

# Recommendations on How to Improve China's Foreign Aid

■ XU Weizhong, WANG Lei

China's foreign aid has played a significant role in achieving its diplomatic goals and strategic interests even since China started to provide foreign aid to other countries from the 1950s. While China's foreign aid is expanding rapidly in the new century especially during recent years, new policies and measures are necessary for China to better adapt to the new domestic and international environment and to deal with new challenges, so as to better serve China's own interests and to promote world peace and development.

## Part 1: New transformation and environment of China's foreign aid

China's foreign aid has changed dramatically since China started its economic reform and adopted the open door policy in 1978. Its scale, purpose and scope have expanded substantially. First, aid figures have increased rapidly. While the amount of China's foreign aid was 6.2 billion yuan in 2000, it rose to 40.4 billion yuan in 2012, increasing 5.5 times in 12 years, with an annual growth of 16.9 percent. In terms of money value (nominal), the amount from 2010 to 2012 accounted for more than one-third of the total amount of China's foreign aid in the previous 60 years.<sup>1</sup>

Table 1: China's foreign aid (% of GNI)<sup>2</sup>

Year	Foreign Aid Spending (One hundred million yuan)	GNI (One hundred million yuan)	Foreign Aid Spending/GNI (%)
1960	1.41	1457	0.097
1970	24.08	2252.7	1.069
1980	7.85	4545.6	0.173
1990	15.62	18718.3	0.083
2000	53.53	98000.5	0.054
2005	146.53	185808.6	0.078
2010-2012	893.4	1384604.0	0.064

Second, forms of Chinese foreign aid have become much more diversified, including projects, goods and materials, economic assistance, technical cooperation, human resources development cooperation, dispatching medical teams and volunteers, offering emergency humanitarian aid, and reducing or exempting the debts of the recipient countries. A number of new assistance projects have been established in recent years. For example, China-assisted agricultural demonstration centers have been completed in many countries, including Benin, Mozambique, and Laos, since 2010. China has also carried out Brightness Trip activities in Asian and African countries since 2003. Third, the players in China's foreign aid have become more numerable. They extend from government to enterprises, individuals and NGOs.

The recipient countries are asking more of Chinese foreign assistance and their requests are much more diversified. The recipient countries are of great importance to China's economy. The share of China's trade volume with the United States, Japan, Europe and other developed countries dropped from 50% in the year 2000 to 34% in the year 2013, and the share of China's

trade volume with the developing countries, as the main body of Chinese recipient countries, increased from 23% to 50% in the same period of time. In 2013, China's total trade volume with the developed countries was \$1.4 trillion, while it was \$2 trillion with developing countries.<sup>3</sup>

The recipient countries are not only China's major sources of overseas energy and mineral, but also have become the emerging destinations of China's enterprises, products and investments. For example, Chinese enterprises have started businesses in African countries with a direct investment stock of more than 25 billion dollars up to 2013. It is predicted by Chinese Premier Li Keqiang that the number would be fourfold in 2020, up to 100 billion dollars.<sup>4</sup>

In recent years the recipient countries have many more requirements for China's foreign aid. As China has become the world's second-largest economy, some leaders in the developing countries even regard China as a "developed country". Some recipient countries think the proportion of China's foreign aid spending to its GDP and fiscal revenue could be higher. Besides

<sup>1</sup>China provided 89.3 billion yuan in foreign aid in three years up to 2012". *South China Morning Post*, July 10, 2014, <http://www.scmp.com/news/china/article/1550935/china-provided-893-billion-yuan-foreign-aid-three-years-2012>

<sup>2</sup>引自罗建波:《如何认识年均300亿元的对外援助》,《学习时报》,2014年8月11日

<sup>3</sup>Based on "China's trade volume and surplus log new all-time records", (is this accurate?) <http://www.dw.de/chinas-trade-volume-and-surplus-log-new-all-time-records/a-17353538>; also see "Distribution of Chinese exports in 2013, by trade partner", <http://www.statista.com/statistics/270326/main-export-partners-for-china/> and "Distribution of Chinese imports in 2013, by trade partner", <http://www.statista.com/statistics/257112/main-import-partners-for-china/>

<sup>4</sup>"Chinese premier calls for upgraded version of China-Africa cooperation", May 6, 2014, [http://news.xinhuanet.com/english/china/2014-05/06/c\\_133311906.htm](http://news.xinhuanet.com/english/china/2014-05/06/c_133311906.htm)

economic assistance, countries such as Sudan, Ethiopia and Kenya have made it clear that they wanted to learn from the governance experiences of China. A number of developing countries have sent their officials to China to learn about Chinese development practices.

