



# Discussion Paper

DOES CHINA PLAN AND EVALUATE FOREIGN AID  
PROJECTS LIKE TRADITIONAL DONORS?

Nicola Cabria

Stellenbosch | December 2013

6/2013

## ABSTRACT

This Discussion Paper focuses on a relatively less analysed question regarding the Chinese Foreign Aid system. Firstly I examine the basic features of the planning and evaluation system of the Development Assistance Committee members of the Organisation for Economic Co-operation and Development. This study is useful as it provides a basis for comparison in order to be able to explore the methodologies and features pertaining to the planning and evaluation systems of the Chinese. I start this exploration path by analysing the principles that form the foundation of Chinese foreign aid and compare them with those of traditional donors. This comparison gives us an idea of the strong cultural, political and economical differences that exist between the traditional donors and China. Moreover I define the identity of the two main aid channels, and survey the main planning and assessing features connected to them. For both aid channels I analyse the design and evaluation system separately, observing the presence or lack of information about actors, methodologies, features and criteria. To better present the results of this research, and to make easier comparisons of similarities and differences, the results disclosure is made, where possible, through illustrative graphs and explicative tables.

**The author** is a graduate student in Master of Arts in International Development Co-operation at the University of Pisa. His thesis focussed on planning and evaluation and is titled “The Development Cycle within the Chinese Co-operation in Africa”. As of February 2014 the author will continue his studies at the Bocconi School of Management in Milan, Italy, focussing on the Management of Social Enterprises, Not for Profit Organizations and Cooperatives (M.A.). He was a visiting scholar at the Centre for Chinese Studies in 2012.

E-mail: [Nicola.cabria@libero.it](mailto:Nicola.cabria@libero.it)

CCS discussion papers aim to contribute to the academic debate on China’s global rise and the consequences thereof for African development. The CCS therefore explicitly invites scholars from Africa, China, or elsewhere, to use this format for advanced papers that are ready for an initial publication, not least to obtain input from other colleagues in the field. Discussion papers should thus be seen as work in progress, exposed to (and ideally stimulating) policy-relevant discussion based on academic standards.

The views expressed in this paper are those of the author.

# CONTENTS

<b>ABSTRACT .....</b>	<b>2</b>
<b>1. INTRODUCTION.....</b>	<b>6</b>
<b>2. THE DAC POINT ON DEVELOPMENT CO-OPERATION .....</b>	<b>7</b>
2.1 HARMONISATION PROCESS BEHIND THE DAC DEVELOPMENT CO-OPERATION.....	7
2.2 THE DEVELOPMENT CYCLE.....	8
2.3 THE LOGICAL FRAMEWORK APPROACH.....	10
2.4 EVALUATION OVERVIEW .....	12
<b>3. THE CHINESE VISION ON FOREIGN AID.....</b>	<b>13</b>
3.1 THE DIFFICULTIES IN RESEARCH.....	13
3.2 SOUTH-SOUTH CO-OPERATION .....	13
3.3 GUIDING PRINCIPLES.....	15
3.4 COMPARISON OF PRINCIPLES.....	16
<b>4. THE CHINESE AID SYSTEM .....</b>	<b>18</b>
4.1 CHINESE INSTITUTIONAL FRAMEWORK.....	18
4.2 WHICH KIND OF AID .....	20
4.3 THE CHINESE PLANNING SYSTEM.....	21
4.4 THE CONCESSIONAL LOAN CYCLE.....	22
4.5 THE GRANT CYCLE.....	25
4.6 EVALUATION INSIDE THE CHINESE FOREIGN AID SYSTEM .....	26
4.7 DOES AN EVALUATION SYSTEM ALREADY EXIST? .....	27
4.8 CERTIFICATION OF IMPLEMENTERS' ENTITIES .....	28
4.9 EVALUATION INSIDE THE CONCESSIONAL LOAN CYCLE.....	29
4.10 GRANT CYCLE'S ASSESSMENT SYSTEM .....	30
<b>5. CONCLUSION .....</b>	<b>31</b>
<b>BIBLIOGRAPHY.....</b>	<b>33</b>

## **LIST OF TABLES AND FIGURES**

Table 1: Principles of Aid Effectiveness according to the Paris Declaration	7
Table 2: Development Cycle Phases and their Purpose	9
Table 3: Logical Framework	11
Table 4: DAC Assessment criteria for development assistance	12
Table 5: Logical Framework Elements and DAC Monitoring and Evaluation Criteria	13
Table 6: Evolution of China's Development Co-operation	16
Table 7: Comparison of EU and Chinese principles for foreign aid	17
Table 8: Stages in Chinese project delivery	21
Table 9: China Exim Bank Project Cycle	23
Table 10: Five stages of Chinese aid delivery according to Li (2002)	27
Graph 1: The results chain underlying a local framework	12
Graph 2: China's Institutional Framework for Aid	19
Graph 3: Project Cycle of China Exim Bank	23
Graph 4: Chinese Grant Supply Process	25
Graph 5: Grant Cycle Assessment System	30

