

# 21 世紀的發展合作

威瑪克

社會科學系教授  
藝術與社會科學學院  
澳洲新南威爾斯大學

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## 中文摘要

在過去六十多年裡，發展合作在全球政經學裡是項相當具有特色的領域，但在 21 世紀初卻面臨新的挑戰。發展合作此一術語指的是在發展援助制度（**development assistance regime**）核心的伙伴關係（**partnership**）的理念。這是全球政經裡發展中國家與已開發國家間互動的一種主要模式。發展合作就如同貿易與投資等發展中國家與已開發國家同類的互動都是目前爭辯激烈的課題。相關的學術與政策辯論的焦點多聚焦於有關的有效性（**effectiveness**）、效率（**efficiency**）與公平（**equity**）的問題。

本文主旨是檢驗當前所面臨的挑戰以確保發展合作能達到此一領域活動所擬定的明確目標。本文並無意評論或批判援外政策，而是試圖探討此一南北國家互動的重要管道。

# Development Cooperation in the Twenty-First Century

**Marc Williams**

Professor

School of Social Sciences

Faculty of Arts and Social Sciences

University of New South Wales

marc.williams@unsw.edu.au

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Development cooperation as a distinct sphere of the global political economy is more than six decades old and in the early part of the twenty-first century has faced new challenges. Development cooperation is the term used to denote the concept of partnership at the centre of the development assistance regime. It is one of the key modes of interaction between developed and developing countries in the global political economy. Like trade and investment these interactions between developed and developing countries is the subject of intense debate. At the centre of much of these academic and policy debates are questions relating to effectiveness, efficiency and equity. The aim of this paper is to examine the contemporary challenges of ensuring that development cooperation meets the ostensible goals charted for this field of activity. This paper is not a review and critique of foreign aid policy;

rather it is an exploration of an important avenue of North-South interaction.

The first section of the paper examines approaches to the analysis of development cooperation and develops a framework to be utilized in the remainder of the paper. The second section of the paper provides an overview of the evolution of development cooperation since the inception of the aid regime. The third section of the paper outlines and assesses key challenges to development cooperation.

### **Understanding Development Cooperation: Ideas, interests and institutions**

Changes in development cooperation have involved substantial shifts in funding priorities, and shifting linkages between the pursuit of development and broader foreign policy objectives. The analysis in this paper takes as a starting point the central importance of ideas, interests and institutions in the shaping of outcomes on the global political economy. Eschewing a materialist account of change in the global political economy which emphasises the role of rational strategic calculation in the determination of transformations in the global economy this paper while sensitive to the importance of national security and economic motivations in the rational calculation of self-interest starts from recognition that interests are not derived simply from structural constraints or incentives. The analytical approach taken in this paper begins from the assumption that interests derive from intersubjective structures which can be defined as belief

systems, collectively held, that are sustained or altered through agents' interpretative activities. In other words, "beliefs and decisions are interdependent, not independent, of one another."<sup>1</sup>

Two sets of ideas lie at the centre of efforts to improve development cooperation. These are first ideas about the goal of the enterprise, that is, ideas about development, and second ideas about the nature of development cooperation, that is, ideas about the shape of the cooperative enterprise. Changing theories of development have influenced the practice of development. The economic rationale for the distribution and allocation of foreign aid is based on the claim that the macroeconomic contribution of aid to recipient countries is positive through the promotion of improved economic policies and resource allocation.<sup>2</sup> Foreign aid increases the efficiency of capital through strengthening technical, managerial, institutional, and administrative capacity. In an unequal international economic system and imperfectly functioning capital markets, aid allocates capital from rich to poor countries. And a crucial role for aid is the relief of poverty through the protection of the incomes of the poor.<sup>3</sup>

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<sup>1</sup> Blyth, Mark (2007) "Beyond the Usual Suspects: Ideas, Uncertainty, and Building Institutional Orders" *International Studies Quarterly* 51(4): 762.

<sup>2</sup> There are endless studies on the economic rationale for aid; see OECD (1985) *Twenty-five Years of Development Co-operation* Paris: OECD for an authoritative statement of the official position.

<sup>3</sup> Lele, Uma and Ijaz Nabi (1991) "Concessionary and Commercial Flows in Development" in Uma Lele and Ijaz Nabi (eds.) *Transitions in Development: The Role of Aid and Commercial Flows* San Francisco: International Center for Economic Growth: 3-13.

Aid theory has tended to follow, rather than anticipate, the major changes in development thinking. Development thinking and practice, both orthodox and heterodox, within the construction of the development discourse has produced a number of refinements and re-evaluation.

Ideas pertaining to the organization of development cooperation underpin the discursive structure of the aid regime. The five components of the aid regime construct a normative framework within which donors and recipients negotiate and develop policies. According to Robert Wood<sup>4</sup> the key features of the aid regime are: the negotiating framework between donors and recipients; the identification and legitimate uses of aid; relations between donor institutions; the relationship between official development assistance and broader development policy; and relations between aid and debt. These five components articulate a normative consensus around the allocation of aid.

