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European responses to Asia's enhanced role as an aid donor

Raquel Freitas and Luís Mah

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Av. das Forças Armadas, Edifício ISCTE, 1649-026 LISBOA, PORTUGAL, cies@iscte.pt

Raquel Freitas: is currently a post-doc researcher at the Center for Research and Studies in Sociology (CIES) at the University Institute of Lisbon (IUL) in Lisbon, Portugal. She holds a PhD in Social and Political Sciences from the European University Institute, Florence.

Luís Mah: is currently a post-doc research fellow at the Center for African and Development Studies (CESA) at the School of Economics and Management (ISEG) in Lisbon, Portugal. He is also a Guest Lecturer at the Institute of Oriental Studies at the Portuguese Catholic University. Luís Mah holds a PhD in Development Studies from LSE (2004).

Abstract[1]

Asia is affirming itself as a newcomer and strong donor of aid to developing countries. China has been in the spotlight, but also countries such as India or South Korea have been stepping up their efforts at international development cooperation. These new actors, albeit with diverse approaches, challenge Europe's global weight and leadership role and are driving it to rethink its development aid policies. Europe has developed a highly complex system of disbursing aid to developing countries attaching it to criteria of macro-economic performance and good governance. The principle of ownership as set by the Paris Declaration (2005) affirms that "partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions". European countries have promoted it as a cornerstone principle for aid effectiveness, claiming to give aid recipients the capacity to decide their policies autonomously, in contrast to previous policies of conditionality in aid. Yet, the praxis is far from matching the discourse, as Europe seeks to be deeply involved in the policy process of aid recipients. Asian donors, on the other hand, tend to be less concerned with the normative discourse or with the policy process of aid recipients and more focused on mutual economic gains of the relationship. In this scenario ownership takes on a different frame. This paper explores how Europe is reacting to this new context and to what extent it is adjusting its development aid policies.

Keywords: Development cooperation; Europe; Asia; Africa

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1. Introduction

Asian countries have been /asserting themselves as increasingly strong aid donors to developing countries. China has been in the spotlight, though countries such as India or South Korea have also been stepping up their efforts at international development cooperation. These new actors, albeit with diverse approaches, are challenging Europe's global weight and traditional leadership role as a donor and are stimulating a reconsideration of its development aid policies.

Since the 1990s Europe has been developing a complex system of disbursing aid to developing countries, making it conditional on criteria of macro-economic performance. The principle of *ownership* as set out by the Paris Declaration on Aid Effectiveness (2005: 3) affirms that "partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions". European countries, as members of the OECD Development Assistance Committee (OECD-DAC), have promoted ownership as a cornerstone commitment on aid effectiveness, which, in contrast to previous policies of conditionality in aid, should give aid recipients the capacity to decide on their policies autonomously. Yet, the /practice is far from matching the discourse, as Europe seeks to be deeply involved in the policy process among aid recipients, through conditionality associated with good governance.

Due to their different development models, Asian donors tend to be less concerned with the normative discourse or the policy process of aid recipients and more focused on mutual economic gains from the relationship. In this scenario ownership takes on a different framework, where recipient countries have the status of equal partners: decisions are taken on the basis of projects or specific investments, with less scrutiny on macro-policy. This paper aims to explore how Europe is reacting to this new context and to what extent it is adjusting its development aid policies accordingly. It will do so by analysing the relationship between Europe and Africa in the context of an evolving development aid and cooperation landscape that is particularly marked by the emergence of Asian donors as influential actors with alternative models.

The paper argues that, in response to the challenge by the global financial and economic crisis, the European sovereignty debt issue and the increasing competition for natural resources and consumer markets by emerging powers, Europe is tending to question and lower previously agreed normative standards by linking its development aid policies to its economic interests. The research in this paper analyses European development policy. It explores the role of the policy-process norms, which constrain and impose limits on the exercise of interests, though this also generates tensions and ambivalence, reducing the legitimacy of European cooperation vis-à-vis its partners. The impact of the new donors in development cooperation with Africa is addressed in order to illustrate the diversity of approaches and the weight of the economic and political ties being developed between Africa and Asian donors such as China, India and Korea. The current debates on reformulating European development policy are then analysed to explore to what extent they take into consideration the emergence of the new donors and how that emergence aggravates existing difficulties.

2. European development policy: norms and ambivalence

The European Union is the world's leading donor in the field of Official Development Assistance (ODA): the EC and the Member States together provided almost €54 billion in 2010. Since 2005 the EU has doubled the amount of ODA it provides annually, although the global economic crisis has led to a decrease in the amounts (European Commission, 2010). The EU is also the world's largest economic bloc, with 501 million inhabitants and a total GDP of over €12 trillion in 2009; the annual imports of the eurozone alone from third countries exceed €1.3 trillion (HTSPE, 2011).

While Africa is not traditionally a major trading partner for Europe, European countries remain among the major trade partners of the continent. Although China and the USA are ranked at the top, if EU countries were taken together they would far exceed the two leading partners (African Development Bank, 2011a). After 2004, the commercial ties between Africa and the EU increased rapidly, to fall back in the aftermath of the economic and financial crisis that hit Europe. For the past eight years, the value of non-EU trade in goods with Africa has risen substantially, with imports from Africa (mainly energy products) consistently higher than exports to it (especially machinery and transport equipment). Between 2008 and 2009, the value of EU27 imports from Africa decreased by 33 % (from EUR 158 billion to EUR 106 billion), and EU27 exports to Africa fell by 10 % (from EUR 119 billion to EUR 107 billion) (Eurostat, 2010).

