



## Transparency of Chinese Aid

An analysis of the published information  
on Chinese external financial flows

**Sven Grimm**

*with Rachel Rank, Matthew McDonald and Elizabeth Schickerling*

August 2011

# Transparency of Chinese Aid

An analysis of the published information  
on Chinese external financial flows

**Sven Grimm**

*with Rachel Rank, Matthew McDonald and Elizabeth Schickerling*

**August 2011**

## Contents

|  |     |
|--|-----|
| Preface .....  | iii |
| Acknowledgments.....   | iv  |
| 1. Introduction – Aid transparency and Chinese financial flows .....                       | 1   |
| 1.1 Aid transparency .....   | 1   |
| 1.2 Chinese foreign assistance.....  | 3   |
| 2. Policies, strategies and procedures .....   | 6   |
| 2.1 Geographical distribution .....  | 8   |
| 2.2 Mode of distribution and procurement.....  | 9   |
| <i>Modalities</i> .....  | 9   |
| <i>Disbursement timing</i> .....   | 11  |
| <i>Procurement practice</i> .....  | 11  |
| 3. Who publishes what? Transparency by actor.....  | 12  |
| 3.1 The state – coordination challenges and MOFCOM lead .....                              | 12  |
| 3.2 ‘Policy banks’ .....   | 15  |
| 3.2.1 The Chinese Export-Import Bank .....   | 15  |
| 3.2.2 China Development Bank and the China-Africa Development Fund.....                    | 17  |
| 3.3 Investment data and enterprises.....   | 18  |
| <i>Foreign Direct Investment</i> .....   | 18  |
| <i>Enterprise based information</i> .....  | 18  |
| 4. Evaluations and assessments.....  | 20  |
| 5. Conclusions: Is China moving towards aid transparency? .....                            | 22  |
| 6. Recommendations .....   | 25  |
| 7. Literature .....  | 28  |
| Annex .....  | 30  |
| A1 AidData Project on Chinese Aid .....  | 30  |
| A2 Geographical distribution of Chinese Foreign Aid .....                                  | 31  |
| A3 Table on Sectorial Distribution of Complete Projects of China (by the end of 2009)..... | 32  |
| A4 Statistics of Chinese Debt Cancellation from China’s Aid Policy.....                    | 33  |
| A5 Organogram of China EXIM Bank.....  | 34  |

## **Preface**

There are many myths and misconceptions about the level of information publically available on Chinese efforts and activities in the developing world. With the growing momentum around ‘aid transparency’ since the Third High Level Forum on aid effectiveness (HLF-3) in Accra in 2008, and the preparations for HLF-4 being held in Busan later this year, this paper on China’s aid information was commissioned to provide a firmer footing for the discussions going forward. The purpose of this paper, therefore, is to map and assess the levels of aid information made available across Chinese agencies that engage in various forms of international cooperation. The paper explores opportunities to improve publicly available information on Chinese foreign assistance and how to ensure comparability with other donors.

The paper is jointly published by the Centre for Chinese Studies at Stellenbosch University and Publish What You Fund, the global campaign for aid transparency.<sup>i</sup>

## Acknowledgments

I would particularly like to thank my colleagues in China and in Africa for their willingness to help with information and provide their views. In the course of this research, I have aspired to check the availability of information directly with Chinese aid researchers and officials in order to obtain their perspective on the actual levels of information available in both English and Mandarin. We have sent questions to around 20 contacts in China and in administrations of African countries and have received 13 responses with comments, assessments and pointers to other colleagues whom we should contact. Half a dozen face-to-face interviews were subsequently conducted in China in June 2011 with policy makers and fellow researchers in various think tanks and research institutions. The communication and discussions with Chinese colleagues also provided for input on the conceptions related to Chinese foreign assistance and aid transparency more generally, and I am grateful for their time and their willingness to share insights.

Furthermore, the work benefitted from research I conducted in Rwanda in early 2010, mapping the Rwandan aid architecture and exploring Chinese engagement with it. The full report on the Rwanda research was published with the German Development Institute/Deutsches Institut fuer Entwicklungspolitik (DIE) (Grimm et al. 2011).

Last, but far from least, thanks go to my colleagues at the Centre for Chinese Studies (CCS), namely Matthew McDonald and Elizabeth Schickerling, who contributed to the research for this report, as well as Sanne van der Lugt, whose previous work on Chinese Foreign Direct Investment to Southern Africa has also contributed to the discussion on availability of data. Additional input by Dawn Murphy of George Washington University should be duly acknowledged, which she provided during her stay at the CCS in May 2011.

I am particularly grateful to Mao Xiaojing of the Chinese Academy of International Trade and Economic Cooperation (CAITEC) for her valuable time and input; and to the external reviewers of this paper – Deborah Brautigam, Karin Christiansen, Alison Johnson, Homi Kharas and Richard Manning. Any remaining mistakes and inaccuracies are the sole responsibility of the author.

Sven Grimm

Stellenbosch, August 2011

## 1. Introduction – Aid transparency and Chinese financial flows

The developed countries belonging to the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) continue to be the source of most international development assistance; but the share on non-DAC contributors has been rising, particularly from middle-income countries such as the BRICS (Brazil, Russia, India, China and South Africa).<sup>ii</sup> These newer actors in international development have tended to be marginal to international aid policy debates thus far dominated by members of the OECD-DAC. The non-DAC actors tend to emphasise that they have signed the Paris Declaration as recipients of aid, not with regard to their own international cooperation; however the Accra Agenda for Action (AAA) recognises the contribution these countries make and encourages them to follow the Paris Declaration principles.

The Fourth High Level Forum on aid effectiveness (HLF-4) being held in Korea later this year will include a review of progress with implementing the Paris Declaration, including the commitments on aid transparency. The Forum will also focus on how South-South Cooperation<sup>iii</sup> can help improve development policies; what South-South Cooperation can learn from the implementation of the aid effectiveness agenda; and how to build on similarities and to strengthen the bridges between South-South and North-South Cooperation.

From the perspective of the broader international efforts on greater aid transparency and with regard to their increasing international role, it is important that providers of assistance beyond the DAC, such as China, are included in discussions concerning aid information and comparability. This is desirable from both a Western perspective (asking about comparative data to Western financial flows), but also for exploring South-South Cooperation in its own right. Data would be needed in order to assess how successful South-South Cooperation is – from the perspective of a range of stakeholders, including but also reaching beyond governments. The second step is not the task of this paper however, which focuses instead on how much information is available on Chinese financial flows, its scope and its successes or setbacks.

### 1.1 Aid transparency

A global movement for aid transparency has emerged at a time when there is growing awareness of the importance of how aid is used. For both donors and recipients, information on aid is a prerequisite for improving efficiency and effectiveness, building accountability, and reducing the risk of waste and corruption. Independent and official analyses recognise that aid flows are not always allocated or used as well as they could be,<sup>iv</sup> and a large number of aid donors have repeatedly signed agreements to improve aid effectiveness and transparency, including at various G8 and G20 summits.<sup>v</sup>

The most concrete and practical commitments to date were those made under the auspices of the OECD-DAC Working Party on Aid Effectiveness<sup>vi</sup> and the Higher Level Forums in Rome, Paris and Accra and within the International Aid Transparency Initiative (IATI).<sup>vii</sup> These provide the context to the development of both the aid transparency agenda and the commissioning of this work. The most recent set of commitments are detailed in the Accra Agenda for Action of 2008, where international

cooperation ministers and heads of aid agencies pledged to “publicly disclose regular, detailed and timely information on volume, allocation, and, when available, results of development expenditure” (see box 1).<sup>viii</sup>

The broader aid effectiveness agenda and the various agreements by donors were aimed at reducing the unintended consequences of aid and development cooperation by making aid more predictable, improving coordination and division of labour between donors and aid actors, and aligning aid efforts with the priorities and systems of recipient countries. Yet donors are struggling to deliver on these commitments and to change their behaviours,<sup>ix</sup> in part because there is no way of collectively knowing what is currently happening. Without timely, complete and comparable data about the work of all actors active within a country, sector or region, the key commitments made by donors to improve the effectiveness of their aid will not be realised.

Information disclosure by donors is only one part of a move towards aid effectiveness, but it is an important one that can be the foundation for other changes. Having comprehensive, timely and comparable<sup>x</sup> information on how much is being spent on what and by whom is essential for meaningful policy planning, decision-making and learning. Lack of transparency about aid resources makes it difficult to see the full picture and thus being able to change decisions about ‘orphan’ or ‘darling’ areas – where aid flows disproportionately to a particular region, sector or ministry even when national planning by the beneficiary country would suggest otherwise. This can weaken state systems in recipient countries, therefore undermining evaluation and learning at both technical and political levels.

#### Box 1: Commitments on aid transparency in the Accra Agenda for Action

We [donors and developing countries] **will make aid more transparent**. (§24a)

Donors will publicly disclose **regular, detailed and timely information** on volume, allocation and, when available, results of development expenditure. (§24a)

... [mutual] reviews will be based on **country results** reporting and information systems complemented with available donor data. (§24b)

Donors and developing countries **will regularly make public all conditions** linked to disbursements. (§25b)

Donors will provide full and timely information on **annual commitments and actual disbursements** so that developing countries are in a position to accurately record all aid flows in their budget estimates and their accounting systems. (§26b)

*[Specifically on South-South Cooperation:]*

The **contributions of all development actors are more effective when developing countries are in a position to manage and co-ordinate them**. We welcome the role of new contributors and will improve the way all development actors work together by taking the following actions:

a) We **encourage all development actors, including those engaged in South-South co-operation, to use the Paris Declaration principles** as a point of reference in providing development co-operation. (§ 19 and 19a)

Source: website of HLF-3 <http://www.accralf.net>

The AAA commitments on aid transparency were part of a growing recognition of the contribution better aid information could make in order to progress across a wide range of the principles of the Paris Declaration. An important feature of the AAA commitments is that donors can be proactive about progress. In response to this, the multi-donor International Aid Transparency Initiative was

also launched in Accra. In the months since then the focus on aid transparency has continued to grow, and IATI now has 20 signatories working together to implement a common 4-part standard on the publication of aid data, outlining:

1. The scope of what will be published
2. Common definitions
3. Common data exchange framework
4. A framework for implementation

At the time of writing, four very different donors (a multilateral, a bilateral, a private foundation and an NGO<sup>xi</sup>) have started publishing to the IATI registry. By November 2011, 33% of all reported ODA will be published to the registry.<sup>xii</sup> Full engagement across the range of development actors is needed to ensure the Initiative delivers on its promise however. This includes both DAC and non-DAC development partners.

With momentum continuing to build around aid transparency, and HLF-4 being held in the last quarter of 2011, aid recipient countries are also demanding progress on this issue. 22 recipient countries have endorsed IATI and regularly attend meetings to review progress with implementation. Parts of the IATI standard have been tailored to meet the needs of developing countries, particularly:

- The provision of detailed information at the project level.
- An ability to link closer to budgets of recipient countries, with ongoing work to develop a 'recipient budget identifier'.
- The publication of policy and project-related documents, including information on aid results and conditions.

Other forums in which recipient countries are also focusing on the issue more closely include the Collaborative Africa Budget Reform Initiative<sup>xiii</sup> (CABRI), which recently published a position paper on aid transparency that includes a set of minimum requirements that development partners need to meet. The paper highlights integration of aid information in country budgets as a key factor in achieving aid transparency. Poor availability of aid information from development partners can undermine transparency of the beneficiary, but CABRI recognises that responsibility also lies with institutional arrangements in countries and calls for a clear set of rules for country governments to follow.

## **1.2 Chinese foreign assistance**

There is much debate (and speculation) on the levels and targets of Chinese foreign assistance and investment, but little systematic assessment of what information is available. The often referred to lack of information on Chinese aid flows makes it difficult to accurately monitor or evaluate the impact of its foreign assistance. The purpose of this paper, however, is not to provide estimates of the overall aid volumes given by China. Rather, it looks into what information is currently available on Chinese financial assistance to other developing countries. Barriers to the availability of information might be perceived to be even higher in the case of China – not least due to linguistic obstacles – but without broader comparability of data amongst development partners and recipient



governments it is impossible to assess the impact, effectiveness and coordination of aid and non-aid resources nor the specific advantages that South-South Cooperation claims to have over 'Western aid'.

