,450, the second-highest in the region behind Singapore. Its Human Development Index ranking is 51st out of 191 countries, closer to the upper-middle income countries of Malaysia and Thailand than Singapore. It sits at 25th out of 180 in Transparency International's 2021 Corruption Perception Index.

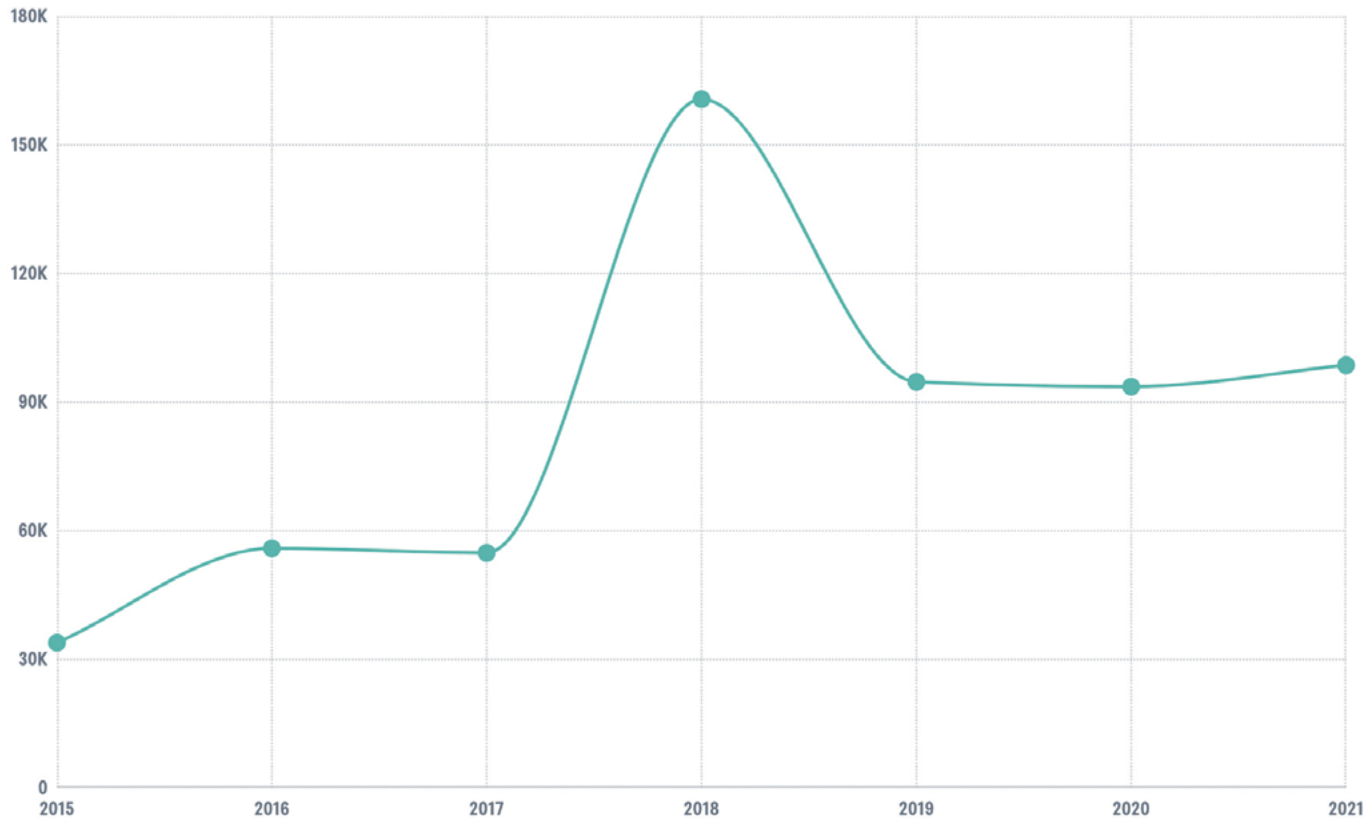
Brunei's economy is heavily dependent on oil and natural gas, which accounted for 49.6% of GDP in 2021. Its natural resources have provided substantial revenue and high earnings from exports since independence in 1984, but this reliance has exposed the economy to shocks such as the Covid-19 pandemic and fluctuations in commodities prices. There are ongoing efforts to diversify the economy, improve the quality of life, and increase GDP, articulated in the Wawasan Brunei 2035.

Despite its relative wealth, Brunei contributes very little to development assistance in Southeast Asia. Brunei provides development finance outside the Southeast Asian region, most notably via capital holdings in the Islamic Development Bank, contributions to the Central Emergency Response Fund, and financial support to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

Within the region, Brunei made an annual contribution to the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management. Between 2015 and 2021, it disbursed official development finance (ODF) on two other occasions: a $100,000 grant in 2018 to aid flood victims in Laos and a donation of AstraZeneca vaccines worth $8,620 to the Philippines in 2021.

Brunei is also a recipient of very small volumes of ODF. Between 2015 and 2021, it received slightly more than $3 million in grants, averaging $434,000 a year, from the Japanese Ministry of Foreign Affairs and China. There was an increase in 2016 ODF from Japan, but volumes fell again in 2017 and remained low until 2021, when both Singapore and China donated Covid-19 vaccines to Brunei, worth $1.9 million and $1.1 million respectively.

Official development finance from Brunei to Southeast Asia
Spent, constant 2021 US$



CAMBODIA

$13.3B	$19.0B	13.3K	70%
SPENT	COMMITTED	PROJECTS	COMPLETED

KEY DEVELOPMENT CHALLENGES

Cambodia became a lower middle-income country in 2015, with ambitions to reach upper middle-income status by 2030. Its roughly $27 billion GDP (2021) accounts for 0.8% of the regional GDP of Southeast Asia. With a population of more than 16.5 million, Cambodia's GDP per capita is $4,784, the second-lowest in the region.

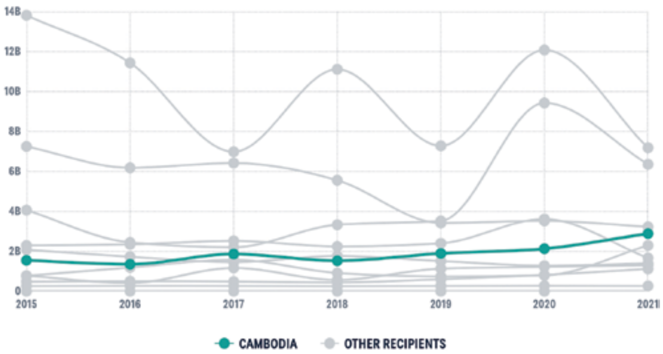
Cambodia has seen impressive poverty reduction and some of the fastest economic growth in the world since the formal end of civil conflict in 1991. Nonetheless, the country still faces significant development challenges. Corruption and governance remain significant barriers to growth and development.

During 2015–21, more than 13,000 projects were implemented by 65 development partners in Cambodia, to a total of more than $13 billion or $1.8 billion per year.

OVERVIEW OF KEY TRENDS

Official development finance in Southeast Asia

Spent, constant 2021 US$



In volume terms, official development finance (ODF) disbursements — including grants, loans, and other forms of assistance — to Cambodia almost doubled between 2015 and 2021, with the country moving from the sixth- to the fourth-largest recipient of ODF in the region. This increase can be explained by both China and Japan more than doubling their loans to the country during this period. ODF disbursed to Cambodia averaged $1.8 billion per year, accounting for 6.6% of regional ODF.

Over the period analysed, ODF increased relative to the country's economy, rising from 7.6% of GDP in 2015 to 10.7% in 2021. This growth can be explained by a large boost during 2020–21 in response to the Covid-19 pandemic, with China as the largest contributor to this increase.

In Cambodia, commitments exceeded disbursements in 2015–20. However, in 2021 disbursements surpassed commitments by $832 million. This was primarily due to the significant increase in commitments in 2020, which were implemented in 2021, including major infrastructure projects from China such as the $1.1 billion Phnom Penh Airport and $880 million New Siem Reap International Airport. Four out of Cambodia's top five bilateral partners — China, Japan, France, and the United States — spent more than they committed in 2021. Overall, the ratio of spending to commitments was 70% during 2015–21, above the regional average of 64%.

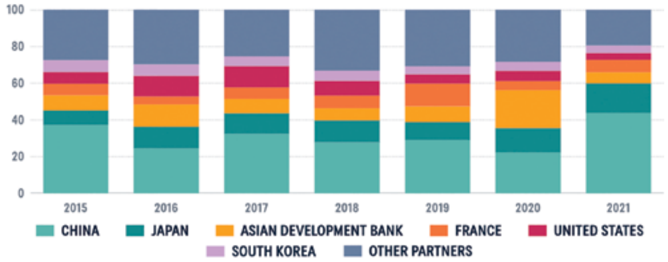
Official development finance to Cambodia by transaction type

Constant 2021 US$

MAIN DEVELOPMENT PARTNERS

Official development finance to Cambodia by partner

Spent, share of total ODF, constant 2021 US$



China, Japan, and the Asian Development Bank (ADB) were Cambodia's primary development partners. China disbursed an average of around $600 million per year, which was more than 2.5 times the amount disbursed by Japan and more than triple the amount by the ADB, the next two largest development partners in Cambodia. A second group of development partners consisted of France, the United States, South Korea, and the EU institutions, with average annual spending around $110 million. These seven partners collectively contributed 77% of the total development financing received by the country in the period.

Chinese development spending in Cambodia was mainly focused in the transport and storage sector, as well as in the health sector, which were funded through a mix of grants and non-concessional loans. China was the largest development partner in Cambodia in 2015 and retained that position in 2021. China's development financing almost doubled during the period, from $579 million to more than $1.23 billion. Projects were mostly financed by the China Development Bank (CDB) and Export–Import Bank of China, and implemented by a mix of Chinese companies, with the China Road and Bridge Corporation (CRBC) being the largest implementing partner, accounting for almost 16% of total Chinese ODF over 2015–21.

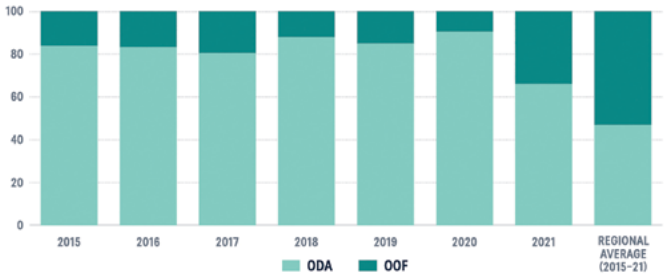
Japan's development support stayed relatively constant in the pre-pandemic period with a spike during 2020 and a peak of more than $470 million in 2021, almost four times higher than in 2015. Before the pandemic, the transport and storage sector received the most significant amount of support, particularly for road and bridge projects, including the National Road No. 5 Improvement Projects, which consisted of multiple road sections. In January 2021, Japan provided Cambodia with its most substantial single disbursement through a $231 million concessional loan, the Covid-19 Crisis Response Emergency Support Loan.

The ADB's total development spending fluctuated significantly through 2015–21, with development flows driven by concessional loans rather than grants. Concessional loans accounted for 97% of the ADB's financing to Cambodia in this period. The ADB focused on the sectors of government and civil society, transport and storage, agriculture, and forestry and fishing. The government and civil society sector received the largest total amount of development flows to 2021. However, this was skewed by a single large concessional loan during the pandemic, the Covid-19 Active Response and Expenditure Support Program. Setting this particular loan aside, transport and storage received the most financing, primarily focused on road improvement. The Flood Damage Emergency Reconstruction Project was the largest single project disbursement excluding the Covid-19 support loan.

Overall, around 80% of development support provided to Cambodia was concessional, higher than the regional average due to Cambodia's lower middle-income status, making it eligible for concessional financing.

Official development finance to Cambodia by flow type

% of total ODF spent, constant 2021 US$

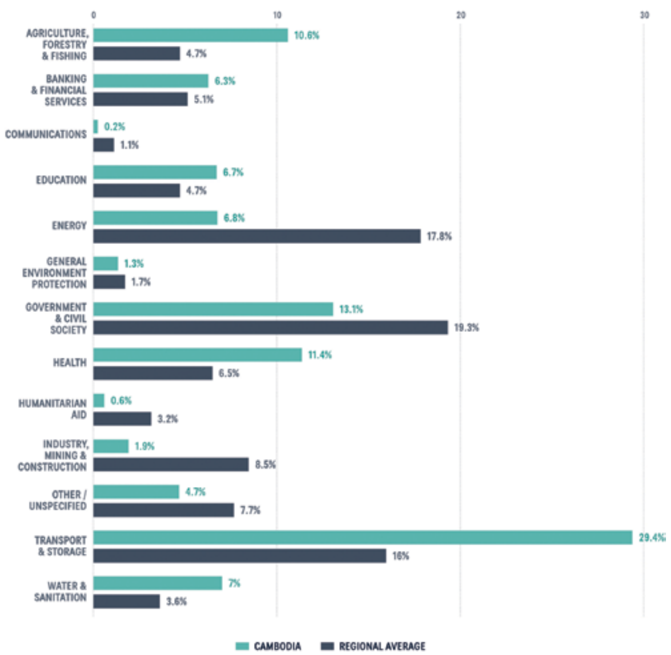


In terms of implementing partners, the central government of Cambodia was the major recipient of ODF from the international community, followed by the China Road and Bridge Corporation, Electricite du Cambodge, the Shanghai Baoye Group, and the Cambodian government and Angkor International Airport Investment.

SECTORS

Cambodia vs regional average ODF, per sector

% of total ODF spent, constant 2021 US$



Cambodia diverges from regional trends in terms of sector distribution of ODF. The transport and storage, health and agriculture, and forestry and fishing sectors received a higher share of Cambodia's ODF compared to the regional average, while the energy, government and civil society, and industry, mining and construction sectors received a smaller share.

