Donors go back home:
New financing possibilities and changing aid relations in Zambia

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The global economy is currently in a flux. Emerging economies experience unprecedented economic growth rates and increasingly have a voice in global governance. This may affect traditional North-South relations. In particular, the re-emergence of non-traditional state actors, rising primary commodity prices, and new lending possibilities change aid relations and provide Southern governments with (potentially) more policy autonomy. In light of these changes, this paper seeks to further over understanding of how aid relations are changing in Zambia. It does so by scrutinising the real changes in external financial flows to Zambia and analyses how these changes are used in domestic politics in Zambia. Based on fieldwork in Zambia among 'new' and 'old' donors as well as among representatives of the Zambian state, this paper argues that albeit real changes in external financial flows are still small, the very perception of changes alters the behaviour of traditional donors as well as of the Zambian government. Thereby, aid-relations change and more room is created for the Zambian political elite to shape future politics.

1. Introduction

Aid relations are in a constant flux – shaped by global political and economic changes as well as changes internal to both donors and recipients. On the recipient side they are influenced by economic growth and (perceptions of) new financial possibilities, by the capacity to identify and present a clear national vision, by the ability to rally domestic political support for this vision, and by the ability to formulate and implement coherent action plans linked to this vision (cf. (Whitfield, 2008a)). On the donor side, the specific aid modalities adopted as well as changing strategic and (geo)political purposes of aid change the overall bargaining power and thereby aid relations.

Historically, the most wide-ranging change in aid relations happened with the end of the Cold War. Prior to that, African countries were able to barter '*their loyalty to one 'bloc' or the other in exchange for aid*' (Plank, 1993: 408). At one stroke, this 'strategy of switching' in order to increase leverage to set own development goals ended (Lancaster, 1999), and the last two decades have been characterised by an ever more limited scope for African states to pursue these ends independently from donors. Recently, however, traditional donors' hegemony has come under threat from a range of state actors[1] providing loans, grants and technical assistance but not following the same rules and guidelines as the donors organised in the DAC (Kragelund, 2008). This may facilitate a change in aid relations for aid dependent African countries.

During the last five to six years we have seen an explosion in the political and academic interest in China and other non-traditional state actors' engagement in Africa. While the representation of this engagement in the media is still 'black and white' (Mawdsley, 2008), gradually, scholarly work has become ever more nuanced acknowledging that this indeed is not a new phenomenon and that we should not treat

[1] Often the term 'emerging donors' is used in the literature (see e.g. (Manning, 2006)) to describe these

these non-traditional state actors as monoliths (Large, 2008; Strauss & Saavedra, 2009; Taylor, 2009).

Meanwhile, a constant stream of papers has been produced by donor organisations, think tanks and scholars seeking to disaggregate the vectors of engagement and thereby get a better understanding of what this trend means for social and economic development in Africa (e.g. (McCormick, 2008)) as well as for the relationship between African countries and their traditional partners (e.g. (Shaw, Cooper, & Chin, 2009)). Findings show that even though traditional donors clearly distinguish aid from investments, export credits, and trade a full understanding of the potential effects of non-traditional state actors' engagement in Africa necessitates that we examine the total flow of finance rather than only focus on what is comparable to Official Development Assistance, i.e. technical cooperation and financial flows at concessional financial terms undertaken by official agencies, with the objective to promote economic development and welfare (Kaplinsky & Farooki, 2010). Likewise, they show that these actors provide aid (and use it the same way) as DAC donors did several decades ago. Thus, to better grasp the mechanisms and modalities of aid from non-traditional state actors we have to scrutinise the aid they themselves received (Brautigam, 2009; Kragelund, 2011). Lastly, these papers point out that although many non-traditional state actors provide aid to Africa (see e.g. (Kragelund, 2008)) the most important one in terms of size of flows and visibility is China (Mawdsley, 2010).

Notwithstanding these advances in our understanding of this phenomenon little research has been conducted to examine how this relationship between non-traditional state actors, African governments and traditional partners play out in an African context[2]. This article seeks to fill this lacuna by scrutinising how and to what extent the rejuvenation of non-traditional partners affect Zambia's traditional aid relations. Thereby, this article furthers our understanding of how this engagement is used politically by both African governments seeking to carve out more policy autonomy and traditional donors seeking to further own (geo) political interests. For two decades Zambia '*has been identified as an emblematic case of a country dominated by its donors*' (Fraser, 2008: 299); it has recently received considerable political and economic attention from a range of non-traditional state actors including China, India and Brazil; and lately, key bilateral donors have either made known that they withdraw aid to Zambia in the near future or radically change their approach to aid. In the words of EIU (2010a: 8): '*Zambia's Western donors are likely to reduce their*

[2] Of course, numerous studies have been conducted in a variety of African contexts focusing on a particular vector of this engagement. They include, for instance, Dobler's (2008) rich study of trade and consumption patterns in a small Namibian border town, and Carmody, Hampwaye, & Sakala's (Fortcoming) study of how Chinese engagement in Zambia strengthens the role of the Chinese state while simultaneously links Zambian governance closely to Chinese interests. Moreover, one study on China-Africa relations has a specific section on the interplay between China, the traditional donors, and the Zambian government (Huse & Muyakwa, 2008).

financial support to the country [in the near future], *but this will be countered by a rise in inflows from China*'.

Based on interviews with key informants in the Government of the Republic of Zambia (GRZ), and among both non-traditional state actors and traditional donors operating in Zambia, in 2009, 2010 and 2011[3], this article argues that aid relations are indeed changing in Zambia but changes are slow, incremental, and episodic. The presence of non-traditional state actors, however, is by no means the only reason for this change – the interlinked factors of long-term economic growth, booming commodity prices, and improved international creditworthiness play an equally or even more important role in the current changes.

The argument proceeds as follows: Section two sets out to provide a better understanding of aid relations. Following this, section three examines the role of donors in Zambia's post-independence development whereupon section four points at recent incidents that may point towards changing aid relations in Zambia. Section five analyses the reasons underpinning these changes and argues that albeit non-traditional state actors are often referred to and indeed are one of the underlying reasons for changes, they are not the only reason. Section six concludes the article.

