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European Development Cooperation to 2020: Challenges by New Actors in International Development

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1 Preface

This paper has been produced as part of a programme of work on the prospects for European Union development co-operation in the period up to 2020. It focuses specifically on the challenges Europe faces by the emergence of new actors in international development co-operation. In the past 10-15 years, the established development donors in the OECD's Development Assistance Committee (DAC) have forged a consensus about what aid is for, where it should be best directed and how it should be managed. With the increasing salience of a variety of new actors in international development, both governmental and non-governmental, this consensus is being challenged at a time when aid budgets are under threat and when there are other new challenges for development co-operation, not least climate change[1].

The objectives of this programme, which is funded by the European Commission under the 7th Framework Programme, have been defined as:

(i) to produce innovative knowledge on emerging issues with relevance to EU policymaking

(ii) to disseminate the knowledge to stakeholders in EU development politics to facilitate improved policymaking

(iii) to provide a platform of debate on global challenges facing Europe, on the future role Europe has in the world and on its relation to developing countries.

The timeframe for considering the emerging global challenges facing Europe and their implications for the EU has been set at the period up to 2020. Clearly, many things can change in a period of 12 years. We would hope, however, to contribute to the debate at a time when development co-operation and the European Union are undergoing profound changes.

The question of how EU policy should respond to emerging challenges is the key driver of research in the framework of European Development Co-operation to 2020 – and will thus be a recurring theme in the specific research reports produced under its umbrella.

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Sven Grimm, John Humphrey, Erik Lundsgaarde and Sarah-Lea John de Souza

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[1] This particular challenge – as well as energy security and democracy – is another work package in the programme “European Development Co-operation to 2020”; for publications and information see http://www.edc2020.eu.

“In Africa and elsewhere, governments needing development assistance are sceptical of promises of more aid, wary of conditionalities associated with aid, and fatigued by the heavy bureaucratic and burdensome systems used for delivery of aid. Small wonder that the emerging donors are being welcomed with open arms” (Woods 2008: 1220)

2 Introduction

After an exceptionally positive period in the 1990s, development co-operation policy has come under increasing pressure since the beginning of the new millennium. This sounds paradoxical, considering that there is a set of international agreements around aid that goes further than at any time before in international co-operation policy. Pressures on the capacity of development co-operation policy to deal with problems such as persistent global poverty, environmental degradation, climate change and political instability result in part from ongoing challenges that relate to the way ‘the West’ provides aid. And beyond these internal challenges within the Western donor community, the external landscape within which international co-operation policy is conducted has changed profoundly. The goal of the research programme to which this working paper contributes is to offer an overview of the scale of international co-operation of ‘new actors’, the nature of their development co-operation objectives, and their respective instruments, in order to make informed statements about likely implications for EU development policy in the period up to 2020.

This paper proceeds as follows. Section 2 sets out the DAC consensus and its implications for international development co-operation. Section 3 outlines the main categories of new actors and identifies key issues that the growing presence of new state actors in development co-operation raises. Section 4 examines non-state actors in more detail, while section 5 outlines the challenges for EU development co-operation in the next decade and thereby flags issues on how and at what levels to deal or engage with ‘new donors’ and their respective agendas for the purpose of conducting a European policy for global development.

3 The Western consensus on development co-operation

Starting points for an international consensus were elaborated throughout the 1990s, and it should be kept in mind that this search for consensus took place in an extraordinary period of history. After the Cold War, the development agenda could move out of the shadow of geopolitics, which opened the way for discussions on how to improve development co-operation. Prepared by a series of global conferences throughout the 1990s, the international debate on development culminated in the Millennium Declaration in 2000. Based on one of its aspects, the Millennium Development Goals (MDGs) were defined, to be achieved by 2015. On financing, too, international commitments were renewed, starting from a UN summit in Monterrey in 2002 to an EU timetable to move towards 0.7% of GNI for official development assistance by 2015[2]. Similar to the search for consensus on *goals* and *funding* for international co-operation, the international community discussed *rules* for the conduct of co-operation in Rome (2003), Paris (2005), and Accra (2008). With regard to rules, an even tighter timeline for commitments was established with the Paris Declaration on Aid Effectiveness, which is pushing on a number of indicators to be reached by 2010.

These agreements defined – or reconfirmed – what the goals of aid were, what aid was and how it should be managed. More specifically:

(i) The definition of official development aid (ODA) by the DAC sets the tone for the characterisation of the goals and motivation of development assistance. Aid is defined as being aimed at the development of partner countries and to fulfil some minimum standards in terms of concessionality. From this followed the untying of aid and the promotion of targets for development assistance in terms of percentages of GDP of the donors. As a result, aid became clearly separated from other economic and political relationships, and administered by specialist aid departments within the donor governments.

(ii) The overall goal of aid was increasingly defined in terms of reducing poverty. This has the consequences of, firstly, directing aid increasingly to the poorer countries, and above all in sub-Saharan Africa. Second, it characterised aid as predominantly driven by altruism and concern for others. As Rowlands, suggests, "Despite the consistent evidence that aid allocation tends to be dominated by … these political and strategic interests in many DAC members, there remains within the development community as a whole a sense that the true objectives and motivation of development assistance is the moral one of assisting the less fortunate" (Rowlands 2008: 5).

(iii) Finally, the DAC developed good practice principles for delivering and aid budgets. These included attempts to overcome the problem of aid proliferation, promotion of recipient ownership and, in varying degrees, conditionality relating to good governance.

This consensus faces a series of challenges, both internal and external.

- Western development co-operation faces tough internal challenges to live up to promises to reform existing structures and policies to more effectively promote development goals. The debates over the rules for

[2] The target of 0.7% of GNI to be attributed as ODA is, in fact, an old target, which dates at least to the 1970s. Only a few countries have since reach this goal, among which Norway, Sweden, Denmark, The Netherlands and Luxemburg.

international co-operation acknowledged problems with the existing setup for development assistance.

- These key documents in the international discourse on development co-operation are by no means exhaustive on all elements of human development or on all procedures in co-operation that need to be addressed.

- Furthermore, the understanding of development co-operation outlined above excludes important policies that have external effects such as, trade, migration, and agricultural policy in the North. Similarly, security-related topics are not specifically elaborated upon.

- In terms of inputs, even if one assumes that the substance of these commitments is adequate to address development challenges, implementation of the commitments has not happened to a sufficient degree.

- In terms of outcomes, despite some progress, the international community is not on good track to reach many of the Millennium Development Goals (cf. United Nations 2008). Donors have neither delivered on the levels of funding solemnly promised (cf. OECD 2009), nor have they applied procedures of harmonisation and alignment to a sufficient degree (cf. OECD 2008).

Despite changes in the international discourse on international development, there are thus enormous internal challenges within the system of international aid. And these challenges are greater than suggested by the mere look at development aid indicators laid down in the Millennium Development Goals or the Paris Declaration.

The European Union has embraced this DAC consensus and has contributed to formulating it at the international level. With the European Consensus on Development, the standards and goals have been adopted by the EU-27 and the Commission, despite only 15 EU member states being current members of the DAC. These 15 member states, however, account for more than half of all Western ODA and thus are key actors within the DAC. The above challenges, therefore, are thus part and parcel of the policies of the European donor system and its internal debates.

Alongside these internal challenges, European development co-operation also faces challenges resulting from broader changes in the international context in which it operates. Since the end of the cold war, the world has seen fundamental power changes that are likely to have an impact on future European development co-operation. When the international 'consensuses' in development co-operation were elaborated, power politics and national interests of participating and targeted states were not the hotspot of the debate. Yet, since the turn of the century, international politics have changed profoundly.

Importantly, the collapse of the Cold War world order has not meant an "end of history" (Fukuyama), but has instead produced a landscape where a diversity of political systems are represented among the world's most powerful countries. Due to the growing economic and political weight of large developing countries in particular, the world is becoming increasingly 'multipolar'. China, India, and other emerging countries are needed today to address global issues; without them, solutions to some issues are less probably or even virtually impossible, e.g. in the case of tackling climate change. Their effects on development prospects for other developing countries nevertheless continue to be debated (e.g. Goldstein et al. 2006). To date, these "tectonic power shifts" (Kaplinsky/Messner 2008) have happened without major eruptions of political strife.

At the same time, the post-Cold War era has also been marked by an increasing recognition of the power of private actors in the global economy. In the development co-operation context, non-state actors such as philanthropic foundations and enterprises as well as individuals have become more important actors. And global, multilateral funds have multiplied in recent years, further adding to the spectrum of actors in international development.

In brief: Western donors are not the only significant partners for developing countries, albeit (still) by far the most substantial ones. After the 'system alternative' offered by the Soviet bloc has faded away, the challenge to the 'traditional Western approach' now appears to come from increasing activities of state and non-state actors outside of the largely intergovernmental aid system centred on OECD donors. The group of emerging actors in international development and their intermediary or even direct challenge to 'traditional' Western donor practice is the focus of this working paper, which is meant to map issues for further research rather than giving many answers straight away.

In the last decade we have seen a proliferation of more and more substantial actors that has arguably made harmonisation amongst donors and their management by recipients more complex. Given the heterogeneous nature of the new actors, their implications for EU development co-operation up to 2020 are also diverse, as has been sketched above.