Within the transport and storage sector, the road transport sub-sector accounted for 74% of disbursements, while air transport accounted for 21%. The two largest projects in the transport and storage sector were China's $1.1 billion Phnom Penh Airport and $880 million New Siem Reap International Airport.

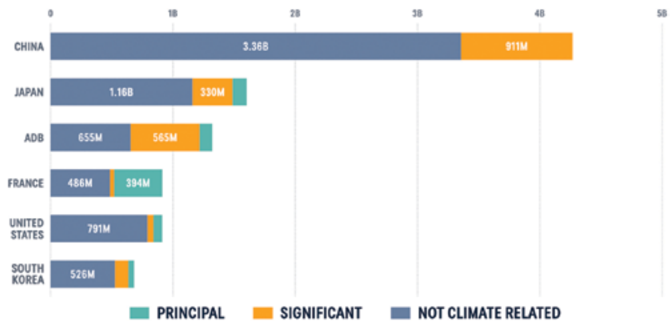
In the health sector, the two largest projects were related to public health campaigns to combat HIV and tuberculosis, both run by the Global Fund to Fight AIDS, Tuberculosis and Malaria, which combined accounted for more than 18% of total health ODF flows.

Disbursements made in the agriculture, forestry, and fishing sector were driven by water resource development, irrigation, and dam development projects, with China being a major source of funding. Water resources development projects accounted for more than 55% of ODF in the sector, with the largest project, the Prek Stung Keo Water Resources Development Project, funded by China, worth over $200 million.

CLIMATE

Climate development finance to Cambodia by partner, 2015–21

Spent, constant 2021 US$



The level of climate finance, while growing throughout 2015–21, remained a small part of overall ODF. Principal climate development finance rose but from a low base. The largest project was the construction and expansion of the Bakheng Water Treatment Plant, undertaken between 2019 and 2021 by the French Development Agency. This project cost $200 million and accounted for over 80% of total "principal" climate finance provided to Cambodia between 2015 and 2021.

The remaining climate development finance in the country was invested in other water resource-related projects, energy, and transport and storage, with a particular focus on electricity grid and road improvement projects. Seventy per cent of projects were funded through concessional loans rather than grants or non-concessional loans.

CAMBODIA AS AN ODF PROVIDER

Phnom Penh has contributed to the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management, with small annual amounts provided between 2015 and 2021. The country has also made timely donations in response to specific events, such as more than $100,000 to Laos following floods in 2018. It also provided $3 million and 500,000 doses of Covid-19 vaccine to Laos in 2021.

INDONESIA

$69.9B	$86.3B	16.3K	81%
SPENT	COMMITTED	PROJECTS	COMPLETED

KEY DEVELOPMENT CHALLENGES

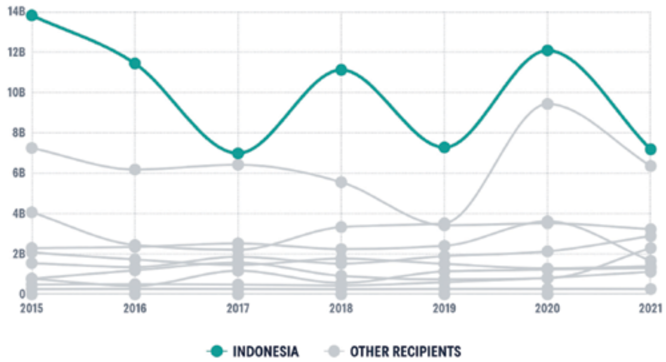
Indonesia has demonstrated remarkable economic growth since overcoming the Asian financial crisis of the late 1990s. With a population of more than 277 million, Indonesia is now the fourth-most populous nation in the world and has become the tenth-largest economy in terms of purchasing power parity. Indonesia's $1.3 trillion GDP (2021) is the largest of the region and accounts for 35% of the regional GDP of Southeast Asia.

The pandemic, however, weakened Indonesia's economy, reducing it from an upper middle-income status to a lower middle-income status as of July 2021. Corruption and governance are considerable constraints on progress. Among Indonesia's priorities are addressing infrastructure gaps, improving human capital, and enhancing productivity and competitiveness.

Over the 2015–21 period, more than 16,000 projects were implemented by 74 development partners in Indonesia, for a total of more than $69 billion or about $10 billion per year on average.

OVERVIEW OF KEY TRENDS

Official development finance in Southeast Asia
Spent, constant 2021 US$



In real terms, official development finance (ODF) flows to Indonesia — including grants, loans, and other forms of assistance — decreased by 47% between 2015 and 2021, although the country was still the largest recipient of ODF in the region, accounting for 35% of the regional ODF during this period.

Most of the variation and decline came from significant volatility and a reduction in development loans signed by the Indonesian government, most notably with China and South Korea, while yearly grant financing provided by international development partners remained stable.

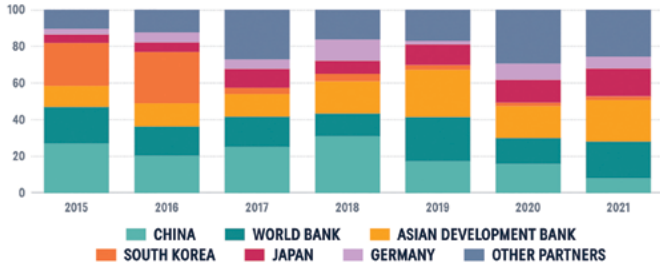
Official development finance to Indonesia by transaction type
Constant 2021 US$

Over the period analysed, the role and significance of ODF relative to the country's economy decreased significantly, falling from 1.42% of GDP in 2015 to 0.61% in 2021. This pattern can be explained by the merging of two factors: a 47% reduction in development support provided to Indonesia, and its economy continuing to grow.

In Indonesia, commitments were generally 19% higher than actual disbursements over the 2015–21 period. With an 81% ratio (spent/commitment), Indonesia sits above the regional average of 64%. Among the top five development partners in the country, only two — the World Bank and South Korea — had a ratio above 90% (94% for the Bank, 98% for South Korea). The Asian Development Bank (ADB), the top source of multilateral ODF in Indonesia, had a ratio of 78%, while that for Japan was 71%.

MAIN DEVELOPMENT PARTNERS

Official development finance to Indonesia by partner
Spent, share of total ODF, constant 2021 US$



China was Indonesia's largest development partner, disbursing 21% of the country's total ODF between 2015 and 2021. On average, China disbursed approximately $2.2 billion annually during this period. The World Bank and the ADB were the next two major development partners, together accounting for nearly a quarter of Indonesia's total ODF. Next were South Korea and Japan, which provided around $7.6 and $6.1 billion respectively, while Germany and Australia accounted for $4.4 and $3.2 billion.

China's development financing in Indonesia was principally focused on infrastructure, with energy projects accounting for 45% of Bejing's total disbursements in the country and 26% in the transport sector. The vast majority of Chinese financing in Indonesia was in the form of non-concessional loans (OOF) financed either through the Export–Import Bank of China (20%) or the China Development Bank (55%). While China was Indonesia's largest development partner for the period as a whole, its support to the country fell from $3.7 billion in 2015 to $612 million in 2021. On a year-to-year basis, China became its fourth-largest partner in 2021, behind the ADB, the World Bank, and Japan.

Among the most notable China-financed projects in the country was the 142-kilometre Jakarta–Bandung High-Speed Railway, which aims to connect the capital city to the textile hub of Bandung. Another large Chinese project was the Java Coal-Fired Power Plant, a $1.8 billion, 2100MW coal-fired power plant in Banten, Indonesia.

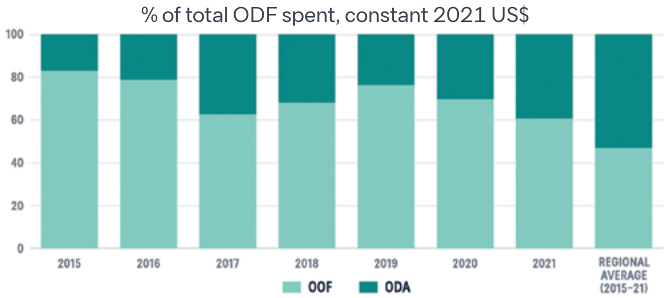
The two largest multilateral development banks (MDBs) of the region, the ADB and the World Bank, accounted for 33% of total development financing to Indonesia between 2015 and 2021. Both multilateral development partners focused on government and civil society projects. For instance, in 2015, the World Bank — through the International Bank for Reconstruction and Development — implemented the $2 billion Program for Economic Resilience, Investment and Social Assistance in Indonesia, its largest project in the country. In 2020, the ADB implemented the COVID-19: Active Response and Expenditure Support Program, worth $1.5 billion.

South Korea is Indonesia's fourth-largest development partner and its second-largest bilateral partner, after China. Half of South Korea's development financing is invested in the industry and mineral resources and mining sub-sectors, financed through non-concessional loans from the Export–Import Bank of South Korea. Water and sanitation is another sector in which South Korea has put a significant focus over the years, notably through the financing of the Karian Multipurpose Dam Project, which aimed to supply tap water to Jakarta and nearby areas.

Overall, only 27% of the development support provided to Indonesia was concessional by nature, much lower than the regional average. Indeed, Indonesia was, under the World Bank's country classification, an upper middle-income status economy up to July 2021, when the pandemic forced the Bank to downgrade Indonesia to lower middle-income status.

Official development finance to Indonesia by flow type

% of total ODF spent, constant 2021 US$

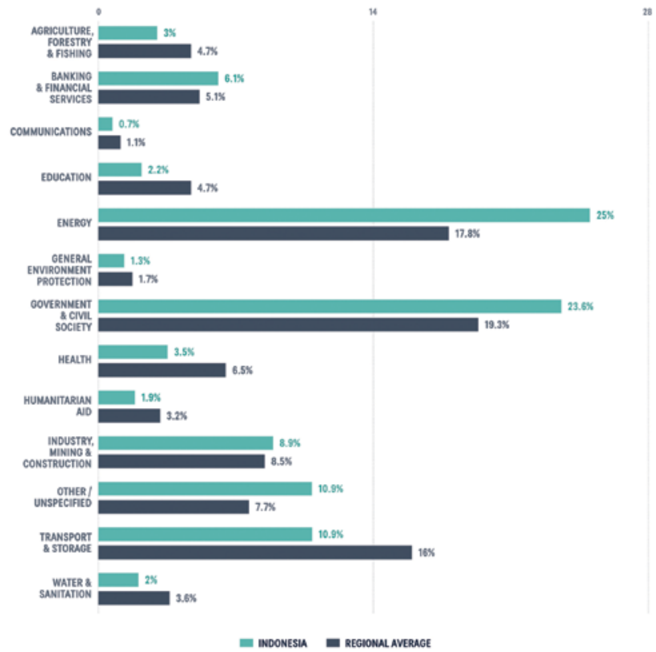


In terms of implementing partners, the central government of Indonesia has been the major recipient of ODF flows, followed by China Energy Engineering Corporation and the Ministry of Finance.

SECTORS

Indonesia vs regional average ODF, per sector

% of total ODF spent, constant 2021 US$



ODF in Indonesia was largely consistent with regional trends in terms of sector distribution. The energy sector and the government and civil society sector featured prominently. However, disbursements in Indonesia in the transport sector were 46% lower than the regional average of 16%.

In the energy sector, the coal-fired electric power plants sub-sector accounted for 32% of disbursements in Indonesia, while electric power transmission and distribution covered 20% of the energy sector. Indeed, large energy projects, such as the Chinese Java 7 Power Station mentioned above, or the ADB's Electricity Grid Strengthening-Sumatra Program were important projects to support the infrastructure development of Indonesia.

In terms of government and civil society, public finance management programs accounted for more than a third of all projects in this sector; for example, the ADB's Covid-19: Active Response and Expenditure Support Program or the German FPEMP Phase 3 — Fiscal and Public Expenditure Management Program.

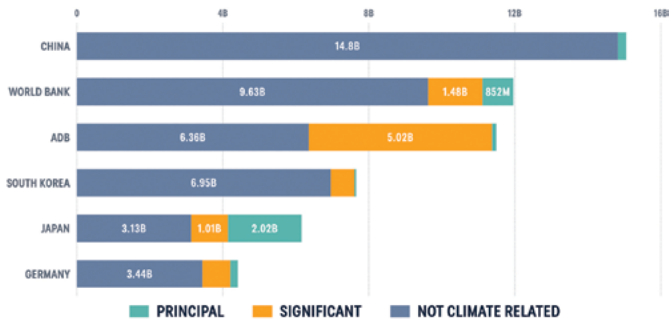
CLIMATE

Although the level of climate development finance is modest in Indonesia, it constitutes a growing proportion of the overall ODF disbursed in the country. Disbursements for "principal" climate projects increased by 55% between 2015 and 2021, while spending on "significant" projects more than doubled over the period. One of the largest climate projects in Indonesia was the Peusangan Hydroelectric Power Plant Construction Project, financed by Japan's International Cooperation Agency.

A quarter of the climate development finance in the country was invested in the energy sector, notably in geothermal energy and hydro-electric power plants. The vast majority of projects were funded through loans rather than grants, and the largest partners were the Asian Development Bank and Japan.

Climate development finance to Indonesia by partner, 2015–21

Spent, constant 2021 US$



INDONESIA AS AN ODF PROVIDER

Through its development cooperation program, Indonesia has provided aid and support to its neighbours in areas such as capacity building and disaster response.

For instance, Jakarta has continuously supported the Southeast Asian region by contributing directly to the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management budget.

In October 2019, the Indonesian government established Indonesian AID (Agency for International Development or Lembaga Dana Kerjasama Pembangunan Internasional — LDKPI). At the launch, the then vice-president of Indonesia emphasised the importance of implementing "diplomasi tangan di atas" (hands-on diplomacy) as a means of enhancing the country's position in international development cooperation.

Since then, Indonesia's intraregional development cooperation has increased, notably during the Covid-19 pandemic. In 2021, the country provided $200,000 in Covid-19 humanitarian assistance to Myanmar, and donated cash and Indonesian products to Vietnam to a total value of $15,000.