2. Understanding Aid relations: sovereignty, ownership, and policy autonomy

> '*The aid relationship is characterised by lots of hypocrisy and influenced by the special interests of both donors and recipient governments*'[4]

Aid relations essentially describe the working relations between a recipient government, its donors, and the citizenry. It is formed by the distribution of resources among the actors as well as their strategic interests and hence, it is characterised by struggle over power and hence, conflicts. Moreover, it is constantly (re)negotiated based on changing resource allocations and changing interests (Saasa & Carlsson, 1996). Aid relations are in abstract terms affected by the strategies pursued by recipient country governments to forward their own priorities and visions (vis-à-vis those of the donors) as well as those strategies pursued by donors (and by political elites) (Whitfield, 2008b).

The aid relations are closely linked to discussions of degrees of sovereignty. Unfortunately, sovereignty is ill-defined in the aid literature. It is often linked to the ability produce a locally defined development strategy (see e.g. de Renzio & Hanlon (2007)). Essentially, the concept may refer to the right to rule, i.e. state authority. In this sense it is relatively stable and not overtly threatened by aid. It may, however,

[3] Owing to the politicised nature of these issues – in Zambia as well as in the countries of the cooperating partners – all interviewees were promised anonymity. Therefore, only the position of the interviewee, the location and the date of the interviews are disclosed.
[4] Interview, private consultant, Lusaka, 170810.

also refer to the ability to control policy making and act accordingly, i.e. state control[5]. This latter form of sovereignty is indeed under threat from development aid.

However, sovereignty should not be perceived as either or. It is not only a national phenomenon but is shaped by interstate relations as well as relations between individual states and their societies (J. E. Thomson, 1995). In fact, the concept is shaped by its historical developments and closely associated with changing (international) norms and ideas especially in terms of political ideals and material wellbeing. It is exactly in the name of economic well-being, human rights and political liberties – key aspects of sovereignty – that donors for many years have been able to intervene in internal affairs. Thus, a bit paradoxically '…*the IFIs* [International Financial Institutions] *have become central players in the attempt to fulfil the purposes of state sovereignty in many developing countries*' (Williams, 2000: 568).

Aid parlance has generally avoided the term sovereignty – no doubt because aid by definition interferes in other states internal affairs. Instead, the concept of 'ownership'[6] has been associated with one aspect of sovereignty, namely the ability to control policy making and act accordingly. Ownership is a defining concept of the 'New Aid Agenda' and it is central to understanding the Paris Agenda. Nonetheless, it very is poorly defined and may refer to programmes, strategies, and plans. Moreover, it relates to situations where both national and international entities are involved. Most often the concept is linked to aid effectiveness. Thus, it comes as no surprise that the concept of (country) ownership, according to Buite (2005: 27f), in development parlance covers the continuum from a situation where a country is 'kept informed of how and when the program has been implemented' over a situation where a country 'agrees with the objectives of the program' to a situation where a country has 'designed and drafted the program'. These problems partly relate to who defines ownership, the donors or the recipients, where donors tend to relate ownership to commitment to implement policies suggested by the donors whereas recipients define the term as formulation of own policies, i.e. as control (Whitfield, 2008b).

The concept of 'policy autonomy' is related to both sovereignty and ownership. It points to the *degree of autonomy available to countries to define and implement policies that affect social and economic development*. The degree of autonomy available to a country depends on economic, ideological, political and institutional conditions present at a given point in time (Whitfield, 2008a). Policy autonomy, therefore, by no means is static and it may vary considerably across different state entities at a given point in time. Changes in the degree of policy autonomy are determined by changes in these conditions and by the power relations between

[5] These two interpretations of sovereignty tend to relate to different schools of thought within International Relations, i.e. liberal interdependence writers see sovereignty as state control whereas realist and critical approaches perceive it as authority (J. E. Thomson, 1995).
[6] See Whitfield (2008b) for a history of the concept of ownership.

internal and external interest groups, as well as between different class and sectoral interest, seeking to change the course of politics.

Historically, African governments have been able to make use of three strategies to increase policy autonomy: switching between donors belonging to separate blocs; balancing beneficiation, i.e. persuading a large number of donors to provide assistance and thereby minimising the risk when one donor withdrew due to conflict of interest; and penetration, that is, influencing a major donor from the inside ensuring that this donor put pressure on other donors (Lancaster, 1999). However, with the end of the Cold War, these strategies basically disappeared into thin air.

Although these 'grand' strategies disappeared African governments still had the possibility of improving, what Fraser (2008) terms 'negotiation leverage', and thereby increase policy autonomy. Such strategies included 'start-stop', 'partial implementation', 'delay', and 'politicizing' strategies. These strategies enabled African governments to sidetrack and influence donor policies and thereby increase state control.

3. From ownership to donorship: The role of donors in the Zambian economy

> '*The history of Zambia's aid negotiations can be recounted in materialist terms. When the Zambian state least needed aid and debt relief, aid donors were least able to impose policy preferences. As dependence deepened, they imposed an unusually biting conditionality regime*'
> (Fraser, 2008: 309)

After a two-year long process the Ministry of Finance and National Planning in Zambia, in May 2007, published an 'Aid Policy and Strategy for Zambia' intended to give the GRZ a means to manage incoming aid and create a division of labour among the donors. The original intention was thus to organise the GRZ to deal with the donors, but in the prolonged process of finalising the document two central chapters had been removed and the end result was a document that helped the donors to organise aid efforts in Zambia – not vice versa (MoFNP, 2007)[7]. Notwithstanding years of focus on 'partnership' and 'ownership' on the part of the donor community to bring about aid effectiveness, the central document to bring these issues to the fore in Zambia still ended up providing ever more power to the donors.

Donors in Zambia, however, have not always been able to control policy making, but as a consequence of economic downturn in Zambia, loss of (geo)strategic relevance, and a growing aid fatigue among donors, new aid modalities have been introduced with ever more far reaching consequences for Zambia's development policy autonomy. Zambia's aid relations are indeed complex, and this section will only highlight the most important changes in Zambia aid relations in order to further the

[7] Interview, Private consultant, Lusaka, 170810 (cf. (A. Thomson, Saasa, Chiwele, & Gibson, 2010)).

understanding of the importance of the current changes discussed in section four below. For a more comprehensive understanding of the Zambian aid relations see e.g. (Fraser, 2008; Saasa & Carlsson, 1996, 2002).