Clearly, the simple fact that there are many emerging or re-emerging actors creates new challenges with respect to issues of donor proliferation, coordination, specialisation of tasks and the evolution of the existing institutions of donor collaboration and coordination. Many of these issues were addressed by the Paris

Declaration on Aid Effectiveness,[3] and a substantial number of the new actors were signatories to the Declaration, in 2005 or subsequently. Signatories include the emerging powers such as China, India and Russia; regional powers such as South Africa; non-OECD 'traditional donors' such as Saudi Arabia; Eastern European countries (for example, Poland, the Slovak Republic, Czech Republic); and the 'foreign policy donors' such as Thailand.[4] Non-state actors, however, are not signatories of the Paris Declaration and do not regard it as binding in their co-operation.

Therefore, despite a common international framework of reference and variations in their individual impact on EU policy-making, overall the new actors present a new context within which the development co-operation programme of the EU will have to evolve in the next decade. This new context will present opportunities and challenges for the EU in two distinct areas:

(i) ***Multilateral negotiations and institutions:*** The increasing importance of new actors in the global economy is evident in the level of involvement of some of these new actors in the production of global public goods.

(ii) ***Bilateral aid and development programmes:*** If and when the new actors become more influential and important in defining and operating development co-operation programmes, particularly in sub-Saharan Africa, the EU will necessarily wish to influence, but also be influenced by, their conceptions of aid.

Academic discussions on new donors have focused on the policies of individual emerging states towards other developing countries, as can be see in the respective sections below. And some publications explore possibilities of trilateral co-operation (Berger/Wissenbach 2007), as well as conceptual issues around this triangle of states in their roles as fund provider, implementer and beneficiary of activities (cf. Altenburg/Weikert 2006). Yet, research that examines the implications of the activities of ‘new actors’ as a group for European development policy has been limited. This research programme seeks to fill this gap.

4 New Actors: An Inventory of State Players

This paper provides an overview of the activities of various groups of donors in terms of their financial volume, their priorities and aid practices, their relation to

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3 The Declaration is available at http://www.oecd.org/dataoecd/11/41/34428351.pdf

4 A number of emerging actors claim that they have signed the Paris Declaration as recipients of aid, not as partners to others. The Accra Agenda for Action, as a follow-up of ‘Paris’, in 2008 was slightly more explicit on emerging countries and states in that it “encourages” them “to use the Paris Declaration principles as a point of reference in providing development co-operation” (Paragraph 19a of the Accra Agenda for Action).

multilateral institutions, and the implications of their engagement for the future of European aid. All of the ‘new’ state actors face the common challenge of mentally shifting from “recipient” to “donor” or at least bridging this seemingly clear-cut distinction. De facto, almost all of them are both. However, the closer one looks at the group of ‘new actors’, the more differences are striking. The group usually referred to as “emerging donors” or “new actors in international development” is very diverse.

There is a multiplicity of new actors, as will be shown later in this section. But, taken together, do they represent something new and significant? Certainly, some of the actors currently referred to as “new donors” are by no means “new”. Nor do they want to be labelled as “donors”. Many, if not all of the emerging state actors are, for their part, both recipients and providers of aid. In a number of “new donor” countries, the number of absolute poor people exceeds that of other developing countries. There is therefore a reluctance by the emerging countries to be called a “donor” country, with a preference for terms such as South-South co-operation. Their position in global politics and the global economy is more complex that the schematic dichotomy of “donors” and “recipients” suggests (Harris et al. 2009). China, for instance, has been active in international co-operation policy since the 1960s (Large 2008) yet still receives ODA. The same is true for India, which for its part has been active in its neighbourhood since independence (Chaturvedi 2008). And the picture is further complicated when taking private actors into account. As an example, the Rockefeller Foundation has been active in international work since the 1920s, long before nation states defined the term “development assistance” within the Development Assistance Committee (DAC) of the OECD. There have been substantial increases in the volume of assistance provided by some of these actors, who thus have come more into the limelight, not only in the media, but also in academic research (see, for instance, Kragelund 2008; Woods 2008; ECOSOC 2008; Manning 2006).

One might also argue that a brief examination of the aid flows of the new actors (defined as far as possible on the same terms as OECD DAC official development assistance (ODA)), they are estimated to currently contribute about 10% of global aid flows, i.e. around USD 10 billion (ECOSOC 2008). Data, however, is more often than not scarce and non-comparable, so this would constitute a rough estimate. Even so, 90% of global aid flows are still coming from the DAC donors.[5]

Notwithstanding these observations on the long history of aid by "new" donors and the continuing small contribution they make to global aid budgets, there is something distinctly different and potentially important about the current

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[5] The members of the OECD DAC at the end of 2008 were the fifteen member states of the European Union prior to the 2004 enlargement, the European Commission, Australia, Canada, Japan, New Zealand. Norway, Switzerland and the United States.

activities of these donors. This "newness" of these donors varies considerably, but we can consider the extent to which these new actors in development co-operation present a challenge to the DAC consensus by considering the following four issues:

(i) Levels of funding. How big is the financial impact of these donors?

(ii) Orientation. What are the priority countries and regions for these new actors?

(iii) Principles. How do the new actors manage their development co-operation budgets, and what are the principles that guide them?

(iv) Motivations. What are the main aims and objectives of the development co-operation of these actors?

This paper groups donors according to their assumed relationship to the ‘European aid system’, which in itself is in its majority an integral part of the OECD world. Aid system is understood in the broadest possible terms, i.e. it covers EU aid policies (defined as ODA) and all European policies with aspirations to contribute to global development, e.g. certain elements of trade policy, foreign and security policy and others. The broad approach is chosen in order to (a) accommodate for the non-DAC understandings of co-operation policy. More often than not, aid is not defined as a distinct tool in co-operation and clearly does not fit to OECD-DAC criteria. And the broad approach allows us (b) to take into account the broader implications of the emergence of ‘new actors’ for Europe’s role in the (developing) world.

Looking at state actors in international development and sorting them by different degrees of impact on global development, and thus European policies, we arrived at five categories[6] of actors:

(i) Donors (re)emerging into the international consensus, i.e. donors beyond the OECD-DAC, but with close relations to it (Poland, Czech Republic and other new EU member states; as well as Iceland, Korea, Mexico, Chile). These are states that are coming into the international

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[6] Other categorisations are provided by Manning (2006) and Kragelund (2008). Both identify four groups, yet compositions vary. Both come up with a largely heterogeneous fourth group of “others”. While Kragelund’s categories have the benefit of presenting the most formal and clear cut differentiation by institutional affiliation (non-DAC, non-EU and combinations thereof), they provides for little insight in differing global or regional roles of states or challenges they might imply to European development cooperation. Manning, on the other hand, rightly singles out China and India as “heavyweights” in his categorisations (cf. Manning 2006: 375). We therefore chose to make them a category of their own, but have lumped together non-DAC OECD members and all new EU member states, as there is a close linkage between the DAC framework and the European Consensus on Development.

consensus and might yet have some ideas and practices not in line with DAC standards. In their majority, these donors represent an *internal* challenge to the development policy of the EU;

(ii) 'Traditional donors' beyond the OECD (mostly Arab states and Arab institutions), i.e. states that are beyond the consensus in international development and that might thus mean a challenge for European development co-operation in some regions; they are often not considered when new actors in international development are discussed; and they are mostly NOT aid recipients themselves;

(iii) Emerging global powers (China, India), i.e. states that the EU will need to deal with from a global governance perspective. Still recipients of external aid themselves, they are indispensable for global problem solving and much of the debate has thus far focused on their impact in the global context or, more specifically, in the key developing region, Africa;

(iv) Regional powers with strong foreign aid activities in their respective region (e.g. South Africa), i.e. states that are potentially relevant for global problem solving, but – other than China and India – much more so because of their standing in the region; Brazil is a borderline case in this category: its aspirations are more global than regional. However, it is not quite in the same league as China or India.

(v) Other donors discovering aid as a tool in foreign or economic policy and not aspiring to OECD-DAC standards, i.e. actors clearly beyond the DAC (Thailand, Singapore, Israel and others). This somewhat residual category can be further subdivided from a European perspective: they include some that are rather regarded as international 'mavericks' in giving aid, often based on wealth in natural resources (e.g. Venezuela, Libya, Iran); these countries might be an open challenge to EU policy making in some regions.

The delineations between types of 'new actors' are admittedly not sharp, but build on assumptions on their respective importance to European policy for global development. Our assumption is that the international heavy-weights will have to be taken into account in the EU's international relations in any case – and might pose particular challenges or opportunities to EU policy for global development. The idea is to be moving on a spectrum from rather foreign policy challenges (with effects on development co-operation, as is the case of emerging global powers) towards more development policy relevant actors and look into the possible effects on EU global policy for international development. The relationship of each of these actors or groups of actors to EU co-operation does not necessarily have to be characterised by conflict, nor would we expect it to be necessarily always competitive. 'New actors' in international development might, in fact, create opportunities for EU development policy by providing additional funding that might be consistent with EU objectives. Or they might offer alternative models for aid delivery that help to address shortcomings in existing approaches. Yet, the emergence of new and alternative donors may also pose new challenges to the EU, potentially introducing competing priorities and thereby making international donor coordination more difficult.