LAOS

$11.1B	$13.5B	8.69K	82%
SPENT	COMMITTED	PROJECTS	COMPLETED

KEY DEVELOPMENT CHALLENGES

Laos is classified as a lower middle-income country. In 2021, Laos' GDP was $18.8 billion, representing 0.6% of Southeast Asia's regional GDP. With a population of 7.4 million, Laos' per capita GDP is the fourth lowest in Southeast Asia.

The Lao government's development agenda is focused on poverty reduction and the expansion of education services to rural populations. The country's industrial development policy is centred on transforming the country into a transport hub for the Mekong region and a major hydropower energy exporter to Southeast Asia.

Between 2000 and 2012, Laos maintained an average annual GDP growth rate of 16%, making it one of the fastest-growing economies globally. This growth was largely underpinned by investment in capital intensive sectors that nonetheless struggled to support long-term job creation. In addition, much of Laos' energy and transport investment was financed by commercial-rate external borrowing. This has increasingly had an impact on Laos' macroeconomic stability. Combined with the Covid-19 pandemic and other global shocks, Laos has since found itself in an acute debt crisis and is currently in need of substantial debt relief.

Development finance has played a substantial role in Laos, in both financing investment and contributing significantly to its current debt problems. Over the 2015–21 period, more than 8,698 projects were implemented by 66 development partners in Laos, collectively amounting to $11.2 billion in ODF or about $1.6 billion a year on average.

OVERVIEW OF KEY TRENDS

Official development finance in Southeast Asia
Spent, constant 2021 US$

During 2015–21, ODF disbursements to Laos — including grants, loans, and other forms of assistance — averaged $1.6 billion annually (in constant 2021 US$). ODF flows to Laos, however, declined by 32% over this period. This decline was largely driven by a significant decrease in non-concessional loans from China.

In 2015, Chinese loans to Laos totalled $1.5 billion and represented 70% of total ODF inflows. By 2021, however, ODF from China halved to $571 million, representing a little less than 50% of Laos' development finance. China's declining role in Laos was partially offset by increased ODF from the Asian Development Bank (ADB) and the World Bank, particularly in response to the Covid-19 pandemic.

Over the 2015–21 period, the total volume of ODF going to Laos was among the smallest in Southeast Asia, accounting for just 5.6% of regional ODF. However, in per capita terms, Laos is the region's highest ODF recipient. Over the seven-year period, Laos received $216 in ODF per person, marginally ahead of Timor-Leste ($200) and significantly higher than the regional average of $83.

Official development finance to Laos by transaction type
Constant 2021 US$

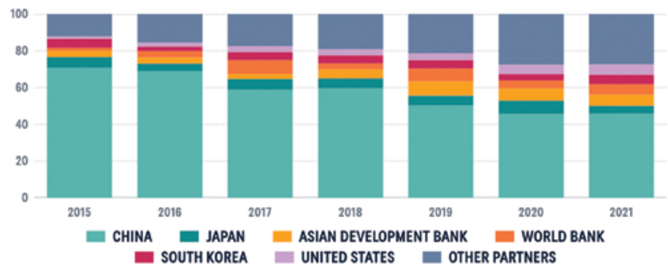
Between 2015 and 2021, the role and significance of ODF relative to Laos' economy declined sharply, from 12.8% of GDP in 2015 to 7.4% of GDP in 2021. Much of the decline occurred between 2015 and 2017, with the ratio stabilising from 2019 onwards as Laos' economic growth slowed markedly, a shift that partially masked the 32% decline in its development support over the period.

Commitment spikes in Laos in 2016 and 2018 were partially caused by the announcements of China's three largest projects in the country: the $2.1 billion Laos Coal Electricity Integration Project, the $1 billion Nam Ou Hydropower Project Phase II, and the $2.1 billion Pak Lay Hydropower Dam.

China's ODF disbursements to Laos equalled about 80% of its commitments, similar to that of the ADB (79%) and significantly more than the country's next largest sources of ODF commitments, from the World Bank (62%) and South Korea (58%). During 2015–21, Japan disbursed more in ODF than it made in new commitments, reflecting the implementation of projects to which Tokyo had committed prior to 2015. Overall, spent-commitment ratio in Laos was 83% during 2015–21, well above the regional average of 64%.

MAIN DEVELOPMENT PARTNERS

Official development finance to Laos by partner
Spent, share of total ODF, constant 2021 US$



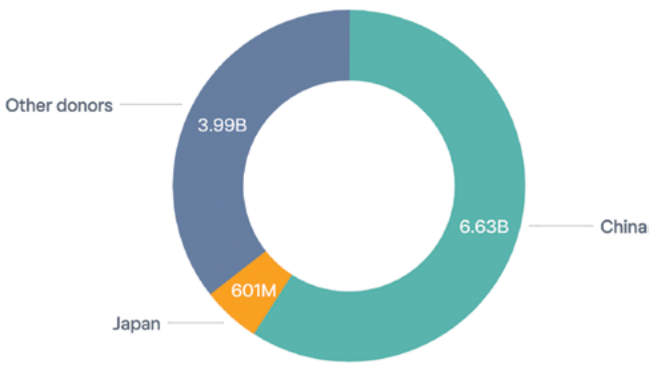
China was the dominant ODF provider to Laos over the 2015–21 period. Its share of Laos' total ODF received declined steadily over the seven-year period, dropping from 71% in 2015 to below 50% in 2020, before rebounding modestly in 2021. Laos' second tier of major donors, comprising the ADB, Japan, and the World Bank, individually averaged around $77 million per year in ODF disbursements between 2015 and 2021.

China's disbursements in Laos exclusively focused on infrastructure, with energy and transport projects accounting for almost 90% of China's total disbursements. Chinese hydropower projects alone represented over a third (37%) of total ODF spending in Laos between 2015 and 2021. The most significant of these were the Nam Ou Hydropower Project, the Nam Ngum Hydropower Project, and the Laos–China Railway Project. The vast majority of China's ODF to Laos came in the form of loans, with concessional and non-concessional loans accounting for 93% of its ODF to the country.

Laos' next largest ODF partner was Japan, whose major projects included the $86.6 million Vientiane International Airport Terminal Expansion Project and a substantial $82 million water and sanitation project. Almost two-thirds of Japan's ODF to Laos was through grants, with the remainder in the form of concessional loans.

Cumulative official development finance to Laos by partner, 2015–21

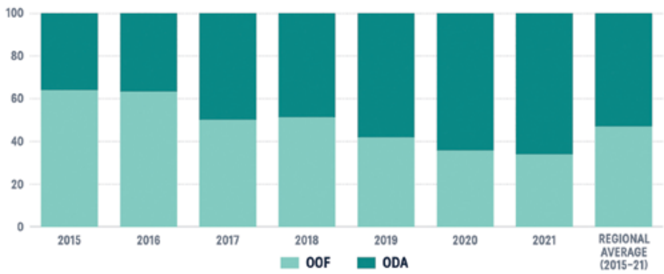
Spent, constant 2021 US$



Laos' other major development partners — namely the ADB, the World Bank, and South Korea — directed their financing outside the infrastructure category. The ADB's principal focus was on smallholder agricultural projects, alongside Flood and Drought Risk Management and Mitigation. Conversely, the World Bank spent most of its development financing on governance projects and environmental protection.

Official development finance to Laos by flow type

% of total ODF spent, constant 2021 US$

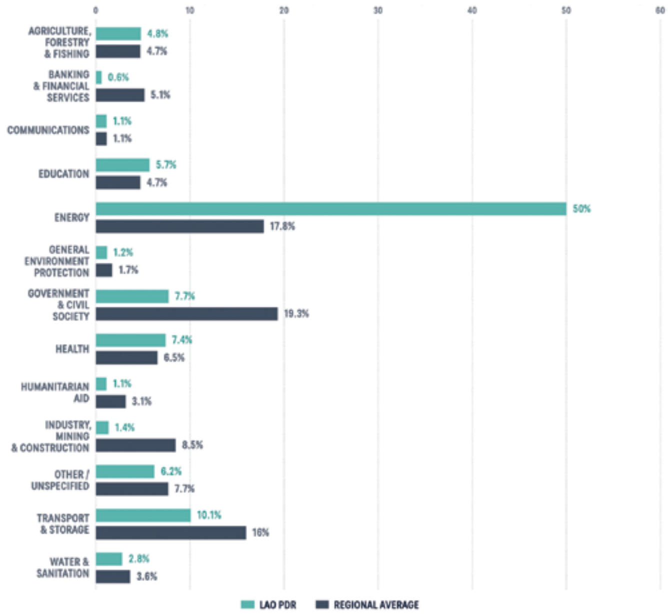


SECTORS

The sectoral distribution of ODF spending in Laos was distinct from regional averages. In the early 2000s, the Lao government set out a development plan focused on making the country the "battery of Southeast Asia". Reflecting this development priority, energy projects, specifically hydropower projects, were responsible for close to half of the country's ODF, more than double the share seen regionally. Infrastructure projects more broadly accounted for the country's 15 largest ODF projects, with the exception of an $82 million Covid-19 vaccination program funded by China.

Laos vs regional average ODF, per sector

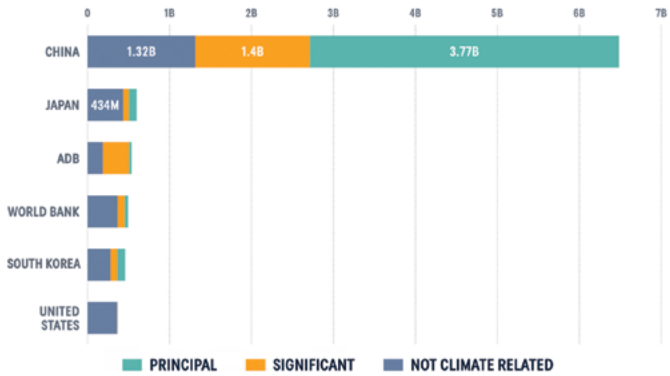
% of total ODF spent, constant 2021 US$



CLIMATE

Climate development finance to Laos by partner, 2015–21

Spent, constant 2021 US$



As a share of total ODF received, combined "principal" and "significant" climate-related ODF in Laos represented 62% of the total incoming flows. This was the highest portion in Southeast Asia by a significant margin, with the next largest shares in the Philippines (37%), Timor-Leste (37%), and Thailand (34%). The significance of this ratio is in large part a result of the focus on hydropower projects. Outside of hydropower projects, Laos received limited climate-related ODF, with most of this being energy-grid upgrade projects, alongside a handful of forest sustainability programs funded by Climate Investment Funds.

LAOS AS AN ODF PROVIDER

As one of the lowest-income Southeast Asian countries, Laos played a limited role as an intraregional ODF provider. Its main ODF contribution within the region was to the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster, with annual contributions of around $60,000. Laos also contributed $100,000 in recovery funds to Indonesia following the 2018 Sulawesi earthquake and tsunami disaster.

MALAYSIA

$6.59B	$18.6B	4.37K	35%
SPENT	COMMITTED	PROJECTS	COMPLETED

KEY DEVELOPMENT CHALLENGES

Malaysia is an upper middle-income country that occupies parts of the Malay Peninsula and the island of Borneo. Its $373 billion GDP (2021) accounts for 11.1% of the regional GDP of Southeast Asia. With a population of more than 33 million, Malaysia's GDP per capita of $11,109 is the third-highest in the region.

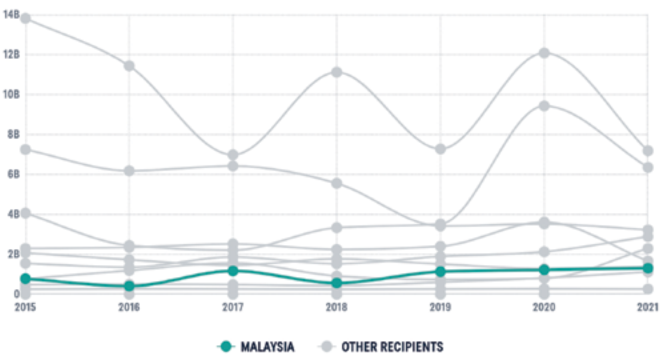
Since Malaysia became independent in 1957, its economy has achieved remarkable growth and a reduction in extreme poverty. It is expected that Malaysia will transition to a high-income economy between 2024 and 2028. Despite this progress, Malaysia faces several development challenges. Income inequality is high relative to other East Asian countries and corruption remains a challenge.

Over the 2015–21 period, more than 4,300 projects were implemented by 49 development partners in Malaysia, amounting to more than $6.6 billion in official development finance (ODF) disbursements — including grants, loans, and other forms of assistance.

OVERVIEW OF KEY TRENDS

In real terms, flows to Malaysia increased by 69% between 2015 and 2021. The expansion was the result of an increase in both grants, which surged by 67% over the period, and loans, partly from China, which grew by 69%.

Official development finance in Southeast Asia
Spent, constant 2021 US$



However, ODF to Malaysia remained modest compared to other recipient countries in the region, ranking eighth (out of eleven) by average annual disbursements. With an average of $940 million per year disbursed in the country between 2015 and 2021, ODF in Malaysia only accounted for 3% of total regional development finance spent.

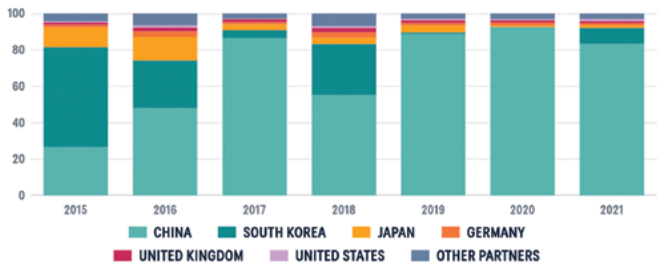
Official development finance to Malaysia by transaction type
Constant 2021 US$

Over the period analysed, the role and significance of ODF spent relative to GDP was marginal, starting at 0.2% of GDP in 2015 and increasing slightly to 0.35% in 2021. This result can be explained by Malaysia's upper middle-income status and large economy but also significant project implementation difficulties.

