

The Return of Non-DAC Donors to Africa: New Prospects for African Development?

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This article examines the consequences of the return to Africa of donors that are not members of the OECD's Development Assistance Committee (DAC). It categorises these donors according to form, content, size and modality of their aid. It finds that their return increases external financial flows, in particular to countries not targeted by DAC donors. Moreover, for some donors like China and India the flows are closely related to other financial flows such as trade and investment. Furthermore, it finds that the return of non-DAC donors may conflict with plans to harmonise aid and may simultaneously raise transaction costs for recipients.

Key words: Development co-operation, Africa, economic development

1 Introduction

The presence of non-DAC donors¹ in Africa is neither a new nor an extraordinary phenomenon. Rather, DAC donors' total domination of international development aid in the 1990s, providing up to 95% of all aid, is extraordinary (Manning, 2006: 371). Similarly, the newness does not concern the non-DAC donors *per se*, but their regaining their position in international development aid.

This article aims to examine the consequences for recipients of the return of non-DAC donors to Africa in terms of aid flows, bureaucratic pressures and recipient countries' room for manoeuvre. Apart from Manning's (2006) article on 'emerging donors', no systematic categorisation of the recent activities of non-DAC donors has been conducted. In order to assess the consequences of this phenomenon, the present article focuses on the form, content, size and modality of non-DAC aid to Africa. In the article, the concept of 'non-DAC donors' is used rather than the more trendy 'emerging donors' to signal that most of the donors included are by no means new donors. Rather, some of them have provided aid for more than half a century. For the greater part of the

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1. In 2006, the following 22 countries were members of OECD's Development Assistance Committee (DAC): Australia, Austria, Belgium, Britain, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxemburg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, and the United States. Moreover, the European Commission was a member. As of April 2008, DAC is in the process of enlarging its membership to bring in Chile, Israel, Estonia, Russia and Slovenia.

past two decades, however, they did not play a central role in international aid as the strategic role of aid diminished with the end of the Cold War, while simultaneously they paid more attention to internal affairs relative to external (aid) relations. This, however, is about to change.

Two factors distinguish the non-DAC donors examined here, namely, membership of the European Union (EU) and/or membership of OECD.² While EU membership directly affects non-DAC donors' multilateral aid, which to a large degree is channelled via the European Commission, and indirectly affects its bilateral aid through shared development objectives, values and principles (European Parliament Council Commission, 2006), membership of OECD affects central themes in development such as democracy and the market economy, as OECD is not only the club of the rich countries, but also a community of shared values. A categorisation of non-DAC donors according to their membership of EU and OECD, respectively, produces four distinct groups of non-DAC donors. Group I comprises members of both the EU and OECD. Group II consists of OECD members not part of the EU. In contrast, group III consists of EU members not part of OECD. Lastly, group IV comprises countries which are members of neither the EU nor OECD. These groups are examined in Sections 3 to 6.

Before we proceed with the categorisation, Section 2 explores the relationship between aid focus (countries, sectors, aims, etc.) and transactions costs. It argues that the discussion of donors and higher transaction costs is not straightforward, but depends on the characteristics of the intervention as well as its interplay with other interventions. The following four sections delve into the aim, form, modality, size, and selection of countries and sectors of the four groups' development aid. Particular attention is paid to donors whose modality, aim, form, etc. diverge most from those of the DAC donors, and to donors that have political and economic importance in Africa beyond aid. Section 7 analyses the consequences of the return of non-DAC donors to Africa, and Section 8 concludes.

2 More donors: higher transaction costs?

In the aid community, the return of non-DAC donors is closely linked to the need to change the current aid architecture. Recent studies point to high levels of fragmentation and complexity of aid, which make its co-ordination difficult. Acharya et al. (2006), for instance, showed that from 1999 to 2001 each of the 22 OECD donors they examined had aid interventions in 107 countries on average. In addition, multilateral donor organisations and the growing number of vertical funds increase this fragmentation and complexity. In this light, the return of non-DAC donors increases the need for new mechanisms that enable donors to share and co-ordinate information about aid (OECD, 2006). Following this line of argument, the return of non-DAC donors results, *ceteris paribus*, in new or extended aid interfaces for recipient countries, which have to relate to new donors, more modalities, other conditionalities, and further evaluations.

2. Not counting the 22 member countries of DAC (see footnote 1) the following 8 countries were members of the OECD in 2006: Czech Republic, Iceland, Hungary, Mexico, Poland, Slovak Republic, South Korea and Turkey.

Related hereto, a central argument for the need of a new aid architecture is the rising transaction costs related to the development interventions. While transaction costs originally referred to costs related to firms' relations to the market, it has now become a central concept in institutional economics referring to costs related to different types of behaviour, that is, to costs related to the presence of institutions. The concept has also become important in development aid. Lately, it has been used by Martens (2005) to explain the existence of both donor organisations (because of different preferences between donors and recipients) and different types of donor organisations (interventions vary and, hence, different organisations are needed to reduce transactions costs). Nevertheless, these very donor organisations are often accused of having too high transaction costs, and hence of being too ineffective (Munro, 2005). Donors perceive that this may indicate inefficiencies in the aid delivery system; consequently, reduction of transaction costs is often perceived as the most pertinent aim of aid harmonisation and alignment processes (Fozzard et al., 2000; Andersen and Therkildsen, 2007).

Even though the aid community seems to agree on the need for these reductions, the very concept of transaction costs is seldom defined. The reasoning behind the aid architecture argument based on increasing transaction costs thus easily becomes circular. In order to overcome this, aid-related transaction costs are defined here as: 'the costs arising from the preparation, negotiation, implementation, monitoring and enforcement of agreements for the delivery of ODA' (Fozzard et al., 2000: 7).

Moreover, transaction costs may be direct (related to the pre-intervention, intervention, and post-intervention phases) or indirect (for instance, related to the unexpectedness of aid, or to the derived effects of aid) and relate to donors as well as recipients, implementing agencies as well as headquarters, and central ministries as well as direct beneficiaries (Acharya et al., 2006; Andersen and Therkildsen, 2007). In addition, various mechanisms influence transaction costs and thereby complicate the discussion of the relationship between donor proliferation and transaction costs.

Project-based assistance, for instance, is notorious in putting an enormous pressure on recipient countries (Morss, 1984). *Ceteris paribus*, a high number of interventions increase transaction costs due to the appraisals, procurement requirements, monitoring and evaluation related to the interventions. In the name of reducing these costs, and thereby enhancing the results of development aid, DAC donors have initiated a process towards changing the orthodox aid modality – away from solely project-based aid to a mixed modality including project aid as well as sector-wide approaches (SWAs), and budget support. Changing aid modalities, however, does not bring about lower transaction costs for the recipient *per se*. Rather, it gives rise to relocations of transaction costs – away from de-central entities towards line and central ministries (SWAs) and the ministry of finance (budget support). Ironically, capacity is often in high demand in these ministries. Changing aid modalities also changes the way costs are shared in the donor country, in as much as specialists traditionally responsible for project aid are replaced by macroeconomically oriented staff responsible for SWAs. Not only does this affect the composition of staff; it also affects the distribution of transaction costs in the donor country (Killick, 2004).

Aid-related transaction costs refer not only to the number of donors and/or interventions that each recipient has to deal with, but also donors' transaction costs, which are a result of the number of countries to which each donor gives aid; the number

of sectors; the quantity of aims pursued; the sum of target groups; and the total amount of collaborating partners. Moreover, these costs are borne by a number of different institutions in the aid community, ranging from the headquarters via country offices to implementation units at different points in the project cycle and at different times.

In order to reduce transaction costs – and thereby increase efficiency – donors therefore not only consider aid modality, but also tend to pay more attention to the ‘focus of aid’; that is, they decrease the number of partner countries and of sectors in each country. Prominent in this context are the European Union’s efforts to increase aid efficiency by reinforcing complementarity, thereby creating a division of labour between EU donors. In fact, the EU’s new Code of Conduct sets a scene in which EU donors concentrate their geographical focus, minimise the involvement in different sectors (up to a maximum of three), and delegate power to a lead donor based on comparative advantages .

