

## **NEW DONORS, NEW INVESTMENTS: NEW DEVELOPMENT? Beyond the Millennium Development Goals**

*8<sup>th</sup> Knowledge for development conference, Utrecht, January 27, 2012*

### **Introduction**

On January 27, 2012, International Development Studies of Utrecht University organised its eight knowledge for development seminar.<sup>1</sup> The seminar aimed to critically assess the meaning of development in the context of contemporary transformations such as the increased involvement of giants like India and China in development cooperation and the increased role of southern countries in international investment flows. Some key questions were: How do these new relations influence the notion of development? What type of 'development' are they providing? What are the geopolitical implications of the new South-South and South-North relations? And: What do these new realities imply for development after the Millennium Development Goals? This document gives a summary of the presentations and discussions during the day.<sup>2</sup>

### **Keynote: Prof. Dr. Aderanti Adepaju (Human Resource Development Centre, Lagos)**

*The scramble for Africa's resources and new partnerships for development*

In addition to on-going globalisation and increased mobility of labour, Prof Adepaju notes several relatively new developments that influence the future of Africa. First, there is the emergence of the multipolar world. The countries of the G7, which are experiencing domestic problems due to the financial crisis, are losing their position as world leaders. At the same time the economies of the BRICS (Brazil, Russia, India, China and South Africa) and CIVETS (Columbia, Indonesia, Vietnam, Egypt and Turkey) are on the rise. These are the countries that are going to dominate the world in the coming years. In relation to this, Adepaju also notes the emergence of a demographic divide: Of the eight countries with more than 150 million inhabitants in 2011, only one (the USA) is a non-southern country.

Another important phenomenon is the increased importance of Diaspora and remittance flows. Countries like China, India and the Philippines have large numbers of their population living overseas, which help to shape the development agendas in their home countries. Diasporas are important to transfer information, skills, and enterprises and they provide funds for education, health care, house equipment, etcetera. There are large multiplier effects.

Finally, Adepaju talks about the increased influence of southern investors in Africa – the Chinese in particular, who are searching for resources and land in Africa to support their own economy.<sup>3</sup> China, Prof. Adepaju stresses, is in the business of business. They are taking advantage of weak competition, as western donors seem to be moving out of the African continent. China is investing in infrastructural projects (stadiums, railroads), power stations, telecommunications, water projects, and agriculture. Currently, China is Africa's biggest trading partner, and Chinese aid to African countries surpasses World Bank aid.

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<sup>1</sup> Organising committee: Joris Schapendonk and Annelies Zoomers (IDS, Utrecht University) in collaboration with SID, HIVOS, FNV Mondiaal, IOB (Antwerp University) and LANDac, the IS Academy on Land Governance for Equitable and Sustainable Development ([www.landgovernance.org](http://www.landgovernance.org)).

<sup>2</sup> Report by Koen Kusters, WiW – Global Research and Reporting.

<sup>3</sup> Next to China, India is also increasingly active in Africa. As Prof Adepaju puts it: "The Chinese are running into Africa while India is sneaking in."

China's presence in Africa has both good and bad effects, according to Prof Adepaju. One of the downsides he mentions is the fact that at least one million Chinese are working in so-called Turnpike projects, which are projects for which everything (even food) is imported, and – when finished – shipped back to China. These projects have limited job creation effects and there is hardly any transfer of skills to local manpower. In other words: There are no externalities and multiplier effects. Moreover, Chinese projects tend to be associated with minimal protection of workers' welfare (e.g., low payments and poor working conditions). Adepaju further mentions that, in order to gain access to resources, China gives credits to African governments. These credits, however, are not without ties, as they generally imply that Chinese companies need to be contracted for construction purposes. Likewise, he has mixed feelings about Chinese investments in countries with dictatorial leaders (e.g., arms sales to Sudan, support to Mugabe), which frustrate global efforts aiming at political reforms. Finally, Adepaju notes that Chinese entrepreneurs are increasingly infiltrating into local retail markets, where they outcompete local small and medium scale enterprises.

Prof. Adepaju ends his presentation by noting that, for investments by China (and other countries) to have a positive effect in Africa, they would need to create more local employment and promote workers welfare, while abusive practices – which are still common – need to be eradicated. Finally, there is an urgent need for greater transparency and accountability by investors and to untie loans and payments provided.

**Keynote: Prof. dr. Stephen Ellis (African Studies Centre, Leiden)**

*Hopes, Utopias and Africa's Development*

If you would believe the international press, Africa changed from a hopeless continent into the 'last emerging market' within a decade. Indeed, Africa has become of increasing strategic interest to the international business community, with a substantial growth of the middle class in many of its countries, a rapidly increasing population and growth rates of around five per cent. According to many commentators, Africa has 'turned the corner on the road to development'. The terminology used, suggests that current developments are part of a voyage of which the destination is known. Although Prof. Ellis acknowledges that many things in Africa have recently changed for the better, he warns that the concept of development as a 'known destiny' is in dire need of rethinking.