When assessing the available data on financial flows from China to other developing countries, in particular Africa, the first challenge is to define which flows to consider. Chinese official policy does not use the term 'development assistance' according to the OECD-DAC definition.<sup>xiv</sup> China seems to be overcoming its initial reluctance to using the term 'aid' as such. The strictness of the (non)use of 'aid' as a term differed amongst actors; originally, the key term was 'external assistance' instead of 'aid', thereby explicitly distancing themselves from Western definitions and practice (cf. Grimm et al. 2011; Brautigam 2009). The semantic debate seems to have relaxed considerably – and most visibly so with the publication of an official policy paper on *China's Foreign Aid* (Government of China (GoC) 2011). This by no means implies that underlying definitions of the OECD-DAC are applied; the official Chinese understanding of what constitutes aid differs from OECD-DAC definitions for reporting. This is not necessarily a distinctive feature to all DAC donors. Policy debates will include different information than the statistical reporting to the DAC. For example, the US foreign aid budget includes military assistance, much like China's does. It is only through reporting via the DAC that these figures are calculated according to common statistical standards of the OECD.<sup>xv</sup>

Generally, "aid figures are still a sensitive issue in China, as in other countries, but [more so in China] because of cultural traditions and philosophy"; aid in the sense of 'handouts' to other countries is somewhat considered to be "immoral" (personal communication, 19 May 2011), due to the specific rationale of mutual benefit in South-South Cooperation, but also due to persisting high needs for development finances 'at home'. Chinese policymakers and policy documents emphasise domestic needs in China; it is thus not surprising that China's foreign aid policy starts with the sentence: "China is a developing country" (GoC 2011).

Sensitivity exists particularly around data broken down to specific country level. Although this data must surely be available within the Chinese administration, it is not made available publicly; at least not systematically. The Economic Councillors at Chinese embassies abroad "are meant to assist embassies in monitoring the implementation of development projects and [to report] on progress to the Chinese government" (Grimm et al. 2011, p.66). Yet information provided by the office of the Economic Councillor in Rwanda, for instance, was patchy at best, and at times outdated. For South Africa, a list of Chinese projects in the country for 2009–2011 is available from the South African Treasury, which oversees international development projects in the country. Treasury does engage with the Chinese embassy and with the Chinese agencies directly, and it does provide the value for three of its list of four projects in monetary terms.<sup>xvi</sup> Chinese researchers do not necessarily know more specific data, so it is not merely an issue of linguistic accessibility of knowledge. Tellingly, the elaboration of the 'White Paper' on Chinese aid included inter-ministerial communication, but does not appear to have involved consultations with researchers (interview on 28 June 2011).

Given these difficulties in obtaining data, a Chinese colleague commented: "The best source would be the news report of relevant African countries" (personal communication, 19 May 2011). While it might be good advice to ask the recipients how much they know about financial transfers, this path not only "needs time, energy and determination", as the Chinese colleague put it, but it encounters challenges in recipient countries. Statistics records of recipient governments are often not

comprehensive or up to date, and some aid flows that are not government-to-government loan agreements may be unrecorded and thus unknown to recipient countries' administrations, as a study in Rwanda highlighted (Grimm et al. 2011). Information on Chinese financial flows is no exception to this general statement and appears to be particularly difficult to obtain even for the specialised division in African Ministries of Finance (cf. Grimm et al. 2011). The political will to disclose figures on what was and is obtained as 'aid' from China is another issue altogether in beneficiary countries, as fellow African researchers and civil society activists from various countries would confirm.

How much do we know about Chinese financial flows to developing countries, particularly Africa? How much is published on aid and investment by Chinese institutions? This includes questions about policy rationales and planning as well as procedures. How specific and how detailed is the data that is available in English and/or Mandarin? The particular challenge with regard to transparency relates to some specificities in Chinese aid flows that will be discussed in more detail later in this paper.

## 2. Policies, strategies and procedures

The search for information on policies and strategies for Chinese development cooperation will quickly lead any researcher to three major policy documents that were published in recent years. By order of publication date, these are: *China's African Policy* (January 2006), *China-Africa Economic and Trade Cooperation* (December 2010), and most recently, *China's Foreign Aid* (April 2011). These papers are considered to be Chinese 'White Papers', even though they do not necessarily fulfil the function of reasoning for a specific policy rationale or arguing for policy choices and thus are of limited use as guidelines for *future* policy-making (cf. Grimm 2011a). Other references in policy communications include older sources, such as the principles for *China's Aid to Foreign Countries* (1964) as listed by then Prime Minister Zhou Enlai. While emphasising policy consistency over time, these principles do not provide any (indirect) comment on the transparency of data, which is unsurprising given that the discussion on aid transparency is relatively new, including amongst traditional DAC donors.

The publication of *China's Foreign Aid* – a communication by the Information Office of the State Council of April 2011 (GoC 2011) – provided some broad aggregate figures. These figures were often for the last three years, but in some cases they went back as far as the commencement of external assistance in 1954, shortly after foundation of the People's Republic, but do not provide for rates of increase over time or across countries. The paper is more comprehensive than other sources that are used for estimates on Chinese aid, such as speeches by senior ranking Chinese officials or state leaders at international meetings as well as Chinese language news reporting in state media (cf. Brautigam 2010; Hubbard 2007). The publication of the paper can be understood as a response by the Chinese government to persistent criticism about a lack of transparency. It will be updated every three or four years and thus explicitly is not meant to substitute for an annual report.

The information closest to an annual report is an annual 'special article' on Chinese aid that is published in the China Commerce Yearbook, written by the Director General of the Department of Aid to Foreign Countries in the Ministry of Commerce. The article for 2008, for instance, has an overall length of five pages without any statistical data other than the aggregate numbers of projects in text. The text lists the overall number of aid agreements and gives examples of projects, apparently the biggest among the funded activities. Sections of the paper include a brief report on the Forum on China-Africa Cooperation (FOCAC) measures, a list of supported diplomatic events, a brief paragraph on training programmes for capacity building (providing some titles of training courses), and a section on humanitarian assistance. Other parts include the running of the ministry, such as communication activities, inter-ministerial coordination, Chinese research for development as well as the evolution of rules and regulation for Chinese aid, such as the elaboration of a "Handbook on Aid Work for Overseas Economic and Commercial Offices".<sup>xvii</sup>

In line with this reporting practice, the scope of the White Paper was carefully crafted; certainly more detailed data would have been available than was published. Work on an early draft started in 2009, with staff involved reporting more than 40 modifications of the paper before it was published in 2011 (interview in China, 28 June 2011). Mostly 'political reasons' were given by several Chinese interlocutors for why country specific data was not available for external assistance.<sup>xviii</sup> Administrative competition is also an issue between different government portfolios. Accordingly,

the debate on the White Paper took place among government officials from different portfolios; academics were not included as external advisors in the process, as it was deemed an intra-government affair. Political questions raised included if the Ministry of Finance, for instance, could easily report figures of other portfolios to the Ministry of Commerce (MOFCOM), which is in charge of implementing the aid policy. Interviews with Chinese officials suggest substantial disagreement among ministries in these questions, highlighting sensitive power relations. Multilateral aid, for instance, is not considered in the paper, allegedly due to objections by the Ministry of Finance to report these to the MOFCOM team (interviews on 21 and 28 June 2011).

For published annual figures, the reported item on Chinese ‘external assistance’ as published in the annual budget are the closest to development aid figures for China. The budget provides only aggregate data of annual overall spending; with MOFCOM accounting for an estimated 90% of the aid budget. Further scrutiny is required of what is reported in these figures, such as what they include and what they exclude. Thus far, the only definition used by a group of donors on what constitutes official development assistance (ODA) is that of the OECD-DAC.<sup>xx</sup> When comparing Chinese figures to ODA figures of the OECD-DAC, we have to keep in mind that Chinese figures are calculated on a different basis (see table 1 below).

| Table 1: Overview of differences in counting aid between China and DAC member states   |   |
|--|---|
| <b>Included in Chinese aid figures, but not in DAC member statistics:</b>  | <b>Reported by DAC members, but excluded from Chinese aid figures:</b>  |
| <ul style="list-style-type: none"> <li>• Construction of sports facilities</li> <li>• Military assistance</li> <li>• Subsidised loans for joint ventures and cooperative projects</li> </ul> | <ul style="list-style-type: none"> <li>• Costs for foreign students</li> <li>• Debt relief</li> <li>• Costs for first year refugees in the donor country</li> <li>• Administrative costs for aid<sup>1</sup></li> <li>• Parts of loans that are commercial<sup>2</sup></li> </ul> |

<sup>1</sup> Implementing companies, however, can include a limited share of administrative costs (cf. Brautigam 2011).

<sup>2</sup> This practice has apparently changed in 2009, with announcements made at the Sharm el Sheikh meeting of the Forum on China-Africa Cooperation. Since then, the full amounts of concessional loans are included in the announced aid figures. The fiscal budget, however, only includes the subsidies to the loan, not the overall amount, as the capital of concessional loans is collected by EXIM Bank (interview, 28 June 2011).

Unlike DAC statistics, Chinese external assistance *includes* military assistance and loans for joint ventures and cooperative projects (Brautigam 2009, p.166). Military aid was included in the figures and was mostly provided through MOFCOM, although it is relatively negligible in size compared to the overall figure (interview, 28 June 2011). Assistance for the construction of sports facilities would also not classify under DAC criteria but might be included in Chinese figures. Unlike the DAC, the Chinese figures *exclude* the full costs for foreign students studying in China, figures on debt relief and the commercial part of loans that are subsidised.<sup>xx</sup> These reporting differences make data comparison difficult. Yet, even if media reports often do not; Chinese data *does differentiate* between ‘aid’ and ‘preferential export credits’, which in the OECD-DAC classification is part of the reported figure on other official flows (OOF) (see Brautigam 2010, p.13). Chinese policy banks distinguish between preferential export buyer’s credits and concessional loans. The degree of concessionality, however, needs to be investigated further (see policy banks below).

## 2.1 Geographical distribution

Publically available country strategies or sector strategies do not exist in China; the paper on trade and investment would not to be considered an aid policy paper. In the overall aid policy paper, statements are made – and figures provided – on regional or overall sectoral attribution of Chinese aid, as well as the overall number of recipient countries and regional/international organisations (161 and 30 respectively), but as stated above, this excludes multilateral contributions. China's multilateral aid is at times regarded as negligible. However, the country became a World Bank donor in 2007, after having been the biggest borrower in 1991,<sup>xxi</sup> the contribution to recent IDA replenishments was significant and included an additional voluntary prepayment of loans in the region of USD 1 billion.<sup>xxii</sup> The data provided in the White Paper is based on commitments, similar to the media coverage (on public announcements and speeches).

In line with policy interests of not fostering competition among aid recipients, Chinese aid is presented as having a “comparatively even coverage” across the globe, even though the volumes for individual countries or specific years are not usually disclosed. For more country allocation or project data, researchers may find individual statements made by ambassadors to individual countries<sup>xxiii</sup> or media reports for specific projects (for example in the *Weekly Briefing* of the Centre for Chinese Studies, Stellenbosch, building on Chinese and other sources' media reports; for EXIM Bank cf. also Hubbard 2006). Also for Chinese colleagues, visits of foreign delegations or visits of Chinese delegations abroad are an occasion to ask for more specific country data in order to better brief the Chinese representatives. As geographical data is not made available systematically, this is a window of opportunity for Chinese scholars to get more specific answers to questions from those who ‘operate within the system’ (interview in China, 20 June 2011).

With regard to the geographical distribution of China's foreign aid, aggregate data is provided for 2009 by region and by income level in the White Paper *China's Foreign Aid* (for the following, see GoC 2011; pie charts reproduced in annex A2). According to these figures, the (relative) majority of aid in 2009 went to Africa (45.7%, attributed to 51 countries<sup>xxiv</sup>), with Asia following (32.8% to 30 countries overall) and Latin America and the Caribbean being the third most important region (12.7% to 18 countries). Oceania accounts for 4% in the regional share (12 countries) and Europe for 0.3% (12 countries in Eastern Europe). Others are listed as receiving 4.5%. It is important to highlight that China usually does not differentiate between Sub-Saharan Africa and Northern Africa. Unlike agencies such as the World Bank, Chinese statistics do not have a category for the Middle East and North Africa (MENA) or, in EU terms, the Mediterranean programme region (MEDA). Data for Africa will thus include projects in Northern African countries. Likewise, Asia includes Western Asian Arab countries.

