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New Donors and Old Practices: Does the Rise of China Challenge Aid Effectiveness?

Authors:	Arjan de Haan and Ward Warmerdam
Institution:	Institute of Social Studies,
Address:	The Netherlands
E-mail:	adehaan@idrc.ca
Telephone:	

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Arjan de Haan and Ward Warmerdam
Institute of Social Studies, The Netherlands

Abstract

The rise of China in international development has raised much concern, with major questions regarding the future of a ‘Paris Consensus’ in the face of major emerging donors being hesitant about joining fora dominated by OECD countries, and about a ‘Beijing Consensus’ overtaking a ‘post-Washington Consensus’. The fierce and popular critique of aid as articulated by Dambisa Moyo adds an additional and critical spark to these debates.

This paper contextualizes the differences between ‘old’ and ‘new’ approaches to aid, to enhance the understanding of differences, similarities, and potentials for collaboration. A main hypothesis is that the differences across old approaches (say, US vs UK) are as large as differences between Chinese and UK approaches. Moreover, while the debate has stressed that new donors tend to remain outside the consensus established by donors grouped within the DAC, the implementation of Paris principles by DAC donors themselves has remained limited, and it is important to understand the national politics and institutional constraints within donor countries, old and new. The emergence of new donors has partly led and partly coincided with a re-politicisation of aid, and for the study of aid effectiveness assessing whether aid worked it is critical to understand these dynamics. For this purpose, the paper makes three arguments.

First, we show that the rise of China is not as remarkable or exceptional as is commonly assumed. A basic description of the aid program provides an unsurprising picture, with common distribution between different sectors and countries. While it is often thought that China does not report on ODA volumes, they can be and have been compiled from existing statistics, and it is conceivable that China will increasingly report on these using DAC norms.¹ The emphasis on aid as part of ‘soft power’ also should not come as a surprise, and there are large similarities with the early experiences of new donors, which are at the initial stages of development of their aid programs.

Second, the elements that seem most distinct in Chinese approaches are directly linked to their domestic experiences and constituencies – and again this is not inconsistent with the experience of others donors. This includes its emphasis on infrastructure and growth through export promotion, ‘productivist’ orientation in public policies, and in line with their foreign policy principles, notably of course the aversion

¹ The recent Chinese government White Paper on its foreign assistance program titled *China’s Foreign Aid* provided a broad range of statistics, though these still lack the detail of traditional donor reports. Furthermore, China’s foreign assistance reports do not include country specific data, rather they usually provide data more broadly by regions, and by income levels of the recipient countries.

against conditionalities and insistence on mutual interest rather than ‘aid’ as organizing framework.

Finally, there are large potentials for complementarities between the approaches of old and new donors. China’s emphasis on infrastructure fills a gap left by other donors. Its emphasis on mutual interest rather than ODA as charity challenges the ideas of untying aid, but is not at all inconsistent with a ‘beyond aid’ agenda. An increasing number of studies is now starting to show how quickly Chinese operations have been able to adopt and adjust new ways of working; this should come as no surprise, as learning from international experience has been deeply ingrained in China’s internal reforms, and suggest a promising base for expanding the basis for mutual learning.

Introduction

Given the speed with which new donors – and in particular China, on which this article focuses – have emerged on the global stage of international development cooperation, accompanying their ascendancy in economic and political spheres, and given the heated discussions about particularly China’s role in Africa over the last couple of years, it seems important to consider whether and how this new world is going to change the practices of development cooperation.

The main questions discussed in this article, based on experience of the 1st author of working for DFID in China during 2006-09, and of the 2nd author’s on-going doctoral research on Chinese foreign aid, are the following. First, the basic characteristics of China’s development cooperation are not entirely clear, and are rapidly evolving, but are often thought to be very different from OECD models; this article takes a critical look at the differences and similarities. Second, China’s re-emergence as a donor needs to be seen in the context of both its long-established principles of international politics, and its new global economic and political role. Is China’s use of aid as a component of “soft power” radically different from how aid is situated in the policies of the “old donors”? The third issue discussed here is the impact China may have on the practices of other donors, and we argue – while highlighting a need for further research – that we are already witnessing some of the impact, but that there may also be a trend towards convergence of at least the discourse of the different countries.

Underlying these arguments is a believe that we need to gain a much better understanding of China’s own development path and principles, including perhaps the role aid played in China itself, even though quantitatively of little significance.² Inevitably, what China and its many actors do abroad is directly informed by what it does at home, and for reasons of language and history this has been poorly studied and understood by the community of development experts.

