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Chinese and Norwegian Foreign Aid Approaches to sub-Saharan Africa:

A Comparative Analysis

by

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COMPULSORY DECLARATION

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

Signature: Sam Eyde Date: 13.05.2013

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Abstract

This study examines the different approaches to foreign aid by Norway and China. Through a historical timeline the Chinese and Norwegian foreign aid is unfolded and examined. Since the Beijing Summit of the Forum on China-Africa Cooperation in 2006, China's foreign aid has been the focus of international attention. China is seen as challenging the Western aid architecture with its different approaches to delivering foreign aid; especially with weaving aid, trade and investment together to create sustainability in foreign aid projects.

This thesis will aim to contribute to, by means of a historical comparative of Norwegian and Chinese foreign aid; increase the understanding of Norwegian and Chinese foreign aid approaches in sub-Saharan Africa (SSA). The study examines Norwegian and Chinese foreign aid approaches by looking at how they have evolved in a complex donor environment, multilateral agencies and foreign and national NGOs. The study asks the question of whether Norway has any claim or right to expect recipient countries citizens and elected officials, to conform to the values and democratic traditions of the donor country. Is it legitimate for Norway to use its foreign aid as a condition to promote values such as human rights, democracy and equality?

The study will illustrate that conditionality and non-conditionality in foreign aid delivery, is still a subject that is fraught with controversy. Conditionality is still a widely used tool by different actors in the Western aid architecture, especially making aid conditional on political policies (human rights and democratisations) of recipient countries. The study will compare Norwegian and Chinese use of conditionality and rhetoric of unconditionality. China's unconditionality using Zimbabwe as a short case study, where China has drawn criticism for prolonging Mugabe's dictatorial rule.

The study will further illustrate Norway's behaviour analysed using the game theory model called "Samaritan's dilemma", which highlights a welfare state such as Norway foreign aid behaviour vis-à-vis their recipients and recipient's negotiation power; where the dominant strategy used by the donor, is to disburse aid.

Acronyms

African Union (AU)

European Union (EU)

Brazil, Russia, India, China and South Africa (BRICS)

Chinese Communist Party (CCP)

Forum on China-Africa Cooperation (FOCAC)

Ministry of Foreign Affairs (MFA)

Norwegian Agency for Development Cooperation (NORAD)

North Atlantic Treaty Organisation (NATO)

Norsk Utenrikspolitisk Institutt/Norwegian Institute for International Affairs (NUPI)

Official Development Assistance (ODA)

Oil for Development (OfD)

Organisation for Economic Co-Operation and Development (OECD)

Organisation for European Economic Cooperation (OEEC)

Other Official Flows (OOF)

Southern African Development Community (SADC)

Structural Adjustment Policy (SAP)

Sub-Saharan Africa (SSA)

United Nations (UN)

United States (US)

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University of Cape Town

Chapter 1

Background, Aim and Method

1.1 Background – A Changing Aid Architecture

The two-day Beijing Summit of the Forum on China-Africa Cooperation in November 2006 began what has become an unprecedented focus on China's role in Africa. China's foreign aid has since been methodically covered, b

ut there remains a need for further study of this emerging phenomenon, especially at the comparative level. China is leading the group of emerging countries making up the BRICS nations (Brazil, Russia, India, China and South Africa). These are a collection of countries that have seen rapid economic expansion in the last thirty years. Provoking a fundamental shift in the global economic power balance is China, currently the world's second largest economy, according to Robert Fogel in 2040 the Chinese "economy will reach \$ 123 trillion, or nearly three times the economic output of the entire globe in 2000."¹ A study from Carnegie Endowment is less optimistic and predicts that in a thirty years' time China will overtake United States² as the largest economy.³ Furthermore, China is challenging existing models of foreign aid. Wolfgang Fengler argues that at the core, Western foreign aid has changed little since the 1950's,⁴ but that "new pressures on the aid systems may be too strong to resist fundamental change".⁵ New players such as China are especially creating this new pressure in the system, particularly in sub-Saharan Africa (SSA).

Despite a few countries providing the target of ODA percentage of 0.7% of GNI, foreign aid still constitutes an important part of international economy of the last 50 years, representing the largest form of resource transfer from developed to developing countries, greater than

¹ Robert Fogel, 'Why China's Economy Will Grow to \$123 Trillion by 2040', *Foreign Policy*, 2010 <http://www.foreignpolicy.com/articles/2010/01/04/1230000000000000?wp_login_redirect=0> [accessed 5 February 2013].

² Currently China is on-fourth of America's commercial GDP. In 2007 China's GDP was at \$3 trillion compared with \$ 14trillion of United States.

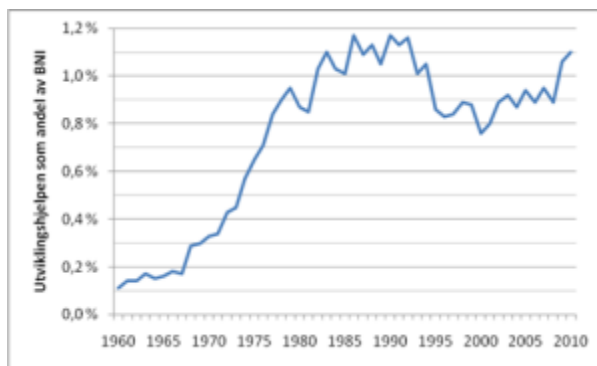
³ Albert Keidel, *China's Economic Rise - Fact and Fiction*, Carnegie Endowment For International Peace, 2008, p. 16.

⁴ Wolfgang Fengler, 'Delivering Aid Differently – The New Reality of Aid | End Poverty', *blogs.worldbank.org* <<http://blogs.worldbank.org/africacan/delivering-aid-differently-the-new-reality-of-aid>> [accessed 15 May 2012].

⁵ Fengler.

both foreign direct investment and commercial loans.⁶ This highlights the importance of aid and the impact it has on developing country economy, and more specifically how the type of aid has varying consequences. According to EllingTjønneland, “China’s development will affect the history of the twenty-first century, and perhaps nowhere more importantly than in Africa.”⁷

Norway continues to be one of the major providers of foreign aid, going above the 0.7 Gross National Income (GNI) target set by the United Nations.⁸ Since the mid 1990’s, Norway’s Official Development Assistance (ODA) as a percentage of GNI has ranged from 0.8 to 1.10% GNI (see table).



Source: OECD/DAC/Norad

In 2010, total Norwegian foreign aid totalled USD 4,742 billion. Of this USD 981 million went to Africa, the largest regional recipient. In recent years, despite limited official statistics about the amount China is spending on foreign aid, researchers place China as a medium size foreign aid provider similar to that of Belgium or Canada.⁹

The characteristics of China’s aid policy share similarities with the foreign aid policy laid out by former President Harry S. Truman. In his 1949 inaugural address, Truman set out to combine technical assistance and capital investment in an effort to increase industrial activity and production. Truman said “greater production is the key to prosperity and peace...and the key to greater production is a wider and more vigorous application of modern scientific and

⁶Jarle Simensen, ‘Writing the History of Development Aid’, *Scandinavian Journal of History*, 32 (2007), p. 167.

⁷EN Tjønneland and others, *China in Africa. Implications for Norwegian Foreign and Development Policies* (Bergen: Chr. Michelsen Institute, 2006), p. 84.

⁸‘Official Development Assistance’ <<http://iif.un.org/content/official-development-assistance>> [accessed 30 January 2013].

⁹Sven Grimm and others, ‘Transparency of Chinese Aid: An Analysis of the Published Information on Chinese External Financial Flows’, *Centre for Chinese Studies at Stellenbosch University Publish What You Fund*, 2011, pp. 16-17.

technical knowledge.”¹⁰ An underlying premise of this policy was to assist in the fight against communism. However the underlying premise of China’s aid policy remains unclear to Western researchers. Whether it seeks to counter Western influence and garner support from the developing countries, access to natural resources or whether the intention is purely to assist in SSA development remains unclear. The topic resource extraction has generated much literature coverage, many claiming China’s primary motivating generator for its foreign aid and presence in Africa is natural resources, though this is not evidence based.¹¹ While the subject of Chinese influence on good governance of the recipient countries have received less academic research.

China is further challenging the Western aid architecture with its unconditional foreign aid¹² policy.¹³ Throughout the history of aid, various kinds of conditions both unambiguous and discreet have been accompanying aid.¹⁴ Conditionality is seen as one of the key distinguishing points between Norwegian and Chinese foreign aid. According to Olav Stokke, the political conditionality objective has “been to promote democratic reform, human rights and administrative accountability in the South.”¹⁵ China, on the other hand, promotes non-conditionality in its foreign aid, adhering to the principle of non-interference in the internal affairs of other nations. But is charged by critics that its non-conditionality is helping rogue regimes and dictators stay in power.¹⁶ Norway has stated in its Soria Moria declaration (2005)¹⁷ to abstain from economic and political conditionality but has had difficulty in letting go of all political and economic conditionality to the aid when recipients of foreign aid violates human rights and democratic institutions.

¹⁰ Harry S. Truman, “Inaugural Address,” January 20, 1949.

¹¹Obert Hodzi, Leon Hartwell and Nicola De Jager, “‘Unconditional Aid’: Assessing the Impact of China’s Development Assistance to Zimbabwe”, *South African Journal of International Affairs*, 19 (2012), 79–103; Leni Wild and David Mephram, ‘The New Sinosphere: China in Africa’, *Institute for Public Policy Research*, 2006, 80; Tjønneland and others, p. 84.

¹² This is in many times also described as ‘no-strings attached’ is literature, it is also used interchangeably leading to some confusion on what it really entails. ‘no-strings-attached’ is in this paper seen as too broad, and I will use the wording unconditional and unconditionality since it is seen as more precise to the subject I am dealing with.

¹³Tjønneland and others, pp. 31-32.

¹⁴Olav Stokke, *Aid and Political Conditionality*, ed. by Olav Stokke (London: Frank Cass in association with EADI, 1995), p. 1.

¹⁵Stokke, p. 1.

¹⁶Obert Hodzi, Leon Hartwell and Nicola De Jager, “‘Unconditional Aid’: Assessing the Impact of China’s Development Assistance to Zimbabwe”, *South African Journal of International Affairs*, 19 (2012), pp. 79–103.

¹⁷The Office of the Prime Minister, ‘The Soria Moria Declaration on International Policy’ (regjeringen.no, 2007) <<http://www.regjeringen.no/en/dep/smk/documents/Reports-and-action-plans/rapporter/2005/The-Soria-Moria-Declaration-on-Internati.html?id=438515>> [accessed 12 December 2012].

A historically comparative approach to unravel contemporary relations of Chinese and Norwegian foreign aid offers a healthy perspective on how they fit and position themselves in current world order.¹⁸

1.2 Problem Statement

China is challenging the Western aid architecture with a different approach to delivery of aid, weaving aid, trade and investment closer together¹⁹, making it problematic to clearly compare Chinese foreign aid to a classical Western foreign aid model.

China is challenging traditional aid approaches by providing unconditional funding that is at some instances linked with trade priorities; this may be a problem because it could pose a threat to human rights and democratic institutions in SSA. Further, China's One China policy is political conditionality, where aid is conditional that countries do not recognise Taiwan.

This raises the problematic issue of where to draw the line of non-interference in another countries internal affair when human rights and democratic freedoms are threatened. China's unconditional foreign aid policy is challenging scholars and policymakers alike to revisit entrenched models of conditionality involving the promotion of good governance and democratic values, as pursued by Norway. Should countries only wait until the UN Charter authorizes the Security Council²⁰ to impose sanctions only in circumstances that threaten international security?

1.3 Research Questions

The aim of this study is to provide a comparison of Norwegian and Chinese foreign aid to Sub-Saharan Africa, focusing in particular on conditionality. This will be done by:

- providing an overview of the history and development of Norwegian and Chinese aid policy and its implementation in Sub-Saharan Africa;
- comparing the use of conditionality by Norway and China's 'no-strings-attached' policy;

¹⁸ D. Large, 'Beyond "Dragon in the Bush": The Study of China Africa Relations', *African Affairs*, 107 (2007), p. 48.

¹⁹ This is true for Angola and DRC, in other countries, aid, trade and investment is not always the case, and Chinese foreign aid may be structured differently.

²⁰ 'Charter of the United Nations: Chapter VII: Action with Respect to Threats to the Peace, Breaches of the Peace and Acts of Agression' <<http://www.un.org/en/documents/charter/chapter7.shtml>> [accessed 29 January 2013].

- exploring the implications and dilemmas of conditionality versus non-conditionality.

1.4 Research Methodology

A comparative case study method is used to create a clearer picture and add strength to the research of two complex and different foreign aid actors.²¹ This is an inductive, qualitative research inquiry, utilising country case studies of China and Norway to compare and contrast the historical experiences with foreign aid by the two countries. The two countries have been selected due to the fact that they represent the two poles of the current aid architecture. Norway is one of the few countries giving above 0.7% of GNI, representing the ideal Western donor. China on the other hand is challenging the Western aid architecture by providing aid unconditionally and weaving aid, trade and investment closer.

The qualitative study provides in-depth information of the context of the situation, giving it more scope for rich analysis and interpretation.

This paper primarily uses secondary sources for the academic analysis; including academic literature, official statements, official documents and other written sources. No primary sources were used.

1.5 Limitations

Except for the usual limitation of time and length of the dissertation, a factor complicating this comparison is the different standards in defining official development assistance (ODA). China's interpretation of ODA is different to Norway's. For example, China includes military assistance under its general development assistance, while Norway does not. This highlights the fact that after nearly 60 years of foreign aid, there is still no accepted definition by all actors of the world aid architecture.

Another limitation to the study is language and corresponding access to information. Most information on Chinese development assistance is in Mandarin which forces the author to rely on translations and analysis by other researchers.

1.6 Chapter Outline

The rest of the thesis will be organised as follows:

Chapter 2 Chinese Aid into Sub-Saharan Africa

Chapter two provides a history and development of Chinese aid in SSA. The chapter will assist in clarifying what the Chinese government defines as foreign aid and why that clashes with the Western ODA definition.

Chapter 3 Norwegian Aid into Sub-Saharan Africa

²¹ K. M Eisenhardt, 'Building Theories from Case Study Research', *Academic Managment Review*, 14 (1989), 532–50.

Chapter Three will follow the same structure as chapter two, providing an overview of the history and development of Norwegian aid. The Norwegian experience will be explored as part of the traditional aid architecture and the Bretton Woods institutions.²²

Chapter 4 Comparative Analysis of Conditionality

The fourth chapter is structured along comparative lines, providing a historical introduction of the use of conditionality by Norway and China's 'no-strings-attached' approach. It will also consider the implications and dilemmas of conditionality versus non-conditionality.

Chapter 5 Conclusion and Final Remarks

The final chapter will summarise the overall research findings. . Drawing from the empirical work, this chapter concludes that though China and Norway are at the two polar positions of the aid architecture, their main goals are similar, in particular their wish to alleviate poverty in SSA. Norway's aid strategy has been changing in line with the rest of the Western aid architecture, while China's foreign aid strategy has remained relatively unchanged in comparison to Norway, adapting from their own experience as formerly a recipient of aid to one of providing aid.

²² This refers to the International Monetary Fund (IMF) and the World Bank.

Chapter 2

Chinese Aid into Sub-Saharan Africa

2.1 Introduction

China's interests in Africa have grown dramatically over the past thirty years. There is much curiosity and a sense of fear about the extent of China's influence in Africa. Most notably, after a two-day Beijing Summit of the Forum on China-Africa Cooperation (FOCAC) in November 2006, with delegations from forty-eight African states attending.²³ This event was significant in that it sparked a keen sense of interest from the other actors in the aid architecture, who started paying closer attention to the effects of China's prevalent agenda on African countries development. According to Daniela Large, the attention was unprecedented; with Western governments, Non-Governmental Organisations and Think-tanks all surprised at how this "new Wind from the East is blowing across Africa."²⁴

China has been providing aid to the African continent since the African states gained their independence. The pace and size of Chinese aid rapidly increased from 2004 to 2009, an increase of almost 29 per cent; according to the Chinese White Paper on their foreign aid. This, according to the Chinese government, coincides with China's "sustained and rapid economic growth and enhanced overall national strength".²⁵ The phenomenon of the rise non-DAC donors is, according to Soyeun Kim and Simon Lightfoot, giving rise to challenges, questions and opportunities with their increasing "direct and indirect influences in the global south...to the traditional DAC donors as well as for the international aid institutions and regimes".²⁶ While as Sven Grimm notes that "these new actors in international development have tended to be marginal to international aid policy debates thus far dominated by members of the OECD-DAC"²⁷ we may see in the future see these actors challenge the aid debate.

There is still a lot of misunderstanding about China's aid prerogatives. This is for the most part China's own fault, after decades of being non-transparent about its aid agenda. Also to blame are journalists and academics who have not taken the time to analyse and understand the differences in aid practices and how China itself defines its aid - which falls outside the 'traditional' aid definition of OECD DAC.

²³Luan Shanglin, 'President Hu: Wide-ranging Consensus Reached During Beijing Summit', *chinanews*, 2006 <http://news.xinhuanet.com/english/2006-11/05/content_5293311.htm> [accessed 8 May 2012]. Yan Zhonghua, 'Declaration of the Beijing Summit Of the Forum on China-Africa Cooperation (Draft)', *Chinanews* <http://news.xinhuanet.com/english/2006-11/16/content_5336745.htm> [accessed 8 May 2012].

²⁴John K Cooley, *East Wind over Africa: Red China's African Offensive* (New York: Walker and Company, 1965), p. 3.

²⁵State Council Information Office of the PRC, 2011, "White Paper on China's Foreign Aid"

²⁶Soyeun Kim and Simon Lightfoot, 'Policy Arena Does "Dac - Ability" Really Matter? the Emergence of Non - Dac Donors : Introduction to Policy Arena', *Journal of International Development*, (2011), pp. 711-712.

²⁷Sven Grimm and others, 'Transparency of Chinese Aid: An Analysis of the Published Information on Chinese External Financial Flows', *Centre for Chinese Studies at Stellenbosch University Publish What You Fund*, 2011, p. 1.

President Hu Jintao proposed at the FOCAC in 2006 to implement a new “strategic partnership” based on “political equality, mutual trust, economic cooperation, win-win, and cultural exchanges”²⁸- including, amongst other things pledging to double its aid into Africa.²⁹ This sparked both fear and wonder of China's involvement in Africa. Numerous think-tanks, books and articles continue to propagate information which is generally not based on solid evidence; but rather on myths. This paper hopes to clear some of these misconceptions.

According to the literature, the overall aim of foreign aid is for the contributor to alleviate the situation in some form or another, in the country to which it is supplying assistance. Aid in itself can take several forms. Most commonly it comes as the allocation of goods, services and funds from one country to another. Tracking the history of foreign aid, the earliest types used to be in the form of military and food assistance. The most famous and successful aid programme was the post-war aid programme for Europe, generally known as the Marshall Plan. This model would set the scene for the creation of what would become the OECD.³⁰ Interestingly, China's own experience as receiver of foreign aid from Japan and Europe, led it to pick the parts it saw fitting to shape their own construct of aid. It is fascinating to note that today other nations are looking at China for inspiration, searching for an alternative to the Western architecture of aid. One can argue that China can better draw lessons from their own experience as a developing country, which was earlier a recipient of Japanese and Western aid; to make it a more competent deliverer of development assistance, and with far less political baggage.

2.2 Defining Chinese Aid

Painting a clear picture of Chinese foreign aid to sub-Saharan Africa and any other part of the world is difficult, especially when dissecting Chinese aid. We try to do this by giving a brief history of Chinese aid in the part below. Until of late, China viewed its development assistance statistics as a matter of 'state secret'. With the publication of their White Paper on foreign aid in 2011, one starts to get a better picture although it is still difficult get a clear understanding of Chinese foreign aid architecture due to the lack of transparency and their different outlook of what foreign aid entails. Even though the bulk of Chinese foreign aid cannot be defined along the lines of the OECD Development Assistance Committee's definition of aid, it can be categorised under other official flows (OOF) – these are funds from governments but do not qualify as ODA according to the OECD-DAC. For China OOF are mainly preferential/commercial export credits which represent 97 per cent of China's Eximbank development funding. The main characteristic of China's export credits are tied to Chinese companies and are used as a tool to increase exports. Brautigam argues that these OOF could be seen as a nominal part of the aid architecture, fulfilling the role of promoting

²⁸Luan Shanglin, 'President Hu: Wide-ranging Consensus Reached During Beijing Summit', *Xinhua*, 2006 <http://news.xinhuanet.com/english/2006-11/05/content_5293311.htm> [accessed 15 May 2012].