The high volumes of aid funding over several decades have given Europe a strong weight in the relationship with recipient countries, in particular those that are more dependent on it. Besides the material weight of its funding, Europe has retained a historical influence in political and economic terms in many of its African partner countries, through its close political and diplomatic ties, its economic relations and the provision of technical assistance for development. The relationship is structured by the Cotonou Agreement between the EU and African, Caribbean and Pacific countries, which includes development cooperation and trade aspects.

The EU has been developing a set of policy documents that establish the priorities, vision and norms for development aid. These are coordinated with other high-income donors in the context of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (OECD-DAC), which has thus far been the main institutional framework for steering and monitoring the international agenda on aid effectiveness. The agenda was formulated in the early 2000s when commitments were made to increase the amounts of ODA, with the overall objective of reducing poverty, as determined in the Millennium Development Goals (MDGs). Since then, the traditional donors, i.e. members of the OECD-DAC and partner countries, have reached an important international consensus on the principles and norms that should guide aid. Such principles and norms are laid out in the Paris Declaration on Aid Effectiveness of 2005 (OECD, 2005) and the Accra Agenda for Action of 2008 (OECD, 2008).

The most recent of the aid effectiveness instruments, the Busan Declaration of 2011 (OECD, 2011) embodies a change in the logic behind the aid effectiveness agenda on four points. First, it moves from a focus on aid to one of cooperation and effective development. Second, it recognises the status of developing countries as de facto partners, as a way of acknowledging the mutual benefits of the partnership. Third, it decentralises the activities involving norm adaptation and monitoring to the field level and to other organisations that, in contrast to the OECD-DAC, are not “donor-driven forums”. Finally, it establishes flexibility, enabling the involvement of emerging donors who do not agree with the norms developed in the context of the OECD-DAC.

With the emergence of Asian countries as development donors, alternative models of development cooperation have been placed on the agenda (Walz & Ramachandran, 2011). This brings to the fore the difficulties that exist in the relationship between Europe and its development aid partners in Africa, difficulties that are closely related to the widely criticised imposition of development models and policy conditionality. Three essential contradictions create problems in the relationship between traditional EU donors and their partner countries and distort the political balance: the discourse on moral responsibility versus the interests at stake; economic growth versus the social agenda; ownership versus the conditionality discourse.

3.The normative discourse underpinning EU development aid policy

Europe has constructed its development aid policy largely on the discourse of moral responsibility and solidarity. This discourse is centred on the idea of a normative or ethical power (Aggestam, 2008), which shifts its role in the world from a positive role model to a proactive promoter of “global public goods”. Europe’s recurrent focus is on poverty reduction and social issues, which underpins a self-portrayal as the guardian of the interests of the poor.[3]

This normative discourse is institutionalised in the EU documents guiding policy, e.g. the EU Consensus on Development Aid (European Commission, European Parliament & European Council, 2006), but is also grounded in the Declarations that form the normative framework of aid effectiveness, namely the commitments on ownership, alignment, harmonisation, concern for results and mutual responsibility.

The aid effectiveness agenda is also linked to the MDG agenda, which, since the UN Millennium Declaration was approved in 2000, has provided the guidance for the prioritisation of investments in the area of social policies and poverty reduction. These goals are to be met by 2015, though there are strong indications that they will not be attained because progress has failed to reach the most vulnerable (United Nations, 2011). There is an on-going debate on the relevance and validity of these goals, the extent to which they are also impositions by traditional donors and the way in which global priorities in this area should be restructured beyond 2015 (Sumner & Melamed, 2010).

In addition, Europe has set itself limits and norms that are designed to strengthen its internal process on aid effectiveness, enhance coordination and complementarity among EU member states and the EC, limit waste in resources, avoid duplication, and reduce the negative impacts while strengthening the positive effects of its policies.[4] Another instance of a normative system adopted by some EU countries is the International Aid Transparency

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[3] According to Art. 208º of the Treaty of Lisbon, “Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty” http://bookshop.europa.eu/is-bin/INTERSHOP.enfinity/WFS/EU-Bookshop-Site/en_GB/-/EUR/ViewPublication-Start?PublicationKey=QC3209190 accessed 04/04/2012.

[4] Some of these initiatives are:

- The Division of Labour, European Commission (2007). "EU Code of Conduct on Division of Labour in Development Policy". COM(2007) 72 final, Brussels, 28.02.2007.,
- Policy Coherence for Development European Commission (2005). "Policy Coherence for Development. Accelerating progress towards attaining the Millennium Development Goals". COM(2005) 134 final, Brussels, 12.04.2005.
- Joint Programming. Joint programming has been tried in a number of pilot cases but it is still in an exploratory phase and has not been adopted formally by member states.

Initiative, though some countries argue that the OECD-DAC already scrutinises each member state's policy through the peer-review mechanism and that it is pointless to duplicate efforts.[5]

However, the driving force behind most of these processes is bureaucratic, not political, and progress in mainstreaming them has been slow. The member states seem to lack true ownership of this normative setup. It creates a stumbling block for Europe since there is no real common strategy based on a common identification of policy interests and priorities. There is also no clear articulation between the developmental and economic dimensions, which often means that economic policy and interests contradict and undermine development policy, as was the case during the EPA negotiations (Cornelissen, 2010).