According to Munro (2005), however, focus is not in inverse relation to transaction costs. Instead, the relationship is U-shaped: while a small number of (large) interventions creates neither internal learning in the donor organisation nor synergy between the interventions and thereby high transaction costs, a large number of (small) interventions creates much administration and thereby high transaction costs. To facilitate a reduction of costs the quantity of interventions has to allow for learning and synergies, while simultaneously minimising administration. The solution, therefore, is neither very few interventions/countries/sectors, nor several, but somewhere in between.

Moreover, the solution has to take the political economy of aid into account. In order to focus, at least along the path suggested by the EU’s Code of Conduct, EU donors should stand back and give way to a lead donor system. This entails, first, that donors should focus on a rational allocation of funds rather than national visibility. Secondly, it leaves only a little room for donor-country stakeholders to influence the choice of countries and sectors. Thirdly, and relatedly, development aid is often an important foreign policy tool, and thus the Code of Conduct presupposes that Member States will harmonise foreign policies. In order to become successful, the benefits of the division of labour will therefore have to offset the loss of national sovereignty (Engberg-Pedersen, 2008).

Even though everybody seems to agree that transaction costs are inversely proportional to aid efficiency, it is hard to come to an agreement about which costs to reduce in order to make development aid more efficient. From the donors’ point of view, it is crucial to maintain both dialogue with the recipient and monitoring and evaluation in order to minimise the risks of the intervention – in particular when the intervention is characterised by only limited donor control, as in budget support – even if it raises transaction costs. Moreover, the costs for donors of making a wrong decision in a few big interventions (budget support) are greater than in many small interventions (project aid) (Killick, 2004). In contrast, processes of dialogue, monitoring and evaluation are not necessarily important for the recipient. Recipients often perceive these processes as very bureaucratic, and hence prefer to reduce or even remove these processes altogether (Andersen and Therkildsen, 2007).

Furthermore, what is considered a cost today may improve efficiency and quality of aid and thereby outweigh costs in the future (Fozzard et al., 2000). Rigid monitoring and evaluation systems, for instance, may catalyse capacity-building in the long run,

and thereby decrease the need for donors to impose bureaucratic administrative procedures, thus reducing transaction costs for both donors and recipients. By the same token, it is important to distinguish between transaction costs imposed by donors and costs that would have been brought about if the same activities were to be financed by internal revenues.

On the basis of the above discussion, it is not possible to establish a direct causal link between the proliferation of donors and increased transaction costs. Instead, the literature on transaction costs and donor proliferation points to a number of issues relevant to the study of non-DAC donors in Africa. First, the bureaucratic pressure on certain institutions in Africa tends to grow with increasing use of the same aid modality by many donors. Secondly, donor harmonisation may remedy this only if funds are pooled in order to reduce the amount of aid interfaces for the recipient. Thirdly, harmonisation processes have to take the political economy of aid into account. Fourthly, transaction costs are not evenly distributed. It is, thus, crucial to focus on where and why costs occur. Finally, donor proliferation not only affects transaction costs and aid efficiency, it also affects which countries and which sectors receive aid.

3 Group I: EU and OECD members

Group I consists of four countries: the Czech Republic, Hungary, Poland and the Slovak Republic (see Table 1). The group is characterised by long-term involvement in international development co-operation during the Cold War (mainly targeted on former Eastern bloc states), by post-1989 experience as recipients of aid, and by channelling large parts of their aid via the European Commission (financial commitments to the EU are anchored in their obligations to the system).

Even though aid still remains a very small share of these countries' national expenditure, they all show a willingness to increase aid. All four have committed themselves to reach the 0.33%/GNI aim of the EU members by 2015. Similarly, they have all shown interest in adapting their own aid procedures to DAC standards,³ and their aid rhetoric to a large extent resembles that of the DAC donors: they aim to achieve the Millennium Development Goals (MDGs); they focus on social sectors; and they are signatories of the Paris Declaration on Aid Effectiveness.

Reality, however, is different. Form and modality differ from DAC aid. While DAC aid is by and large untied, the majority of aid from the donors in this group is tied to purchases of goods and services in the donor country. By the same token, not all loans and export credits are on concessional terms. Moreover, group I prefers to channel aid via projects, whereas DAC donors for some years have adopted other modalities alongside project aid. Finally, two conflicts come to the fore in Table 1. First, there is a potential mismatch between the MDG aim and the widespread use of humanitarian aid. Secondly, the combination of aid form with country and sector focus suggests that

3. One of the most important DAC standards is the definition of aid, or, in DAC parlance, official development assistance (ODA), which is defined as grants or loans to developing countries that are (i) undertaken by the official sector, (ii) with promotion of economic development and welfare as the main objective, and (iii) on concessional financial terms, i.e. a grant element of at least 25%. In addition, ODA includes technical assistance, but excludes financial transfers for military purposes.

politico-economic rather than altruistic motives determine group I's aid policies. This is, for instance, reflected in Hungary's choice of recipients: in 2005, almost all Hungarian bilateral development was targeted on ethnic Hungarians in neighbouring countries.⁴

Table 1: Group I's development aid, 2005

	Poland	Slovak Rep.	Czech Rep.	Hungary
Aid (US\$m.)	205	56	135	100
%/GNI ^a	0.07	0.12	0.11	0.11
Form	Grants (tied), export credits & stipends	Grants (tied) & credits	Grants	Grants (tied) & export credits
Official aim	MDG	MDG	MDG	Social & economic development
Multi	77%	45%	52%	37% ^b
Bilateral	23%	55%	48%	63%
Country focus	Eastern Europe & Central Asia. In Africa: <i>Angola</i>	Eastern Europe & Central Asia. In Africa: <i>Kenya</i> & <i>Sudan</i>	8 priority countries, 2 of them in Africa: <i>Angola</i> (8%) & <i>Zambia</i> (4%)	Central & Eastern Europe, Vietnam & Palestine. In Africa: <i>Ethiopia</i>
Sectors	Health, education, water & sanitation, environment	Infrastructure, private sector, health, education & energy	Environment, industrial development, agriculture, education & health	Political & economic transition, education, health, agriculture & environment
Modality	Projects & humanitarian aid	Projects & humanitarian aid	Projects, stipends, humanitarian aid, debt cancellation	Projects & debt cancellation

Notes: a) All ODA/GNI figures in this article are the author's own calculations based on GNI data from the World Development Indicators database; b) based on 1999 figures (Kiss, 2002).

Sources: Halaxa et al., 2002; Kiss, 2002; Krichewsky, 2003; IIR, 2006; OECD, 2006; Baginski, 2002; Slovakaid, 2006; MFA-Poland, 2005; Drozd, 2007.

4 Group II: OECD members, not members of the EU

Group II is more heterogeneous than group I; it consists of countries as diverse as Iceland, South Korea, Mexico and Turkey (see Table 2). Notwithstanding this apparent

4. Half of Hungary's neighbours are now members of the EU and therefore not eligible for ODA. The other half, Croatia, Serbia and Ukraine, are currently eligible for ODA, but with Croatia as a candidate country to the EU, only Hungarians in two of Hungary's neighbours may benefit from its development aid in the future.

diversity, the membership of OECD, which is reflected in their common aim to help developing countries achieve the MDGs and is also apparent in the choice of countries (mostly Least Developed Countries (LDCs)) and sectors (health and education), brings them together.

Table 2: Group II's development aid, 2005

	Iceland	Korea ^a	Mexico	Turkey
Aid (US\$m.)	27	752	19	601
%/GNI	0.18	0.10	0.003	0.17
Form	Grants (tied)	Grants (tied) & concessional loans	Mixed credits (tied)	Grants, export credits, & loans
Official aim	MDG	MDG & diffuse ICT	MDG	MDG & bridging developed-developing countries gap
Multi	26%	4%	ND	ND
Bilateral	74%	96%		
Country focus	<i>Malawi (25%), Mozambique (18%), Namibia (16%), Uganda (19%), Nicaragua & Sri Lanka</i>	18 priority countries mainly in Asia & Middle East. In Africa: 42 countries (7.5%), mostly to <i>Cameroon, Ethiopia & Tanzania.</i>	Latin America & the Caribbean	Asia (64%), Europe (15%), Middle East & North Africa (13%). Africa: <i>Ethiopia & Sudan (1%)</i>
Sectors	Health, education, social sectors, energy, & fishery	Health, ICT, education & agriculture	Education, environment, agriculture, health, energy & social development	Education, health, water, infrastructure, agriculture & culture
Modality	Projects & peacekeeping operations	Projects, material provision & overseas volunteers	Projects	Projects & humanitarian aid. En route for SWAps

Notes: a) Does not include aid to North Korea.