²⁹Brautigam, p. 1.

³⁰'OECD History' <http://www.oecd.org/pages/0,3417,en_36734052_36761863_1_1_1_1_1,00.html> [accessed 15 May 2012].

welfare and economic development.³¹ With the release of the White Paper on Chinese aid, China has relaxed in its stance on the semantics of aid, moving away from its strict use of the term 'external assistance' instead of 'aid' to define its foreign aid.³² This as we will cover in detail does not entail that China is going to abide by the OECD-DAC terminology or transparency of foreign aid any time soon.

What defines Chinese aid is grounded in its experience as a recipient of aid and its own development of being a foreign aid provider. The historical foundation of this will be further explored in the latter part of this chapter. Set in the 1950s, the foreign policy framework of China's aid to other countries included principles of equality; mutual respect of each other's sovereignty and 'no-strings-attached'. Giving depth to these principles were the "four principles on Sino-African Economic and Technical Co-operation"³³ which were launched by Premier Ziyang in 1983. These are relevant to how China defines its aid.

As China is not an OECD-DAC member, it does not have to abide by the OECD-ODA definition.³⁴ China does not describe its aid as 'official' development assistance. It merely calls it aid, mostly to differentiate itself from OECD-DAC and the Bretton Woods institutions. In comparison to OECD members, China does not need to abide by the OECD's Working Group on Regulations covering Export Credits and Other Official Flows (OOF). In comparison to the OECD members where the OOF is substantially smaller than the ODA, China's OOF makes up the bulk of China's government-provided finance to Africa. This according to Brautigam, is especially true for investment and funds coming from the two policy banks of China, Eximbank (export credit agency) and China Development Bank.³⁵ China does not view preferential export buyer's credits as aid, only concessional loans.

According to OECD-DAC, grants automatically falls under ODA, while loans needs to be below-market interest rates and a long grace periods. This "is concessional in character and conveys a grant element³⁶ of at least 25% (calculated at a discount rate of 10 per cent.)"³⁷

³¹ Deborah Brautigam, 'China in Africa: The Real Story: The Chinese in Africa: The Economist Gets Some Things Right, Some Wrong' <<http://www.chinaafricarealstory.com/2011/05/chinese-in-africa-economist-gets-some.html#comment-form>> [accessed 9 May 2012]; Deborah Bräutigam, 'China , Africa and the International Aid Architecture', 2010, p. 6.

³² Grimm and others, p. 4.

³³ Brautigam, p. 24.

³⁴ The agreed upon standardised definition of the DAC members was coined in 1972 a little over a decade after the creation of the OECD and DAC. It states "concessional funding given to developing countries (those with a per capita income below a regularly adjusted threshold) and to multilateral institutions primarily for the purpose of promoting welfare and economic development in the recipient country." *Is It ODA?* <<http://www.oecd.org/dataoecd/21/21/34086975.pdf>

³⁵ Deborah Brautigam, 'Chinese Development Aid in Africa: What, Where, Why, and How Much?', in *Rising China: Global Challenges and Opportunities*, ed. by Jane Golley, Ligang Song (Australia National University Press, 2011), pp. 204–205.

³⁶ In essence grant element measures the concessionality of a loan. According to the OECD the grant element reflects the "financial terms of a commitment: interest rate, maturity and grace period (interval to first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest." Chinese aid grant in itself are usually connected to small to medium projects and is not related to this. For more information please see: http://www.oecd.org/dac/dacglossaryofkeytermsandconcepts.htm#Grant_Element

This entails that the loan needs to be 25 per cent below that of a commercial loan over time. Thus part of the loan has a grant element to it. OOF loans for private investment, even if they qualify in accordance with the grant element, would never be defined as ODA. As well, China considers military aid as part of its general aid, something OECD-DAC does not necessarily view as ODA.³⁸ Further complicating the picture is the fact that Eximbank raises some of its capital from the markets. A concessional loan would be larger than what aid figures would show since the “Ministry of Finance only include its budget what it pays Eximbank for the interest rate subsidy.”³⁹

What China seems to deviate from are the different approaches to aid delivery and the content of such aid. From its own experience, China finds infrastructure development to be one of the most efficient ways of assisting to support the development in the recipient country. After a project is finished, Chinese managers and technicians will stay on making sure the project is running efficiently. Until 1961, the World Bank itself was heavily involved in infrastructure; 75 per cent of the World Bank’s loans financed transportation and electricity projects.⁴⁰ It is only recently that the OECD members have started re-thinking infrastructure; this after seeing Chinese engagement in this sector.⁴¹ By looking at China’s foreign aid through a historical lens, one can start to see the several transformative stages that they have gone through. The four main transformation stages will be dealt with below.

2.3 Early Stage (1956-1978)

The start of Chinese aid into Africa came about the year after the Asian-African Conference in Bandung, Indonesia in 1955. This convening was attended by 29 Asian and African countries, who met “to confront colonialism and the divisive nature of the Cold War.”⁴² Egypt was the first African country to receive aid from China in 1956; signifying the establishment of diplomatic relations between the two countries.⁴³ The first country in sub-Saharan Africa was Guinea, where China built a cigarette and match factory. China’s aid programme in Africa only really took off after the disastrous Great Leap Forward (1958-60).⁴⁴ The main ‘target’ of Chinese aid during this time was newly independent African countries, which they found had similarities to their own country. With the Western aid architecture moving away from production and infrastructure towards poverty, essential needs and direct rural development; China kept their aid structure - stressing aid as a tool for helping countries to be self-reliant. One should keep in mind that Mainland China became isolated after World War II and its communist revolution. China was further isolated after Mao’s break with the Soviet Union in 1959 and in July 1963 the last attempt to salvage the

³⁷ *Is It ODA?* <<http://www.oecd.org/dataoecd/21/21/34086975.pdf>>.

³⁸ Grimm and others, p. 4.

³⁹ Brautigam, p. 167.

⁴⁰ Anne O Krueger, Constantine Michalopoulos and Vernon W Ruttan, *Aid and Development* (Baltimore: Johns Hopkins Univ Press, 1989), p. 125.

⁴¹ Brautigam, p. 134.

⁴² Ampiah and Naidu, p. 6.

⁴³ Deborah Bräutigam, ‘China , Africa and the International Aid Architecture’, 2010, p. 7.

⁴⁴ Brautigam, pp. 33-34.

bilateral ties failed.⁴⁵ The Sino-Soviet alliance would gradually disintegrate with the ideological dilemmas playing according to Mingjiang Li a leading role, with the leaders of the respective countries viewing the “ideological and political orientation of the other country as a challenge and even a threat to their own domestic ideological and political programmes and goals”.⁴⁶ Furthermore, Premier Krushchev appeasement towards United States and the Western countries was seen as further dividing the rift, though this claim does not assist in explaining China’s engagement with France in 1964, a country with greater ideological differences than China and Russia.⁴⁷ China had at the time a large starving population that needed to be fed, “at the same time, they wanted to lay the building blocks of a productive, modern socialist economy.”⁴⁸ China used its own experience from this time to map out how it delivers aid. The different approach as envisioned by Premier Zhou Enlai was to liberate these countries from the clutches of capitalism. Although China did not try to influence the aid recipients in following its Maoist model of communal production, neither before, during nor after the Great Leap Forward and the Cultural Revolution. Exception to the rule was during the Great Leap Forward; when General Mao in the mid 1960’s did interfere in the internal conflicts of Africa. This was a time China was returning to Mao’s wish for permanent revolution and the start of the Cultural Revolution. During this time different African guerrilla movements received various types of assistance, according to Brautigam no effort was really pushed for the movements to follow the Chinese model, but told them to rather view it as a “reference point.”⁴⁹ When it came to foreign aid, Beijing maintained their policy of non-interference, only.⁵⁰

China’s foreign aid was mostly of an ideological nature, but with more African countries gaining their independence there was an ideological pragmatic shift as China’s aid also focused on non-socialist countries.⁵¹ The Foreign Minister of the People’s Republic of China, Premier Zhou Enlai visited Africa three times. Zhou, a skilled diplomat, helped forge peaceful co-existence with The United States and also facilitated Richard Nixon’s visits to China in 1972.⁵² Zhou initiated the Five Principles of international relations between China, Africa and the Arabic countries. It was in 1964 that Premier Zhou laid out the *Eight Principles for Economic Aid and Technical Cooperation to Other Countries*; a set of principles that still govern the way in which China still works. Below, these are briefly explored: understandings

1. Equality and mutual benefit
2. Respect for sovereignty with no conditions attached
3. Provided through interest-free loans

⁴⁵ Mingjiang Li, ‘Ideological Dilemma : Mao’s China and the Sino-Soviet Split , 1962 – 63’, 11 (2011), p. 389.

⁴⁶ By ideological differences, we are referring to the different understandings of orthodox Marxism and Leninism by the two communist parties.

⁴⁷ Mingjiang Li, pp. 387–389.

⁴⁸ Brautigam, p. 33.

⁴⁹ Brautigam, p.38. This quote is taken from Edgar Snow account of Zhou Enlai in Algeria, Beijing Review, January 3, 1964, p. 94.

⁵⁰ Brautigam, pp. 35-38.

⁵¹ Brautigam, pp. 31-32.

⁵² Henry Kissinger, *On China* (New York: The Penguin Press, 2011), pp. 207-8, 460-8.

4. Promotes self-reliance, not dependency
5. Supporting projects that produce quick results
6. Uses best-quality equipment of Chinese manufacture
7. Emphasises technology transfer through technical assistance
8. Chinese experts will live at the standards of local experts.⁵³

Initially China assisted with technical assistance and initiated small sized turn-key project in agriculture and industry as well as shipments of medical teams.⁵⁴ China's first major foreign aid project was the funding of the 1970 Tanzania-Zambia Railway (TAZARA). Even after its completion in 1975, China would return in the 1980's and 90's; to "repair, rebuild, and consolidate many of their earlier infrastructure and production projects".⁵⁵ By the 1970's China had distributed more aid to countries in Africa than the Union of Soviet Socialist Republics (USSR). USSR was giving aid to twenty countries as compared to China's thirty. One possible way of measuring their success in 'acquiring' friends would be Beijing being granted their seat at the United Nations. This was achieved with special help from the permanent representative of Tanzania. After gaining this seat, China expanded its proliferation of aid to thirteen additional African countries.⁵⁶ In the 1970's Beijing end goals for its aid was, according to Brautigam; mostly strategic diplomacy, assisting in moving countries' recognition of Taiwan over to Beijing, as well as counteract Soviet and Western influence.⁵⁷ During the mid-1970's China limited its aid, finalising their agreed upon projects, but evaluating more critically new projects. This was largely due to Vietnam, which swallowed almost half of China's aid budget, between 1967 and 1976. For Vietnam around 5 per cent was used for government expenses. Although China did not try to export their Maoist model, it did influence the amount of aid it was giving.⁵⁸

During the years 1972 and 1977 the topic of foreign aid had taken a more central focus, the State Council supported five national conferences on foreign aid during this time. The financial strain aid had on their economic capacity was being felt and with the end of the Cultural Revolution in 1976 and death of General Mao in 1976; China would gradually open up and move from a planned economy to the socialist market economy. It was during this time that Beijing reformed its foreign aid agenda. In 1963 Premier Zhou Enlai put forth the goal of the *Four Modernisations* which should help China achieve "comprehensive modernization"⁵⁹ in four key sectors: agriculture, industry, national defence, science and technology. Zhou revisited these proposals in January 1975 in his last public appearance as Premier. The Four Modernisations proposal would be adopted after the death of Mao to get

⁵³ Information Office of the State Council, *White Paper on China's Foreign Aid* (Beijing, 2011), pp. 1–19.

⁵⁴ Brautigam, p. 33.

⁵⁵ Brautigam, p. 7.

⁵⁶ Deborah Brautigam, *Chinese Aid and African Development: Exporting Green Revolution (International Political Economy)* (Palgrave Macmillan, 1998), p. 4; Wolfgang Bartke, *China's Economic Aid* (New York: Holmes and Meier, 1975), pp. 20-3.

⁵⁷ Brautigam, p. 34.

⁵⁸ Goran Hydén and Rwekaza Sympho Mukandala, *Agencies in Foreign Aid: Comparing China, Sweden, and the United States in Tanzania* (New York: Macmillan Press, 1999), pp. 197-9.

⁵⁹ Kissinger, p. 302.

the engine of the economy going. These would also be the pillars upon which Deng Xiaoping would carefully open China, a stark contrast to the Great Leap forward of Mao.

2.4 Transformation and Consolidation Stage (1978-1990)

This stage would set the course for China's current aid structure, by the country implementing its own experience as recipient of foreign aid from Japan, especially and United States and the European countries in general. China was at this stage, in a similar position to what some African countries currently find themselves in; having sizable deposits of natural resources (copper, coal, gold and oil) and mostly having agrarian economies. Japan was the first country to enter the People's Republic of China's market. Aligned to the fears of other countries around the oil crisis of 1973 including China; Japan was concerned about their energy security. In an effort to diversify its oil imports, Japan started importing oil from China. Japan had already tried this approach by using its deferred payment yen loans to India in 1958. This meant that India could get Japanese mining technology, technical assistance and financing through credit. In return, Japan would get two million tons of iron ore annually for over ten years.⁶⁰ This method of commodity-backed export credits have, in turn been fine-tuned by China over several decades.

A remarkable aspect seen through the Sino-Japanese engagement highlights the pragmatism that existed then. China wanted to industrialise and Japan needed energy security - it was a tactical "win-win situation that would lay the foundation for the rise of China's industrial era. In relation to aid, this experience highlights China's current practice of fostering mutually beneficial development; where countries at different levels of development, benefit from technological, technical assistance and industrial development. This is also seen in the Chinese opening up new markets for its own companies, and thus securing its place on the modernisation ladder. By 1977 Japan were importing nearly half of its petroleum from China. With the mutually beneficial agreement in place, Japan would offer finance, industrial technology and materials. China would supply natural resources on a deferred payment basis.⁶¹ One Chinese announcer remarked: "construction of an oilfield will be paid for with oil, construction of a coal mine will be paid for with coal and the construction of a factory will be paid for with the products of the factory." Brautigam illustrates this compensatory trade model as follows "a Japanese firm exported sewing machines to China and was paid with 300,000 pairs of pyjamas".⁶² Such barter activity assisted companies and countries that lacked foreign exchange to still modernise. Japan was acting in self-interest. It made sure that their foreign aid loan to China was spent on infrastructure to transport the natural resources to Japan.⁶³

⁶⁰ David Arase, *Buying Power: Political Economy of Japanese Foreign Aid, Buying Power the Political Economy of Japanese Foreign Aid* (Boulder: Lynne Rienner Publishers, 1995), pp. 39-40.

⁶¹ Tsukasa Takamine, *Japan's Development Aid to China: The Long-Running Foreign Policy of Engagement* (New York: Routledge, 2006), p. 97.; Brautigam, p. 46.

⁶² Brautigam, p. 49.

⁶³ 'Japan and China: Aid Precedes Trade', *The Economist*, 1979.

While the above practise is sound and has existed for a while, it has been the crux of accusations levelled against China, by its critics; who continue to assume that its motives for providing foreign aid to Africa are solely based on resources. A World Bank study claimed that “most Chinese government funded projects in Sub-Saharan Africa are ultimately aimed at securing a flow of Sub-Saharan Africa’s natural resources for export to China.”⁶⁴ This does not go to say that China is not active in resource-rich areas; it needs resources to sustain its economic development. But suggesting that aid projects are tied to resource is according to Brautigam untrue.⁶⁵ China provides aid, as earlier outlined to every African country which respects its One China policy. According to Brautigam research points to the fact that China does not necessarily allocate more aid to countries with natural resources. In countries such as Angola, China has for example - through China Eximbank - given sizable competitive market based loans to finance infrastructure “with payment guaranteed in oil.”⁶⁶

It is clear that China's interaction with the continent favours mutual win-win cooperation by mixing business and development. China’s “four principles on Sino-African Economic and Technical Co-operation” launched by Premier Zhou Ziyang in 1983 in Tanzania, (China’s and Norway’s biggest recipient of aid at the time).⁶⁷ These four principles differed slightly from the Zhou’s “Eight Principles” of 1964 which focused more on respect of the sovereignty partner countries and ensured that Chinese aid personnel would live according to the recipient country's citizens. The “Four Principles” emphasised “mutual benefits, practical results, diversity in form, and common development.”⁶⁸ Another distinctive element was in the use of the word 'aid', but rather China used cooperation. In African countries this would “take a variety of forms...undertaking construction projects, entering into cooperative production, and joint ventures.”⁶⁹ These have since been the guiding principles of China’s aid to Africa.⁷⁰ The shift came as a response to China’s own need to focus on its own development, and an end to projects such as the Tanzania-Zambia Railway.

In 1978 at the third session of China’s eleventh Communist Party Congress, Deng Xiaoping and the second generation leadership of reformers managed to overcome the opposition of the Maoists. Together China's economic pragmatism and experimentation remained the guiding principles in the years to come; crossing the river by feeling the stones.⁷¹ This new path would yield greater impact to Chinese foreign aid, with the focus remaining mutual benefit and economic sustainability through the aid.

⁶⁴ Vivien Foster and others, *Building Bridges China’s Growing Role as Infrastructure Financier for Sub-Saharan Africa*, Trends and (Washington, DC: World Bank Publications, 2009), p. 84.

⁶⁵ Brautigam, p. 279.

⁶⁶ Brautigam, p. 279.

⁶⁷ George T Yu, ‘Africa in Chinese Foreign Policy’, *Asian Survey*, 28 (1988), 857.; ‘Norsk Bistand i Tall’, *Norad*, 2012 <<http://www.norad.no/no/om-bistand/norsk-bistand-i-tall>> [accessed 25 May 2012].

⁶⁸ Yu, 857.

⁶⁹ Brautigam, pp. 53-4.

⁷⁰ ‘China’s Aid to Africa: Enters Institutionalized New Stage’ <<http://www.focac.org/eng/xsjl/xzsz/t907005.htm>> [accessed 18 May 2012].

⁷¹ Brautigam, p. 45. Deng Xiaopeng urged his country to discard ideological correctness, and experiment, but do it slowly, *mozhe shitou guo he*. Cross the river, but not in the fashion as Mao with his great leap forward, rather, crossing the river with your feet closely to the bottom, feeling the stones as you make your way forward.

The 1980's would see China initiating the consolidation of their former aid projects, with the realisation that, in order to make the project efficient, there was a need to have Chinese businesses more directly involved in the projects. This shift came from China's own experience with Japan, with natural resources being exchanged for technical expertise and industrial products. During the late 1970's and 1980's China's foreign aid decreased, while the earlier development programmes were kept. During this time, there were high-level debates on how to structure the aid and whether or not it was feasible to have an aid programme. And if such programmes were to be pursued then how these programmes could be integrated with the Four Modernisations.⁷² During this stage, China was giving aid to seventy-four countries. The majority of these were located in Africa, with more projects on the continent than United States.⁷³ In the later part of this stage, China would work towards enhancing the efficiency and sustainability of its aid projects by beefing up its feasibility studies. This was critical to help prevent the failure of projects after they were handed over. With economic difficulties being experienced during the 1980's, African countries' debt levels increased.