With regard to income groupings, Chinese aid goes predominantly to least developed countries (39.1%), followed by other low income countries (23.4%). Low and lower middle income countries account for about one fifth of Chinese aid (19.9%), while for other middle income and high income countries the share is at a still remarkable 11%.<sup>xxv</sup> In terms of income classification, about a third of Chinese aid is therefore provided to countries with similar or higher per capita income than China itself. Considering the largely uneven income distribution in China (with starkly underdeveloped provinces in China's West), this illustrates the sensitivity of the data. Brautigam, for instance, quotes critical statements from internet forums on international aid disbursements by the Chinese

government (2009, p.166) highlighting challenges with regard to legitimacy that are not unfamiliar to other emerging actors in international development.<sup>xxvi</sup>

## 2.2 Mode of distribution and procurement

According to China's policy on aid, "by the end of 2009, China had provided a total of 256.29 billion Yuan [USD 39.59bn; EUR 27.65bn] in aid to foreign countries, including 106.2 billion Yuan in grants [USD 16.4bn; EUR 11.46bn], 76.54 billion Yuan in interest-free loans [USD 11.82bn; EUR 8.26bn] and 73.55 billion Yuan in concessional loans [USD 11.35bn; EUR 7.93bn]"<sup>xxvii</sup> (GoC 2011). The annual shares in disbursements or allocations by country remain unclear however.

### *Modalities*

The publication of the White Paper, *China's Aid Policy*, provides an overview of Chinese modalities (GoC 2011; see also Grimm et al. 2011). Generally, aggregate data and/or examples are provided. Some details provided illustrate that relatively detailed data is kept on aid activities. This does not mean that costs for all of these interventions can be calculated or allocated however, and particularly not in retrospect.<sup>xxviii</sup> The Chinese government is curious about reporting structures that donors apply, and might further fine-tune its reporting structure in the future. As stated previously, it can be assumed that more data is known and collected than is reported. This limitation in the level of detail in data is also, but certainly not only, a matter of statistical capacities.

*Grants and interest-free loans* are provided by China's state finance. Grants are often provided for medium and small projects with a social focus, while interest-free loans are mainly used for the construction of public facilities. Interest-free loans are usually provided for a period of 20 years (five years of use, five years of grace and 10 years of repayment) (GoC 2011). Interestingly, the interest-free loans "are mainly provided to developing countries with relatively good economic conditions" (ibid.), i.e. in cases with lower risks. It might be that other developing countries with less favourable conditions are provided with grants, but this is not clarified.<sup>xxix</sup>

*Concessional loans* are provided by the EXIM Bank and discussed in the section on the bank below.

Eight forms (modalities) of foreign aid are discussed in the 2011 White Paper. They are defined in an initial paragraph; yet often the rationale of why these modalities are chosen is not explained. This might appear less pertinent however, as Chinese aid does not have one clear objective (such as poverty reduction, as is the case for the UK). Hence, the reasoning for employing one or the other modality is not necessarily to be derived from the aid policy itself. Some inherent tensions between goals and modalities – for example tensions between promoting self-help and providing complete projects – are not discussed. And unfortunately, aid packages – the deliberate mix of various modalities – are not discussed either (cf. Grimm 2011a). Instead, modalities are looked at individually:

- *Complete projects, i.e. turnkey projects*

The White Paper provides a list of "Complete [i.e. turnkey] Projects Overseas completed with the Help of China (by the end of 2009)" (reproduced in annex A3 of this paper). The projects are conceptualised, planned, financed and implemented by Chinese actors. The list does not further specify the Chinese share in these (there might be some levels of subcontracting or similar), their geographical location or any success rate. It is, however, specified that the data excludes projects

undertaken with concessional loans. It is noteworthy that for this modality, the policy paper gives a share in China's overall aid: "Complete projects are a major form of China's foreign aid. [...] At present, they account for 40% of China's foreign aid expenditure" (GoC 2011).

- *Goods and materials*

Named as the original modality of Chinese aid in the 1950s and 1960s, goods and materials provided can be linked to turnkey projects, e.g. vehicles, office equipment, etc. They also include civil airplanes, locomotives and container-testing equipment.

- *Technical cooperation*

The *Aid Policy* lists areas of activities, without indicating their respective share in the activities. The only specificity reported on project data is that technical cooperation projects "usually last one or two years, and can be extended" (GoC 2011).

- *Human resource development cooperation*

The training programme under this heading started in 1953, providing assistance to socialist countries including "DPRK [North Korea], Vietnam, Albania, Cuba, Egypt and some other countries, covering over 20 sectors". Since 1981, training was also provided in cooperation with UNDP, and since 1998, it includes "seminars for officials" (GoC 2011). This category apparently does not include costs for foreign students. No financial figures are provided, but some aggregate numbers are available: "By the end of 2009, China had run over 4,000 training sessions of different types for developing countries, attended by some 120,000 people", with currently around 10,000 people being trained in China annually (GoC 2011).

- *Chinese medical teams working abroad*

Again, aggregate figures are provided, but no country details: "By the end of 2009, China had altogether sent over 21,000 medical workers to other countries, and they have treated 260 million patients in the recipient countries. In 2009, 60 Chinese medical teams composed of 1,324 members provided medical services at 130 institutions in 57 developing countries" (GoC 2011).<sup>xxx</sup>

- *Emergency humanitarian aid*

For emergency humanitarian aid, a clear rationale and policy goals are provided in the White Paper:

*"Emergency humanitarian aid is provided when a country or region suffers a severe natural or humanitarian disaster. In such cases, China provides materials, or cash for emergency relief or dispatches relief personnel of its own accord or at the victim country's request, so as to reduce losses of life and property in disaster-stricken areas and help the victim country tackle difficulties caused by the disaster."* (GoC 2011)

Some interventions after natural disasters are illustrated with example case countries, but not figures or cost ranges for interventions provided.

- *Overseas volunteer programmes*

The volunteer programme, started in 2002, is used in "education, medical and health care and some other social sectors" (GoC 2011). In Rwanda, for instance, this included a volunteer at the Confucius Institute. Chinese language teachers are also explicitly mentioned in the policy (and under this

heading); they are counted separately however. Including language teaching, “By the end of 2009, China had dispatched to 19 developing countries [...] some 405 young volunteers” (GoC 2011).

- *Debt relief*

Declared on six occasions and amounting to 25.58 billion Yuan by 2009 (USD 3.74bn in 2009; N.B. it is unlikely this is an inflation-adjusted figure). No country figures or annual data are provided in the policy paper. The table with aggregate data can be found in annex A4.

### *Disbursement timing*

Little can be said about precise disbursement timing. Financial flows for aid projects are often not actually leaving China, as grants or concessional loans are provided for specific projects and usually tied to Chinese delivery in implementation (“tied aid”; see the explicit policy of EXIM Bank<sup>xxxix</sup>). Because “the Chinese almost never transfer any actual money through their loans, and only rarely give aid as cash grants” (Brautigam 2010, p.30), it is difficult for governments of receiving countries to know about disbursement timing. In the case of Rwanda, the Ministry of Economic Planning and Finance (MINECOFIN) asked to be informed about financial flows within China related to the construction of the Rwandan Foreign Ministry (in order to track the project’s progress), but did not receive this data. The Rwandan MINECOFIN apparently was not able to convince the Chinese government of the necessity of this information (cf. Grimm et al. 2011).

For the case of Rwanda, at least, this puts Brautigam’s statement into perspective that “African governments themselves already know how much aid and development finance they are getting from China” (Brautigam 2010, p.34). This might be true for the bulk of financial assistance in the form of concessional loans, but not necessarily for turnkey projects. African governments might be given an overall value of the ‘complete projects’ by their Chinese interlocutors – and Chinese authorities are most likely able to give figures on finalised projects. Yet, knowledge about actual financial flows and when precisely they happen will be limited in beneficiary countries. Furthermore, even if beneficiary countries know, the transparency on the African government’s side is limited. Even in the case of well-informed governments, the question remains whether details are passed on to civil society actors and the public, as freedom of information acts are often not in place.<sup>xxxii</sup>

### *Procurement practice*

While in some cases such as Angola’s resource-secured credit line (which strictly speaking should not be considered as aid), partner governments insist on a competitive bidding process in China among pre-selected companies (cf. Brautigam 2010, p.19); in other instances, this might not be the case and companies can be awarded with contracts by the Chinese financier. MOFCOM tends to use competitive bidding to select implementers among Chinese companies (Brautigam 2010, p.30). Aid is thus usually tied and complaints about this throughout Africa’s civil society are manifold, at times including government officials.<sup>xxxiii</sup> Yet at the same time, the speed of project implementation by China is positively acknowledged, which in many instances might relate to the practice of turnkey projects delivered by Chinese enterprises in reliance on their Chinese procurement habits.



### 3. Who publishes what? Transparency by actor

Much of the media debate is around China as ‘a donor’. However, as with other countries, the specific actor and its mandate/agenda need to be unpacked in the analysis of financial flows to other developing countries. State agencies are operating within a framework of decision-making, even if principle-agent dynamics might occur. As stated by China’s Foreign Aid policy:

*“The Ministry of Commerce of the People’s Republic of China is the administrative department authorized by the State Council to oversee foreign aid. It is responsible for the formulation of foreign aid policies, regulations, overall and annual plans, examination and approval of foreign aid projects and management of the project execution. The Executive Bureau of International Economic Cooperation, China International Center for Economic and Technical Exchanges, and the Academy of International Business Officials affiliated to the Ministry of Commerce are entrusted with tasks of managing the implementation of complete [turnkey] projects and technical cooperation projects, material aid projects and training programs connected with China’s foreign aid. The Export-Import Bank of China is responsible for the assessment of projects with concessional loans, and the allocation and recovery of loans. Chinese embassies or consulates abroad are in charge of the direct coordination and management of foreign aid projects in the relevant countries.” (GoC 2011)*

In the following section, this paper focuses on the key state actor, namely the Ministry of Commerce. A specificity for cooperation with Africa is the Forum on China-Africa Cooperation, which merits attention in a separate sub-section. Furthermore, the availability of data by state-owned lending institutions such as the China EXIM Bank and the China Development Bank will be assessed. As a third grouping, enterprises also feature in the financial flows between China and other developing countries, not least so for Foreign Direct Investment (FDI) flows, but also as implementing units for aid projects.

#### 3.1 The state – coordination challenges and MOFCOM lead

Key decisions in China are taken by “the leadership”, which Lancaster translates as “the State Council”, comprising around 50 members, including, *inter alia*, the premier, four vice-premiers, the foreign minister and the commerce minister, councillors and heads of government agencies (Lancaster 2007, p.3). For instance, the three high-level policy papers mentioned previously were all issued by the Information Office of the State Council, not by an individual ministry.

The ministry in charge of outgoing aid is MOFCOM, and specifically it’s Department of Aid to Foreign Countries. Other ministries and the Communist Party (CPC) also have international cooperation departments, which might have some programmes abroad and are thus also involved in aid provision. Among those ministries named with international programmes are the ministries of agriculture, health, science and technology “and even the Ministry of Foreign Affairs”, as a Chinese colleague put it (personal communication, 21 May 2011). Agriculture, education and health also feature in China’s foreign aid policy as focal sectors (Kobayashi 2008; also see above). Lancaster concludes that it “does not appear that any one point in the Chinese government controls aid-giving” (2007, p.2). While this might be a stark comment, it indeed seems to be difficult to keep track

of a coherent and comprehensive set of data in the Chinese system. The emphasis on coordination in the *Chinese Foreign Aid* policy paper and changes in the mechanisms in China indicate that the previous arrangement was insufficient and that coordination challenges prevail:

*“In order to strengthen the coordination of the departments concerned, the ministries of commerce, foreign affairs and finance officially established the country’s foreign aid inter-agency liaison mechanism in 2008. In February 2011, this liaison mechanism was upgraded into an inter-agency coordination mechanism.”* (GoC 2011)

The coordination challenge is not unlike that of a number of Western donors – and it is certainly not unlike other (re)emerging donor countries, be they in Eastern Europe (Harmer/Grimm 2005), Brazil (John de Sousa 2010), South Korea (Chen et al. 2010) or South Africa (Grimm 2011b). Also not unlike other countries and among other (re)emerging donors, some officials from the Chinese Ministry of Foreign Affairs (MFA) complain about their limited influence in aid provision<sup>xxxiv</sup> (cf. Lancaster 2007). Some Chinese researchers see a need for a single agency to oversee all international cooperation efforts (personal communication, 21 May 2011). Overall, the MFA appears not to be the key player in international cooperation,<sup>xxxv</sup> despite the claims that MFA “make[s] the policy and MOFCOM implements” (interview, 5 July 2011).