A focus on ideas and norms supplements rather than replaces attention to interests. While the declared intention of development cooperation is poverty alleviation many analysts have detailed the self-interest at the centre of Western aid allocation.<sup>5</sup> Although this paper will focus on the interests of the donors rather those of recipient governments this should not be taken to be based on an

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<sup>4</sup> Wood, Robert (1986) *From Marshall Plan to Debt Crisis: Foreign aid and Development Choices in the World Economy* Berkeley: University of California Press.

<sup>5</sup> Among others see Hayter, Teresa and Catherine Watson (1985) *Aid: Rhetoric and Reality* London: Pluto;

assumption that the interests of recipients are of no importance. A number of studies have demonstrated the ways in which national interests conceived in political, strategic and economic terms have dictated the changing priorities and modalities of development cooperation.<sup>6</sup>

The third element of the conceptual approach is a focus on institutions. By institutions I refer to the agents, channels and mechanisms developed for the pursuit of development cooperation. While some institutional arrangements have been enduring others have altered and new ones have arisen. It should be evident that ideas, interests and institutions are not constructed separately from each other but are part of an interwoven matrix of policy-making and contribute in an integrated manner to outcomes. This framework will be used to outline the evolution of development cooperation in the latter half of the twentieth century and to explore the challenges faced in the twenty-first century.

## **The Evolution of Development Cooperation**

Development cooperation as a distinct activity linking developed and developing countries emerged after the end of the Second World War. One approach to charting the evolution of development cooperation is through the periodization of these activities. Instead of following this approach I will outline briefly the major developments

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<sup>6</sup> See Wright, Joseph and Matthew Winters (2010) "The Politics of Effective Aid" *Annual Review of Political Science* 13: 61-80 for a thoughtful exploration of this issue.

related to the normative, interest-based and institutional structures.

### *Ideas and Development Cooperation: Contestation and Transformation*

It is perhaps surprising that there is no consensus on the very goal of development cooperation. Instead of rehearsing the debates on the definition and meaning of development I will outline briefly four different paradigms that have sustained efforts underpinning development cooperation in the past sixty years. In the immediate post-war period development was conceived almost exclusively in relation to economic growth. In the development as economic growth model the focus was on industrialization and aggregate economic growth. In the late 1960s this approach was challenged by the Basic Needs Approach. The basic needs strategy originated in the International Labour Organization. Its World Employment Program launched in 1969 initiated a new focus on rural livelihoods and a shift away from industrialization as the key to development.

Moreover, while the earlier paradigm gave little attention to redistribution, redistributive strategies were central to the Basic Needs approach.<sup>7</sup> The onset of the Third World debt crisis in 1982 and the continuing controversy over the utility of the Basic Needs strategy created the conditions for yet another major shift in focus.

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<sup>7</sup> See Hoadley, J. Stephen (1981) "The Rise and Fall of the Basic Needs Approach" *Cooperation and Conflict* 16: 149-164 for a discussion of the Basic Needs approach.

The turn to structural adjustment lending signalled yet another ideational phase for development cooperation. The pro-poor emphasis of the Basic Needs approach was replaced by a focus on ensuring that the fundamentals of economic policy defined in terms of open markets were installed in developing countries. As the name structural adjustment implies the aim of such policies were to restructure the economies of developing countries to eliminate over-reliance on state institutions.<sup>8</sup> In this paradigm development it was assumed was a product of good economic and political governance.

Since the mid-1990s the dominant approach to development is captured by the term sustainable development. Recognizing the ecological damage attendant on industrialization and economic growth in advanced economies and cognizant of the ecological limits to growth the new paradigm emphasizes an integration of environmental sustainability and economic growth. The aims of a sustainable development strategy are poverty alleviation while achieving broadly based economic growth; strengthening of the domestic human and institutional capacities to meet the challenge of development; improving the capacity of developing countries to contribute to the management and solution of global problems; to transform institutions so that developing countries can play a larger role in the global economy; and

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<sup>8</sup> This approach is also known as the Washington Consensus. See Naim, M (2000) "Washington Consensus or Washington Confusion" *Foreign Policy* 118: 87-103 for a discussion of some of the controversy around the Washington Consensus.



to increase the role of civil society and reduce that of central government.<sup>9</sup>

These changing perceptions of the meaning of development have taken place alongside another transformation in the ideational landscape. The set of practices around the allocation and distribution of foreign aid comprise what can be termed a foreign aid regime. This regime comprises a set of institutional practices and normative commitments. In the context of documenting ideational change the foreign aid regime can be viewed as a discursive construction within which knowledge of and about development is produced and reproduced. The foreign aid regime produces and maintains a distinct pattern of development and is itself the product of ideas and theories on development.<sup>10</sup>

The aid regime is predominantly structured around the interests of the donors with decisions on aid allocation and evaluative schemes reserved for bilateral and multilateral donors.<sup>11</sup> Secondly, aid is conceived in limited terms and constructed in relation to the private capital market. That is, official development assistance is supplemental to private capital and its provision is validated in circumstances where the private sector is absent.<sup>12</sup> Burden-sharing and coordination of policy is

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<sup>9</sup> OECD (1996) *Shaping the 21<sup>st</sup> Century: The Context of Development Cooperation* Paris; OECD.

