



How Do We Help

**The Free Market in
Development Aid**

Patrick Develtere

LEUVEN UNIVERSITY PRESS

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*in collaboration with
Huib Huyse and Jan Van Ongevalle*

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*It is not the man who has too little,
but the man who craves more, that is poor*
(Seneca)

Wealth is not what you own, but what you give away
(Ibo saying)

*Many small things done in many small places by many small people
can change the face of the world*
(Chinese saying)

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Preface

Development cooperation has existed for around fifty years. In 1958, a great many countries were on the eve of independence, and the high-profile Treaty of Rome was coming into force, mapping out a new course towards a more unified Europe. The Treaty also laid the basis for continuing work with the ex-colonies over many decades.

Over these fifty years, the West has spent more than \$3,000 billion on development aid. It is reasonable to ask whether this has been a good investment. Development cooperation specialists are asking themselves the same question – more than ever, in fact. In recent years, donor countries, non-governmental development organisations, academics and recipient countries have been taking a highly critical look at the instruments and workings of the development sector. There has even been talk of a new ‘aid architecture’. In good architecture, the form follows the function, not vice versa. We may ask whether the proposed new aid architecture satisfies this principle. In other words, is the reconstruction of the aid apparatus about rescuing the Third World or rescuing the apparatus? Why is there a desire to rescue development cooperation? No doubt because it can boast a fairly strong track record: development aid has helped many countries and many people. But there is another reason too: it is currently facing challenges from a host of new players – official, international and private – who have brought with them radically new ideas and ways of working.

Of course, this is not the first time that development aid has been the subject of examination and soul-searching. The first studies of it appeared back in the 1970s. People wondered then, as they still do, whether development aid is not a veiled form of neo-colonialism or imperialism; how great a gap there is between the rhetoric and reality in this area; to what extent aid generates unwelcome side-effects such as bureaucratisation and irresponsible policy-making behaviour; and whether emergency aid does not exacerbate emergencies. Since the 1990s, various new themes have been added to this list. People want to know about the effectiveness and impact of aid, how the participation of local people can play a role, and what effects new forms of aid such as fair trade and budget support are having.

This book continues this research tradition and introduces a number of new questions. It is a study *of* development cooperation: we want to know how it works. It is also a study *for* development cooperation, and more specifically for what we later refer to as ‘the development cooperation community’. We attempt in particular to identify a number of significant aspects and principles of development cooperation, so as to gain a better understanding of them, but also so as to enable a strategic approach to be taken to them.

In 2005, I brought out a book about Belgian development cooperation. In it, I presented development cooperation as a *community* of thousands of development workers, as an *arena* with much competition and many antagonisms, and as a *market* in which large sums of money circulate. I pointed out that the sector was subject to two trends. Firstly, development cooperation was becoming increasingly internationalised in terms of both dialogue and coordination. Secondly, we were seeing its localisation or mainstreaming. In addition to the development cooperation specialists, we were seeing the rise of what we have called the ‘fourth pillar’ of development cooperation. These new actors, such as foundations, trade unions, businesses, schools and large numbers of small clubs, took very little notice of the specialists, but they were creating turmoil in the sector.

In this book, we attempt to understand what is currently going on. We seem to have reached a pivotal moment. The internationalisation of development cooperation may well have reached its peak. In principle, virtually everyone supports the Millennium Development Goals, *the* major development agenda the purpose of which since 2000 has been to guide all donors and beneficiaries towards 2015. Hundreds of development actors have signed up to the Paris Declaration on Aid Effectiveness. Everyone is singing from the same hymn-sheet. Yet at the same time the sector’s fragmentation seems to be increasing. We are seeing competition everywhere. The arena and market dimensions of the development sector seem to be overtaking the community dimension. Anyone can call themselves a development worker and claim to have a wonder cure.

I am very conscious that this book, like all studies, is marked by what is known as ‘researcher bias’. With a subject like this in particular, neither our personal values and standards nor our emotions are ever very far away. It is true that *ethos* and *pathos* determine to a large extent what we see and how we see it. Our involvement with various organisations and institutions which are examined here makes us privileged witnesses, but also undoubtedly influences our perception of them.