An additional normative agenda pursued by traditional donors has been the insistence on reforms in the area of good governance. The good governance agenda has emerged in particular since 2001, following the September 11 attacks and the increasing concern with state fragility and the links between security and development. It was also at this point that the framework of aid effectiveness was established and reforms in the area of good governance came to be seen as a sine qua non for aid effectiveness. The good governance focus is also linked to the increasing call for greater ownership of development policies by the recipient countries and the adoption of General Budget Support (GBS) as the preferred modality for disbursing aid among European donors. This modality implies that the country has transparent systems and that it has governance and accountability structures in place and in operation – ideally, for its citizens in the first place, though also for the donors.

4. The effects of the ambivalence and contradictions on Europe's influence

The normative discourse of European development aid is plagued by a number of contradictions. The frequent disjuncture between discourse and practice helps to undermine the standing of European donors vis-à-vis their partners. For example, Europe trumpets its efforts to "untie" aid and claims to tie only about 10% of it (HTSPE, 2009) but much remains to be done in that regard (EURODAD, 2011).

Europe has strong economic and political interests in its partner countries and these are becoming ever more at risk, on account of the economic crisis and, in particular, the influence of emerging donors that threaten to take over Europe's traditional spheres of economic and political influence, while bringing with them new practices and models of development cooperation.

[5] See http://www.aidtransparency.net/, accessed 15/05/2012.

One of the main problems that dent the legitimacy and credibility of the EU normative discourse is the accusation that traditional donors have imposed the neo-liberal model of economic development and capitalism and that these are responsible for the poverty in developing countries (Craig & Porter, 2006; Blunt, Turner et al., 2011). That is why traditional donors, and Europe in particular given its colonial past, feel a moral obligation to force those involved to focus on poverty reduction and social policies. In some respects Europe functions as the conscience of governments that do not naturally feel compelled to prioritise the concerns of the poor but, rather, are concerned with growth and the satisfaction of the interests of local elites. However, this does not necessarily improve the relationship between Europe and its partner countries, which often accuse these traditional donors of micro-management and interference in their internal politics (Glenn, 2008; Faust, 2010).

Europe often leaves the International Financial Institutions (IFIs), which are donor-driven, with the less agreeable task of promoting macro-economic policies that often have negative impacts on social policies. Thus, while on a bilateral level donor countries seem to be playing the role of protector of the poor, on the multilateral level the IFIs play a less amenable role, pushing for economic policies that can be detrimental to the poor, although there has been progress in particular with the World Bank (Blackmon, 2008). Some see it as a positive step that Europe reinforces the capacity of global institutions and broadens membership of key international bodies in which new powers can develop positions (Humphrey, 2011a). This could help to reinforce the credibility of Europe as a normative-based donor open to dialogue with different approaches. However, there is no consensus in Europe regarding the possibility of granting more decision-making powers to emerging economies in the IFIs, which also shows a lack of leadership capacity on the part of Europe, due to its internal divisions.

Although emerging donors support poverty reduction policies, they are less doctrinaire on how to get there and steer clear of macro-economic policy-making (Walz & Ramachandran, 2011: 17-18). They pursue a strategy of non-involvement, leaving the partner countries to decide on investment in social areas. Economic interaction is driven by a notion of gains on both sides, based on what is termed win-win partnerships. Thus, mutual economic gains are at the forefront of the agenda, with few strings attached except for some economic offsets.

Of the range of emerging Asian donors, China presents a particular challenge to European development cooperation policies, one that is even recognised by the European Parliament: "...whereas China's emergence as a further alternative aid donor is challenging the EU's conditional approach towards African governments with a view to securing political reforms…" (European Parliament, 2008). China's position creates an alternative model of interaction and puts the legitimacy of Europe's more interventionist stance into question.

Concerning GBS, traditional donors have hesitated to provide it, in practice, due to the difficulties of ensuring good governance. This is particularly so when many developing countries are demonstrating solid economic growth but continued and sometimes even rising levels of poverty (Casse & Jensen, 2009). This problem is connected with the lack of democratic accountability to their citizens and parliaments. Traditional donors have insisted on democratisation and devised governance matrixes to try to ensure some level of accountability but they have resulted in further criticism of micro-management and interference in the internal affairs of developing countries (Carmody, 2008). This is also linked to the lack of focus on pro-poor growth and the absence of redistributive policies in some developing countries, priorities that Europe tries to stimulate. All these are seen as intrusive methods that are contrary to the commitment to the ownership of development policies. Under the new proposal on budget support policy the EU has relabelled GBS "good governance and development contracts" (European Commission, 2011a).

The Busan Forum on Aid Effectiveness was a negotiation arena where these different dynamics were confronted. The EU presented a weak position, reflecting a lack of leadership, and conceded many of the emerging donors' demands in order to join the partnership and sign the document. The final document reflects the concessions to emerging donors and, hence, the shift from an aid effectiveness agenda to an effective development cooperation agenda, marked by the voluntary nature of the emerging donors' commitments. Although the monitoring framework is still under discussion it seems that the emerging donors may be exempted from much of the established scrutiny (Glennie, 2011).

In short, the imposition of policies brings unease to the relationship – and the ambivalence between interests and norms aggravates that unease. This contrasts with the behaviour Asian donors, who develop looser relations and are not so intrusive. This contrast adds to the already existing unease in the relationship between the EU and its partners. However, these new models also provide a basis for the legitimation of a revision of the traditional donors' models, though the criteria with which the new global framework will align itself remain to be seen.

5. Facing the Emergence of Asian Donors in Africa

While many of the prosperous traditional OECD-DAC donors have been hit hard by the economic and financial crises of recent years, which has forced them to decrease their aid budgets, Asian countries like China, India and South Korea are increasing their roles as aid donors: they are benefiting from strong economies and are eager to enhance their international role. They have already had a strong impact on the international aid architecture and the aid delivery rules (Walz & Ramachandran, 2011). The fundamental difference between the traditional and emerging donors lies in the fact that the latter regard themselves as interested parties in a mutually beneficial relationship with their partner and aid beneficiary countries. They reject the notion that some countries are “donors” and others “recipients”.