1. China’s aid programme

² Chinese analysts are aware of the importance of understanding the role which foreign assistance played in China’s development, including to improving China’s own foreign assistance program (see for example the preliminary research by Zhang (2010).

China's increased aid commitments have generated a great deal of attention recently. This is happening in the context of debates on China's rise more broadly, manifested in headline like the "New Scramble for Africa", the "tsunami of Chinese imports", China's "plundering of natural resources", and an idea or fear that "the extremely rapid and often chaotic industrialization of the most populous country on the planet has put China on a collision course with the rest of the world" (Navarro 2008: xv). At the same time, China's rise is increasingly fuelling the already-heated and overly-generalising debates on whether aid works or not.³ A great deal is already known internationally about how Chinese aid functions,⁴ but it is important to highlight that the approach (or approaches) is rapidly evolving, and that capacity for implementation and Chinese scholarly engagement with the subject are lacking compared to that of the old donors but rapidly being built up (Zhang 2010).

There are doubts about the size of China's aid programme. In fact, China may not know the exact figures, because the programme is implemented by many different agencies: there are about twenty line agencies involved alongside the Ministry of Commerce (MOFCOM) and Foreign Affairs (MFA) and Finance (MOF) as coordinating agencies. Further, there is no clear borderline between 'aid' and commercial activities such as trade and investment, and this is partly by design as we discuss later. Moreover, China for international or domestic reasons may be unwilling to publish these figures – though this is contradicted by some Chinese scholars. In 2007, the official aid figure as published in the *China Statistical Yearbook* (Brautigam 2009: 166-67) was a little over \$ 3 billion, with MOF's budget being half of that, concessional loans administered by Eximbank – one of the three 'policy banks' created in the mid 1990s – about 1 billion, and almost half a billion of debt relief (first pledged in 2000, paralleling the HPIC initiative). At the end of 2008, China announced it would not cut aid following the economic crisis.

In April 2011, the information office of the State Council published China's first white paper on its foreign aid program. The earlier (2005) white paper titled *China's Peaceful Development Road* discussed a number of the principles of its foreign aid, but was primarily concerned with locating China's domestic development within the international context. It endeavored to allay the fears and suspicions among Western analysts and policymakers alike about the rise of China, and the impact such a rise would have on the rest of the world. This 2011 white paper, again, is intended to reduce speculation about China's foreign aid program, and to present China's official narrative. It reiterates the principles of China's foreign aid program, such as: equality; mutual benefit and common development; non-conditionality; non-interference in domestic affairs; promoting the self-development capacity of recipients; and maintaining a flexible and responsive foreign aid program (IOSCPRC 2011).

³ See de Haan 2009b for a discussion of the debate on aid, and Moyo (2009) as the most-outspoken and – discussed critique, which uncritically presents China's engagement as alternative. We use the words aid and development cooperation inter-changeably (except where the distinction is explicit), as defined in *How the Aid Industry Works* (de Haan 2009a), acknowledging that China prefers not to refer to aid but cooperation. We also use the terms old and new donors, to reflect the changes in the DAC/OCED-led debate, while acknowledging that China also has been providing aid for over half a century.

⁴ See in particular Brautigam 2009 ; useful overviews are also Chapponnière 2009, Davies *et al.* 2008, Lancaster 2007.

The white paper further details the financial resources of China's foreign aid program and the forms of aid for which these resources are used. The three types of financial resources of Chinese aid are: grants (used, for example, to build schools, hospitals, low-cost housing, and to support medium to small social welfare projects), interest-free loans (used to construct public facilities and initiate large scale social livelihood projects), and concessional loans (used for more productive projects, such as infrastructure development, turnkey projects, materials and products, and technical services).⁵ The latter is administered by the China Eximbank, while the first two are part of state expenditures (IOSPRC 2011). The concessional loans have annual interest rates between 2 and 3 percent, 15 to 20 year repayment periods, of which 5 to 7 years are grace periods (thus probably falling within DAC ODA norms. Chinese aid takes eight forms: complete projects (turnkey projects); provision of goods and materials; technical cooperation; human resource development cooperation; medical team dispatches; emergency humanitarian aid; overseas volunteers programs; and debt relief (ibid.).

Various sources have put the figures on Chinese aid commitments somewhere between \$1 billion and \$ 3 billion annually, with aid to Africa at about one-third to one-half of that – which indicates how small it is compared to for example the UK aid budget of over \$8 billion. The recent white paper indicates that Africa receives 45.7 percent of China's foreign aid funds, while Asia receives 32.8 percent, and Latin America and the Caribbean only 12.7 percent (IOSCPRC 2011). Low-income countries receive 80 percent of China's foreign aid.