While the Western aid architecture would move towards conditionality, Structural Adjustment Programs (SAP) and using service delivery through NGO's, China would take a different path. This was mainly reforming past projects, making an effort to rejuvenate projects that were barely staying afloat. Politically, these efforts were less visible, and from the tactical lens it could at times be more difficult to upgrade and repair than to build anew. The new slogan for this path was; "being responsible to the end."⁷⁴ This new effort to consolidate new and old aid projects had implications to China's commitment to non-interference of internal affairs of recipient country. After a project is finalised, workers were expected to return home. Premier Zhao Ziyang solved this dilemma by providing management assistance to the projects, in the hopes that this would be "helping them to build self-reliance". The time frame for the technical and management assistance would depend on the availability of local staff. At one project in Tanzania, and even after a decade, assistance was still needed.⁷⁵ To counteract such difficulties, China ventured to find solutions to avoid aid projects failing after finalisation. It looked at creating linkages between aid and investment. Again, China would not follow the Bretton Woods conditionality approaches, which set privatisation of national companies as condition for further aid. I am going to cover conditionality in much more detail in chapter 4. China would not pose privatisation as a condition; rather privatisation was suggested for some of the projects to ensure survival of past projects.⁷⁶ This and other tools were during this time being developed in effort to find ways to avoid projects failure. There are two distinct developments that had great influence on China's aid, were the diplomatic wars between Taiwan and China and the decision to join the General Agreement on Tariffs and Trade (GATT); which later evolved into World Trade Organisation (WTO). When the

⁷² *China's Economic Cooperation with Foreign Countries Today*, ed. by Shi Lin (Beijing: China Social Science Press, 1989), p. 68.

⁷³ Brautigam, p. 42.

⁷⁴ Brautigam, p. 57.

⁷⁵ Brautigam, p. 57.

⁷⁶ Brautigam, p. 60.

rest of the world was pulling out of the African continent, China saw Africa as a continent of opportunity. In this next and last part we are going to see how China link aid and investment.

2.5 Reform and Institutionalisation Stage (1990-Present)

The reform stage sets the platform for a new phase in which China would put into place the development tools needed to benefit from the opportunities that they believed Africa held. This was done in order to create a win-win situation by weaving trade into aid. This stage would have a marked increase in foreign aid by China, as seen in figure 1.1 below. This was a time of major aid reforms through lessons learnt from the 1980's. In 1994, three policy banks were established; China Export Import Bank, China Agricultural Development Bank and China Development Bank. China Export Import Bank would play a very important role in China's reform of their foreign aid. This latter bank was the centrepiece of one of the key reforms in 1995 with the introduction of concessional aid loans. This reform would turn a new page in Chinese aid with the focus being on providing medium and long-term low-interest loans. This period saw a continual focus on South-South cooperation rather than the North-South. According to Brautigam this "marked the most dramatic formal change in china's aid programme since its inception."⁷⁷ In 1995 China's reforms took steps towards market oriented principles and stressed the connection between aid, trade and investment.⁷⁸

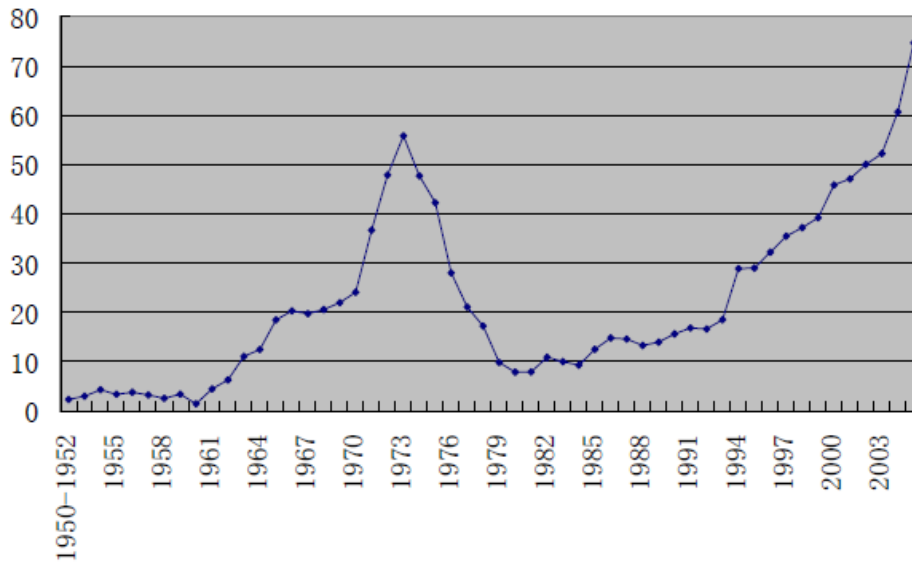
Beijing's leadership understood that this modernisation would put further constraints on the country's natural resources. This was exacerbated further by demands from its own population to deliver progress. Thus reforms needed to take place. In moving towards reform; the Chinese leaders - in an effort to sensitise African leaders of this change in the development structure - visited more than twenty four African countries during the period 1995-1997. African leaders where worried about this shift in policy, especially since some of the aid projects, such as the Tan-Zam railway, would need to be run more efficiently. According to Premier Zhu Rongji, the railway was overstaffed by about 2,500 workers. Chinese Premier Li Peng visited six African countries in 1997. Peng emphasised to the African leaders that; "China's basic policy of providing aid to Africa has not changed [but]...China's policy has moved from aid donation to economic cooperation for mutual benefit."⁷⁹

⁷⁷ Brautigam, p. 80

⁷⁸ Axel Dreher and Andreas Fuchs, 'Rogue Aid? The Determinants of China's Aid Allocation', *Courant Research Centre*, 2012 (2012), p. 10.

⁷⁹ Brautigam, p. 82.

Fig. 2.1 Variation on the scope of China's Foreign Aid (Unit 100 million RMB)



Source: Li Xiaoyun and Wu Jin, *China's Foreign Aid: Historical Evolution, Architecture and Challenges* (2011)⁸⁰

During this stage, China was putting greater emphasis on increasing the capacity in recipient countries by, among other things, enlarging the technical training and officials from recipient countries were receiving training in China.⁸¹ China took a different path than the Western aid actors in dealing with this issue, where the Western aid architecture where promoting SAP's and conditionality. China also ventured towards more private involvement with their aid. This was a cooperative between Chinese companies and those in the recipient countries. China worked towards increasing its 'soft power', ensuring that its rise would be a peaceful one by building on win-win cooperation.⁸²

At a 2011 IMF panel discussion on the topic of "BRICS's: New Growth Drivers for Low-Income Countries?" the finance minister of Zambia, Dr. Situmbeko Musokotwane, said that the emergence of the BRICS has put Africa back on the world map. Changing the picture of Africa the continent that is receiving aid and begging, to a continent where profits can be made, where investors can invest safely and create business opportunities and jobs. He continued to state that before the BRICS came, there was African pessimism. Africa was a continent of conflict, not a continent where one can do business and, "the BRICS are shattering that myth." To put the issue of natural resources from African countries into perspective, he said that; "if you can make money from natural resources it is good, you can use that money to diversify the economy... Today, what is Canada making money from, what is Australia making money from, are they not exporting natural resources?...exploiting

⁸⁰ Xiaoyun Li and Jin Wu, 'China's Foreign Aid: Historical Evolution, Architecture and Challenges', in *Emerging Asian Approaches to Development Cooperation*, ed. by Oh-Seok Hyun and David Arnold, 2011, p. 30.

⁸¹ 'China's Aid to Africa: Enters Institutionalized New Stage'

⁸² For more information on China's peaceful rise please see: X. Zhang and B. Buzan, 'Correspondence * Debating China's Peaceful Rise', *The Chinese Journal of International Politics*, 3 (2010), 447-460.; Bonnie S Glaser and Evan S Medeiros, 'The Changing Ecology of Foreign Policy-Making in China: The Ascension and Demise of the Theory of "Peaceful Rise"', *The China Quarterly*, 190 (2007), 291-310.

natural resources more economically, that is a good first step”⁸³ This new stage of institutionalized development, entered with the initiation of the Forum on China-Africa Cooperation (FOCAC) in 2000. This would be a platform for an interchange of ideas between China and African countries. This stage also saw new reforms of the Chinese aid structure. From the years 2004 to 2009 Chinese aid increased according to the State Council Information Office by an average of 29.4 per cent as illustrated in table 2.1.⁸⁴

2.6 Structure and actors of Chinese Aid

According to Figure 2.2, which shows global financial flow, only a small portion of general development finance actually constitutes ODA. Many of these financial flows into developing countries are assisting in development, alleviation of poverty and increasing general human and societal wellbeing. Lama Hammad and Bill Morton estimate that there exist more than 1000 financing mechanisms.⁸⁵ Foreign aid is not easily defined. The global aid architecture has grown exceedingly complex with increasing financing mechanisms and players. Statistics found on this is somewhat murky, but it is estimated that the aid architecture consist of about 18,000 international NGO’s, between 6,000 and 30,000 national NGO’s in developing countries and around 230 multilateral agencies.⁸⁶ The shape and magnitude of this foreign aid has increased dramatically the last half of the century. China’s aid still keeps its aid structure along bilateral lines. The crux of its foreign aid is more close to business structure than traditional aid. China’s slight move towards multilateralism in its aid structure changed with the Indian Ocean Tsunami in 2004. China first acted unilaterally as it has done in the past, feeling it can deliver more efficiently working along bilateral basis. China’s aid shipment was the first to land in Sri Lanka after the Tsunami. Shortly after that, China would channel USD 19.5 million of its USD 160 million in recovery effort through the United Nations.⁸⁷ This was a first of its kind. This shows how China wants to be seen “as a responsible major power.” Brautigam writes that according some; the Chinese response was driven by China’s diplomatic ‘war’ with Taiwan which had pledged USD 50 million in recovery funds.⁸⁸

⁸³ ‘Panel Discussion: BRICs: New Growth Drivers for Low-Income Countries?’, in *Panel Discussion* (IMF, 2011) <<http://www.imf.org/external/mmedia/view.aspx?vid=906001151001>> [accessed 1 June 2012].

⁸⁴ State Council Information Office of the PRC, 2011, “White Paper on China’s Foreign Aid”

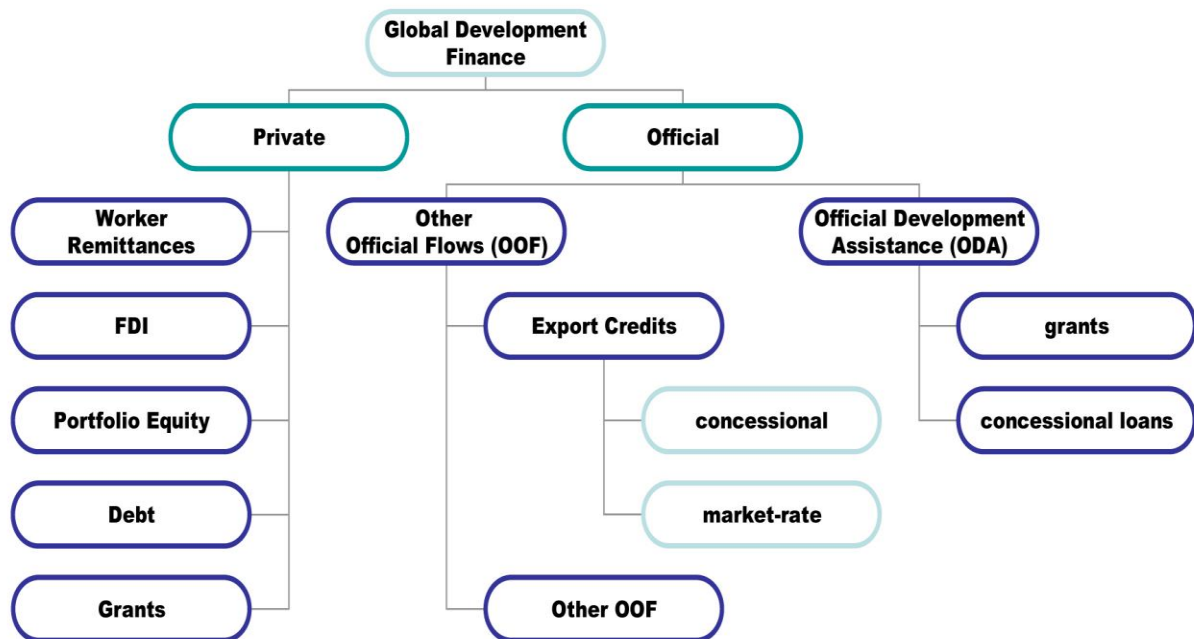
⁸⁵ Lama Hammad and Bill Morton, ‘Non-DAC Donors and Reform of the International Aid Architecture’, *The North-South Institute, Issues Bri* (2009), p. 1.

⁸⁶ Homi Kharas, ‘Trends and Issues in Development Aid’, 2007, pp. 1-25.

⁸⁷ Khalid Malik, *Tsunami Response: A Review of China’s Contribution to the United Nations Response to the 2004 Indian Ocean Tsunami*, 2007, p. 3.

⁸⁸ Brautigam, pp. 121-22.

Fig. 2.2: Global Development Finance



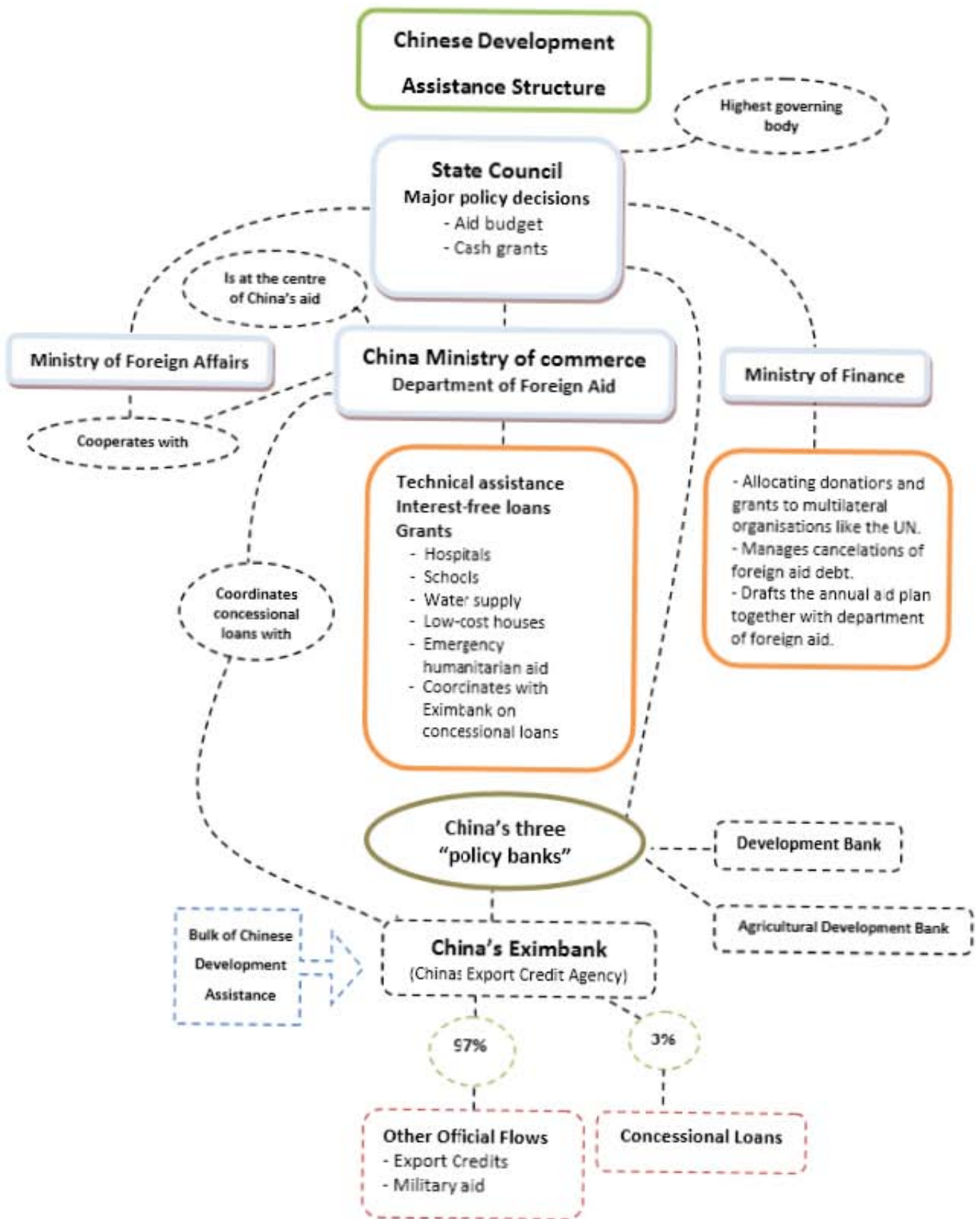
Source: Book, *Rising China: Global Challenges and Opportunities (2011)*⁸⁹

The financial resources provided by China for foreign aid mainly fall into three types of aid: Grants (aid gratis), interest-free loans and concessional loans.⁹⁰ Grants and interest-free loans fall under China’s state finances and concessional loans are provided by the Export-Import Bank of China. At the centre of Chinese aid, we have The Ministry of Commerce. In figure 2.3 we can see in a general way how Chinese foreign aid is structured.

⁸⁹ Brautigam, p. 204.

⁹⁰ State Council Information Office of the PRC, 2011, “White Paper on China’s Foreign Aid”

Fig. 2.3: Chinese Foreign Aid Structure



Source: Made by the author for the paper.

Grants

Grants are used primarily to assist recipient countries in construction of hospitals, schools, low-cost houses, water supply and other small to medium projects to advance social welfare and assist with emergency humanitarian aid. Moreover, grants are also used for technical and human resources development. Compared to some World Bank infrastructure projects, Chinese employs a stricter financial control with direct cash transfer to project. The recipient country or agency never sees the funds. Brautigam argues that this may decrease ownership but it also decreases possible corruption.⁹¹

Interest-Free Loans

This type of aid is primarily used to assist recipient countries to construct public facilities and initiate projects to advance the livelihood of the recipient's population. The tenure of the loans is usually 20 years; with a five years of use, five years of grace and then a ten year repayment period. These kinds of loans are primarily offered to developing countries with sound economic conditions. Countries with less sound economic conditions are capable of receiving grants, though this is not very clear in China's White Paper on foreign aid.⁹²

Concessional Loans

Concessional loans are primarily used to assist countries to advance productive projects which generate both economic and social benefits. Large and medium-sized infrastructure projects, completion of plants, mechanical and electrical products; technical services and other materials. Interest rates of the concessional loans are between 2 and 3 per cent, with a repayment time of 15 to 20 years and five to seven years of grace. 61 per cent of the concessional loans have been used to assist developing countries in transportation, communication and electricity infrastructure. Only around 9 per cent went to the development of energy and resources (oil and minerals).

The above instruments are a closer reflection of the ODA of the DAC members; while the bulk of China's foreign aid is not. The concessional loans given by China Eximbank are only a small part of their portfolio. Rather, the other official flows (OOF) such as of funds for donor country businesses to subsidise or guarantee the companies private investment, export credits stand for the lion's share of Chinese foreign aid tool base.

Tied and Untied Aid

It is quite obvious that untying aid can make the aid architecture more efficient. Aid tying implies that aid must be spent on imported products from the donor country companies. One example to illustrate this point is the United States emergency food aid; where there can be big delays in food aid shipment because the products need to be shipped from American

⁹¹ Deborah Brautigam, 'School Construction: World Bank Versus China', *China in Africa: The Real Story*, 2013 <<http://www.chinaafricarealstory.com/2013/01/school-construction-world-bank-versus.html>> [accessed 2 February 2013].

⁹² Grimm and others, p. 9.

Midwest. According to a report by Bloomberg news agency, in December 2008, it took a bag of dried peas six months to reach Ethiopia from United States.⁹³

Although China does claim not to have conditions attached to their foreign aid, loans for infrastructure are many times tied to contracts for Chinese companies. A bidding which cannot really be defined as transparent and while Chinese aid and export credit in most cases seem to be tied, this type of arrangement is widespread in the entire aid architecture. There are efforts by OECD-DAC to untie aid by strengthening aid delivery mechanisms; According to DAC 86 per cent of aid was untied in 2009. According to recent research on tied aid, the condition that part of the aid be used to “procure goods or services from a specific country or region – can increase the costs of development project by as much as 15-30%”.⁹⁴ According to a report by OECD, there is still a gap between theory and practise of aid actually being untied.⁹⁵ An independent study funded by the Ministry of Foreign Affairs of Denmark concluded in similar vein, that contracts still go to the donor country companies.