It is possible to identify three major features in the way Asian donors design and implement their co-operation. First, they like to state that they do not attach policy conditions to their development cooperation programs. They repeatedly claim that they do not interfere in the domestic affairs of partner countries and that they respect the principles of “national sovereignty” and “solidarity” (Smith, Yamashiro Fordelone et al, 2010) By presenting themselves in this way they differ from traditional donors, who tend to impose conditions in terms of macro-economic reforms and good governance. Secondly, Asian donors prefer to provide technical cooperation in the form of the direct implementation of the projects agreed with partner countries. Traditional donors, on the other hand, seek to influence the beneficiary’s micro-management of development affairs and interfere in the policy process, in particular through budget support. Finally, Asian donors tend to provide financial support (concessional loans rather than grants) and trade access (Smith, Yamashiro Fordelone et al., 2010, ECOSOC, 2008). In contrast, traditional donors continue to offer long negotiations and resistance to the establishment of economic partnership agreements (EPA) with African countries.

While China and India have a record of providing assistance to Africa since the 1960s, in most cases until the end of the 20th century it did not follow a particular strategy. Rather, it responded to the calls for assistance from newly independent countries and liberation movements as European colonialism subsided and influence over the African continent became a source of dispute in the Cold War period (Naidu, 2008).

It was only during the 21st century that emerging donors like China (with the first FOCAC – Forum on China-Africa Co-operation – in 2006), India (with the inaugural India-

Africa Partnership Summit in 2008), and Korea (with the Korea Africa Economic Cooperation Forum in 2006) started to develop a clear strategy of engagement with the continent. It should be stated that Korea's development cooperation policies for Africa are institutionally different from their Chinese and Indian equivalents due to its membership of the OECD/DAC since 2010. This membership is expected to make Korea abide by internationally recognized good practices in the provision of ODA, as defined by the traditional donors in the aid effectiveness agenda mentioned above.

In sum, these three Asian countries, particularly China, are now important emerging donors in Africa. They have offered both monetary and non-monetary forms of development assistance, ranging from debt relief, technical assistance, access to scholarships or training programs, tariff exemptions and gifts of buildings, equipment or other capital goods, to grants and concessionary loans. At the same time, this has opened the door to increased economic and investment activities by Chinese, Indian and Korean companies across the continent, a fact that is strongly visible in the trade figures.

5.1 China-Africa Ties

China's commitment to Africa has been clear since the 2006 Forum on China-Africa Co-operation (FOCAC).[6] This Forum was set up in 2000 as "a platform established by China and friendly African countries for collective consultation and dialogue and a cooperation mechanism between the developing countries, which falls into the category of South-South cooperation".[7] Four high-level ministerial meetings have taken place within the FOCAC framework: Beijing (2000, 2006), Addis Ababa (2003) and Sharm Al Sheik (2009). It is through FOCAC that China implements its foreign aid and trade policy towards Africa. This distinguishes China from OECD/DAC donor countries as the latter are expected to separate foreign aid from trade policy, as aid should not be driven by commercial interests.

FOCAC makes it clear that China's ties with Africa are beyond the provision of development aid and focus instead on building strong economic cooperation through financial support and bilateral trade. In this partnership, China provides grants, concessionary loans, debt relief, technical assistance, training programmes, tariff exemptions, and gifts of

[6] See www.focac.org.For an evaluation of FOCAC, see Evaluating China's FOCAC commitments to Africa and mapping the way ahead (Center for Chinese Studies, University of Stellenbosch and The Rockefeller Foundation, January 2010).
[7] See http://www.focac.org/eng/, accessed 04/04/2012.

buildings (e.g. the recently inaugurated African Union headquarters in Addis Ababa), and equipment or other capital goods.[8]

Through the Export-Import Bank of China (EXIM), China offers concessional loans that benefit from an interest rate subsidy set by the Ministry of Commerce (MOFCOM). This ministry is responsible for the approval of the loan, while the funds for the interest rate subsidy are taken from the foreign aid budget, which is under the control of the Ministry of Finance (MoF). These are usually medium to long term loans focusing on the profitability of projects (Davies, Edinger et al., 2008: 12). EXIM, the only financial institution in charge of administering concessional loans, was established in 1994 as a government policy bank. EXIM, the Agricultural Development Bank of China (ADBC) and the China Development Bank (CDB) are the three banks in charge of financing the government's priorities in terms of development cooperation policies.[9] EXIM is the third largest Export Credit Agency (ECA) in the world and is regarded as a crucial financial instrument in the rapid expansion of Chinese exports and Chinese global investment. EXIM's activities in Africa have been growing rapidly, with most of the projects that it funds being committed to infrastructure development.[10]

Grants are usually provided in kind, through various projects and as a response to a call from the partner countries. However, grant-based projects tend to be implemented by Chinese state-owned enterprises and are usually aimed at social welfare projects such as schools, housing or hospitals, material assistance, and technical assistance and training programmes. According to China's first ever policy document on aid provision, a white paper on aid, released in 2011, Beijing had provided a total of 256.29 billion yuan (USD 40.67 billion at current exchange rates) in aid to foreign countries by the end of 2009. Out of this total, 106.2 billion yuan (USD 16.85 billion) were grants, 76.54 billion yuan (USD 12.14 billion) interest-free loans and 73.55 billion yuan (USD 11.67 billion) concessional loans. Africa was the leading recipient of Chinese aid, with 45.7% of the total. [11]

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[8] For an in-depth analysis of Chinese aid, see Davies, M., H. Edinger et al. (2008). "How China delivers development assistance to Africa." *Centre for Chinese Studies, University of Stellenbosch, DFID* **February**.