Sources: ICEIDA, 2005; OECD, 2006; SRE, 2007; TIKA, 2007; KOICA, 2007, 2006.

Not all donors in group II make their aid form explicit, but their selection of sectors combined with their criteria for selection of partner countries (closely related to the overall foreign policy and possibilities of drawing on own development experiences) suggests that aid, in the form of grants (Iceland), grants and loans (Korea and Turkey), and mixed credits (Mexico), is tied. Moreover, it is provided on a bilateral basis. Lastly, it is worth mentioning that Turkey is the only one ready to include more modalities in its portfolio; hence, in the future, Turkey plans not only to provide aid via projects but also to make use of SWAps.

5 Group III: EU members, not members of OECD

In contrast to those in group I, only very few of the donors in group III have previous experience as individual donors: Cyprus and Malta are new aid providers. In fact, until recently both countries were aid recipients, and while the Baltic countries *de jure* were part of the Soviet Union's development aid, *de facto* they gained no experience as donors since the Soviet Union's aid programme was centralised. In contrast, Bulgaria and Romania, as members of the Council for Mutual Economic Assistance, were very active donors during the Cold War supporting liberation movements in sub-Saharan Africa (Lawson, 1982; MFA-Bulgaria, 2007). However, since the end of the Cold War they have prioritised internal development issues, not external ones. Only Slovenia has recent donor experience. With the disintegration of the Yugoslav Republic, Slovenia maintained its aid programme, albeit on a small scale and only to the ex-Yugoslav Republics; but as EU accession negotiations progressed, Slovenia's aid programme developed (MFA-Slovenia, 2005).

Like the countries in group I, however, the accession of group III countries to the EU in 2004 (Bulgaria and Romania in 2007) has influenced their aid policies. As Member States that have joined the EU since 2002, they have undertaken to strive to reach an ODA level of 0.17%/GNI by 2010. While some of the group III donors have already laid down elaborate concept frameworks for their development policy, most countries have only recently introduced budget lines for development aid; in fact, aid did not figure in the Latvian and the Maltese budgets until 2005.

Group III channels almost all aid via the multilateral system, and like group I, the EU plays a central role in this context. Apart from Cyprus, bilateral aid, which is targeted almost solely on neighbouring countries, constitutes only a minor part of total aid disbursements. As a result, African countries do not figure prominently in group III's aid. In fact, apart from Lithuania's minor capacity-building project in Mauritania, only three group III donors target African countries bilaterally. Bilateral aid is largely tied, linked closely to these countries' own development process as transition economies or hubs for migration (Malta), and is delivered via projects. The selection of partner countries and sectors thus contrasts with the official statements regarding aid. Latvia, for instance, refers directly to the MDGs and specifically to Africa in an official review of its aid programme, but neither benefit from its bilateral aid (MFA-Latvia, 2007).

Table 3: Group III's development aid, 2005

	Bulgaria ^a	Cyprus	Estonia	Latvia
Aid (US\$ m.)	ND	6.5	4.9	8.3
%/GNI	NA	0.04	0.08	0.07
Form	Grants	Grants	Grants (tied)	Grants (tied)
Official aim	MDG (poverty reduction)	MDG	Alleviate poverty, peace, stability, human rights	MDG
Multi Bilateral	ND	23% 77% ^b	88% 12%	91% 9%
Country focus	South-eastern Europe & the Black Sea region. Possibly also LDCs	Yemen, Palestine, Lebanon, Egypt, <i>Lesotho</i> & <i>Mali</i>	Georgia, Moldova, Ukraine & Afghanistan. 10% to LDCs	Belarus, Georgia, Moldova & Ukraine
Sectors	Education, infrastructure, public reforms, & security	Health, education, infrastructure, agriculture & environment	ICT & health	Democratisation, good governance, & security
Modality	ND	Projects	Projects & humanitarian aid	Projects

Table 3: Cont'd

	Lithuania	Malta	Romania ^a	Slovenia
Aid (US\$ m.)	9.1	9.7	ND	38.1
%/GNI	0.04	0.15	NA	0.11
Form	Grants (tied)	Grants (untied)	ND	Grants
Official aim	Regional security & stability	MDG (poverty reduction)	MDG (poverty reduction)	MDG (poverty, hunger & HIV/AIDS)
Multi Bilateral	91% 9%	98% 2%	ND	89% 11% ^c
Country focus	Afghanistan, Belarus, Georgia, Moldova, & Ukraine. Project in <i>Mauritania</i>	Mediterranean & Middle East, small island states, & Africa: <i>Djibouti, Eritrea, Ethiopia, Somalia & Sudan</i>	Eastern Europe, West Balkans, & South Caucasian states	Eastern Europe, West Balkans (73%), Africa (12%); ^c <i>Burkina Faso, Madagascar, Malawi, Mali, Niger & Uganda</i>
Sectors	Good governance	ICT, democratisation, migration, education, health, trade & investments, & water	Democratisation, good governance, education, health & infrastructure	EU standards & accession to EU, investments, environment, agriculture & education
Modality	Projects & humanitarian aid	Projects	ND	Projects

Notes: a) Entered the EU 1 January 2007; b) Cyprus channels most of its bilateral development aid via other countries' aid systems; c) average figures for 2002-4. Sources: OECD, 2006; MFA-Estonia, 2007; MFA-Malta, n.d.; MFA-Latvia, 2007; MFA-Lithuania, 2007; DSW, 2008; MFA-Bulgaria, 2007; MFA-Slovenia, 2005.

6 Group IV: neither EU nor OECD members

Group IV constitutes the rest of the non-DAC donors, that is, all those that are neither members of the EU nor of OECD. It therefore embraces Latin American donors like Venezuela, Brazil and Cuba; Middle Eastern donors like Israel, Kuwait, Saudi Arabia and the United Arab Emirates (UAE); Asian donors like China, India, Taiwan and Thailand; as well as Russia and South Africa.

In order to further our understanding of the non-DAC donors in Africa, group IV is divided into two distinct subgroups. Most of those in the first subgroup have been donors since the 1960s, they have their own plurilateral development organisations, and they are united by their common membership of the Organisation of Petroleum Exporting Countries (OPEC). The members of the second subgroup are not united. Rather, this subgroup consists of all the donors not included in any of the other groups. Even though non-DAC donors include a wide range of donors, the DAC principally directs attention to this particular subgroup of non-DAC donors, and chiefly to China and India because their potential economic and political influence on Africa is enormous (Manning, 2006). These two subgroups are discussed in turn below.

6.1 OPEC donors

In the 1960s and '70s, OPEC aid was a major player in international development. According to Villanger (2007), the Arab countries' foreign aid, which to a large degree equals OPEC aid, constituted on average 13.5% of all aid between 1974 and 1994.⁵ This aid, mainly provided by OPEC aid institutions, was aimed at spearheading a new international order based on regional self-sufficiency.

Today, OPEC aid differs in many ways from the original OPEC aid. The global importance of Arab aid has now faded out, and only four out of 12 OPEC member states provide aid (see Table 4).⁶ An exact figure for OPEC aid does not exist because only a minor share of it is given via official agencies such as the Saudi Fund for Development; by far the majority of aid is provided instead via national Ministries of Finance and is not open to public scrutiny (Villanger, 2007). Moreover, OPEC aid is now characterised by having no, or at least only a very vague, official aim. Only Venezuela, the most recent OPEC donor, states that the aim is political, that is, to augment South-South co-operation. But this does not imply that OPEC aid is apolitical. The majority of aid from the OPEC countries targets Arab countries in close vicinity to Israel, namely, Egypt, Jordan, Lebanon and Syria. In other words, OPEC aid is heavily driven by geopolitics. Moreover, OPEC aid – or rather the Arab part of it – is used to promote Islam (Villanger, 2007).