<sup>10</sup> Williams, Marc (1998) "Aid, Sustainable Development and the Environmental Crisis" *International Journal of Peace Studies* 3(2): 19-34.

<sup>11</sup> *Ibid.* 26.

<sup>12</sup> *Ibid.*

another important feature of the regime. The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) is the central hub for coordinating the activities of the donors. From the outset conditionality has been an important component of the aid regime. Conditionality provides the means through which donors can exercise some influence over the policies followed by recipient governments. The final component of the regime relates to debt management of debt where the burden of adjustment is placed on the debtor country.

Debates concerning the effectiveness of development cooperation have centred on the impact of foreign aid.<sup>13</sup> Support for development cooperation is based on liberal economic theory which posits an important role for development assistance in providing much needed capital for capital-scarce countries. While proponents of development assistance recognize the existence of numerous failures they nevertheless conclude that the balance sheet is positive. Robert Cassen and his associates concluded that aid “succeeds in meeting its developmental objectives (where those are primary), contributing positively to the recipient countries’ economic performance, and not substituting for activities which would have occurred anyway.”<sup>14</sup> Critics from both the left

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<sup>13</sup> See, for example, Kenny, Charles (2008) “What is effective aid? How would donors allocate it?” *The European Journal of Development Research* 20(2): 330–346; Weiss, John (2008) “The Aid Paradigm for Poverty Reduction: Does It Make Sense?” *Development Policy Review* 26(4): 407–426.

<sup>14</sup> Cassen et al. (1986) *Does Aid Work?* Oxford: Clarendon Press: 11.

and right of the political spectrum dispute the claims that foreign aid has ‘significantly contributed’ to ‘development progress’<sup>15</sup> arguing instead that aid decreases savings<sup>16</sup> has a detrimental impact on the poor<sup>17</sup> and retards development and breeds corruption.<sup>18</sup> One survey of the debate concludes that the only way to measure aid effectiveness is to imagine conditions in its absence – a purely “theoretical exercise.”<sup>19</sup>

### *Interests: Changing Geo-Strategic Policy and the Evolution of Development Cooperation*

Development cooperation emerged as a distinct axis of North-South relations at the end of World War Two and owes its origins to the Cold War and post-imperial European politics.<sup>20</sup> During the colonial period technical assistance was provided by the metropolitan countries to the colonies but the scale of these programs is dwarfed by the post-war effort. At the centre of the evolution of post-war development cooperation are political and geo-

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<sup>15</sup> OECD op.cit. 238.

<sup>16</sup> Griffin, Keith and John Enos (1970) “Foreign Assistance: Objectives and Consequences” *Economic Development and Cultural Change* 18(1): 313-327; Papanek, Gustav (1972) “The Effect of Aid and Other Resource Transfers on Savings and Growth in Less Developed Countries” *The Economic Journal* 82(327): 934-950.

<sup>17</sup> Madeley, John (1991) *When Aid is No Help* London: Intermediate Technology Productions.

<sup>18</sup> Moyo, Dambisa (2009) *Dead Aid: Why Aid is not Working and How There is Another Way for Africa* New York; Farrar, Strauss and Giroux.

<sup>19</sup> Pronk, Jan (2001). “Aid as a Catalyst”, *Development and Change* 32(4): 614.

<sup>20</sup> Wall, David (1973) *The Charity of Nations* London: Macmillan: 9.

strategic concerns. In the Cold War context development cooperation (foreign aid) was one of the foreign policy instruments used by both Western capitalist liberal democracies and the communist, centrally planned autocracies.<sup>21</sup> The phenomenal success of the Marshall Plan through whose auspices the United States provided the capital equipment and resources required to stimulate the rapid recovery of Western Europe provided an ideal model of the possibilities of development cooperation. It should be noted that although this model is often referred to as a positive example of what can be achieved in the developing world with the requisite political will the differences in material conditions between Western Europe and the developing world should not be forgotten. Western Europe was already in possession of the infrastructure of a self-sustaining economy and provided ideal conditions for rapid economic growth. In other words, the Marshall Plan is a successful example of reconstruction and not of development.

Escobar<sup>22</sup> has influentially linked the origins of development cooperation with the security policy of the United States government in the context of the origins of the Cold War. While it is certainly correct to note the influence of geo-strategic objectives at the outset of the

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<sup>21</sup> See, for example, Alesina, Alberto and David Dollar (2000) "Who gives foreign aid to whom and why?" *Journal of Economic Growth* 5(1): 33-63; Maizels, Alfred and Machiko K. Nissanke (1984) "Motivations for Aid to Developing countries" *World Development* 12(9): 879-900; McKinlay, R.D. and Richard Little (1977) "A Foreign Policy Model of U.S. Bilateral Aid Allocation" *World Politics*, 30(1): 58-86.