[9] By 2011, the global impact of two of these banks, the China Development Bank and EXIM, had been such that loans assigned to other developing countries and companies totalled around USD 110 billion. This compared with the equivalent arm of the World Bank that made loan-commitments of USD 100.3 billion. See (2011) "China Lending Hits New Heights". *Financial Times,* 17 January 2011, accessed 04/04/2012, http://www.ft.com/intl/cms/s/0/488c60f4-2281-11e0-b6a2-00144feab49a.html#axzz1mazUxvJE

[10] For an example of EXIM engagement in Africa, in particular Angola, see Corkin, L. (2012). "L'Exim Bank à Luanda Modèle Angolais?" *Outre-Terre* **4** (30): 227-239.

[11] See China's Foreign Aid, http://news.xinhuanet.com/english2010/china/2011-04/21/c_13839683.htm, accessed 16/02/2012.

China's new engagement in Africa, initially led by the central and regional states??governments/state agencies, is now more diverse due to the rapidly growing presence of a Chinese private sector.[12] According to Gu, there are two types of Chinese companies in Africa: state-owned enterprises (SOEs) and private sector firms. The former invest, basically, in resource extraction and infrastructure and are either owned by the central government or the provincial governments. The private sector includes small and medium-sized firms registered in China and investing in Africa, large and medium-sized China-based firms investing in manufacturing, communications and wholesale trading, and small to micro enterprises either in minor manufacturing or small-scale retailing.

As China has increased its financing to Africa and an increasing number of Chinese state-owned and private firms have entered the African market, trade between China and the continent has grown from USD 4.1 billion in 1992 to around USD 160 billion in 2011 (Freemantle & Stevens, 2012). Africa's rich resources have become increasingly important to help China's rapid economic growth and development. As a result nearly 80% of China's imports from Africa comprise mineral fuels and oils. In figures, Africa's exports to China rose to USD 93 billion in 2011 from less than USD 1 billion in 1992 (Freemantle & Stevens, 2012). Its imports from China have increased from USD 3.02 billion in 1992 to USD 73 billion in 2011 (Freemantle & Stevens, 2012). Twelve years after the first FOCAC in Beijing, China has become one of Africa's leading aid and trade partners.

5.2 India-Africa ties

India's commitment to the African continent has been stated publicly during the Africa-India Forum Summits.[13] The first forum was held in Delhi in 2008 and worked as an institutional framework to strengthen cooperation between India and Africa. In 2011, the final declaration set out an agreement to continue cooperation in various fields: economics, politics, science, technology, R&D, social development, capacity building, health, culture, sports, infrastructure, energy and the environment, and the media and communications. As with FOCAC in the case of China, this forum addresses India's development aid and trade policy towards Africa.[14]

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[12] For a study of the Chinese private sector in Africa, see Gu, J. (2009). "China's private enterprises in Africa and the implications for African development." *European Journal of Development Research* **21** (4): 570-587.
[13] http://www.au.int/en/summit/AfricaIndia, accessed 04/04/2012.
[14] For India's development cooperation, see Katti, V., T. Chahoud et al. (2009). "India's development cooperation - opportunities and challenges for international development cooperation." *Briefing Paper 3, German Development Institute;* and Humphrey, J. (2011b). "Indian Development Cooperation: Key Traits and

But unlike China with its large financial resources, India's development aid has focused on projects and technical co-operation.[15] It concentrates on providing assistance to Africa in the sectors where it can offer a competitive advantage: rural development, pharmaceuticals, health and IT. India's technical co-operation with Africa, which amounts to USD 12.7 million a year is channelled via Indian Technical and Economic Co-operation (ITEC), created in 1964, and its sister programme, the Special Commonwealth African Assistance Programme (SCAAP).[16] ITEC/SCAAP have five components: training programmes in India, project design, technical assistance by Indian experts, study trips, and equipment donations/gifts and humanitarian assistance (Kragelund, 2008). Beyond this technical co-operation, India has also provided other non-monetary development assistance, e.g. a debt relief programme aimed at five heavily indebted African countries, involving USD 24 million: Mozambique, Tanzania, Uganda, Zambia and Ghana (Naidu, 2008).

India's Export-Import Bank (ExIm) plays the role of a provider of monetary development assistance by running credit lines to finance African projects that benefit Indian companies. A major example is the Techno-Economic Approach for Africa-India Movement (Team-9), a USD 500 million initiative aimed at 8 West African countries: Burkina Faso, Chad, Equatorial Guinea, Ghana, Guinea-Bissau, Ivory Coast, Mali and Senegal. ExIm was also given responsibility for the management of USD 200 million pledged by New Delhi to finance initiatives across Africa that involved Indian companies helping to implement the New Partnership for Africa's Development (NEPAD). India also announced during the first Africa-India Forum in New Delhi that it would provide USD 5.4 billion in concessional loans to African countries (Humphrey, 2011b).

The impact of growing aid and economic ties between India and Africa has already been seen in the trade figures. Rising from around USD 1 billion in 1990 to USD 36 billion in 2007-2008, the sum dropped to around USD 32 billion in 2010-2011 in the aftermath of the global financial crisis. As India has continued its pace of rapid economic growth, it has

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Prospects." *Policy Brief* **16** (EDC 2020, March 2011). For Indian-African economic ties, see African Development Bank (2011b). "India's Economic Engagement with Africa." *Africa Economic Brief* **2** (6).