At the time of independence in 1964, Zambia was classified by the IFIs as a middle-income country and therefore had easy access to non-concessional loans. Zambia only received very little aid, mostly from bilateral donors, and relied instead of incomes from the copper, export credits and equity and portfolio investments (Saasa & Carlsson, 1996). Copper prices quickly fell and in the quest for 'modernisation' government expenditures continued to rise – largely financed by external borrowing. Thus, two decades later, in 1984, Zambia had become the most indebted country in the world relative to the size of its economy (Saasa & Carlsson, 2002: 39).

Most of these loans stemmed from the IMF and the World Bank with whom Zambia had engaged with since the beginning of the 1970s[8] and by the mid-1980s, Zambia had become closely connected to the IFIs that had put up a series of economic conditions, including liberalisation of the foreign exchange system, the import licensing system and the interest rates, to provide two loans.

The IFIs were not alone in dictating the form and speed of Zambia's development. When then President Kenneth Kaunda in 1987 ditched the structural adjustment programme set in motion by the IFIs and introduced his own recovery programme involving restrictions on dept repayment, all major donors chose to freeze further disbursements of aid. Only with the signing of a new Policy Framework Paper with the IMF and the World Bank in 1989, the donors began to come back and following the political and economic liberalisations, in the years that followed, all donors came back[9].

In particular, the 1991 multiparty Presidential elections won by Frederick Chiluba, marked a shift in aid relations. Zambia's debt burden now stood at US$ 7.1 bn (Huse & Muyakwa, 2008: 31) and the ruling party, the Movement for Multiparty Democracy (MMD), '…*concluded that the only way to get the shattered economy back on track was to do everything possible to attract foreign aid and capital. Donors sought to secure a massive reform programme by "buying" the MMD an extended honeymoon. Aid money poured in and the budget became more than 40 percent donor-dependent*' (Fraser, 2008: 306). In fact, as a direct consequence of donors satisfaction with the change to multiparty democracy, aid reached a record high in 1995 (MoFNP, 2007).

[8] Although the first far-reaching Structural Adjustment Programme (SAP) was not set in motion until 1983, Zambia already had the experience of four IMF arrangements prior to that – focusing both on supply and demand-side constraints in the Zambian economy.

[9] It is important to keep in mind that donors reacted differently to these incidents. Although the aggregate picture showed that aid volumes depended on a combination of Zambia's willingness to reform and its need for money, individual donors showed great variety in their approach to Zambia (Saasa & Carlsson, 1996: 54).

The honeymoon, however, was not flawless and both Zambia and the main donors constantly sought to change the power relations. The MMD on its side showed reluctance in implementation of key policies while the donors pressed for constitutional reforms – eventually set in motion in the mid-1990s (van Donge, 2000). As the power relations were about to tip towards Zambia, the Highly Indebted Poor Countries[10] (HIPC) card was played. HIPC essentially sought to write off bilateral debt of some 40 highly indebted countries and Zambia was one of them.

From 1996 to 2006 HIPC was the main instrument through which donors controlled the behaviour of the GRZ. It linked eligibility to the Initiative, and thus large-scale debt reduction to the development of a Poverty Reduction Strategy Paper (PRSP) and demonstration of a track record of neo-liberal reform. Moreover, it linked the full and irrevocable debt reduction, i.e. the HIPC completion point, to the adoption of the PRSP and to implementation of key reforms suggested by the IFIs. As a direct consequence of this, funds were directed towards the social sector and pushed poverty alleviation up on the Zambian government's policy agenda.

The HIPC differed from previous donor instruments as '*significant relief was kept at arm's length until the entire process had been completed*' (Fraser, 2008: 307), Hence, in 2004 Zambia's external debt stock still stood at 137% of GDP. Only when Zambia reached the HIPC completion point in 2006 debt stock decreased to 21.3% of GDP (EIU, 2010e)[11].

Two other key developments changed the aid relationship in favour of the donors, namely the introduction of the Harmonisation in Practice (HIP) in 2003 and the signing of the Joint Assistance Strategy for Zambia (JASZ) in 2007. While the HIP – a coalition of seven of Zambia's development partners – in theory aimed at harmonising practices and aligning them to Zambia's development priorities, thereby giving the GRZ more ownership, in practice it dramatically reduced the GRZ's possibility to play off one bilateral donor against another. This possibility was further reduced in 2004 with the establishment of the Wider HIP that included the rest of the major development partners.

These development partners got even closer with the signing of the JASZ. Again, in the spirit of the Paris Declaration the idea was to align donors' policies closer to those of the GRZ, especially as they were presented in the Fifth National Development Plan and the Vision 2030. In practice, however, it failed to produce more ownership at the national level in Zambia (A. Thomson et al., 2010)[12].

Although ownership has been an increasingly popular concept in development parlance, this section has shown that the drive towards more ownership in Zambia

[10] HIPC, here, not only refers to the original scheme but also comprises the Enhanced HIPC, which took a more active stance on reducing poverty than the original initiative.
[11] Upon reaching the HIPC completion point all of Zambia's multilateral debt (US$2.7bn) was cancelled under the Multilateral Debt Relief Initiative (Times of Zambia, 2006c).
[12] This is supported by interviews with key stakeholders in Ministries in Zambia.

also had the perverse effect of increasing ‘donorship’. Via gradually more far-reaching interventions donors have come to cover entire sectors of the Zambian economy and most often the entire spectrum of donors have aligned behind one policy document. Thereby, donors have come to control more - not less - of the development process. However, recent events point towards a reversal of this tendency. It is to these events that we now turn.

4. New policies, reduced donor funding and donor bashing: Signs of change in Zambia’s aid relations?

As stated above, the ‘Aid Policy and Strategy for Zambia’ was meant to change the aid relationship in Zambia. In fact, the draft version of the policy contained according to Fraser (2008: 318) ‘*strong assertions of Zambian sovereignty…* [and included] *a threat to refuse aid that does not conform to Zambia’s preferred priorities*’ and proposed setting up a department to appraise ‘*all donor plans prior to accepting the funding*’. Unfortunately, these central aspects were removed from the final version and the Aid Policy and Strategy never came to signal a recovery of sovereignty. In the words of a consultant involved in the formulation of the document:

> *‘The aid strategy put forth the Economic and Technical Cooperation Department in the Ministry of Finance to coordinate aid efforts by the donors. But the donors reduced it from a department to a unit. The donors meet monthly, but not with the unit but rather with the Treasury. Donors do not believe in anybody from below. They want to deal with the top guys. That undermines central parts of the unit’*[13].