The Ministry of Commerce is the central entity subsidiary to the State Council through which all types of investment flows, including aid, should be routed (van der Lugt et al. 2011). Subsidiary institutions to MOFCOM are the Department of Aid to Foreign Countries in Beijing and Economic Counsellors stationed at respective embassies and consulates globally (cf. Grimm et al. 2011: 66; FN 69). The “only authoritative source” for data (personal communication, 19 May 2011) is considered to be MOFCOM, even though they might not report on all other ministries flows and thus somewhat underestimate the overall figures (cf. Lancaster 2007).<sup>xxxvi</sup>

The MOFCOM website provides some information, yet is not a good source for exact figures, but rather for anecdotal evidence (see box 2). Other sources for estimates of Chinese aid flows are figures provided in official speeches, such as at the opening of FOCAC summits or occasions at the UN, where Chinese politicians provide some figures for expenditure of the past years, usually in the form of aggregate figures.

What is published as data on Chinese expenditure for development cooperation under MOFCOM’s lead? Pieces of the picture can be found in bulletins of the Chinese National Bureau of Statistics. Sources for data on Chinese financial flows to other developing countries include:<sup>xxxvii</sup>

- The China Statistical Yearbook (*Almanac of China’s Foreign Economic Relations and Trade*; 中国对外经济贸易年鉴) includes aggregate figures for Chinese ‘external assistance’, not providing detail by country. The data in the Statistical Yearbook include grants and zero-interest loans. As accounting for concessional loans differs (or rather, has differed until 2009), caution is necessary with aggregate data. The basis of the reporting differs from the OECD, including and excluding items when comparing to the OECD, as highlighted above (cf. Brautigam 2009, p.167).
- The China Trade and External Economics Statistical Yearbook 2006–2009 (中国贸易外经统计年鉴) lists international cooperation by country, providing aggregate data

presented by three categories: engineering projects, labour services, and design and consulting. Data is not differentiated by projects. It was previously published as China's Foreign Economic and Trade Yearbook (中国对外经济统计年鉴) with publications in 1994, 1998 and 1999–2005, providing aggregate data on International Cooperation only.

#### Box 2: Information available on the MOFCOM website

The homepage for MOFCOM (<http://www.mofcom.gov.cn/index.shtml>) is available in Traditional Chinese, Simplified Chinese, English, French, Russian, Spanish and German versions, as well as a simplified text version for less sophisticated web browsing software. The derivative translated pages (i.e. the English version) are markedly less detailed than the original Mandarin site, both with regards to layout and to accessible information. Google's proprietary translation application was used to translate the Chinese MOFCOM site into English.

The ostensible site map accessible from the homepage of the original Chinese site includes pages for 'News', 'Policies', 'Topics', 'Statistics', 'Services' and 'Photo Gallery'. On the homepage, most recent information from these sub-pages is aggregated. There are also information panels with dynamic feeds regarding the position and structure of MOFCOM, as well as links to relevant information and documents for trade and economic policy, as well as domestic and global market fluctuations.

Some statistics are available in a dedicated section on the English site, as well as the other language sites. The topics section also collects relevant reports, policies and other material by respective topic. The Chinese site has all the above, but in more detail and diversity of topic. However, a Chinese colleague stated that he would rather use English language (i.e. foreign) sources for his assessments, as there was no additional information of value available for Chinese researchers (personal communication, 21 May 2011; similarly in personal communication I and II of 24 May 2011). It would appear that selected (a sort of best of) articles/materials/topics are threaded onto the other language sites. For example, the Chinese site has a dedicated archive of Analysis Reports that the English site is missing – probably as the reports are only available in Chinese.

Data is available for projects only erratically and anecdotally. The accounts area is searchable by topic, or by type of document. Some links promise topics such as 'regional', i.e. ASEAN. These pages contain various documents, articles and reports. On the English site, there are journalistic-type articles reporting on completed projects, but these only refer to – and, in some cases, link to – the final reports. Successful initiatives are highlighted in the news section, but it is difficult to determine the status of projects (ongoing or concluded) from the Chinese site, particularly if any have 'failed'. Audit reports or the like do not seem to be presented.

Source: website of MOFCOM <http://www.mofcom.gov.cn/index.shtml> and <http://english.mofcom.gov.cn/> (accessed on 17 May 2011)

The most detailed project compilation of systematic scanning of reporting can be found with AidData (<http://www.aiddata.org>, see annex), who have sieved through MOFCOM reports on projects and have, wherever possible, complemented with media reporting. This comes with shortcomings of its own: Data covers 1990–2005 but does not usually attribute a monetary value to projects. Country-based research also encounters difficulties in providing financial figures for projects on the ground (cf. Grimm et al. 2011). China does not have an implementation agency for its external assistance. Instead, it relies on contracted enterprises for project implementation, as stated above.<sup>xxxviii</sup>

### Box 3: The FOCAC website

The Forum for China-Africa Cooperation was created in 2000 and is understood as a multilateral platform of engagement by China with Africa as a whole. Summits are held every three years and are usually a good opportunity for high ranking politicians to deliver speeches that include some aggregate data. Yet pledges made at the FOCAC meeting are for Africa as a whole and are deliberately not provided by country; the geographical attribution remains opaque (Grimm et al. 2011, p.68).

The FOCAC website (<http://www.focac.org/eng>) provides speeches, summit communiqués and action plans with commitments to Africa as well as a loose collection of newspaper articles (by African papers and Xinhua, the Chinese news agency). There are no detailed reports on implementation of FOCAC pledges and where promised projects were implemented. While the delivery on pledges seems to work well (cf. CCS 2010), official statistics of China do not distinguish by projects that were initiated due to FOCAC commitments and other projects and thus do not provide data on FOCAC as such.

Source: FOCAC website, <http://www.focac.org/eng> (accessed on 17 May 2011)

## 3.2 'Policy banks'

Loans are an important aspect in development finance, whatever their degree of concessionality. State owned (policy) banks thus play an important role also in Chinese development cooperation, but their funding is particularly prone to misunderstandings, as the OECD-DAC definitions are not the baseline for Chinese decision makers. Policy banks comprise the EXIM Bank of China, the China Development Bank and the Agricultural Development Bank. The following focuses on the EXIM Bank of China and the China Development Bank and their respective role in Chinese state's international development finance.

### 3.2.1 The Chinese Export-Import Bank

The Chinese Export-Import Bank (China EXIM) is the key political bank in China, established in 1994. It "provides export credits to Chinese companies and foreign clients, lends on foreign government loans for projects in China, offers foreign exchange guarantees and administers the Chinese government's concessional loans to foreign governments" (Bosshard 2008, p.2). In other words: Only part – and arguably a small part – of the bank's portfolio is in international development in a narrow sense; as its name suggests, the bank's main purpose is to foster Chinese trade relations and it thus provides buyers' and sellers' credits.<sup>xxxix</sup>

According to the aid policy, EXIM Bank is explicitly "responsible for the assessment of projects with concessional loans, and the allocation and recovery of loans" (GoC 2011). The extent to which EXIM Bank credits qualify as aid – and should thus be included in the reporting – is subject to debate (cf. Brautigam 2009, p.162ff).

A first aspect to consider when looking at EXIM Bank credits is that within the OECD-DAC definition, export credits are not part of ODA but are registered as OOF. ODA would have to, among other conditions, aim at the development of the recipient country, which is not the case with export credits.<sup>xl</sup> In its data, EXIM makes this distinction and does single out "preferential export buyers' credits" from other preferential loans.

A second, and somewhat more difficult, aspect in the ODA definition that is discussed with regard to Chinese loans is the degree of concessionality. In order to qualify as ODA, loans need to include a

grant element of at least 25% at a 10% discount rate.<sup>xli</sup> While Western countries account loans with a minimum of 25% grant element as ODA in their entirety, Chinese data follows a different rational, as Brautigam states. DAC members report the repayment of credits as subtractions from their ODA figures; the relevant figure from DAC donors is thus net aid. As China only reported the subsidies to credits in the first place, Chinese aid figures might thus actually be lower than DAC reporting standards would allow when the credit is provided:

*“...since Eximbank raises capital on its concessional loans from the market, the Ministry of Finance only includes in the budget what it pays Eximbank for the interest rate subsidy. For example, if Eximbank gave out \$100 million in a concessional loan with an interest rate of 2 percent, and the central bank lending rate was 6 percent, the annual subsidy would be 4 percent, or only \$4 million. So a \$100 million concessional aid loan given in 2009 ‘costs’ the foreign aid budget only \$4 million that year.” (Brautigam 2009, p.167)*

While these different practices with regards to reporting concessional loans level out over time (with regard to DAC net aid and Chinese figures), the distortion of figures appears at the time of credit provision, and therefore arguably in favour of the DAC donors. Chinese aid in this instance, however, could appear more beneficial than it is, as the degree of concessionality is not included in the reporting.

EXIM Bank’s annual reports are easy to locate on the homepage of its website, but they give little indication about business practices. The reports list high ranking international contacts, international meetings that were attended by Bank management, and some cooperation agreements, but speak little about the bank’s lending rates or detailed partner countries listings. Bearing in mind that foreign aid is a small part of EXIM’s business, reporting of these figures would ideally be done in a dedicated report on aid. For this to happen, however, aid would have to be understood as a distinct policy area from other external cooperation – or a distinct business activity within this area.

The 2011 White Paper indicates that the annual interest rate of concessional loans ranges “between 2% and 3%, and the period of repayment periods is usually 15 to 20 years (including five to seven years of grace)” (GoC 2011). China EXIM Bank has “sporadically” published press releases containing “some details of the number of projects, countries, and approximate size of the concessional lending programme” (Hubbard 2006, p.8). Data is thus apparently collected at project level. The terms of the individual loans are not reported in EXIM reports, nor are interests payments or debt forgiveness systematically recorded (ibid.), which led researchers to look through press releases, chase information in recipient countries and base their estimates and own calculations on these available pieces of information (cf. Brautigam 2009; Hubbard 2006, p.7). When calculating these estimates, it’s important to consider the degree of concessionality in order not to overestimate aid flows from China, as illustrated by the quote from Brautigam (2009).

Export credits as well as insufficiently concessional loans would not count as aid if ODA standards were applied, but rather as OOF (and the former are not “external assistance” by Chinese counting, either). Yet these types of financial flows are often included in estimates about aid. Similarly, reports of signed Memoranda of Understanding are often counted that might not lead to any specific activities afterwards. Or it might be a framework agreement that leads to the signing of contracts in specific areas – which are then double counted. These flaws lead to the circulation of oversized estimates of Chinese aid (cf. Lum et al. 2009; for the discussion: Brautigam 2009, p.166ff). At country

level, China is often a medium size development player, providing aid in the range of Belgium or Canada – with all caveats on the different accounting practices (for Rwanda, cf. Grimm et al. 2011).

### 3.2.2 China Development Bank and the China-Africa Development Fund

The China Development Bank (CDB) is another policy bank. Since 2008, the plan of transforming CDB to a “commercial” status was approved (Brautigam 2010, p.4). The bank’s mission is to improve Chinese competitiveness and the well-being of the Chinese people, as the CDB 2007 annual report states (available on the CDB website: <http://www.cdb.com.cn>). CDB has financed large infrastructure measures, for instance, the Three Gorges Dam in China (Bosshard 2008, p.3).<sup>xlii</sup>

The bank also provides non-concessional loans to Africa. With regards to cooperation policy, it’s important to note CDB as managing entity for the China-Africa Development Fund (CADFund), an equity fund created in 2006 as one of the measures announced by President Hu Jintao at the Beijing Summit of the Forum on China-Africa Cooperation. The fund is supposed to be operating by market principles and at enterprise-level (see box 3). There is relatively little specific information available on how the fund operates in African countries; this is currently ongoing research at the Centre for Chinese Studies.