China is primarily providing African governments with commercial-rate export credits, and so far, there is not many DAC member providing such credits untied. Further complicating the tied aid discussion where China is concerned is what makes tied aid in most cases an expensive exercise; as most donor countries are relatively high-cost countries. Thus goods and services will be more costly than if they were obtained and delivered in recipient country. China, still delivers goods and services at rates below traditional donor countries.⁹⁶ Even though China uses its own managers and technical staff for projects, they live according to local conditions and are paid below their Western colleagues. China Eximbank’s concessional aid guidelines state that the “exporter or contractor should be a Chinese company, and that inputs Eximbank-financed concessional aid projects should be procured from China, however, aid through Eximbank is only tied at a level of 50 %.”⁹⁷ In many instances the recipient country will negotiate terms and conditions on the percentage of workforce that should be sourced within, which can sometimes make a project more expensive. This is further made worse by the level of corruption which are increasing and the lack of qualified personnel to take on larger infrastructure projects.

There is very little chance that China will follow DAC norms and standards any time soon. even though DAC is working to reduce what they call the challenge of the “growing role of non-DAC donors that provide largely tied development funding”.⁹⁸ We are likely to see an

⁹³ Alan Bjerga, ‘Dead Children Linked to Aid Policy in Africa Favoring Americans’, 2008 <<http://www.bloomberg.com/apps/news?pid=newsarchive&refer=home&sid=aU7BLQWMss2k>> [accessed 4 June 2012].

⁹⁴ ‘OECD Untied Aid’, *Development Co-operation Directorate* <http://www.oecd.org/document/16/0,3746,en_2649_33721_46890896_1_1_1_1,00.html> [accessed 4 June 2012].

⁹⁵ Bill Nicol and Ann Gordon, *Implementing The 2001 DAC Recommendation on Untying Aid: 2010-2011 Review*, 2011, pp. 1–24.

⁹⁶ Brautigam, p. 152.

⁹⁷ Brautigam, p. 153.

⁹⁸ ‘Untying Aid: The Right to Choose’, *OECD-DAC* <http://www.oecd.org/document/50/0,3746,en_2649_33721_46345330_1_1_1_1,00.html> [accessed 4 June 2012].

increase in efforts by DAC members to influence non-DAC members to move towards their aid procedures and standards. Considering the increased role of the emerging non-DAC members in the aid architecture, especially Brazil, India and China; these countries have extra leverage as they are developing countries which put them at an advantage. Brazil and China are success stories. These are stories that other developing countries can easily emulate. Further increasing the possible tension between emerging non-DAC countries and DAC members is the wide array of economic opportunities that are in place in Africa; where the return on foreign investment is, according to a McKinsey & Company economic study; higher than any other developing region - this goes beyond mere natural resources. Industries such as telecommunications, retailing and banking are according to the report, flourishing.⁹⁹

Norway would start slowly giving aid and then went on to become a champion of aid in the Western aid architecture. China on the other hand, is currently challenging this architecture with its weaving trade and aid; while focusing on key areas of infrastructure and trade. China is, as not as we are led to believe, a large foreign aid provider, it is closer in size to the medium sized aid providers such as Belgium and Canada.¹⁰⁰ Further challenging this system; is the issue of conditionality which we will cover in chapter 4. As will be explored, this is where China's unconditional aid and non-interference policy is seen as a welcome change by the African governments. The next chapter is going to take a historical and structural view of Norwegian foreign aid, looking at how it has developed to become what it is currently today.

⁹⁹ 'What's Driving Africa's Growth'

<http://www.mckinseyquarterly.com/Whats_driving_Africas_growth_2601> [accessed 4 June 2012].

¹⁰⁰ Grimm and others, pp. 16-17.

Chapter 3

Norwegian Aid into Sub-Saharan Africa

3.1 Introduction

For many countries foreign aid is an important part of their foreign policy. Norwegian policy towards the developing world is to a large extent linked with its foreign aid. This is epitomised by aid for development being viewed as a foreign policy objective on its own or as an apparatus to realize other objectives. In the case of Norway, foreign aid policy is a very important part of their foreign policy.¹⁰¹ This Chapter will look at how the historical aspects of how Norwegian aid and its structure have laid the foundation for the modern day aid architecture. During the colonial period and the 'Scramble for Africa' missionary outposts springing up; missionary workers built and ran Orphanages, hospitals, clinics and schools mainly.¹⁰² Norway has always kept a tight bond between the state, the voluntary organisations and the research community - what Else Toje has characterised as the "iron-triangle".¹⁰³ From a developmental stance, this assists in explaining the evolution of the Norwegian aid system in the last few decades; where some of these voluntary organisations have grown big and increased their influential grip on aid strategies and thus foreign policy. The Norwegian think-tank, the Institute for the Study of Civil Society (Civita) sees this monopolisation or oligopolies as a possible danger for the debate around Norwegian aid. They hold that this should rather be driven by actors who know the field well, without close ties to those who share the funds. These close ties makes the evaluation of the effectiveness of aid problematic since some of these players who work with aid and development are juggling between being a donor, recipient and inspectors of the aid.¹⁰⁴

According to Helmut Furer, former director of the Development Co-operation Directorate, the Marshall Plan was successful because it "created considerable and perhaps excessive optimism about the prospects for helping poorer countries in quite different circumstances through external assistance."¹⁰⁵ Since the 1950's the Norwegian development assistance policy has gone through different stages, with successive governments and Parliament setting the policies, objectives and guidelines for aid implementation.¹⁰⁶ The Soria Moria Declaration,¹⁰⁷ states that at the value base of Norway, its self-identity is advocating for global poverty reduction and international environment activities, and to be a peace nation.

¹⁰¹ Olav Stokke, 'The Determinants of Norwegian Aid Policy', in *Western middle powers and global poverty The determinants of aid policies of Canada Denmark the Netherlands Norway and Sweden* (Scandinavian Institute of African Studies, 1989), p. 159.

¹⁰² Brautigam, 'the dragon's gift' p. 22

¹⁰³ Asle Toje, 'Norsk Utenrikspolitikk: En Kritikk', *Nytt Norsk Tidsskrift*, 1-2 (2010), 207-215.

¹⁰⁴ Maria L Østerhus and Marius Doksheim, *Den Norske Bistands Og Utviklingspolitikken Noen Problemstillinger*, 2011, pp. 1-11.

¹⁰⁵ Helmut Führer, *The Story of Official Development Assistance, A History of the Development Assistance Committee and The Development Co-operation Directorate in Dates, Names and Figures*, 1996, p. 4.

¹⁰⁶ Stokke, p 159.

¹⁰⁷ This is a political statement from Prime Minister Jens Stoltenberg second coalition government. In the declaration is guidelines and statements to what the coalition government are going to prioritise.

Interestingly, this does not define what kind of political path Norway should be following, but rather the kind of identity and self-image that is the base of Norwegian aid policies. Further, we are introducing a self-proclaimed humanitarian superpower.¹⁰⁸ A state that has worked to attain a self-image abroad and at home, of being a unique and morally high worthy nation; incorporated in principles of self-responsibility - an altruistic messenger of a righteous governance path, seen as an honourably change from the standard practice in international politics and economy.¹⁰⁹

3.2 Establishment phase 1860-1960

The early period consisted of limited funding coming from public or the state. Norway got a sizable part of its aid influence from the experience the missionaries had gained in their development work, as well as ideals and norms - especially connected to the state's welfare and as we will see; the international conditions which would shape Norway. The missionaries established schools and health centres, work that would resemble some of the development aid projects that would be initiated by the Norwegian state. According to Jarle Simensen, the work of the missionaries can be demarcated in the contemporary development terminology; where the educating mission of the missionaries could be viewed as part of a Western expansion.¹¹⁰ Terje Tvedt has argued that the post decolonisation development aid politics embodied a prolongation of this civilizing mission.¹¹¹

The missionary society (Det Norske Misjonsselskap) in Norway was established in 1842 and would start its work in Africa some years after its founding.¹¹² In this early phase Norwegian missionaries settled in India, South Africa and Madagascar. By the early 1960's Norway had 1,200 missionaries working abroad.¹¹³ Other Norwegian missionaries which would lay the foundation for the Norwegian aid architecture focused on women. Some of these missionaries would give women new roles, as both the receivers and givers. Swedish missionaries hoped that "raising African girls to 'proper womanhood' would...force indolent male Africans to work".¹¹⁴ This was an approach which has also been recognized in Norwegian missionary activities.¹¹⁵ Sunniva Engh holds that this should not be seen as an effort to empower women in the sense that we know the term today.¹¹⁶ Missionary schools where "deeply gendered institution[s] reproducing the patriarchal views both of missionaries and of African society".¹¹⁷ According to Helen Sweet they were training the girls for "a life of servitude and

¹⁰⁸ F Schjander and T Booth, *Matsikkerhet Og Sult, En Strategisk Plattform for Handling*, 2007.

¹⁰⁹ Halvard Leira and others, *Norske Selvbilder Og Norsk Utenrikspolitikk* (Oslo, 2007), p. 10.

¹¹⁰ Jarle Simensen, *Norsk Utviklingshjelps Historie 1, Fag* (Fagbokforlaget, 2003), pp. 29-31.

¹¹¹ Terje Tvedt, *Bilder Av "de Andre": Om Utviklingslandene i Bistandsepoken*. (Oslo: Universitetsforlaget, 1990), p. 218.

¹¹² Jarle Simensen, *Norsk Utviklingshjelps Historie 1*, (Fagbokforlaget, 2003), p. 29.

¹¹³ Sunniva Engh, 'The Conscience of the World? Swedish and Norwegian Provision of Development Aid', *Itinerario*, XXXIII (2009), p. 65.

¹¹⁴ 'The Missionary Image of Africa: Evidence from Sweden 1885-1895' <<http://131.111.227.198/CSjoblom.htm>> [accessed 11 June 2012].

¹¹⁵ Simensen, p. 31.

¹¹⁶ Engh, p. 66.

¹¹⁷ Helen Sweet, 'Wanted : 16 Nurses of the Better Educated Type ': Provision of Nurses to South Africa in the Late Nineteenth and Early Twentieth Centuries', *Nursing inquiry*, 11 (2004), 179.

domestic labor”.¹¹⁸ What would distinguish missionary work from later development aid work was the underpinning of religion. One of the missionaries main goals was religious transformation rather than social and economic development. Engh holds that they did not “aim to alter contemporary international power structures or encourage self-sufficiency from colonial masters, later development work could have political overtones of independence and self-reliance.”¹¹⁹

The Norwegian government wanted to separate its aid delivery from religious connotations, so though its aid would later resemble the work done by the missionaries; the state-run aid avoided the main activities undertaken by the missionaries activities; the influence from the experiences and projects run by the missionaries cannot be understated.¹²⁰ Compared to Norway and Sweden, German and British aid influences could be construed along the same lines as their colonial ties or contemporary international political developments than missionary influences, which the two countries had traditions of.¹²¹ Countries without strong colonial heritages would rely more on the foundations laid by the missionaries; which heavily influenced the development of their aid architecture.

A move that gravitated development work towards the state could be seen when Britain initiated the Colonial Development Act of 1929. This was moving away from the tradition of creating self-sufficiency in the colonies. Britain then set up a fund to finance development work, which would include railways, agriculture, roads, electricity, mineral resources and financing of the importation of equipment.¹²² This was the first stint of tied aid. However, aid to developing countries did not really occur after the Marshall plan and Truman’s Point Four program which was developed from 1949-1950. In this case, aid to Africa was linked to the decolonisation process, mostly from the former colonial powers. It is important to note that the colonial powers had no real ambition to finance state welfare programmes for Africans.¹²³ The essence of Truman’s Point Four program was to “embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.”¹²⁴ Norway, which took pride in being a non-colonial state, saw itself more suitable than the former colonial powers to provide aid. During the 1950's and 60's, Norway was amongst the least lavish of the Western donors.¹²⁵

¹¹⁸ Sweet, p. 179.

¹¹⁹ Engh, pp. 66-67.

¹²⁰ Engh, p 67.

¹²¹ Heide-Irene Schmidt, ‘Pushed to the Front: The Foreign Assistance Policy of the Federal Republic of Germany, 1958-1971’, *Contemporary European History*, 12 (2003), pp. 473-507; James Tomlinson, ‘The Commonwealth, the Balance of Payments and the Politics of International Poverty: British Aid Policy, 1958-1971’, *Contemporary European History*, 12 (2003), pp. 413-429.

¹²² Abbot, George. C “A Re-Examination of the 1929 Colonial Development Act,” *Economic History Review*, new series, 24(I) (1971): 68-81. To the extent possible, all equipment purchased under these programs was to be procured in the UK, a precursor of tied aid.

¹²³ H. Herbert Werlin, *Governing an African City: a Study of Nairobi* (London: Africana Publishing Co, 1974), p. 45.

¹²⁴ John Degnbol-Martinussen and Poul Engberg-Pedersen, *Aid: Understanding International Development Cooperation* (Zed Books, 2003), p. 9.

¹²⁵ Helge Pharo, ‘Altruism, Security and the Impact of Oil: Norways Foreign Economic Assistance Policy, 1958-1971’, *Contemporary European History*, 12 (2003), pp. 527-528.

Against the backdrop of the contemporary political landscape of the time, Norway's early state-led foreign aid policies started emerging. After World War II the United Nations (UN) and the Bretton Woods institutions would influence Norway's aid architecture significantly. Norway was part of the founding members of the UN and Norway's foreign minister Trygve Lie (who was in exile during the war), was elected to be the first Secretary General of the UN. He would be the protagonist who firmly set Norway's affinity to the organisation. The UN assisted in facilitating an arena upon which smaller nations such as Norway could cooperate with other countries of similar background, increasing their strength and influence in changing the power structures that were taking place. This assisted in solidifying their status abroad and at home.¹²⁶

The United Nations and the Bretton Woods institutions emphasised the goals of social and economic development; with the main priority being international security; it was United States that ushered the development doctrines that would shape international politics.¹²⁷ During the period 1948 to 1952 Norway received close to USD 450 million through the Organisation for European Economic Cooperation (OEEC).¹²⁸ It was inferred that countries who received this aid had a moral obligation to assist other countries in a similar vein. Also, the Marshall Plan had substantial influence on the future of aid delivery with the belief that through aid; countries could achieve political stability and economic growth. Further the Marshall Plan required that recipients of aid had to become part of OEEC which later in 1961, would be superseded by Organisation for Economic Co-operation and Development (OECD); an organisation which would set the stage for the development of the Western aid architecture. According to Olav Stokke, even though the Cold War influenced the Norwegian foreign aid during this time; the connection between the welfare state ideals and the aid policies are connected.¹²⁹ Stokke sees that development aid is an extension of the domestic policies, where Norway as the donor wishes to create a model which could be followed by recipient countries.¹³⁰ This is especially true when one looks at programmatic interventions around population control and family planning.¹³¹

Norway's first (bilateral) aid project was in to India, in 1952. It was facilitated by Trygve Lie which helped to secure the approval of the Prime minister of India, Jawaharial Nehru. This bilateral aid project was funded under the 'India fund' - a fund for assistance to less-developed countries. This agreement was a joint project between Norway, UN and India to provide support for the health and fisheries sector in Travancore-Cochin (later renamed Kerala). A

¹²⁶ Pharo, p. 531.

¹²⁷ Like then Norwegian development aid has similar goals today; with large aid disbursement channelled to Afghanistan in the fight against terror. Support good governance, education and rural development. Human rights, strengthening of women's position and combating corruption. For more information, see Norad statistics and country report on Afghanistan. <http://www.norad.no/en/countries/asia-and-oceania/afghanistan>

¹²⁸ Simensen, p. 42.

¹²⁹ Olav Stokke, 'The Determinants of Norwegian Aid Policy', in *Western Middle Powers and Global Poverty The Determinants of Aid Policies of Canada Denmark the Netherlands Norway and Sweden* (Scandinavian Institute of African Studies, 1989), pp. 309-311.

¹³⁰ Stokke, pp. 309-311.

¹³¹ Stokke, pp. 309-311.

co-funded project, Norway donated USD 15.5 and India supplied USD 16.2 million and took over the operations in 1972. Part of the reason why India was chosen instead of other countries was due to the Cold War anxieties. India was seen as an ideal partner to initiate an aid programme; since India was independence already in 1947, the aid programme with India would not collide with other Colonial powers and NATO allies. This all happened during the time when African countries were still colonised, making an aid projects on the African continent problematic due to conflicts of interest. The India-UN-Norway project was a classic example of Cold War aid; where economic development was not the only target, but also assisting in averting communist sympathies.¹³² India was viewed as a key country to partner with at that time, especially during this on-going battle of the East and the West in Asia.¹³³

According to Helge Pharo, another critical aspect of Norway's first aid project to India was an effort by the Norwegian Labour Party to take domestic and liberal inter-party¹³⁴ attention away from Norwegian NATO membership and military spending. A letter from Labour Party Secretary Haakon Lie to journalist, Anders Buraas at the Labour party; details some of the Labour Party's motives from the aid effort at the time:¹³⁵

1) ...cover a need felt by people...who politically and psychologically are not keeping up with Norway's foreign policy orientation, and who for a part lack an outlet for their idealistic drive...

2) Occupy in idealistic work, the many Norwegian "intellectuals" who find that Norway's apparent dependence on capitalist America has made it difficult for them to breathe...¹³⁶

The UN was seen as an agency to ensure peace and stability in the world during the Cold War, which took place as a result of WWII. As a result of the goal to strengthen the UN, Norway set a tradition to which it still works under – this is of channelling part of its aid through the UN system.¹³⁷ It was believed that for countries like Sweden and Norway giving aid was a profitable endeavour and in the self-interest of the donor countries in ensuring a peaceful future in which, in the long run; economic and social development, and growth would assist in the creation of democracies and peace.

¹³² Helge Pharo, 'Norge Og Den Tredje Verden', in *Vekst Og Velstand: Norsk Politisk Historie 1945-1965 : Regjering Og Opposisjon Under Arbeiderpartistyre*, ed. by Trond Bergh and Helge Pharo (Oslo: Universitetsforlaget, 1989), p. 294.

¹³³ The battle referred to here is the ideology battle between communism (China/USSR) and democracy (the West).

¹³⁴ There were several elements inside the Norwegian Labour party that was against Norway being part of NATO and the increased military spending this meant. In part to subdue this conflict, the Labour party under Prime Minister Gerhardsen appointed a committee consisting of some of the Labour members critical of NATO and Norway's closer connection with the US to set up Norway's foreign aid policy. Since giving foreign aid was seen as very socialistic, it was hoped this would subdue this group inside the Labour Party. For more information see: Engh, 65–82; Knut Nustad, *Gavens Makt: Norsk Utviklingshjelp Som Formynderskap* (Oslo: Pax, 2003), 154.

¹³⁵ This is Sunniva Engh translation from Helge Pharo, *Hjelp til Selvhjelp* vol. 1, 35.

¹³⁶ Engh, p. 70.

¹³⁷ Engh, p. 68.

The decolonisation period was an important period for the development of Norwegian aid. Norwegian politicians understood that small nations had an important role to play; “to spread the message of international solidarity with the liberation struggles of the third world”.¹³⁸ During this period, Norway avoided confrontation with the colonial powers; it was more inclined to find compromises. According to Helge Pharo, Norway publicly endorsed decolonisation while at the same time actually supporting the colonial powers. This was to change in the 1960’s.¹³⁹

3.3 Establishment phase 1960-1974

This was a period with big shifts in the development discourse; with a focus towards human capital and education. Heinz Arndt sees this as a “shift in [the] whole thinking about the problem of growth and development – from physical to human capital. The fundamental problem is no longer considered to be the creation of wealth, but rather the capacity to create wealth and the capacity resides in the people of a country”.¹⁴⁰ Further this was the period when Norway would enter Africa; a region which was until then avoided due to, among other things, the interests of the colonial powers. According to Engh, the Norwegian government tried to avoid areas which had a heavy colonial presence and the main areas both in geographic location and scope of work of Norwegian missionaries. Engh’s research shows that the “most ardent support for a generous Norwegian development aid budget has been found in the political parties and regions that traditionally were closely tied to the missions, while religious organisations received much state support for their development work”.¹⁴¹ With decolonisation underway, the focus on assisting newly independent states gained greater importance. Pharo describes how the change in the power balance in the UN further assisted in this shift towards the African region; and how the change in United States’ stance on decolonisation, opened up the possibility for Norway to assert its position for supporting the newly independent African countries and the countries still working towards their independence.¹⁴² To put the Norwegian aid in perspective during this time, it is worth noting that up to 1974, the amount “earmarked for development aid was even specified on each individual tax bill, an indication of the novelty of the whole idea of using Norwegian taxpayers’ money outside the country.”¹⁴³

This period also saw an expansion of Norway’s involvement in the developing countries, especially in Asia and Africa. In January 1963 the representatives from the four Nordic countries signed the agreement for a common Nordic aid to Tanzania.¹⁴⁴ In 1968, the

¹³⁸ A.W Johansson and T Norman, ‘Sweden’s Security and World Peace’, in *Creating Social Democracy: A Century of the Social Democratic Labor Party in Sweden*, ed. by Karl Molin, Klas Amark and Klaus Misgeld (Pennsylvania State University Press, 1992), p. 366.