<sup>22</sup> Escobar, Arturo (1985) *Encountering Development: The Masking and Unmaking of the Third World* Princeton, N.J.: Princeton University Press.

development cooperation regime this was not the sole objective. From the outset and throughout the past 60 years a number of mixed, sometimes conflicting, but at other times complementary motives are at the centre of donor policy. Apart from geo-strategic motives other self-interested objectives include economic and political goals. However, self-interest is not the sole motive for donors engaged in fostering development cooperation. Humanitarian motives founded on moral imperatives are also present.<sup>23</sup> In one sense the motives of recipients should be self-evident i.e. the pursuit of economic development. poverty eradication and while this may be the case in many governments we should also be aware that in some regimes the key goal of development cooperation is linked with the personal fortune of bureaucrats and politicians and less with the public interest.

At the height of the Cold War the objectives of development cooperation were frequently subservient to military and political dictates. For example, economic aid was frequently linked to military aid. Studies of aid distribution reveal a close correlation between strategic interests and the flow of foreign aid. Western countries attempted to promote development in the South through foreign aid on the basis of modernization theory which held that economic development was a necessary prerequisite for a democratic polity. It was argued that the granting of aid would “contribute to the growth and strengthening of

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<sup>23</sup> See Riddell, Roger C (2007) *Does Foreign Aid Really Work?* Oxford: Oxford University Press: 119-160.

liberal democratic political systems in the third World”<sup>24</sup>. On both sides of the East-West divide communist and capitalist regimes viewed aid the developing world as a means of gaining influence with compliant governments. The ex-colonial powers used aid as a means of maintaining commercial and political influence in their ex-colonies. Moreover, political stability in the newly independent countries was deemed to rest on the provision of external assistance. Clearly the strongest rationale for development cooperation remained enlightened self-interest. Nevertheless, it should be remembered that development cooperation implies partnership rather than simply an imposition by one side. Newly independent African and Asian countries demanded development assistance as did Latin American countries charting a path towards industrialization. Whether the claims were based on the importance of reparations for past exploitation, international solidarity or mutual interests, developing countries demanded access to foreign aid.

The end of the Cold War dramatically changed the landscape of development cooperation through the removal of East-West competition. It undermined the geopolitical certainties that had predominated since the end of the Second World War created a political space for the separation of development cooperation and immediate security concerns. This is not the place to provide an analysis of the post-Cold War security structure. Two salient features of the changing security architecture of direct relevance to development cooperation were the

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<sup>24</sup> Packenham, Robert (1973) *Liberal America and the Third World* Princeton, N.J.: Princeton University Press: 5.

emergence of new security threats and the shift in security discourse from a preoccupation with national security to an expanded notion of security. New security threats such as the instability attendant on ethnic and religious tensions, the threat of terrorism, and the fragility of many states in the developing world provided a new context for the development cooperation. Moreover, new ways of thinking about security including 'new security studies' with its emphasis on non-traditional threats such as environmental security, and human security with its focus on the individual changed the security goals underpinning development cooperation and contributed (at least rhetorically) towards increased attention to governance issues<sup>25</sup>.

### *Institutions: Evolving Structures of Development Cooperation*

From its origins until the end of the twentieth century the institutional landscape of development cooperation changed dramatically. Three features of institutional development will be discussed here. These are the emergence of new bilateral donors; the growth in multilateral assistance; and the rise of non-state actors, principally non-governmental organizations (NGOs) as actors in development cooperation. In the 1950s the United States provided more than 50 per cent of the total flows of official development assistance (ODA) and

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<sup>25</sup> See Neuyamer, Eric (2003) *The Pattern of Aid Giving: The Impact of Good Governance on Development Assistance* London: Routledge, for an assessment of the impact of the new aid paradigm on aid allocation.

approximately 45 per cent in the early 1960s.<sup>26</sup> This share reflected American dominance of the global economy in material and policy terms at that time. The return to economic prosperity of Western Europe and Japan brought new donors to the fore. For example, Canada, the Nordic countries and Japan all expanded their development cooperation programs in the 1960s, 1970s and 1980s.<sup>27</sup>

The landscape of multilateral cooperation has also changed dramatically. Until the early 1960s, there were only four agencies specialising in development cooperation viz. the World Bank, the European Economic Community, the Inter-American Bank, and the UNDP. The late 1960s witnessed both an explosion in new agencies as well as increased funding for multilateral initiatives. There were a number of reasons for these developments. First, changing approaches to development finance such as the shift to a Basic Needs agenda at the end of the 1960s heralded an increased role for multilateral agencies. And, the focus on structural adjustment lending increased the influence of both the World Bank and the International Monetary Fund in development financing. Second, during the 1960s the United States sought increasing recourse to multilateral agencies driven in large part by burden-sharing concerns. Thirdly, increased ODA from Canada and the Scandinavian countries were channelled through multilateral agencies. Unlike European imperial powers

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<sup>26</sup> Sagasti, Francisco and Gonzalo Alcalde (1999) *Development Cooperation in a Fractured Global Order: An Arduous Transition* Ottawa: International Development Research Centre: 19

<sup>27</sup> *Ibid.* 22.



these countries had less direct allies in the developing world to which they were targeting their aid. Finally, administrative changes in multilateral agencies increased their capacity and competence.