5. It is worth noting that OPEC aid has always been highly volatile, fluctuating with changes in oil prices, and political matters and security issues.

6. Officially, the Organisation for Investment, Economic and Technical Assistance of Iran may provide loans and export credits to other countries in the region. Likewise, the Iraqi Fund for External Development provided low-interest loans to other countries in the region until the beginning of the 1980s. According to Neumayer (2004), however, Iran and Iraq, as well as most other OPEC countries, are currently aid recipients, not donors.

Table 4: OPEC donors' bilateral aid, 2005

	Kuwait	Saudi Arabia	UAE	Venezuela
Aid (US\$ m.)	185 ^a -386	214 ^b -1,691 ^a	106-181 ^a	ND ^c
%/GNI	0.24-0.50	0.07-0.58	0.17-0.29 ^d	NA
Form	Grants, export credits & loans	Grants & concessional loans	Grants & loans	Loans
Official aim	ND	Social & economic development & promotion of Saudi goods	Economic development	New model for co-operation
Country focus	Arab countries (54%), <i>not-Arab African countries</i> (17%)	Arab countries (45%), <i>not-Arab African countries</i> (21%); <i>Ethiopia, Gambia, Ivory Coast, Senegal & Togo</i>	Arab countries (81%), <i>not-Arab African countries</i> (8%)	Central America & the Caribbean
Sectors	Transportation & telecommunication, energy, agriculture, industry & water	Transportation & telecommunication, energy, agriculture, industry, health & education & water	Electricity & water, industry, transportation & telecommunication, agriculture & social sectors	Energy, infrastructure, construction, industry, transportation & agriculture
Modality	Projects	Projects	Projects	Projects & humanitarian aid

Notes: a) Based on OECD data from 2004 (Villanger, 2007: Table 1); b) this figure comes from the Saudi Fund for Development. It is converted from SAR 802.63 millions (exchange rate 31 December 2005, <http://www.oanda.com/convert/classic>); c) Venezuela's aid is increasing very rapidly. News agencies now report that Venezuelan aid, that is, traditional technical assistance as well as military support, surpasses US aid in some Latin American countries (Romero, 2007). Official Venezuelan aid figures are not disclosed, but according to Beeching (2007), Venezuela in 2007 pledged US\$8.8 bn in aid, energy funding and other financial transfers; d) based on 2000 figures for GNI. Source: BADEA, 2006; IsDB, 2006; Neumayer, 2003, 2004; OFID, 2006a, 2006b; OPEC, 2002; Saudi Fund for Development, 2007; Villanger, 2007.

While the dominant bilateral aid form for Arab recipients is grants, non-Arab recipients, for instance in Africa, receive aid in the form of concessional loans (Neumayer, 2004: 295). Even though the sectoral focus of OPEC bilateral aid is not readily comparable with DAC aid, for instance, as OPEC donors do not define what is meant by each sector, it is highly conspicuous that OPEC aid targets productive, not social sectors.

By and large, bilateral OPEC aid is untied. Only a small number of oil contracts contradict this general picture. Similarly – and in contrast to most DAC donors – there is no correlation between the recipients of OPEC aid and the trade partners of the OPEC donors (Neumayer, 2003). Critics, nevertheless, state that this generosity is only the result of lack of manufacturing activity to tie aid to in the donor countries (Neumayer 2004). Nevertheless, Villanger (2007) questions the untiedness of Arab aid and argues instead that Arab donors are currently in the process of tying aid to their exports, not untying it like DAC donors.

OPEC donors also use multilateral agencies to disburse aid. They channel aid via organisations such as the African Development Bank and the World Bank, but also have their own plurilateral organisations. Prominent among these are the OPEC Fund for International Development that supports development predominantly via untied loans to public sector institutions and to a lesser extent also via grants. Similarly, the Arab Bank for Economic Development in Africa as well as the Islamic Development Bank finance development projects in Africa through low-interest loans (IsDB, 2006; BADEA, 2006; OFID, 2006a, 2006b).

Even though Neumayer (2004: 285) maintains that there are ‘striking similarities between Arab and Western aid’, the analysis of OPEC aid above also brings two crucial differences between OPEC and DAC aid to the fore. First, form as well as modality differ: while OPEC aid agencies support projects via the recipient country’s public sector financed through concessional loans, DAC donors to a large degree grant aid via SWaps or support recipient countries’ budgets. Secondly, sector and country focuses differ, even if a recent profile of the OPEC institutions shows that almost all African countries, at some point in time since Kuwait initiated its aid programme in 1961, have received aid from the OPEC donors (OPEC, 2002), the lion’s share of aid has targeted Arab countries in the Middle East – countries that do not have a prominent place on the DAC list of recipients. Similarly, OPEC donors tend to pay attention to infrastructure, energy and industry, whereas DAC donors have focused recently on social sectors.

6.2 Other countries

This subgroup comprises 9 very different countries with very dissimilar aid programmes, different histories as donors, and different relations to Africa, which do not fit into any of the other groups and therefore are brought together in this one (see Table 5). Moreover, this subgroup comprises donors that are at most variance with DAC donors, that have the largest potential influence on recipient economies (also beyond aid), and which (therefore) interest DAC donors most. In this regard, two donors stand out, namely, China and India, in as much as their potential economic and political

Table 5: Group IV's development aid, 2005

	Brazil	Cuba	India	Israel	China
Aid (US\$ m.)	ND	ND	100-200	95.4	731-8,100
%/GNI	NA	NA	0.01-0.02	0.07	0.03-0.35
Form	Co-financing (up to 1/15)	Doctors & health personnel	Credits, concessional loans, grants (tied)	ND	Grants, interest-free loans & concessional loans (tied)
Official aim	South-South co-operation & make use of own human & technical resources	South-South co-operation & strengthen own position <i>vis-à-vis</i> USA	ND	MDG	South-South co-operation, altruism, regional stability, & access to markets & resources
Multi (M)	50%	B	B (mostly)	16%	B (mostly)
Bilateral (B)	50%			84%	
Country focus	Latin America (52%) Africa (27%): <i>Angola, Cape Verde, Guinea-Bissau, Mozambique & São Tomé & Príncipe</i>	Latin America, Asia & Africa	Afghanistan. TEAM-9: <i>Burkina Faso, Chad, Equatorial Guinea, Ghana, Guinea-Bissau, Ivory Coast, Mali & Senegal</i>	108 countries. <i>Africa (35%)</i>	Latin America, Asia & Africa (33-50%)
Sectors	Agriculture, education, health, fishery & reconstruction	Health	Agriculture, infrastructure & transport	Water, desert agriculture, education & refugees	Infrastructure, agriculture, health, education & science
Modality	Projects	Volunteers & stipends	Projects, training, debt cancellation & humanitarian assistance	Projects	Projects, debt cancellation & stipends

Table 5: cont'd

	Russia^a	South Africa	Taiwan	Thailand
Aid (US\$ m.)	NA	18	483	ND
%/GNI	NA	0.01	0.14	NA
Form	Grants & loans	Loans	Grants & concessional loans	Concessional loans
Official aim	MDG, democracy, market economy, conflict prevention & access to markets	South-South co-operation, democracy, conflict prevention & economic development	MDG	External relations, & social & economic development
Multi (M) Bilateral (B)	First M, later both B & M	ND	ND	ND
Country focus	Mostly neighbouring countries but also <i>Africa</i> , Middle East, & Latin America	Palestine, <i>Kenya</i> , <i>Lesotho</i> & <i>Zimbabwe</i>	Asia, Latin America & Africa: <i>Burkina Faso</i> , <i>Gambia</i> , <i>Malawi</i> , <i>São Tomé & Príncipe</i> , <i>South Africa</i> & <i>Swaziland</i>	Asia & Africa: <i>Djibouti</i> , <i>Ethiopia</i> , <i>Kenya</i> , <i>Lesotho</i> , <i>Madagascar</i> , <i>Mozambique</i> , <i>Senegal</i> , <i>Seychelles</i> , <i>Tanzania</i> & <i>Uganda</i>
Sectors	Energy, health & education	ND	Agriculture, private sector, ICT & health	ND
Modality	Projects, training, debt cancellation, humanitarian assistance & tariff reductions	ND	Projects & volunteers	Projects

Notes: a) This table displays Russia's future aid policy, not the actual aid.