It will be one of the tasks of research to provide more insight in the rationale and activities of new actors in international development. Can we make statements per actor or group of actors about modalities of aid, the relation between bilateral and multilateral aid, and subsequently about implication for EU policy-making?

4.1 OECD and EU donors emerging into the international consensus

Even though data are often (still) not comparable in the case of new actors in international development, at least EU member states, Turkey and Korea are reporting the same in-depth data that DAC members provide (ECOSOC 2008: 8). For 2007, all 12 new EU member states reported an overall aid volume of EUR 726 million (roughly USD 970 million). This was the equivalent of around 1.6% of all EU-27 ODA.[7] Both Turkey and Korea each provided roughly US$500 million per annum as development assistance. In 2008, Korea was monitored by the Commitment to Development Index for the first time. Results were not very flattering, being in the average for OECD countries only with regard to investments and technology (cf. CDI 2008)[8]. The very fact that Korea participates, however, illustrates its aspirations to join the DAC.

Many of the new EU member states have had experiences as donors in the past. Their programmes were conducted in the context of the COMECON, mostly with a clear strategic rationale during the cold war, i.e. providing aid to 'socialist brother states' (cf. Carbone 2004; Lightfoot n.d.). This was the case for Hungary, Poland, the Czech Republic and Slovakia, but also for Bulgaria and Romania (cf. Kragelund 2008; Grimm and Harmer 2005). Not all of them, however, have experiences as donors. Cyprus and Malta, for instance have not just been aid recipients, but have a history as colonies in the Twentieth century. The Baltic states were part of the Soviet Union, which was a substantial donor. However, due to the centralisation of the USSR's aid provisions in Moscow, the Baltic States did not gain experiences as donor (Kragelund 2008: 562). Much of the EU-15 aid goes to Eastern European states and Central Asia, i.e. beyond the traditional aid areas of the EU. Each enlargement of the EU has influenced the

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7 The two biggest donors among the EU-12 in absolute terms were Poland (€260 million in 2007) and the Czech Republic (€131 million in 2007). Cf. http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0177:FIN:DE:PDF

8 With regard to technology, Korea scored the first place, with no attempts to include any TRIPS+ arrangements into bilateral trade agreements, as CGD positively notes. http://www.cgdev.org/section/initiatives/_active/cdi/_non_flash/

geographical focus of EU development policy (cf. Lightfoot n.d.). The new EU member states distribute a much higher share of the aid through the EU budget or multilateral agencies than their EU-15 counterparts (cf. EU donor atlas 2008; Kragelund 2008; Grimm/Harmer 2005).[9] Non-EU members that are close to the DAC, however, predominantly use bilateral channels for aid provisions. Africa is a core concern for Western aid. Turkey for its part has increased its visibility in Africa, e.g. by a Turkish-African summit in April 2008. However, it is estimated that only 3% of Turkish aid goes to Africa and more than three-thirds to Asian, and mostly Central Asian, countries (ECOSOC 2008: 19).

Motivation for aid giving is complex. Often, the entry-points for development co-operation for the new EU member states were humanitarian concerns (cf. Grimm and Harmer 2005). Aid, however, is also clearly regarded as a foreign policy tool and as a foreign trade stimulus, as those development policies available indicate[10]. For all EU member states, the EU treaty provisions on aid as well as the European Consensus on Development are part of the *acquis communautaire* and thus the benchmark to live up to. So even though none of the EU accession states of 2004 or later is member of the DAC, the guiding principles and values for co-operation policies are closely linked to what has been enshrined in DAC documents, since the European Consensus is clearly guided by these principles.

The aspiration to join the DAC or a clear reference to DAC standards by other documents does not necessarily mean that development policy is consistent with DAC principles in practice. Bilateral aid is usually tied to the use or purchase of products and services from the respective donor country; a practice unlike the overwhelming majority of DAC members (with the notable exception of the USA). While Iceland gives predominantly grant aid, Korea and Turkey prefer a mix between grants and loans and Mexico prefers mixed credits (cf. Kragelund 2008). In spite of their proximity to the core of the donor community, some of the new EU member states also have questioned the DAC definition of aid and suggested that their military engagements in Afghanistan and Iraq should be counted as aid to these countries. Furthermore, the focus on Africa is far from being a given to new EU members, which could actually be a benefit for division of labour exercises, but is potentially also at odds with the EU Africa Strategy and other documents. Hence, the recent accession round does not simply place pressure on

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9 Bilateral aid accounts for an average of less than half of the aid in new member states, with Poland spending 40 per cent bilaterally and Hungary spending a bit more than half its aid bilaterally. However, this is a pattern that can also be found in Southern EU member states like Spain, Italy, Greece or Portugal (cf. EU donor atlas 2008); http://development.donoratlas.eu/

10 The example of an “ideal donor” is often derived from Scandinavian examples, i.e. states with “limited geo-strategic interests. However, ulterior motives are arguably also occurring with regard to aid programmes of middle-size DAC donors, as is argued e.g. for the Canadian programme (cf. Rowlands 2008: 5).

new member states to adhere to an existing consensus, but also carries the possibility of shaping the substance of EU development policy in the future.

The donor among the non-EU OECD members where the EU would seem to have the most notable leverage in shaping future global development policy is Turkey. Because of Turkey's aspirations to EU membership, its development co-operation will eventually have to live up to the EU *acquis communautaire* and will be negotiated with the Union in the coming years. Turkey could accede to the EU by 2015 or by 2020. Even though aid is not high among the priorities (as could be seen during the past accession negotiations; cf. Grimm and Harmer 2005), some gradual policy shifts can be expected within the EU. Similar 'creeps' in debates are likely with an enlargement of to the group of DAC donors. The influence, however, is rather mutual and not a one-way street. For non-EU OECD members, it is likely that they will eventually join the DAC. They are unlikely to fundamentally challenge the club they aspire to join. Their accession to the DAC, however, could mean shifting discussions within the DAC in the long-term.

4.2 Traditional donors beyond the OECD – Arab aid

The traditional donors beyond the OECD are made up mostly of Arab states. Contrary to most other states discussed in this paper, Arab donors are mostly not aid recipients themselves. This group has been active in co-operation since the 1960s or 1970s, and states in this category have provided levels of funding exceeding the development contributions of many individual DAC donors. Yet, they have not been much object of academic research in their role as donors (for notable exceptions, see Villanger 2007; Neumayer 2004; 2003) There are also ongoing multilateral activities, which more often take place within Arab institutions rather than within the UN framework. As examples, the Kuwait Fund for Arab Economic Development (KFAED), was established in 1961, while the Islamic Development Bank (IsDB) and Arab Bank for Economic Development in Africa (BADEA) have implemented development programmes since the mid-1970s (ECOSOC 2008: 1).

The overall aid volumes by Arab donors have been estimated to be "in the range of USD 2-3 billion a year, mainly from Saudi-Arabia, or no more than 4% of total ODA" (Manning 2006: 374). The three biggest donors in the Gulf region appear to be Saudi Arabia, Kuwait, and the United Arab Emirates (cf. Cotterrell/Harmer 2005: 5); contrary to other Arab donors, these three have agencies dedicated to aid delivery (cf. Neumayer 2004). Saudi-Arabia's aid was reported as in the size of USD 2 billion (in 2007), whereas the figures given for Kuwait are USD 158 million, and USD 249 million for the United Arab Emirates in 2006. Furthermore, there are multilateral Arab or Oil-Producing country funds that provided an estimated USD 833 million. (ECOSOC 2008: 11) However, for those donors of the region who publish annual reports (like Saudi-Arabia and Kuwait, for instance), data reported is, as in other cases, often commitments, not necessarily disbursements (cf. ECOSOC 2008: 7), which could explain the variations to Manning's statement. More fundamentally, as is the case with many other new donors, comparability and accessible data remains a problem. A study prepared for the Development Co-operation Forum of the UN Economic and Social Council listed several Middle Eastern donors on which it was difficult to gain information, namely Iran, Libya, and Qatar; all of which with suspected and possibly quite substantial aid programmes. Algeria, Bahrain, and Morocco were said to have had no substantial aid programmes running at the time of research (cf. ECOSOC 2008). The high-time of Arab donors apparently was in the 1970s and 1980s, which does not exclude substantial activities by others, namely Libya in Africa and Iran in its regional neighbourhood. The extent to which these investments qualify as development co-operation remains unclear.

Aid is mostly untied, but is usually provided in projects and as loans, at times according to Islamic banking conditions. Activities by Arab donors are mainly focused on the Muslim world and Africa (both overlapping, obviously). The Islamic Bank, for instance, is restricted in its lending to member countries of the Organisation of the Islamic Conference (Villanger 2007: 19). Aid is thus directed mostly towards North Africa, the Middle East, Central and South Asia and – to a lesser extent – to some West and Eastern African countries. It is partly given as balance of payment support to finance oil imports, namely by Saudi-Arabia, Kuwait and the United Arab Emirates (ECOSOC 2008: 12). Support to the administration and humanitarian assistance in the Palestine Territories make up some proportion of the aid of this group of states. Aid, notably from Saudi-Arabia, is at time given in the form of gifts, such as the Faisal-Mosque in Islamabad/Pakistan and other religious buildings like madrasahs (schools). This type of gifts – at least the former – would not be filed as ODA by DAC criteria, raising questions about the figures reported.[11] It is, in any case, regarded with scepticism and concern by Western countries. The variety of Islam taught and practiced in the institutions funded by Saudi-Arabia is often the conservative and dogmatic interpretation of Sunni Islam prevailing in Saudi-Arabia (Wahhabism). This form of aid is feared to be a nurturing ground for Islamic extremism in countries like Pakistan, Sudan, Northern Nigeria or elsewhere.