## **Development Cooperation in the Twenty-First Century**

This section explores the changing architecture of development cooperation through an examination of the lens of changes to the normative framework, new actors and different interests and a changing institutional framework.

In December 2010 Eckhard Deutscher, the outgoing chair of the Development Assistance Committee of the OECD formulated ten theses on the future of development cooperation. Titled, “The Future of Development Cooperation Hangs in the Balance”<sup>28</sup> Mr. Deutscher’s summarised the key challenges facing development cooperation in the twenty-first century. The Deutscher theses present an introduction to many of the ills of the current development cooperation regime. The sense of unease noted by Mr. Deutscher is seemingly shared by others. For example, the 2011 Canadian Development Report published by the influential Canadian research institute, the North-South Institute’s raised similar unease about the future of multilateral development cooperation.<sup>29</sup>

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<sup>28</sup> Available at [http://developmentwatch.net/index.php?option=com\\_content&view=article&id=84:future-development&catid=1:news&Itemid=5](http://developmentwatch.net/index.php?option=com_content&view=article&id=84:future-development&catid=1:news&Itemid=5)

<sup>29</sup> *The Canadian Development Report 2011- Transnational Issues, Multilateral Solutions? The Future of Development Cooperation* Ottawa: The North-South Institute.

## A Changing Ideational Framework?

As previously argued the ideational framework is based around ideas about development, and ideas about the nature of development cooperation. It has been argued above that a new normative consensus on development and development cooperation developed in the post-Cold War era. Central to forging this consensus were a number of international conferences and the agreements arising from these meetings. Nevertheless, despite this consensus both ideational frameworks have been subject to criticism. At the centre of current global understandings of development are the Millennium Development Goals (MDGs) themselves the result of the Millennium Declaration in 2000; and the Monterrey Consensus (2002) on development financing. The eight MDGs and the Monterrey Consensus while focusing on the importance of the internal environment also recognize the salience of external actors and the international environment in the promotion of sustainable development process. While most critics welcome the normative commitment of the MDGs they critique the attainability of the goals<sup>30</sup>, the inherent bias in the MDGs<sup>31</sup>, and the lack of commitment by the international community to providing the necessary funding to achieve the key targets<sup>32</sup>.

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<sup>30</sup> Attaran, Amir (2005) "An Immeasurable Crisis? A Criticism of the Millennium Development Goals and Why They Cannot Be Measured" *PLoS Medicine* 2(10): 955-961.

<sup>31</sup> Easterly, William (2009) "How the Millennium Development Goals Are Unfair to Africa" *World Development* 37(1): 26-35.

<sup>32</sup> Clemens, Michael A., Charles J. Kenny and Todd J. Moss (2007) "The Trouble with the MDGs: Confronting Expectations of Aid and Development Success" *World Development* 35(5): 735-751.

Three key agreements - the Monterrey Consensus (2002) on development financing, the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008) – have constructed a new ideational framework and established new rules to govern the ways development aid is delivered and managed in order to strengthen its impact and effectiveness. This consensus has been institutionalized in the Development Assistance Committee (DAC) of the OECD. DAC member countries have forged agreement on the definition of aid and the concept of conditionality. The definition of aid clearly distinguishes between development assistance and other forms of financing which may serve political and military objectives.

Despite a current focus on economic conditionality designed to reduce the costs of aid while increasing its effectiveness and, policy conditionality whose aim is to enhance aid effectiveness both types of conditionality remain controversial. The academic literature on aid effectiveness remains highly contested.<sup>33</sup> Despite these controversies it is now widely agreed that the primary purpose of development cooperation is poverty alleviation. This focus directs aid to the poorest countries (principally in sub-Saharan Africa). Moreover, the current agreement provides guidance on good practice including recipient ownership and regulations to overcome negative practices such as aid tying. For example, both the Paris Declaration on Aid Effectiveness, and the Accra Agenda for Action establish key principles to guide development cooperation.

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<sup>33</sup> See Wright and Winters *op.cit.*

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Despite this international consensus there are a number of internal challenges facing this new vision of development cooperation. First, the new consensus is limited in its coverage and excludes a number of areas related to development and development cooperation. For example, issues which have an impact on development such as trade, migration are excluded from the consensus. Secondly, to date there has been limited implementation of the new commitments. For example, donors have not met the goals of funding nor have they reached the required levels of harmonization.<sup>34</sup> Thus while a new normative consensus has been forged the debate concerning the applications of new principles has been compounded by the role of new actors and the differing interests of these actors in development cooperation.