If we move away from a narrow DAC/OECD definition of aid, a rather different picture of China's role emerges: "PRC foreign assistance and government-supported economic projects in Africa, Latin America, and Southeast Asia grew from less than \$1 billion in 2002 to \$27.5 billion in 2006 and \$25 billion in 2007".⁶ Just looking at aid as defined in Paris frameworks, thus, would miss both the point about China's growing importance, and the point about China's reluctance – so far⁷ - to see aid in isolation of broader international engagement.

Chinese aid tends to be directly connected to commercial activities – as it has in the past – for example in infrastructure projects and support to industry. Most international commentators agree that China's focus on infrastructure fills a gap left by the old donors, and the recent Chinese white paper provides an explicit defense of the approach. Aid is primarily bilateral, and a combination of grants, concessional loans, and debt relief, project investments, training and technical assistance. While primarily bilateral and stressing its distinctiveness, new forms of donor collaboration have developed, particularly with the World Bank (besides China's modest contribution to IDA) and through dialogue initiated by the DAC, EU and DFID (Manning 2006, Wissenbach 2009), and most recently the establishment of a China-DAC Study group

⁵ Economic infrastructure projects receive the vast majority of Chinese concessional loans, 61 percent, the next is industry at 16.1 percent (IOSCPRC 2011).

⁶ According to a study by the Wagner School at New York University; quoted in a brief of the US Congressional Research Service (Lum *et al.* 2009).

⁷ It is not impossible that China will in the near to middle future develop ways of reporting consistent with DAC/OECD practices, as the other emerging donors have done (see for example the description of South Korea's ODA by Chun *et al.*, forthcoming, and Otopalik 2010 regarding Japan). See Davies *et al.* for a description of components of China's disbursements.

hosted by the International Poverty Reduction Center in China (IPRCC).⁸ The Chinese government has itself also initiated cooperation with intergovernmental organizations, particularly the World Bank and the UNDP. The IPRCC was established at the Chinese government's request with UNDP support, as was the China-Africa Business Council (World Bank 2007). China's contribution to UN peacekeeping operations is growing as well, for example in Sudan, having become one of the largest contributors to UN peacekeeping operations (de Haan 2010; IOSCPRC 2005; IRC 2009; Taylor 2009).

Chinese views highlight the continuity of its aid programme since the period under Chairman Mao. Li Xiaoyun and Wang Guolian for example stress: "China's foreign aid to Africa started in 1956. Despite its own difficulties in economic development, during the 50 years since, China has provided large amounts of unconditional aid to Africa. China's foreign aid to Africa has amounted to 44.4 billion RMB implementing about 900 projects on infrastructure construction and social services provisions ... In 1963, China started to send medical teams to Africa with the total number over the years being 15 thousand. Currently there are 35 medical teams working in 34 African countries." And speaking about President Hu Jintao's visit to African countries early 2009, Foreign Minister Yang Jiechi said that "China has long been committed to developing the all-round friendly relations with ... African countries and has rendered disinterested assistance to Africa ... China-Africa cooperation is all-round, multi-faceted, and long-term oriented, is based on equality, mutual benefits, reciprocity and win-win results, and enjoys great potentials and broad prospects."⁹

Recent debates often stress the distinctiveness of China's aid programme as it has developed over the last decade or so. China's aid is of course new, and is directly informed by its own recent experience as a developing country and recipient of aid, and by the experience of other East Asian emerging economies. However, many of its characteristics find clear similarities with that of the "old" donors, the ones that are formally member of the OECD's Development Assistance Committee.

The most important issues include the following. First, China's aid is a combination of project aid, grants and loans, debt relief (but not budget support),¹⁰ humanitarian aid, human resource development, and technical assistance. It is often argued that there is a strong emphasis on support to infrastructure, as other East Asian countries like Japan and South Korea, but this picture is slightly distorted because of the unclear – or indeed non-existent – boundary between aid and commercial investment, and the use of aid as springboard for investment (Brautigam 2009). From the turn of the century, China's aid for infrastructure has filled a gap left by the old donors' emphasis on social sectors in the wake of the structural adjustment period, and potentially links very well with the old donors' recent emphasis on private investment as route for development.

⁸ <http://www.iprcc.org/publish/page/en/feature/chinadac/2009/>; IPRCC is the institute mandated by the Chinese government to share Chinese lessons on poverty reduction, supported by a range of donors in China.

⁹ www.fmprc.gov.cn/zflt/eng/zxxx/t540206.htm. See for example Li Anshan (2008) and Zhou Hong (2008) for a presentation on Chinese approaches and principles.