#### Box 4: CADFund’s mandate

CADFund aims to promote economic cooperation between China and Africa and advance Africa’s economic development. By investing directly in Chinese enterprises which have set up operations in Africa or plan to invest in Africa, CADFund will push Chinese and African enterprises to reach their cooperation targets and facilitate infrastructure construction, as well as enhance the social and economic development of African countries. CADFund will embody the Chinese government’s diplomatic and economic policies towards Africa and boost a new type of strategic partnership between China and Africa.

CADFund invests in the Chinese enterprises whose trade and economic activities have reached or will reach Africa and the enterprises and projects in Africa invested or to be invested by Chinese enterprises.

CADFund works differently from economic aid to Africa in that it is not allocated by nation but independently operated and based on market economy principles; the Fund invests in projects and requires investment benefits. CADFund is also different from credits, it invests together with enterprises in projects and takes the risk, by that the CADFund not increases enterprises’ burden but increases enterprises financial resources. For the African countries, CADFund will not increase their debt. [...]

CADFund may provide management, consulting and financial advisory services for all types of Chinese enterprises (not limited to the financed enterprises) in order to better perform its role as a China-Africa cooperation bridge and to facilitate the exit and value maintenance of its investments.

Source: China Development Bank on CADFund <http://www.cdb.com.cn/english/Column.asp?ColumnId=176>

### 3.3 Investment data and enterprises

A quite substantial part of Chinese financial flows to Africa would not qualify as aid, but rather as foreign investment by enterprises. Discussion on Chinese financial flows to Africa will thus have to make a distinction between aid and investment – and arguably will have to look at the practice of reporting on both of them.

#### *Foreign Direct Investment*

Statistics on FDI flows are readily available from MOFCOM, including on a per country basis. The *Statistical Bulletin of China's Outward Foreign Direct Investment* is published annually, in a bilingual version (Mandarin and English). For the use and discussion of Chinese FDI data, see for instance Van der Lugt et al. (2011) for Southern Africa. On FDI, Chinese sources actually appear to be easier to obtain given that Western actors often either consider the African region as too marginal or do not disclose detailed figures as it might affect business details of specific companies (ibid.). Furthermore, in 2011, CAITEC, a think tank of MOFCOM, published the first annual report on *China-Africa Trade and Economic Relations in 2010* (CAITEC 2011), available also in English. The report provides a detailed account and context for investments and trade. While CAITEC also works on financial flows that are filed as external assistance, there is no planning for an annual report on aid (interview, 27 June 2011).

Data provided by Chinese institutions still comes with statistical challenges however, as financial transfers into Hong Kong and Macau are listed separately (as well as investment via other countries such as the Virgin Islands); the onward investments based on these transfers, subsequently invested elsewhere globally, are not easy to identify. In 2009, Hong Kong was second to the mainland in terms of outgoing FDI by only a relatively small margin (USD 56.53 bn from the mainland, USD 52.27 bn from Hong Kong) (MOFCOM/NBS 2009, p.76).

#### *Enterprise based information*

In the statistical yearbooks of the respective provinces, enterprises that are active abroad are listed. Furthermore, statistical yearbooks on specific sectors include aggregate data on international engagement. A number of companies also publish annual reports (see table 2).

The level of detail provided and the comprehensiveness of data, however, is very limited and stays at anecdotal level. The annual reports of CNPC, Huawei and China Road and Bridge Corporation, for instance, highlighted one or two corporate social responsibility (CSR) activities without providing specifics on deals or other more detailed data with a comprehensive overview of countries. In its 2010 report, CNPC reports on CSR activities in Iraq, Kazakhstan, Peru, Sudan and Venezuela. The level of detail can be illustrated with the case of Sudan:

*“In Sudan, the four-year project of the Public Welfare Fund Agreement (signed with the Ministry of Social Development in Khartoum State in January 2007) was officially launched, mainly targeting disadvantaged groups such as orphans, deaf-mute children, sick women, blind people and those lacking employment-related skills” (CNPC 2010 Annual report, p.8).*

**Table 2: Sources of company engagement in developing countries**

- China Building Industry Yearbook 1994–2008 in each year has a section on each of the large state owned building companies with a breakdown of country by country operations in many cases.
- China Railway Construction Corporation Limited Yearbooks 2007–2008. Activities reported by country.
- The Yearbook of Nonferrous Metals Industry of China 1994–2008.
- China Automotive Industry Yearbook 1994–2009.
- Websites of a number of companies contain detailed information and annual reports, inter alia:
  - China National Offshore Oil Company (CNOOC)
  - SinoPec
  - China National Petroleum Company (CNPC)
  - Huawei
  - ZTE Zhong Xing Telecom
  - China Telecommunications Company
  - SinoHydro
  - SinoChem
  - China Road and Bridge Corporation
  - Minmetals
  - Chinese National Machinery Import and Export
  - CHINALCO
  - Industrial and Commercial Bank of China

*Source: Thanks to Dawn Murphy of George Washington University, who provided this list based on her personal notes, 30 May 2011.*

Requirements for partnering with or subcontracting to local firms vary largely across African countries. Similarly, the existence of regulation for the inclusion of local labour force varies, as does the availability of qualified local staff – and according to these differences in regulation, in implementation of these rules and in local labour markets, Chinese practice varies across countries (cf. Brautigam 2010, p.35).



## 4. Evaluations and assessments

While some monitoring of policy speeches, state media and – to a limited extent – websites and reports might provide some (patchy) data on aid commitments and disbursements, almost nothing is disclosed about project success rates or impact assessments. According to Xinhua News Agency, “Chinese Vice Minister of Commerce Fu Ziyang said [...] that China has not found a single case of corruption in its aid projects to foreign countries during the past six decades” (Xinhua, 26 April 2011). This statement seems to be more a reflection of Chinese understanding of aid than necessarily of proper evaluation and monitoring. As Lancaster (2007) states:

*“Do they [the Chinese government] manage by results? Do they evaluate outcomes and impact of their aid? ‘No’ appears to be the answer to all of these questions though they do apparently check to make sure their aid monies were spent in the way planned (i.e. the planned road was constructed). Doing strategic planning, apart from the fact that the Chinese government does not appear to have the capacity to undertake that type of analysis, would be inconsistent with their policies of responding to preferences of their recipients.”*  
(Lancaster 2007, p.4)

In a mutually beneficial win-win situation, one can understand why conducting assessments on impact *for both sides* might be deemed unnecessary (and Chinese companies have won contracts in an international environment and thus had their gain). Yet, some need for evaluation and assessment to Chinese policy-makers seems obvious, not least so to ensure that value for money was delivered. In line with Lancaster’s statement above, Brautigam reports that in the case of a project in Equatorial Guinea “foreign architects were brought in to evaluate the work to ensure quality control” (ibid: 19, referring to Esteban 2009).

At least some anecdotal data was obviously collected for *China’s Foreign Aid* paper, not just (but possibly also) because of Western aid discourses. In the later sections of the paper focusing on policy areas, references are made to specific projects (see box 5). Information provided does not, however, specify costs, costing cycles, specific project periods or the implementing agencies/companies or which local partners were involved (if any).

### Box 5: Anecdotal project evidence in the policy paper on China’s Foreign Aid

“In Guinea-Bissau, Chinese agricultural experts helped build 11 demonstration areas for paddy rice, with a total growing area of 2,000 ha. They bred 530 tonnes of fine strains of rice, which were planted in areas totalling 3,530 ha. Several of the rice strains produced an output three times or more than the original output. In 2008, the Chinese agricultural experts were awarded first prize for scientific and technological progress by the Agricultural Department of Guinea-Bissau. Chinese experts assisted in the operation of a hybrid rice development and demonstration center in Madagascar, where 34 strains of Chinese hybrid paddy rice were grown, with average per-ha. output of eight tonnes, about two to three times the average output of local paddy rice.”

Source: GoC 2011

Assessments of Chinese projects would have to be made according to Chinese or host country standards, not the international standards that China often has not signed. Yet guidelines and standards in Chinese policies have changed rapidly over the last year and, in some instances, are

moving towards OECD standards. Brautigam refers to environmental standards like the Equator Principles adopted by the Chinese State Environmental Protection Agency (SEPA) or, more explicitly for the area of aid, guidelines for “Green Credit” adopted by EXIM Bank (Brautigam 2010, p.29).

It is clear from looking at the organogram of the EXIM Bank that there are units for evaluations (see annex A5), and Chinese colleagues report of being commissioned to assess specific projects. Reports, however, are not publically available.<sup>xliii</sup> Brautigam consequently also highlights that, “without considerable more transparency, it will be difficult to know the extent to which these guidelines are actually applied by China” (ibid).

## 5. Conclusions: Is China moving towards aid transparency?

**The Chinese government, overall, publishes less data than ‘traditional donors’, but provides more than usually believed.** Furthermore, the provision of information is evolving in the case of China; more data is currently available than in the previous decade and this illustrates some efforts for increasing transparency in Beijing. The accessibility of Chinese researchers on the issue of aid provision (and the steeply increased interest in the topic in Chinese academia) are additional positive points to highlight.

Finding information on Chinese aid is like putting together a jigsaw puzzle. This is of course also the case with other donors but the missing pieces are still larger and often less comparable in the case of China. The Chinese jigsaw is particularly difficult at country level and more systematic, comparable information on lending conditions would be desirable from an aid transparency perspective. Not all demands for more aid transparency are exclusively directed to Beijing: Information could be provided by borrowing governments, who, it seems, prefer not to publish the details of their Chinese deals. At times, Chinese sources are providing pieces of a bigger puzzle and sometimes a glimpse at the overall picture (without showing the jigsaw pieces). What is not made available is the complete, timely picture with all pieces of one puzzle at the same time. Not surprisingly, the information published in Chinese is somewhat more detailed. Some Chinese researchers have stated that they refer to Western figures to get a better grasp of the information available. Others, not least in think tanks, get more detail when speeches for state visits have to be prepared, as that is a time that good reason for the interest in detailed statistics can be given and data might be provided.

When considering how unsystematically the information is provided, the questions that arise are: Are Chinese actors interested in aid transparency at all? This question has at least three elements: **(1) Is the information actually collected? (2) What are the incentives for Chinese actors to publish more – or rather more systematic – information? and (3) Is there an interest in cooperating with international institutions on aid transparency?**

First, in the section on policies, strategies and procedures, we have given some indication of the levels of information collected and published, even if not comprehensively or systematically. This data is generally not immediately comparable to OECD data or IATI. In some instances, interventions might not be accounted for “with a price tag”, for example in the cases of volunteers or sending experts abroad. This information might actually be included in cost calculations of implementing companies but not known to or collected by government statisticians. In exchanges with Chinese colleagues, the lack of a central monitoring agency for Chinese aid is frequently raised and criticised.<sup>xliiv</sup> Yet quite a lot of data seems to be available and more will have been collected by Chinese actors, not least so by the EXIM Bank and by enterprises. Chinese officials in MOFCOM will know how much money was granted by the ministry to which country in which year, even if the level of details might differ over time and accounting methods might have changed. Unfortunately, the key level of information – systematically disclosed by country – is not available.

**Secondly, the question of incentives:** The non-publication of country-by-country data is a fact that has also been critiqued by a number of Chinese colleagues that we have contacted, some of whom stated that they use Western estimates as well as they cannot obtain other data. To some degree,

however, this situation is maybe also politically desired, as indicated in section 2 of this paper. Reasons that emerged or were cited during this research include:

- (i) Concerns around domestic challenges of the legitimacy of Chinese aid (“Why give money away when China still has so much poverty – and why to those (at times wealthier) places?”).
- (ii) Defensiveness towards the still more substantial Western actors (China being equivalent to a medium-size DAC donor at country level – but politically much more important and ambitious globally).
- (iii) Irritation towards what is felt to be a persistent and pushy international aid community (including NGOs) that operates with DAC standards (on statistics, on untying of aid, on procedures) as a reference point.
- (iv) Avoiding pressure from partner countries that compare their share of aid to that of other places (“Why does country X get more than we do?”).
- (v) Some instances where capacity development is still in progress when it comes to statistical details of how to track and consistently account for funds across the government system (horizontally across portfolios and vertically across levels of government, including provinces).