In any case, I wish to take this opportunity to thank the people who have contributed to this book in various ways with their suggestions and their critical reflections. Above all, I am thinking of my two colleagues who worked so closely with me to finish this project as well as Kaat Torfs and Steffie Neyens, who performed thorough fact-finding work for this book over several months. I also wish to thank all our colleagues at HIVA KULeuven, and in particular the development cooperation research group: Ignace Pollet, Bénédicte Fonteneau, Zhao Li, Tom De Bruyn, Mame Khady Ba, Raf Peels, Sonja Wuyts, Katleen Postelmans and also Sandra Volders. The collaboration and discussions that took place in the context of the Living Stone Competence Centre on Intercultural Entrepreneurship were unusually fruitful. My thanks go to Bob Elsen and Lut Dusart. Thanks too to our colleagues at the Leuven Centre for Global Governance Studies: Jan Wouters, Jo Swinnen, Hans Bruyninckx, Stefaan Keukeleire and Axel Marx. We have also gathered a plethora of data, experiences and viewpoints during the debate sessions and seminars which we have held in recent years with staff members at the Belgian Directorate-General for Development Cooperation (DGD), the Belgian Technical Cooperation (BTC), the Antwerp Institute for Development Policy (IOB), the Centre for International Development Issues Nijmegen (CIDIN), Context Masterclass, NGOs and countless fourth-pillar initiatives. In addition, we have gained many insights through our own cooperation with the Chair of Social Dynamics at the University of Kinshasa (DR Congo). Thanks go to Professors S. Shomba, F. Mukoka, D. Olela, J. Mulamba and their dynamic team, including I. Feza and S. Badibanga. Finally, many thanks to the home base: Kaat, Lisa, Hanna and Eline.

Patrick Develtere

Introduction

Sarro looked at the mini-screen in front of her: 'Swiss and Edelweiss Air: Flying to Paradise.' She had just sat down next to me, on the flight from Nairobi to Zurich. Sarro was wearing the same colourful Somalian shawl as the other twenty or thirty women who had boarded the flight along with her. The men and children had shaven heads and wore sweaters clearly marked with the letters 'USRP'. United States Refugee Program, I guessed. Each of them was also carrying a single plastic bag, marked 'IOM', International Organisation for Migration. Around sixty to eighty dishevelled-looking people, on a plane for the first time in their lives, headed for the United States. Sarro herself reckoned she was 22 years old. In 1992, at the age of five, she had fled the civil war in Somalia together with her mother. She lost her mother on the way to Mombasa, Kenya, where she found shelter in a camp. In 1997 she was taken several thousand kilometres to the northwest in the back of a truck. Ethnic tensions with the local population had been making life at the camp in Mombasa impossible. Since then, Sarro had been at the Kakuma refugee camp, one of the biggest camps in the world. Its more than 80,000 inhabitants are refugees from Somalia, Ethiopia, Sudan, Burundi and Angola. Ironically, they are somewhat better off (in material terms) than the surrounding Turkana people, who do jobs in the camp for payment, or raid it now and then to plunder and steal. Sarro was familiar with the humanitarian work of the WFP (World Food Programme) there. She did not know what the abbreviation stood for – just that they handed out food bearing the stamp 'USA' on every bag. Twice a month, they were given some flour, oil, salt and meat. The IRC (International Red Cross) had an infirmary in Kakuma, she said. GTZ (the German technical cooperation organisation) distributed firewood. There was also a project to heat food using solar power. You could get building materials from UNHCR (United Nations High Commissioner for Refugees), Sarro told me. The LWF (Lutheran World Federation) and Act (Action by Churches Together) were everywhere, doing lots of things... The Windl Trust gave English lessons and the JRS (Jesuit Refugee Service) provided social support in the event of problems in families and between ethnic groups. Sarro had been working for the

JRS for two years. She had earned about 1 euro per day giving advice and help to battered mothers, quarrelling neighbours and children who had got lost, and thus felt like one of the more prosperous residents in the camp. She had a lamp in her tent and a mobile phone. There were some people there who were even better off: quite a few camp-dwellers received money from their families in the US or the UK. There were always long queues outside the Western Union office in the camp.