¹⁰ One of the concerns about China's expanding loans to Africa has been the question whether it creates a new unsustainable debt burden; the views on this are predictably diverse; see Brautigam (2009:185 ff.) for a discussion including the different concepts used by Chinese agencies like Eximbank, as well; as Davies (2007).

Second, China provides aid to a large number of countries. The choice of countries has changed over time with the transformation of China's insertion into the global economy and politics, as we discuss next. We are not aware of lists of countries which China provides aid to, but would guess that it does so to every developing country with which it maintains political relations, likely adding up to over a hundred; this is not unlike the patterns of old donors as reported in DAC OECD statistics (Table 8 in Chun *et al.*, forthcoming).

Further, China has preferred not to refer to aid, but uses the language of cooperation – though the recent white paper may signal a change in this respect. This is not at all dissimilar to debates over the nature of and objectives of aid of the old donors, for example in the perennial discussion in the Netherlands about the terms 'ontwikkelingshulp' (development assistance), versus 'ontwikkelingssamenwerking' (development cooperation) or 'internationale samenwerking' (international cooperation). However, the difference is in the perception, with China as part of the 3rd World and Non-Aligned Movement being in a much stronger ideological position to argue that their aid is not based on exploitation, rather that it is based on South-South cooperation and mutual benefits. Moreover, while China is often criticised for bringing in large numbers of Chinese workers for projects, it prides itself of the fact that its aid workers do not receive the high salaries and live in the luxurious conditions of Western experts. In fact, this is one of the Eight Principles for economic aid and technical assistance to other countries set forth by Zhou Enlai in 1964. According to these principles, Chinese experts dispatched to provide assistance in recipient countries are to have the same living standards as their local peers, and were permitted to make any special demands or enjoy any special amenities (IOSCPRC 2011; Ping 1999).

China's emphasis on 'non-interference' is often held up as a distinctive trait, with China actively promoting the idea it should not prescribe partners' national policies (while having a tendency to remain involved in project implementation for much longer), also often pointing to the failure of the conditionality and governance agendas of the old donors since structural adjustment. Brautigam (2009: 149) quotes a former Sierra Leone government minister: "The World Bank will say: 'you must not have so many teachers on your payroll. You must employ some expatriate staff. You must cut down on your wages.' The Chinese will not do this. They will not say 'You must do this, do that, do this!'" However, the old donors too have emphasized in normative fashion – though again with limited success – that it is up to the recipients to define the use and objectives of aid, in recent years complemented with a technical emphasis on national ownership as precondition for successful aid.

Directly related, it is often noted that China does not officially sign up to a DAC/OECD (Paris) consensus, for example with respect to budget support, debt relief, and conditionalities (though 'One China' remains a key conditionality). However we need to keep in mind that very few of the old donors actually implement these,¹¹ that evaluation of existing budget support has come up with mixed results (IDD and Associates 2006), and that analysis on debt sustainability remains disputed with Chinese

¹¹ The OECD 2009 (pp.23-24) report on aid predictability notes that only 13 of the 41 surveyed donors could provide estimates for budget support expenditure for 2009-11, and that the average of DAC members funding for budget support was 5 per cent of country programmable aid in 2007.

emphasis on commercial investment leading to different questions than the more social-sector oriented approaches of the old donors.

As mentioned, China's aid programme is implemented by a large number of government agencies. A central office administering the aid programme has existed for a long time, and is currently called the Department of Foreign Aid and housed in the Ministry of Commerce, but this manages only a small part of the total portfolio, and has a very small number of employees. This set up makes it very different from the UK but is very similar to that of the US for example. Some of the old donors have suggested to China that setting up a DFID-type of organisation may be useful, but this does not seem to be a priority for China. We come back to the issue of organisation of Chinese aid in the third section of this paper, as this is of importance for the issues of aid effectiveness, but first turn to a discussion of the context in which China's recent aid programme is situated.

2. Soft and hard power

While there is much continuity in the practices of China's cooperation, the programme as it (re-)developed during the 1980s and 1990s is situated in a radically different context for China, with the political and revolutionary interest having been replaced by the pragmatic economic interest of the post-Mao period.¹² Over the last two decades, there has been a critical change in the way China perceives its domestic and international interests. While its foreign diplomacy particularly related to Taiwan has remained similar, its economic interests have changed dramatically, particularly since the second half of the 1990s: as exporter, as importer of natural resources, and as a global investor (with a rise of FDI from the early 1990s and the surge of reserves taking off after 2000).