Some recipient countries are becoming more critical of China and its foreign assistance. Jacob Zuma, the South African president, has warned that the unbalanced nature of Africa's burgeoning trade ties with China is "unsustainable" in the long term. He was referring to the tendency of Africa to export raw materials to China while largely importing only cheap manufactured goods.<sup>5</sup> Recipient countries criticize some Chinese aid programs for ignoring the local environmental protection and employment standards. Many Africans accuse Chinese companies of underbidding local firms and not hiring Africans.<sup>6</sup> South African former president Thabo Mbeki and his Nigerian counterpart Olusegun Obasanjo, both criticized Chinese companies for violating labor and safety standards.<sup>7</sup> China's insistence on not imposing any political conditions has also met with challenges. It is often criticized not only by the West, but also by local media and NGOs.

China has increasing interactions with other donors and international aid organizations. Firstly, the Chinese aid mode is much more visible and its influence has become greater. Although China is not a new donor, it has given its foreign aid to other countries since the early years of the founding of the People's Republic of China in 1949, the other donors have never taken this effort seriously. Only recently, with China's considerable engagement in many parts of the developing world and rapid increase of its foreign aid volume, the traditional donors and other emerging powers consider China an important donor that they need to engage or cooperate with. In this context, a number of official dialogues and discussions on trilateral cooperation have been started between China and other donors. Europe and China had their first official strategic dialogue on Africa on December 9, 2005. The US began its official dialogue on Africa with China also in that year. Within the framework of South-South cooperation, China is bringing more fresh air to the field of foreign aid. For instance, the creation of the BRICS development bank in July 2014 was driven by China and it is expected to focus on financing infrastructure development projects.

Secondly, the traditional donors show a noticeable intention of regulating China's foreign aid. The West adheres to the principle of so-called "democratic aid". The United States and Europe always criticize China's principle of "non-interference". Some people even accuse China of being a rogue donor.<sup>8</sup> In recent years more efforts have been made by traditional donors to put China within their aid frameworks by exerting high pressure on China and by different kinds of dialogues and meetings with China.

Thirdly, China has become more active in the international aid arena since China attended the Second

High Level Forum on Aid Effectiveness (2005) and signed the Paris Declaration on Aid Effectiveness. It not only attended the above meetings on aid effectiveness, but also has been more actively involved in other development forums. Compared to its role in the discussion and finalization of MDGs, China is now a more active player in the formulation of the Post-2015 Development Agenda.

## Part 2: New challenges

One of the biggest challenges is the difficulty of coordination. Although the Ministry of Commerce is in charge of China's foreign aid, its functions are overlapped by the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Agriculture, the Ministry of Science and Technology, and the National Health and Family Planning Commission, etc. Different ministries and departments have different interpretations of China's foreign aid management system. Coordination and cooperation between different Chinese ministries and departments is becoming more difficult in China. Fragmentation of Chinese foreign assistance has become more apparent. Take the Sino-Africa forum as an example, the Chinese Follow-up Committee of the Forum on China-Africa Cooperation (FOCAC) has 27 members. If holding a meeting of 27 members is not an easy task, the coordination and cooperation among them will be much more difficult.

Difficulty in meeting recipient country needs is rising. More complaints can be heard that some of China's aid programs are disconnected from the recipient countries' actual needs. Due to lack of detailed surveys and feasibility studies, a number of Chinese aid programs can barely help local development, and some of them have become 'white elephants'. For example, some sports facilities constructed by China in Africa, and government buildings constructed by China in South-East Asia are considered too "advanced", as their maintenance has often become a big burden for recipient countries.

Civil society participation is still very limited. China's foreign aid is dominated by the government, and China gives priority to large government projects. Individuals and NGOs are involved in foreign aid, but only in a marginalized way. In particular, the participation of Chinese NGOs' is far behind their counterparts from the Western countries. China's school bus donation to Macedonia that stirred strong criticism in 2011, indicates that foreign aid has become a much hotter global issue and getting public support and participation has become more urgent.

Another big challenge is that there are insufficient studies about development assistance theory and practice and a lack of professionals and specialized people to work overseas. Development studies have gone a long way in the West, and a lot of people have been trained and a number of them have become experts. Chinese universities have had no majors on development studies for quite a long time. With the rapid expansion of

5 Leslie Hook, "Zuma warns on Africa's ties to China", July 19, 2012 <http://www.ft.com/intl/cms/s/0/33686fc4-d171-11e1-bbbc-00144feabdc0.html#axzz3C3OEZG1v>

6 OUSMAN MURZIK KOBO, "A New World Order? Africa and China", May 2013, <http://origins.osu.edu/article/new-world-order-africa-and-china/page/0/1>

7 Ndubisi Obiorah, "Rise and Rights in China-Africa Relations", School of Advanced International Studies in Washington, Working Papers in African Studies in 2008, <http://www.sais-jhu.edu/sites/default/files/Rise-and-Rights-in-China-Africa-Relations.pdf>

8 Moises Naim, "Rogue Aid", *Foreign Policy*, March 2007, [http://www.foreignpolicy.com/articles/2007/02/14/rogue\\_aid](http://www.foreignpolicy.com/articles/2007/02/14/rogue_aid)

China's foreign aid, this lack of studies of international development cooperation and specialized human resources may become a major bottleneck for further improvement..