Clearly, then, a refugee camp is a market – one with many players. These players stake out their territory, make deals, perform all kinds of transactions, compete with one another. There is supply and demand. Sarro had a clear sense of this, but she could not understand it at all. Why were all these organisations doing this? How did they stand to gain? One thing was clear to her: she had been able to survive because of them. She had even been given the chance to go to the USA, which she was thrilled about. She would work and become rich, and one day she would see her friends again, *inshallah*.

Many people in the Third World come into direct or indirect contact with development aid or cooperation in the course of their lives, just like Sarro. For most of them, however, that contact is far more fleeting, limited and less crucial to the opportunities they receive in their lives. There is a good chance that at the time of their birth their mother was assisted by a midwife who was trained by a non-governmental development organisation (NGDO), that the village well was originally dug with the support of the Americans, the French or the New Zealanders, or that the school was built with aid from Unicef. The road from the village to the city may be repaired every ten years with money from the European Commission, and the three churches and two mosques, each of which has a medical aid station, were probably also constructed with foreign money. For most of the more than 5 billion people in Africa, Asia and Latin America, development cooperation does not impinge on their daily lives. However, they are aware that there are ‘projects’ in the local area, and that a number of four-wheel-drive vehicles travel round, conveying ‘gringos’ or ‘mzungu’. It is said that you can get certain things from them. Most know that if you are seriously ill, it is best to go to a distant hospital which receives outside support. They also see how white people regularly come to the village or the district together with officials, to look at the local population, the huts, the market and the fields. Sometimes these foreigners ask very difficult questions about what is most needed, or what people would like most in the village or district. And many of them make big promises.

I have rarely heard critical views about development cooperation in the Third World itself: not in the villages, and seldom or never in the media; to a limited degree among local politicians, and occasionally with slightly more openness in academic circles. But even then the critics adopt a fairly passive position on the demand side. They are interested in the resources, goods and services of development cooperation if it is provided there. They know that that provision is limited and hard to gain access to.

Likewise, in most Western countries, development cooperation is only rarely the subject of heated debate in living-rooms, in the pub, in the media or in parliament. Oddly, the one time when we do have debate is when development cooperation becomes linked in a negative way with diplomatic relations with an important country. We had good examples of this in the 1980s, when Belgium, France and the USA continued to give significant support to the rotten Mobutu regime in Zaire. There was also a considerable outcry in the Netherlands during the same period because of the messy relationship with the Suharto regime in the former Dutch colony of Indonesia. In both cases, it was the dictator who put a stop to the flow of aid, in 1991 and 1992 respectively. In the USA, critical voices were heard in the media when the American development agency USAID had to be brought in to clear away rubble after the fall of the Iraqi dictator Saddam Hussein in April 2003, and it became apparent that plans had already been made for this before war had even been declared. The sector also sometimes becomes the subject of public reflection for a while when development cooperation ends up being negatively linked with commercial interests. Thus in the mid-1990s, official aid became a topic of debate in various donor countries due to the 'white elephants' or megalomaniac projects which were being funded in Africa, Latin America and Asia. More recent examples constitute the poorly coordinated humanitarian aid after the Haiti earthquake in 2009 and the food aid that came too little and too late to rescue the starving people in East Africa in 2011. Suddenly, everyone had an opinion about whether this kind of aid was right, whether other priorities needed to be set or whether development aid was to blame for the disasters.

The lack of public discussion may have more to do with the fact that development cooperation is not among those domestic themes of contention that have the capacity really to stir up public opinion, the press and politicians in a country, rather than reflecting a general lack of interest in the topic. In fact there are reasons to believe that there is growing support for development aid. Nor am I referring here solely to the wave of solidarity in late 2004 and early

2005 that followed the tsunami which ravaged Thailand, Myanmar, Sri Lanka, the Maldives and the eastern coast of India. In the rich countries we also have a high density of organisations (NGDOs and others) which have specialised in development cooperation. Studies have even shown that interest in development aid is on the increase everywhere. But those same studies also show that people are particularly ignorant about the aid sector and that the support is not very deep-rooted.

We want to use this book to do something about that lack of knowledge and debate. Development cooperation is a maze. It is a very unusual community of many thousands of institutions and organisations which specialise in it and are engaged in it on a daily basis. Some of them are government institutions; they are to be found above all in the 24 members of the Development Assistance Committee (DAC) of the OECD. Other institutions belong to the United Nations and specialise in various forms of development aid. There are also international organisations outside the UN which play an important role in the development community. The International Organisation for Migration, which brought Sarro to the USA, is one example. Yet other organisations are 'non-governmental' in nature. These NGOs are private initiatives by people looking for a solution to the North-South problem. There are thought to be more than ten thousand NGDOs which are recognised by their respective governments for their expertise in the field of development work.