[15] The OECD estimated that India's development aid flows reached USD 610 million in 2008, in Smith, K., T. Yamashiro Fordelone et al. (2010). "Beyond the DAC: The welcome role of other providers of development co-operation." *DCD Issues Brief* May 2010, OECD Development Co-operation Directorate Paris. Waltz and Ramachandran from the Center for Global Development state that 15% of Indian development aid is targeted at Africa, or around USD 91 million of the above mentioned figure. See Walz, J. & V. Ramachandran (2011). "Brave New World: A Literature Review of Emerging Donors and the Changing Nature of Foreign Assistance." November 2011, Working Paper 273, Center for Global Development, Washington.

[16] http://www.itec.mea.gov.in/, accessed 04/04/2012.

become one of the leading global consumers of energy, while Africa has become one of its main energy sources. African exports were worth USD 18.8 billion in 2009, up from USD 587.5 million in 1990. On the other hand, Indian exports to Africa increased from USD 436.8 million in 1990 to USD 13.2 billion in 2009. (African Development Bank, 2011b).

5.3 Korea-Africa ties

Korea is now the 24th member of the OECD/DAC. Regarded as the main institutional arrangement by traditional donor countries, the DAC conducts research on best practices and themes of interest for aid effectiveness and reviews its members' development cooperation programmes approximately every four years. It is from this donor-club that the major share of global Official Development Assistance (ODA) is disbursed, to help to achieve the Millennium Development Goals (MDGs) set in 2000 by the United Nations. Korea's membership of the DAC reflects the country's transformation since 1945, from an aid-recipient to a donor country that has succeeded in developing from a basket-case of a poor country to one of the twenty leading economies of the world today.

The Korea Africa Forum for Economic Cooperation (KOAFEC) is the main instrument through which Korea is building cooperation ties with Africa.[17] It includes both development aid and economic cooperation programmes that are implemented via Action Plans approved during these forums. The first KOAFEC was held in 2006, followed by two others in 2008 and 2010. They were all hosted in Korea. The Korean International Co-operation Agency (KOICA) is the country's agency in charge of implementing its bilateral aid grants and technical cooperation policies, with a core focus on: education, health, agriculture, forestry and fisheries, ICT, industry and energy, the environment, disaster relief, climate change and MDGs.[18] Africa is the second largest and one of the fastest growing recipients of Korean ODA. Its share has sharply increased since 2005, from around 1% in 2004 to 19.1% in 2009, and now totals USD 53.31 million.[19]

Additionally, at the last KOAFEC, the Korean government announced that Seoul intended to increase the Economic Development and Cooperation Fund (EDCF) administered by the Korea Export-Import Bank (Korea Eximbank) almost twofold to USD 1.1 billion by 2015, compared to USD 590 million for the period 2005-2009 (Kang, 2011). As with China and India, trade ties between Korea and Africa have been rapidly increasing, reaching USD

[17] See www.koafec.org , accessed 04/04/2012.
[18] See www.koica.go.kr , accessed 04/04/2012.
[19] See www.koica.go.kr , accessed 04/04/2012.

13.9 billion in 2009, from almost USD 6.5 billion in 2000 (Kang, 2011). Africa remains a marginal trade partner for Korea, accounting for only 3.3% of all Korean exports and 1% of imports. In fact, Korea's share of African trade as a whole declined from 3.1% in 2000 to 1.8% in 2009. While Korea imports essentially primary commodities from Africa, its exports to Africa are dominated by machinery and transport equipment, manufactured goods and chemical products.

5.4 The emerging challenges of Asian engagement with Africa

The growing aid ties of these three Asian countries with Africa are undoubtedly related to their needs in terms of the primary commodities required to feed their economic growth. However, the picture that seems to be emerging is that China, India and Korea are also tapping into the growing African consumer market and thus rivalling Europe and the US. A recent report from the Standard Bank (2012) shows that, since 2008, Korea (+48%), India (+45%) and China (+38%), along with Malaysia, have been the leaders in consumer imports into Africa.[20] In contrast, the major European economies have struggled to compete with the new Asian competitors in the African market: Italy (-14.2%), Spain (-3.3%), Germany (-2.3%) and the U.K (-2.2%) have all lost consumer market share since 2008.

But if China, India and Korea represent a new opportunity for Africa in terms of access to development aid, financial support and access to markets beyond the traditional Europe and US, this new relationship raises certain issues:

First, although Chinese, Indian and Korean development aid and economic cooperation are possible new sources of capital, it remains to be seen whether or not these new sources will help Africa shift from exporting predominantly mineral resources and raw agricultural products to manufactured goods in order to foster more sustainable economic growth and development. The training and scholarship programmes, the science and technology exchanges and the social welfare projects such as schools and hospitals are all very helpful in terms of responding to Africa's needs. But this is not particularly different from what traditional European and American donors have been doing in past years as they have focussed their development assistance programmes on the achievement of the MDGs.

The novelty of the Asian donors, particularly China, lies in the fact that they were especially timely in intervening in another sector that had been neglected by the Europeans and Americans, despite the fact that it was a priority for African countries: the building of

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[20] See Freemantle, S. & J. Stevens (2012). "EM10 and Africa: China-Africa – taking stock after a decade of advance." *Africa Macro: Insight & Strategy (Standard Bank, March 2012)*.

large scale infrastructure projects on the continent. This has included the rehabilitation of roads and railways, the construction of new transport corridors and hydropower dams. These infrastructures are crucial to enabling the continent to transform the economic structure and build an industrial sector, and thus benefit from growing regional and global trade markets beyond commodities.