Development in its contemporary meaning is seen as secular process, but the concept of development is rooted in religion, Ellis explains. It is essentially a Christian idea that human history builds up to climax – the return of Christ on earth, known as the Millennium. This idea has been translated into a theory of growth: In the end, everyone can live free from hunger and disease.

The external aspirations to transform Africa date back from the late 18<sup>th</sup> century and cannot be seen outside of the context of evangelisation, expansion of the capitalist market, and the contest for global power (i.e. USA versus USSR). Christian Missionaries came to Africa to 'uplift' indigenous societies. They called this 'civilisation'. It was based on a transfer of European technologic expertise and religion to Africa, in order to transform African societies. Indeed, the way the term civilisation was used is strikingly similar to the contemporary concept of development. After WOII, the USA committed itself to a strategy of global economic expansion, focussing on decolonisation of Africa and introducing strategies aimed at economic growth.

In many ways, external efforts to develop Africa have been based on a model of a perfect society, and then forced people to live in it. Ellis relates this to the concept of 'coercive Utopias'. He warns that there is nothing predetermined in the future. Therefore, the current signs of African 'development', as heralded by the international press, should not be seen as part of a process of which the outcome is known in advance. Many things can happen. Africa may, for example, appear

to be the next investment bubble. Also, according to Ellis, there is little reason to suppose that most African countries will rapidly turn into the efficient bureaucracies that the West would like to see. After all, Africa remains home to many of the world's fragile states and is being confronted with a dramatic growth of criminal activities. Africa is likely to see further economic growth in states of limited political coherence. Provokingly, these could be termed 'successful failed states'.

China has become Africa's most influential market partner. Recently Chinese policy on Africa has changed towards multilateral arrangements, seeking collaboration with multilateral bodies that are active in Africa (UN, World Bank, IMF, etcetera). For example: China is now the leading supplier of troops to UN peace missions in Africa. To a certain extent multilateral arrangements substitute for Africa's own governmental shortcomings. Hence, the quality of governance in Africa seems to depend, at least partly, on policies by external powers. Also, Africa's influence in international circuits does not primarily go through diplomatic relations, but rather through unconventional channels, such as migration, crime and religion.

Closing his presentation, Prof. Ellis reiterates that Africa's prospects are indeed brighter than in the last century, but that we should be careful not to hold on to a classic idea of a 'development path', as this may not be valid.

In a short discussion after the keynote presentation, a participant asks about the effects of Chinese investments on the African poor. Ellis responds that Chinese investments have, at best, a limited positive effect, but he stresses that the future of the poor is primarily depending on policies within African countries themselves. Given that African countries are growing, the main question is: What will governments and elites do with the income they receive? Will they, for example, invest in industrialisation, or will they continue to sell primary products?

**Dr. Yongjun Zhao, (University of Groningen)**

*China's reform and its role in international development*

China's role as a donor in Africa is not new – back in the 1960s, for example, China was already providing aid to Africa, which was largely driven by political ambitions, such as a more important role in the UN. The current magnitude of Chinese aid in Africa, however, is unprecedented. Importantly, there are no strings attached for the receiving states. The West is currently trying to persuade China to align its activities with OECD practices and, slowly but surely, the Chinese are becoming more open to this dialogue.

One of today's hottest topics when talking about the Chinese presence in Africa is the so-called land rush, i.e., Chinese investors that are supposedly acquiring large tracks of land in Africa to cultivate agricultural crops. Zhao, however, notes that it not only Chinese investors who are looking for land in Africa, but also businesses from the Gulf States and Europe. Furthermore, he stresses that there is a lack of scientific evidence about the extent and effects of large-scale land transactions. The stories concerning the desirability of Chinese investments tend to differ greatly. While some speak about large-scale land grabbing, Chinese investors themselves claim they are 'supporting African farmers to improve productivity'. Hence, there is an urgent need for more 'objective' information.

As his main point, Zhao stresses the need to not only look at China's involvement in Africa, but to also look at the developments within China itself. Although China is growing rapidly, the country still has hundreds of millions of people living in poverty and is facing increased inequality. China is ranked #99 in the world for GDP per capita and #103 among countries for infant mortality. Not less than 200 million people in China live below the international poverty line of \$1.25/day and 468 million people have less than \$2/day. [To compare: Sub-Saharan Africa has 380 million people who

live with less than \$1.25/day.] Furthermore, China is facing huge environmental problems. The Chinese government is trying to address these issues. It employs a 'scientific approach' to development, emphasizing sustainable development ('greener capitalism') and social harmonisation. These are grand plans, but they remain largely paper policies, according to Zhao. There is little room for civil society, a widening gap between rich and poor, and weakening social coherence.