It is of course true to some extent that partner governments are told and know how much they receive from China and there are a number of questions about including aid transparency issues in the general discussion about the budget transparency of recipient countries.<sup>xlv</sup> The level of transparency in African countries is at times limited more generally in part because there is extremely limited capacity to collect comprehensive and timely information from donors and incorporate them into their domestic systems.

**Thirdly, there appears to be interest on the Chinese side in working with international partners also on the aspect of aid transparency** – and at least to better understand the technical details involved. Some indicators for a Chinese interest can be found, even if political considerations might still trump calls for more transparency. The publication of *China’s Foreign Aid* is one such indicator. The MOFCOM website reports about contacts with the OECD with regard to exchanges on statistics; China participated as an observer in the DAC peer review of the UK’s aid programme; there is an active exchange within the DAC-China Study Group (on identifying good practice on both sides); and there have been exchanges with the World Bank (here: the International Finance Corporation) and its team on social responsibility in training on the Equator Principles (cf. Brautigam 2010, p.32). Last but not least, standards in China are quickly evolving, not least with regard to environmental standards. As international cooperation should work towards Chinese or host country standards, there should be improvements in this area (and challenges for China with regard to implementing these standards, at home and abroad, of course). This interest, however, does not mean that China will be working towards OECD-DAC standards anytime soon, if at all.

The key debate in which to engage with Chinese authorities appears to be that of South-South Cooperation. The concept of South-South Cooperation might not be well defined at present; yet it is an existing flow and is developing its own discourse on what is good practice in this form of cooperation. Donors attempting to implement an international standard for the publication of aid information will presumably have to engage with this debate, as is done in the Task Team on South-South Cooperation under the Working Party on Aid Effectiveness, hosted by the OECD. The United

Nations might be the politically least contested agency to collect data, but it is riven with internal debates and will not provide an independent actor any time soon. The G20, for their part, have started discussing fundamental principles on what the quality of aid should be, but are only just beginning debates and would face substantial legitimacy questions (and practical obstacles) if they were aspiring to collect data. Perhaps the easiest and quickest improvement, however, would be clear articulation of demand from recipient governments for Chinese information to be disclosed at country level within the comparable standards of the international framework that has emerged through IATI. The Chinese government, in any case, does not appear to actively prevent recipients from publishing information, so the already available pieces of information could also be released by recipients.

## 6. Recommendations

Given that there does appear to be an interest on the Chinese government's side in working with international partners in some areas of greater information provision, a series of practical steps is outlined below as to how this work might be approached. There are also recommendations set out for recipient governments in relation to their inflows from China.

In general, framing the discussion in terms of "aid transparency" might not be helpful as the concept does not particularly resonate in a Chinese context. The international framing of greater information disclosure, particularly in terms of comparable standards, has been made based on a terminology developed around traditional donors' aid. Chinese officials would therefore need to be willing to work with that framing. At the same time, attempts to engage Chinese actors are likely to be best framed in terms of the existing discourse on "South-South Cooperation".

These practical steps outline a series of initial and longer-term actions that focus on gaining a better understanding of what information is already collected by each of the Chinese agencies and how this compares with the scope of information that will be published as part of the existing international aid transparency standard.<sup>xlvi</sup> Sharing some information might require political consideration and the willingness to publically explain decisions on aid allocations; but there is little clear political or economic reason for Chinese reticence about systematically making available information in most other instances, such as for contributions to multilateral agencies and the activities of EXIM Bank.

The following proposal builds on work undertaken also as part of the Brazilian-US led Open Government Partnership<sup>xlvii</sup> (OGP) and the International Aid Transparency Initiative.

**1) Initial steps:** Assess, test and develop a publication schedule for aid information that Chinese agencies already hold in line with the emerging best practice standard set out in IATI.<sup>xlviii</sup>

**2) More substantial steps:** Publish existing information already held by these agencies, in line with best practice, and facilitate the dissemination and use of this information, particularly by recipient country governments in the first instance.

**3) More ambitious steps:** Build systems to collect data that is not currently held and invest in the accessibility and use of that information in China itself.

The **initial steps** would involve a shift in approach for the Chinese government. However, given the recent developments outlined above such as the publication of the White Paper and the exchanges in the DAC-China Study Group, as well as the aspiration to include China more significantly in HLF-4 and the Working Party on Aid Effectiveness, the time may be ripe for moving the conversation forward. This shift might therefore usefully include China's consideration of the broader information disclosure agenda and explicit engagement in IATI. As with the US government, the number of relevant governmental or semi-governmental agencies and actors in China means that to be able to engage coherently and effectively is likely to require some technical level investment and an institutional mechanism (such as the 'interagency coordination mechanism' that was created in February 2011, see p. 13 above).

Beyond potential political challenges, there are likely to be internal systems considerations that will need to be addressed in order to implement steps 2 (publishing existing information) and 3

(collecting new information). This is likely to be significant at the project and transaction level, particularly given the scattered locations of where this information is at present – including significant amounts being held within each of the agencies.

An overarching consideration, but perhaps particularly relevant to step 3 and the engagement with this information domestically, is that moves towards providing greater aid information to China domestically clearly also need to be situated in broader discussions of how to justify and explain these external flows to Chinese taxpayers, not least with a view to remaining levels of absolute poverty in China. More information is likely to be an important component of encouraging Chinese public engagement, regardless of whether these justifications are made in terms of global leadership or moral obligation, or (enlightened) self-interest to invest in the eradication of poverty and create commercial partners elsewhere; which in turn also helps to fight poverty ‘at home’. The justification for Chinese foreign assistance is generally made in terms of the mutual benefit and gain to both the Chinese public and the recipient country.

There are lessons to learn from the DAC donors about the role of information in building a more resilient constituency for supporting, or at least accepting, these flows by building in better information availability and comparability to other donors’ contributions from the outset. Lack of timely, comparable information has contributed to high levels of misconception and misinformation in western donor countries with estimates of aid spending as high as 20% of expenditure (when they are less than 1% in reality).<sup>xlix</sup> Better Chinese information availability and comparability to other aid actors would also help combat the international myths of the size of Chinese aid that reflect back into domestic debates.

With the current renewed emphasis on ‘value for money’ and ‘results’, information is also proving vital in both making the case for aid, as well as being able to undertake the analysis of results beyond the gains in international exposure of Chinese enterprises that implement projects. This would provide more arguments for a balanced win-win situation, as advocated by the Chinese government.

Clearly **aid recipient countries** also have a role to play in ensuring that their need and request for more comprehensive, timely and comparable information about donors’ activities and plans are being met, regardless of whether the donor is a member of the OECD-DAC or not. Important recent clarifications and positions have emerged from groups of recipients on their role in increasing aid transparency. The most clearly articulated and comprehensive of these is the CABRI position on aid transparency.<sup>1</sup> China in this context is also a recipient of aid resources and the below, while conceived of as being about those receiving funds from China and other external sources, might also be relevant for China itself.

In practical terms, non-DAC flows are often not included in recipient government’s approaches to aid information management or discussions about improving aid effectiveness. That these activities and actors are not included will in time undermine the impact of the investment in these aid information and management discussions and systems (they are not comprehensive). Beyond that it will also reduce the political traction and thus sustainability of recipient countries efforts, creating an excuse for the DAC and transitional aid actors to disengage (why us and not them?).

Drawing on the work undertaken by CABRI and the work undertaken by the OGP, the general steps towards achieving aid transparency for recipient countries include:

- 1) Initial steps:** Investing in and demanding the use of the emerging best practice standard on aid transparency, ensuring that it also delivers on recipient country needs. Specifically this might involve joining the 22 partner countries that have endorsed IATI and ensuring the work on the budget comparability of aid information within the IATI standard is finalised.
- 2) More substantial steps:** Improve and align within government the various aid and domestic resources and budget planning and management system and structures to best use information supplied and provide a coordinated and comprehensive demand of the donors to their country.
- 3) More ambitious steps:** Make aid information more user-friendly and accessible to the public and encourage public oversight through proactive engagement in both aid and domestically raised resource accountability efforts.



## 7. Literature

Ajakaiye, O. (2006): China in Africa – Opportunities and Challenges. Presentation at the African Union Task Force on Strategic Partnership Between Africa and the Emerging Countries of the South. Addis Ababa, 11–13 September 2006.

Bosshard, P. (2008): China's Environmental Footprint in Africa. SAIIA policy briefing, China in Africa, No.3, April 2008, Johannesburg: South African Institute of International Affairs.

Brautigam, D. (2011): Aid 'with Chinese characteristics': Chinese foreign aid and development finance meet the OECD-DAC aid regime. In: Journal of International Development 23, pp. 752–764.

Brautigam, D. (2010): China, Africa and the International Aid Architecture. Manuscript of March 2010.

Brautigam, D. (2009): The Dragon's Gift – The Real Story of China in Africa. Oxford: Oxford University Press.

CABRI [Collaborative Africa Budget Reform Initiative] (2011): CABRI Position on Aid Transparency. Pretoria: Collaborative Africa Budget Reform Initiative.

CABRI (2011): Status Report – Good Financial Governance in Africa. Pretoria: Collaborative Africa Budget Reform Initiative.

CAITEC [Chinese Academy of International Trade and Economic Cooperation] (2011): China-Africa Trade and Economic Relationship. Annual Report 2010. Beijing. [www.caitec.org.cn](http://www.caitec.org.cn)

CCS [Centre for Chinese Studies, Stellenbosch] (2010): Evaluating China's FOCAC commitments to Africa and mapping the way ahead. Stellenbosch: Centre for Chinese Studies.

Chun, H., Munyi, E. & Lee, H. (2010): South Korea as an emerging donor: Challenges and changes on its entering OECD/DAC, in Journal of International Development 22 (2010), pp. 788–802.

Davies, M. (2008): How China delivers development assistance to Africa. Stellenbosch: Centre for Chinese Studies.

FOCAC IV (2009): Forum on China-Africa Cooperation Sharm el Sheikh Action Plan (2010–2012).

Government of China (2011): China's Foreign Aid. Information Office of the State Council, People's Republic of China, Beijing, 21 April 2011.

Government of China (2010): China-Africa Economic Trade Cooperation. Information office of the State Council, People's Republic of China, Beijing, 23 December 2010.

Grimm, S. (2011a): China's aid policy white paper: Transparency now?, CCS Commentary, published on the website of the Centre for Chinese Studies, Stellenbosch University, on 5 May 2011, cf. [www.sun.ac.za/ccs](http://www.sun.ac.za/ccs)

Grimm, S. (2011b): South Africa as a Development Partner in Africa, EDC2020 Briefing Paper. Bonn: EADI.

Grimm, S., Höß, H., Knappe, K., Siebold, M., Sperrfechter, J. & Vogler, I. (2011): Coordinating China and DAC development partners: Challenges to the aid architecture in Rwanda. Bonn: Deutsches Institut für Entwicklungspolitik / German Development Institute, (Studies 56).

Grimm, S. & Harmer, A. (2005): Diversity in Donorship: The changing landscape of official humanitarian aid, HPG background paper for an ODI study on the growing diversity of official donors in international humanitarian action, London: Overseas Development Institute.

He, W. (2010): Evaluation Report of the Cooperation Project between Confederation of Norwegian Enterprises, China Enterprise Confederation and Federation of Uganda Employers [sic], manuscript, Beijing, 26 October 2010.

Horky, O. (2010): The Europeanisation of development policy: Acceptance, accommodation and resistance of the Czech Republic, Discussion Paper 18/2010, Bonn: Deutsches Institut fuer Entwicklungspolitik/ German Development Institute.

Hubbard, P. (2007): Aiding Transparency: What We Can Learn About China Exim Bank's Concessional Loans. Working Paper 126, Washington, D.C.: Center for Global Development.

John de Sousa (2010): Brazil as an emerging actor in international development cooperation: A good partner for European donors? Briefing Paper 5/2010. Bonn: Deutsches Institut fuer Entwicklungspolitik / German Development Institute.