Second, as the most recent figures show (Freemantle & Stevens, 2012), while there is a tendency for trade between Africa and Asia to increase, it remains to be seen whether or not there will be an upgrade of African products entering the Asian markets.

Third, as in the past with traditional donors, and in the wake of a policy agenda led by a global civil society movement that pushed for an end to the old debts contracted by the continent, the scale of Chinese, Indian and Korean concessional loans threatens to set the African continent on the path to new debt fragilities. Unless there are other forms of guarantee, it is unknown how the continent will be able to underwrite the low interest rates that come with those concessional loans when and if natural/mineral resources are depleted.

Finally, the governance issue is also relevant. Ties between Asia and Africa tend to be the outcome of government to government negotiations, without the views of local civil society or other development agents being assessed. In taking this path, joint cooperation initiatives may not achieve their goals because they may fail to recognize the importance of an inclusive policy discussion process, to get help in setting national development priorities. Unlike Asia, Europe has a stronger position here due to the work it has done over the past years to advocate and build broad participation and an inclusive debate among all the stakeholders in national development policies. However, there are signs that China is engaging in some activity in this area. For example, since 2009, the OECD-DAC has created a China-DAC Study Group to strengthen dialogue and foster mutual understanding between China (the International Poverty Reduction Center) and DAC donors.[21]

[21] For the China-DAC Study Group, see: http://www.oecd.org/document/36/0,3746,en_2649_34621_44173540_1_1_1_1,00.html#Who_participates_in_SG , accessed 04/04/2012. See also the debate raised by Paulo, S. & H. Reisen (2010). "Eastern Donors and Western Soft Law: Towards a DAC Donor Peer Review of China and India?" *Development Policy Review* 28 (5): 535-552.

6. Revisiting European development cooperation: shifting paradigms, adjusting to new realities

As seen, the European discourse on development cooperation bases its relationship with Africa on the normative *acquis* of aid effectiveness. This entails a dovish approach that contrasts with the aggressive approach of China and other Asian donors. However, there are indications that the differences are not that great and are in fact being reduced through a more hawkish European approach (Stahl, 2011). This section will analyse some of the ongoing changes in European development cooperation and the impact of the new donors on the new economic diplomacy in Europe.

Bayne (Bayne & Woolcock, 2011) argues that governments try to reconcile three types of tension in economic diplomacy: between economics and politics; between international and domestic pressures; between governments and other forces. In the specific context of development cooperation we would include an additional tension, that is, between development aid norms and economic interests. This tension is particularly acute as Europe has tried to separate the discourse on economic interests from aid and development.

The European Commission initiated a debate in 2010 on the future of European Development Cooperation. Its proposal for a new policy, the Agenda for Change (European Commission, 2011b) was presented in October 2011 after extensive consultation and a series of changes to the document originally proposed, the *Green Paper on EU development policy in support of inclusive growth and sustainable development* (European Commission, 2010). Besides the Green Paper, a number of documents and processes were seen by member states as the starting point in a longer process towards the formulation of a new development policy: ideally it would join together different dimensions that are usually poorly coordinated, e.g. the Future of EU Budget Support (HTSPE, 2011) and the consultations on EU development funding after 2013.[22] The new policy on trade and development is also seen as an important instrument in enabling EU development policy to go beyond aid (CONCORD, 2011).[23]

These policy revisions were seen by most of those consulted as timely, given the existing budgetary pressures and the fact that the EU financial framework will be under revision in

[22] See all the positions submitted for these consultations at http://ec.europa.eu/europeaid/how/public-consultations/5240_en.htm , accessed 04/04/2012.
[23] See all the positions submitted for these consultations at http://trade.ec.europa.eu/consultations/?consul_id=156, accessed 05/04/2012.

2013. However, policy change in the EU context is a particularly slow process and there is little flexibility as approval requires the agreement of all member states.

The Agenda for Change, which member states are now discussing, proposes four major shifts: more conditionality concerning good governance and human rights; a focus on growth and the role of the private sector; a new concept of differentiated development partnerships with new aid allocation criteria; increased coordination of EU policies. An essential part of the debate around this set of proposals is the issue of whether development objectives should be broadened to cover inclusive economic development, growth and employment creation or whether the focus should remain strictly on poverty reduction (HTSPE, 2011).

The reflection on changes also has an impact on the reconsideration of assistance to middle-income countries, among them China, India, Indonesia and other emerging economies. This presents a challenge, since graduation does not mean an end to poverty and inequality (Gavas, Koch et al., 2011). In addition, it is going to be difficult to secure financing for external action in general and development cooperation in particular, as the EU intends to reduce its overall budget (Gavas, 2012). These challenges raise the question of how the EU? can cut aid to influential emerging countries while working with them to address global challenges (Gavas, 2012).

The European Parliament, as the guardian of the normative system, has warned against the EU emulating China's methods, "since that would not necessarily be compatible with the EU's values, principles and long-term interests" (European Parliament, 2008) and it supports conditionality in its cooperation with its partners with regard to human rights and environmental standards. Despite Europe's normative discourse, many of its policies undermine development cooperation policy. 'Policy coherence for development' (PCD) is a concept designed to address the negative consequences of certain policies for development and to maximise the positive impacts of those policies – hence the link between policy areas such as economy and development; European immigration policy and development cooperation policy; security and development; and climate change and development, among various other dyads. This is expected to improve both the effectiveness and credibility of European development cooperation.