When Chairman Mao died, China was part of the post-colonial world that had ended up firmly in the communist camp, actively promoting its model of development across the developing world. China's closeness was accompanied by great internal turmoil: first of the economic disaster of the Great Leap Forward, and subsequently of the Cultural Revolution, which both have exerted a big influence on subsequent politics. Deng Xiaoping's motto "it doesn't matter whether the cat is black or white, as long as it catches mice" may best sum up the preconditions under which international policy exchange has occurred. Since 1978, China has adopted a uniquely pragmatic reform approach, with frequent changes in policy approaches, and constant political contestation, actively learning from the experience of other countries, particularly the East Asian Tigers.

Pragmatism also marked the new approach to international collaboration. Contacts between the US and China had started to improve with Kissinger and Nixon's overture to China in 1971-72. Deng Xiaoping's first visit to the US set the scene for the subsequent economic strategy, which has been marked by continued strong nationalism

¹² The Chinese foreign aid program, like the general economy underwent a period of what is referred to as 'reform and readjustment,' between 1978 and 1982, with further reforms and readjustments in the mid-1990s. This period was initiated in response to the realization that providing aid beyond its means was obstructing China's own economic development, and that there had been a great wastefulness in aid prior to 1978. It was also recognized that China's foreign aid policy should be in line with its economic system and conditions.

and Party control, pro-actively incorporating international collaboration, and searching access to GATT and WTO. Remarkably, after the closed nature of China under Mao, this included collaboration with the World Bank, which would develop a long history of working within China,¹³ before it came to realise in the late 1990s that the World Bank needed China as much as China needed the World Bank,¹⁴ and China started to use some of the experience within the country for cooperation elsewhere, for example using the lessons of tendering systems to bid for aid projects (Brautigam 2009: 110).

China's official policy discourse emphasises the continuity of China's foreign policy, which continues to be dominated by relations with Japan and Taiwan, and how international collaboration fits within this. The "Five Principles of Peaceful Coexistence" of Premier Zhou Enlai – formulated with Burma, India and Indonesia in 1954 – still are central: mutual respect for sovereignty and territorial integrity; mutual non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; and peaceful coexistence. Under Jiang Zemin (President 1993-2003) foreign policy gradually moved towards "developing China into a comprehensive power" (Zhang and Tok 2007), challenging the "24 character" emphasis of Deng Xiaoping's foreign policy approach, to "observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership."

Africa was relatively – but never completely – neglected within China's foreign policy of the 1980s, which focused on relations with the West (Eisenman 2007). This changed with China's economic rise, and possibly because of the criticism after the Tiananmen violence in 1989 (Taylor 2006). Since 1982-83 when Zhao Ziyang visited Africa, China's policy had emphasised mutual economic benefit. Its emphasis on economic growth and modernization was accompanied by a shift away from promotion of international solidarity, to serving its economic interests: export to the advanced economies, and imports particularly of raw materials and investing in its exploration mostly from the South. In the mid 1990s, consistent with internal economic reforms, companies operating internationally were increasingly separated from their 'parent ministries', and three 'policy banks' were created, effectively putting "an end to the era of pouting funds down drains and subsidizing flamboyant sports stadiums and presidential palaces."¹⁵ A "Five Points" agenda was formulated in 1996, and the "China's Policy Paper On Africa" issued in 2006. The Sino-Africa Cooperation (FOCAC)¹⁶ Forums in 2000 and 2006 are generally seen as important steps by China to enhance the relationship, and China has instituted zero tariff treatment to 440 exports from Africa's least developed countries. It remains important, however, to stress that economic relations with Africa are a very small element of China's global economic flows, which continue to be dominated by links in the East Asian region.¹⁷

¹³ China became a World Bank member in 1980. The forms of cooperation are described in the WB publication *China and the World Bank: A Partnership for Innovation* (2007).

¹⁴ A fascinating description of the World Bank under Wolfensohn is Mallaby (2004), with a discussion of the controversial Qinghai project (pp.270-85), and the role of managing director Shengman Zhang (former MOF) in moving the Bank towards a stronger emphasis on infrastructure (pp.359 ff.).

¹⁵ Indian Ocean Newsletter, quoted in Brautigam 2009: 78-9; Brautigam further describes the challenges that this change posed to both Chinese companies and African partners.

¹⁶ www.fmprc.gov.cn/zflt/eng/gylt/ljtj/t157576.htm.

¹⁷ In 2008, exports to Africa formed 3.5 per cent of total Chinese exports, and imports a mere 5 per cent of total imports. Chinese dependence on Africa for oil import is much larger: while 45 per cent of its crude oil

China had returned to the United Nations in 1971, and since then it has been actively increasing high-level participation in and leadership of international bodies, including in various UN agencies like WHO, promoting international conference such as on gender in Beijing in 1995, financially contributing to the World Bank (even though with a modest sum), and supplying its Chief Economist – a first from a “developing country”, and one moreover that had “defected” from Taiwan. China’s role as a “responsible actor” has been noted in international climate change negotiations (though with much disappointment in Copenhagen), as well as in issues of regional stability (North Korea), and increasing support for international diplomacy with respect to Sudan for example.

