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Chinese aid – a blessing for Africa and a challenge to western donors

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To Africa, the emergence of China as a major development funder presents a clear advantage. It gives access both to new substantial resources and to areas to which western donors are less willing to contribute. It gives freedom to choose and, used wisely, would increase their ability to pursue their own development agenda. To western donors it represents a challenge to which we should respond by reflecting on our own practices, not by criticizing China.

Since the 1960's, western aid has been the dominant form of international development cooperation - both in terms of volume and politics and ideology. But it has never been alone on the global scene. A parallel, considerably smaller - and to the global north less visible - tradition of south-south cooperation has existed. Developing countries have sent people (doctors, teachers, engineers) and sometimes money to other developing countries. Over time, the UN has established a loose umbrella organization for this form of development cooperation. During the cold war, the Soviet Union, and its allies, had a competing development cooperation, with many similar features. An Arab aid system with a loose coordination mechanism also developed as many Arab countries became richer.

Chinese aid is not new, and it originated around the same time as western aid - although historically part of the south-south tradition, it also had some early distinctive features. In the 1970s, China funded the construction of the Dar es Salaam-Kapiri Mposhi railway which was the largest infrastructure investment in Africa for decades. The railway formed part of a political support to the fight against apartheid in South Africa and against the white rule in then-Rhodesia. Norway made similar - but of course smaller - investments in harbors, telecommunications, and energy supply in the SADC countries, with the same objective.

When I first came to Tanzania in the late 1970s, I saw the newly constructed railway and two large and strategically important factories built by the Chinese: the Urafiki (friendship) textile mill and the Ubungo Farm Implements factories in Dar es Salaam. In Zanzibar, I passed the Chinese doctors' house, the residence for the numerous medical staff - that this Arab house later became an integral part of the Serena luxury hotel is perhaps an example of the irony of history. When leaving the historic Stone Town, you can still see the solid rather than esthetically attractive remains of the GDR supported urban renewal project.

With China's incredible growth and the transformation in its economy and society, Chinese aid - and other investments - have grown dramatically. Its development success has shown that one of the poorest countries can transform into the world's second largest economy, and almost eliminate extreme poverty. It can therefore present itself not only as a major source of development finance, but also as an example that rapid growth and transformation is possible.

Difficult to compare Chinese and western aid

Comparing Chinese and western aid has become a popular exercise in development circles; however, this presents many challenges. The first challenges are conceptual and statistical. Western aid has developed a system of reasonably well-defined concepts, accompanying a statistical measuring and reporting system through the DAC - the Development Assistance Committee of the OECD: aid must go to poor countries; it must be used for certain purposes (e.g. health but not defense); and it must be given as grants,

or as loan containing an element of grant (concessional loans). While the total grants can be counted, only "net" loans (the repayment is deducted, or the grant element is calculated) are counted. Western donors report their aid in this common format to the OECD/DAC, who make the detailed information publicly available. While this system has its weaknesses, it nevertheless secures that a fair amount of comparable information is available about western aid. Many Arab donors report to the same system, and comparable figures therefore exist for Arab aid. However, China does not use these concepts and measurements, and comparison therefore becomes more difficult.

The exact numbers on Chinese aid are not available, but systematic attempts to apply the Western measurement system to available Chinese figures indicate that annual Chinese aid is in the range of 6 billion USD/year and consists of both grants and subsidized loans. If we take this figure as a starting point, we can see that while Chinese aid is considerable, it is relatively modest compared to western aid. Total western aid has fluctuated around 150 billion USD/year. In these terms, China would be a medium size donor - larger than Norway (just above 4 billion USD), but only half the size of French aid and less than 1/5 of US aid (34 billion USD in 2019). Compared to the Chinese economy, the aid is limited, and accounts for approximately 0.05% of the Gross National Income (GNI). For comparison, Norway is at 1% of GNI, while the DAC average is about 0.30%. Chinese aid would therefore have to increase 6-fold to match the DAC average and 14-fold to match the international target of 0.7%. Considering this, China would maintain that it is still a developing country. However, with the continued growth of the Chinese economy, the country is expected to transfer into the high-income countries group over the next few years which could trigger a different burden sharing discussion.