In Malaysia, commitments were much higher than disbursements over the 2015–21 period. Chinese projects were a major factor in this gap. For example, in 2019, China committed $12 billion to the East Coast Rail Link but by 2021 had only disbursed $2.2 billion. Similarly, Beijing committed $1.3 billion for the multi-product pipeline construction project, financed by the EXIM Bank of China in 2017, but cancelled by the government in 2018. Other top-five development partners for Malaysia — South Korea, Japan, Germany, and the United Kingdom — spent more than they committed.

MAIN DEVELOPMENT PARTNERS

Official development finance to Malaysia by partner
Spent, share of total ODF, constant 2021 US$



The majority of Malaysia's ODF was provided by China (75%), which averaged more than $708 million in annual disbursements between 2015 and 2021. South Korea was Malaysia's second-largest development partner, with $870 million in financing disbursed over the period.

Development finance was mostly for large infrastructure projects in transport and energy, which were almost exclusively financed through non-concessional loans.

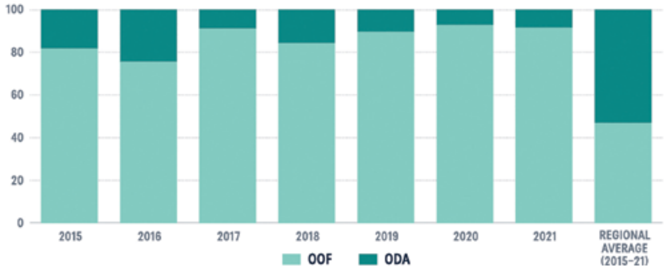
Malaysia is now a top recipient of China's Belt and Road Initiative (BRI). Malaysia's largest project by disbursements, the East Coast Rail Link, is a 665-kilometre rail network connecting the east coast states with the west coast of Peninsular Malaysia. Construction began in 2017 and the project is financed by the Export–Import Bank of China. It is worth $12 billion in non-concessional loans, of which $2.2 billion had been disbursed by the end of 2021.

South Korea also provided a considerable amount (13%) of development finance, even surpassing China's contributions in 2015 at $427 million (in constant 2021 US$). In recent years, however, South Korea's share has declined, providing an average of $42 million per year between 2019 and 2021. In terms of projects, the Export–Import Bank of Korea provided several non-concessional loans between 2015 and 2018 within the industry, mining, and construction sectors, which totalled $476 million. Within the energy sector, it provided $188 million in non-concessional loans during this period.

Japan's relatively small contributions of ODF to Malaysia were provided through grants or concessional loans. These projects spanned multiple sectors. The largest project, the Pahang-Selangor Raw Water Transfer Project, was funded via a concessional loan from the Japan International Cooperation Agency (JICA) that aimed to provide a stable water supply to Kuala Lumpur and its surrounding area. A total of $271 million was disbursed between 2015 and 2021.

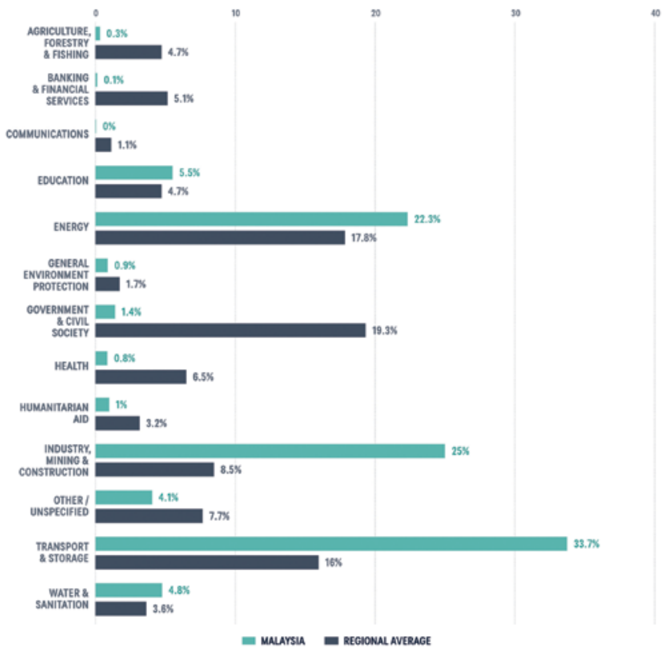
Overall, only 12% of development support provided to Malaysia was concessional (ODA), lower than the regional average (47%).

Official development finance to Malaysia by flow type
% of total ODF spent, constant 2021 US$



SECTORS

Malaysia vs regional average ODF, per sector
% of total ODF spent, constant 2021 US$



The distribution of ODF in Malaysia by sector was very different to the rest of the region. Notably, the government and civil society sector (1%) received proportionally much less than the regional average (19%). Conversely, the transport and storage sector (34%), as well as industry, mining, and construction (25%), featured prominently, surpassing the regional average. The energy sector also accounted for a reasonable proportion of Malaysia's ODF (22%), though was broadly consistent with the regional average (18%).

Within the transport and storage sector, rail transport accounted for virtually all disbursements. China's East Coast Rail Link project was the largest project in the sector. In industry, mining, and construction, the basic metal industry represented 65% of the sector, with the Kuantan Industrial Park Integrated Steel Project, implemented by China's MC22 Group Corporation, being the most significant ($954 million non-concessional loan).

CLIMATE

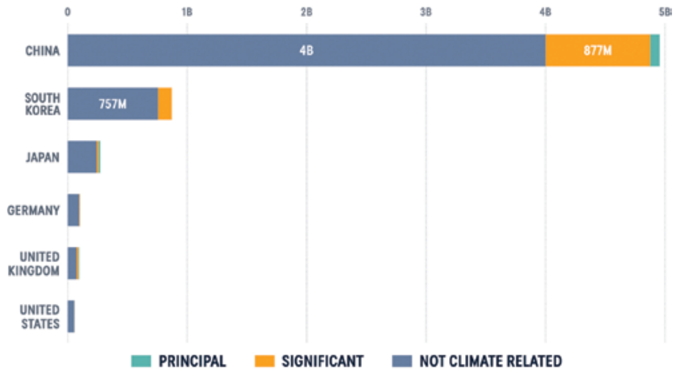
The level of climate development finance in Malaysia is modest. Despite an overall increase in ODF of 69% between 2015 and 2021, this was mostly for non-climate-related projects. It is difficult to determine if climate-related finance is falling as a proportion of the overall ODF disbursed, given that climate development finance oscillates depending on the disbursement of a few large projects that have mostly been focused on the energy sector.

For Malaysia, few ODF projects were considered “principal” in climate focus over the period. In fact, 66% of all principal climate disbursements were delivered in 2015 alone. The largest of these was a solar energy project from the Export–Import Bank of China to publicly held JinkoSolar, amounting to $70 million in non-concessional loans.

Most climate-related projects were funded through loans (90%) rather than grants (10%), and the largest development partner by far was China, accounting for 80% of all climate development finance. Following behind, South Korea provided 10%.

On average, total climate development finance was $171 million per year between 2015 and 2021, which accounted for 18% of total ODF over this period.

Climate development finance to Malaysia by partner, 2015–21
Spent, constant 2021 US$



MALAYSIA AS AN ODF PROVIDER

Over the period examined, Malaysia contributed $690,000 to lower middle-income countries in Southeast Asia. Malaysia disbursed an average of $64,000 per year as a member of the ASEAN Coordinating Centre for Humanitarian Assistance. Further, in the “spirit of ASEAN solidarity”, Malaysia provided $200,000 in humanitarian aid in 2018 to the government of Laos to aid victims following the collapse of the Xepian-Xe Namnoy dam.

Despite being an upper middle-income country and having the fifth-highest GDP in the region, Malaysia only provided 0.13% of total regional ODF. This positions Malaysia as the seventh-most significant provider (out of 11 Southeast Asian countries) in terms of development finance delivered to its neighbours. Indeed, Vietnam, Cambodia, and Timor-Leste were more generous, despite their lower middle-income status and smaller economies.

MYANMAR

$17.2B	$33.8B	15.5K	51%
SPENT	COMMITTED	PROJECTS	COMPLETED

KEY DEVELOPMENT CHALLENGES

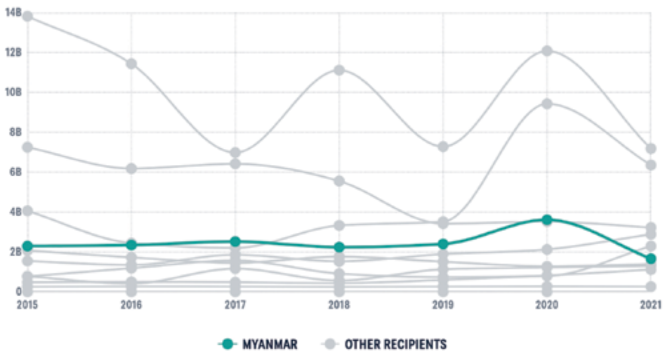
Myanmar is a lower middle-income country. Since the coup d'état overthrew the democratically elected government in February 2021, international development cooperation has largely been suspended. The country's $65 billion GDP (2021) accounts for 1.9% of the regional economic output of Southeast Asia. With a population of more than 53 million, Myanmar's GDP per capita is $1,210 — the lowest in the region.

After a series of shocks, including the Covid-19 pandemic, the military takeover, internal conflict, and displacement of ethnic populations, Myanmar has seen a reversal of much of its development progress in recent years. Due to the coup, the latest data on the economy is unreliable. The World Bank estimates that poverty has potentially doubled, with about 40% of the population living below the national poverty line in 2022. The number of internally displaced persons is expected to reach 2.7 million by the end of 2023. Political violence, economic isolation, corruption, and governance are considerable constraints on progress.

From 2015 to 2021, more than 15,000 projects were implemented by 76 development partners in Myanmar, amounting to a total of more than $17 billion disbursed or an average of $2.4 billion per year.

OVERVIEW OF KEY TRENDS

Official development finance in Southeast Asia
Spent, constant 2021 US$



In real terms, overseas development finance (ODF) flows to Myanmar grew from 2015 and peaked in 2020, before halving in 2021 after the coup d'état. Myanmar received the third-highest amount of ODF in 2020, but this fell to the sixth-highest in 2021. ODF disbursed to Myanmar averaged $2.4 billion per year, accounting for around 9% of regional ODF through the period.

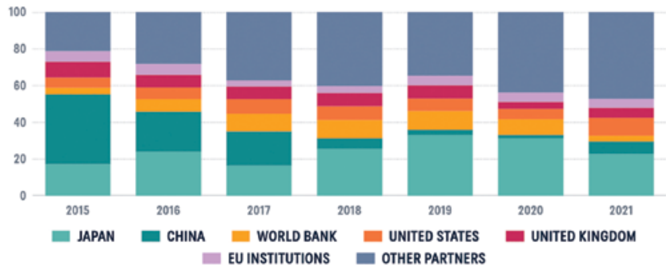
There was a significant decline in spent ODF in 2021, with grants, concessional loans, and non-concessional loans falling across all major development partners, including China, Japan, and the Asian Development Bank (ADB). However, the decline in loans was more significant than the decrease in grants. ODF as a proportion of GDP trended down prior to 2020, due to Myanmar's fast-growing economy, before rising sharply in 2020 after the onset of the Covid-19 pandemic.

Commitments roughly tracked disbursements between 2015 and 2020. In 2021, however, significant commitments of $7.6 billion were offered by China via non-concessional loans for the Mandalay–Kyaukphyu railway project and the Kyaukphyu Special Economic Zone deep-sea port project. But no disbursements on these projects has been registered in the period.

Official development finance to Myanmar by transaction type
Constant 2021 US$

MAIN DEVELOPMENT PARTNERS

Official development finance to Myanmar by partner
Spent, share of total ODF, constant 2021 US$



Myanmar's major development partners were Japan, China, the World Bank, and the United States. Japan averaged $613 million disbursed annually, while the next largest development partner was China, which averaged $319 million. The second tier of development partners comprised the United States, the United Kingdom, EU institutions, and the Asian Development Bank, which combined accounted for about 23% of total development financing spent in the country during 2015–21.

Between 2015 and 2021, Japan's disbursements in Myanmar were mainly focused in the transport and storage sector (25%) and the industry, mining, and construction sector (13%). These were infrastructure-focused projects primarily funded through semi-concessional loans and some smaller grants. In 2018, Japan became the largest development partner in Myanmar, overtaking China, after ODF expanded by more than 45% from 2015 levels. Among the most notable projects were the Yangon–Mandalay Railway Improvement Project, which started in 2017.

China's role in Myanmar's development dates back to 1988, when Myanmar was internationally isolated following a coup d'état. China's development finance has focused on industry, mining, and construction, with bilateral oil and gas projects accounting for more than half of total spending between 2015 and 2021. The agriculture, forestry, and fishing sector and the energy sector have also received significant funding from China.

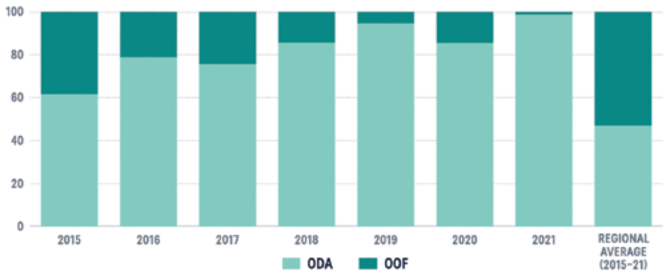
China's development finance has been primarily delivered by the Chinese government, China National Petroleum Corporation (CNPC), and the Export–Import Bank of China. Total Chinese ODF reached $872 million in 2015. However, China's ODF to Myanmar has been in steep decline, falling in 2021 in real terms to only 14% of 2015 levels.