Moreover, the entity has been grossly understaffed until recently. Thus, while most donors have intensified their internal collaboration under the aegis of the JASZ and the Wider HIP and thereby been able to produce better and more coherent products this has not been the case in the MoFNP due to capacity problems[14]. The result has been a process driven more and more by the donors – in stark contrast to the original idea.

Alongside a number of other policy documents this document may nonetheless point to small incremental changes in Zambia’s aid relations. The first of these other documents is the recently published Sixth National Development Plan (SNDP), 2011-2015 which follows directly from the Fifth National Development Plan (FNDP), 2006-2010.

Although the process of drawing these Plans mirrors that of the PRSP and the priority areas to a large extent follows the fashion at the international development arena (cf. (Fraser, 2008)), the first draft version of the SNDP was written without (direct)

[13] Interview, private consultant, Lusaka, 170810.
[14] Interview, bilateral donor, Lusaka, 110511.

involvement of the donors. The framing was done at the district level whereupon it was shared at the level of line ministries with the donors in order to find out where they have expertise to add value to the process, but at this point the SNDP was not aligned to donors operations. Only after this draft had been finalised the MoFNP brought the donors on board for them to pick the interventions they intend to finance[15].

The idea of a national plan is to 'manage and harmonise arrangements with donors' (Government of Zambia, 2011) but most of the plans laid out in the FNDP for instance were never implemented. The FNDP was grossly underfinanced and ended up being a wish list donors could pick and choose from rather than a plan to manage the interaction. In fact, the distribution of donor commitment according to the 17 sectors singled out in the FNDP depicts a high degree of concentration in areas perceived relevant for donors (macro-economics (13 donors), governance (9), health (9), and private sector development (9)) and an almost total absence of donors in areas that are not high on the international aid agenda (housing (0 donors), science and technology (1), and tourism (2)) (MoFNP, 2010). The FNDP, thus, to a large extent ended up being a political document sidetracked by the donors due to lack of own resources and conflicting interests. Though the SNDP is more detailed in terms of planning and monitoring, key areas such as infrastructure and higher-level education end up facing the same lack of interest from donors who, but for the WB, are not keen on funding large-scale infrastructural projects and stick to funding primary education. Thus, although the terminology used in the plan and the genesis of the plan point towards more autonomy, lack of human and financial capacity may undermine the national control of it.

The second key document is the forthcoming JASZ II. Even if it is still being negotiated between the MoFNP and the donors, it points to incremental changes in policy autonomy for the GRZ. It is based on the experiences of the JASZ, which among other things pointed to the donor-drivenness of the relationship. In the words of a civil servant from the Ministry of Finance and National Planning: '*In the JASZ the donors called the shots. In the JASZ II it is going to be different. Now, the government will drive the process and decide the division of labour among the donors… The donors resisted this idea very much in the beginning. We were very far apart in the discussions, but now we agree much more… Of course, things will not change from one day to the other. We have to allow for time for change and for transfer in capabilities… Most of these* [the current] *financing agreements end in 2-3 years time and then we can decide which donors are going to do what*'[16]. In other words, for the foreseeable future donors will still be able to pick and choose which sectors they want to fund, but the intense discussions point towards more leverage on the part of the GRZ.

[15] Interview, MoFNP, 090511.
[16] Interview, MoFNP, Lusaka, 030511.

This leverage to a large extent derives from the decreasing influence of aid in Zambia. At the time Levy Mwanawasa took power after the 2001-Presidential elections, Zambia's aid dependence was remarkable; with aid contributing some 53 percent of the budget. Although aid's contribution fell slightly during President Mwasawasa's first term in office, aid still accounted for an average 43 per cent of the total state budget from 2000-2005 (MoFNP, 2007). Hereafter, aid continued to increase in absolute figures from close to US$ 600 mn in 2006 to US$ 857 mn in 2009, but due to the expanding Zambian budget aid dependency, measured as aid as a percentage of central government expenditure, dropped to below 25 per cent in 2008 whereupon it increased again to almost 30 per cent the year after as a consequence of post-financial crisis budget cuts (MoFNP, 2010).

The Minister of Finance and National Planning, Dr. Musokotwane, expects that these changes will be even more drastic in the future. Thus, according to his recent budget speech, the 2011 budget will one the one hand see a drastic reduction in the role of donors. He expects that donors' support to the national budget will be cut from 14.5 percent in 2010 to 7.7 percent in 2011[17]. On the other hand, it will see an increase in the role of other financing mechanism as the budget is under-funded with some US$ 400 mn, which the GRZ expects to obtain via concessional and non-concessional borrowing (ref#).

Two aspects of this dramatic change need to be highlighted. The first one concerns increased mobilisation of domestic resources. As pointed out in section five, below, copper revenues are expected to continue to rise. The current government will not implement a much-debated windfall tax (see e.g. (Lungu, 2008)) but will instead seek to enforce the existing tax regime. This is expected to increase tax revenues in 2011 due to tax arrears from the mines and also in the foreseeable future due to rising commodity prices. Hence, according to the IMF (2010: 15f), tax revenues in Zambia are projected to more than double from the third quarter of 2009 to 2013 thereby increasing its contribution to GDP from 12.5 percent in 2009 to 17.9 per cent in 2013.

The second aspect concerns donors withdrawing funds from Zambia. This withdrawal is connected to a combination of perceived increase in corruption and to changing interests in donor countries. Of late, Zambia has experienced an increase in cases of misappropriation of donor and government funds. They include embezzlement of funds by staff in the Ministry of Health leading to two bilateral donors withholding US$ 33 mn in aid in June 2009; funds from the Global Fund to Fight AIDS, Tuberculosis and Malaria that could not be accounted for in August 2009, which led the Fund to freeze US$ 137 mn; and irregularities in the roads sector that led the EU to freeze US$ 33 mn in November 2009 (EIU, 2009, 2010b, 2010d). Donors' perception of increased corruption was reinforced by Lusaka High Court judge Evans

[17] In fact, the actual drop is expected to be roughly 35 percent (from Kwacha 2.4 trillion in 2010 to Kwacha 1.6 trillion in 2011) as the budget is planned to increase from Kwacha 16.7 trillion in 2010 to Kwacha 20.5 trillion in 2011.