Financing infrastructure through loans

These figures also demonstrate that China's role as a key development financier is not through what we count as aid, but primarily through the enormous lending programs from Chinese state-owned, especially the Export-Import Bank. Through these loans, China finances the bulk of its huge infrastructure investments, builds harbours, railways, roads, power plants, and prestigious public buildings. The publicly available information about the conditions attached to these loans vary. As more information is collected and published, they - unsurprisingly - paint a picture that is somewhere between the official rosy "no conditions attached story" and the ugly picture of a creditor that unscrupulously secures infrastructure as collateral for its loans. The combination of very substantial loans and economic challenges in many developing countries presents China with the well-known challenge of creditors - what to do when loans are not repaid as agreed.

Some donors, like Norway today, only give grant aid, while others like Germany, France and Japan are donor



Norwegian support for infrastructure: electric cables to Pemba in Tanzania. Photo: Ørnulf Strøm

countries that, like China, use subsidized loans as an important part of their aid programs. Several western countries also have unsubsidized loan programs like China, that do not count as part of their aid (in the DAC statistics this is the less known category of OOF, other official flows). It is the volume of these loans, not their existence, that sets Chinese development finance apart.

Like other donors, China is both a bilateral and a multilateral donor. It is easier to find comparable figures on multilateral aid as multilateral organizations regularly publish data on their financing. While China politically supports the UN's development efforts, Chinese aid has a heavy footprint in the multilateral development banks. This may be seen as natural given China's priority to infrastructure, and preference for loans as a mechanism for financing. China invested heavily in "its own" multilateral bank, the AIIB, and is also a substantial contributor to the World Bank. China's contribution to IDA 19, the latest replenishment of the World Bank fund for the poorest countries, was three times Norway's contribution.

China is a major funder of the UN, but mainly through its assessed contributions (the "membership fee") which is the second highest, after the US. If one looks at the voluntary contributions to the UN development system, which one can argue better expresses the priority given to UN as a development partner, China is a comparatively small donor, giving 180 million USD in 2019, compared with Norway's contribution of 1 128 million USD – six times that of China. There are also interesting differences in prioritization across

UN agencies. While China is a small contributor to United Nations Development Program (UNDP) (and in fact a net recipient of UNDP aid), its contribution to United Nations International Development Organization (UNIDO) is substantial. This could reflect both Chinese sectorial priorities (industry being more important than governance), but also that China are currently leading UNIDO.

Is Chinese aid used for other purposes than Norwegian or other western aid? Through its aid, but also through its lending programs, China is investing heavily in construction of new infrastructure. Currently, China is one of the only donors focused on infrastructure however, this has not always been the case. When I started working at Norad in the 1980s, Norad was led by civil engineers (at that time the three top positions in the organization were filled by engineers), with construction of roads, hydropower plants and water supply as the dominant activities. Both the engineers who planned the works, and the turbines transforming water to electricity were Norwegian. Thus, while China as a donor is very different from Norway today, it is more similar to Norway during the 1970s and 1980s. Similarly, while China is proud of its railway construction, most of the main roads I drove on in both Tanzania and Zambia had been first built by western donors, and then rehabilitated with western aid in the 1990's. China is also proud of the number of African students offered fellowships at Chinese universities and uses a substantial share of its aid to finance such fellowships. This form of aid is not extensively used by Norway today, but was previously an important part of



The 1860 km Tazara railway runs from landlocked Zambia to the port of Dar es Salaam in Tanzania. It was built between 1970 and 1975 and funded by Chinese development aid through an interest-free loan. Photo: David Brossard on flickr (CC BY-SA 2.0)

Norwegian aid. Norad had a separate division to administer such fellowships and universities like NTH (civil engineers) and NLH (agriculture) had substantial groups of students from African partner countries. As Norwegian ambassador to African countries, I later benefitted tremendously from the network of “friends of Norway” found in leading positions.

Why the decline in western aid to infrastructure?

So why did Norway reduce these forms of aid, despite their obvious important – and highly visible – results? Several factors contributed to the decline in Norwegian – and other western – aid to infrastructure. One reason was an increased emphasis on costs of operation and maintenance in a period when many African countries experienced economic stagnation and decline. The fear of “white elephants” became a mantra in western aid discourse, though these animals were far more numerous in the Norwegian debate than in Africa. Support to new infrastructure was replaced by support to rehabilitation and maintenance – and building institutions replaced building infrastructure as a slogan. In parallel, aid was hit by the wave of market ideology, and the idea that it would be possible to finance African infrastructure development through private commercial investments took surprisingly deep roots. This turned out to be unrealistic in practice, but it contributed to aid investments drying up. Increased skepticism towards tied aid made infrastructure investments less interesting for Norwegian business, and this type of aid lost an important “owner” in the Norwegian public debate. A third important contributing factor was that Norway – and other donors – increased the demands on planning. The list of questions to be assessed grew substantively (technology, economics, gender, environment,