The World Bank's development finance to Myanmar during 2015–21 was mostly directed towards the energy sector (34%) and the government and civil society sector (19%). It was delivered primarily through semi-concessional loans, with a small amount through grants. The National Electrification and Electric Power projects accounted for more than one-third of total World Bank development finance throughout this period.

Between 2015 and 2021, 82.8% of the development support provided to Myanmar was concessional in nature, much higher than the regional average of 47%. In 2021, over 99% of development finance was concessional, which is explained by the cessation of a significant amount of non-concessional development support in response to the military takeover.

Official development finance to Myanmar by flow type

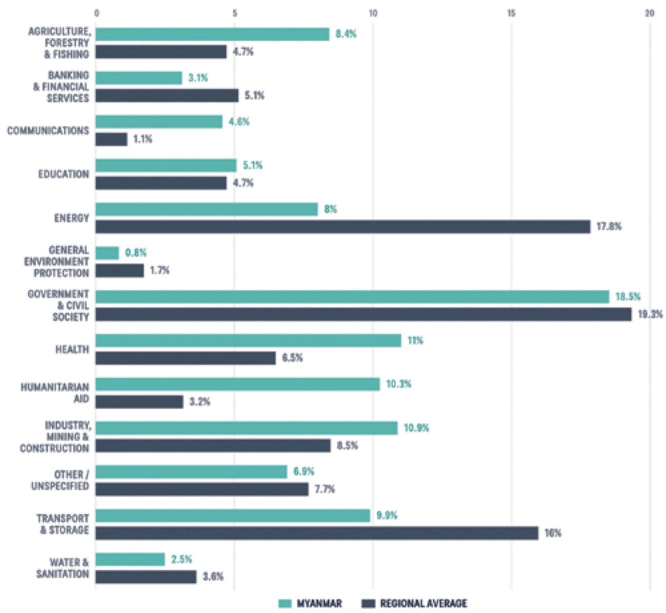
% of total ODF spent, constant 2021 US$



SECTORS

Myanmar vs regional average ODF, per sector

% of total ODF spent, constant 2021 US$



Compared to total ODF provided to other countries in Southeast Asia, ODF to Myanmar was focused on acute poverty reduction and humanitarian aid rather than economic development. China's large investments also pushed industry, mining, and construction sector flows to above the regional average. Development finance was well above the regional average in the health, humanitarian aid, and agriculture, forestry and fishing sectors, while the energy, transport and storage, and banking and financial services sectors were substantially below the regional trend.

The government and civil society sector received the largest contribution due to the provision of general budget support, totalling 18.5% of ODF flows over the period. This included a $280 million concessional loan from the Japanese International Cooperation Agency in 2020 to support economic relief from Covid-19 and two general budget support loans from the IMF Concessional Trust Funds in 2020 and 2021.

ODF for humanitarian aid focused on emergency relief — including shelter, water, and food for crisis-affected people — accounted for more than 37% of disbursements in the sector.

The industry, mining, and construction sector received funding above regional trends due to the joint oil pipeline between China National Petroleum Corporation and the Myanmar Oil and Gas Enterprise. The energy sector, which was substantially below regional trends in terms of development finance, mainly focused on the construction of electrification infrastructure in Myanmar, providing centralised electric power transmission and distribution grids.

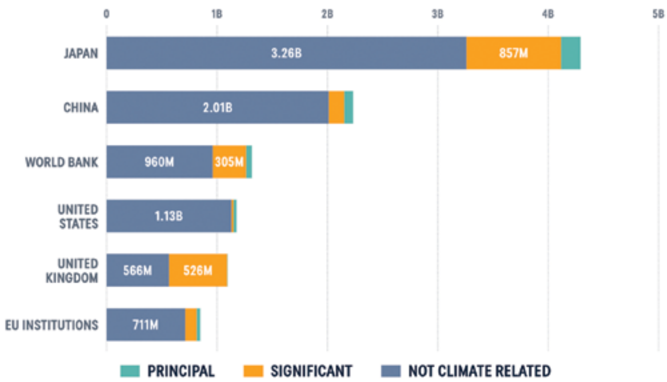
CLIMATE

Total climate financing constituted only 20% of total development disbursements in Myanmar during 2015–21. "Principal" climate financing constituted just under 4% of total disbursements. It did increase from 2.6% in 2015 to 7% in 2020 but has since dropped back to 2.4% in 2021 after the military coup. Among the most notable projects were the ADB's Greater Mekong Subregion Highway Modernization Project, worth $195 million, and the Urgent Rehabilitation and Upgrade Project to improve power supply reliability, which was a $112 million project funded by Japan.

Most of the climate development finance in the country was invested in the energy sector, notably in electricity grid improvements, hydro-electric power plants, and energy planning and policy. Total climate development finance was split roughly between grants and concessional loans, with the top development partner being Japan by a large margin and then the United Kingdom and the World Bank.

Climate development finance to Myanmar by partner, 2015–21

Spent, constant 2021 US$



MYANMAR AS AN ODF PROVIDER

Although Myanmar is considered an aid recipient, Naypyidaw has contributed annual funding to the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management, which aims to facilitate cooperation and coordination among ASEAN countries and with relevant United Nations and international organisations, in promoting regional collaboration in disaster management and emergency response.

PHILIPPINES

$31.4B	$48.6B	13.7K	65%
SPENT	COMMITTED	PROJECTS	COMPLETED

KEY DEVELOPMENT CHALLENGES

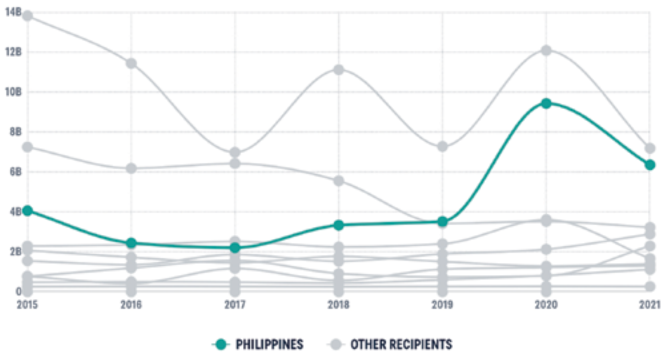
The Philippines is a lower middle-income country with ambitions to reach upper middle-income status by 2025. It has a GDP of $394 million (2021), which accounts for 11.8% of the regional output of Southeast Asia. With a population of more than 113 million, its GDP per capita is $3,460 — the seventh-highest in the region.

The development journey of the Philippines has not been linear. Despite having a higher per capita GDP than China, Thailand, and South Korea in the 1960s, the Philippines subsequently fell behind the rapid economic growth of its neighbours. Pursuit of widespread reforms in the 1990s has since put the country back on the path of rapid economic progress.

During 2015–21, more than 13,000 projects were implemented in the Philippines by 68 development partners, with a total of $31.3 billion received in official development finance (ODF) or on average about $4.5 billion per year (in constant 2021 US$).

OVERVIEW OF KEY TRENDS

Official development finance in Southeast Asia
Spent, constant 2021 US$



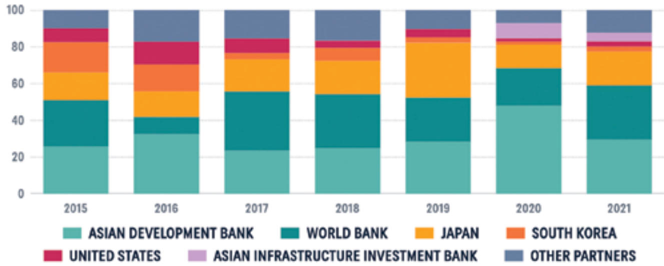
There was a significant jump in ODF spending in the Philippines in 2020. Total disbursements exceeded $9.4 billion, mostly due to large non-concessional loans from multilateral development banks — such as the Asian Infrastructure Investment Bank (AIIB), the World Bank, and the Asian Development Bank (ADB) — for Covid-19 response support and social services. However, the largest project that year, involving the construction of the Cebu–Mactan Bridge and a coastal road, was financed through a concessional loan worth more than $1 billion from the Japanese International Cooperation Agency (JICA). ODF disbursements fell in 2021 to $6.3 billion, still well above pre-2020 levels. Over the period, average ODF disbursements in the Philippines averaged $4.5 billion per year, accounting for 16% of regional ODF

Official development finance to the Philippines by transaction type
Constant 2021 US$

In the Philippines, signed project commitments have consistently been higher than actual disbursements over the period. During 2015–21, disbursements equalled 67% of total commitments, slightly above the average ratio for the region of 64%. Of the top five development partners in the Philippines, the highest ratio of disbursements to new commitments was South Korea, at 86%, while China was the lowest at just 8%.

MAIN DEVELOPMENT PARTNERS

Official development finance to the Philippines by partner
Spent, share of total ODF, constant 2021 US$



The Philippines' major development partners are the ADB, the World Bank, and Japan. These three partners collectively account for 58% of ODF disbursed in the Philippines over 2015–21, the third-highest degree of development partner concentration in the region after Thailand and Malaysia.

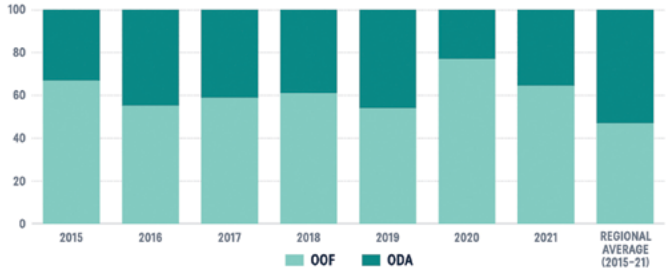
The ADB's disbursements in the Philippines are concentrated largely in the government and civil society sector, as well as institutional strengthening in banking and financial services. The ADB does not provide grants or concessional loans to the Philippines, utilising only non-concessional loans. The ADB's spending rose significantly in 2020, largely through loans directly to the Philippines' Department of Social Welfare and Development for social assistance projects, in response to the Covid-19 pandemic. For example, the largest project implemented by the ADB in the Philippines was the 2020 Covid-19: Active Response and Expenditure Support Program, which took the form of a $1.5 billion OOF (other official flows) loan.

Similarly, the World Bank provides only OOF loans to the Philippines, and its top sector by spending is also government and civil society, followed by humanitarian aid. Like the ADB, the World Bank's disbursements ramped up in the Philippines in 2020, increasing by 133%. The largest project was the $450 million Philippines Social Welfare Development and Reform Project II, committed in 2016 and financed by a $450 million semi-concessional loan by the World Bank's International Bank for Reconstruction and Development (IBRD).

Japan's bilateral ODF to the Philippines was much more concessional in nature, consisting mostly of official development assistance (ODA) loans and a small amount of pure grants. Also, unlike the other two major development partners, Japan's disbursements were concentrated in the transport and storage sector. The most significant project is the North–South Commuter Railway Project, which is financed by a concessional loan. Of the $1.8 billion committed, $626 million has been disbursed so far; construction began in 2019 and is ongoing.

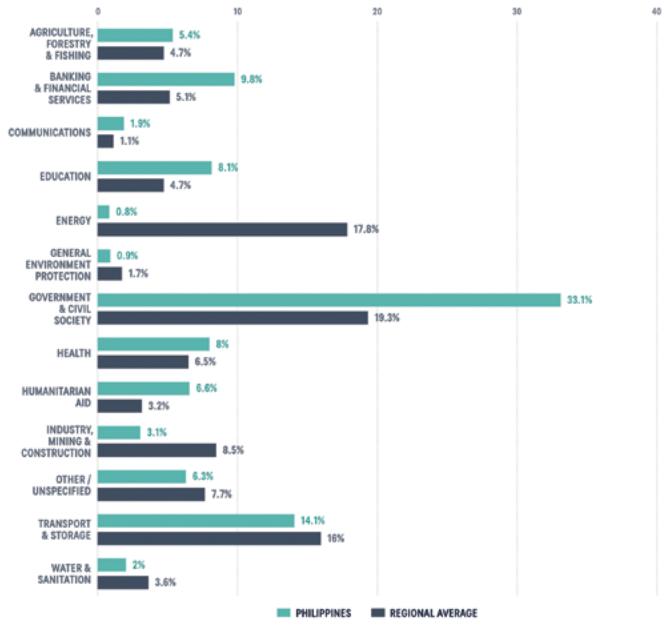
Just 34% of development finance disbursed in the Philippines is considered ODA. This reflects the relative maturity and greater debt-carrying capacity of its economy.

Official development finance to the Philippines by flow type
% of total ODF spent, constant 2021 US$



SECTORS

Philippines vs regional average ODF, per sector
% of total ODF spent, constant 2021 US$



Disbursements by sector in the Philippines diverge from regional trends. The government and civil society sector in the Philippines receives considerably more finance than the regional average, most notably for judicial affairs and public finance management. Conversely, the Philippines energy sector receives a markedly low amount of ODF compared to the rest of the region.

Although transport and storage is the second-largest sector in the Philippines by development finance disbursements, its share is slightly below the regional average. The primary focus in the transport and storage sector in the Philippines is rail infrastructure, with projects such as the ADB's Multi-tranche Financing Facility (MFF): Malolos–Clark Railway Project — Tranche 1 and the North–South Commuter Railway Project financed by Japan.

CLIMATE

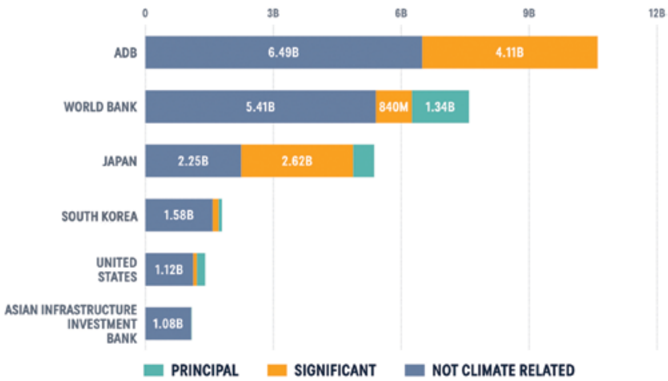
Despite decreasing by around 45% yearly in 2015 and 2016, the volume of climate development finance disbursed in the Philippines grew every year since 2017. The increases consist mostly of "significant" projects, with a negligible increase in "principal" projects.