These official, international and non-governmental aid organisations all make their own choices. Some specialise in emergency aid operations, while others work more in the long term. There are institutions and organisations which provide technical aid, and others which just give money. Some provide loans; others only make donations. Over a hundred institutions and organisations are mentioned in this book.

Do not be deterred. The institutions and organisations are discussed according to the category to which they belong. Thus we examine official 'bilateral' development cooperation (the 'first pillar') separately from the international institutions (the 'second pillar') and from the NGDOs (the 'third pillar'). Text boxes provide information about specific projects, initiatives and points of interest.

We will describe the development sector not just as a community but also as an arena, a place where quite a number of opposing interests meet. It is the scene for sometimes fierce discussions and even conflicts. And it is also a market. Goods, services and a great deal of money circulate in the sector, and ever

greater quantities of these are sought and promised. Thus this sector, just like any other, is full of opportunists, marketers, dealers and canny accountants.

The field of development cooperation is now also populated by new EU member states and by developing nations such as China, India and Brazil. One important factor is the ambition of cities and municipalities, provincial authorities and other governmental levels such as the communities and regions in Belgium, the *Länder* in Germany and the regions in Spain to gain more powers with regard to development cooperation. What is less widely known is that in most donor countries other ministries are now also becoming involved in development cooperation. Thus we are seeing a kind of mainstreaming of development cooperation. Non-specialists are starting to offer aid in all kinds of forms.

The field of international players is also expanding. Both the United Nations and Europe are themselves giving a boost to new forms of development work and eagerly creating additional development institutions. There are already over two hundred intergovernmental organisations positioned in different ways on the development cooperation market.

By now, we all know that Bill and Melinda Gates have set aside a huge amount of money for Africa. And we all also know a local business leader, trade unionist, schoolteacher or hospital director who has set up an initiative from within their business, union, school or hospital to provide aid to acquaintances in the Third World.

Because most of these new 'players' are not development cooperation specialists and take an approach which is different from that of the first, second and third pillars referred to earlier, we have suggested using the term 'fourth pillar' for them. They have not been established within the context of post-war 'North-South relations', but in response to the more recent globalisation trend.

The traditional development cooperation community has never defined what constitutes good or bad aid. Hitherto, it has seemed obvious that trying to do good is good, or is better than nothing. After all, 'every little helps' as the often-used expression has it. In recent years, though, doubts have been growing. We know that not all help is (equally) helpful. We know that there is an art to giving. We also know that there are certain shortcomings in the aid apparatus. Work is therefore being done in some quarters on a 'new aid architecture'. But there is not yet any sign of a collective set of standards that clearly defines what constitutes good aid, let alone an arbitration system that defines who is *allowed* to engage in development cooperation, or that includes

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correction or sanction mechanisms to filter out faulty or counterproductive work. In other words, anyone can carry out development work, or claim to do so, in their own way. Anyone can offer any kind of supply. The market is free and highly competitive. This is the thesis of this book. What dynamics can we discern on the supply side? What reactions do we find on the demand side? And what can we learn from this about one of the most difficult tasks that mankind has ever set itself: the eradication of the poverty for which it itself bears the responsibility. These are the questions of this book.

Development cooperation: community, arena and, increasingly, market

Most Western countries have been formally involved in development cooperation for over fifty years now. During this period, specialist organisations and institutions have been created, projects and programmes have been launched, there has been debate about ideas and strategies – the good and the not so good – for achieving efficient development cooperation, regulatory frameworks have been devised, and then further new specialist organisations and institutions created, further new projects and programmes launched, and so on. In other words, a typical cycle has occurred through which a social sector has taken shape, a process in which institutional innovations, a permanent war of ideas, new action models and policy have influenced one another, giving rise to a particular ‘system’. Such a system ends up with an established pattern which is rather stubborn and hard to move away from. In the case of development cooperation, for instance, you can count the number of specialist organisations which have emerged since the early 1960s and been shut down since that time on the fingers of one hand. Organisations remain and adapt their goals. They rarely admit that their task has been accomplished or (even worse) that they have failed and should therefore simply shut up shop.