While the aid programme in the 1950s and 1960s was an essential component of the foreign policy ideology and objectives at the time, it now has become part of the “soft power” that China employs (Kurlantzick 2007). This is not unique to but notable in Africa, where its economic relations are dominated by a few countries, but it stresses relations of brotherhood with the entire continent and not just with the resource-rich countries. The term has been used by top officials, for example in President Hu Jintao’s address to the 2007 National Congress, where “soft power” (*ruan shili*) described China’s efforts to improve the appreciation of Chinese culture for the Chinese people, for example through the opening up of Confucius institutes around the world.¹⁸ The support to South-South cooperation and learning similarly highlights a new emphasis in China’s global positioning.

While a public spirit of cooperation has continued to be central to international development cooperation, China has become much more assertive, with increasing demands for and emphasis on a comprehensive approach to help China define the rules of foreign policy rather than simply following diktats crafted elsewhere. Even pro-Western thinkers in China believe that China should be more assertive, articulated as “China’s peaceful rise”, and in emphasis that Chinese political reforms – which are considered necessary by many in China – will not necessarily lead to a Western-style democracy. Since 2008 the international community has indeed witnessed clear signs of China’s increased assertiveness, for example in the context of the global financial crisis, the dispute around Google, the execution of a British citizen, China’s response to the US’ arms sales to Taiwan, and as mentioned at the climate change talks in Copenhagen.

Alongside the increased global assertiveness, it appears that recently China also has tried to reduce the attention – and fierce criticisms followed by internal debate, and realisation that applying soft power (including in Africa, for example around Zambia’s 2006 elections) is becoming more difficult – that its international strategy has attracted. Chinese leaders have emphasised that China is still a “developing country”, including immediately after the Beijing Olympics, and in the context of the FOCAC meeting at Sharm el-Sheikh, Egypt in November 2009 seemed to be given much less publicity than the one in Beijing in 2006, and fewer grand and headline-grabbing announcements made.

imports come from the Middle East (Saudi Arabia and Iran being the largest), 32 per cent comes from Africa, with Angola (15 per cent) and Sudan (6 per cent) being the largest, and growing from 6 million tons in 1997 to 53 million in 2007. Also, China is dependent on Africa for cobalt and manganese ores (Jiang 2009).

¹⁸ China also started to use the term “harmonious world”, as the alter ego of its internal project to create a “harmonious society”; see Zheng and Tok (2007) and de Haan (2010).

Before we turn to the question of the implication of China's growing global role on the aid programmes and approaches of the old donors, we need to address the question whether the way China's development cooperation is situated in its broader policies is unique, as is suggested in some of the critiques of China's aid. Due to the public pressure in many Western countries, development cooperation has been increasingly untied, in an economic sense, but also in a political sense as the pressure has been to disburse aid against poverty reduction and humanitarian objectives independent of political relations.¹⁹ While a notion of the need for untied aid is absent in China, as discussed below, and there is little or no public debate around aid which in Europe has greatly influenced the official aid approaches, the differences should not be overstated. While on the one hand China also stresses the independence of aid from direct political motivations, it would on the other hand be naive to suggest that the western aid programmes are independent of the way the countries define their broader global role, and indeed since 9/11 the pressure to make aid an instrument of the global security agenda has been very large and effective, as is evidenced by security policy publications by a number of traditional donors, for example, the US and Australia.²⁰

3. Implications for the rest: about Beijing, Washington and Paris Consensus

Even if China's aid programme is not as exceptional and large as sometimes suggested, this is not to say it – in conjunction with its commercial efforts – is not having a big impact on development. The following describes some of the main differences between the Chinese approach – stressing this is far from monolithic and static – and the general principles OECD countries tend to adhere to. We structure this in differences which are complementary, ones with minimal impact, and ones where objectives may conflict; the presentation at the EADI conference will elaborate more systematically on the elements – ownership, alignment, harmonisations results, accountability – of the aid effectiveness agenda and the challenges experiences by the 'old' donors.