Kobayashi, T. (2008): Evolution of China's Aid Policy. JBICI Working Paper, April 2008, Tokyo: JBIC Institute.

Lancaster, C. (2007): The Chinese Aid System. Essay. Washington, D.C.: Center for Global Development.

Lum, T., Fischer, H., Gomez-Granger, J. & Leland, A. (2009): China's Foreign Aid Activities in Africa, Latin America and Southeast Asia. CRS Report for Congress, R40261. Washington, D.C.: Congressional Research Service.

Ministry of Commerce / National Bureau of Statistics (2010): 2009 Statistical Bulletin of China's Outward Foreign Direct Investment.

Van der Lugt, S., Hamblin, V., Burgess, M., & Schickerling, E. (2011): Assessing China's Role in Foreign Direct Investment in Southern Africa. Stellenbosch: Centre for Chinese Studies.

## Annex

### A1 AidData Project on Chinese Aid

“Spurred by a lack of comprehensive, publicly available data on China’s aid giving, this project collects information on China’s foreign aid from the China Commerce Yearbook (中国商务年鉴) and the Almanac of China’s Foreign Economic Relations and Trade (中国对外经济贸易年鉴), published annually by China’s Ministry of Commerce (MOFCOM). Data is reported for each year between 1990 and 2005, with the exception of 2002, in which year China’s Ministry of Commerce published no project-level data on its foreign aid giving.

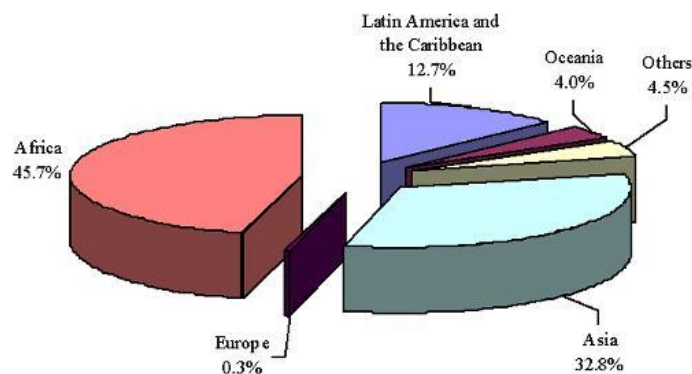
Each almanac/yearbook published by China’s Ministry of Commerce reports on several different components of Chinese aid giving. These components include such categories as number of medical teams dispatched (中国派遣医疗队), number of technical assistance projects aided by China (中圈援建成套项目技街合作情况), comprehensive projects assumed/undertaken (对外承担成套项目), and comprehensive projects completed (对外援助成套项目建成). While these reports contain much interesting data, the only category for which project-level data was available was the “comprehensive projects completed” section of each report. Thus our dataset from 1990 to 2005 (excluding 2002) contains information taken exclusively from the “comprehensive projects completed” section of each year’s almanac.

We recognize that in reporting only “comprehensive projects completed” from the Ministry of Commerce almanacs from 1990 to 2005, this dataset represents only a small fraction of the total aid given by China. This, however, is the only project-level data we could obtain which was presented in a consistent and comprehensive manner over a period of years. We most certainly intend to supplement our existing dataset with further project-level data as it becomes available.”

**Source:** AidData website, <http://www.aiddata.org/research/china> (accessed 29 May 2011).

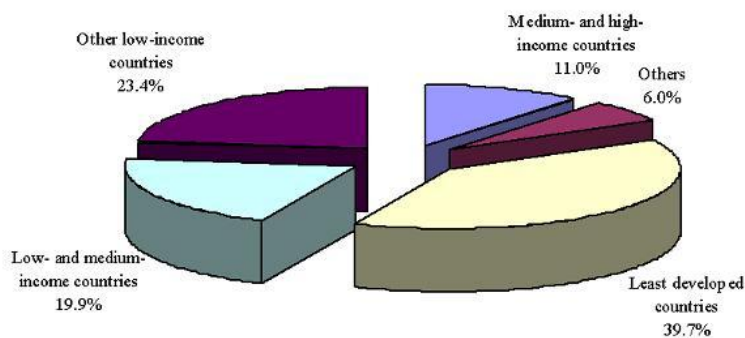
## A2 Geographical distribution of Chinese Foreign Aid

Figure 2 Geographical Distribution of China's Foreign Aid Funds in 2009



Graphics shows the figures of geographical distribution of China's foreign aid funds in 2009, according to a white paper on China's foreign aid issued by China's Information Office of the State Council on April 21, 2011. (Xinhua/China's Information Office of the State Council)

Figure 3 Distribution of China's Foreign Aid According to the Income Level of Recipient Countries in 2009



Graphics shows the distribution of China's foreign aid according to the income level of recipient countries in 2009, according to a white paper on China's foreign aid issued by China's Information Office of the State Council on April 21, 2011. (Xinhua/China's Information Office of the State Council)

**Source:** China's Foreign Aid, Information Office of the State Council, The People's Republic of China, April 2011, Beijing.

## A3 Table on Sectorial Distribution of Complete Projects of China (by the end of 2009)

Table 1 Sectoral Distribution of Complete Projects Overseas Completed with the Help of China (by the end of 2009)

| Sector   | Number of Projects |
|--|--------------------|
| <b>Agriculture</b>                             | <b>215</b>         |
| Farming, animal husbandry and fisheries        | 168                |
| Water conservancy                              | 47                 |
| <b>Public Facilities</b>                       | <b>670</b>         |
| Conference buildings                           | 85                 |
| Sports facilities                              | 85                 |
| Theaters & Cinemas                             | 12                 |
| Civil buildings                                | 143                |
| Municipal facilities                           | 37                 |
| Wells and water supply                         | 72                 |
| Science, education and health care             | 236                |
| <b>Economic Infrastructure</b>                 | <b>390</b>         |
| Transport                                      | 201                |
| Power supply                                   | 97                 |
| Broadcasting and telecommunications            | 92                 |
| <b>Industry</b>                                | <b>635</b>         |
| Light industry                                 | 320                |
| Textiles                                       | 74                 |
| Radio and electronics                          | 15                 |
| Machinery industry                             | 66                 |
| Chemical industry                              | 48                 |
| Timber processing                              | 10                 |
| Building materials processing                  | 42                 |
| Metallurgical industry                         | 22                 |
| Coal industry                                  | 7                  |
| Oil industry                                   | 19                 |
| Geological prospecting and mineral exploration | 12                 |
| <b>Others</b>                                  | <b>115</b>         |
| <b>Total</b>                                   | <b>2,025</b>       |

Note: Data in this table exclude projects undertaken with concessional loans.

**Source:** China's Foreign Aid, Information Office of the State Council, The People's Republic of China, April 2011, Beijing.

## A4 Statistics of Chinese Debt Cancellation from China's Aid Policy

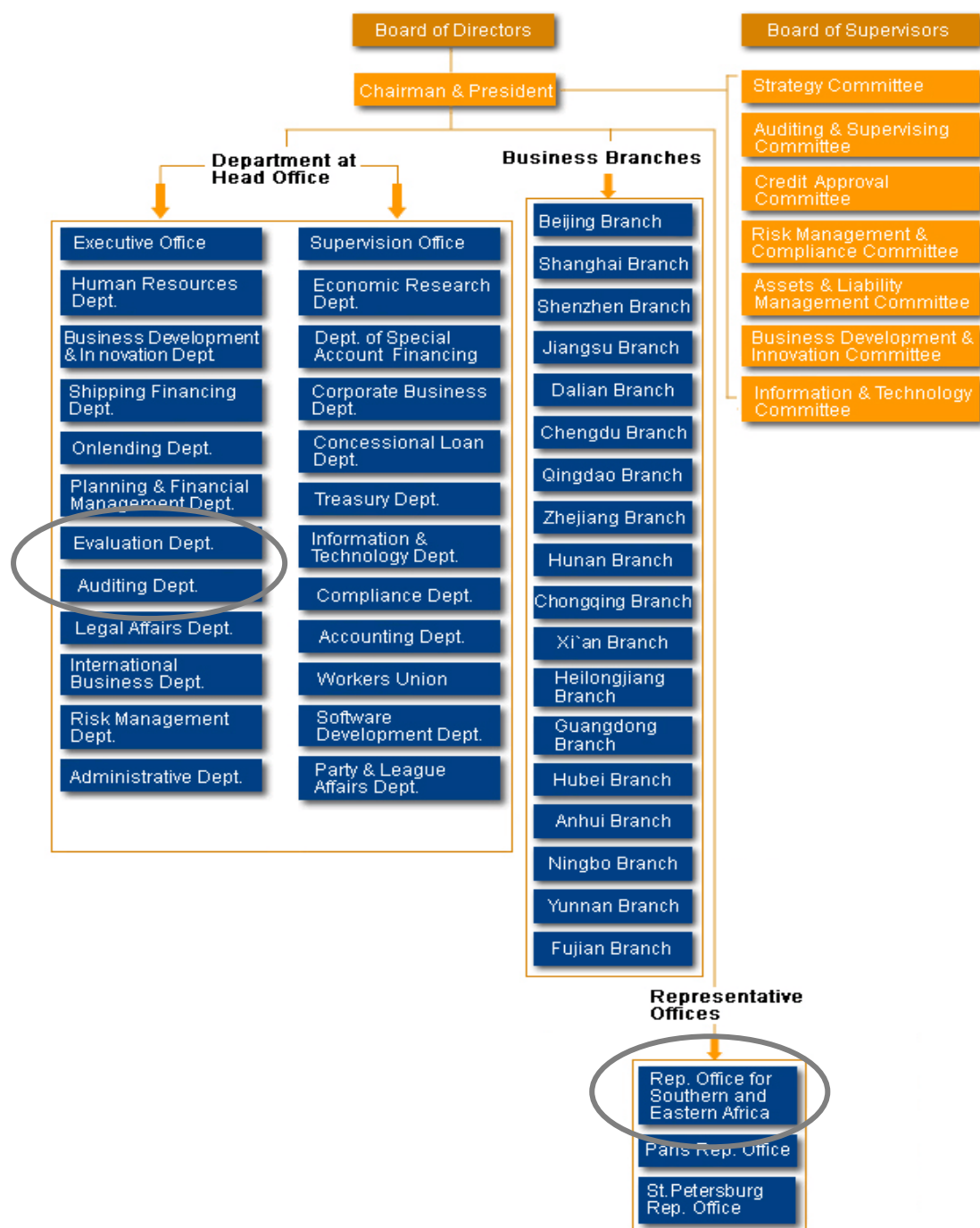
**Table 2 Statistics on Debts Owed to China That Have Been Canceled by the Chinese Government (by the end of 2009)**

| <b>Region</b>                   | <b>Number of Countries</b> | <b>Number of Debts Canceled</b> | <b>Amount Canceled</b><br>(Unit: 100 million yuan) |
|---------------------------------|----------------------------|---------------------------------|--|
| Africa                          | 35                         | 312                             | 189.6  |
| Asia                            | 10                         | 41                              | 59.9   |
| Latin America and the Caribbean | 2                          | 14                              | 4.0  |
| Oceania                         | 3                          | 13                              | 2.3  |
| Total                           | 50                         | 380                             | 255.8  |

Graphics shows the figures of debts owed to China that have been cancelled by the Chinese government by the end of 2009, according to a white paper on China's foreign aid issued by China's Information Office of the State Council on April 21, 2011. (Xinhua/China's Information Office of the State Council)

**Source:** China's Foreign Aid, Information Office of the State Council, The People's Republic of China, April 2011, Beijing.

## A5 Organogram of China EXIM Bank



<sup>i</sup> Publish What You Fund receives financial support from the William and Flora Hewlett Foundation, the Open Society Foundations, CAFOD, Christian Aid, Development Initiatives, ONE, Tiri, Water Aid and World Vision: [www.publishwhatyoufund.org](http://www.publishwhatyoufund.org)

<sup>ii</sup> See 'South-South Development Cooperation: A challenge to the Aid System?', Reality of Aid, 2010, for more on aid flows from southern governments to southern countries, including a section on Chinese development assistance, pp. 6–7.

<sup>iii</sup> South-South Cooperation is the exchange of resources, technology, skills and knowledge between developing countries.