## **LIST OF ACRONYMS AND ABBREVIATIONS**

DAC	Development Assistance Committee
DFID	Department for International Development
EC	European Commission
EU	European Union
EXIM	Export Import
F/S	Feasibility Study
FOCAC	Forum on China Africa Cooperation
ISO	International Organization for Standardization
LFA	Logical Framework Approach
MfDR	Managing for Development Results
MOFA	Ministry of Foreign Affairs People's Republic of China
MOFCOM	Ministry of Commerce People's Republic of China
NCSTE	National Center for Science and Technology
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OOF	Other Official Flows
PCM	Project Cycle Management
PM	Project Management
PRC	People's Republic of China
R&D	Research and Development
RBM	Result Based Management
TCCP	China Communist Party
UK	United Kingdom
US	United States of America

# 1. INTRODUCTION

*"Their exclusion of foreigners and confinement to their own country has, by depriving them of all opportunities of making comparison, sadly circumscribed their ideas; they are thus totally unable to free themselves from the dominion of association, and judge everything by rules of purely Chinese convention"*

(Meadows, 1847 cited in Kissinger, 2011, p.23).

Traditionally, China calls itself Zhongguo, the Middle Kingdom, or the Central Country (Kissinger, 2011). Although this may not be the place to discuss the traditional Chinese context, China, much like the West, believes its way is the right way. The analysis of China's vision on development co-operation is an important area of inquiry, in which the author is not an unbiased observer. The author possesses a cultural baggage that can greatly influence this topic. In this essay, I focus on a global actor with a different mentality, if not a different rationale and different principles. I will try not to make the mistake of judging this in and of itself. Therefore, in this paper you will find a comparison between the features of traditional donors and Chinese Aid systems, with no value judgements of either.

China has developed very quickly in the last twenty years, so much so that today it has become one of the most influential nations in the world. It has surpassed Germany as the number-one exporting country; Japan as the world's second largest economy; and the US as the world's largest energy consumer (Lengauer, 2011). Despite this it still considers itself a developing country. This development contributed to the enlargement and expansion of Chinese co-operation projects, especially in Africa, a continent that, until a few years ago, was the very core area of activities of traditional donors' development co-operation.

The interest of Development Assistance Committee (DAC)/Organisation for Economic Co-operation and Development (OECD) members in this newcomer is significant and explains why the topic of Sino-African relations is a popular field of study. In the past ten years many researchers, commentators, officials and journalists have been interested in the topic, and have written books, working papers, articles, reports, and official documents on the subject.

This paper explores the question of whether China's vision of aid influences the way the country plans its international projects. It also studies whether the methods used are comparable with the ones of western donors. And lastly, it explores whether China assesses the results of these projects using methods and criteria similar to the ones used by the traditional donors.

In order to do this I will rely on OECD/European and Chinese sources and analyse the similarities and differences between the two. This paper focuses its attention on the planning and evaluation methods used by the DAC/OECD and China, analysing both systems by using available documents gathered on the subject.

Access to information is easier for the traditional donors than for Chinese institutions. This may be explained by the latter's lack of transparency, but this cannot be the sole reason; the document may well exist, albeit in mandarin, and untranslated (Grimm, 2011). This fact is not only a problem for the harmonisation process of the donors' development co-operation systems around the world, but is also a fundamental problem for the recipient countries. In fact, most of the time they cannot assess the results of the Chinese projects in their territories.

Considering the lack of English language manuals, handbooks and guidelines regarding this topic, this essay will try to paint as realistic a framework as is possible of the planning and evaluation methods used by China in its own development projects.

## 2. THE DAC POINT ON DEVELOPMENT CO-OPERATION

### 2.1 HARMONISATION PROCESS BEHIND THE DAC DEVELOPMENT CO-OPERATION

The DAC/OECD development co-operation is the result of an improvement process. Before the start of the standardisation efforts, began at the end of the nineties, the development co-operation was very fragmented. With the Monterrey Consensus (2002) the issue of aid effectiveness has gained international attention. The donors' different aid modalities have had repercussions on the effectiveness of programmes/projects, burdening the recipient countries with a lot of work and bureaucracy.

With the Monterrey Consensus starts the process of:

- harmonisation of the development approaches among donors;
- reduction of the transaction costs for recipients.