Sources: Harmer and Cotterrell, 2005; Glosny, 2006; TaiwanICDF, 2006; Altenburg and Weikert, 2006; Price, 2004; MASHAV, 2007; ABC, 2007; MEA, 2007; MFA-Thailand, 2007; Tjønneland et al., 2006; Ministry of Finance, 2007; Gonzales, 2000; Davies, 2007.

influence on Africa is enormous (Goldstein et al., 2006). Hence, this article deals with both donors in more detail below. China and India, however, are not the only donors of interest in this subgroup.

Among the other seven donors, it is likely that Brazil, on account of its size and its historical relations with lusophone Africa, will acquire a certain degree of economic and political power in Africa in the near future. As depicted in Table 5, Brazil currently links its aid to its South-South strategy. Officially, Brazilian aid, which is co-financed with state institutions in the recipient country as well as with other donors, is an active part of Brazilian foreign policy. It is therefore not surprising that the majority of Brazilian aid targets neighbouring countries in the region; only less than 30% of Brazilian aid targets Africa.

Brazilian aid is by no means a new phenomenon. It began in the late 1970s in Guinea-Bissau and has continued, albeit on a very low level, since then. However, it was not until very recently that aid became a foreign-policy tool in Brazil. Currently Brazilian aid targets the following sectors: agriculture, education, health, fisheries and reconstruction. In Angola, Brazil has so far concentrated on reconstruction via support to the educational sector. In Guinea-Bissau, it targets HIV/AIDS, education and agriculture; in Mozambique, it provides aid to education, health and fisheries; and in Cape Verde and São Tomé and Príncipe, it makes aid available to education (ABC, 2007).

Even though Taiwanese aid to Africa is currently limited to South Africa and the four countries that have diplomatic relations with Taiwan (and not China), it is still interesting in as much as it has had, and still has, a prominent role in China and Taiwan's internal competition for international recognition.⁷ Since the end of the Cold War, the quarrel between the two Chinas thus enabled recipient countries in Africa, in a period characterised by a mainstreaming of development thinking and policies, to enlarge their room for manoeuvre by playing Taiwan and China against each other for aid and other financial resources. Today, only a very few, tiny, African countries risk maintaining diplomatic relations with Taipei, and thus potentially miss millions of dollars worth of Chinese trade and investments (Taylor, 2002). Nevertheless, the countries that do take this risk are faced with a very generous donor that to a large degree follows the policy of the DAC donors. The major difference between Taiwanese and DAC aid is the former's use of project aid largely linked to Taiwanese key competences.

Even though Russia has not yet produced a full aid programme, and the very concept of ODA is not even included in any Russian laws or government regulations (Ministry of Finance, 2007), Russia may become an important aid player in Africa in the future. For the past couple of years, Russia has written off developing countries' debts to the former Soviet Union. Moreover, a couple of Russian line ministries have participated on a case-by-case basis in small projects in developing countries, but Russia has not had a coherent strategy until now. The improved economic situation in Russia, however, has brought about a change in policy, and the Russian Minister of

7. Taiwan provides aid to countries that are 'friendly' to it. According to Chan (1997) friendliness implies diplomatic relations; representative offices under the name of 'Republic of China'; substantive trade or cultural links; or willingness to improve the relationship.

Finance recently committed US\$20 million for malaria control via multilateral organisations (World Bank, 2007).

Chinese aid to Africa

Aid has always been an active foreign-policy tool for China. Immediately after the establishment of the People's Republic of China in 1949, it began to provide aid, first to neighbouring socialist countries in the form of food, medicine and building materials, and since the Bandung conference in 1955, also to African countries. With the changing geographical focus, the aid modality also changed. China began to provide aid in turnkey projects rather than food relief. Albeit Chinese aid has varied a lot in volume and geographical focus since then, it has kept its special characteristics and maintained an important role in the country's foreign policy.

From the very beginning China used aid to distance itself from its experience with external partners as well as to maintain its independence. In order to achieve these aims, Premier Zhou Enlai in 1964 laid out eight principles for economic and technical co-operation with other countries. Rather than directing the behaviour of the recipients, these principles disciplined China in its efforts to provide aid. The most important principles concern equality and mutual benefit of aid, non-interference in other countries' internal affairs, no- or low-interest loans, and equal standards of living as experts in the recipient country. Notwithstanding minor amendments, these principles still guide Chinese aid today, and they have enabled the Chinese government to differentiate its aid from that of other big donors, which was implemented by high-salary experts and paid for by high-interest loans. In addition, Chinese aid is based on Chinese domestic economic planning, which makes it comparatively stable (Ping, 1999; Snow, 1988).

Broadly speaking, Chinese aid to Africa can be categorised in three distinct phases. The first phase began in 1949 and lasted until 1979. Officially, Chinese aid to Africa was directed by the aim of taking Taiwan's permanent seat in the UN Security Council, which made China support countries that supported China's one-China policy, and aimed to reduce white supremacy in the Third World, which made China support liberation movements in Africa. However, it did not support any movement in Africa; rather, it supported liberation movements not supported by Moscow. In other words, China perceived Africa as a suitable battleground for the fight against Moscow. This is probably one of the reasons why Chinese aid to Africa was not reduced after China's successful UN vote in 1971 when it was accepted at the UN at the expense of Taiwan. Instead, Chinese aid continued to expand in Africa. From 1975 to 1978, for instance, China launched new aid projects in 29 African countries (Eadie and Grizzell, 1979; Taylor, 2006).

The second phase began in 1979 and ended in 1989. During this phase, Chinese aid rhetoric remained unchanged but in reality the aid was heavily cut down. Most importantly, the number of recipient countries was reduced from 29 at the end of the first phase to 13 at the end of this phase. Moreover, China paid more attention to the mutual benefits and the economic sustainability aspects of projects. Three reasons seem to have caused this change, namely, improved external relations with Moscow and

Washington, which implied that China no longer needed Africa so much geo-strategically; the ailing economy, which meant that the government had to control its expenditure strictly, including foreign aid; and the internal reorganisation of the economy, especially the modernisation of industry, which highlighted the need for Western technology and capital and made China turn to the international financial institutions to obtain loans. China thereby changed status from being a donor to being both a donor and a recipient of aid (Ping, 1999; Snow, 1988).

The third phase began with the international condemnation of the Tiananmen massacres in 1989. During the 1980s, China had built up a good relationship with the West. This was ruined in a few days. Instead, China turned to its old 'all-weather friends' in the South, who either supported China or at least did not condemn it (Taylor, 2004). Meanwhile, the collapse of the Soviet Union meant that China had to change its foreign policy to take account of the hegemonic status of the United States. It therefore reconstructed its former solidarity rhetoric; China once again became the largest developing country and developing countries had to stick together. Aid again became an important vehicle for deepening diplomatic relations as well as building new ones in Africa. In two years, Chinese aid rose more than six times and the number of countries in which it launched aid projects more than tripled.

Over time, China's relationship with the West normalised, but its increasing demand for natural resources, new markets and investment possibilities meant that it did not downgrade the status of Africa. Rather, it sought to expand and formalise the collaboration further, first via the China-Africa Forum in 2000 in Beijing that led to the Beijing Declaration and later via the publication of *China's Africa Policy* in January 2006, which brings together existing policies dealing with the relationship between China and Africa. Thus, it includes a wide range of policies and strategies within politics, economics, education, culture and health as well as military co-operation, but neither informs us about the size of Chinese aid nor about its modalities. Instead, it hints at the importance China currently gives Africa (Government of China, 2006).