### *New Interests: Rising Powers and Global Challenges*

In the last decade attention has increasingly focused on so-called new or emerging powers in the global economy.<sup>35</sup> The landscape of development assistance is being re-written by the power shift in the global economy.<sup>36</sup> Emerging economies are quietly beginning to change the rules of the game. We can divide these emerging donors into two groups. One group comprises members of the so-

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<sup>34</sup> OECD (2009) *Aid Targets Slipping Out Of Reach* available at <http://www.oecd.org/dataoecd/47/25/41724314.pdf>

<sup>35</sup> Giessmann, Hans J. (2007) "ChIndia" and ASEAN: *About National Interests, Regional Legitimacy, and Global Challenges* FES Briefing Paper 7; available at <http://library.fes.de/pdf-files/iez/global/04470.pdf>

<sup>36</sup> Agrawal, Subhash (2007) *Emerging Donors in International Development Assistance: The India Case* Ottawa: IDRC; available at <http://publicwebsite.idrc.ca/EN/Documents/Case-of-India.pdf>

called BICs i.e. China, India and Brazil, and the other oil rich states like the United Arab Emirates, Saudi Arabia, Venezuela, Kuwait and Iran among others. These emerging donors have been increasing their aid to poorer countries. They are giving aid on terms of their choosing. None of these countries belong to the OECD and are therefore not bound by the consensus forged in the Development Assistance Committee. It is difficult to calculate exactly how much aid these countries give with individual country studies concluding that reliable estimates simply do not exist.

Recent research on China and India confirm these findings. The Chinese authorities do not report on aid programs using the same definitions as DAC members. There are no reliable estimates of the size of China's aid program. For example, three recent studies reach widely varying conclusions on the amount of aid China provides to Africa. Brautigam estimated that China's official aid in 2009 was likely to be around \$1 billion<sup>37</sup>; while Lancaster writing in 2007 estimated that it had already reached between \$ 1.5 to \$2 billion<sup>38</sup>; and Lum et al. claim that China's aid in 2007 reached \$25 billion<sup>39</sup>. While no reliable statistics exist on the level on China's development

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<sup>37</sup> Brautigam, Deborah (2008) *China's African Aid: Transatlantic Challenges* Washington, D.C.: The German Marshall Fund of the United States: 20; available at <http://209.200.80.89/doc/Brautigam0410aFINAL.pdf>

<sup>38</sup> Lancaster, Carol (2007) *The Chinese Aid System* Washington, D.C.: Center for Global Development Essay: 3; available at <http://www.cgdev.org/content/publications/detail/13953/>

<sup>39</sup> Lum, Thomas et al. (2009) *China's Foreign aid Activities in Africa, Latin America and Southeast Asia* Congressional Research Service: 6; available at <http://www.fas.org/sgp/crs/row/R40361.pdf>

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financing it is possible to note that the level of expenditure is increasing rapidly although it falls far below that provided by the main Western development agencies. Africa is the main recipient of China's aid and it is this relationship that has received the main criticisms. China's aid policy combines loans, credits and debt write-offs with special trade arrangements and commercial investments. In China's aid policy therefore trade, FDI, aid, and migration overlap to some degree.<sup>40</sup> Various figures on China's aid to Africa are thus exaggerated. What we do know about China's aid is that unlike a lot of established donor aid to sub-Saharan Africa it is strongly supported by investment and trade policies. China's trade with Africa has grown dramatically to the point where China has become Africa's third most important trading partner behind the United States and France.<sup>41</sup>

India disburses around \$1 billion in aid most of which goes to neighbouring countries such as Bangladesh, Bhutan, and Nepal. However plans to create an Indian International Development Cooperation Agency (IIDCA) mooted in 2007 have been shelved.<sup>42</sup> This reflects the claim by Chaturvedi that "development co-operation is an important tool for advancing strategic foreign policy goals.

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<sup>40</sup> McCormick, Dorothy(2008) "China & India as Africa's New Donors: The Impact of Aid on Development" *Review of African Political Economy* 35 (1): 115, 73-92.

<sup>41</sup> Woods, Ngaire (2008) "Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance" *International Affairs* 84(6): 1215.