Hamaundu's decision in August 2010 that the 2007 verdict by the London High Court against the former president, Frederick Chiluba, could not be enforced in Zambia. This particular case was of great importance to the donor community as they had initially supported the case (van Donge, 2008). To make things worse in the eyes of the donors, the Zambian Parliament removed an 'abuse of office' clause from the country's anti-corruption legislation, making questioning the sources of public employees' wealth impossible (EIU, 2010c).

One could argue that these cases of misappropriation of funds have been convenient for many bilateral donors. First, Zambia is rapidly approaching middle-income status and although poverty and inequality is still rampant (Pádraig Carmody, 2009) many donors feel that Zambia should be able to deal with these issues in the short term[18]. Secondly, the global financial crisis has hit donor countries hard and despite the fact that aggregate figures of aid disbursement do not yet confirm the fears (cf. (Jones, 2010)), budgets are under stress and many governments look for rationales to cut expenses while simultaneously paying more attention to aspects of aid the bring about value-addition in donor countries such as private sector development interventions. Thirdly, even if aid is still guided by the Millennium Development Goals that pay particular attention to social sectors, development aid has gradually taken in issues that until recently belonged to a realm other than development aid including security, migration, and climate change (Abrahamsen, 2005; Kaul & Conceição, 2006). Zambia is not important for bilateral donors in any of these spheres. Fourthly, institutions are at the forefront of the current aid agenda and (good) governance is a key component of this. Hence, breaches in this area are of utmost importance to donors. Finally, and related to the above trends, there has been a right-wing turn in European politics, which influence the development aid agenda away from 'altruism' towards more 'self-interest'.

In response to the donors' reactions to misappropriation of funds in Zambia key political figures have openly stated their anger over what they perceive as donors' interference in internal affairs in Zambia and encouraged donors to pack theirs bags[19]. They include President Rupiah Banda's outburst on donors saying that donors should stop blackmailing Zambians – '*If somebody* [the donors] *is fed up with us, they should pack their bags and go*'. His lash out was a response to what he perceived as donor interference in internal affairs by criticising the GRZ's refusal to appeal against the Lusaka High Court judgment. Unsurprisingly, Rupiah Banda's statement was immediately supported by former President Frederick Chiluba himself pointing out

[18] Interview ##

[19] Statements like these are not unknown in the relationship between donors and key political figures in Zambia, see e.g. Huse & Muyakwa (2008: 48). Likewise, donors have often played a central role in Zambian politics especially in election years. Van Donge (2000), for instance, provides a vivid description of the 1996-Presidential elections in Zambia and how the role of donors (and foreigners more generally) were used by supporters of the incumbent President Frederick Chiluba as well as by opposition parties to win the elections.

that Zambia indeed is a sovereign country (Chellah, 2010; Chilemba, 2010; Mulenga, 2010; Times of Zambia, 2008c; Zambian Chronicle, 2010).

Only a few days later, in late June 2010, vice-President George Kunda reiterated the statement of Rupiah Banda saying that donors should stop treating Zambia as if it was still a colony; they should stop interfering in internal affairs (Wangwe, 2010). A correspondent in the leading state-owned newspaper described the 'official' view on how donors have interfered in affairs internal to Zambia the following way: '*The situation was becoming unbearable and threatened to turn Zambia into a banana republic where diplomats have a field day doing as they willed in complete disregard of the Vienna Convention on Diplomatic relations*' (A correspondent, 2010)

These statements were followed up amongst others by Community Development and Social Service Minister Michael Kaingu who was concerned that donors channelled funds through NGOs and not the state apparatus; thereby undermining the authority of the state (Kuyela, 2010); former Works and Supply Minister Mike Mulongoti who, in august 2010, claimed that donors withheld funds because they wanted a regime change (Zulu, 2010); Minister of Finance and National Planning, Situmbeko Musokotwane, who in April 2011 acknowledged the historical support from donors but argued that due to sustained economic growth Zambia now has the capacity to develop without necessarily having to rely on donors. He feared that the continued reliance on donors would mean that Zambia could lose its independence (Kalombe, 2011). #Ronnie Sikapwasha Parallel Voter Tabulations - the Americans…

These outbursts are of course closely related to the corruption cases: The government seeks to discredit the donors because the effects of the donors' public critique of the government bring about a negative public assessment of the Zambian government. Key members of the ruling party therefore engage in hostile diplomacy saying that foreign governments should not interfere in sovereign states internal affairs.

The outbursts, however, are also closely related to the coming Presidential elections. Thus, they on the one hand point to the internal power struggles in MMD prior to the MMD convention that took place in April 2011. One of the reasons why Rupiah Banda managed to win the internal struggle to lead the MMD in the 2008 Presidential by-elections was exactly because competitors perceived him to be too old to run for a second term (Cheeseman & Hinfelaar, 2010). He proved them wrong and the months preceding the Convention was characterised by intense struggles in the media. Therefore, ministers closely associated with misappropriation of funds, like former Minister of Works and Supply, Mike Mulongoti, had to make sure that he exposed the donors as interfering. On the other hand, they point to Zambia's dual accountability towards its own people as well as towards the donors. In the words of a political analyst in Zambia: '*This dual accountability questions the autonomy of the state. Autonomy in this sense depends very much on know how and money: Know how to* *implement the programmes and money to finance them. The government of Zambia has neither*'[20].

Moreover, the public discussion of the role of donors in Zambia points to the balancing game donors and the GRZ are playing. On the one hand, the aid regime is built on the premise that good governance, including transparency and accountability, leads to social and economic development. The incidents of corruption described above points towards major governance problems. Donors, therefore, wish for a regime change[21]. On the other hand, donors are fearful of change of government as the largest opposition party, the populist Patriotic Front (PF), led by Michael Sata, is no guarantee that governance will improve as many former MMD members linked to corruption are now members of PF. Moreover, Sata showed during the 2006-Presidential elections via his crusade on Chinese investors that he, too, is ready to bash Zambia's foreign partners.

One by one, each of these incidents could be regarded a pure politics, but taken together this article argues that it is a first sign of changing aid relations. The question is then, what triggers these changes. The next section scrutinises #.