Most spending on "significant" projects was in the transport and energy sector, specifically on rail infrastructure. The largest project in this category is a $1.3 billion loan from the ADB for the first tranche of the Malolos–Clark Railway Project, expected to be operational by 2024.

Spending on "principal" projects was concentrated in the humanitarian aid sector, funded largely by loans from the World Bank, such as the 2018 Second Disaster Risk Management Development Policy Loan with a CAT-DDO project. The Philippines is highly vulnerable to natural hazards, facing some of the highest disaster risk levels in the world. Accordingly, multi-hazard response preparedness is the primary purpose of finance for principal projects.

Climate development finance disbursements to the Philippines averages $1.6 billion per year, making it the second-largest destination of such finance in the region, behind Indonesia. OOF loans are the major form of climate development finance, making up 68% of all climate-related disbursements. The ADB is by far the biggest provider of climate development finance in the Philippines.

Climate development finance to the Philippines by partner, 2015–21
Spent, constant 2021 US$



THE PHILIPPINES AS AN ODF PROVIDER

Like other governments in the region, Manila has provided development assistance to its neighbours through various channels, including bilateral aid programs, multilateral initiatives, and regional organisations such as the Association of Southeast Asian Nations (ASEAN). From 2015–21, Manila disbursed $1.9 million in the region, accounting for less than 1% of intraregional aid.

The Philippines has contributed annually to the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management, providing more than $450,000 between 2015 and 2021. In addition, through its Department of Foreign Affairs and its various agencies, the country has supported capacity building initiatives and technical assistance programs in neighbouring countries. For instance, in 2018 the Philippines provided $400,000 to Indonesia for assistance to earthquake and tsunami victims.

SINGAPORE

$4.40M	$4.40M	6	100%
SPENT	COMMITTED	PROJECTS	COMPLETED

Singapore is a high-income country, one of only two in Southeast Asia. Its $397 billion GDP (2021) makes up 12% of the region's GDP. With a population of 5.4 million, its per capita GDP of $72,750 is the highest in Southeast Asia. Its Human Development Index ranking is 12th in the world out of 191 countries, and it is 4th out of 180 countries in the 2021 Transparency International's Corruption Perceptions Index.

As a high-income country, Singapore is not eligible for official development assistance (ODA). The country developed rapidly after independence, with average GDP growth of 7.7%, despite its limited natural resources. Singapore has a highly trade-oriented economy and is a major international finance hub.

Despite Singapore's high-income status, its official development finance (ODF) program is modest. From 2015 to 2021, Singapore distributed $13.5 million in development finance in Southeast Asia.

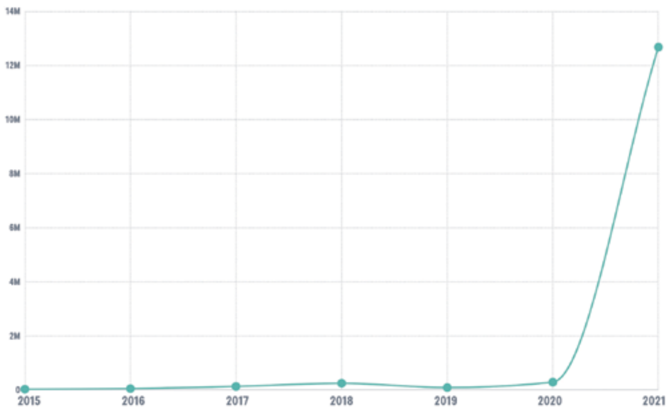
Singapore's development finance program is focused entirely on humanitarian aid and disaster recovery. It contributes regularly to ASEAN's Coordinating Centre for Humanitarian Assistance on Disaster Management and has disbursed funds for disaster relief and recovery on several occasions, usually implemented by the Singapore Red Cross. Singapore has provided funds directly to Indonesia, Laos, and Myanmar, but more commonly supports regional efforts; for example, a 2020 disbursement of $200,000 was directed to the region in response to natural disasters in Vietnam, Cambodia, Laos, and the Philippines.

Singapore is, however, involved in Southeast Asian development beyond the provision of ODF. The Technical Cooperation Directorate of the Ministry of Foreign Affairs in Singapore manages the Singapore Cooperation Program, which provides training and technical assistance for government officials from developing countries but does not finance or implement development projects. In 2017, the Singaporean government established Infrastructure Asia, a facilitation office that works with multilateral development banks to support infrastructure development and leverage their own experience in urban development.

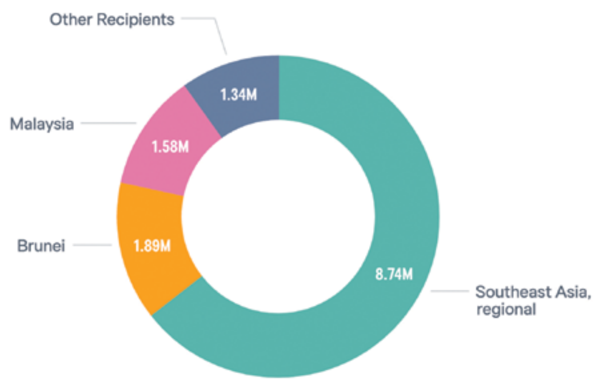
Singapore also receives a small amount of development finance, exclusively in the form of loans from the Japanese Ministry of Foreign Affairs. The total amount of ODF from Japan to Singapore from 2015 to 2021 was slightly more than $4.4 million (in constant US$), averaging just $734,000 annually.

The total ODF Singapore received was equivalent to about a third of what it disbursed over 2015–21. However, if vaccine donations are not included, Singapore received more than three times as much finance as it disbursed.

Official development finance from Singapore to Southeast Asia
Spent, constant 2021 US$



Official development finance from Singapore to Southeast Asia, by recipients
Spent, constant 2021 US$



THAILAND

$8.30B	$29.1B	7.84K	29%
SPENT	COMMITTED	PROJECTS	COMPLETED

KEY DEVELOPMENT CHALLENGES

Thailand is an upper middle-income country with ambitions to become a high-income country by 2037. Its $505 billion economy (2021) accounts for 11% of the regional GDP of Southeast Asia, and with a population of at least 71 million, its GDP per capita is $7,066 — the fourth-highest in the region.

Thailand is widely seen as a development success story, moving from a low-income country to an upper middle-income country in less than a generation. However, progress has slowed since 2015 amid political instability that has undermined economic growth and efforts to reduce poverty. The World Bank identifies political instability as the key risk to Thailand's future progress, noting that governance indicators and the quality of the bureaucracy have worsened in the past decade.

Over the 2015–21 period, more than 7,245 projects were implemented by 61 development partners in Thailand, for a total of more than $8.3 billion or about $1.18 billion per year on average.

OVERVIEW OF KEY TRENDS

Official development finance in Southeast Asia
Spent, constant 2021 US$

Between 2015 and 2021, Thailand received the seventh-highest volume of official development finance (ODF) in the region. Development finance disbursements averaged $1.2 billion annually over the period. From 2020 to 2021, disbursements tripled, mostly due to large OOF (other official flows) loans from the Asian Development Bank (ADB) for the country's Covid-19 response.

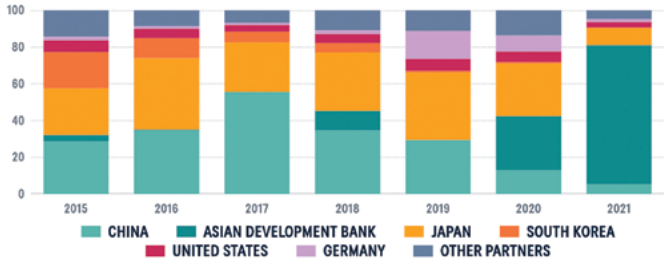
Official development finance to Thailand by transaction type
Constant 2021 US$

Levels of development finance relative to Thailand's GDP are marginal, with the peak in 2021 remaining below 0.5%. The impact of the rise in disbursements from 2020 to 2021 is also magnified by a contraction in GDP in 2020 and low GDP growth in 2021.

Commitments are generally higher than disbursements in Thailand. Across the seven-year period, disbursements were equal to only 29% of committed ODF. The ADB implemented 70% of its committed finance, but China disbursed only 11% of its commitments.

MAIN DEVELOPMENT PARTNERS

Official development finance to Thailand by partner
Spent, share of total ODF, constant 2021 US$

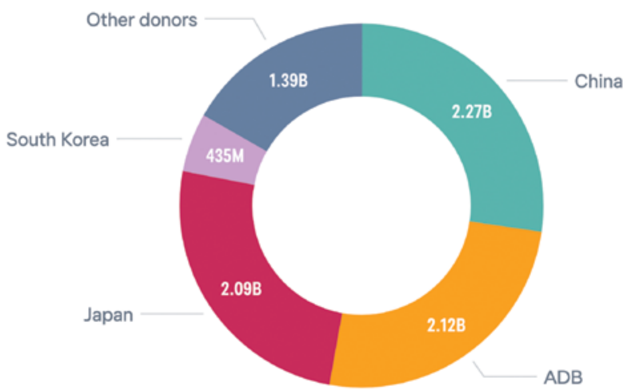


By spending, Thailand's top three development partners are China, the ADB, and Japan. Together, they account for 78% of development finance disbursed in the country.

China's involvement in Thailand's development is dominated by loans. Notable projects include the Thailand–China High-Speed Rail Project, for which $600 million has been disbursed from a committed $12 billion concessional loan (ODA), and a 2017 disbursement of an OOF loan from the China Export–Import Bank to the Thailand Export–Import Bank, for cooperation in trade financing and investment.

The ADB's financing to Thailand has varied from year to year, with low disbursements in 2017 and 2019, but a significant support package in 2021 in response to Covid-19. The ADB provides only OOF loans to Thailand and all of its spending is concentrated in three sectors: government and civil society, transport and storage, and energy. In transport and storage, the focus is on projects improving public transport services, and in the energy sector, the ADB concentrates on energy conservation and demand-side efficiency.

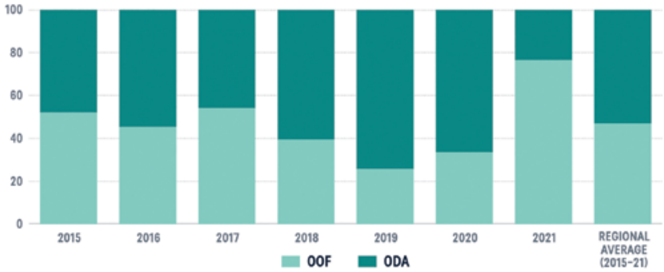
Cumulative official development finance to Thailand by partner, 2015–21
Spent, constant 2021 US$



Japan's development finance to Thailand is entirely concessional, predominantly provided through loans. Projects in the transport and storage sector account for the vast majority of Japan's disbursements, especially rail infrastructure projects such as the Mass Transit System Project in Bangkok, financed by a $1.5 billion official development assistance (ODA) loan from the Japanese Bank of International Cooperation (JBIC).

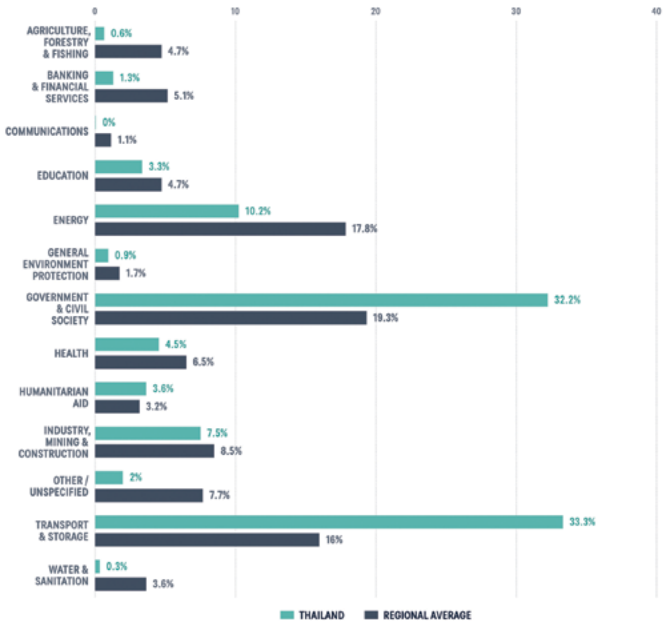
Overall, 47% of ODF disbursed in Thailand between 2015 and 2021 was ODA (both grants and concessional loans).

Official development finance to Thailand by flow type
% of total ODF spent, constant 2021 US$



SECTORS

Thailand vs regional average ODF, per sector
% of total ODF spent, constant 2021 US$



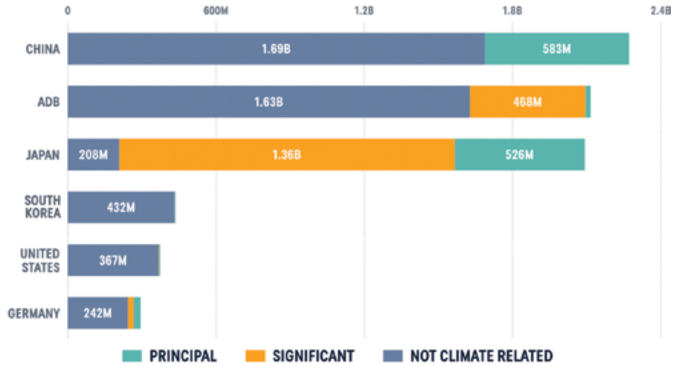
In terms of sectoral distribution compared to the rest of the region, ODF in Thailand is heavily concentrated in the transport and storage and government and civil society sectors.