sociocultural dimensions, corruption, risks for harassment to mention some). Each of these are important, but the totality meant that planning infrastructure became more challenging, more time consuming and more expensive. With strong interest groups associated with some of these dimensions in the donor countries, it also became politically more costly to engage in major infrastructure investments. In Norway, this clearly contributed to the end of investments in hydropower development. It also made the dialogue with developing countries more challenging, as they would have different trade-offs between the concerns. To Norway, the discussion with Tanzania about the Kihansi road became an illustrating example of these complexities. Thus, the door was open to China, with a model that resembled early Norwegian aid.

The stepwise transformation of Norwegian support to higher education, from fellowships to studies in Norway, via building of education capacity in partner countries (sometimes with a considerable element of Norwegian teachers) to financing of university-to-university research cooperation is an interesting example of how aid was gradually adapted to the increased competence and capacity in partner countries.

A popular, but not necessarily particularly fruitful, form of comparison is to compare one donor’s policies and ideals to the other donor’s practice. Comparing Chinese practice to the ideals of western aid (like untied western aid compared to Chinese aid tied to the use and purchase of Chinese goods or services), or Chinese ideals of non-interference to western practice of conditions attached to democracy and human rights is popular and has the advantage of frequently giving the desired results.

How should western donors respond to the Chinese challenge?

Conceptually, one could distinguish between a strategy based on integration, cooperation, or competition. In the work on aid effectiveness, preparation for the Busan conference in 2011 was marked by an effort to get Chinese – and other non-western donors – to agree on a common platform, rooted in the western aid tradition. Efforts were made to build a common platform along common concepts, with Mexico acting as the go-between. However, these efforts failed both because China did not see it to be in its interests, but also because western donors collectively were not prepared to show the necessary flexibility. Today, integration would seem like a hopeless strategy. The strategy was more successful vis-à-vis the Arab donors, who became some sort of associated members in the western aid club.

Numerous attempts have been and are being made to collaborate with China on development cooperation. Many donors (including Norway) have established positions at their embassies in Beijing to facilitate dialogue, many are also funding so called triangular cooperation (donor-China-developing country), research cooperation and fora for dialogue. The interest in participating in AIIB, the Chinese led infrastructure development bank for Asia, is an expression of the same desire.

There is considerable space for exchange of experience and mutual learning if both parties have a genuine interest in learning from each other. The space for such mutual exchange of experience will depend largely on the overall political climate. Under the current climate, the short-term prospects may not be too promising. At the same time, maintaining arenas for dialogue wherever possible seems important. This may provide room for Norway and other smaller countries as relationships between the major powers become more tense.

Can western aid compete with Chinese aid? Of course, we can. The willingness to help is still deep rooted in Norway. We have the resources, the knowledge – and the values.

However, a realistic competition must be based on some important points of departure: we must acknowledge that the monopoly has been broken, that China represents an interesting alternative to many developing countries, respect the right of developing countries to make their own choices, and accept that if sometimes we lose out in a competition, we have a challenge.

A frequently under-communicated factor is the diversity of the western experience, in terms of both development routes and models for our societies. The varied experiences of the many smaller and middle-sized western nations present a useful supplement to the often too dominating role of a neo-liberal Anglo-Saxon model. In Norway and the other Nordic countries, the state has played and continues to play a considerably more active role than the neo-liberal textbook would indicate.

While it would be useful for western donors to rid themselves of their fear of infrastructure investments, I

think a more promising route would be what I would call “offensive complementarity”. Yes, we acknowledge China’s contributions to infrastructure, and we have also supported such investments, but today our focus is on the development of human capital, because we have learnt that that is a country’s most important resource.

At the same time, we should also be prepared to learn from China. One area of improvement would be a critical review of our planning and preparation processed, aiming at a radically improved efficiency.

Two fundamental questions require some further reflection:

- To what extent, and with what justification, can a Western donor overrule a developing country’s own priority?
- How do we pursue western values, particularly on democracy, human rights, and environment?