The group of Middle Eastern and OPEC countries, as Manning states, is quite cohesive and a group "from which DAC members could indeed learn in terms of harmonisation. It is routine for these agencies to consult each other on projects and use one another's documentation" (Manning 2006: 374). The perspective for multilateral Arab agencies is somewhat different, as Neumayer, for instance, explicitly recommended to "re-consider the structure of Arab development finance, which produces some amount of overlap and sometimes duplication

[11] On the other hand, Villanger argues that "large amounts (...) are not included in the official aid figures" (ibid. 2007: 23), even though it would be according to DAC critieria.

amongst some of the multilateral agencies" (Neumayer 2004: 298).[12] Yet, the group has not drawn excessive attention from DAC donors, even though it offers important contributions in some areas and some sectors, most notably in the field of humanitarian assistance, not least so in the Middle East (cf. Cotterrell/Harmer 2005).

4.3 China and India as emerging global powers

As two emerging powers in the global economy, India and above all China, have received a lot of attention as a result of their increasing economic influence in developing countries. This has been particularly evident in the case of China's high profile activities in Africa. These activities have caused some concern among DAC donors, and some very negative comments about China's aid policies.[13] India, meanwhile, has had a much lower profile, but it is also developing an aid programme towards Africa, in addition to its long-established programmes in the South Asian region. As is the case with China, this programme is explicitly linked to foreign policy interests and the search for resources. In this paper, particular emphasis is given to the aid programmes of China and India in Africa, as this is where the most direct encounter with European Union interests and aid is to be found.

Chinese aid

As the Chinese government itself is at pains to emphasise, China has a long interest history of involvement in China dating back to the 1950s and the Bandung Declaration, and to the eight principles for China's aid to foreign countries, enunciated by Zhou Enlai in 1964 (Brautigam 2008: 9). China's aid programme was, until the beginning of the 21st century, motivated by ideological considerations (Cold War rivalries), reducing international recognition of Taiwan and the mobilisation of African support for China in international fora such as the United Nations Security Council and the United Nations Conference on Human Rights (He 2007: 27). However, the recent development of China's Africa policy and the expansion of its economic and diplomatic relations has been motivated by continuing diplomatic goals and rapidly expanding economic relationships with African countries, as will be discussed further below.

As many commentators have argued, the total amount of aid provided by China to Africa is far from clear. The Chinese government itself provides little help in this respect. It argues that it has no clear figures on levels of aid because (i) its

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12 Neumayer, however, also concedes that the overlap among Western agencies was even greater (ibid.)

13 For two critical views of Chinese aid, see Naim (2007) and Tull (2006).

aid programmes are scattered across many different parts of government,[14] it does not wish to make it clear separation between aid and broader economic relationships, including loans and investment as well as trade, and (iii) it does not wish to advertise the extent of its aid programmes as they are small in international terms but hard to justify domestically.

Given the paucity of information provided by the Chinese government and ambiguities about what is and what is not aid, estimates of the size of the Chinese aid budget vary considerably. According to Brautigam, official Chinese government expenditure on external assistance in 2006 came to just over $1 billion, of which 45% is estimated to have gone to Africa. This figure includes "grants, the face value of zero-interest loans administered by MOFCOM, and the interest rate subsidy given to the concessional loans administered by China Eximbank (but not the face value), expenses for health teams and training programs, but not scholarships" (2008: 20). Lancaster suggests that the figure offered by Brautigam for 2005 should be increased by between 50 and 100%, from US$970 million to between $1.5 and $2 billion (Lancaster 2007: 3). Lunn *et al.* suggest that the real figure could be far higher, if one applies “more flexible definitions of foreign aid.” They cite a study by the Wagner School and to New York University, which includes some foreign investment, pledges of aid and concessional loans and credit lines. This produces a figure for 2007 which reaches $25 billion (Lunn et al. 2009).

The exact level of Chinese expenditure on foreign aid is hard to calculate. What is clear, however, is that the expenditure level is rising rapidly, but that the amount is still quite low compared to leading Western development agencies. The same can be true of trade and foreign investment by China in Africa. It has been rising very rapidly, but it is a small part of total Chinese trade and FDI, and small in comparison with European Union trade and FDI. The importance of the Chinese aid, trade and investment programmes with Africa lies not in their absolute levels, but in the rate of growth and the nature and symbolic importance of these flows.

The Wagner School study provides some estimates of where Chinese aid is directed. This study distinguishes between four types of aid, as shown in Table 1. Africa received the larger share of Chinese aid in the period 2002-2007, and two thirds of this aid was in the form of concessional loans. “Aid” to Latin America was predominantly in the form of government-sponsored investment, while aid to the immediate region, Southeast Asia, was substantially lower than for Africa.

[14] It should be noted in this respect, about this fragmentation of aid across different government departments and organisations is, according to Brautigam (2008: 14) no different to the situation in the United States, where “foreign aid is provided by 26 different government departments, agencies and offices.”

Table 1: Reported PRC Aid by Funding Source and Region, 2002-2007 (US$ million)

	Africa	Latin America	Southeast Asia
Government-sponsored investment	8,042	24,389	7,429
Concessional loan	22,379	1,950	7,114
Grant	1,851	421	231
Debt cancellation	850	0	60
In-kind aid	21	1	0
Total	33,143	26,761	14,834

Source: Lunn et al. (2009: 7).

With respect to the issue of how aid is managed, the division between the Chinese approach and the approach of the DAC donors can be summarised as non-conditionality, aid tying and a focus on projects. China characterises its aid programme as South-South co-operation, and rejects the idea that it is a donor. This is one of the reasons why China does not specifically focus on aid as opposed to trade and investment, preferring instead to refer to the different elements of the economic relationships between China and Africa. Further, it claims to have sympathy with developing countries and to understand their interests because it, too, is a poor country. This implies that China's trade, aid and investment, and the principles that inform them, are more appropriate to the needs of other developing countries than the trade, aid and investment originating from OECD countries. In its competition with the Western powers for influence and prestige, China presents itself as anti-colonial, as argued by Scott Zhou:

> *"By blaming Africa's underdevelopment on colonialism, Beijing believes it has established the moral high ground. From training 'fighters for freedom' in the revolutionary 1960s and early 1970s to providing scholarships to children of African elites, China has been exporting its values for years. By successfully linking neo-colonialism with the neo-liberalism of Western countries, China has been able to win the hearts and minds of African elites" (Zhou 2006).*

In this way, China claims a greater bond with Africa than is possible for the European powers, and greater sympathy with African countries. The argument was well expressed by Mr Guan Chengyuan, Head of Chinese Mission to EU, at a conference on the EU, Africa and China:

> *"Indubitably, China and Europe's histories in Africa are not the same: some European countries have long histories of a few hundred years of colonial rule in Africa: as well as establishing closely linked political and economic relations, some also were involved in the enslavement of Africans and plundered their natural resources. In contrast, China and Africa have had similar misfortunes in history and similar bitter*

experiences: in the wave of struggles for independence and liberation, China and Africa supported and helped one another, cementing a deep and profound friendship" (Guan 2007).

China makes great play of its differences with Western aid policy. A key element is non-interference and non-conditionality. Ms. He Wenping, for example, suggests that poverty alleviation is more important than democracy (He 2007: 31). It also includes the tying of aid and the linking of aid to strategic and diplomatic goals. China has linked its aid programme to high-profile diplomatic activities in Africa and the development of the Forum on China-Africa Cooperation (FOCAC). Chinese pronouncements on its co-operation programme are frequently made in high-profile and such as FOCAC meetings, or during visits of senior leaders of the Chinese government to African countries. [15]

Specifically, high-level meetings, state visits and summits have been the prerogative of China's policy towards Africa, thereby increasing its visibility. The key event was the 2006 summit of the Forum for China-Africa Cooperation (FOCAC), which saw more than 40 African heads of state in Beijing and triggered enormous interest in the Western research community; reference to the summit will be found in almost all of the increasingly numerous publications on China in Africa. The summit was also understood as a challenge to European co-operation (cf. Fues et al. 2006), and can be seen as a catalyst for the Africa-EU summit in Lisbon taking place in 2007.

Much of Chinese aid is disbursed in the form of technical assistance projects, with a particular focus on infrastructure. This has been a declining element of Western, Japanese and multilateral donor programmes in Africa, and it is a distinctive feature of China's aid and one which is well regarded in Africa.

As was suggested above, the motivations for Chinese aid have altered in the past 50 or so years. The diplomatic motivations evident in the 1980s and 1990s (particularly after Tiananmen Square and its external political fallout) still persist today, but has China's economy grows rapidly and need to have a greater resources, the development co-operation effort is clearly linked to the need to secure the energy and will material needed to sustain the Chinese economy. It is not the only motivation, and Chinese aid is extended to countries in Africa that do not supply energy and raw materials, but there is no doubt that this is a key motivating factor.