The Beijing Action Plan (2007-9), successor of the Addis Ababa Plan (2004-6), builds upon the Africa Policy but, in contrast to it, includes a number of concrete initiatives. Among the most interesting are: China and Africa have agreed to hold political consultation on the sidelines of the UN General Assembly to exchange views on major issues of common interest; China will send 100 agricultural experts to Africa and set up 10 demonstration centres of agricultural technology; the Chinese government will support Chinese banks in setting up a Development Fund to support well-established and reputable Chinese companies in investing in Africa, and encourage them to set up 3-5 overseas economic and trade co-operation zones in African countries (the first of which was recently inaugurated in the Zambian copperbelt); China will increase from 190 to over 440 the number of export items eligible for zero-tariff treatment; by 2009 it will double the amount of its assistance to African countries in 2006; it will provide US\$3 bn of preferential loans and US\$2 bn of preferential export buyer's credit; and it will train 15,000 African professionals in the next 3 years (Gill et al., 2007: Appendix 1). Furthermore, the Plan's wording is worth noting. Almost all pledges begin with 'the two sides agreed', 'the two sides welcomed', or 'the two sides decided', thereby underlining the commitment to act by both sides. Most importantly,

however, the Plan provides no information on the size of Chinese aid, nor on its modalities.

As depicted in Table 5, estimates for Chinese aid vary considerably: while the *China Statistical Yearbook 2005* calculates that it reached US\$731 m. in 2004 (Glosny, 2006), Alden (2007: 22) claims that the figure is US\$4.1 bn, the EU estimates that it reaches US\$5 bn a year (Altenburg and Weikert, 2006: 24), and Swann and McQuillen (2006) state that the World Bank estimated that Chinese aid to the three largest recipients in Africa, i.e. Angola, Mozambique and Nigeria, would reach US\$8.1 bn in 2007.⁸

There is little doubt that the official aid figure is too low (Davies, 2007), while estimates at the other end of the continuum are too high, but, because of a combination of non-disclosure of official data and incomparability of aid figures, China's real aid spending remains indeterminate. The following reasons may explain the non-disclosure and incomparability of Chinese aid: the official Chinese definition of aid is very broad and includes, for instance, support for the promotion of inward foreign direct investment to China; Chinese aid is closely related to other activities, and is used directly to facilitate Chinese investments abroad; the value of Chinese labour used in aid projects is undetermined; albeit the Ministry of Commerce (MoC) is a central actor in Chinese aid, it is not the only actor – 23 line ministries and de-central agencies also provide aid;⁹ ministries are understaffed; the government fears that greater transparency may lead simultaneously to greater demands for aid by recipient countries (because they are aware that other recipients receive more) and domestic criticism because of the widespread poverty in China; and lastly, it is impolite for China to disclose the exact figures (Lancaster, 2007; Wang, 2007; Davies, 2007).

Another reason why data on Chinese aid are so vague may also relate to the various forms of aid. Broadly speaking, Chinese aid may come as grants (in kind, not in cash), interest-free loans (often subject to debt cancellation, see below), and concessional loans (provided by the China ExIm Bank). According to Davies (2007), grants are most often used for social welfare projects such as hospitals and schools,

8. Not all Chinese aid goes to Africa. Lancaster (2007: 3) estimates that between one-third and a half of the total amount reaches Africa, and Alden (2007: 22) maintains that Africa commands 44% of the total Chinese aid budget.

9. The Ministry of Foreign Affairs has the overall responsibility for foreign policy and the Ministry of Finance administers the overall budget, while the MoC has the overall responsibility for China's bilateral aid. Surprisingly, there is no specific annual report for the MoC. Rather, the budget is negotiated year by year. Within the MoC, the Department of West Asia and African Affairs is responsible for overall aid policies; the Department of Foreign Economic Co-operation controls Chinese companies overseas; the Department of Foreign Aid administers Chinese aid projects; and the Economic and Commercial Counsellor's office (at the local embassies) acts as the MoC's extended arm locally. The projects are financed by the Chinese ExIm Bank established in 1994 to back international economic co-operation by providing preferential loans, and Chinese companies conduct feasibility studies and implement the projects. In addition, provincial mirror organisations exist throughout China. On top of the centrally planned tasks, these organisations also pursue other objectives that may involve projects in Africa. Similarly, the provinces share responsibility for certain tasks, for instance the health programmes in Africa. Therefore each province is responsible for these programmes in one or a few African countries (Delman and Kragelund, 2006; Lancaster, 2007).

interest-free loans are given to finance large-scale projects, often in infrastructure, and concessional loans are directed to procure Chinese products and services.

As stated above, one of the main characteristics of Chinese aid is the importance of turnkey projects. This, however, does not imply that this is the only aid modality. First, China makes use of other types of projects, namely, rehabilitation of former projects, and projects with some degree of domestic or tripartite input. Secondly, China gives debt cancellation to most African countries.¹⁰ In fact, China went ahead of the G8 countries and cancelled US\$10 bn worth of bilateral debt to African countries in 2005. Thirdly, China makes widespread use of scholarships to African students, and lastly, it has a long history of sending medical personnel to African countries.¹¹

Indian aid to Africa

Like China, India is by no means a new donor. The history of its aid programme began in the 1950s with aid to neighbouring countries in South Asia, and from 1961, as a direct consequence of China's aid to Africa, India began to provide aid to countries outside South Asia, including countries in Africa. Since 1964, it has channelled its bilateral aid via Indian Technical and Economic Co-operation (ITEC),¹² which officially aims to make India's experiences in agriculture and industry, for instance, available to countries in the South in order to bring about economic and political development and thereby a better world balance.

Indian development aid has now regained its domestic political importance after having been relatively unimportant during the last two decades of the twentieth century. Currently, it is seen as a means of obtaining a permanent seat in the UN Security Council as well as gaining access to markets for Indian products and paving the way for Indian investments. This two-pronged aim comes to the fore via India's efforts to change the outside world's perception of it as a donor rather than a recipient.

In June 2003, India initiated this policy by reducing the number of donors allowed to provide it with aid – stated as to free funds for the countries most in need (Ministry of Finance and Company, 2003). Meanwhile, it launched a new aid programme, the India Development Initiative, which was aimed at spurring development via grants and credits. The 2003 budget speech, however, indicates that this Initiative also had other aims, namely, to support Indian economic interests in developing countries and attract foreign direct investments to India. In fact, one-third of the funds allocated to the Initiative (and two-thirds of the total spent) was spent not on activities in foreign countries, but rather in a campaign to promote India as an attractive location for foreign investors (Price, 2004). The majority of the funds actually used to bring about development were channelled via the India Export-Import Bank (ExIm) as subsidies to maintain a low interest rate.

10. Not one single Chinese entity is responsible for debt cancellation. Rather the MoC, the Ministry of Finance, the Bank of China, China ExIm Bank, and the National Development Bank all play a role in bilateral debt cancellation.

11. In other regions of the world, China also provides humanitarian assistance. Among the best known examples of this form of aid is post-tsunami aid to Asian countries delivered via the UN.

12. For a descriptive account of India's early history as a donor, see Vohra (1981).

Table 6: Current Indian aid to Africa

Recipient	Sizeable Indian aid activities in Africa
Angola	US\$40 m. credit line for railway reconstruction (tied) & US\$5 m. ExIm credit for purchase of agricultural equipment in India
Benin	Donation of 60 tractors
Burkina Faso	US\$31 m. TEAM-9 credit for agricultural equipment
Cameroon	Donation of 60 tractors
Djibouti	US\$1 m. for food relief
Gambia	US\$7 m. ExIm credit for purchase of tractors & assistance to set up a tractor assembly unit in Gambia
Ghana	US\$15 m. ExIm credit; US\$27 m. ExIm concessional loan for rural electrification & support to non-traditional exports; & US\$2 m. for technical assistance to ICT centre
Ivory Coast	US\$27 m. TEAM-9 credit for 400 Tata buses
Lesotho	US\$5 m. ExIm credit for agriculturally related activities
Mauritius	US\$100 m. ExIm credit for ICT development; US\$7.5 m. donation for ICT; & US\$10 m. ExIm credit for sewerage
Niger	US\$17 m. TEAM-9 credit for purchase of transport equipment in India
Senegal	US\$48 m. TEAM-9 credit for irrigation system, ICT development & a steel manufacturing site; US\$18 m. ExIm credit for 350 Tata buses; & US\$15 m. ExIm credit for agricultural equipment
Sierra Leone	US\$800,000 donation for construction of 400 barracks (tied)
Tanzania	Establishment of two cashew nut processing companies, & US\$20 m. bilateral debt forgiveness
Togo	US\$10 m. ExIm credit to finance imports from India
Uganda	US\$1.7 m. humanitarian aid; & US\$5 m. bilateral debt forgiveness
Zambia	US\$100,000 donation for ARV medicine; US\$10 m. ExIm credit for ARV medicine; & US\$5 m. bilateral debt forgiveness

Source: Author's compilation based on reports from Indian embassies in Africa to the Ministry of External Affairs (MEA, 2007).