As indicated, the composition of China's development programme is not unique, ranging across various sectors. However, its investments (which partly classify as ODA by DAC norms) have a strong emphasis on infrastructure and industry, unsurprisingly as this matches both the strategy to gain access to natural resources, and China's internal development experience with its emphasis on providing access to economic opportunities. The emphasis on infrastructure, and the success in rapid project completion, has been welcomed by many African governments, and many western observers (including the WRR report) have realised that this *fills a gap* left by the emphasis on social sectors as this has developed particularly during the 1990s and under

¹⁹ Quantitative analysis (Alesina and Dollar 2000) shows that economic, political and historical (colonial) factors determines aid allocation alongside recipient countries' needs; while aid untying probably has reduced the economic factor as determinant, the security agenda has clearly strengthened the political motivation, while colonial links continue to be cited as aid motive and are reinforced through the "soft power" of immigrant communities.

²⁰ Moreover, in the Netherlands for example there has been increasing pressure, partly prompted or motivated by Chinese approaches that appear to integrate traditional diplomacy with economic objectives, to ensure aid does benefit the Netherlands too (discussions at Clingendael workshop).

the critique of adjustment and following debt relief modalities. In fact, there is evidence that China was exerting pressure on the international aid community particularly the World Bank on this issue well before its development cooperation made the news. As mentioned earlier, the unclear boundaries between aid and investment complicate an assessment of the impact of China's aid; but for African governments, plans like establishing preferential trade zones for Chinese business entry in Africa (Davies et al. 2008) may be welcome, whether they are aid-funded or not.

Similarly, while there is much discussion about the different principles of China's development model, we believe that these provide a useful *complement* and new impetus for the international development debate, as stressed for example in Peter Ho's contribution to one of the preparatory studies for the WRR report on development aid.²¹ While some present a Beijing Consensus as a fundamental challenge to western thinking, and "a definite threat to democratic values" (Freedom House 2009: 14), the interpretations of what a Beijing Consensus are as varied (and Chinese experts are the first to assert there is no one 'China model',²² as its supposed competitor, a Washington Consensus. What the Chinese experience is contributing, including after the financial crisis, is renewed attention to the role of a developmental state, and its relation to market sectors (which is also manifested in the very way Chinese development agencies operate in Africa). While China's reform path and large-scale privatisation since 1978 is of course historically unique, the specific lessons about state-private sector interaction, among others, are not.

Some of the differences between China's and others' approaches are perhaps larger but do not necessarily have a big impact. China's international strategy is framed in a language of solidarity and brotherhood, and a belief in the ability of developing countries to take responsibility for their own development, and thus presented as an alternative to the post-colonial relations particularly of European countries. It is evident that leaders of African countries have re-inforced this idea of an alternative, and this is opening up the space for the dialogue for those African leaders with the old donors and investors. However, this move is very much in line with at least the principles of a Paris Consensus, which – like China, in different words – stresses the need for country ownership and equality in relationships as fundamental to successful aid programmes. As the newness of China's recent engagement wears off, it is likely that China will become one among the many 'suppliers' of aid, with the continued risk of adding to the proliferation of aid agencies – but given the size of Chinese investments this can hardly be a legitimate concern.

We then move to two areas where China's approaches arguably provide more radical challenges to the dominant aid paradigm. First, there is China's emphasis on 'mutual benefit'.²³ As indicated, this flies in the face of the common emphasis on the need to untie aid, and forms one of the foundations of the aid effectiveness paradigms (as tied would reduce the possibility to respond to partners' priorities). The ideological differences here are large: the idea of uninterested aid does not only contradict China's

²¹ Ho 2009, WRR 2010, see further de Haan 2009c.

²² Interestingly, in the 2011 white paper China does refer to its foreign aid as a 'model with its own characteristics' (IOSCPRC 2011), indicating either a change in rhetoric or a belief that its methods of foreign aid engagement can now be considered to constitute a 'model.'

²³ Emphasised by Jing Gu at a presentation at ISS in May 2010.

internal development experience (like the role of coastal companies in China's western development), but as colleagues in DFID narrated, very few people actually believed that western donors really provided aid without own interests. Moreover, there may well be validity in an argument that projects based on mutual interest are much more likely to succeed than those provided on a charitable basis (which, in the absence of binding international agreements, western aid still is).

As we documented in a recent bibliography,²⁴ although uninterested aid maybe morally desirable, it appears that it is politically impossible, and the period since the late 1990s have perhaps been exceptional in this respect. Interests, be they economic, political, strategic, or security, are, to greater or lesser degrees, always at play. Aid expenditures, as part of government budgets, must be justified to both the general public as well as government executives. Such justification, especially in financially constrained times, is facilitated by the expectation of reciprocity, which for example has resurfaced in a big way after (but also before) the 2010 general election in the Netherlands.