While the focus was initially on more than ten areas, in the proposed Agenda for Change (European Commission, 2011b), policy coherence is related to global interests and only the security-development and migration-development links are emphasised. This reflects the tendency towards European self-interest/Europe's own interests and securitarian concerns

(Gibert & Bagayoko, 2009) and conflicts with the normative focus on needs-driven aid allocation and ownership.

This illustrates the discussion of norms versus interests reflected in the debate within Europe itself. For example, the proposed basis for the Agenda for Change (Green Paper) had a relevant sentence on the justification for development assistance: "…for the Union development assistance remains a matter of *solidarity*, of commitment and of *mutual interest*" (European Commission, 2010: 3) (emphasis added). This discourse contrasts with that of the European Consensus on Development of 2006: *"The EU is also the most important economic and trade partner for developing countries, offering specific trading benefits to developing countries, mainly to the LDCs among them."* (European Commission, European Parliament et al., 2006). The Consensus also notes that *"Combating global poverty is not only a moral obligation; it will also help to build a more stable, peaceful, prosperous and equitable world, reflecting the interdependency of its richer and poorer countries."* The new emphasis on *solidarity* instead of *moral obligation* and on *mutual interest* instead of a *better world* indicates a convergence with the discourse of China and other Asian donors.

This modification shows how the discourse is conforming to/following a reasoning of mutual benefit, in line with the emerging donors, in contrast to the previous approach that was much more paternalistic and anchored in the benefits that the developing countries had from EU cooperation. However, despite these tendencies on the part of the European Commission, the language of mutual interest was not taken up in the final document of the Agenda for Change, which means the ground is not ripe for such fundamental changes in the justification of development cooperation in Europe.

Combating poverty is also being portrayed as an interest: "Combating global poverty is one of Europe's core values, goals and interests" (European Commission, 2010: 4). This may be explained by the conceptualization of a link not only between security and development but also between migration and development (see also Agenda for Change, European Commission, 2011b).

Some observers point towards the ideal strategy for Europe to manage an increasingly crowded development landscape. Humphrey (Humphrey, 2011a: 3) considers two strategies that are particularly important for strengthening global governance sufficiently to meet the new challenges: increasing the density of networks in order to create opportunities for interchange and the development of ideas and increasing the capacity of global institutions such as the G20. Humphrey also argues that ceding space to emerging powers in international organisations such as the UN Security Council, the World Bank and the IMF would not necessarily imply a loss of influence and would increase the effectiveness of the organisations.

If, collectively, Europe is still working on a joint strategy to deal with the new donor dynamics in Africa, the latter's two leading EU donors, France and the UK, seem to be clear about their goals for the continent. They are not shying away from putting aid and economic interests together in the face of the challenge presented by the emerging donors, particularly China. Richard Moncrieff states clearly: "French aid has been one of the support mechanisms of French commercial presence on the continent, whether formally through aid tied to commercial contracts, or informally since the 'untying' of French aid. Sarkozy has made it clear that he intends to use aid to that end, both in Francophone Africa and beyond" (Moncrieff, 2012: 19). The UK, under the Tory government led by David Cameron, has presented a new strategy for engagement with Africa. The Foreign and Commonwealth Office (FCO) is now expected to take the lead from the Department of International Development (DFID), which, over the past ten years, has dominated UK policy for Africa. This represents the recognition that development objectives will now be linked to UK interests on the continent, including trade (Cargill, 2011).

7. Conclusion

This paper has analysed European development policy and how Asian countries' development cooperation practices impact on the reformulation of European policy. Two major factors have stimulated a revision of EU policies: the emergence of the new donors with alternative aid models, and the financial and economic crisis.

The emerging donors not only from Asia but also other continents have triggered reactions in Europe, which is trying to adjust its policies to the new aid and cooperation landscape. The financial and economic crisis aggravates the situation for three reasons: it reduces the material weight of the traditional donors; it creates pressure from the constituencies of donor governments for more focus on results ("value for money"), which sometimes entails more micro-management from donors; it means that the need to seek new sources of income outside the EU forces traditional EU donors to enter the global competition for access to new markets and resources.

This demands a rethinking of EU foreign policy and policies. Yet, Europe continues to suffer from an institutional incapacity to formulate a clear and strong vision of its foreign policy. What is now on offer is a vague vision in which security and migrations emerge as the main concerns. Additionally, this outcome is a product of the fact that Europe is not a monolithic bloc: the leading countries each run their own foreign policy, with significant differences in their approaches to the new global order, and still show a dominant tendency/trend to return to the principle of 'national interest first' rather than that of convergence in EU foreign policy.

In the current aid landscape, where emerging Asian donors rely on bilateral government-to-government relations, Europe's space is highly reliant on the influence of civil society and the private sector. However, the EU will face the challenge of taming its own private sector into fulfilling the aid effectiveness norms that it has proclaimed. The alternative is to downgrade the very norms it created under the earlier discourse, which it may now be levelling down to the practices of emerging donors.

Though it is still to be seen whether there will be a rebirth of the role of the state in trade, Europe is trapped in its own ambivalence regarding this issue because emerging donors seem to have bought into the liberal model. The future role of the state in trade policy will have a strong bearing on Europe's aid policy: on the one hand it asks for state deregulation and liberalisation, on the other hand it asks for a social focus on poverty issues.

In general, the link between trade and development is a key element/factor in defining the future European aid policy. Europe is now seeing Africa as a potential market, as well as a source of resources. This is something new, as Africa did not weigh much in EU foreign investment. This business-oriented perspective will create challenges for the normative position but Europe will be forced to retain and enhance its influence in the face of the emerging donors' models.

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