<sup>42</sup> Mitra, Devipura (2010) "India drops plan for external aid agency" (iGovernment 6 August) <http://www.igovernment.in/site/india-drops-plan-external-aid-agency-37739>

India has yet to evolve mechanisms for enduring effective use of development cooperation for strategic goals.”<sup>43</sup>

There are differences and similarities among these emerging donors. Common to most of these donors is a quest for energy security, enlarged trading opportunities and new economic partnerships, coupled with rapidly growing strength and size in the global economy. As these emerging powers build aid programmes and forge stronger relationships with poor countries, no existing development assistance program will be immune from the effects. But the modalities of aid flows do differ. For example, while Brazil is not a liquid donor of resources in terms of ODA, it possesses significant and successful know-how and technical solutions that it shares and transfers to other countries and regions under development. In the official discourse, the technical aid furnished by Brazil does not aim for profit and imposes no conditions or obligations linked to the purchase of goods and services. It seeks to respond to requests from developing countries, which set their priorities and define the type of aid they require from Brazil.<sup>44</sup> India and China have different patterns of aid. India concentrates on nonmonetary aid mainly in the form of technical assistance and scholarships, while China

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<sup>43</sup> Cited in Grimm et al. (2009) *European Development Cooperation to 2020: Challenges by New Actors in International Development* [ECD 2020 Working Paper 4]:20.

<sup>44</sup> Pino, Bruno Ayllón (2010) *Brazilian Cooperation: a model under construction for an emerging power* (ARI); available at <http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&id=124570>

offers a wider range of monetary and non-monetary aid packages.<sup>45</sup>

There are a number of major differences between China's approach and the DAC consensus. First, China is committed to the principle of non-interference in the internal affairs of other states and in the context of aid leads to a policy of non-conditionality. It has been suggested that poverty alleviation is more important than democracy. Secondly, China is not bound by the agreement to donate aid which is untied. China frequently links its aid with its diplomatic activities. Third, while project aid is a declining feature of Western aid programs China's aid to Africa is characterised by technical assistance and infrastructure projects. These three features give rise to anxieties concerning the potential negative impact of china's aid.

Woods argues that the available evidence does not fully bear out these anxieties. Although China is at the forefront of the new anxiety evidence suggests that, as a result of intensified trade links with China, states in Africa have enjoyed higher growth rates, better terms of trade, increased export volumes and higher public revenues. There is no clear evidence that China is re-indebting the highly indebted poor countries (HIPC) en masse. In respect of standards (on, for example, the environment, resettlement, good governance and so forth) Woods finds that there are indeed new challenges; but here it is clear that the established donor community is most successful in promulgating standards when it closely engages with other

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<sup>45</sup> McCormick op.cit.



actors—including both governments and private sector actors from emerging donors.<sup>46</sup>

China does not view itself as an aid donor and prefers to see these linkages as South-South cooperation. Moreover, within this framework no distinction is made between aid, trade and investment. A normative underpinning of China's aid program is an emphasis on the similarities that China shares with its developing country partners. China claims a special bond with African countries. As Mr. Guan Chengyuan, Head of the Chinese Mission to the EU stated "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."<sup>47</sup>

The conclusions point out that emerging donors are not overtly attempting either to overturn the rules of multilateral development assistance or to replace them. Rather, the revolution taking place is a silent one. By quietly offering alternatives to aid-receiving countries,

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<sup>46</sup> Woods op.cit.

<sup>47</sup> Cited in Humphrey, John (2010) *European Development Cooperation in a Changing World: Rising Powers and Global Challenges after the Financial Crisis* [ECD 2020 Working Paper8]: 8.

emerging donors are introducing competitive pressures into the existing system. They are weakening the bargaining position of Western donors in respect of aid-receiving countries, exposing standards and processes that are out of date and ineffectual. The result is a serious challenge to the existing multilateral development assistance regime.

### *Institutional Uncertainties: The Challenge of Non-State Actors*

As mentioned previously non-state actors have been present in the development assistance regime from its earliest years, however, the proliferation of non-state actors in the past decade has raised new challenges the development cooperation. There are three key issues relating to the emergence of these actors and their impact on the institutional infrastructure of development cooperation.

### *Diversity of non-state actors*

Until the 1980s most non-state actors had limited operational capacity and were more engaged in advocacy. Principally in response to structural adjustment policies and decisions of state actors to channel funds through the non-governmental sector a significant number of NGOs with an operational capacity emerged in the field of international development. International NGOs, like Oxfam, CARE and Save the Children have traditionally been focused on delivering essential services and public goods

that poor country governments could not provide, mostly under contract from rich government agencies. Recently there has been a shift in the constituency of non-state actors with NGOs no longer the key component of that category. Three new types of non-state actor have emerged. These can be classified as (a) philanthropic foundations (e.g. Rockefeller Foundation, Ford Foundation, Bill and Melinda Gates Foundation); (b) private firms engaged in philanthropic activities usually under the rubric of corporate social responsibility; and (c) global funds (e.g. the Global Fund to fight HIV/Aids, Tuberculosis and Malaria).<sup>48</sup>

### *Scale of funding:*

Precise statistics are difficult to access but some estimates of American and European philanthropic support for activities in the developing world are available. An authoritative source estimates that US private and voluntary organizations gave approximately \$12 billion to developing countries in 2009.<sup>49</sup> When examining the philanthropic activities of US donors the role of the Bill and Melinda Gates Foundation stands out. Grimm et al. note that the Gates Foundation distributed more than \$300 million through its Global Development Program and more than \$1.2 billion through its Global Health initiatives in 2007.<sup>50</sup> A recent survey estimates that European foundations invested around \$600 million in international

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<sup>48</sup> Grimm et al. op cit: 26.