¹³⁹ Pharo, pp. 289–334.

¹⁴⁰ Heinz Wolfgang Arndt, *Economic Development: The History of an Idea* (Chicago: University of Chicago Press, 1989), p. 60.

¹⁴¹ Engh, p. 67.

¹⁴² Pharo, p. 328.

¹⁴³ Simensen, p. 170.

¹⁴⁴ ‘50 År Med Norad’, *Norad*, 2012 <<http://www.norad.no/no/om-norad/historie/historikk>> [accessed 19 June 2012].

Norwegian Agency for Development Cooperation (NORAD) was established as an independent directorate under the Ministry of Foreign Affairs (MFA). Norad's task was to "draw up plans for the use of Norway's total public assistance to developing countries and for the coordination of this assistance."¹⁴⁵ The increase in Norwegian assistance since 1960, when Norway gave USD 15.8 million in total assistance (USD 1.16 million in 1960) increased annually, to USD 4.7 billion by 2011.¹⁴⁶

Since 1960, Norway has contributed a total of USD 63.5 billion in aid to developing countries and of this, USD 17.3 billion went to the African continent. Norwegian foreign aid has been distributed throughout 158 countries and to all continents. The region that has received the largest amount of aid has been East Africa; West Africa would follow as a priority focus region in the later years. Of all the countries receiving Norwegian assistance, Tanzania has received the largest assistance overall; receiving roughly USD 2.57 billion from 1960-2011.¹⁴⁷ According to Hilde Selbervik, Tanzania "has been one of the most important recipients of Norwegian aid – if not *the* most important one".¹⁴⁸ Putting Norway's assistance to India and Tanzania into perspective; Tiril Skarstein calculates the assistance according to the income per capita. If you divide this amount between the number of Tanzanians and Indians today; the difference is striking. The amounts represent USD 100 for every Tanzanian and not more than USD 1.3 per every Indian.¹⁴⁹ According to Jarle Simonsen East Africa was seen as a region where Norway and other Nordic countries had many vested interests. In addition, there was an advantage that these countries were English speaking and the climate was an attractive component.¹⁵⁰

Another aspect that made Southern Africa a target of aid was the Norwegian anti-apartheid movement, which emerged during this period. This would be pushed so that Southern Africa would remain on Norway's political agenda. After this, Africa's liberation movements made links with Norwegian solidarity organisations and eventually also to the official authorities in Norway.¹⁵¹ Norway and the other Nordic countries would provide humanitarian assistance and diplomatic support to the liberation movements in South Africa, Namibia, Angola, Mozambique and Zimbabwe. Tore Linne Eriksen sees the 15 year period of 1960-1975 as a time which marked a change in Norway's political attitude, where even though majority of the financial support to the struggle happened after 1975; "there is no other Western country [Norway] apart from Sweden-which had such close relations to the struggle for liberation in Southern Africa."¹⁵² Eriksen highlights that although Norway and the liberation movements

¹⁴⁵ '50 År Med Norad'.

¹⁴⁶ Østerhus and Doksheim, p. 2; 'Norsk Bistand i Tall'.

¹⁴⁷ 'Norsk Bistand i Tall'.

¹⁴⁸ Hilde Selbervik, 'Aid and Conditionality The Role of the Bilateral Donor : A Case Study of Norwegian – Tanzanian Aid Relationship', 1999, p. 11.

¹⁴⁹ Tiril Skarstein, 'Norsk Bistand Gjennom 50 År: 500 Mrd. Kroner', *Bistandsaktuelt*, 2012, p. 4.

¹⁵⁰ Simonsen, p. 170.

¹⁵¹ Tore Eriksen, 'The Origins of a Special Relationship: Norway and Southern Africa 1960–1975', in *Norway and National Liberation in Southern Africa*, 2000, pp. 9-10.

¹⁵² Eriksen, p. 9.

had close relations, it was not until 1987 that sanctions would be applied to the apartheid regimes, and even then, the laws applying such sanctions had several loopholes.¹⁵³

Looking at where the Norwegian aid has been channelled; it can be seen how Norway's foreign and security policy commitment has influenced its foreign aid policy and budget. In recent years Afghanistan has become a major beneficiary of Norwegian aid as a result of Norway's military involvement. Aid funds have also followed in the footsteps of the Norwegian peace efforts in Sri Lanka, South Sudan and the Palestinian territories. In the first Norwegian study on Norway's aid, it was assumed that about 90 per cent of assistance covered multilateral interventions; while 10 per cent was given bilaterally. But the aid was nationalised quite quickly. Norway realised, according to Simonsen; how aid could be used to promote its interests and ideals. In the 1970's roughly 60 per cent of the aid was given multilaterally, accounting for 25 per cent since then Norway has moved towards bilateral aid.¹⁵⁴

3.4 Turning Point, the Realism phase 1974-1990

This period saw great changes in the Western aid architecture. It was a period of economic recession, oil crisis and ideological change. This influenced the political philosophies and values that would have an impact on the foreign aid policies of Norway and other Western countries. In the 1980's the romanticised era of aid was replaced by realism and even cynicism. This period was also marked with a move away from multilateral assistance to the UN and the development banks and a return to bilateralism.

With the rapid increase in the aid budget, Norway began to eye the importance to earmark projects through their bilateral and multi-bilateral assistance. Further pushing this trend of bilateral assistance forward was the nationalisation of the development assistance, where the Norwegian government saw the multiple benefits development assistance had as a tool to increase Norwegian interests and ideals.¹⁵⁵ Up until the mid-1970s, the self-interest of the Norwegian foreign aid was very much present. This happened, according to Simensen:

To the extent that one believed in it [no self-interest], this was a delusion. Self-interest was heavy also in Norwegian development aid. The direct delivery of goods, with stockfish and fertilizers as major records indicate, was...about 30 per cent [of aid budget] in 1970. All in all more than half of the aid in [period 1952-1975] went for payment of Norwegian deliveries and wages for Norwegian professionals.¹⁵⁶

With a less optimistic world post-1960 and the increase of the rich and poor divide, the future was looking less bright. The developing nations came up with the New International

¹⁵³ Tore Eriksen and Anita Krokan, Kristensen, 'Fuelling the Apartheid War Machine: A Case Study of Shipowners, Sanctions and Solidarity Movements', in *Norway and National Liberation in Southern Africa* (Stockholm: Nordiska Afrikainstitutet, 2000), pp. 200-215.

¹⁵⁴ Eriksen and Krokan, Kristensen, pp. 200-215.

¹⁵⁵ Tiril Skarstein, '500 Milliarder i Bistand', *Bistandsaktuelt*, 2012 <<http://www.bistandsaktuelt.no/nyheter-og-reportasjer/arkiv-nyheter-og-reportasjer/gevinsten-har-vrt-st-rst-for-norge>> [accessed 24 October 2012].

¹⁵⁶ Halvard Leira and others, *Norske Selvbilder Og Norsk Utenrikspolitikk* (Oslo, 2007), p. 18. (translated from Norwegian)

Economic Order (NIEO). Interestingly, the only success NIEO managed to attain was in oil producing countries. The other newly independent countries' reliance on other natural resources for their export; prices fell; with it, the hopes of gaining a levelled playing field versus the rich world. According to Stokke, by the 1980's, "the industrial world, including to a large extent even the five countries included in this study [Canada, Denmark, the Netherlands, Norway and Sweden] were insisting that the poor countries should adapt their policies to the needs of the rich world."¹⁵⁷ Also part in the failure of NIEO to a measurable degree was the economic slump of the industrialised countries during this period and the increasing interest of the larger industrialised countries in the third world. Later in 1985, Scandinavian countries would sign an agreement (Nordic-SADCC Initiative) in the aftermath of a failed NIEO. The MOU refers to extended cooperation between the Nordic countries and of the nine countries in the SADCC region. This Nordic/SADCC initiative became a mini-NIEO because it sought to realize some of the intentions behind NIEO negotiations by creating an enhanced economic cooperation on a more equal basis between smaller groups of countries.¹⁵⁸

Until the 1990's and before peace-activism became a central part of the Norwegian foreign politics, traditional foreign aid remained at the core. The peace activism and the aid part of Norway's foreign policy have through the decades become more interwoven in the perception of Norway's self-image and in practise. Leira et al claim that the core of Norwegian foreign aid lays an altruistic notion of a "rich nation that share its resources with others through humanitarian activities and peace work... where people who got more should share with those who got less".¹⁵⁹ This purity school of thought and altruism was prevalent at the early stage of Norwegian development assistance; in 1976 Norway joined Sweden and the Netherland to attain the 0.7 per cent ODA/GNP target, Denmark followed in 1978.¹⁶⁰ This would set the buildings blocks for Norway as the humanitarian superpower. The country would give of its surplus but demand nothing in return for its assistance. There was a broad political agreement that Norway should achieve 1 per cent of its GNP in ODA, even the polls revealed wide public support of that aim.¹⁶¹

As we enter the 1980's there is a shift away from the earlier commitments made by leading Norwegian bureaucrats and politicians to avoid pushing their ideals and governance principles on developing countries, something that differentiated the country from the other Western donor countries at the time. But as we will see during the 1980's Norway shifted to the tune of the rest of the Western donors' foreign aid policies.¹⁶² This is an important shift in

¹⁵⁷ Olav Stokke, Nordiska Afrikainstitutet and Norsk utenrikspolitisk institutt, *Western Middle Powers and Global Poverty: The Determinants of the Aid Policies of Canada, Denmark, the Netherlands, Norway, and Sweden* (Nordic Africa Institute, 1989), pp. 11-12.

¹⁵⁸ 'Ny Økonomisk Verdensorden – Store Norske Leksikon' <http://snl.no/ny_økonomisk_verdensorden> [accessed 12 December 2012]; 'SADCC-initiativet - bistandsWIKI' <<http://bistandsaktuelt.typepad.com/bistandswiki/2011/04/sadcc-initiativet.html>> [accessed 12 December 2012]; Utenriksdepartementet, '2.7.4 Importen Fra Sør - Både Stimulert Og Hemmet' (regjeringen.no, 2006) <<http://www.regjeringen.no/nb/dep/ud/dok/nou-er/1995/nou-1995-5/5/7/4.html?id=427275>> [accessed 12 December 2012].

¹⁵⁹ Halvard Leira and others, *Norske Selvbilder Og Norsk Utenrikspolitikk* (Oslo, 2007), p. 16.

¹⁶⁰ Führer, p. 26.

¹⁶¹ Pharo, p. 527.

¹⁶² Knut Nustad, *Gavens Makt* (Oslo: Pax, 2003), p. 105.

Norwegian foreign aid, as of 1980's Norway is telling the developing countries that Norway inhibit the knowledge of what will be needed for progress and that Norway will only give assistance to countries who follow the model that Norway prescribes. Until this point, Norwegian and Chinese development assistance shared comparable similarities of non-intervention and limited use of conditionality. This fascinating topic will be covered in chapter 4, when covering conditionality.

Another development in the 1980's which would challenge the altruistic aid model was the organisational restructuring of the Norwegian aid structure through the strengthening of Norway's Ministry of Foreign Affairs (MFA). Stokke notes that the MFA role in the multilateral aid created an opening for Norwegian aid policy to be influenced greatly by the international environment; where "the setting also facilitates the use of ODA as a foreign policy instrument in the pursuit of non-developmental objectives."¹⁶³ The great leap in GNP per capita during this period increased drastically from USD 2,860 in 1970 to USD 6,540 in 1975 and to 13,940 in 1984.¹⁶⁴ This was also a period with low levels of unemployment, and a positive outlook to the future due in large, to revenue coming from the oil in the North Sea. The start of the financial crisis during the second part of the 1980's, accompanied by high inflation rates and rising costs. This affected mainland businesses especially the important shipping industry, which struggled during the crisis. Instead of foreign aid decreasing, this period saw a continuous increase in development aid.

The 1980s and 1990s saw the emergence of aid conditionality and in the use of Structural Adjustment Programs (SAPs) to aid delivery in accordance with the Western aid architecture. This was primarily in response to the debt and oil crisis of the period, and Norway was no exception in linking aid and macro-economic conditions. Tanzania is historically the single recipient that has received more foreign aid from Norway than any other country; consequently, Tanzania became the first country in which Norway supported economic conditionality.¹⁶⁵

During this period Norwegian aid also saw increased commercialization of its foreign aid. According to Eli Vorkinn, there were three trending periods of commercialization. The first trend was seen in 1977 with an extended repetition of special terms to guarantee exports to developing countries. This first trend was brought about by the crisis in the Norwegian shipyard industry, a very important industry at the time. Foreign aid funds were thus used to export ships to developing countries. It was the Ministry of Trade which implemented this, while the MFA and Norad lost power. As mentioned earlier in the paper, there was very little conflict among the political parties during this period; which assists in explaining the second change in 1983 to 1985 where two significant changes occurred. In 1983 aid funds were used to cover losses arising from Norwegian ventures in the 1970's. In 1985 mixed credits were introduced. This commercialization stage was less correlative to economic instability but had

¹⁶³ Olav Stokke, Nordiska Afrikainstitutet and Norsk utenrikspolitisk institutt, *Western Middle Powers and Global Poverty: The Determinants of the Aid Policies of Canada, Denmark, the Netherlands, Norway, and Sweden* (Nordic Africa Institute, 1989), p. 164.

¹⁶⁴ Stokke, Afrikainstitutet and institutt, p. 165.

¹⁶⁵ Selbervik, p. 5.

to do with the Conservative party in power;¹⁶⁶ who wanted more commercialisation to ensure more security during economic turbulent cycles. Due to the shift from a Conservative-only government to a coalition led government in 1983; the Conservatives needed to compromise. While the Conservatives got to keep the mixed credit, the Christian Democrats got an increase in aid volumes and a more focus on world poverty. The third trend occurred in 1992 with the allocation for mixed credits quadrupled while losses on guarantees from the 1970's overloaded aid funds, this time through debt relief. This last trend is set against the back drop of the economic conditions at the time, with high unemployment rates and demand from businesses to enter new markets, especially in Asia.

3.5 Expansion Phase 1990-Present

From the late 1980's the overall aid volume declined. The 1990's saw increased doubts about the impact of development assistance. This period signified the end of the Cold War with the West and the ceasing of support for despotic regimes, which sparked the emergence of local armed conflicts in Africa; set the scene for what would happen in the development aid politics. This resulted in increased support for programmes of demobilization and reconstruction after war and conflict; including the return of refugees. It was only later on in this phase that we would see Norwegian aid officially be realigned with the Soria Moria declaration of 2005.¹⁶⁷ This Declaration stated, among other things, that no conditionality should exist in Norwegian aid; it further promoted greater aid transparency. Chapter Four covers this issue, and highlights how Norway has not always adhered to this declaration. This period also marked an increased polarization of Norwegian aid up until present; with the choices of aid recipients. Norway's foreign and security policy engagement influenced the development budget; especially as Palestine and Afghanistan where new entrants to the Norwegian aid portfolio during this period. This period would also see a further shift of bilateral aid; in Norway's strength as a peace builder and the emergence of development finance following the development rhetoric of increasing ownership.

According to former Norad Director Per Grimstad,¹⁶⁸ until the 1990's, the Norwegian aid had a mentality of superiority - the donor decides where and how to deliver the aid and only after do they notify the aid recipients. This was also highlighted in a meeting Grimstad had with a finance minister of a country receiving Norwegian aid. He was told that the ministry of finance had to change their entire budget as Norway had just appointed a new international development minister who had different ideas and goals than his predecessor.¹⁶⁹ Norwegian historian Rolf Tamnes and former Norad director Poul Engberg Pedersen voiced concern over the large numbers of countries that received Norwegian assistance in the 1990's and early 2000; making assessing the impact of aid during this time, difficult. Whereas only a

¹⁶⁶ 1981-83 marked the first time since 1893-95 of a Conservatives-only cabinet. The Willoch's first cabinet was then followed by Willoch's second cabinet, this time replaced by Conservative/Centre/Christian Democrat cabinet.

¹⁶⁷ Minister.

¹⁶⁸ Was director at Norad from 1988-1996.

¹⁶⁹ 'Fortsatt Tro På Bistand' <<http://www.norad.no/no/aktuelt/nyheter/fortsatt-tro-pa-bistand>> [accessed 7 December 2012].

handful of countries received ODA from Norway in the 1960's, this number had increased to about a 100 by 1993, but then there was a decline to about 35 in 2011.¹⁷⁰

After recommendations from the North-South/Development Aid Commission, Norway established in 1997 Norfund an investment fund that would be a key part of Norwegian development policy. This was a company that would be governed under the MFA. The objective of the fund was to alleviate poverty through investment; by using investments in and providing loans to profitable and viable companies. Norfund operates in countries which, in many instances, would not receive investments and loans due to the bureaucracy and the high risks associated with doing business there. In 1999, Norfund had an annual capital contribution into Africa of USD 23 million; this would increase to USD 171 million in 2011.¹⁷¹

There were still strong connections between aid ownership and recipient responsibility in the earlier part of the 2000s. After the adoption of the Millennium Declaration at the UN summit in 2000, a set of Millennium Development Goals (MDG's) were crafted. These linked poverty reduction to international aid. Under Prime Minister Jens Stoltenberg, Norway took the responsibility of achieving the MDG goals number 4 and 5 which include the reduction of child mortality and the improvement of maternal health by 2015.¹⁷² The political and security challenges after the September 11 attack would blur the distinction between aid and foreign policy. The second significant change during this period was the Paris Declaration of 2005. The Declaration main goals at improving the quality of and impact of aid:

1. Ownership: Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.
2. Alignment: Donor countries align behind these objectives and use local systems.
3. Harmonisation: Donor countries coordinate, simplify procedures and share information to avoid duplication.
4. Results: Developing countries and donors shift focus to development results and results get measured.
5. Mutual accountability: Donors and partners are accountable for development results.¹⁷³

¹⁷⁰ 'Countries - Norad.no' <<http://www.norad.no/en/countries>> [accessed 12 December 2012]; Nils Udgaard, M, 'Meninger - Kommentar - Norge Verdenssamfunnets "Nullskatteyter" ?', *Aftenposten* (Oslo, January 1999) <<http://tux1.aftenposten.no/meninger/kommentarer/d64217.htm>> [accessed 12 December 2012].

¹⁷¹ 'History - Norfund (Statens Investeringsfond for Næringsvirksomhet i Utviklingsland)' <<http://norfund.no/index.php/en/about-norfund/history>> [accessed 14 December 2012].

¹⁷² The Office of the Prime Minister, 'The Millennium Development Goals' (regjeringen.no, 2006) <<http://www.regjeringen.no/en/dep/smk/selected-topics/the-millennium-development-goals.html?id=87050>> [accessed 18 December 2012]; 'Millennium Development Goals | UNDP' <<http://www.undp.org/content/undp/en/home/mdgoverview.html>> [accessed 18 December 2012].

¹⁷³ 'Why the Paris Declaration on Aid Effectiveness Counts - OECD Observer' <http://www.oecdobserver.org/news/archivestory.php/aid/2072/Why_the_Paris_declaration_on_aid_effectiveness_counts.html> [accessed 18 December 2012]; 'Paris Declaration and Accra Agenda for Action' <<http://www.oecd.org/dac/aideffectiveness/parisdeclarationandaccraagendaforaction.htm#Paris>> [accessed 18 December 2012].