Finally, arguably the most important issue is China's emphasis on non-interference, and opposition to conditionalities around good governance and human rights.²⁵ This is likely to divide views and analysis for some time to come, and the absence in China of a public debate and NGOs in the western sense of the term will facilitate a continued state-centric response from China.

In practice, and perhaps by design, China's support in particular countries (notable examples include Cambodia, Congo, Angola, or more generally countries labelled by the international community as "fragile states" where they find it hard to operate) does provide an alternative to the support that comes with heavy conditions of the old donors. This presents a dilemma. Ian Taylor, who over the years has provided among the most insightful political analyses of China-Africa relations, highlights that 'whilst China emphasises the notion of state sovereignty, this is most enthusiastically applied to countries where the empirical properties of the state are lacking.'²⁶

Unlike the case of different emphasis on sectors, in this case China's position is likely to compete with other donors' objectives, and impact on the debates on reforms that are at the heart of aid effectiveness debates in less fragile contexts too. Reform agendas have often come about in response to the project mode of donors in the 1970s, and followed – still valid, in our view – lessons that 'islands of excellence were not likely to achieve long-term results and be sustainable. While China's emphasis on the private sector may lead to new forms of partnership, questions of governance are unlikely to be resolved through non-interference.

However, the debate on this issue is also evolving rapidly. On the one hand, China has been increasingly critical of international organisations responses to China's engagement: for example, the Chinese Ambassador in Kinshasa accused the IMF of blackmail, because of its objection that the support package to be provided by China

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www.iss.nl/content/download/23104/217831/version/4/file/Bibliography_The+Roles+of+Aid+in+Politics.doc

²⁵ The 2000 FOCAC declaration noted that imposition of human rights conditionalities themselves constitute a violation of human rights (quoted in Taylor 2006: 68).

²⁶ Taylor (2007: 22). Naidu and Janson (2009) argue that China will have to take into account power configuration within Africa, including non-state actors, and thus become more like the traditional development partners.

would again saddle Congo with unsustainable debt (*The Economist* of April 18th, 2009). On the other hand, there has been much internal debate to the international critique, and significant moves to adjust in new international environments and being subjected to the public eye: Alden and Hughes (2009) describe how China finds it increasingly difficult to exert its ‘soft power’, Jiang (2009) highlights the intense internal debate on China’s role in Africa, and Woods (2008) emphasizes that China has been responsive to international critique regarding its support to ‘rogue states’.

4. In conclusion: when China stops being a special case

We would hazard a guess that it will not be very long before China’s global role is no longer *seen as* exceptional as it is at the moment (partly because of the growing body of literature, to which this paper aims to make a modest contribution). A main reason for that would be that China itself does not want to be seen as exceptional: it wants to reclaim its rightful global role and status, but it does not have an interest in standing out too much, and the recent experience suggests that if it does, it is likely to increase expectations to levels that prove unhelpful (and some people have suggested that it is also a lesson it learned from South Korea).

China is becoming an ever-more important part of the international fora. As it does this it modifies and adapts to the mode of discourse – in all its diversity including within Africa where serious engagement with and analysis of China’s role is rapidly emerging – and to some extent its practices. Maintaining distinctiveness should not be too problematic, given for example enormous differences within the community of old donors. Some would argue that it is taking long before China is taking place at the tables of the old donor, but in ten to twenty years we will probably look back at an amazingly rapid transition of China’s role as aid recipient to that of a donor; indeed the 2011 white paper is a clear example of China’s increased responsiveness to the old donors’ desire to engage more intensively with China.

Many of the international agencies have been proactive in working with China, including the World Bank, UNDP, the DAC, DFID etc. During the January 2010 (in The Hague) conference of Dutch Ambassadors in Africa there was – besides a growing wealth of experience and diversity of experience regarding China’s role – also an enormous amount of interest in finding out how to engage with China. Those having worked in Beijing on this issue have realised that currently there is more pressure from the old donors for this collaboration, than demand from Chinese agencies, which by comparison are enormously under-staffed, thus limiting the mere capacity to respond to calls for collaboration. But most people agree that the interest for collaboration is mutual, and this should not stop international agencies to explore new venues of collaboration. For each country venues for collaboration will be different.

In the process, there is much to learn for the old donors, about China’s own development model, and how it is making thus almost-unique transition from being an aid recipient to an aid donor. The international community can play a role in facilitating the process of learning from China’s own development successes and challenges – about which less is known within the international community than about other emerging economies – or at least stop articulating mistaken notions about China. At least, the old

donors – and indeed China itself – could draw on lessons from aid provided to China to understand the conditions under which aid can work, thus also countering critiques aid has been a complete failure, and renewing discussions on aid effectiveness.

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