Even new regulations and new agreements hardly ever lead to deficient parts of the system being dismantled. Regulations usually define new institutions and methods which are grafted onto the previous ones. Thus the reforms in different European countries of their development apparatus in the 1990s led to the creation of a number of new institutions, such as technical and executing agencies. But ‘the sector’ was prepared to accept those reforms only if they also produced a win-win situation for the existing players (Ministries, NGDOs etc.). The UN is another example: whenever new agreements are made on combating poverty, the approach to certain diseases or the linking of environmental and development issues, everyone invariably wants to jump onto the bandwagon and a series of new specialist institutions are created as leading agencies.

Nor is it just certain distinctive patterns – ingrained and complex – that are acquired over time: a particular subculture also emerges. The sector gains typical characteristics, its own ‘house style’ and ‘house culture’. Exactly what

that style or culture is particularly hard to grasp. Throughout this book we shall repeatedly come upon this cultural component, without really being able to explain it scientifically (i.e. after examining it in a methodologically correct fashion). Foreign colleagues and development workers now and then venture an informal character sketch of one another's style. American development cooperation is messianic and patronising and bears imperialistic traits. The French and British approach is said to be characterised by a constant struggle for leadership, by the conviction of the universality of their socio-economic and political model and the dominance of their language. In the case of Belgium, reference is usually made, we are afraid to say, to the country's colonial past to justify labelling Belgian development cooperation as paternalistic and idiosyncratic. Dutch development cooperation is renowned for its generosity and its pedantic character, the Scandinavian version for its progressive approach and high level of trust in the local partners, and so on.

No definition of development cooperation?

Readers will notice that we provide no definition of development cooperation. There are good reasons for this. There is no available scientific definition of the concept, nor is there any definition that is accepted by all the key players, such as the international institutions or the non-governmental development organisations. It is thus a wide-ranging term. Anybody can claim – on his own behalf – to be engaging in development cooperation. Not everything, however, is 'official development assistance': the Development Assistance Committee (DAC) of the OECD has devised a number of criteria for this.

'Official development assistance' (ODA) consists, according to the DAC, of grants and loans to developing countries. These countries appear on the DAC List of Aid Recipients (developing countries)¹.

These grants and (low-interest) loans must also originate from the government sector and must primarily be intended to promote economic development and welfare. In financial terms, the aid must be concessional, meaning that it has a grant element of at least 25%. Technical cooperation – sending out specialist personnel and training managers in developing countries – can also be regarded as aid. Grants, loans and credits for military purposes are excluded. Payments to individuals, for example for pensions, repatriation or insurance payouts for donor country personnel, are likewise excluded from the definition.

Reference is usually made to 'net ODA' because the repayment of the capital element of concessional loans is deducted from the aid total.

At present, more than 150 countries and regions are receiving official development assistance. The income level of the recipient countries has nothing to do with this.

When a Western country makes a grant to relatively prosperous Venezuela, this is regarded as development aid just as when it makes a donation to poverty-stricken Malawi. The country's growth rate is also irrelevant. Aid to China or India is also counted. It is significant that the definition of development aid is based on the actions of the givers, not the value of the 'aid' to the recipient. The official aid figures which are presented in this manner give no indication whatsoever of what the developing countries receive, but only what is declared as given. It is estimated that the governments of the developing countries receive less than half of what the rich countries report as aid. This is because these figures include both liquid funds and goods and services. A proportion of these amounts never even leaves the donor country (development workers' pay, resources for the reception of refugees, operational funds for the ministry of development cooperation, government money used by NGOs for development education or for training Africans at Western universities for example). And who determines the value of the goods and services that are purchased in the donor country? Could they not have been purchased more cheaply elsewhere? In recent years, it has also become clear that debt cancellation is inflating the aid figures. In reality, debt cancellation is a transfer from one government department (ministry of development cooperation) to another (the official 'export credit agency'). Many of these debts were no longer expected to be repaid. Some people ask whether emergency aid can be counted as development aid. It usually consists of Western goods which are supposed to solve short-term problems and do not bring about structural changes. The lack of any definition of development cooperation is harmful to the sector. The lack of any definition of what constitutes 'good' development cooperation is even more problematic, as it means that anyone can label their own initiatives as development aid, and even as 'good', 'better' or 'the best' development aid.