Spending in the transport and storage sector is focused on rail infrastructure. One of the largest projects is the Japan-backed Mass Transit System Project in Bangkok, worth $1.5 billion. Public finance management is the primary purpose of spending in the government and civil society sector, predominantly from the ADB for Covid-19 support. The vast majority of funding in the government and civil society sector takes the form of OOF loans. Wind farm projects received the most finance in the energy sector, entirely funded by the ADB and China through OOF loans.

CLIMATE

Over the period analysed, climate development finance flows changed significantly in Thailand. Although projects marked "principal" in 2015 accounted for much more finance than "significant" projects — representing 95% of all climate-related flows in that year — the opposite is now true, after consistent declines in principal projects and a growth in significant projects. This change can be largely explained by just two sectors: principal projects in the early stages were mostly in the energy sector, which has declined significantly over time; while significant projects, mostly in the transport and storage sector, have become increasingly dominant. Most climate-related projects are financed through concessional ODA loans, and the largest development partner in this space is Japan.

Climate development finance to Thailand by partner, 2015–21
Spent, constant 2021 US$



THAILAND AS AN ODF PROVIDER

While Thailand is still ODA-eligible and a development assistance recipient, its transition to development partner has been remarkable. Thai cooperation with neighbouring countries goes as far back as 1963, when technical cooperation programs began in response to political instability and Cold War tensions. This accelerated in 2003, when then prime minister Thaksin launched the Forward Engagement strategy to establish Thailand as a provider of development assistance. Most of its development assistance is coordinated through the Thailand International Development Cooperation Agency (TICA) under the Ministry of Foreign Affairs.

Thailand's aid program is the largest in the region, accounting for 85% of intraregional ODF. Laos is the largest recipient of Thai development finance, receiving 58% of TICA's development flows, mostly directed at construction and the improvement of national roads. Myanmar and Cambodia also receive considerable amounts of development finance from Thailand, though flows to Myanmar have reduced dramatically since the military coup in February 2021.

On average, Thailand spends $64 million annually on aid to its Southeast Asian neighbours. More than half (58%) takes the form of grants, while the remainder is concessional loans.

TIMOR-LESTE

$1.86B	$2.28B	4.61K	81%
SPENT	COMMITTED	PROJECTS	COMPLETED

KEY DEVELOPMENT CHALLENGES

Timor-Leste is a lower-income country and the smallest economy in Southeast Asia. In 2021, Timor-Leste's GDP was $3.6 billion, representing 0.11% of Southeast Asia's regional GDP. With a population of 1.3 million, Timor-Leste's per capita GDP of $2,700 is the third-lowest in Southeast Asia.

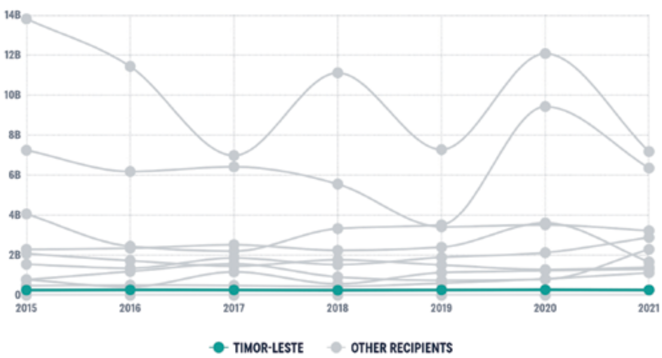
Timor-Leste faced decades of civil war before achieving independence in 2002. From 2007 to 2016, the country experienced high levels of economic growth, driven by a dramatic scaling up of government expenditures financed by drawdowns from the Petroleum Fund, the country's sovereign wealth fund. This was, however, punctuated by back-to-back recessions in 2017–18 and again in 2020 with the pandemic. Nonetheless, non-oil GDP, the Timorese government's preferred measure, grew by 1.5% in 2021, supported by public spending and rebounding private consumption. The country faces a critical economic transition as new revenues from active oil and gas fields dry up.

The Timorese government's development agenda is focused on combating malnutrition and extreme poverty, and expanding social services to the country's large non-urban population. Development finance continues to play a significant role in Timor-Leste's progress. In 2021, official development finance (ODF) accounted for 7.1% of Timor-Leste's GDP, the third-highest ratio in Southeast Asia. Over the 2015–21 period, more than 4,608 projects were implemented by 45 development partners in Timor-Leste, collectively representing $1.8 billion in ODF or about $265 million on average per year.

OVERVIEW OF KEY TRENDS

Official development finance in Southeast Asia

Spent, constant 2021 US$



From 2015 to 2021, ODF disbursements to Timor-Leste — including grants, loans, and other forms of assistance — averaged $265 million annually (in constant 2021 US$). ODF flows to Timor-Leste remained largely consistent between 2015 and 2021, increasing by a modest 2%.

Australia remained Timor-Leste's major provider of ODF throughout this period, disbursing close to one-third of the country's incoming ODF. Between 2015 and 2019, Australia's ODF disbursements to Timor-Leste declined in successive years to a low of $56 million, before doubling in response to the Covid-19 pandemic.

Australia's increased ODF spending during 2020 and 2021 helped counter a shortfall of flows from Timor-Leste's other major development partners. Notably, these two years saw ODF flows from Japan and the Asian Development Bank (ADB) decline by 57%.

ODF flows to Timor-Leste were just 1% of the regional total between 2015 and 2021, the smallest share in the region. However, in per capita terms, Timor-Leste is the region's second-highest ODF recipient. Over the seven-year period, Timor-Leste received $201 in ODF per person on average per year, marginally behind Laos ($212) but significantly higher than the regional average of $83 per person.

Official development finance to Timor-Leste by transaction type

Constant 2021 US$

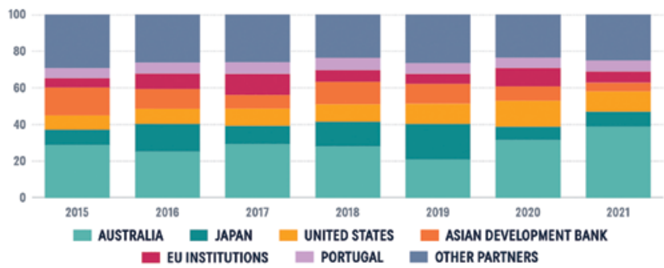
Between 2015 and 2021, the role and significance of ODF in Timor-Leste's general output declined by over half, falling from 14.4% of GDP in 2015 to 7.3% in 2021. Most of the decline occurred between 2018 and 2021 and was caused by substantial GDP growth in 2021 alongside stable incoming ODF flows, rather than a decline in ODF support.

Timor-Leste is somewhat of an outlier in Southeast Asia in that it did not receive ODF for major energy or railway projects. The lack of such large-scale projects common throughout the rest of the region means that Timor-Leste's commitment-spending gap was narrower than its regional peers. Nonetheless, the expansion of the Presidente Nicolau Lobato International Airport, committed in 2021 by the ADB, saw a large increase in the gap between project commitments and disbursements in 2021.

MAIN DEVELOPMENT PARTNERS

Official development finance to Timor-Leste by partner

Spent, share of total ODF, constant 2021 US$



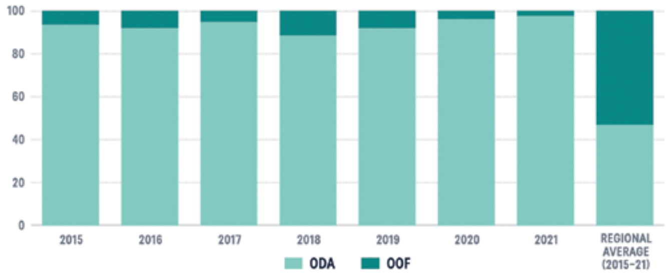
Australia's contribution to the country's total ODF doubled between 2019 and 2021, jumping from $56 million to $104 million. Timor-Leste's second tier of major partners — Japan, the United States, and the ADB — averaged annual ODF disbursements of around $28 million over the period, with Japan and the ADB reducing their ODF support in 2020 and 2021.

Australia's ODF disbursements in Timor-Leste focused on the governance and civil society sector, which accounted for one-third of its ODF flows. The largest Australian project in this sector was the $30 million Governance for Development Program, which began in 2012–13. Australia's other significant governance and civil society project was the Ending Violence Against Women in Timor-Leste program, which has seen $21 million disbursed since 2016. Australia's largest non-governance sector project was the Timor-Leste Human Development Program, a wide-ranging health sector initiative.

The ADB, Timor-Leste's major provider of development loans, almost exclusively focused on transport projects. These projects — notably the Road Network Development Sector Project and the Dili to Baucau Highway Project — accounted for over 90% of the ADB's total support to Timor-Leste.

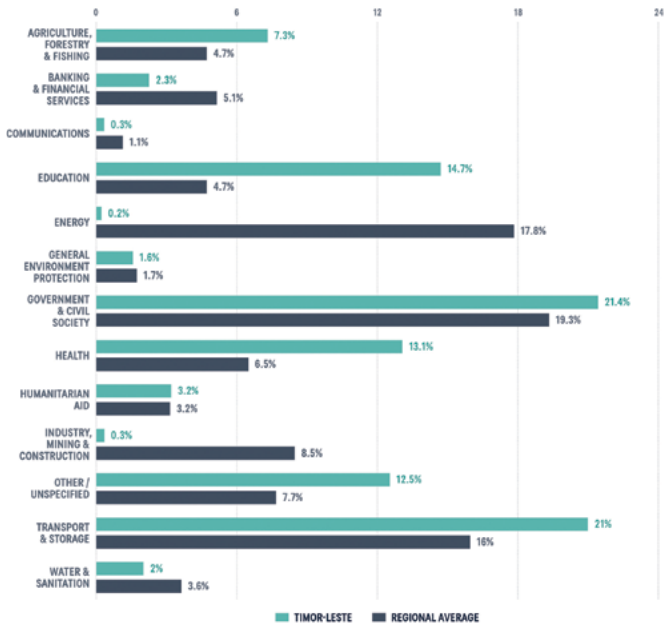
ODF to Timor-Leste was largely made up of grants, reflecting the country's significant development challenges. Timor-Leste's only sources of ODF loans were the ADB, the World Bank, and Japan, with the loans exclusively financing road-building projects. It is also notable that a portion of these ODA-loan transport projects were categorised as climate resilience financing, such as the World Bank-funded Timor-Leste Road Climate Resilience Project.

Official development finance to Timor-Leste by flow type
% of total ODF spent, constant 2021 US$



SECTORS

Timor-Leste vs regional average ODF, per sector
% of total ODF spent, constant 2021 US$



The sectoral distribution of ODF spending in Timor-Leste was quite distinct from Southeast Asian regional averages. The variation reflects Timor-Leste's particular development challenges, notably the legacy of past conflict, its impact on public infrastructure, and the limited capacity of the Timorese government to deliver social services.

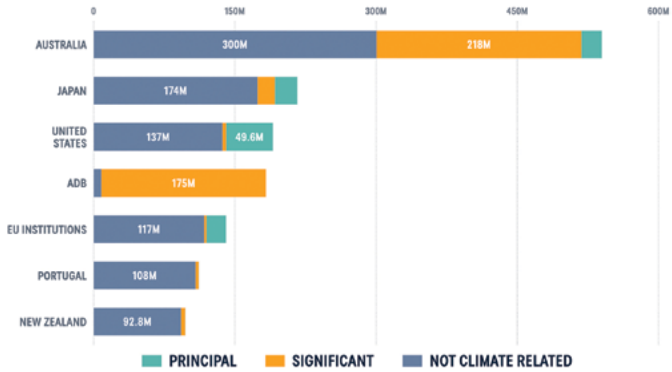
Timor-Leste faces extreme human capital challenges. Close to half the country's children under the age of five suffer from stunting, with Timor-Leste ranked as the third-worst country globally for child malnutrition. While health, education, and clean-water access are cited as the government's top priorities, budget allocations for these critical development sectors fall below international benchmarks for developing countries. The sectoral distribution of ODF to Timor-Leste partly reflects attempts to close this gap, with ODF flows for health and education more than double the regional average.

CLIMATE

Due to Timor-Leste's fossil fuel endowments and limited grid infrastructure, there has been little demand for large-scale renewable energy projects in the country. The vast majority of its climate development finance has been in the form of climate-resilient infrastructure projects, such as the Timor-Leste Road Climate Resilience Project funded by the World Bank and the Australian Roads for Development — R4D project. Outside of infrastructure, "principal" climate projects in Timor-Leste have focused on sustainable agriculture and fishing practices.

Most projects implemented by the two largest multilateral development banks include a focus on climate: 78% for the World Bank, and 95% for the ADB.

Climate development finance to Timor-Leste by partner, 2015–21
Spent, constant 2021 US$



TIMOR-LESTE AS AN ODF PROVIDER

Despite being the smallest Southeast Asian economy by a significant margin, Timor-Leste has provided some ODF for humanitarian aid to other countries in the region. For instance, in 2015 the Timorese government provided a $1 million support package to Malaysia following Cyclone Ian. It also provided two $750,000 grant packages to Indonesia and Laos following natural disasters in 2018 and 2019.

Overall, the contribution of Timor-Leste to the region was $3.7 million during the 2015–21 period, which was just below 1% of total intraregional ODF.

VIETNAM

$35.6B	$41.1B	18.1K	87%
SPENT	COMMITTED	PROJECTS	COMPLETED

KEY DEVELOPMENT CHALLENGES

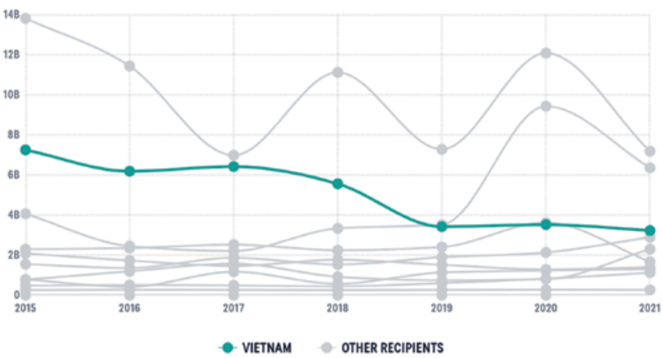
Vietnam is a lower middle-income country, with ambitions to reach upper middle-income status by 2035 and high-income status by 2045. Its $366 billion GDP (2021) accounts for 10.9% of the regional GDP of Southeast Asia. With a population of more than 97 million, Vietnam's GDP per capita is $3,756, the sixth-highest in the region.