The same year as the Soria Moria Declaration in 2005, the Norwegian Government launched its Oil for Development (OfD) programme. The operational goal of the programme was “economically, environmentally and socially responsible management of petroleum resources which safeguards the needs of future generations”.¹⁷⁴ Due to the problematic history and task of nations distributing the welfare coming from oil to the rest of the population in developing countries, OfD sought to assist in a cross-cutting assistance platform. Norway itself an oil producer since the 1980s sees itself after decades of experience having the right qualifications to assist developing countries in best managing these resources. This was a similar argumentation made for Norway’s assistance in fish management in India, Tanzania and Kenya during the 1950’s and 1960’s.¹⁷⁵

According to Tvedt, Norway has built its politics as a peace nation on a foundation that its foreign policy rests on being without self-interest claims. The Norwegian foreign policy environment systematically portrayed themselves as bearers of universal values, culture-neutral and essentially non-political; at the same time the Norwegian government participated in and wished to pass along the Western values in the war in Afghanistan and Libya, defining it as a mission without self-interest. This, Tvedt argues, is an effort to make the rest of the world more similar to Norway. Tvedt reasons that this system promoted a distinctive Norwegian moral thinking, the goodness regime which inhibits critical debate.¹⁷⁶ Former minister of Foreign Affairs Jonas Gahr Støre opposes this view, when he claims that:

“For me as Secretary since 2005 has been focusing on Norwegian interests... In such a world, aid and peace policy not only good and kind instruments, grounded in international solidarity. There is also global realpolitik, and the approach to foreign policy choices must be about what I have called "global realism"... A few years ago launched Tvedt term "Goodness regime." It is an elegant formulation that describes a way of thinking of the people behind the policy which is almost intoxicated by the ambition of wanting good. I've never seen myself in that term to describe the foreign policy I have been responsible for. I never fell for that little bit towering tradition of Norwegian foreign policy discussion where Norwegian aid and peace policy is seen as an expression of a distinctly Norwegian peace ideology. If Norway is referred to as the defender of goodness, it must be for what we do, not what we say we are.”¹⁷⁷

Below are the points covering the issue of conditionality and aid in the Soria Moria Declaration on International Policy of 2005. It states as follows:

¹⁷⁴ ‘Oil for Development’, *Norad*, 2011 <<http://www.norad.no/en/thematic-areas/energy/oil-for-development/oil-for-development>> [accessed 18 December 2012].

¹⁷⁵ Most of these earlier projects ended in failure. In the instance of Kenya, Norway built the largest commercial freezer the world had then seen, unfortunately, to run it would need the entire fresh water supply of the lake. For more information: MRAG, *Evaluation of Norwegian Development Co-operation in the Fisheries Sector*, 2008, p. 104.

¹⁷⁶ Utenriksdepartementet, ‘Norsk Utenrikspolitikk: Godhetsregime Uten Prioriteringer?’ (regjeringen.no, 2011) <http://www.regjeringen.no/nb/dep/ud/aktuelt/nyheter/2011/utenrikspolitikk_godhetsregime.html?id=642257> [accessed 8 December 2012].

¹⁷⁷ Utenriksdepartementet, ‘Godhet Og Realisme’ (regjeringen.no, 2011) <http://www.regjeringen.no/nb/dep/ud/aktuelt/taler_artikler/jgs_taler_artikler/2011/godhet_realisme.html?id=642441> [accessed 7 December 2012].

The Government will:

- work to ensure that the appropriations for the development work meet the target of 1 per cent of GNP and that the grants are then gradually increased further during the period,
- work to ensure that the multilateral aid is increasingly switched from the World Bank to development programmes and emergency aid measures under the auspices of UN agencies. Norwegian aid should not go to programmes that contain requirements for liberalisation and privatisation,
- lead the way in the work to ensure the debt cancellation of the poorest countries' outstanding debt in line with the international debt relief initiative. The costs of debt cancellation must not result in a reduction of Norwegian aid, cf. the adopted debt repayment plan. No requirements must be made for privatisation as a condition for the cancellation of debt. The Government will support the work to set up an international debt settlement court that will hear matters concerning illegitimate debt.¹⁷⁸

Even with this strong commitment to unconditionality, Norway's ability to withstand the temptation of using foreign aid to ensure human rights and democratic foundations in a recipient country has proven difficult. With the shift towards greater bilateralism in the Norwegian aid architecture, Norway has according to Simensen used foreign aid to promote interest and ideals.¹⁷⁹ This case will bring us to the next chapter of conditionality, a fascinating topic, which will assist in further dissecting and comparing these two actors. Norway as we just have covered has committed itself from the early stages of its foreign aid to non-interference and to today's of abstaining from using conditionality. This is similar to China, but still they are at two ends of the conditionality paradigm.

¹⁷⁸ Minister, 'The Soria Moria Declaration on International Policy'.

¹⁷⁹ Engh, p. 67.

Chapter 4

Comparative Analysis of Conditionality

4.1 Introduction

In this chapter, I explore conditionality and non-conditionality in foreign aid, a subject that is fraught with controversy over the last decades. Conditionality is still a widely used tool by different actors in the Western aid architecture, especially making aid conditional on political policies (human rights and democratisations) of recipient countries. The term conditionality was according to Selbervik¹⁸⁰ changed to the more politically correct term “partnership” as part of the DAC countries main approach to the 21st century.¹⁸¹ Conditionality has been used for different purposes by donor countries; economic, ideological, cultural, strategic and political. Stokke puts forward that “for the donor governments, development assistance has been – and still is – an instrument to pursue foreign policy objectives.”¹⁸² Conditionality is explored in this paper, to compare Norwegian and Chinese conditionality unconditionality.¹⁸³ Critics maintain that conditionality is faulty by design. Collier is not against conditionality as a tool, but is critical of the operationalization of it.¹⁸⁴ Moyo maintains that on paper conditionality makes a lot of sense, but that the 'conditionality' aspect of the aid has been ignored by the recipients.¹⁸⁵ Roger Riddell saw the “the introduction, the extension and the widening of conditionality” held some the key features of Western foreign aid during the 1980’s and 1990’s.¹⁸⁶ Tony Killick has gone so far to claim that conditionality is “an ugly recent (1996) addition to the English language with which government officials in indebted countries have become all too familiar.”¹⁸⁷

In this chapter, I give a brief introduction to the history and development of conditionality. I compare Norwegian and Chinese use of conditionality and rhetoric of unconditionality in their foreign aid, looking into the use of political and economic conditionality as well as ex

¹⁸⁰ Selbervik, p. 16.

¹⁸¹ Partnership is a term that has been used for a long time by the Chinese, and even on European aid literature it appeared in the Pearson Report of 1969. Not only for OECD the organisation, but also the Norwegian government endorsed and enforced the term partnership.

¹⁸² Stokke, p. 2.

¹⁸³ Primary motivations for disbursing aid will not here be debated. There are two poles to the argument, where providing aid is mainly driven by self-interest in pursuant of political and security interests. The other pole holds that providing aid is driven by idealism.

¹⁸⁴ Joanna Langille, ‘Globalization and Autonomy’, *Globalization and Autonomy*, 2005 <http://globalautonomy.ca/global1/glossary_pop.jsp?id=CO.0022> [accessed 15 January 2013]; William Easterly, *The White Man’s Burden*, 1st edn (New York\): The Penguin Press, 2006), p. 27, 368; Paul Collier, ‘The Failure of Conditionality’, in *Perspectives on Aid and Development*, ed. by Catherine Gwin and Joan Nelson (Washington, DC: Overseas Development Council, 1997), p. 98.

¹⁸⁵ Moyo, pp. 38-39.

¹⁸⁶ Roger Riddell, *A New Framework for International Development Cooperation: Towards a Research Agenda* (UNDP, 1995), p. 86.

¹⁸⁷ Douglas Zormelo, ‘Is Aid Conditionality Consistent with National Sovereignty?’ (London, 1996), p. 3.

ante and ex post conditionality.¹⁸⁸ Norway's rhetoric are far apart, whereas China has so far been following its aid guidelines of non-interference, though imposing a consistent set of standard conditions to its aid delivery. I will briefly look at the two countries experiences using forms of conditionality in terms of the "Washington Consensus"¹⁸⁹ and the "Beijing Consensus."¹⁹⁰ I will delve into China's unconditionality using Zimbabwe as a short case study, where China has drawn criticism for prolonging Mugabe's dictatorial rule. I will explore the claim that China's aid is not 'unconditional'; that China's main interest is acquiring natural resources for its continued economic growth.¹⁹¹ Lastly, Norway's behaviour is analysed using the game theory model called "Samaritan's dilemma", which highlights a welfare state such as Norway foreign aid behaviour vis-à-vis their recipients and recipient's negotiation power; where the dominant strategy used by the donor, is to disburse aid.¹⁹²

Conditionality is a very broad term. In this paper when referring to economic (first generation) and political conditionality (second generation) I specifically refer to Kahler's definition of conditionality as "an exchange of policy changes for external financing."¹⁹³ According to Stokke it is "the denial of aid if the set conditions are not met."¹⁹⁴ The main focus of this paper is second generation conditionality, which according to Stokke has an overall aim for policy reform by "involving the system of government, democracy and participation, and human rights, in particular civil and political rights."¹⁹⁵ Furthermore, conditionality is not seen as an "aim in itself but an instrument by which other objectives are pursued."¹⁹⁶

4.2 The Evolution of Conditionality

When discussing current forms of aid conditionality, we are dealing with what Stokke calls first and second generation conditionality, which represents a move from economic to political conditionality.¹⁹⁷ First generation conditionality can be traced back to the 1960's and

¹⁸⁸ The distinction between ex ante and ex post conditionality may be unclear when analysing aid conditionality of the donor. Ex ante conditionality denotes that the donor will not give aid to a recipient country or other entity such as an NGO if assured criteria have not been met in the recipient entity previous behaviour (an ex post assessment) and/or unless there are reforms in order to meet such standards or an explicit commitment to undertake such reforms. Ex post conditionality suggests an unequivocal understanding between the two parties that continued assistance at a future point in time will be based on the recipient preceding performance or commitment made in ex ante.

¹⁸⁹ The term was originally coined in 1990 to refer "to the lowest common denominator of policy advice being addressed by the Washington-based institutions to Latin American countries as of 1989". Since then the term has evolved to encompass neoliberal policies.

¹⁹⁰ This term was coined by Joshua Cooper Ramo in 2004. It captures China's rise and how its development trajectory is challenging entrenched practises and ideologies. It is according to Cooper Ramo a replacement to the "widely-discredited" Washington Consensus.

¹⁹¹ Hodzi, Hartwell and Jager, p. 91.

¹⁹² Selbervik, p. 6.

¹⁹³ Zormelo, p. 7.

¹⁹⁴ Olav Stokke, *Aid and Political Conditionality*, ed. by Olav Stokke (London: Frank Cass in association with EADI, 1995), p. viii.

¹⁹⁵ Stokke, p. viii.

¹⁹⁶ Stokke, p. 2.

¹⁹⁷ Stokke, p. 2-3.

early 1970's, with the realisation that accelerated growth had failed in the developing countries in South America and Africa due to large discrepancies between promise and practise.¹⁹⁸ Further aggravating the situation was the entrenched structural economic crisis in the developing nations at the end of the 1970's, due to, among other things, to declining commodity prices, the oil crisis, and poor macroeconomic management. It was only during the 1980's, that first generation conditionality was developed and initiated.¹⁹⁹ For developing countries to be able to obtain aid, they had to get their economies in order, reducing the government involvement in the economy. The new mantra macroeconomic stability had strong liberal market traits; urging recipient governments to accept the terms of the Bretton Woods institutions and various bilateral donors by undertaking ambitious privatisation and liberalisation programmes. Structural Adjustment Programs (SAP) became a key tool during this time. Proponents of neo-liberal theory envisioned this would enable individual actors in the target countries to acquire greater prospects for their own development; thus avoiding dependencies to foreign aid, with the neo-liberal advocates urging trade rather than aid to foster development.²⁰⁰

According to Olav Stokke, the revolutionary events in Eastern and Central Europe prompted second generation conditionality where “after the disintegration of the Eastern bloc and its core power, major Western powers were searching for a new justification for their development assistance.”²⁰¹ The main traits of the second generation conditionality are that of political reform, “involving the system of government, democracy and participation, and human rights, in particular civil and political rights”.²⁰² We can assume that some of the motivations from the first generation to the second generation conditionality were an effort to move away from the government being the recipient of aid. The result of moving away from governments being recipients, led to what Hyden and Mukandala describe as the discovery of different groups, such as “women’s groups, community-based organisations and informal sector entrepreneurs; all of whom were being described as the true promoters of development”.²⁰³ Groups which had been ignored in the previous development theories. Instead of increased assistance to local NGOs- facilitating a bottom up approach - a majority of the donors preferred to use their own national NGOs. This in part, led to an explosion of the NGOs both in number and influence. Second generation conditionality continues to be the standard in the Western aid architecture.

Hilde Selbervik argues that “if aid is to be used as a mid-wife for reform, conditionality seems needed, but the conditions have to be followed up and worked out in real partnership with the recipient...Paradoxically the donors are still practising conditionality, but with no

¹⁹⁸ Stokke, p. vii.

¹⁹⁹ Stokke, pp. 3-5.

²⁰⁰ Hydén and Mukandala, pp. 15-16.

²⁰¹ Olav Stokke, *Aid and Political Conditionality*, ed. by Olav Stokke (London: Frank Cass in association with EADI, 1995), p. 163.

²⁰² Stokke, p. viii.

²⁰³ Hydén and Mukandala, p. 17.

clear conception of how to apply it.”²⁰⁴ Norway in the last decade voiced its concern with the Bretton Woods conditionality policies; Norway’s White paper no.13 (2008-2009) states that:

“Countries should decide themselves which policies and measures they wish to implement, but in certain areas it is also legitimate and necessary for donors to attach conditions to grants and loans, for example to ensure that these are used as agreed. Aid without conditions is aid without policy and without proper control. We should rather ask *what* conditions are legitimate to set in connection with debt relief and lending.”²⁰⁵

Norway’s official bilateral aid policy is that it should be unaffectedly recipient-oriented; “predominantly for utilitarian reasons (of effectiveness and sustainability) but also in order not to interfere in the policy of recipients.”²⁰⁶ Aid policies for most small countries like Norway are governed and formed by domestic interests and values in collaboration with the recipient governments. The problem Norway and other small countries face, is that they operate in a complex environment with other donors, multilateral agencies and foreign and national NGOs interests and objectives. Stokke proposes that Norwegian aid be seen within the paradigm of 'humane internationalism' rather than the realist paradigm of the major powers. Within this paradigm, the “primary justification has been neither strategic interest related to security nor economic gain for Norway; the stated development objectives may, to a large extent, be taken at face value as the main justification...Aid has been driven by the same forces that promoted and maintained the welfare state at home.”²⁰⁷ Norwegian foreign aid is affixed by the same political values, such as self-determination, social, economic and political human rights and democracy. A problem arises when these values now built in the foreign aid conflicts with the recipient-orientation of aid.²⁰⁸

In the 1990s Norway brought the issues of good governance and human rights in the bilateral negotiations with Tanzania. This was not a welcomed move by the Tanzanian government, seeing this as a breach of non-intervention. Selbervik mentions that, “the Tanzanians seem more relaxed about it now, even though it is still a sensitive topic. For the Norwegian side, raising these issues sometimes has been somewhat ritualistic, done out of duty to follow the instructions and to appease Norwegian domestic public opinion.”²⁰⁹ James Adams believes implementing sanctions or restrictions gets more difficult the longer or more heavily a donor is invested in the recipient country.²¹⁰ In the case of Tanzania, it has been the most important bilateral recipient of Norwegian foreign aid to SSA.

The question that is then posed is whether Norway has any claim or right to expect recipient countries citizens and elected officials to conform to the values and democratic traditions of the donor country? Is it legitimate for Norway to use its ODA as a condition to promote

²⁰⁴ Selbervik, p. 5.

²⁰⁵ Norwegian Ministry of Foreign Affairs, *Report No. 13 (2008-2009) to the Storting*, 2009, p. 95.

²⁰⁶ Stokke, p. 164.

²⁰⁷ Stokke, p. 168.

²⁰⁸ Stokke, , p 168.

²⁰⁹ Selbervik, p. 7.

²¹⁰ Selbervik, p. 14.

values such as human rights, democracy and equality? Tove R. Wang, Secretary General at Save the Children Norway claims that it is legitimate to work for social change through aid, as long as the objectives are based on universal human rights and as long as the work is based locally. Wang claim that universal human rights are not a Western concept, children's universal human rights are not a Norwegian children's value that "we" export to "them".²¹¹

On the other hand is China, an emerging superpower in the classical sense. China does not operate in the same way as other donors and claiming it has followed a path of non-interference, establishing win-win solutions, by putting forward efforts to distance its aid from the classical donor-recipient model where aid has been conditional or tied to the interest of the donor. China claims that its foreign aid is unconditional,²¹² this is not accurate; the one very distinct (political) conditionality that any recipient of Chinese aid has to follow is its 'One China' policy. Countries which enjoy diplomatic ties with Taiwan do not receive aid until such a time that they abide with the One China policy.²¹³ Former Sierra Leone government minister Dr. Seray welcomes the Chinese limited conditionality model, where "the Chinese will simply build a hospital and then supply a team of doctors to run it. The World Bank will say: 'you must have so many teachers on your payroll. You must employ some expatriate staff. You must cut down on your wages.' The Chinese will not do this. They will not say; 'You must do this, do that, do this!'"²¹⁴ China's unconditional policy has been welcomed with open arms by some African officials, but some also warns that China's unconditionality is making it a rogue donor, propping dictatorships and hampering the progress of good governance in recipient countries.²¹⁵

4.3 Political Conditionality

The Nordic countries were among the first to advance second generation conditionality, urging recipient countries to respect human rights and promote democratic institutions.²¹⁶ William Easterly, a stark opponent to current forms of development aid, claims that official aid is not reaching the poor, and further, the conditions does not work to alter government behaviour.²¹⁷ China with its unconditional foreign aid policy could be seen to be undermining Norwegian and other OECD-DAC member's work by limiting their credibility. Aid has been rarely given without some sort of conditions, this is to be expected, and highlights the problem with conditionality being used as a tool to promote good governance, human rights

²¹¹ 'Menneskerettighetene Er Ikke En Eksportartikkel - Ytring' <<http://www.nrk.no/ytring/ikke-en-eksportartikkel-1.10873297>> [accessed 16 January 2013].

²¹² Meibo Huang and Peiqiang Ren, 'China's Foreign Aid and Its Role in the International Architecture', *International Development Policy*, 3 (2012).

²¹³ *China's African Policy*, 2006 <<http://www.fmprc.gov.cn/eng/zxxx/t230615.htm>> [accessed 2 February 2013]; *China-Africa Economic and Trade Cooperation* (Beijing, 2010) <<http://bw.china-embassy.org/eng/jmwl/t785012.htm>> [accessed 2 February 2013]; Information Office of the State Council, pp. 1–19.

²¹⁴ Brautigam, p. 149.

²¹⁵ Hodzi, Hartwell and Jager, 79–103.

²¹⁶ Stokke, p. x.

²¹⁷ Easterly, p. 27.

and economic reforms. Sanctions are only applied as the very last resort, as this has multiple implications to aid delivery and the bilateral relations.