In what follows, we will find out more about 'the development cooperation system'. We will do so by characterising it in three different ways. By viewing the system at times as a community, at times as an arena and at times as a market, we can detect different dimensions and different frames of reference. In sociological terms, these characterisations are therefore 'ideal types' which do not directly represent the reality, but which do make it easier to understand.

Our position is that development cooperation is never exclusively and fully a community or an arena or a market. Which characteristic is dominant depends on the moment of observation. Thus we seek to demonstrate that at present the market dimension has gained the upper hand at the expense of the arena, and especially at the expense of the community.

An expanding community

A survey commissioned by the European Commission in 2009 showed that 74% of Europeans had never heard of the Millennium Development Goals (European Commission, 2009). Moreover, people generally do not know who the minister for development cooperation is in their country, greatly overestimate the extent of official aid, can name only a few non-governmental development organisations and have little or no knowledge of recent trends in the development world.

The ‘popularity’ of development cooperation, on the other hand, was evidenced by a special Eurobarometer study, which revealed that – despite the economic turmoil – nine out of ten Europeans consider development aid to be fairly to very important (European Commission, 2010).

The development cooperation community can be seen as a rather closed community. This does not in itself mean that the sector lacks transparency or does not communicate sufficiently. Many people will even agree that the development organisations bombard them with leaflets, begging letters, emails and TV and radio ads. What our findings do indicate, though, is that a development cooperation system has evolved which comes across as a specialised and separate entity. It has become a fairly closed world, with its own organisations, elite, personnel, procedures, jargon, symbols, public events and subculture. As a community, the sector also likes to present itself as a set of organisations and people who are driven by a values-based frame of reference, as promoters of values such as equality, solidarity and justice.

A community of this kind gains cohesion through four unifying processes: by developing a collective consciousness, by insisting on the coherent character and the consistent behaviour of those participating in it, by the establishment of a collective agenda, and, finally, coordinated lobbying. Firstly, a collective consciousness arises within the community. In the case of development cooperation, there is a very strong collective awareness that without this community the rich West would decline into an introverted condition, driven by national egoism and materialism. The community is needed to watch over it and ensure that the rich countries and their citizens behave properly towards people in developing countries. If contact with the developing countries were left exclusively to those outside the community (such as companies or private individuals), this would have a negative impact on the developing countries.

Overview of the community of development actors (examples)

Non-profit-making Public		For Profit Private			
Bilateral donors	Multilateral donors	Global programmes	NGDOs	Fourth pillar	Private sector
Min. for development cooperation (USAID in USA, DFID in the UK, DGIS (Minbuza) in the Netherlands, JICA in Japan)	UN	Specialist agencies of the UN (ILO, FAO, UNESCO, WHO, UNIDO)	International NGDOs from traditional donor countries (e.g. Oxfam International, Plan International)	Social movements (trade unions, farmers' organisations)	Companies
Bilateral development banks – and agencies (GTZ in Germany, BIO and BTC in Belgium)	Bretton Woods Institutions (World Bank, IMF)	Global Fund to Fight Aids, TB and Malaria, Global Alliance for Vaccines and Immunisation, etc.	International NGDOs from non-traditional donor countries	Associations (migrants' associations, sports clubs, musical groups, etc.)	Commercial banks
New donors (China, India, Brazil, Thailand, Dubai, etc.)	Regional development banks and –agencies	Global Environmental Facility	National NGDOs in traditional donor countries: World Vision, Save the Children, Care (U.S.)	Social institutions (schools, hospitals, etc.)	Private investors
Other ministries (agriculture, health, labour, etc.) and government institutions (national banks, etc.)	European Commission	Fast Track Initiative/ Education for All; Forest Carbon Partnership Facility; Emerging Africa Infrastructure Fund	National NGDOs from non-traditional donor countries: BRAC and Grameen from Bangladesh	Foundations	
Other governmental levels (Länder in Germany, regions in France, communities and regions in Belgium, provinces in Canada, cities and municipalities)	Other international institutions			Company funds	
				Individuals and groups of friends	