The use of the Development Initiative almost solely for domestic purposes, especially during the presidential elections in 2004, caused its abolition following the change of government. Indian aid, however, still exists, although no aid department as such has been established; instead, the responsibility is spread over various ministries.

As depicted in Table 6, ExIm has continued to give loans to developing countries since the formal closing of the Initiative. In addition, the government has launched other activities directly targeted on Africa, including the Special Commonwealth Assistance for Africa Programme (SCCAP), the Techno-Economic Approach for Africa-India Movement (TEAM-9), a US\$200 m. tied credit line for the New Economic Partnership for African Development, a US\$50 m. donation for the purchase of an Indian satellite system, and debt reduction for five African countries worth US\$24 m. (Naidu, 2008).

SCCAP is a sister programme to ITEC. Currently, India channels US\$12.7 m. a year to development via these two channels.¹³ ITEC/SCCAP aid comprises five different modalities: training of personnel in India, project aid, technical assistance, study trips, and humanitarian assistance. India provides all African countries that maintain diplomatic relations with it a certain amount of SCCAP units that may be converted into aid via the above-mentioned modalities. The number of units allocated to each recipient varies according to the economic and political importance of the country for India. Hence, economically unimportant countries with a small or no Indian minority receive only a few units, while economically important countries with a large Indian population receive 50 units each.

Of greater importance in an African context, however, is the US\$500 m. TEAM-9 credit facility launched in 2004 for eight African countries,¹⁴ the aim being to promote socio-economic development in these countries via access to Indian technology. As depicted in Table 6, the TEAM-9 credits given so far have targeted agricultural activities and to a lesser extent infrastructural improvements. Up to now, all TEAM-9 credits have been spent on Indian manufactured equipment.

7 The consequences of the return of non-DAC aid to Africa

As described above, not only the number of donors matters in relation to aid efficiency but also the form, modality and predictability of aid. In order to assess the consequences of the return of non-DAC donors for the African recipients it is therefore of the utmost importance to examine the specific characteristics of non-DAC aid and analyse how these characteristics compete with and complement DAC aid.

The very definition of aid varies between non-DAC and DAC donors. With the exception of a few non-DAC OECD donors, non-DAC donors do not adopt the DAC definition of ODA. Aid figures reported in this article may therefore include loans not on concessional terms and support for military activities. This is especially the case for some of the upcoming donors in group IV. Hence, aid figures at the higher end of the continuum for China and India (see Table 5) include disbursements that are better viewed as a mixture of tied export credits and aggressively priced loans rather than solely as ODA.

In addition to these differences, the relative size of aid differs: while DAC donors' aid forms 0.2-1%/GNI, non-DAC donors' aid forms only 0.01-0.58%/GNI. Save for a few, therefore, even the largest non-DAC donors in terms of aid ratio to GNI were less important than the majority of DAC donors in 2005. Hence, it is not the relative size of non-DAC donors' aid that makes them interesting but rather the way their aid is linked to other flows. With reference to China, India, and to a lesser extent also Brazil and Russia, it is therefore more important to analyse how aid – no matter how it is defined – catalyses other flows that are significantly larger and potentially affect recipient

13. Converted from Rupees 500 m. on 31 December 2007 (<http://www.oanda.com/convert/classic>).

14. TEAM-9 designates a technical co-operation programme between India and the following 8 African countries: Burkina Faso, Chad, Equatorial Guinea, Ghana, Guinea-Bissau, Ivory Coast, Mali and Senegal. According to Naidu (2008: endnote 4), 6 more African countries have shown interest in the programme.

countries much more, rather than merely focusing on processes of harmonisation and alignment along the lines of the Paris Declaration.

Another major difference between DAC and non-DAC donors concerns the aid form. First, the majority of non-DAC aid is tied. In contrast, DAC donors have recently agreed to untie financial aid to LDCs and in so doing improve the overall efficiency of aid. Seen from this perspective, then, the increased use of tied aid (by non-DAC donors) reduces the overall efficiency of aid. Secondly, the use of grants and loans differs. Even though non-DAC donors provide non-concessional loans to recipient countries, which may increase recipients' debt burden, they have adopted measures to reduce recipients' external (bilateral) debt. As a result of the widespread debt cancellation, however, many African governments are again able to borrow money on international financial markets. This regained creditworthiness, combined with the widespread use of non-concessional loans, may once again result in higher debt burdens.

On the face of it, the aim and motives of non-DAC aid also differ radically from those of DAC aid. While DAC donors officially support the MDGs, some non-DAC donors state officially that the aim is political rather than altruistic.¹⁵ In reality, however, the difference may not be that big. Even though geopolitics plays very different roles for different donors in their choice of partner countries, it is indeed very important for most DAC donors (Alesina and Dollar, 2000). Some donors use aid strategically (the US to secure its position in the Middle East, France to assist former colonies, and Japan to support like-minded countries), while others (the Nordic countries) put less emphasis on strategy and more on needs.