[15] This tradition is more than a decade old. Between 2003 and 2005, Tull (2008) records more than 100 high-level meetings between Chinese and African envoys. And before the 2006 summit, efforts were redoubled: 15 African countries received either the President, the Prime Minister or the Foreign Minister of China (cf. Tull 2008: 115).

India's aid

For India, rapid economic growth throughout the 1990s has also changed its international activities. A turning point appeared to have been the budget speech of 2003/04, which suggested a change in aid policy in that it emphasized the need to overcome dependence on external funding and announced an extension of India's international support, combined with re-examination of international assistance. In 2007/08, the annual budget announced the setting of an International Development Cooperation Agency (IIDCA), which was established to consolidate the US$ 1 billion development co-operation to other countries. Of this international aid, the majority of aid goes to neighbouring countries, namely Bhutan, Nepal and Bangladesh. India launched an initiative in 2004 called Techno-Economic Approach for Africa-India Movement (TEAM-9), comprising credit lines worth US$500 million to eight West African countries (cf. Joshi 2007).[16] However, Africa never was attributed more than 10% of Indian aid; in 2005/06 aid to Africa represented around 3-5% of India's total aid commitments (Chaturvedi 2007).

Nevertheless, India's attention to Africa is increasing, as outlined by Biswas (2007). It is seeking access to oil, promoting Indian FDI and also looking for opportunities to develop agriculture.

Implications of Indian and Chinese economic growth and a more active international policy are potentially large for the EU. The literature on the implications on the emergence of China and India is correspondingly vast. The economic and political emergence of both countries – each with a population of more than 1 billion – will necessarily mean shifts in global power structures (cf. Kaplinsky/Messner 2008). These changes are noticeable in the realm of global governance, e.g. both countries participation in global rounds like the G-20 and the Heiligendamm Process (to engage with the G8), as well as the likeliness of increasing weight in development bodies such as the Bretton Woods Institutions (cf. Grimm/Philips 2006). India and China are also non-African members of the African Development Bank and other development-relevant institutions.

Chaturvedi states for India that "development co-operation is an important tool for advancing strategic foreign policy goals. India has yet to evolve mechanisms for ensuring effective use of development cooperation for strategic goals" (Chaturvedi 2007: 39). The same statement could probably also be made about China, albeit to a lesser degree. What often is presented as the grand strategy, "has not been holistic and well-structured; neither has it been straightforward" (Pehnelt/Abel 2007). Rather, it has been flexible and pragmatic.

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[16] There is, however, no clarity on the timeframe, which is not elaborated upon by government documents. The Eximbank's own description of the programme does not provide dates for the programme.

The summit approach has also been adapted by India with an India-Africa Forum Summit in April 2008, albeit in different summit settings, focussing more on regional groupings and their representations.[17]

While more international activities of global political heavy-weights are to be expected, both countries also are looking for energy resources to sustain their economic growth. Investments are thus heavy in energy (oil) producing states, e.g. Sudan, Nigeria, Congo, and Angola. Both agendas, however, are not limited to the quest for energy supply. China and India are also looking for new markets for their products which are often not (yet) competitive in the European or North American markets, but might attract consumers' interests in developing countries, notably in their neighbourhood and to some extent also on the biggest developing continent: Africa. These products comprise a vast range of products, ranging from low-cost manufactured goods and textiles to pharmaceuticals, IT, telecommunication, or automobiles (cf. Joshi 2007; Chaturvedi and Mohanty 2007; Alden and Davies 2006). The jury is still out on the positive or negative effects of Chinese (and Indian) effects on the development prospects of other developing countries, but there appears to be a tendency to overall come to a rather positive conclusion (cf. Goldstein et al. 2006; Asche/Schüller 2008), despite a number of remaining questions and uncertainties.

These uncertainties are related to the long-term economic effects, which are closely linked to discussions about capacities and political structures in African states to make use of opportunities. Particularly the non-interference policies and the subsequent accusation of supporting autocratic regimes or perpetuating outdated structures is the key focus for Western, but also African observers (cf. Gaye 2008; Tull 2008). In brief, concerns about impacts on governance and the agendas for political and economic reforms persist.

4.4 Regional powers or anchor countries

The actors in this group are indeed relatively new on the radar of Western donors, as they have increased their aid and/or fundamentally changed their profile as donors. The reach of this group is somewhat more limited than for China and India, but their influence is strong in their respective regions (cf. Stamm 2004). In a number of issues, these anchor countries can be global players; by definition, they are regional heavyweights. While China and India – also considered key anchor countries – are in a league of their own and are clearly global powers due to their mere size, most anchor countries have global potential but already a very real impact on their respective region.

The European Commission has established "strategic partnerships" with a number of these states. Often, government officials prefer the term

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[17] http://www.africa-union.org/root/au/Conferences/2008/april/ or http://mea.gov.in/indiaafricasummit

‘development partner’ to ‘donor’, as in the case of South Africa (cf. Braude et al. 2008). This is on the one hand addressing concerns of being regarded as a “bully” by aid receiving neighbours. Nigeria, Egypt, Indonesia, Brazil, or Pakistan are important in their external policy role for a regional setting, but in several questions also for external powers if the solving of global problems is to be inclusive and sustainable. On the other hand, this shying away from the term “donor” addresses concerns of legitimacy within the country of giving aid even though it is still receiving aid and has considerable numbers of poor people amongst their own citizens, similar to China and India.

In this grouping of states, ***South Africa*** is the key case in point. It conducted development assistance during Apartheid times with the aim of “buying friends” (Cote d’Ivoire, Malawi, Paraguay and others) and thus to get support in the UN, as well as using it as a policy tool for its particular ideology of Apartheid, in that so-called unviable “homelands” were supported, too. In 2000, the post-Apartheid government of Thabo Mbeki created the African Renaissance and Co-operation Fund (ARF), which is the relatively small core of South Africa’s international development activities. All engagements, including those beyond the ARF, it is claimed, are closely related to the New Partnership for Africa’s Development (NEPAD). The focus thus is on Africa, more specifically on states in the South African Development Community (SADC), which receive around 70% of South Africa’s assistance. Aid is considerably multilateralised, as regional African institutions (SADC, the African Union, etc.) are used as disbursement channels for South African aid.

Although the ARF has been identified as a leading development policy initiative, it only constitutes a minor proportion of all “aid” South Africa is giving. Virtually all government departments and many agencies are involved in co-operation with other African states, be it direct interventions in other countries or participation of neighbouring countries’ staff in training activities in South Africa. The country is thus in absolute terms likely to be a donor the size of a number of new EU member states, often exceeding them with regard to the share of GNI attributed to development co-operation. Like other ‘new actors’ in international development, however, obtaining a transparent overview of South Africa’s development interventions remains difficult. As Braude et al.note:

> “South Africa has no systematic database to track the country’s development assistance; no separate financial reporting lines for development projects; no overall government strategy to direct aid; and no generic operating guidelines (outside of the ARF) to facilitate the overall provision of aid. This apparent gap exists despite the fact that dozens of departments, agencies, and parastatals are involved in providing assistance to other African states” (Braude et al.2008: 6).

Brazil is an increasingly important actor in development co-operation in Latin America and the Caribbean. It is, however, also engaging beyond the continent: approximately half of its development co-operation programmes are implemented in Africa, in particular in the Portuguese speaking countries. In general terms Brazilian development co-operation is part of its foreign policy and has its origins in the late 1960s, was expanded in the 1980s and 1990s and reinforced since 2002 as part of the South-South co-operation focus of the Luiz Inacion “Lula” da Silva government (Costa Vaz/Aoki Inoue, 2007).

The Brazilian Cooperation Agency (*Agência Brasileira de Cooperação*) stresses as overarching objectives of its Co-operation Partnerships to contribute to the deepening of Brazil’s relations with development countries, to extend the exchange and dissemination of technical knowledge, to promote capacity building and to strengthen the institutions in development countries[18]. Furthermore, Brazil also aims at projecting itself beyond the region on a global level and at increasing its visibility and impact in international relations and its role as a global actor (Costa Vaz/Aoki Inoue, 2007). In this sense, the development partnerships with South American, Caribbean and African countries are also seeking recognition and support for its role as a global actor and initiatives like the lobby for the UN reform and a permanent seat in the UN Security Council.

In contrast to South Africa, the Brazilian institutional setting looks more familiar to DAC donors: its technical development cooperation is mainly channelled through the Cooperation Agency, created in 1987 as part of the Foreign Ministry. Technical co-operation, in terms of capacity building and knowledge exchange programmes, represent the main part, while financial co-operation is low. Although Brazil has a centralizing entity, the Cooperation Agency, several other ministries, agencies, departments and organizations are involved in different co-operation programmes – similar to the South African case. These administrative entities usually do not have specific budgets for technical co-operation and contribute with experts while the Agency channels through the UNDP the resources to pay for the travel expenses of the experts in the field, capital investments and consultancy work (Costa Vaz/Aoki Inoue, 2007).