5. Explaining the change in aid relations

> '*The GRZ and the donors do no longer agree on what initially brought traditional donors. China is coming in and Rupiah Banda gets a comfort zone with China*'[22].

China and other non-traditional state actors are often hinted at as an important reason why aid relations will change. Firstly, these non-traditional state actors will make strategies of switching possible for African government in order to increase negotiation leverage. Secondly, the by-pass traditional channels for negotiation and finally, they point towards other development models.

Albeit much has been written about non-traditional state actors in Africa we still have little concrete knowledge of their interaction with African counterparts. Table 1 sets out to provide and overview of three of the key vectors of engagement of four important non-traditional state actors in Africa namely, Brazil, China, India and South Africa. As depicted in Table 1, these actors differ considerably in terms of the magnitude of the development assistance they provide to their African partners. What is more, the scope of their engagement differs. While China and India practically provide assistance to all African countries, Brazil and South Africa have a more limited scope. These aid flows, however, are still minuscule compared to most traditional donors and Africa is not their primary focus (but for South Africa).

[20] Interview, political analyst, Lusaka, 060511.
[21] Interview, bilateral donor, Lusaka, 190810.
[22] Interview, private consultant, Lusaka, 170810.

Moreover, aid modalities differ: non-traditional state actors make widespread use of project aid, they to a large extent target productive sectors of the African economies, and much of their assistance is provided through loans or credits rather than grants (Kragelund, 2011).

Africa's traditional partners make a virtue of separating aid from trade and investments. In contrast, the non-traditional state actors are characterised by the high degree of interwovenness of these vectors. Thus, in order to understand how they affect policy autonomy for African governments we have to take trade and investment flows into consideration. Trade patterns somehow resemble aid patterns. All non-traditional state actors have experienced a monumental increase in their trade with Africa since the turn of the Century. Likewise, for the past decade, FDI to Africa has been increasing. Of lately, the lion's share of this increase stems from investments from Africa's non-traditional state actors.

Table 1. Non-traditional state actors' African engagement (million US$)

	Aid[a]	Trade[b]	FDI[c]
Brazil	356	19,700	5
China	3,136	72,800	843
India	547	14,230	111
South Africa	433	ND	870

Notes: [a] 2007 figures comparable to that of Overseas Development Assistance (Kragelund, 2011); [b] 2007 figures (Kaplinsky & Farooki, 2010); [c] three year average from 2006-2008 (UNCTAD, 2010).

All of these vectors are concentrated in a few resource-rich countries and in countries with a large diaspora and hardly any of these flows show up under the radar of national Ministries of Finance. Data from the Ministry of Finance and National Planning in Zambia, for instance, shows that China is the only non-traditional state actor that provided grants to Zambia from 2006-2009. In total, the Ministry has registered Chinese grants worth US$ 12.3 mn over the four years. In terms of loans, only China (US$68.3mn) and India (US$4.1mn) showed up under the radar (MoFNP, 2010)[23].

If we take these figures at face value, non-traditional state actors' financial transfers for social and economic development in Zambia are insignificant. Total aid figures four the four year period added up to ##, i.e. non-traditional state actors aid made up

[23] Moreover, the Ministry recorded loans worth US$1.4 mn from BADEA, US$2.4 from the Kuwait Fund, and US$10.7 mn from the OPEC Fund over the four-year period.

only ## per cent of the total aid flow. However, as the descriptions of these four non-traditional state actors' recent engagement with Zambia, below, will show these figures grossly underestimate the magnitude of the relationship.

The main reason for this discrepancy is that non-traditional state actors tend to engage directly with the State House and the State House is not obliged disclose the information regarding scope and magnitude of grants to the ministries. Moreover, a loophole exist in the Zambian law resulting in a situation where '*external loans are not subjected to the scrutiny of Parliament before they are obtained, nor is the Auditor-General supplied with all loan documentation*' (Huse & Muyakwa, 2008: 40).

Notwithstanding the lack of accuracy of these data, it does show us that China is by far the most important development partner for Zambia among the non-traditional state actors. Hereupon follows India with her long-term relations to Zambia and then Brazil and South Africa.

China's presence in Zambia is by no means new[24]. Neither is its development cooperation. China supported Zambia's liberation movement and already three years after Zambia's independence China provided its first grants and loans to the country. The most famous project is the construction of the Tazara railway from Kapri Mposhi in Zambia to Dar es Salaam in Tanzania. In the years that followed Chinese aid financed the building of the Ministry of Defence, the Mulugushi textiles factory in Kabwe, the Chingola Maize mills, building, repair and maintenance of roads throughout the country, a new government complex, food relief, and new trains, spare parts and technical assistance to the Tazara[25]. In fact Mwanawina (2008) reckons that '*Over the period from 1967 to 2006, the loans have amounted to US$409.4 million while grants stood at US$5.4 million, including the 4,500 tonnes of maize in kind*'. Some of these debts had either been paid back or written off. Thus as of December 12, 2006, Zambia's debt to China stood at US$217mn (Huse & Muyakwa, 2008: 36). Most of this debt was, however, written off when the Chinese President Hu Jintao visited Zambia in February 2007.

Recently, Chinese engagement in Zambia has been rejuvenated[26] and as Chinese aid facilitates aid and investment flows, Chinese aid has also been boosted. Unfortunately, all agreements with China are confidential, making them closed to public scrutiny (Mwanawina, 2008) but a comparison between official announcements of grants and loans with the data obtained by the MoFNP clearly shows that the latter's figures do not add up. In 2006, the MoFNP registers grants worth US$ 4.3 mn but the state-owned newspaper reported grants worth US$ 7.2 mn, i.e. US$ 1 mn in humanitarian assistance, US$ 5 mn for operations of Tazara , and US$ 1.2 mn worth of printing

[24] For an account of China's historical relations to Zambia see e.g. (Taylor, 1998).
[25] Interview, Chinese embassy, Lusaka, 061108.
[26] See for instance (Padraig Carmody, Hampwaye, & Sakala, Forthcoming; Kragelund, 2009) for an overview of Chinese investments in Zambia.

press (Times of Zambia, 2006a, 2006b). Again in 2008 there are discrepancies in the recorded grant figures: MoFNP does not register any grants at all this year while the state media announces grants worth US$ 6.2 mn from China (Times of Zambia, 2008b)[27]. Likewise, the US$ 39 mn loan to purchase Chinese capital equipment to repair infrastructure is not registered either (Times of Zambia, 2007a).