Land reform is crucial, Zhao argues. He relates this to the rise of China's state capitalism. During its transition to a market economy, the Chinese government used farmland for infrastructural development and urbanisation. As part of its modernisation agenda the government now wants to make land available for large-scale agricultural production, to achieve economies of scale and improve productivity. This is complicated by a range of factors, including the large number of small farmers, the lack of collective action on sustainable land-use management, high levels of urban-rural migration, increased occurrence of conflicts over land, and on-going decentralisation with limited participation of people.

Zhao concludes: "We should not worry too much about China's presence in Africa. Instead, we should worry about globalisation." According to him there is a need to understand the nature of globalisation, of which the Chinese agenda is just a part. Moreover, "China itself is tied to a domestic transformation process, and the institutions responsible for market reforms have to be made more pro-poor."

In a discussion following his presentation, Zhao argues that, to influence Chinese investments in Africa, it would be most effective to work with the Chinese business sector: They should realise that it is in their own long-term interest to be transparent and adopt pro-poor investments.

### **Maru Shete (Africa Studies Centre, Leiden)**

#### *Large-scale land acquisition in Ethiopia*

According to the Ethiopian government, development means modernisation of the economy, especially in the agricultural sector. In its most recent five-year plan the government emphasizes the importance of large-scale commercial agriculture to establish an agricultural transformation. Therefore the government tries to attract foreign companies to invest in large-scale agriculture, for example through attractive land lease rates and tax holidays (temporary tax reductions). Emphasis is on production of export crops such as cotton, tea and rubber on so-called underutilized lands. According to the government, Ethiopia has 74 million ha of land suitable for farming, of which only 18 million ha (24%) are cultivated. Shete, however, points out that forest areas are currently being cleared, as they are seen as unused lands, while these provide crucial ecosystem services. He also notes that pasturelands are targeted for large-scale agricultural investments based on the narrative that they are 'under-utilized'.

According to Shete's own analysis, about 1,65 million ha has so far been leased out to foreign investors. Asian companies, notably Indians, do most land acquisitions. The Chinese play a much less important role – they are mostly involved in manufacturing and road construction. In 2008 there was a clear peak in large-scale land acquisitions due to the price hike of food commodities. Although interest has since then declined somewhat, Shete predicts that large-scale land acquisitions will continue to take place in the coming years.

The Ethiopian government expects there will be many positive effects from large-scale investments. They anticipate: Employment opportunities with decent wages; increased sources of foreign currency; increased sources of revenue for the regions and districts; the transfer of technology to smallholder farmers; improvements in infrastructure; raw materials for domestic industries; and

contributions to the domestic availability of food. Shete: “Whether or not this will prove realistic will remain to be seen.”

In a short discussion after Shete’s presentation, it becomes clear that the topic of investments in large-scale agriculture and their effects on local people is highly sensitive and contested. One participant, for example, makes a plea that much more attention is needed to the “devastating effects of large grabbing for Ethiopian smallholder farmers, of whom the majority is self-subsistence oriented.” Another participant argues that, in order to understand whether or not land acquisitions are bad, there is a need to carefully examine how the large amounts of money that are earned with the growing agricultural exports eventually have an impact on livelihoods of the people. “Looking at hectares only can be very misleading!”

#### **Discussant: Prof. Dr. Parvati Raghuram (IDS/Open University, Utrecht)**

Prof. Raghuram notes that India has become a major dispenser of aid money to Africa, while at the same time remaining a receiver of aid. In terms of investments, India’s involvement in Africa builds on a long history, namely in East Africa, while new relationships are emerging with the Francophone countries. The linkages are complex, Raghuram stresses. It is not just about relationships between governments, but there are also many linkages between people (Diasporas) and businesses, in various countries.

According to Prof. Raghuram one of the main questions is what the current developments imply for development theory. Is it more of the same, or do we need to completely revise development theory? She also highlights the issue of policy mobility: What happens when India and China become major players in aid? Will we see policy mobility from China and India to Africa? As a last point, she stresses that we should not refer to language such as ‘the scramble for Africa’, because it neglects Africa’s own agency, which is key in the current multi-polar world.