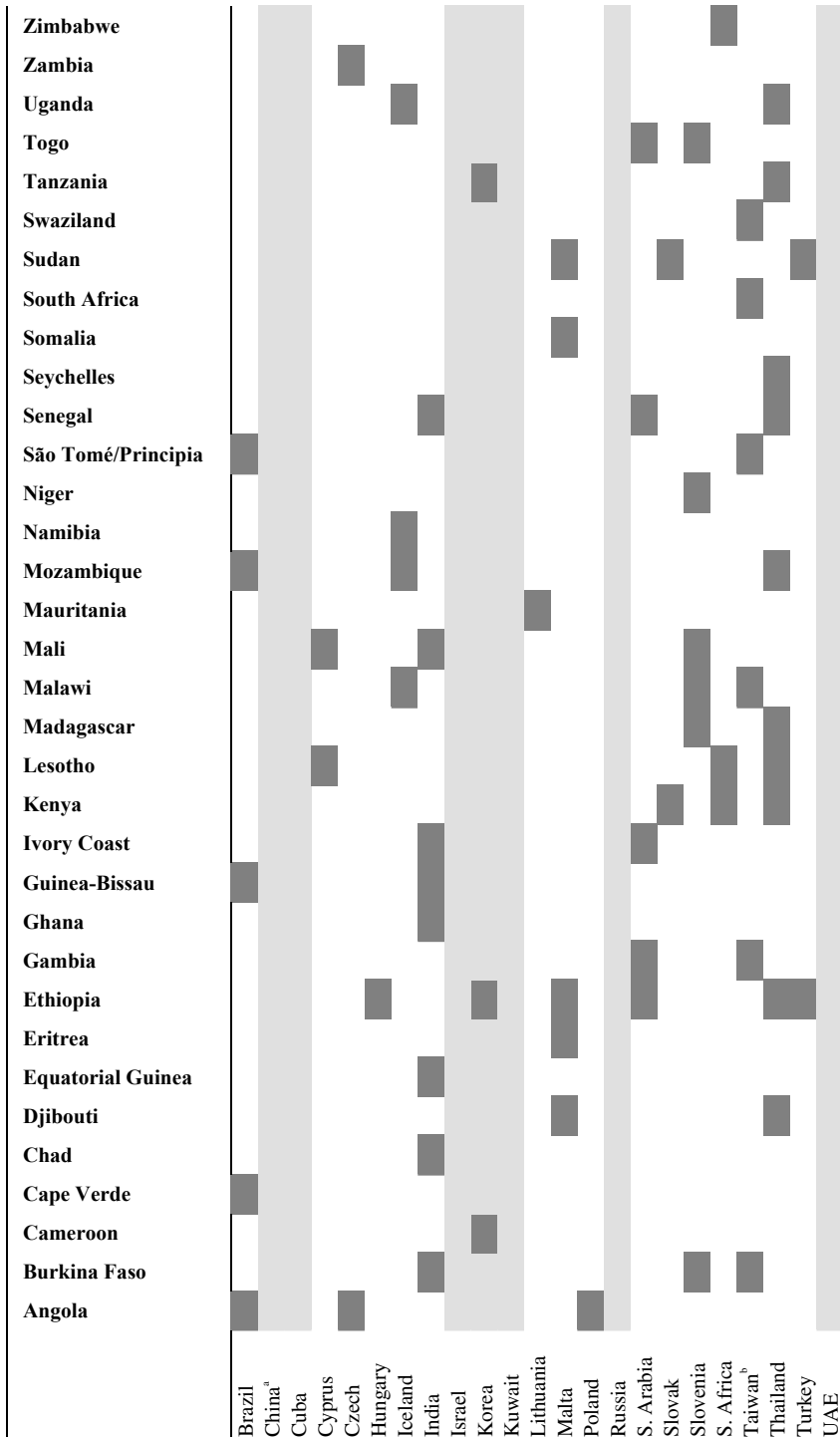
At first sight, the country focus of non-DAC donors is ambiguous. Table 7 depicts its current status in Africa. While partner and priority countries are shown in dark grey, light grey is used to indicate that some donors, such as Israel and China, in theory give aid to all African countries.¹⁶ The picture that emerges is indeed multicoloured: with the return of the non-DAC donors to Africa, some donor darlings like Ethiopia, Kenya, Mozambique and Senegal will have to deal with even more donors in the future as DAC and non-DAC donor darlings tend to converge. What is more, OECD (2007) predicts that the majority of bilateral aid in the future will also go to these same recipients. The combination of DAC donors' focus on a few recipients and new donors' attention to these same recipients may increase transaction costs and put pressure on their absorption capacity, thereby reducing the efficiency of aid.

In fragile and failed states in Africa, however, non-DAC donors can play a different role. Even though they concentrate their aid on donor darlings, they also provide aid to other African countries. This contrasts with the picture that emerges when looking at DAC; OECD (2007) anticipates that DAC donors in the future will keep away from fragile and failed states. In other words, while non-DAC donors' darlings correspond roughly to those of DAC donors, non-DAC donors also expand the number of African countries that receive bilateral aid. The return of non-DAC donors to Africa thus leads, *ceteris paribus*, to more resources for more African countries.

15. Other non-DAC donors officially refer to the MDGs (or varieties thereof), but their choice of sectors and countries indicates that their aid is also based on geo-political and economic considerations.

16. Recipient countries which receive aid only from these donors, are not included in the table.

Table 7: Non-DAC donors' aid to Africa



Notes: a) Even though the 'one China principle' guides Chinese aid, China channels aid to African countries that have diplomatic relations with Taiwan (Davies, 2007: 40, 56); b) in January 2008, Malawi changed diplomatic relations from Taiwan to China.

A direct comparison of the various donors' choice of sectors is not possible, as most donors do not define what is meant by the different sectors. Nevertheless, two related tendencies come to the fore in the examination of non-DAC donors' sectoral focus. First, non-DAC donors' competencies coincide with their sectoral focus, such as Iceland's focus on fisheries, Hungary's on political and economic transition, and Venezuela's on energy. This overlap of competencies and focus matches the use of tied aid, and the declared political and economic motives for giving aid. Secondly, there is a tendency for productive sectors to dominate over social sectors. Thereby non-DAC aid, on the one hand, resembles previous DAC aid, with a clear focus on infrastructure, energy and water, and, on the other hand, is in line with the most recent recommendations from, for instance, the Commission for Africa (Commission for Africa, 2005).

The use of bi- and multi-lateral aid channels, respectively, does not separate DAC and non-DAC donors *per se*. Rather, wide differences exist on both sides of the DAC-non-DAC divide. Groups I and III, for instance, by and large prefer the multilateral system rather than bilateral aid, while groups II and IV prefer the bilateral system. These differences boil down to differences in the official aim (poverty alleviation vs. geopolitics) and the relationship to the EU.

Finally, aid modality differs. While non-DAC donors on the whole disburse aid only via projects, DAC donors are currently changing their aid modality away from projects towards the inclusion of SWAPs and budget support in their aid portfolios in order to reduce transaction costs. New aid modalities, however, do not automatically result in reduced transaction costs, either for the donor or for the recipient. Rather, they are likely to result in transaction costs for other aid actors.

8 Conclusion

The return of non-DAC donors leads first and foremost, and *ceteris paribus*, to an increase in external financial flows to Africa. Not only aid flows increase. Non-DAC donors' aid also catalyses investment and trade. Moreover, the return of non-DAC donors tends to enlarge the group of African countries that receive bilateral aid as well as increasing the number of sectors targeted by aid flows. Finally, the return of non-DAC donors creates new donor competition, which may enlarge the recipients' room for manoeuvre and in so doing pave the way for more ownership and thereby greater aid efficiency.

Nevertheless, the return of non-DAC donors to Africa is by no means a guarantee of enhanced development in Africa. First, many non-DAC donors do not provide aid in order to facilitate economic and social development; rather, they give aid to catalyse trade, make use of their own resources, and gain political influence. Hence, it would be naïve to believe that all the extra external funds will benefit the African people; some of these funds instead benefit the donors, and others the ruling elites in recipient countries. Secondly, non-DAC donors make extensive use of project aid, which puts high bureaucratic pressure on recipient governments. Thirdly, a large share of the loans provided is not on concessional terms and is tied to the procurement of goods and services in the donor country. Lastly, the rapid increase in external flows of aid may

bring about the appreciation of local currencies and thereby trigger processes of Dutch Disease (Younger, 1992).

Although the effects of the Paris Declaration for technical co-operation, and hence for the efficiency of aid, are undetermined, it is still possible to reduce some of the destructive consequences of the return of non-DAC donors, first by inviting them to take part in trilateral development co-operation interventions (in order to transfer practical knowledge from each side about aid goals and quality standards) and later by applying policies of alignment, harmonisation and ownership. Not all non-DAC donors, however, are likely to take part in these processes: while donors in groups I-III most probably will adopt DAC-like policies and standards shortly, because of their membership of either the EU or the OECD or both, most donors in group IV are unlikely to adopt these same standards and policies.

Donors like China and India will not commit themselves to DAC standards in the near future, if at all. In both countries, aid is perceived as an important foreign-policy tool and is largely based on nationalistic policies. In China, for instance, aid is seen as fundamentally different from 'Western' aid, since it is said to be an important part of South-South co-operation, while Western aid is perceived as a way of compensating for the wrong-doings of the North in the South. In the words of the Chinese scholar Ying (2007: 92): 'Because of this fundamental difference, it is absurd to try to regulate Chinese aid with the norms or rules established by the developed donors.'

This, however, does not rule out the possibility of future collaboration for the benefit of the recipients. This collaboration may take place at various levels, but has to be based on a mutual acceptance that motives, aims, forms and modalities differ. At the macro-level DAC donors should continue to invite non-DAC donors to take part in peer reviews of DAC members' aid performance as well as in global forums for development organised by, for instance, the OECD, and at a micro-level non-DAC donors could take part in local co-ordination activities. However, it is important to bear in mind that, for these non-DAC donors, aid is used to catalyse other flows that may have an even larger impact upon the recipient countries. Therefore, it is of the utmost importance to enhance our understanding of how non-DAC donors' aid is linked to trade and investments.

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