Although these figures portray a more accurate – if by no means full – picture of Chinese aid to Zambia, they still depict a picture of aid flows minuscule compared to aid flows from Zambia's traditional donors. Hence, we cannot expect them to change aid relations fundamentally. Two recent loans, however, may turn out to be of utmost importance to these aid relations. The first is a US$53 mn loan from the China ExIm Bank to procure 9 mobile hospitals each consisting of seven trucks from a Chinese company. This project was settled at the highest political level without any involvement form the Ministry of Health. Only after the decision had been made, the Ministry was informed[28]. In the words, of a representative of the donor community in Zambia: '*These mobile hospitals were not even on the horizon. I don't know who came up with the idea. Banda met with the Chinese ambassador to Zambia in January 2009 at Rupiah Banda's farm and a few days later it was announced*'[29].

The other, again negotiated at the very highest level, is the announcement in February 2010 that China over a period will extend a US$ 1 bn concessional loan to Zambia to ease budgetary constraints (EIU, 2010a: 11). This is the equivalent of 40 per cent of Zambia's current total public external debt stock and may therefore alter power relations significantly.

Like China, India's bilateral relations date back to Zambia's independence. Hereafter, High-level visits between the two countries have taken place on several occasions leading to agreements of cooperation, avoidance of double taxation, debt relief, credit lines, and investments (cf. (Krishna, 2008)).

Notwithstanding these close relations, financial transfers resembling aid have been small. They included a few grants like the US$ 100.000 grant for medicine and the US$ 500.000 donation for agricultural equipment given to Zambia during Mwanawasa's visit to India in 2003, a US$ 60.000 gift for two Lusaka schools, and US$ 250.000 for flood relief in 2008. Moreover, India provides Zambia with an increasing number of slots (up from 30 per year in 2002/3 to 86 in 2010/11) via its Indian Technical and Economic Co-operation Programme. These slots may be exchanged for training of personnel, study trips, humanitarian assistance, and project

[27] This is not only the case for China. A US$400,000 grant from the Egyptian Fund for Technical Cooperation with Africa in 2006, a US$ 7 mn grant from Russia, and a US$ 8 mn loan from BADEA were not registered by MoFNP either (Times of Zambia, 2007b, 2008a, 2008d).
[28] Interview, bilateral donor, Lusaka, 190810.
[29] Interview, multilateral donor, Lusaka, 170810.

aid. On top of this, the Government of India waived off US$ 3 mn worth of debt in 2003 (Krishna, 2008)[30].

If, however, credit lines and investments are included, financial transfers from India to Zambia are much higher – and increasing. Historically, India has offered a few credit lines to Zambia including a US 10 mn credit line mostly for purchases of trucks in India, but since the first India-Africa in April 2008, India has boosted this part of its engagement and in 2010 India announced a US$ 80 mn credit line to Zambia in 2010. This was subsequently followed up by a line of credit to finance Itezhi-Tezhi hydro-power project US$ 50 mn. Moreover, the Export and Import Bank of India aims to facilitate Indian companies' investments in Zambia through finance for Indian companies participating in joint ventures or engaging in acquisition of Zambian companies, as well as working capital for these companies. Although Indian investments have yet to reach the heights of the pledges made at these high-level fora (the Indian High Commissioner in Zambia stated that India planned to invest US$ 5.4 bn in Zambia in 2009 (Times of Zambia, 2009)), Indian investments worth US$3bn were registered from 2007-2009 (Times of Zambia, 2010).

Financial transfers comparable to ODA from India to Zambia are diminutive and thus have no direct effect on Zambia's aid relations. A combination of the India-Africa summits held every three years, high-profiled projects like the Pan African E-network, and the large scale investments nevertheless make India highly visible in Zambia and thus the perceived importance of the flows may very well outweigh the real importance of the flows and thereby, Indian aid – however small it is – may contribute to changing aid relations.

It is no wonder that Brazilian aid does not show up in the Ministry of Finance's statistics; but for one intervention Brazil does not provide either grants or loans to Zambia. Instead it offers technical cooperation in the form of capacity building courses and on site technical assistance.

Brazil's technical cooperation to Zambia, and elsewhere, is currently coordinated by Agência Brasileria de Cooperação but involves several public and private entities in Brazil and the local embassies in partner countries. Even though technical cooperation to Zambia is just about to take off, it in fact has a long history, beginning with the signing of the Treaty of Friendship Cooperation and Commerce in 1980 that led to a few Zambians being trained in Brazil. It faded for many years, though, and only as a consequence of former President Lula da Silva's aim to reform global governance development cooperation with Africa has been rejuvenated (Doelling, 2008; Kragelund, 2011) and in 2006, Brazil and Zambia signed a Basic Agreement on Technical Cooperation.

[30] Personal interview, India High Commission, Lusaka, 190810.

Following a number of visits to Zambia by Brazilian delegations in the health and sports sectors in the early part of 2010 a number of agreements were signed when former President Lula da Silva came to Zambia in July 2010 for an official state visit. Some of these agreements resemble aid others look more like investments. Among the most important ones were a trilateral agreement also involving the World Food Programme entitled 'Zero hunger Zambia' focusing on nutritional security in Zambia[31], a promotion and capacity building programme in the field of sports, capacity building and experience sharing in bio-fuels production, a programme to build capacity in the health sector, and cultural cooperation.

The most recent programme set in motion is a 'light for all' programme originating in Brazil but now negotiated with the GRZ to bring electricity to all Zambians. T his particular intervention like all the others builds on two main premises: experience and capacity in Brazil and demand from the Zambian government. Thus, in the case of the 'light for all' project, the GRZ is to implement and pay for the entire infrastructure; Brazil on its part only provides technical assistance.

Seen in this perspective, Brazilian technical cooperation will not change the current aid relations. It will at most act as an additional source of knowledge and inspiration. However, Brazil's impact is probably not limited to that. Brazil also acts both as a role model and an alternative for Zambia: Brazil has been very successful in advancing economic growth while simultaneously reducing poverty. Moreover, and probably more importantly, Lula during his visit to Zambia voiced critique of the neoliberal model of West and argued that the global financial crisis was an opportunity to follow a new path (Silwamba & Chilemba, 2010).