In the 1990s, Due to rising per-capita income levels Brazil turned from a recipient to a provider of development co-operation. Even though all numbers regarding Brazilian development co-operation expenditure are only estimated approximations, the tendency that expenses have grown rapidly is reflected by the increasing number of co-operation programmes executed bilaterally and multilaterally by Brazil. The regional focus has not shifted with the increases: it lies more or less with the same percentage on Africa, mainly Portuguese speaking countries, and Latin America and the Caribbean. Furthermore, Brazilian technical co-operation with development countries is channelled through multilateral organizations as the UNDP and regional mechanisms as the Mercosur Structural Convergence Fund and other initiatives addressing regional

[18] http://www.abc.gov.br/abc/abc_ctpd.asp

integration, as well as bilateral partnerships and triangular co-operation as for example with Canada, Japan and the EU in partner countries.

Contrary to South Africa and Brazil, as well as India (in South Asia) and China (in the Greater Mekong region), ***other regional powers*** with potentially big leverage are not (yet) or not substantial aid providers for neighbouring countries. They could, however, be expected to "discover" the benefits of substantiating their foreign policy with aid projects in the region, provided their economic growth prevails. Particularly for South East Asia with its high development inequalities, e.g. Indonesia could play a major role due to its demographic and territioral size – more so than the current aid providers Thailand, Malaysia or Singapore. In Latin America, Argentina could become a key partner, even though it is currently not strongly active (cf. ECOSOC 2008).

This grouping of states constitutes crucial partners for European development endeavours: they are familiar with the region, might have a good understanding of challenges in a development process. Much of the potential impact, however, is rooted in the regional power balance – and not least so in the effects (or not) of regional integration. Aid channelled through regional bodies might facilitate the acceptance of aid. Often, as is the case for South Africa or Brazil, democratic values are shared and the fostering of accountable governance, conflict prevention and peaceful solutions are also to be found among the key concerns of these states. There is consequently a high potential for coordination with these donors and there might even be scope for trilateral co-operation in difficult environments (for instance on Zimbabwe, cf. Gruzd et al. 2009, forthcoming). Yet, this proximity to other developing countries in the region also constitutes a downside of these states, as they may be regarded with suspicion by other states in the region, that fear to be dominated by already regionally powerful states.

4.5 Other emerging donors

As indicated above, "other emerging donors" is a residual category with great variations in scope of activities, rationale and thus implications for European Development Co-operation to 2020. Countries as diverse as Israel, Chile, Thailand or Malaysia are in this group. As the report for ECOSOC notes: "Many of the smaller Southern contributors (for example Argentina, Chile, Egypt, Singapore and Tunisia) have focused on *technical co-operation* programmes, some of which have been in existence for more than 35 years" (ECOSOC 2008: 15). Much of this was unnoticed by EU development co-operation in the last decades, largely so as it did not have much effects on European co-operation policy.

The existence of non-DAC aid is thus not per se the challenge to European donors. Much more so, it is (a) stark increases of aid in special countries or regions or (b) the potential of new actors in development co-operation due to their political, demographic, economic and military weight in the respective region. Historically, Cuba has played a challenging role in Africa, by providing medical and military assistance (cf. Falk 1987). A current key actor in this category is arguably Venezuela. Based on wealth in oil, the country has supported partner governments by in-kind delivery of oil at special prices below the world market prices, e.g. to Cuba or Bolivia. It has also advocated ALBA, the "Bolivarian Alternative for the Americas". Meant to be a regional integration scheme beyond a trade agreement, ALBA was designed to ideologically challenge the "neoliberal" consensus (cf. Harris/Azzi 2006).

Numerous 'new donors' emerge in cases of big humanitarian crises following extraordinary events such as natural disasters or wars. These engagements might remain punctual, but can also become an entry point to development co-operation proper (cf. Grimm/Harmer 2005).

> "*It is difficult to know the scale of South-South humanitarian and emergency assistance as data is not readily available. What is known is that Southern contributors have responded to catastrophic events, such as the Indian and South Asian countries' support following the Indian Ocean tsunami and floods in Bangladesh. Latin American contributors also provided significant assistance at the time of Hurricane Mitch and the floods in Guyana and Bolivia, and South Africa has delivered humanitarian assistance to the Southern African sub-region at times of natural disasters (e.g. cyclones, droughts and floods). Arab contributors are also known to have provided emergency assistance to Lebanon and the West Bank and Gaza in recent years.*" *(ECOSOC 2008: 15).*

Humanitarian assistance as such, however, despite being classified as ODA, follows different lines and has different requirements in terms of coordination and modalities.

5 The Emergence and Proliferation of Non-state actors

Beyond state actors, we also witness the emergence (or proliferation) of non-state actors in international development. Like the state actors taking on an increasingly prominent role in international development co-operation, non-state actors might also present new challenges for DAC donors. Private organizations have priorities that may not correspond to donor objectives and their implementation mechanisms may not fit with measures promoted in the international consensus on development. At the same time, these private actors might also be financial heavy-weights in particular sectors or regions. In these circumstances they may have considerable capacity to shape agendas and mobilise partnerships, and EU policy making for global development may need to take their investments into account in order to inform its own investments in these areas. Non-state actors can be roughly grouped in three categories:

(i) Philanthropic foundations (e.g. Rockefeller Foundation, Ford Foundation, Bill and Melinda Gates Foundation)

(ii) Philanthropic activities of enterprises, often also discussed under the label of Corporate Social Responsibility (CSR)

(iii) Global funds (e.g. the Global Fund to fight HIV/Aids, Tuberculosis and Malaria)

Like the state actors discussed above, the category ‘non-state’ development actors is comprised of a heterogeneous set of players. This section provides a brief overview of the scale of the commitments of non-state actors to global development, their key priorities, and their main implementation models. The discussion highlights the work of private foundations, corporate philanthropies, and global vertical funds in the development field in particular.

As noted above, some private foundations have implemented international development programmes longer than many of the state actors grouped under the label of ‘traditional donors’. For example, organizations such as the Rockefeller and Ford Foundations have been credited with playing an important role in supporting the Green Revolution and financing population planning programmes across the developing world (OECD 2003). Yet the recent and significant foray of the Bill and Melinda Gates Foundation into global development work in particular has brought renewed attention to the role of private philanthropies and led many donors to seek to better understand the implications of rising foundation investments for the broader development assistance system (Marten/Witte 2008).

Though the legal definition of a foundation varies depending on the national regulations individual organizations are subject to, foundations generally share the following characteristics: 1) they are not affiliated with the public sector; 2) they are not profit-oriented; 3) they are self-financed; 4) they are overseen by an independent oversight board (OECD 2003). The financial and decision-making autonomy that foundations generally enjoy is perceived to represent an advantage not only in providing flexibility regarding the types of programmes they can invest in but also in allowing for the types of longer-term commitments often considered to be desirable in the development field.

As is the case with data on the development co-operation investments of the state actors profiled above, only rough estimates of the scale of foundation giving and other forms of private giving are readily available. According to the Hudson Institute's *Index of Global Philanthropy*, foundation giving in the United States directed toward developing countries totalled around $4 billion in 2006 (Hudson Institute 2008). According to a recent survey carried out by the European Foundation Centre, investments from European foundations in international development amounted to about $600 million in 2005 (Marten/Witte 2008). These investments represent a small share of overall foundation giving, as foundations tend to invest locally in areas such as health, social service provision, education, and the arts. An incomplete survey of foundation giving in Europe suggested that somewhere between 5 and 10 percent of foundation funding was directed toward 'international development and relations', with investment directed toward Africa amounting to just .7% of foundation outlays (European Foundation Centre 2008).[19] In reviewing the overall scale of foundation giving toward global development, it is noteworthy that a significant share of this funding comes from a single source: the Bill and Melinda Gates Foundation. In 2007, the Gates Foundation distributed more than $300 million through its Global Development Program and more than $1.2 billion through its Global Health initiatives.[20] The continuous increases in grantmaking within the Gates Foundation in the area of global development can assure that there will be a trend toward increased foundation giving worldwide, even if other foundations do not follow the Gates example.

In spite of the sometimes patchy data that is available on foundation activities internationally, it is possible to make some generalizations regarding the key priority areas of action for this category of actors. Witte notes, for example, that the recent emphases of private development actors have tended to fall in the following four areas: health, education, civil society and good governance, and

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[19] It is important to emphasize the incomplete character of this survey. Data on giving across areas of interest was collected for only 13 EU member states (Belgium, Estonia, Finland, France, Germany, Hungary, Italy, Luxembourg, the Netherlands, Slovakia, Spain, Sweden, and the United Kingdom), while information on the geographical distribution of giving only covers seven EU countries (Belgium, Estonia, Finland, France, Germany, and Italy).

[20] This information is from the Foundation's Annual Report, which can be found at this web address: http://www.gatesfoundation.org/nr/public/media/annualreports/annualreport07/AR2007GrantsPaid.html

agriculture (Witte 2008). A focus of health-related interventions has been funding for the prevention and treatment of tuberculosis, HIV-AIDs, and malaria, with research funding representing an important component of these efforts. In comparison to aid agencies, private foundations have tended to place greater emphasis on financing higher education, for example by providing funding for university scholarships. Foundation investments in democracy promotion can be interpreted as approaching governance problems from the grassroots level, since private actors are more likely to undertake governance programmes that aim to strengthen civil society organizations rather than to influence governance structures directly at the country level. In this respect, their support for democracy promotion may complement donor efforts that aim to make state institutions more responsive to popular demands. As the Green Revolution example illustrates, foundation investments in agriculture have also had a strong research component. Building on this tradition, the Rockefeller Foundation and the Gates Foundation have recently spearheaded the Alliance for a Green Revolution in Africa (AGRA), which seeks to substantially increase agricultural productivity on the continent over the next couple of decades.