It has become a great challenge for China that its foreign aid has not yet been regulated by a special aid law, which has resulted in a number of problems. The US, Japan and Europe have formed a mature domestic legislation in order to effectively regulate foreign aid. However, at present there are no special laws and national administrative regulations on its foreign aid in China, only regulations at the ministry and government department levels exist, which often don't have enough legal force.

### Part 3: Recommendations

1. There is a need to establish a China International Development Agency in order to have better planning and coordination of Chinese foreign aid. Now, with a number of Chinese ministries and governmental departments involved in foreign aid, the difficulty of coordination among them is more obvious than before, and the existing mechanism of coordination often doesn't work well. There is a need in China to have a special aid agency in order to overcome the ever-increasing fragmentation of Chinese foreign aid.

2. It is time now that China adopted a special law which can regulate legally the Chinese foreign aid system. Since the founding of the People's Republic, China has adopted a number of internal rules and regulations to manage and supervise its foreign aid. As Chinese foreign aid volumes increase and as there are more players in this field, internal rules and regulations become more problematic than before. Although some of these rules and regulations are already updated, they are not very well accepted or shared by all players, since they usually lack legal force. A special foreign aid law can not only give a legal basis to Chinese foreign aid, but also help to regulate it better. In this regard, China can draw lessons from the western developed countries and potentially absorb many rational new elements into their laws.

3. Mechanism and measures are needed to strengthen the supervision and evaluation of Chinese foreign aid. China has a good reputation of implementing aid projects on time, but supervision, especially monitoring and evaluation of the aid projects are its weak links. This lack reduces the effectiveness of Chinese foreign aid, and may easily cause misunderstanding and criticism. It is advisable to introduce more sophisticated planning, monitoring and evaluation system with "Chinese characteristics". "Chinese characteristics" means that China should continue to take the "economic growth" and "poverty reduction" objectives as the two main features, so as to emphasize actual effects of the foreign aid. China should further separate the implementation from the evaluation of the aid projects, and bring in more independent agencies to be the supervisors or evaluators of the projects.

4. More efforts should be made to improve the capacity building of China's foreign aid workers and agencies. China needs more aid experts and professionals. Now the majority of people involved in China's foreign aid have only an educational background of a foreign language, international politics and economics, and whose international development cooperation expertise is limited. China should strengthen development studies in its universities and initiate different kinds of training programs. China should also send its people to the West to learn from their experiences and mobilize their talents when they return..

5. China should be more creative in the field of its foreign aid by adopting more flexible and effective aid methods. China's foreign aid should give more attention to improving local people's livelihoods and their capacity building. Foreign aid projects should have a closer link with recipient countries' own development projects and programs. Some projects could introduce the participation of third parties, including international bidding of some of its aid projects, in order to improve the quality of China's foreign aid through competition.

6. The Chinese government needs to consider having NGOs and CSOs play a more active role in the field of foreign aid. NGOs and CSOs have certain independence and represent public support, and can improve the credibility of China's foreign aid and transparency, reduce international misunderstanding, and absorb more social resources and private capital. The Chinese government could also consider setting up a joint public and private fund for international development cooperation and diversify its foreign aid methods through public-private partnerships.

7. China should engage more actively in trilateral and multilateral international development cooperation, in order to learn more from the others. China can be more influential in the rule-making and decision-making of international development cooperation. As the biggest developing country and an emerging power, China should be more actively involved in the making of international development policies; China should play a more active role in multilateral development agencies by increasing the number of its employees and having them compete for high level positions in the international aid organizations, in order that its own voice and the voice of the developing countries can be heard more easily; OECD is a group of developed countries, it has not been appropriate for China to join the DAC of OECD. However, as DAC's rich experiences on foreign aid and international cooperation is becoming a new trend, China should consider having more cooperation with it and send observers to DAC; China should also engage more actively in trilateral cooperation with both developed and developing countries. Fields of "low sensitivity" such as agriculture, water conservancy, environmental protection and health could be priorities for China's cooperation with the third parties.

### Authors

**XU Weizhong**, Research Professor and Executive Director of the Institute of African Studies, China Institutes of Contemporary International Relations (CICIR), xuweizhongcicir@sina.com

**WANG Lei**, Assistant Research Professor at the Institute of African Studies, CICIR, wangleigao123@yeah.net