Among the non-traditional state actors in Zambia South Africa is the least important in terms of financial flows comparable to aid. Even though the African Renaissance Fund set up in 2000 to facilitate three South African foreign policy aims, namely peace keeping in Africa, promoting democratization and championing Africa's interests worldwide via grants and loans to African countries hardly any grants and loans have reached Zambia. Moreover, South African line ministries fund small development projects in Zambia on an ad hoc basis, but the key financial flows from South Africa do not include aid but are made up of investments – especially in the retail and finance sectors (cf. (Miller, Nel, & Hampwaye, 2008)).

Thus, while heads of missions of the other non-traditional state actors engage in negotiations over aid, credit and investments, the key objective of the South African High Commission in Zambia is limited to facilitate South African investments and recently, South African President Jacob Zuma paid a State Visit to Zambia during which several investment agreements were signed related to mining, health, and agriculture. Thus, while South African investments in a few sectors of the Zambian

[31] This is the only project where Brazil has contributed money. It contributed US$ 200,000 and only if the GRZ and the trilateral partner did the same (Personal interview, Lusaka, 130511) .

economy are important the financial flows from South Africa by no means should alter aid relations in Zambia.

It is clear that although non-traditional state actors pay increasingly more attention to Zambia, financial flows comparable to aid from these actors have been relatively unimportant in terms of financing the recurrent costs on Zambia's budget. Of course, there are signs that this situation is about to change and if we include all financial flows, they do make up a sizeable part of the total incoming flows to Zambia, but even though they are often referred by both GRZ and the traditional donors as a reason for the changing aid relations, aid from non-traditional state actors is not an alternative to traditional aid in Zambia.

What explain Zambia's renewed belief in its own ability to define the way forward is rather the booming commodity prices, the relatively stable economy, and the improved credit ratings that are a result of booming prices and prudent macroeconomic policy.

Booming commodity prices and economic growth:

After two and a half decades of economic decline the Zambia saw a gradual recovery beginning shortly after the turn of the millennium. Although improving growth rates stem from a broad spectrum of the Zambian economy, including construction, services, agriculture, and manufacturing, what really drove the economy the past decade was increased demand for Zambia's main resources; cobber and cobalt.

This demand, led by the non-traditional state actors, has driven up prices tremendously. Thus, from a historical low in 2002 copper and cobalt prices had risen six times when the global financial crisis hit in 2008 (Adam & Simpasa, 2010). Although prices took a short downturn in 2008 cobber prices are once again increasing reaching early 20th Century levels in late 2010 and bypassing these in early 2011. In fact, copper prices rose almost 50 percent in 2010 and according to the EIU (2011), they are expected to rise another almost 30 percent in 2011.

This steep rise is directly depictable on the export earning which rose approximately five times from 2002 to 2008 meaning that mineral exports earnings went from being twice as important as aid in 2002 to being seven times as important as aid in 2008. Notwithstanding the buoyant mineral prices, the GRZ did not benefit proportionally from the boom: due to an inefficient tax regime in the lion's share of the recent boom the GRZ has been unable to extract large-scale revenues from the mining sector (Adam & Simpasa, 2010). Therefore, the dramatic price hikes and the resultant improved export earnings are yet to show in the GRZ budget and even though they no doubt influence aid relations, the actual gains for the GRZ are still small.

These incremental improvements in internal revenue mobilisation, however, matter in combination with other signs of prudent economic management. First, the liberalisations and the relatively stable macroeconomic environment led to the cancellation of bi- and multilateral debts, and in March 2011, this very combination led to Zambia's first sovereign credit rating (B+) from an independent international provider of credit ratings (later followed by yet another rating). These ratings allow the GRZ to tap into international bond markets to finance public sector investments and thus reduce the dependency on aid. Following Ghana and Nigeria, also rated B+, Zambia therefore expects to launch a US$ 500 mn sovereign bond later this year to finance key infrastructure developments (EIU, 2011).

6. Conclusions

This paper has set out to further our understanding of how and to what extent the rejuvenation of non-traditional state owners affects Zambia's traditional aid relations. It shows that although the financial flows comparable to aid from these actors are still small – and therefore in theory should not affect aid relations radically – the opaqueness of the flows masks the real size and thereby enables both the traditional donors and the GRZ to use the presence of non-traditional state actors as a justification for pursuing domestic politics.

The GRZ on its part is in the midst of an electioneering campaign and the ruling party insists that any improvements in experienced living standards of the Zambians are the result of the government induced and government owned interventions. Likewise, they are keen not to allow traditional donors to criticize any wrongdoings. Many traditional donors, in contrast, are eager to find a pretext for reducing or stopping aid to Zambia. Western budgets are under pressure and Zambia has lost its geo-strategic importance for many donors. Therefore they use a combination of presence of 'new' actors, economic growth and increasing corruption as a justification for withdrawing funds.

This being set, non-traditional state actors do affect the aid relationship in Zambia. Although, aid money is still small they are increasing and complement already existing money. They allow the GRZ to finance parts of the national plans that the traditional donors have been reluctant to finance and more importantly, they broaden the view of development experiences.

Moreover, the non-traditional state actors affect the working relations between the traditional donors and the GRZ. While the traditional donors historically have interacted with the Ministry of Finance and the line ministries, the non-traditional state actors deal directly with the State House resulting in less transparency in the budget as the Ministry of Finance is not kept informed about all grants and loans. Moreover, it puts normal decision-making procedures out of the running as the example of the purchases of mobile hospitals shows. Lastly, it has given rise to new strategies among traditional donors to increase leverage vis-à-vis the GRZ. Hence a number of small bilateral donors have (so far in vain) jointly approached the State House to pursue their objectives.

In addition, aid relations are affected by the fact that a larger share of the plans set out in the SNDP is going to be financed by domestic resources and not aid. Relatedly, the availability of additional funding influences the political climate and thereby the dialogue between the parties involved. In contrast, neither the increase in internal resources nor the potential of accessing external funding affect the capacity to formulate and implement own plans.

Non-traditional state actors, alongside a number of other political and economic current changes in Zambia may thus provide the GRZ with more money to finance its plans. The changes may also point towards alternative routes but in order for this to dramatically change aid relations, the GRZ needs to pay more attention to capacity development to increase state control.

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