Alongside the activities of the large and visible foundations, the philanthropic activities of private corporations have also attracted increased attention in recent years. While the Hudson Institute estimated that US corporate philanthropies contributed $5.5 billion toward global development programmes in 2006, information on corporate giving in Europe is harder to come by (Hudson Institute 2008). Reports of corporate giving have nevertheless suggested that firms have increasingly adopted a more global approach to philanthropy that corresponds to their growing international presence, even though the share of international giving continues to represent only a small percentage of the money firms provide through philanthropies. The Committee Encouraging Corporate Philanthropy, a US-based organization that collects data on corporate giving patterns and seeks to diffuse standards of best practice, noted in a recent survey that about 12% of the charitable contributions from the companies it surveyed were directed abroad, with manufacturing companies more likely than service companies to make these investments (Committee Encouraging Corporate Philanthropy 2008).

Philanthropic giving by corporations has numerous motives. As examples, contributions to local organizations can potentially improve the reputation of companies in areas where they hope to expand business opportunities or increase their ability to recruit skilled employees. The kind of ‘strategic giving’ that attempts to align business goals with philanthropic endeavours carries advantages for firms, as enterprises can focus their giving efforts in thematic areas where they have a better ability to contribute expertise in addition to resources and to better monitor how resources are used (Warden 2007). At the same time, philanthropic engagement designed to improve the competitive environment in which firms operate raises an obvious question of how well affected populations are able to shape the substance of programmes funded by corporations. Moreover, when philanthropy serves to enhance the competitive edge of firms, the incentive to coordinate investments with other development actors may be restricted.

One of the key challenges that private philanthropy presents to the traditional state donors relates to the fact that implementation of private development assistance is naturally more decentralized, as foundations and other private actors often depend on partnerships with non-governmental organizations to carry out the projects that they fund. While the dependence on civil society organizations as implementing agents may be viewed as a means of reaching populations that more centralized resource distribution channels may miss or as a way of promoting goals (such as grassroots organization) that can be politically untenable at the state level, the decentralized resource dispersion from private providers of funding for international development work stands in contrast to the donor agenda that has placed increasing emphasis on aligning development interventions with national-level development strategies to achieve a greater coordination of donor investments in the process.

The emergence of global vertical funds as mechanisms for channelling development financing from private and public actors has aimed to provide a means of mobilizing additional private resources for development while avoiding the problems of fragmentation in aid delivery described above with reference to private philanthropies by providing a consolidated funding source for addressing key development challenges. The distinguishing feature of global vertical funds is that they focus on specific sectors rather than on 'horizontal' development programmes that integrate interventions across multiple sectors in the context of a country-level development strategy. Among the most prominent vertical funds are the Global Fund to Fight AIDS, Tuberculosis, and Malaria, which has allocated more than $11 billion toward prevention and treatment of the three diseases it prioritizes since its founding in 2002, making it the primary source of financing for battling these illnesses[21], and the Climate Investment Funds recently established by the multilateral development banks to mobilize additional resources for climate change mitigation and adaptation measures.[22] Even though the narrow objectives of global funds can be viewed as a way of making it easier to measure the achievements of programmes financed through these funding vehicles, in introducing new application and reporting procedures, vertical funds may work at cross purposes with the donor harmonisation agenda, while the focused priorities may pose a challenge to strengthening holistic development

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[21] For further information please see the Global Fund's website at http://www.globalfund.org.

[22] More information on the investments the new climate funds are designed to support can be found at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTCC/0,,contentMDK:21713769~menuPK:4860081~pagePK:210058~piPK:210062~theSitePK:407864,00.html

programmes (Radelet/Levine 2008). Ensuring that the programmes funded by vertical funds are complementary to development interventions with broader objectives is the main issue that European donors face in engaging with these new actors in global development.

6 Issues emerging for European development co-operation

What are the issues for European development co-operation to 2020? 12 years are a long time – and we certainly do not claim to make predictions with this paper. If we look back 12 years to 1996-97, we can see that a number of substantial changes with big implications for EU development co-operation have occurred. These include:

- The emergence of private donors as development actors in their own right, notably but not exclusively the Bill and Melinda Gates Foundation and the alliances they have formed around issues such as AIDS, malaria, and agricultural development in Africa.
- The importance and long-term implications of Islamic donors, and their support for faith-oriented development in Islamic countries.
- The increasing influence of China and India in the global economy and global politics, and as development actors.
- The emergence of climate change, and particularly climate change adaptation, as a political and financial issue for development co-operation, and the recognition of the new issues for climate change mitigation posed by fast-growing emerging economies such as China and India.
- The global financial crisis and the way that it has posed new challenges for development co-operation, led to some countries reducing their aid commitments, and highlighted the need to reform institutions of global governance. With respect to the latter, the G20 discussions have not only focused on reform of the Bretton Woods institutions but also raised questions about the appropriate fora for resulting global issues, posing questions for both the G8 on one side, and the UN on the other.
- The emergence of global constraints and determinants that have direct impacts on development outcomes, such as global food shortages and the long-term trend toward rising energy prices, both of which are likely to be exacerbated by climate change.[23]

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[23] Energy policy and climate change are consequently dealt with in other work strands of the project on European Development Cooperation to 2020.

In retrospect, some of these changes can be identified as outcomes of previous long-term tendencies, such as the increasing importance of China in the global economy and global politics, even if neither the importance nor the specific consequences (such as the China's increasing influence in Africa) would have been easy to predict in the late 1990s. We can thus identify changes and point to possible trends, but cannot predict what the future will look like.

If the recognition of current uncertainties leads to reluctance to gaze into the future, it still remains possible to highlight the implications of the longer-term trends already identified in the previous section of this paper and to consider what the challenges are for EU development co-operation in the coming years and to identify some of the possible issues. These are considered in three sections: multilateral and global governance issues, bilateral issues and bringing non-states actors into the picture.

6.1 Multilateral and global governance issues

With respect to the first issue, new actors have emerged decisively to influence the production of global public goods in the past decade. This is evident from the way in which the dynamics of global governance have changed. In the case of trade, for example, the Doha Round has seen Brazil, and India, in particular, involved in some of the key fora in which attempts were made to move to a successful outcome. These countries were prominent in the discussions at the Fifth WTO Ministerial Conference in Cancún in 2003, having and pursuing their agenda. In addition, Brazil and India were two of the six countries that met in Geneva in July 2006 to try to reinvigorate the talks, and together with the United States and the European Union, they were the four actors that met in Potsdam in June 2007.

Similarly, the dynamics of the UNFCCC climate change negotiations have changed substantially between the 1990s and the current period. The Kyoto Protocol, signed in 1997, introduced legally-binding commitments for greenhouse gas emissions on the "Annex 1" countries, but not on the "non-Annex 1" countries. Of the five groups of new actor countries, only the fourth (particularly the countries of Central and Eastern Europe) were in the Annex 1 group. Carbon emissions reductions were seen as an issue for industrialised countries. In the current round of negotiations leading up to COP 15 in Copenhagen at the end of 2009, new actors such as Brazil, China and India are seen as critical for the successful outcome of the process. They have been active in contributing to the definition of agendas and development of proposals, and some form of commitment to reducing greenhouse gas emissions below the "business as usual" scenario by these countries is considered to be essential.

In other words, when the European Union seeks globally agreed policies to address issues that are vitally important for its development co-operation programmes and for the developing countries that are its beneficiaries, the new actors are significant negotiating partners. The importance of these new actors is increasingly evident. It therefore came as no surprise that the global response to the financial crisis in 2008 has not been channelled through the G8 (or even the G8+5 in the so-called Heiligendamm process), but through a broader grouping, the G20, which includes a number of the new actors, as defined in Section 1.[24]

Finally, it has become increasingly evident that within the United Nations, the EU is being challenged by these new actors. As a recent report on the EU influencing the United Nations states:

> "The European Union (EU) is suffering a slow-motion crisis at the United Nations (UN). The problem is not a lack of internal cohesion, which has improved markedly since the nadir of the Iraq War. The problem is fading power to set the rules of the game. The EU's members insist that the UN is central to their vision of international order and universal human rights – but the UN is increasingly being shaped by China, Russia and their allies. This paradox has come to the fore in 2008 as the EU has tried to work through the UN on Burma and Zimbabwe, yet been unable to get Security Council resolutions for action" (Gowan/Brantner 2008: 1).

The strategies that might be adopted by the EU to increase the chances of securing desired objectives will have to adapt to confront these new realities.

6.2 Bilateral co-operation policy issues

The second area in which the perspectives for EU development over the coming decade will be influenced by the new actors in the global economy is in the area of bilateral aid programmes. As was noted in the introduction, the EU and its members have played a key role in the creation of a consensus around development, as constrained in the key milestones of the Millennium Declaration and the MDGs (2000), the Monterey Consensus (2002) and the Paris Declaration (2005). The emergence of new actors in the global economy and in development co-operation also poses challenges to bilateral relations between the EU and developing countries.