#### **Workshops**

In the afternoon, participants split up in the following six workshops:

1. New donors, new aid and its agenda.  
Organisers: Nadia Molenaers and Bert Jacobs (IOB Antwerp)
2. Responsible investments and development  
Organisers: Wilma Roos (FNV Mondiaal) and Guus van Westen (IDS)
3. Large-scale land acquisition; resource grabbing?  
Organiser: Jur Schuurman (Agriterra)
4. Diasporas, geopolitics and migration & development  
Organisers: Griet Steel (IOB Antwerp) and Joris Schapendonk (IDS)
5. New monitoring mechanisms and the role of civil society  
Organisers: Nathalie Holvoet and Marie Gildemyn (IOB Antwerp)
6. New ways of defining development; beyond the MDGs?  
Organisers: Dorine van Norren (AIV) and Afke de Groot (SID)

#### **Panel discussion: The new realities and development – towards new global development goals?**

In the late afternoon, to wind up the day, Aderanti Adepoju (Human Resource Development Centre), Dorine van Norren (Adviesraad Internationale Vraagstukken), René Grotenhuis (Cordaid/SID) and Mirjam van Reisen (Tilburg University) take place in a panel discussion, chaired by Annelies Zoomers (IDS). In this last part of the seminar, the panel members and participants in the audience are asked to reflect upon the consequences of recent developments for the role of Europe and western policies.

Dorine van Norren stresses that development needs to be redefined based on local contexts. For this, she argues, there is a need to look at non-western philosophies related to development. She refers to examples from Africa (Ubuntu), Asia (Buddhism, Confucianism, Gross National Happiness) and Latin America (Vivir Bien), all of which seem to emphasize the importance of relationships (interdependence) between individuals, their communities, and the natural environment in which they live. Referring to the Bhutanese concept of Gross National Happiness, Mirjam Van Reisen adds that psychological research found that equality correlates strongly with happiness. However, this is not the case for the richest five per cent of the population. "Therein lies our biggest challenge," says Van Reisen.

Van Reisen further argues that it is important to understand why Europe is in crisis: "The crisis is due to systemic difficulties and we will thus have to look at the systemic level, which underpins current developments. This is particularly related to the relationship between the European Union and developing countries." Van Reisen is worried about the fact that the voice of developing countries is not heard in global governance institutions. An important question therefore is how to organise a group of countries that represents that voice at the G20, climate change negotiations and preparations for Rio+20. Van Reisen notes that representatives from the African, Caribbean and Pacific Group of States (ACP) are looking for south-south cooperation, but are also interested to collaborate with Europe on issues related to the financial crisis and climate change, for example. The question is whether Europe understands this.

René Grotenhuis argues that European aid organisations are not only confronted with a budgetary crisis, but also with a conceptual crisis. The idea behind development cooperation was that other countries would need to follow the western model, but this concept is no longer valid. Not only because of the financial and environmental crises, but also because of the political problems we are currently facing within our democratic systems. Grotenhuis: "We should be careful not to export the crisis to the south. We should not make our problems their problems." According to him "there is no need for one new overarching paradigm that covers all problems of poor people around the globe. Instead, we need to look at and address the concrete realities on the ground. We should not start at the abstract level, but at a concrete level. Maybe in the future this will lead to a new consensus about what development is."

The panel members agree that it is increasingly irrelevant to distinguish between the north as donors and the south as aid recipients. The latter point is strongly endorsed by several participants in the audience. Someone says: 'Europe should see African countries no longer as former colonies, but as partners. It should let African countries define their own priorities – and the types of preferred partnerships – themselves. Prof. Adepoju stresses that Europe should get rid of its patronizing attitude. Rather than focussing on the problems, Europe would need to look at the potential of Africa. In this way, Europe could actually learn something from the Chinese. Grotenhuis adds that the main issues today are related to the global public goods: "These are joint questions for both the north and the south; it is a shared agenda."

Europe should be humble. It should rethink its own model of development, rather than imposing it on other countries – that much is clear. At the same time, we should be careful not to throw the baby with the bathwater, Prof. Raghuram argues, as the European experience contains very valuable elements, particularly in relation to the development of the welfare state. Prof. Adepoju adds that European support for good governance remains crucial, especially considering the fact that new donors do not seem to be that interested in such issues. In addition, several participants emphasize the need for African countries to be self-critical. Someone says: "African governments tend to manoeuvre themselves in underdog positions, telling donors what they want to hear. Instead, they should analyse more critically why things are not working in their own countries. And, importantly,

they should base their policies on self-believe. There is a need to decolonise the minds of people, both in Europe and in Africa.”

Annelies Zoomers – Professor of International Development Studies at Utrecht University and host of the seminar – wraps up the day. She notes that the presentations and discussions have made a start with unravelling some of the complex connections that exist between different countries. They also made clear that the west, as a donor, should be more critical on its own models. Several interesting fundamental questions have been raised, for example: Are we looking at symptoms or causes? We talk about Chinese investments, but maybe the real problem is somewhere else? Feeding the world? Globalisation? Neo-liberalism? This requires a more fundamental and critical analysis of contemporary developments – one that goes beyond the adage of the ‘scramble for Africa’.