How did we arrive at a situation where it sometimes seems that untied grants from a western donor are less attractive to leaders in developing countries than tied loans from China? In my opinion, the way we have handled the two questions above are key to answering that question. Over time, western donors have developed attitudes and practices that give us a sizable room for holding firm opinions on how countries should prioritize their development efforts, and how they should govern their societies. While these opinions are based on fundamental values, they are also sometimes not matched with sufficiently deep understanding of local contexts, of history, culture, and social and institutional context. Prescribing simple and superficial solutions to deep and complex problems seems easier when they are far away. It does not help legitimacy if in addition they may at times seem to be applied selectively. As aid becomes less important, and as competition among donors increase, developing countries are increasingly challenging this practice.

A new discourse on the relationship between aid and values is overdue, both in the aid community and in the wider public. The old ways of combining the two (withholding aid, reducing aid, ending aid, shifting to other partners – which sometimes end up in support to the main critics of the government) are not working in a changing context. This is not about giving up our values and ideals, but about the need to critically reflect on the effectiveness of the ways of pursuing them. This requires a willingness to challenge some deep perceptions in our own societies, and to acknowledge the limited power of aid. At a deeper level, it is also about accepting diversity of opinions and experiences, and allowing countries to find their way, through the messy process of learning by experience.

Summary

To Africa, the emergence of China as a major development funder presents a clear advantage. It gives access both to new substantial resources and to areas to which western donors



Chinese X-Ray Scanners-edit X-ray baggage scanner at Jomo Kenyatta airport, Nairobi, funded by Chinese development aid.

Photo: Elling Tjønneland.

are less willing to contribute. It gives freedom to choose and, used wisely, would increase their ability to pursue their own development agenda. However, it also presents risks and a set of challenges. How African countries should maneuver to maximize benefit and minimize risk is an important African discourse. Increased transparency about Chinese assistance is important as a basis for this African discourse. Western donors will have limited legitimacy as advisors to Africa on how to tackle these challenges.

Becoming a major development financier represents unique opportunities, but also a set of challenges, for China. At a global political level, one can only be impressed by how China has managed to become the world's second largest economy and a dominating global economic actor, while maintaining an identity as a developing country, as "one of us". However, when China becomes the world's largest economy, and graduates to a high-income country, this balancing act will become close to impossible. China is now facing the normal dilemma of a creditor when the borrower faces payment problems. Western creditors have already faced that challenge, and through a very demanding process have developed solutions with varying success. Openly and honestly sharing the lessons learned from these processes could benefit all parties. One obvious answer is a greater emphasis on economic evaluations, and on the operation and maintenance costs that infrastructure investments imply. China has already seen that such assessments can lead to complicated discussions with borrower countries eager to construct new infrastructure as in the case of railways in Kenya.

Can China learn from western donors in meetings its challenges as a donor? I think so, provided that there is space for open dialogue, based on confidence and where both parties are open about the challenges they face and lessons they learn. Some of China's challenges are not unique and

have often been faced or addressed by others. These good and bad experiences could provide useful lessons if there is open dialogue. With more intense global competition, it will be more challenging to maintain a space for honest sharing of experiences – but it is worth trying to maintain.

China's emergence as a substantial donor and provider of development finance challenges the monopoly western donors have held, particularly over the last few decades. Meeting this challenge by trying to "talk down" Chinese aid will not work. In five areas, I would advise reflections on our own western donor practices:

- How do we meet the challenge that China is seen to be far more receptive to the priorities of the developing countries?
- How do we present an "offensive complementarity" – yes perhaps China is better at building infrastructure, but we are best at developing human capital?
- Do we need to rethink our financing toolkit, particularly donors who have opted to only provide grants?
- Can we address the challenge of complexity of project assessments, and thereby time, cost and paper volumes in planning and decision?
- And the most important – and perhaps most challenging – how do we pursue our values in the new world, where the monopoly (both regarding money and values) has been broken, and where many of the old ways of using our aid to pursue our values are less efficient, or have lost legitimacy?

The western donor countries have a lot to be proud of, both the way we have built our own societies and the way we have supported development in poorer countries. If we can project that pride and combine it with respect for other countries' right to shape their own future, we stand better prepared for a world where new types of competition will be the order of the day.

This article by Jon Lomøy is based on a presentation he made on Chinese aid at a [seminar in Bergen Global in April 2021](#). The seminar formed part of an on-going major research project on Chinese development aid and the global aid architecture. The project is funded by the Research Council of Norway and brings together scholars from Norway, China, several African countries, and the US. It is led by Elling Tjønneland, senior researcher at CMI.