At the very least, the emergence, or re-emergence, of the new actors creates challenges for donor coordination in the context of increasing numbers of actors. However, the challenge is likely to be much more substantial than this. In fact, the challenge may well take the form of differing views of how aid, trade, investment and finance interrelate. The approaches of the new actors may be at odds with the EU's views about tying of aid, aid conditionality and the definition of aid that have been so carefully developed within the context of the OECD DAC in the past 10-20 years. The immediate manifestations of differences in approach to development co-operation are seen clearly in China's aid programme in sub-

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[24] The G20 includes the European Union itself as a member, as well as China, India, Brazil, South Africa, Indonesia and Argentina from the emerging global and regional powers groups, as well as Mexico, Korea and Saudi Arabia.

Saharan Africa. Similar aspects can be discussed with regard to Indian aid to Africa, yet on a lower financial level. Particularly the Chinese programme has been much criticised by some European and North American commentators because of aspects such as 'non-conditionality' and 'non-involvement', the tying of aid and the unclear boundary lines between aid, commercial loans and investment. 'Package deals' are therefore less transparent; are they also less effective? Do we know which parts are effective and which are counterproductive for development?

The growth of Chinese influence in sub-Saharan Africa poses two quite distinct issues for the European Union. The first, and more simple one, is a clash of perspectives. It can be argued that China does not accept Western prescriptions about the relationships between democracy and economic growth and has different perspectives on human rights and state power. The differences between Chinese and European approaches to development assistance arise from differences in views about what works economically and what is desirable politically and socially. In other words, there are differences of world view.

But there are more challenging implication of the increasing influence of China in sub-Saharan Africa. If at least some the new actors have different approaches to development assistance, then the hard-won consensus in the DAC will have to be reworked in the light of the challenge coming from the new actors. This issue is already evident in the attempts of the EU itself and some of its member governments to engage in dialogue with China about what should be the means of objectives of development co-operation in Africa.

Beyond this, the emergence of alternative approaches to development assistance might also provide a challenge to the DAC consensus itself. In particular, it might highlight the extent to which the EU's approach to development co-operation has been created in the specific context of the 1990s, marked by the end of the Cold War rivalries and the emergence of a unipolar world. In the context of a generally well-ordered global system and confidence about the ability of globalisation to extend its benefits to developing countries, development co-operation focused increasingly on, firstly, exporting policies that would increase the integration of developing countries into the global economy and remove barriers to the effectiveness of markets, and secondly, transferring resources (aid) targeted particularly on the poorest people (and the poorest countries) as a means of improving the welfare of the most disadvantaged.

Is this approach to development co-operation necessarily relevant in a world in which economic stability is under threat from a systemic financial crisis? How realistic is it to expect that the approach might be adopted by countries for which economic security increasingly requires greater security of access to strategic resources such as raw materials for manufacturing and energy supplies? Development co-operation in the next decade might be defined in the context of both a general increase in ***global volatility*** and uncertainty as result of ***increasing scarcity*** of key resources (energy, food, and water) and economic instability. The effect of uncertainties can be sharpened when a new powers in the global economy compete for the scarce resources; we might have to prepare for a 'turbulent multilateralism', i.e. increasing needs for co-operation to solve global problems, not necessarily combined with changing national interest conducive for co-operation. In other words, the fact that new actors such as China and India have been linking their development co-operation programmes very closely to the drive to secure access to essential resources and new markets is not merely an aberration and borne out of inexperience, but rather a structural characteristic of their position as late-emerging powers. And, if resource constraints become more acute in the global economy, then some of the same pressures will be felt by the established development co-operation actors.

It follows that we must consider whether or not the behaviour of the new actors is not only characteristic of their position, but also a feature that established actors may feel required to emulate in the period up to 2020.

6.3 Bringing non-state actors into the picture

In contrast to the dilemmas presented by the rising importance in development co-operation of state actors whose power outside of the development policy field may contribute to fundamental shifts in the structure of world politics, the challenges generated by the non-state actors discussed in this paper are more benign, relating primarily to how the actions of existing donors and investment from additional sources can complement one another in efficiently and effectively addressing development goals. On the one hand, private actors such as philanthropic foundations promise to contribute resources to deal with problems that donor governments may themselves have difficulty adequately financing, either because donors are unwilling to assume the financial and political risk involved in undertaking certain initiatives or because public budgets are strapped in general. On the other hand, these private investments can engender parallel systems of implementation that can create coordination problems. The multiplication of actors engaged in development co-operation, be they private foundations or global vertical funds potentially counters efforts to harmonize donor practice and reduce administrative burdens on recipient countries.

Another element of the international development co-operation consensus described above has been increased attention to donor accountability and ensuring that investments produce measurable results. While the independence that private foundations enjoy from taxpayer oversight may allow them to spend money in underserved areas, this independence also means that their accountability is potentially more limited.[25] Similarly, inadequate transparency

[25] In his first annual letter, Bill Gates himself acknowledged that the insulation of foundations from public and market-based feedback mechanisms may limit their responsiveness in correcting failures, noting that: "Foundations are unusual because they don't have to worry about being voted out at the next election or board meeting.... [Y]ou

related to how money from private sources is used may make it more difficult to evaluate the effectiveness of these additional investments. Hence, non-state actors also carry the potential to undermine elements of the development consensus that European donors have been central in moving forward in recent years and it is worthwhile to reflect on approaches that the EU might implement to mitigate these tendencies.

6.4 Acting on the internal and external challenges

European aid, as has been argued in this paper and in other publications, faces large internal challenges of living up to its promises, increasing the coordination and thus improving the functioning of the European aid system (cf. Grimm 2008a).[26] Furthermore, important milestones are to be met on the way to 2020: donors have pledged that they would have made considerable progress towards the targets of the Paris Declaration by 2010. Furthermore, the target for measuring the Millennium Development Goals is the year 2015, with currently a clear sense that the MDGs will – in their majority – not be met, despite progress. What comes after 2015? Development co-operation is likely to face a crisis in legitimacy if it does not react to public doubts of its effectiveness (cf. Grimm 2008b). And, in the broader picture, the EU will profoundly change in the way it organises its external relations – be it via the Lisbon Treaty (after a second referendum in Ireland is won) or rather in successive rounds of enlargement that will require treaty amendments.

Yet, European external relations and development co-operation is not taking place in the political or global void. While internal European consensus seeking is a constituting part of the Union, profound changes are ongoing elsewhere. Inward-looking tendencies or a preference for navel-gazing is no solution and would fast result in irrelevance of Europe as an actor for global development. The world financial and economic crisis might only be a dent in a development to 2020 that will see major powers emerging – which will have implications for these countries aid performance, as argued in this paper. This will most likely add to and increase the pressure for reform on the European side. Despite major reforms in the years since 2000, European aid is forced to be much better coordinated and streamlined with other policies if it is meant to continue being a major part of European external relations and maybe even a defining feature in the way Europe interacts with the world.

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don't have customers who beat you up when you get things wrong or competitors who work to take those customers away from you. You don't have a stock price that goes up and down to tell you how you're doing. This lack of a natural feedback loop means that we as a foundation have to be even more careful in picking our goals and being honest with ourselves when we are not achieving them." See: http://www.gatesfoundation.org/annual-letter/Pages/2009-role-of-foundations.aspx.

[26] These internal challenges have also been discussed in the realm of a project called EDC2010 (cf. Engel/Maxwell 2003).

New actors are – actively seeking or ‘just’ by default – taking a place on the stage and posing questions for how aid is currently administered. Europe will have to engage with these changes, some of which are outlined in this paper. The EU should aspire to facilitate the integration of new actors into the scenery rather than – unavailingly – trying to stem itself against them. This is likely to mean more and faster changes in Europe, too. In any case, the need for dialogue and international exchange about norm, standards – or even just basic definitions of what is aid and what not and thus: what are its goals – is obvious.

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EDC2020

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Over the next decade, Europe's development policies will have to act on a combination of old and new domestic issues and substantial changes in the global landscape. Change in Europe's internal architecture – with implications for development policy – takes place in times of wide-ranging global shifts, and at a time when questions of European identity loom large in national debates. A key questions is: How will the EU, how will "Brussels" and the member states be working together on common problems? Global challenges include three issues increasingly facing EU's development policy agenda:

- The emergence of new substantial actors in international development,
- The linkage between energy security, democracy and development and
- The impact of climate change on development.

Public and policy-making debates need to be informed about future options and their likely effects; and decisions need to be based on good research and sound evidence. EDC2020 seeks "to improve EU policy-makers' and other societal actors' shared understanding of the above named emerging challenges facing EU development policy and external action." EDC2020 will contribute to this shared understanding by promoting interaction across research and policy-making, aiming at establishing links to share perspectives across different arenas, and mutual learning. To this aim, EDC2020 will provide policy-oriented publications, a shared project website and high-level European policy forums.

The three-year consortium project EDC2020 is funded by the 7th Framework Programme of the European Union. More information about our the EDC2020 project can be found at **www.edc2020.eu**

SEVENTH FRAMEWORK PROGRAMME

Project funded under the Socio-economic Sciences and Humanities theme

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FRIDE
FUNDACIÓN PARA LAS RELACIONES INTERNACIONALES Y EL DIÁLOGO EXTERIOR

IDS Institute of Development Studies

SID
Society for International Development

odi
Overseas Development Institute