<sup>iv</sup> See 2011 Survey on Monitoring the Paris Declaration and The Evaluation of the Paris Declaration: Phase 2 Final Report, both available from the OECD-DAC website:

[http://www.oecd.org/document/44/0,3746,en\\_2649\\_3236398\\_43385196\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/44/0,3746,en_2649_3236398_43385196_1_1_1_1,00.html)

<sup>v</sup> Most recently, the G8 Communiqué of 27 May 2011 made reference to the need for increased aid transparency; with the Fourth High Level Forum at the end of the year set as a milestone for advancing the efforts of aid donors.

<sup>vi</sup> For more on the Working Party on Aid Effectiveness visit:

[http://www.oecd.org/document/35/0,3746,en\\_2649\\_3236398\\_43382307\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/35/0,3746,en_2649_3236398_43382307_1_1_1_1,00.html)

<sup>vii</sup> The OECD website provides a history of the High Level Forums on aid effectiveness:

[http://www.oecd.org/document/63/0,3746,en\\_2649\\_3236398\\_46310975\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/63/0,3746,en_2649_3236398_46310975_1_1_1_1,00.html). For more on IATI see <http://aidtransparency.net/>.

<sup>viii</sup> See <http://www.aidtransparency.net/wp-content/uploads/2009/06/iati-accra-statement-p1.pdf>

<sup>ix</sup> See 2011 Survey on Monitoring the Paris Declaration and The Evaluation of the Paris Declaration: Phase 2 Final Report: [http://www.oecd.org/document/44/0,3746,en\\_2649\\_3236398\\_43385196\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/44/0,3746,en_2649_3236398_43385196_1_1_1_1,00.html)

<sup>x</sup> These characteristics of aid transparency were derived following a consultation process around the Publish What You Fund principles and refer to the aid transparency commitments made in the Accra Agenda for Action. For more on the Publish What You Fund principles see:

<http://www.publishwhatyoufund.org/files/PWYF-Principles.pdf>

<sup>xi</sup> Agencies currently publishing to the IATI registry are the World Bank, the UK Department for International Development, the William and Flora Hewlett Foundation and Development Initiatives Poverty Research.

<sup>xii</sup> See <http://www.publishwhatyoufund.org/news/2011/07/one-third-global-aid-be-published-iati-hlf-4/>

<sup>xiii</sup> CABRI is a professional network supporting senior budget officials. Started in 2004, it now represents 37 African countries: <http://www.cabri-sbo.org/en>

<sup>xiv</sup> See <http://stats.oecd.org/glossary/detail.asp?ID=6043> for the OECD-DAC definition of development assistance.

<sup>xv</sup> Specific thanks to Deborah Brautigam for highlighting this fact in her comments on an earlier draft.

<sup>xvi</sup> The overall value for three of the four projects for 2009 to 2011 is ZAR 49.2 million, i.e. around USD 7.2 million. Projects in South Africa are:

- an agricultural demonstration centre (aquaculture) (ZAR 28 million);
- refurbishment of the 4 FET Colleges;
- training of artisans (ZAR 1.6 million); and
- various capacity building measures (ZAR 19.6 million).

Also indicated are the spending agencies in South Africa, namely: the Department of Agriculture, the Department of Education, the Presidency and 'all departments'. The financial value of the refurbishment project is not listed.

<sup>xvii</sup> There is no English translation for the 2010 article (on 2009) available. Other years provide English versions of the article.

<sup>xviii</sup> The scarcity of aid data is contrary to that for investment figures, which are available per country (and more easily so than in some Western countries, cf. van der Lugt et al. 2011).

<sup>xix</sup> DAC statistics also include data for some non-DAC members. The table for 2010 also report figures for 11 non-DAC states, including – besides numerous EU member states – Iceland, Israel, Thailand, Turkey and the



---

United Arab Emirates (cf. [http://www.oecd-ilibrary.org/development/development-aid-net-official-development-assistance-oda\\_20743866-table1](http://www.oecd-ilibrary.org/development/development-aid-net-official-development-assistance-oda_20743866-table1), accessed 29 May 2011).

<sup>xx</sup> For some DAC member states, costs for foreign students and the credit part of their subsidised loans sum up to quite a substantial proportion of their ODA. Repayments of loans, on the other hand, are subtracted from ODA figures.

<sup>xxi</sup> See <http://english.peopledaily.com.cn/90001/90777/90856/7232743.html>

<sup>xxii</sup> UK House of Parliament, The World Bank – International Development Committee;  
<http://www.publications.parliament.uk/pa/cm201011/cmselect/cmintdev/606/60604.htm>

<sup>xxiii</sup> One example is of the Chinese Ambassador to Ethiopia, Gu Xiaojie, stating in an opening ceremony for a Chinese cement factory that “there were more than 700 Chinese investment projects with a volume at USD 1.2 billion by November 2008” (8 August 2010). The source for this statement is the website of the Chinese Ministry of Foreign Affairs, <http://www.fmprc.gov.cn/eng/wjb/zwjg/zwbd/t722581.htm> (accessed 29 May 2011). Note that this source speaks about investments and that reference is made by the ambassador to an Ethiopian source in this case. Alternatively, beneficiary countries media might cover interviews with Chinese officials that are also reported on by the Ministry of Foreign Affairs, such as an interview with Mr. Zhang Peng from the Economic and Commercial Office of the Chinese Embassy, interviewed by Grenada Broadcasting Network on 25 May 2011. No link to the interview was provided however. Cf. <http://www.fmprc.gov.cn/eng/wjb/zwjg/zwbd/t825131.htm> (accessed 29 May 2011).

<sup>xxiv</sup> Four countries in Africa maintain diplomatic relations with Taiwan: Burkina Faso, The Gambia, Sao Tome & Principe and Swaziland. Note that the overall number of countries in Africa in 2009 was 54. Data before this year might include more countries, as some African states have in the past switched recognition between Taiwan and the mainland, not least to create a lucrative negotiation chip with either of the two. Brautigam (2010, p.4) names Swaziland as the only African country to have never received Chinese aid. Additionally, she has stated that Libya and Western Sahara have never received Chinese aid either (comments to earlier draft of this paper, 18 July 2011).

<sup>xxv</sup> This comparatively high level of high income countries arguably reflects the political nature of Chinese cooperation, notably as a tool in the diplomatic competition with Taiwan/Chinese Taipei. The comparative aggregated figure for DAC countries are at 5% for this group of countries [the author would like to thank Richard Manning for providing this figure when peer reviewing this paper].

<sup>xxvi</sup> Similar debates were (and continue to be) led in other (re)emerging donor states, such as the new EU member states of the Czech Republic, Poland and Slovenia (cf. Harmer/Grimm 2005; Horky 2010).

<sup>xxvii</sup> Conversions based on an exchange rate of 0.1545 RMB for the US Dollar and 0.108 RMB for the Euro.

<sup>xxviii</sup> The costs for personnel deployed to projects in developing countries will have been calculated by bidding companies, or should at least be detectable at the end of a project. However, it is not clear if costs for state employees that are sent abroad (such as medical personnel) were fully calculated and reported through the central budget in the past.

<sup>xxix</sup> For a discussion on the use of grants vs. loans by the recent DAC member South Korea, cf. Chun et al. 2010.

<sup>xxx</sup> For more details on the medical team in Rwanda as an example, see Grimm et al. 2011.

<sup>xxxi</sup> [http://english.eximbank.gov.cn/businessarticle/activities/loan/200905/9398\\_1.html#](http://english.eximbank.gov.cn/businessarticle/activities/loan/200905/9398_1.html#)

<sup>xxxii</sup> Discussed by Clever Mopature of the University of Namibia for the case of Namibia at a conference in Tshwane, South Africa, 26 May 2011.

<sup>xxxiii</sup> As a Rwandan official stated: money that Rwandan officials cannot put their hands on [for national planning] is only second best (cf. Grimm et al. 2011).

<sup>xxxiv</sup> Lancaster also relates that ambassadorial conferences take place “periodically to propose aid levels for their countries and that individual project proposals are vetted by country desk officers in the Ministry of Foreign Affairs” (2007, p.4).

<sup>xxxv</sup> Within the Chinese system, state and party roles are interwoven and both have to be considered. Neither the foreign minister nor the minister of commerce are part of the innermost circle of the CCP, namely the Politbureau, which is among the key determinant of power in China. Yang Jiechi, the current foreign minister,

---

is member of the state council in his function as foreign minister. He is, like his colleague in Commerce, a member of the 204-member strong 17<sup>th</sup> Central Committee of the Chinese Communist Party.

<sup>xxxvi</sup> An insightful Chinese researcher estimated the share of aid administered through MOFCOM at around 90%. Much of the remaining 10% is likely to be attributed through the Ministry of Finance in the form of contributions to multilateral agencies.

<sup>xxxvii</sup> Particular thanks for this section goes to Dawn Murphy of George Washington University for her kind sharing of notes.

<sup>xxxviii</sup> Beyond this contract situation, “[s]ome state owned enterprises may be providing aid-like transfers abroad” (Lancaster 2007, p.2), which presumably hints at measures that are regarded as corporate social responsibility (CSR) and which are reported in these SOEs annual reports as highlights. The mention of these contributions is likely to be linked to them being state-owned; the contributions are, however, subject to CSR measures that one could observe also for large private corporations.

<sup>xxxix</sup> The EXIM website also contains an image film on the bank. It provides the big picture of EXIM business – and does mention concessional loans as one area among others (<http://www.eximbank.gov.cn/>).

<sup>xl</sup> There is a long history of subsidised export credits counting as ODA, e.g. French Credit Mixte and the UK’s old Aid and Trade Provision. These were scored as ODA provided that they met DAC’s concessionality rules. [The author would like to thank Richard Manning for this comment.]

<sup>xli</sup> This means that a loan must be 20% cheaper than a loan with no grace period at an assumed rate of 10% interest. This somewhat arbitrary interest rate of 10% can, of course, be criticised in a period of low interest rates. With the current loan rates at the international finance market, a large proportion of loans can easily be accounted for as ODA even if their rate is substantially *above* that of commercial loans (cf. Brautigam 2011: 754f).

<sup>xlii</sup> One way of looking at CDB is as China’s equivalent of the European Investment Bank, i.e. a major domestic project financier with a relatively small set of external mandates to lend abroad. The main difference is that EIB lending can be subsidised by EDF and other sources of soft funds. [The author would like to thank Richard Manning for this comment.]

<sup>xliiii</sup> At least for a trilateral project involving a Norwegian, Chinese and a Ugandan partner, the author has seen an evaluation report which provides a qualitative assessment based on interviews with involved parties (He 2010). This project, however, was not funded by MOFCOM aid money and it is not clear if this is standard practice for Chinese projects. At least interviews with local partners (or beneficiaries) of projects seem to be unusual.

<sup>xliiv</sup> For example in personal communications of 21 May, 23 May (ii) and 24 May 2011.

<sup>xliiv</sup> See ‘Status Report: Good Financial Governance in Africa’, CABRI, March 2011: <http://www.cabri-sbo.org/en/programmes/goodfinancialgovernance>

<sup>xlivi</sup> See <http://iatistandard.org/standard> for more on the components of the IATI Standard.

<sup>xliiii</sup> For more on the Open Government Partnership see: <http://www.opengovpartnership.org/>. The report that these steps are drawn from is Opening government: A guide to best practice in transparency, accountability and civic engagement across the public sector, Transparency and Accountability Initiative, 2010, p.6.

<sup>xliiii</sup> Examples of other donor schedules can be found at: <http://www.aidtransparency.net/implementation>

<sup>xlix</sup> For example surveys undertaken in 2006 and 2009 found that respondents gave average estimates of between 18.5% and 23% being spent of foreign assistance when the actual levels were less than 1%. See ActionAid opinion poll on public attitudes to aid: [http://www.actionaid.org.uk/doc\\_lib/poll\\_summary.pdf](http://www.actionaid.org.uk/doc_lib/poll_summary.pdf) and InterAction’s research on public perceptions of foreign assistance: [http://www.interaction.org/sites/default/files/MD\\_July09.pdf](http://www.interaction.org/sites/default/files/MD_July09.pdf)

<sup>l</sup> CABRI position paper available at: <http://www.cabri-sbo.org/en/news/170-aid-transparency-la-transparence-de-laide-a-transparencia-de-ajuda>