What makes this comparison of Norway and China so fascinating is Norway's very contradictory claims of its efforts in steering away from conditionality in its aid practise. Norway's effort to maintain that the recipient countries follow the good governance principles collides with its commitments to abstain from the use of conditionality from its 2005 Soria Moria declaration.²¹⁸ Norway seems to be conflicted, unable to steer away from political conditionality, especially when the protection of individual civil and political liberties is at stake; even though this could have the repercussion of invading on countries' sovereignty. In contrast to China, Norway could be seen to be under the impression that for development to take place in a recipient country, it needs to take the Western democratic and economic system into consideration. Thus to help the recipients, Norway needs to assist them in becoming more like the donor.²¹⁹ China does not seem to face this kind of dilemma. According to China's special envoy to Africa, Liu Guijin, responding to the claim that China is a constraint to good governance; he states that "we don't attach political conditions. We have to realize that political and economic environments are not ideal. But we don't have to wait for everything to be satisfactory or human rights to be perfect."²²⁰ For Norway this is quite difficult. From a domestic point of departure it would be difficult for the Norwegian government to have the public support while supporting a recipient government that abuses human rights. Further complicating Norway's leg room for alternative action, as it is part of the OECD-DAC, as well as the Bretton Wood institutions. Standing alone or going against the mainstream could present all sorts of challenges for a middle power like Norway.²²¹ One could argue that China also needs to listen to public opinion in relation to its aid programme, but compared to Norway its public are less likely going to fight for human rights and democratic principles in a recipient country, rather China has faced public critique in times of natural disasters, with critics voicing that aid funds going abroad should go to its own people in need.²²²

The explanation for the continuous presence of political and economic conditionality could be that there is currently an absence of any alternative economic theory, and the fact that the Chinese model is gaining so much attention, is a call from the developing countries for an alternative model, that they can relate more to.

According to Olav Stokke, Norwegian and Chinese aid policy will, "respond to the dominant socio-political norms and the overarching interests of the society and respond to the dominant values (norms and interests) of the external environment as well. From such a perspective it may be assumed that the aid policy, although part of the domestic and foreign policy of the

²¹⁸ Minister, 'The Soria Moria Declaration on International Policy'.

²¹⁹ Leira and others, p. 19.

²²⁰ Brautigam, p. 284.

²²¹ Selbervik, p. 42: 54.

²²² Branigan, T. (2013). Domestic critics carp over extent of China's munificence towards Africa. *The Guardian*. Retrieved May 12, 2013, from <http://www.guardian.co.uk/global-development/2013/apr/29/china-critics-aid-package-africa>

system, will have distinct features of its own, reflecting the predominant values of the domestic and international environment of this specific policy area”.²²³ Compared to the Cold War era, the intriguing aspect of this comparison is that China does not urge its partners to adapt to its own economic model or political system; but to have a mutually respect for non-interference.

Chinese foreign aid has fewer contradictions, it follows its insistence on non-interference in other countries' internal affairs, but this does not come without issues and dilemmas, such as the assumption that China may be sustaining the rule of human rights violators. There have been several voices that claim China's non-interference is hurting democratic progress and human rights.²²⁴ This is inferred because of its support of governments and dictators with poor democratic and human rights records; including Angola, Sudan, Equatorial Guinea and Zimbabwe. Human Rights Watch Executive Director Kenneth Roth claimed that “China's growing foreign aid program creates new options for dictators who were previously dependent on those who insisted on human rights progress”.²²⁵ Roth is calling for the EU to stand up to the task for human rights leadership, finding it wrong of China to view human rights as an internal affair.²²⁶

Brautigam on the other side asks that in order to realistically analyse the impact of China on democracy and human rights on Africa; there is a “need to answer two questions. First: what would the situation be like without China? Has China's entry changed the playing field significantly?...Second (and more controversially): have political conditions attached by other donors to foreign aid been effective in improving human rights and democracy in Africa?”²²⁷ Brautigam admits that China's rise has given rogue states alternative finance options, but that Chinese finance is not unique and is not the only source of finance to be accessed by these regimes.²²⁸ Furthermore, it is difficult to demand set of principles from another country; when China does not apply these to itself. With China emerging as a superpower, there have also been demands that it should step up and take charge as there are responsibilities that follow with such a role.²²⁹ Western aid donors own track record is not flattering, from supporting the likes of Paul Biya, the President of Cameroon; a country which has a horrible human rights record and so has Ethiopia a long time recipient of aid.²³⁰ It is almost impossible to validate the notion that Chinese insistence on unconditionality has tempered the progress of democratic institutions and ushered the continuation of human rights abuses by the recipient's leadership. This does bring us to the question of whether the human rights of a population fall under the internal affairs of a country. Wang and Roth rejects the notion that universal human rights are a Western concept but universal.²³¹ Roth acknowledges that it is

²²³ Stokke, p. 160.

²²⁴ Hodzi, Hartwell and Jager, 79–103.

²²⁵ Kenneth Roth, *World Report 2007*, 2007, p. 3.

²²⁶ Roth, p. 3.

²²⁷ Brautigam, pp. 284-285.

²²⁸ Brautigam, p. 285.

²²⁹ Roth, p. 1-5.

²³⁰ Brautigam, p. 285.

²³¹ 'Menneskerettighetene Er Ikke En Eksportartikkel - Ytring'; Roth, p. 1-5.

foolish to expect China and Russia to lead when another government's "commitment to human rights is so cheaply sold for energy contract or investment opportunities."²³²

A good case to further illustrate this point is China's support of Zimbabwe, which is still under the long (oppressive) rule of Robert Mugabe. This case study will endeavour to analyse whether China's interventions may have prolonged his rule and suppression of the Zimbabwean nation. When United States and the European countries started enforcing sanctions against Mugabe's government after the 2000 parliamentary elections and 2002 presidential elections²³³ the aging dictator replied: "We have turned East, where the sun rises...and given our backs to the West, where the sun sets."²³⁴ According to Brautigam the foreign aid support Zimbabwe has received from China is minimal, even less than Chinese support to Sudan. To draw a comparison, Brautigam shows that while the Chinese assisted in financing the president residence for Sudan's president Omar al-Bashir, China only supported with roof tiles for Mugabe's residence.²³⁵

Hodzi, Hartwell and de Jager view Chinese aid as conditional, since according to China's White Paper on Foreign Aid (2011); China expects returns on their foreign aid investments. With China's weaving of aid, trade and investment with keeping development projects profitable Hodzi et al sees this as a confirmation that China views these projects as a business venture and not with the prime goal to assist in the classical sense of foreign aid.²³⁶ China's unconditionality they claim does not focus on promoting human rights, good governance and institutional reforms.²³⁷ Furthermore, since China support the Mugabe regime they are in effect influencing the political map in Zimbabwe and "cannot truly claim to uphold a policy of non-interference."²³⁸ When most nations enforced an arm embargo on Zimbabwe after its 2002 election; China sent arms; this Hodzi et al assert assisted Mugabe staying in power. Brautigam on the other hand does not see Chinese military support as having the effect of prolonging or worsening the human rights situation. Brautigam argues that since "Mugabe's thugs did their brutal work with clubs. They did not use fighter jets and RPG's."²³⁹ To keep the military in check, Brautigam claims that Mugabe made sure these military supplies would work as a deterrent to opposition forces. It is difficult to predict if there would have been a different outcome if China had joined the rest of the Western donors in their sanctions.

In the case of Zimbabwe, China has changed slightly its approach, where it has stated that it will follow regional organisations such as the African Union (AU) and Southern African Development Community (SADC) on their actions on Zimbabwe.²⁴⁰ In 2009 during the Cholera epidemic in Zimbabwe, South Africa withheld its aid and demanded Mugabe form a national unity government. China followed with Chinese Foreign Ministry Spokesman Liu

²³² Roth, p. 3.

²³³ The Mugabe government officially embarked on the 'Look East Policy' in 2003.

²³⁴ Brautigam, p. 287.

²³⁵ Brautigam, p. 288.

²³⁶ Hodzi, Hartwell and Jager, 88–90.

²³⁷ Hodzi, Hartwell and Jager, p. 90.

²³⁸ Hodzi, Hartwell and Jager, p. 90.

²³⁹ Brautigam, p. 290.

²⁴⁰ Brautigam, p. 291.

Jianchao stating that; “China along with the broader international community expresses its concern with the current constant deterioration of the economic and political situation in Zimbabwe.”²⁴¹ Not long after this, Zimbabwe formed the national unity government.

It is problematic to claim that China’s unconditional approach is assisting rogue regimes staying in power. The availability of funds for these regimes is usually obtained through various venues. The history of successful sanctions is far between. China argues that political and economic reforms should be developed internally not from an external actor.²⁴² China’s insistence on following other regional organisations and countries could be a path the Western aid donors could look into, as this can assist in establishing credibility and a more coherent policy among the OECD members. Instead of providing aid conditional on policy reforms, Collier suggests that the world aid architecture should cooperate to establish clear governance standards, and only when countries have achieved these standards are they eligible for foreign aid.²⁴³

4.4 Economic Conditionality

It has become very difficult to draw a clear line between economic and political conditionality. Complicating this comparison is the fact that Norway abolished economic conditionality in 2005²⁴⁴ and China has withstood its use. Norway has officially been working to phase out economic and political conditionality in its foreign aid policy both bilaterally and through the Bretton Wood institutions. We will cover below that Norway still uses second generation conditionality promoting principles of good governance and human rights in its aid delivery; and at times even these demands have been nothing more than rituals in bilateral negotiations; as was seen in the case of Tanzania.²⁴⁵

Since 2000, Norway has withheld aid to five countries; Ethiopia, Eritrea, Zanzibar, Zimbabwe and most recent²⁴⁶ Nicaragua.²⁴⁷ In 2009 Norway withheld its entire budgetary support to the Nicaraguan government due to election irregularities. This came shortly after the United States withdrew USD 62 million, followed by the EU and other donor countries that were part of the budget support group.²⁴⁸ The actions of the donors forced Nicaragua into a difficult bargaining situation with the IMF when negotiating loans since the Nicaraguan government no longer received budgetary support from Norway and the other donors. The

²⁴¹Chris Buckley, ‘China Offers Zimbabwe Aid, Urges National Unity’, *Reuters*, 2008
<<http://www.reuters.com/article/2008/12/09/us-zimbabwe-crisis-china-sb-idUSTRE4B81QB20081209>>
[accessed 29 January 2013].

²⁴² Information Office of the State Council, pp. 1–19.

²⁴³ Paul Collier, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It* (Oxford: Oxford University Press, 2007), p. 224.

²⁴⁴ Minister, ‘The Soria Moria Declaration on International Policy’.

²⁴⁵ Selbervik, p. 7.

²⁴⁶ I am using Nicaragua though not a African country, it is the only country where sanctions have been applied since the Soria Moria declaration in 2005.

²⁴⁷ Leira and others, p. 19; Selbervik, p. 25-27.

²⁴⁸ Eirik Vold, ‘Overlatt Til IMF’s Krav’, *Klassekampen*, 2009

<<http://klassekampen.no/artikler/utenriks/56292/article/item/null>> [accessed 13 December 2012].

IMF further demanded taxation of donation,²⁴⁹ which contributes a sizable part of Nicaragua's economy. Norway's former Minister of International Development Erik Solheim stated that the budget set for the Nicaraguan government would be channelled through NGO's and individual projects.²⁵⁰ For the Norwegian government, this goes against the Soria Moria declaration and the Paris Declarations principles of letting recipient government have greater ownership.²⁵¹ Joseph Stiglitz a known opponent of conditionalities who chaired in a report for the UN said the following on the subject conditionality:

“It is apparent that the conditionalities often imposed by international financial institutions in their support of developing countries were counterproductive. The demand that countries implement short-run pro-cyclical policies has exacerbated downturns, while long-run structural policies exposed countries to greater risk and undermined social protection. It is important to design reforms that prevent, or at least reduce the likelihood of, such counterproductive policies in the future. Part of the answer is to be found in the reform of the governance of international economic institutions.”²⁵²

Stiglitz puts forth the notion that the IMF has not only failed to assist developing countries, but is directly accountable for continued stagnation and poverty. In response to the critique of the Norwegian government's conditional approach to Nicaragua, Solheim claims that the critique of the election results - which was the reason for cutting the support - was voiced by “civil society, the private sector and the church”.²⁵³ According to a Norwegian news report, the civil society was divided on the issue of the elections and the Ortega government in general.²⁵⁴ Easterly, claims that most countries tend to ignore the conditions while donor countries continue to lend, making it difficult to assess the development impact of conditionality.²⁵⁵ Even a World Bank report from 2001 concluded that “conditionality as an instrument to promote reform has been a failure.”²⁵⁶

China on the other hand, has according to Brautigam, never imposed economic conditionality.²⁵⁷ The murky area in Chinese aid is their development *commercial* loans and projects which carry terms which can be perceived as conditional. These projects may also have pre-conditions set by Chinese financiers and investors. The negotiations of the

²⁴⁹ Taxation of donations was an IMF condition that could hurt the Nicaraguan economy quite hard. This implied that IMF demanded taxation of non-productive sector including donations, which constitute a large portion of the Nicaraguan economy. The church, NGO's and other social institutions would be the hardest hit.

²⁵⁰ Vold.

²⁵¹ Minister, 'The Soria Moria Declaration on International Policy'; 'Paris Declaration and Accra Agenda for Action' <<http://www.oecd.org/dac/aideffectiveness/parisdeclarationandaccraagendaforaction.htm>> [accessed 17 January 2013].

²⁵² Joseph E Stiglitz, *Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System* (New York, 2009), p. 18.

²⁵³ Vold.

²⁵⁴ Vold.

²⁵⁵ William Easterly, 'What Did Structural Adjustment Adjust? The Association of Policies and Growth with Repeated IMF and World Bank Adjustment Loans', *Journal of Development Economics*, 76 (2005), 1-22.

²⁵⁶ Shantayanan Devarajan and David Dollar, *Aid and Reform in Africa*, ed. by Torgny Holmgren (Washington, DC, 2001), p. 712.

²⁵⁷ Brautigam, p. 149.

project/loan usually entail lengthy negotiations, ranging from taxation, land rental, residence permits and percentage of national workers. The alternative “Beijing Consensus” could be seen as the cause of these kinds of negotiations, creating a more susceptible ground for corruption and cronyism since there is less transparency and projects being awarded to connections close to the government. There have been some instances of this, but according to Brautigam not to a greater degree than what is seen with the Western aid architecture.²⁵⁸ Norfund, the Norwegian Investment Fund for Developing Countries, operates along similar lines as the Chinese commercial development loans and projects. Norad’s investments are different to the Chinese mix of aid and loan; but they create similar win-win situations and limit the possible humiliating paternalistic donor attitudes which have sometimes been followed by the trends of economic and political conditionality.²⁵⁹

Norway has committed itself to abstain from political and economic conditionality since 2005, but in the case of Nicaragua Norway followed the rest of the Western donors in pulling their aid and de facto assisted IMF in implementing economic conditionalities. Norway’s role as a credible donor is weakened by such actions. Chinese trade and aid approach could be seen by the recipient as more equal, where the conditions for the aid project is discussed and negotiated and not coerced.

4.5 Samaritan’s Dilemma

To illustrate the constraints that Norwegian conditionality negotiations face as compared to Chinese conditionality and credibility, we are going to use the game theory “Samaritan’s dilemma”. This theory is a good tool to clarify Norway's altruistically motivated aid policy. A complete picture of the dilemmas faced by Norway, China and the recipients is beyond the scope of this section; but we will try to adapt the theory to strengthen the study. James M. Buchanan introduced the theory and argument in the spring of 1971, first at seminars at UCLA, Kentucky, Harvard, West Virginia, and Western Michigan Universities. A final version was given at the Conference on Altruism and Economic Theory held at Russell Sage Foundation in 1975. The dilemma is in part created by economic and income growth of welfare states such as Norway.²⁶⁰ In the area of aid Buchanan explains:

Stated in the most general terms possible, the hypothesis is that modern man has become incapable of making the choices that are required to prevent his exploitation by predators of his own species, whether the predation be conscious or unconscious. The weakness here may be imbedded in man’s utility functions. The term “dilemma” seems appropriate because the problem may not be one that reflects irrational behaviour on any of the standard interpretations. Origins of the dilemma are, in part, economic, and these are found in the increasing affluence of choice-makers. Analysis

²⁵⁸ Brautigam, p. 149-150.

²⁵⁹ Leira and others, p. 19.

²⁶⁰ James Buchanan, ‘The Samaritan’s Dilemma’, in *Altruism, Morality, and Economic Theory*, ed. by Edmund Phelps (New York: Russell Sage Foundation, 1975), pp. 71-75.

here lends substance to the cliché that modern man has “gone” soft. His preferences order, allows him to secure options that were previously unavailable.”²⁶¹

Selbervik in her use of the “Samaritan’s dilemma”; points out that due to the Norwegian altruism in their aid policy, Norway’s reluctance to impose utility costs in a “short-term perspective is likely to prevent the achievement of their real long-term goals”.²⁶² Figure 1 below demonstrates the options for both donor (welfare state) and the recipient. In figure 1 the value indicators are the takes, arranged in ordinal sequence. For the donor (Samaritan), option **A** and **B** are not ideal since they do not open the option for the Samaritan to provide assistance. The recipient on the other hand is reliant on the donor’s action. Should the donor give aid (II), the recipient will then go with no reform (II). And since the donor has the dominant strategy,²⁶³ its behaviour is predictable to the recipient. According to this game, the solution would then be **D**. The Samaritan optimal choice here is off course **C**, and the less optimal is **A**, since this would leave the Samaritan redundant.

		Recipient	
		Reform I	No Reform II
Donor	Aid Sanctions I	A (2,2)	B (1,1)
	Aid II	C (4,3)	D (3,4)

Figure 1. A Samaritan’s Dilemma²⁶⁴

Further complicating this equation has been the individual donor's ability to introduce sanctions; while the prevailing strategy of a donor is to disburse aid. This limits the bargaining power of the donor, where the recipient government or agency can effortlessly predict donor behaviour. This creates further dilemmas for the donor(s) to make credible ex ante conditions. Ex post conditionality could have more power, but with vested interest already in place. This also weakens the position of the donor vis-à-vis the recipient. Increasing the power of the recipient in the development aid landscape vis-à-vis donor welfare states is the disbursement imperative.

Norway as most democracies, puts in place a rigid budgeting system while the different departments need to utilise the funds allocated by end of fiscal year. This reinforces the need for disbursement at the cost of credible conditionality. The donor credibility to implement sanctions is very weak “unless there is demonstrated willingness to carry out such threats”.²⁶⁵ And even when there has been willingness by Norway to impose such sanctions, this has been either short lived or circumvented by Bretton Wood institutions.

²⁶¹ Buchanan, pp. 74-75.

²⁶² Selbervik, p. 33.

²⁶³ Dominant strategy or dominance occurs when one strategy is better than another strategy for one player, no matter how the player’s opponent may play. For more information on game theory: Drew Fudenberg and Jean Tirole, *Game Theory* (Cambridge: MIT Press, 1991).

²⁶⁴ This figure is made from Selbervik work in “Aid and conditionality. The role of the bilateral donor: A case study of Norwegian-Tanzanian aid relationship” page 33.

²⁶⁵ Buchanan, p. 76.

In an effort to circumvent this part of the “Samaritan’s dilemma”, Norway (Samaritan) has, applied cross-conditionality. By using this strategy, Norway creates a buffer and has to then “delegate the power of decision in particular choice situations to an agent, one who is instructed to act in accordance with the strategic norms that are selected in advance.”²⁶⁶ Such an agent could be one of the Bretton Wood institutions or a delegation from OECD. This latter strategy has at times proved to be slightly difficult to manage when this buffer created, is the very same mechanism that goes against the use of penalties after failure of meeting the set conditions. When Tanzania failed to meet conditions set by donors and the Bretton Wood institutions in the 1990’s, the World Bank took up the fight for the Tanzanian government and convinced the other donor countries to abstain from enforcing sanctions or pulling funds. Selbervik suggests that this was due to the fears that if bilateral donors cut or put on hold the aid; it would make it difficult for the World Bank and IMF to push through its SAP and other reforms.²⁶⁷

China on the other hand, has a much better starting negotiation standpoint. China’s unconditional aid policy is understandably preferred by African leaders. This is a point that can be taken from former Mozambican President Joaquim Chissano, where he finds that on many occasions; donors form “a common front in an unbalanced power relationship that may have dire consequences to the recipient country.”²⁶⁸ Norway have been following international aid trends since the 1980’s, since 2005 Norway have been pushing the Western aid architecture to lessen the use of conditionality, especially IMF economic conditions. Since 2000 Norway has cut bilateral aid to Ethiopia, Eritrea, Zimbabwe, Zanzibar and Nicaragua after election irregularities and or human rights abuses. Before 2000, Norway had never used this kind of conditionality.²⁶⁹ To explain this trend, Leira et al argues that Norway sees itself possessing the knowledge of what is needed in the South and that we will offer our foreign aid only to those countries that follow the policies we prescribe.²⁷⁰ In Knut Nustads²⁷¹ terminology Norway assume a caretaker role in development cooperation. And this role has become much stronger over the years – we are enforcing a guardianship on the recipient.²⁷² Leira et al notes that the result of Norway being donor for over 50 years has created a less humble donor.²⁷³

²⁶⁶ Buchanan, pp. 77–78.