Despite remarkable progress in reducing poverty and achieving significant economic growth since the Doi Moi reforms initiated in 1986, Vietnam still faces development challenges. Corruption and governance are considerable constraints on progress. The World Bank has identified institutional reform as critical to preventing Vietnam from being caught in the middle-income trap.

Over the 2015–21 period, more than 17,000 projects were implemented by 71 development partners in Vietnam, for a total of more than $35.6 billion or $5 billion a year on average.

OVERVIEW OF KEY TRENDS

Official development finance in Southeast Asia
Spent, constant 2021 US$



In constant US-dollar terms, official development finance (ODF) flows — including grants, loans, and other forms of assistance — to Vietnam halved between 2015 and 2021, although the country is still the second-largest recipient of ODF in the region. ODF to Vietnam averaged $5 billion per year, accounting for 18% of the regional ODF during this period.

Most of the decline came from a significant reduction in development loans signed by the government of Vietnam, notably with South Korea and Japan. Annual grant financing provided by international development partners remained stable, hovering at around $775 million.

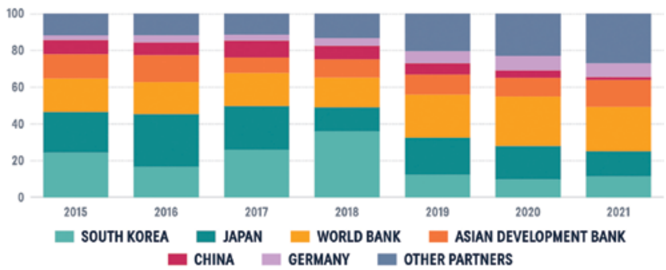
Official development finance to Vietnam by transaction type
Constant 2021 US$

Over the period analysed, the role and significance of ODF relative to Vietnam's GDP decreased considerably, falling from 2.7% of GDP in 2015 to 0.9% in 2021. This decline can be explained by two factors: a 54% reduction in development support provided to Vietnam; and a rapid increase in the country's GDP as its economy grew.

In Vietnam, commitments were generally higher than actual disbursements over the 2015–21 period. Among the top five development partners in the country, only three — South Korea, Japan, and the World Bank — spent more than they committed. The ratio of disbursements to commitments for the Asian Development Bank (ADB) was 86% of its commitments, while China had a ratio of 32%. Nonetheless, with an 86% overall ratio, Vietnam sits above the regional average of 64%.

MAIN DEVELOPMENT PARTNERS

Official development finance to Vietnam by partner
Spent, share of total ODF, constant 2021 US$



Vietnam's major development partners were South Korea, Japan, and the World Bank, each averaging $1 billion disbursed annually in the country. Its second tier of development partners comprised the ADB, China, Germany, and France, which combined accounted for a quarter of the total development finance flowing to the country.

South Korea's disbursements in Vietnam were mainly focused in the industry, mining, and construction sector, as well as in the infrastructure sector, which were primarily funded through non-concessional loans. In 2015, South Korea was Vietnam's leading development partner, but its financing subsequently declined by 79%, causing Seoul to fall to fourth place among Vietnam's development partners. Among the most notable projects were the Lo Te–Rach Soi Highway Construction Project and the Vàm Cống Bridge Construction Project.

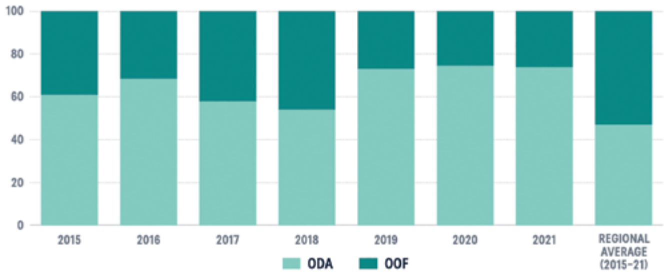
Japan's involvement in Vietnam's development can be traced back to the 1990s, when it provided significant assistance to help the country rebuild and modernise its infrastructure after years of conflict. Japanese-supported development in Vietnam, mostly financed by the Japan International Cooperation Agency (JICA), peaked in 2016 and has declined steadily since then. Concessional loans accounted for most of the spending, primarily in the transport and storage sector. The largest project funded by Japan was the Thái Bình power plant and transmission lines.

Development finance from the World Bank to Vietnam over the 2015–21 period was mostly directed towards infrastructure projects, such as in transport and storage (21% of total World Bank ODF to Vietnam), water and sanitation (18%), and energy (17%).

Among the largest projects were the Local Road Asset Management Program and the Transmission Efficiency Project. Concessional loans were the dominant form of World Bank financing.

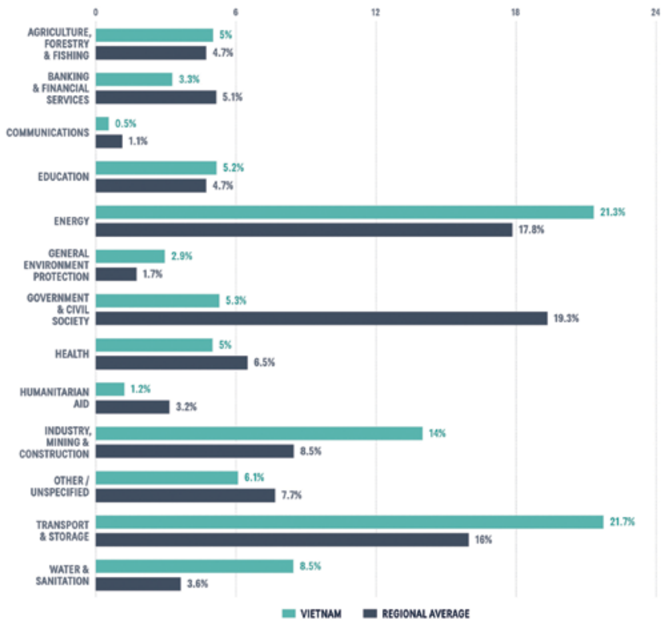
Overall, 64% of ODF provided to Vietnam was concessional, higher than the regional average, reflecting Vietnam's status as a middle-income country.

Official development finance to Vietnam by flow type
% of total ODF spent, constant 2021 US$



SECTORS

Vietnam vs regional average ODF, per sector
% of total ODF spent, constant 2021 US$



ODF to Vietnam was broadly consistent with regional trends in terms of sector distribution. The transport and storage and energy sectors featured prominently. However, disbursements in Vietnam in the government and civil society sector were much lower than the regional average. Where average disbursement in governance projects was 19% of total ODF in Southeast Asia, it was only 5% in Vietnam.

Within the transport and storage sector, road transport accounted for more than half of disbursements, while rail transport was 19%. Japan's Ho Chi Minh City Urban Railway Construction Project, funded by a $349 million concessional loan from the Japanese International Cooperation Agency, was the largest project in the sector.

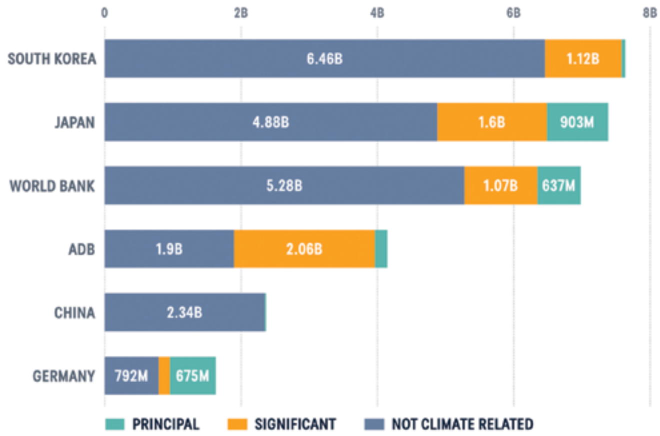
In terms of energy, coal-fired electric power plants and electric power transmission and distribution represented 60% of sector ODF, with the Thang Long Thermal Power Plant — implemented by China Energy Engineering Corporation over the 2014–18 period — being the most significant energy project in the country ($519 million).

CLIMATE

Although climate development finance constituted a growing proportion of overall ODF, this essentially reflected the decrease in other ODF disbursed in Vietnam while climate-related ODF remained stable. The largest project, the Support Program to Respond to Climate Change, was funded by a one-off loan in 2015 by Japan's International Cooperation Agency.

Most climate development finance in Vietnam was invested in the energy sector, notably in electricity grid improvements and hydro-electric power plants. The vast majority of projects were funded through loans rather than grants, and the biggest donor by far was the ADB. Levels of climate development finance stayed largely steady from 2015 through to 2021, hovering between $1.2 billion and $1.7 billion.

Climate development finance to Vietnam by partner, 2015–21
Spent, constant 2021 US$



VIETNAM AS AN ODF PROVIDER

Like other countries in the region, Vietnam contributed development assistance to its neighbours through various channels, including bilateral aid programs, multilateral initiatives, and regional organisations such as the Association of Southeast Asian Nations (ASEAN).

Over the period, Hanoi disbursed almost $7 million for school construction, notably in Laos —Dakcheung School and Bounea School — and humanitarian relief, most notably to help the Philippines address Typhoon Rai's aftermath.

In the midst of the pandemic, Hanoi provided foreign aid to Laos and Cambodia to bolster their efforts in combating Covid-19. This aid was in the form of donations of $2.15 million and $500,000 to Laos and Cambodia, respectively.

METHODOLOGY

For the full Methodology, visit
seamap.lowyinstitute.org/methodology

The Southeast Asia Aid Map consists of data on more than 100,000 projects and activities across all Southeast Asian nations from 97 development partners, with complete data from 2015 to 2021 and partially complete data for 2022 and 2023. This raw data is freely available on the Southeast Asia Aid Map interactive platform, allowing users to drill down and manipulate the data in a variety of ways.

KEY CONCEPTS

Official development finance (ODF) refers to public funds provided by governments and international organisations to promote economic and social development in low- and middle-income countries. It is the combination of official development assistance (ODA) and other official flows (OOF).

Official development assistance (ODA) is defined as financial flows that are provided by official agencies and are administered with the promotion of the economic development and welfare of developing countries as the main objective and are concessional in character.

Other official flows (OOF) consist of financial flows that do not meet the conditions for ODA either because they are not primarily aimed at development or because they do not meet Organisation for Economic Co-operation and Development (OECD) concessionality standards.

Development partners

A development partner is an entity, such as a government or organisation, that provides foreign assistance to support economic and social development in other countries. The Aid Map focuses on 97 official agencies or partners, both bilateral and multilateral.

Recipients

The recipient countries in alphabetical order are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste and Vietnam.

Committed vs spent

There is an important distinction between what development partners have committed in the region and what they have actually spent. Large commitments, typically in infrastructure, can often take a long time to disburse, meaning commitments can often overstate a partner's overall footprint. Spent funds are a better indication of annual flows into the region.

Sectors

Sectors have been drawn from the OECD sector categories and condensed for formatting purposes. The sectors are: agriculture, forestry, and fishing; banking and financial services; communications; education; energy; general environmental protection; government and civil society; health; humanitarian aid; industry, mining, and construction; transport and storage; water and sanitation; and other/unspecified.

SOURCES

There are two major existing databases for tracking aid and development finance: the OECD's Development Assistance Committee (OECD DAC) and the International Aid Transparency Initiative (IATI). Unfortunately, neither dataset has comprehensive reporting on new but significant partners such as India, China, and Taiwan. Steps have been taken by the Aid Map team to both fill the gaps in existing reporting mechanisms and validate what has been reported through official channels. The team collected, cleaned, and analysed data from open sources such as government budget documents, press releases, news media and social media, and websites of resident embassies. These sources are available via hyperlinks in the Aid Map database.

This approach, while detailed, will never be entirely comprehensive and some projects will likely be missing, especially from non-traditional partners. However, we are confident that this approach has produced the most complete picture of non-traditional development partner activities to date.

CLIMATE DEVELOPMENT FINANCE

The OECD policy marker system provides an indication of the degree of mainstreaming a policy goal receives within an ODF project. A modified version of the OECD's marker system for climate has been applied to all projects in the Aid Map dataset, sorting projects into three categories: 'principal', where climate change mitigation or adaptation is explicitly stated as fundamental to the project; 'significant', where climate change mitigation or adaptation is explicitly stated but not fundamental; and 'not climate-related', where climate change mitigation or adaptation is not targeted in any significant way. The Aid Map team has taken at face value the climate relevance marking given to projects by those development partners who self-report using the OECD system. For those partners who do not report, each project has been allocated a rating based on relevant criteria such as partner information, Sustainable Development Goal indicators, and OECD sub-sectors.

DATA CAVEATS

The research covers the time period from 2015 to 2021. Data for 2022 and 2023 is partially complete and not representative of all aid flows to the region. Data for non-traditional development partners is likely to be incomplete. Additionally, the OECD relies on partner self-reporting of OOF flows, and partners report into it to varying degrees. It likely understates the actual volume of OOF being transferred to the region.

REVIEW PROCESS

The clean dataset was provided to both recipient and main partner governments and organisations for confirmation. Finally, the full methodology and a representative subset of the data was sent to an independent, external organisation for robust peer review and to validate, test and recreate the results.

CURRENCY

All currency is quoted in US dollars.

LOWY INSTITUTE
SOUTHEAST ASIA AID MAP

seamap.lowyinstitute.org

LOWY INSTITUTE

LOWY INSTITUTE IPDC Indo-Pacific Development Centre