<sup>49</sup> Hudson Institute (2011) *The Index of Global Philanthropy and Remittances* Washington, D.C.: Hudson Institute: 12.

<sup>50</sup> Grimm et al. op.cit.: 29.

development in 2005.<sup>51</sup> Private philanthropic efforts have focused on health-related issues such as HIV/Aids, tuberculosis and malaria; education; and democracy promotion. Why did private giving expand so rapidly in the 1990s? Some cite globalization, the expansion of democratic governance, and information technology infrastructure for project delivery. Others cite a new-age generation of donors who have made money in the venture capital world and are convinced that the same technique can be used to solve the most pressing global problems, like poverty reduction. Still others argue that the public is losing faith in ODA, frustrated by the bureaucracy and inefficiencies of large organizations.

The philanthropic activities by transnational firms (TNCs) can be motivated by strategic interests e.g. reputational capital as well as genuine moral motivations. In so far as the incursion of TNCs into development assistance is primarily motivated by strategic calculations such funding is likely to privilege the interests of the firm over that of the recipient populations.

### *Impact*

These new philanthropic actors present challenges to the existing consensus on development cooperation as well as new opportunities for development cooperation. It

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<sup>51</sup> Marten, Robert and Jan Martin Witte (2008) *Transforming Development? The role of philanthropic foundations in international development cooperation* Berlin: Global Public Policy Institute; GPPi Research Paper Series No. 10:10; available at [http://www.gppi.net/fileadmin/gppi/GPPiRP10\\_Transforming\\_Development\\_20080526final.pdf](http://www.gppi.net/fileadmin/gppi/GPPiRP10_Transforming_Development_20080526final.pdf)

has been argued that “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.”<sup>52</sup>

The approach of philanthropic actors differs significantly from ODA. While ODA supports developing countries, private funds are oriented towards support for poor people and communities. ODA is influenced by geo-strategic considerations and historical ties between countries, while private funding is influenced by opportunities for change.<sup>53</sup> ODA works through recipient governments, Philanthropic agencies works through local civil society organizations. And because this private funding is increasingly driven by a new breed of self-made entrepreneurs in rich countries, it espouses the same management philosophies of its donors: a focus on leadership, innovation, technology, risk-taking, tight overheads and scalable solutions. The strength of the philanthropic movement stems not by seeking consensus, but by embracing diversity from the power of many. This sort of “crowd-sourcing” powerfully leverages the ability to aggregate knowledge and resources by networking with

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<sup>52</sup> Grimm et al. op.cit.: 29.

<sup>53</sup> See Kharas, Homi (2009) “Development Assistance in the 21st Century” Contribution to the VIII Salamanca Forum The Fight Against Hunger and Poverty (July 2-4); available at [http://www.brookings.edu/~media/Files/rc/papers/2009/11\\_development\\_aid\\_kharas/11\\_development\\_aid\\_kharas.pdf](http://www.brookings.edu/~media/Files/rc/papers/2009/11_development_aid_kharas/11_development_aid_kharas.pdf)

the tens of thousands of Southern NGOs and hundreds of thousands of community based organizations in developing countries.

Furthermore these new agencies present problems related to fragmentation. As Grimm et al. conclude the creation of vertical funds “may work at cross purposes with the donor harmonisation agenda, while the focused priorities may pose a challenge to strengthening holistic development programmes.”<sup>54</sup> With an ever greater number of donors and donor agencies, aid budgets are being fragmented. The costs of fragmentation include the weakening of domestic institutions by poaching scarce staff from key government positions to manage individual donor projects. It can cause a system that by-passes government structures and procedures, as small projects are less likely to be included in recipient country budgets. It can lead to a lack of government ownership.

The international aid architecture is no longer delivering the benefits of institutional coordination that it was originally designed for. The aid architecture was designed to achieve burden sharing between nations and to mobilize and generate public support for development assistance. Today, that seems anachronistic.<sup>55</sup>

## **Conclusion**

This paper has examined the challenges faced by the development cooperation regime. The regime is not

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<sup>54</sup> Grimm et al. : 29-30.

<sup>55</sup> Kharas op cit.

static and has evolved since its inception at the close of the Second World War. While there is widespread support among donor and recipient governments for the regime its liberal principles have historically been compromised by the interplay of power and self-interest. Furthermore, changes in the global economy impact the functioning of the regime. The normative consensus developed by members of the DAC is being challenged internally and externally. Internally it is subject to a critique concerning aid effectiveness; and externally it is being challenged by new actors with a different normative agenda. Historically, development cooperation has been closely aligned with foreign policy goals and national interests continue to define regime participation. A new site of contention has emerged between established and emerging donors. This conflict of interest is a key feature of the current regime. Moreover, the stable state-centric institutional structure of the regime is increasingly under strain and becoming fragmented because of the increasing importance of private actors.

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