²⁶⁷ Selbervik, p. 6.

²⁶⁸ Alberto Joaquim Chissano, ‘New Directions in Development Assistance’, in *Why We Should Rethink Aid* (New York, 2007).

²⁶⁹ Leira and others, p. 19.

²⁷⁰ Leira and others, p. 19.

²⁷¹ This is a direct translation made by the author (Sam Eyde) of the work of Knut Nustads from Norwegian to English.

²⁷² Knut Nustad, *Gavens Makt: Norsk Utviklingshjelp Som Formynderkap* (Oslo: Pax, 2003), p. 105.

²⁷³ Leira and others, p. 19.

Chapter 5

Conclusion

5.1 Summary of Findings

The final chapter will summarise the overall research findings. The aim of this research project was to empirically unravel Chinese and Norwegian foreign aid; as well as to introduce and map out the dilemmas of conditionality, as an approach. Drawing from the empirical work, this chapter concludes that though China and Norway are at the two polar positions of the aid architecture; their main goals are similar in that both parties wish to alleviate poverty in SSA. Norway's aid strategy has been evolving in line with the rest of the Western aid architecture; while China's foreign aid strategy has remained relatively unchanged.

Literature reveals that at the core, Western foreign aid architecture has changed little since the 1950's and that new players such as China are challenging the Western aid architecture, especially in SAA.²⁷⁴ Norwegian foreign aid has changed dramatically since the Marshall plan. As we have seen, Norway has gone full circle on the subject of conditionality; from being against it - to supporting it - then working towards limiting its use. Both conditionality and un-conditionality were explored in this paper. The short case study of Zimbabwe was explored and to an extent, used to challenge the validity of claims by opponents that China's primary goal to offering foreign aid to countries in SAA is mainly for natural resources.

Chapter 2 introduced the reader to Chinese foreign aid through a short review of the semantic dilemmas of the term 'foreign aid'. China's terminology and dynamics of aid are very different from the OECD definitions and use, making it a distinct player. This part also delved into a comparison between the Chinese and Norwegian aid delivery mechanisms. China's OOF in comparison to Norway and other OECD members makes up the bulk of China's government-provided finance to SSA, especially when looking at investment and funds coming from the two policy banks of China, Eximbank and China Development Bank. The reader was then taken through a four stage historical timeline of Chinese foreign aid relations with SSA. Since the Asian-African Conference in Bandung Indonesia in 1955, China has moved from an ideological donor; to one that is currently challenging the Western aid architecture with its alternative approaches to aid. The Second chapter put effort to show that China's foreign aid was a product of its experience as a recipient of aid; especially the Sino-Japanese foreign aid during the 1970's. This would prove to be formative, with strong characteristics of a classical barter arrangement. The seeds of some of the criticism level against China's use of natural resources as security for foreign aid loans and commodity-backed export stems from this practise. China itself, a developing country, needed to find a balance between the needs of its own people and its international aspirations. In an effort to create sustainable foreign aid, China has been stressing aid as a tool for helping countries and projects to be self-reliant, while being a responsible donor. At the same time China wanted to be seen as responsible to the end, especially in its mission to maintain certain projects. In

²⁷⁴ Fenger.

order to create self-reliance, accountability and taking its own domestic considerations into account; China under Premier Zhou Ziyang and Deng Xiaoping steered China towards creating linkages that would bring aid and trade closer together.

The establishment of China development Bank in 1994 introduced Chinese concessional aid loans; a new focus that would see the addition of medium to long-term low-interest loans to their foreign aid tool box. This marked, according to literature, the furthest formal change in its foreign aid programme since its early beginnings.²⁷⁵ With China's trade and aid closely weaved together, China wished to ensure that its rise was a peaceful one, based on win-win cooperation, at the same time distancing itself from Western forms of conditionality. A new and surprising change in Chinese aid came with its decision to channel USD 19.2 million in recovery efforts through the UN for the Indian Ocean Tsunami in 2004. This could be construed as part of its diplomatic 'struggle' with Taiwan or a shifting strategy to take on the role as a responsible major power. In covering tied and untied aid, the chapter further looked at how, even with China's claims of unconditionality to its aid projects, its loans for infrastructure seemed to expose Chinese companies to projects which were tied. Most of the infrastructural aid projects, which were officially negotiated through Eximbank, with recipient countries, were tied at a 50% fluctuation rate.

The Third chapter have shown in brief strokes, how the Norwegian foreign aid has evolved over time. Compared to China, Norway is following OECD strategies, while at the same time cementing its standing in the international arena as a humanitarian super power. From the early missionary interventions until today, Norwegian development policy covers every aspects of a recipient countries fabric, from micro-financing to the macro levels of tax reforms and family planning policy. The Norwegian aid policy has moved like the rest of the Western aid architecture, looking first to reform recipient countries towards democratic and human rights principles, from which economic prosperity should follow.

It can be drawn from the study and from the very early start that Norwegian aid has in part, been following a realist paradigm. Norway's first aid project in India was in part created to silence groups within the Norwegian Labour Party that were against Norwegian NATO membership and Norway's stronger alliance with the United States. Furthermore, India was chosen as a focal country because of Cold War ally considerations and the fact that this it was no longer a colony – making it a strategic country of interest. This does not mean that Norwegian aid is not based on altruistic motives. Proposals put forth by authors such as Stokke, of viewing Norwegian aid within the paradigm of 'humane internationalism' instead of the realist realm are valid. In particular this should be viewed as the primary motivation for giving foreign aid not being strategic nor economically motivated, but driven by the same political values, self-determination, social, economic, democratic and political values which are promoted and maintained in Norway.²⁷⁶ The 1970's marked a nationalisation period of Norwegian foreign aid; in that Norway moved its foreign aid towards bilateralism and earmarked key projects, where its interests and ideals were promoted to gain more efficient

²⁷⁵ Brautigam, p. 416.

²⁷⁶ Stokke, p. 168.

impact. From the 1980's the romanticised era of Norwegian foreign aid was slowly replaced by realism

According to Stokke, Norway slowly built itself the reputation of a peace nation, on the basis that its foreign aid is without self-interests.²⁷⁷ This is in conflict with some of the decisions that would follow. For instance, this was seen in its stance on conditionality; its support and participation in the War on Terror in Afghanistan and against dictators in Libya and Zimbabwe. Norwegian foreign aid is built on its domestic values, but was also influenced the environment in which Norway operates within the international arena, together with the Western aid architecture and the Bretton Wood institutions. It is viewed that the shift of alignment with other Western donors by Norway in the 80's was Norway's way of telling the developing countries that it holds the solutions to how the recipients should run their country.²⁷⁸ Stokke, Tvedt and Nustad have conflicting views on the altruistic nature of Norwegian aid. In part this is because Norway finds itself operating in an ever more complex environment, not only with other states but with other donors, multilateral agencies and, foreign as well as national NGOs interests and objectives. All these forces are pulling Norway in different directions, while moulding Norwegian foreign- aid policy, not necessarily in the direction that will benefit the recipient country. China, on the other hand has relayed heavily on its development doctrine where economic development is seen as a tool that will facilitate and lead to general prosperity for the entire population, while pursuing profitability through the projects it funds.

Both China and Norway have officially claimed that they will abstain from using conditionality in foreign aid. Both Norway and China have a certain level of conditionality, while portrayed differently, in their foreign aid. The issue of contention is when the applied ex ante or ex post conditionality infringes on the internal affairs of the recipient country. Norway compared to China, has in its foreign aid punished recipients for election irregularities and human rights abuses by ending or withholding foreign aid. Due to the current structure of the Western aid architecture, it could be claimed that its actions remain as a sort of conditionality trap. The justification may be that this is used in order to ensure the right use of foreign aid and for recipient countries to follow human rights and democratic principles and reform, and given the limited options donors have, conditionality is one of the few tools at their disposal to ensure reforms are followed.

'Good governance' objectives as covered through the Tanzania and Norway case study were pursued through bilateral talks. These have been no more than a ritual by both parties.²⁷⁹ History show us that it is only when a recipient country is diverging sharply from good governance, that foreign aid is withdrawn by Norway, and then in unison with the rest of the Western aid countries. Very few scholars view conditionality as a good tool. Moyo claims that on paper conditionality makes a lot of sense, but as I have shown utilising the "Samaritan's Dilemma", conditionality is easily ignored by the recipient government when

²⁷⁷ Utenriksdepartementet, 'Norsk Utenrikspolitikk: Godhetsregime Uten Prioriteringer?'.

²⁷⁸ Nustad, p. 105.

²⁷⁹ Selbervik, p. 54.

the sole dominant strategy for the donor is to disburse foreign aid.²⁸⁰ Norway and the Western aid architecture have been trying, for the last few decades, to make sure their aid reaches where is most needed, trying to alter government behaviour to ensure this goal. According to Easterly, this has failed.²⁸¹

Looking at the Zimbabwe case study, with which we attempted to uncover the dilemmas of un-conditionality, we are faced with the implausible task of measuring the ramifications. This short case study reveals a complex environment in which a nation state operates - an environment that leaves the recipient countries with multiple sources of revenue, not only from foreign aid. China's approach of un-conditionality has not necessarily prolonged Mugabe's time in power.²⁸² There is no correlation between China's aid and the rise of dictators or oppressive governments. China's adherence to regional organisations and neighbouring countries on matters which touch upon the internal affairs of a country, provides an alternative approach to the Western aid architecture, and could prove to be a more suitable option than the current negative connotations associated with Western aid currently.

5.2 Implications of Aid

Norway's general anti-poverty recipe has been to promote good governance, re-forestation, health, education, and capacity and gender rights, into the mix to as a solution. The importance of each of these ingredients differs according to the agendas of the current government and its officials, as well as to national and international organisations. The issue arises when the recipient governments are inclined to change their policies according to the development policies of the donor country. The implications this has on the recipient country is that it can create a short-term outlook, where the recipients national budget is structured according to what is seen by the donor side as an important ingredient to anti-poverty recipe.

According to Øyvind Eggen certain aspects of the current foreign aid is difficult to carry out. The biggest change he claims should occur in "the minds of us on the donor side. Today's assistance is in fact based on a rationality that was developed in the 1990's, which made only sense then. If we continue this trend, we will only be side-lined."²⁸³ Eggen further claims that the ambition to reform the recipient countries is not explicitly mentioned in the Norwegian foreign aid documents, but the reform linkage is still very much present in current Norwegian aid practise.²⁸⁴ He opines that the Western hegemony is weakened, and the Western aid world should not take for granted that the recipients would necessarily want or need these reforms. This time it is no longer only the leaders and elites which are looking elsewhere, common people are also looking to China. Eggen puts forth that "also poor people see that the poor countries (mostly in Africa) who tried our development strategies in the 1990's,

²⁸⁰ Moyo, pp. 38-39.

²⁸¹ Easterly, p. 27.

²⁸² Brautigam, p. 149.

²⁸³ 'Bistand Etter Tusenårsmålene', 2012 <<http://www.bistandsaktuelt.no/kommentar/arkiv-kommentarer/bistand-etter-tusenårsmålene>> [accessed 13 December 2012].

²⁸⁴ 'Bistand Etter Tusenårsmålene'.

went straight down financially, while Asian countries chose very different ways, did well.”²⁸⁵ China's model seems to leverage on the things that matter most to people: employment, income, cheap goods, peace and security. Eggen argues that the Norwegian aid industry complicates aid solutions to the 'absurd'; where instead of solving specific issues at hand, the Norwegian aid officials “see it as both a right and an obligation to use any aid measure to take responsibility for nearly all aspects of another country's development, far beyond the original problem that should be solved”.²⁸⁶ We could venture to claim that there is no longer uniqueness in Norwegian aid vis-à-vis its OECD co-members. While they are quite similar, Norway and Britain decided after critique, to end the practice of economic conditionality to their aid.²⁸⁷

The conformity sought by pushing for reforms by recipient countries to the image, values and norms of the West may not be the most efficient path to Norwegian foreign aid. Simensen voices the dilemma which haunts any foreign aid; making sure that the funds goes to the right places. This dilemma is further enlarged by the recipient asking “what is in it for me, my family, my party, my next election, my district?”²⁸⁸ Secretary General of the Norwegian Church Aid²⁸⁹ Anne-Marie Helland is of the opposite opinion, claiming that the most important actors to fight poverty are the recipient countries themselves. The donor countries should listen to their partner countries, they know what they want.²⁹⁰

Some school of thoughts actually see the increase in bilateral assistance by Norway as actually having increased dependency. One African expert on aid, Suma Kaare,²⁹¹ claims that Norwegian aid has created a weak and donor dependent Tanzanian state, where authorities does not feel obliged to meet their own obligations; creating the opportunity for the abuse of public funds. Aid, she claims, has created a “beggar mentality” in Tanzania.²⁹² This is in contrast of earlier notions of Norwegian aid being based on altruistic and disposition ethics.

There is little doubt that Norwegian aid has done a lot of good, especially in the areas of healthcare and schooling; but we cannot overlook the fact that Norwegian aid policy has increased its influence or stance on the international stage, and has created alliances. This raises the question of whether Norway's aid policy has been of greater benefit to Norway than the once it is missioning to assist. In 1996 Joan Nelson claimed that the use of conditionality would with time decrease and there would be more options for the developing countries to

²⁸⁵ 'Bistand Etter Tusenårsmålene'.

²⁸⁶ 'Innvikling: Kritik? Ja! Mer! Mer!' <<http://innvikling.blogspot.com/2012/12/kritikk-ja-mer-mer.html>> [accessed 18 December 2012].

²⁸⁷ 'China to Surpass World Bank as Top Lender to Africa (Update2) - Bloomberg' <<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aZ4KJu1kja.g>> [accessed 15 January 2013].

²⁸⁸ Skarstein, '500 Milliarder i Bistand'.

²⁸⁹ The Norwegian NGO received most funds from the Norwegian government from 1960-2011 of all the Norwegian NGO's. For more detailed funding information, see <http://www.norad.no/en/tools-and-publications/norwegian-aid-statistics>.

²⁹⁰ Anne-Marie Helland, 'Den Gode Vilje Gir Resultater', *NRK*, 2013 <<http://www.nrk.no/ytring/den-gode-vilje-gir-resultater-1.10865162>> [accessed 10 January 2013].

²⁹¹ Principal at the MS Development Centre

²⁹² Kristian Aanensen, 'Norsk Bistand Skaper Korrupsjon Og En Svak Stat', *NRK*, 2013 <<http://www.nrk.no/nyheter/verden/1.10864582>> [accessed 10 January 2013].

choose from , this in the form of additional resources, such as private investments.²⁹³ Nelson's predictions does seem to hold true with the increased level of investment coming into Africa, but it failed to predict the increased interest by the BRICS and the use of foreign aid as an extension of their foreign policy goals and interests.

Aid has never been unconditional and probably never will be. There will always be some conditionality to ensure the aid given is reaching the designated areas. The contested issue is when the conditions set are counterproductive and infringing on the sovereignty of a recipient country; which most conditions belonging to second generation are in fact doing. Chinese aid and its unconditional foreign aid policy is challenging Western aid paradigm and could pose challenges to the democratisation process. China is giving the SSA governments an alternative. In a sense, the Western aid architecture is facing what it promoted in first generation conditionality; a competitive environment. The Chinese model of 'effective governance' and possibly endorsement of 'bad governance' could turn out to be a model which African governments feel more comfortable with, but it is a model not forced upon them. They are open to choose which model works best for them.

5.4 Final Remarks and Further Research

This thesis has assisted in enriching the comparative research on two very different actors in the aid architecture. They are in their own right representing two ends of the aid architecture. The thesis has tried, in its comparative approach, to present through a historical timeline, the developments of these two actors in their respective foreign aid architectures. There has been a lot of confusion related to China's impact on the aid architecture. It is beyond the scope of this thesis to give a full comparison of these two actors; but it has enriched the reader with the necessary information to construe how these two actors' fit into the broader aid architecture. The thesis has raised some critical questions regarding unconditional and conditional approaches to foreign aid. It has not been the aim to answer all of them, but rather bring to the fore, the fact that these are subjects need to be further researched. This holds especially true with the emergence of the other BRICS and the implications on the aid architecture.

There are a number of additional areas for further research. In particular, there is a lack of research on Chinese and multilateral aid cooperation. In 2004, China's offered to channel large parts of its emergency aid to the 2004 Tsunami relief efforts through the U.N. This marked a new hallmark in Chinese foreign aid, and has not received the necessary research it deserves. Questions that arise are whether this was a one-time only event, or if China is willing to utilise multilateral organisations in future emergency relief. China's Eleventh Five Year Plan (2006-2010) clearly stipulates China's commitment to international co-operation. China has contributed USD 1 million to the new United Nations Central Emergency Response Fund (CERF) that was launched in 2006. China itself benefited from this Response Fund in the 2008 earthquake the country faced. What are the motivations and rationale behind the changes in this shift by China? Does this entail China taking a more responsible attitude as it grows in economic and military strength? This brings us to the main argument of

²⁹³ Joan M Nelson, 'Promoting Policy Reforms: The Twilight of Conditionality', *World Development*, 24 (1996).

Brautigam that “Chinese aid is all about politics, symbolism, and soft power -- and not a simple swap-for-resources.”²⁹⁴ Are we seeing a peaceful rise, where China will focus on soft power instead of military such as USSR? This study brings us further to the topic of researching the primary motivations for giving foreign aid. There are two sides to the argument; where providing aid is mainly driven by self-interest pursuant of political and security interests. The other pole holds that providing aid is driven by idealism.

There are a multitude of areas that could assist in better understanding Chinese foreign aid. Chinese foreign aid projects very rarely involve cash payments. Since the recipient never sees the money, does this dissuade ownership of foreign aid projects? A comparative of World Bank infrastructure (school, hospital, road etc.) versus Chinese foreign aid projects could assist to illuminate on this area. Ownership of foreign aid projects has been debated since the early 1990’s and further pushed by the OECD in 1996.²⁹⁵ The issue of ownership touches upon the sensitive topic of avoiding interfering in the internal affairs of a recipient country. A country study of the Chinese and World Bank foreign aid construction projects would greatly enrich the understanding and possibly find more efficient ways to assist recipients.

Another area of research that has been overlooked is the impact Norwegian companies may be having compared to Chinese companies. A further comparative study on Norwegian and Chinese foreign aid could be into the impact of private companies from these two countries, which may be affecting the democratic institutions and worker rights. According to Petter Brubakk the Norwegian oil and Gas Company Statoil²⁹⁶ contributes more in annual tax income to Angola than Norway disburses in foreign aid to the entire African continent in the course of one year.²⁹⁷ Brubakk claims developing countries want investments and trade not foreign aid.²⁹⁸ What are the different approaches to work ethics and human rights of Norwegian and Chinese companies?

There are multiple approaches to delivering foreign aid. The paper has not tried to evaluate which one is better. Rather, the objective has been to provide additional knowledge on this field, by comparing Norwegian and Chinese foreign aid. In particular, the study has further uncovered and drawn some conclusions on the dilemmas of conditionality.

²⁹⁴ Brautigam, ‘School Construction: World Bank Versus China’.

²⁹⁵ *Shaping the 21st Century: The Contribution of Development Co-operation*, 1996, p. 24.

²⁹⁶ The Norwegian government is the largest shareholder with 67% of the shares.

²⁹⁷ Petter Brubakk, ‘Business Inn, Bistand Ut?’, *NRK Ytring*, 2013 <http://www.nrk.no/ytring/business-inn_-bistand-ut_-1.10890835> [accessed 30 January 2013].

²⁹⁸ Brubakk.

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