The development co-operation is the result of an improvement path. Before the start of the homologation's process at the end of the nineties, the development co-operation was very fragmented, indeed at that time every country had its own methodologies and evaluation mechanisms but with the Monterrey Consensus (Monterrey Consensus of International Conference on Financing for Development, 2002) the issue of aid effectiveness and consequently of harmonisation have come to the fore internationally.

This process continued with the High Level Forum on Harmonisation in Rome (2003), Paris (2005), Accra (2008) and Busan (2011) where over 100 countries joined the adoption of principles, rooted in continued effort to improve Aid delivery.

In 2005, at the end of the meeting in Paris, a policy document called Paris Declaration on Aid Effectiveness was produced (The Paris Declaration on Aid Effectiveness, 2005). In this policy paper five principles useful to ensure the effectiveness of aid were identified, as shown in the following table:

**Table 1: Principles of Aid Effectiveness according to the Paris Declaration**

Principle	Definition given in the Paris Declaration on Aid Effectiveness
<b>Ownership</b>	Partner countries exercise effective leadership over their development policies and strategies, and co-ordinate development actions.
<b>Alignment</b>	Donors base their overall support on partner countries' national development strategies, institutions and procedures.
<b>Harmonisation</b>	Donors' actions are more harmonised, transparent and collectively effective.
<b>Managing for Results</b>	Managing resources and improving decision-making for results.
<b>Mutual Accountability</b>	Donors and partners are accountable for development results.

*Source: The Paris Declaration on Aid Effectiveness, 2005; Table compiled by the author.*

It is evident that the originality of these five principles is linked to the new leading role given to the recipient countries. Indeed these countries have passed from being objects to being active subjects in the

development processes. Point 47 of the Paris Declaration, produced at the end of the homonymous meeting in 2005, reads:

*“A major priority for partner countries and donors is to enhance mutual accountability and transparency in the use of development resources. This also helps strengthen public support for national policies and development assistance”*

(The Paris Declaration on Aid Effectiveness, 2005).

Mutual accountability regards the recipients as the donor countries, through this principle both development sides have become accountable for the results. Among the participants of this meeting, I want to highlight the presence of: the People's Republic of China, the African Development Bank and the Asian Development Bank.

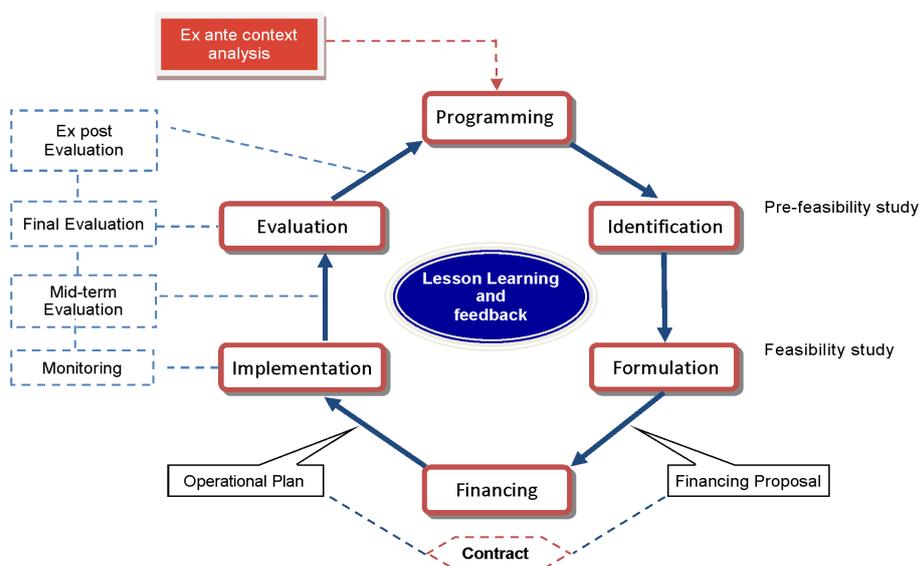
## 2.2 THE DEVELOPMENT CYCLE

The terminology of the Development Cycle identifies a process used by DAC donors to manage the external assistance projects. This process begins with the identification of the challenge and progresses through to evaluation and lesson learning to inform and improve future interventions (Guidance on using the revised Logical Framework, 2011). The development cycle is characterized by a specific number of phases that depend on the organisation analysed. The phases are progressive, therefore each phase needs to be completed before the next can be tackled with success (Aid delivery methods Project Cycle Management Guidelines, 2004).

The development cycle describes the management activities and decision-making procedures during the life-cycle of a project. This tool is useful to ensure that:

- projects are supportive of the overarching policy objectives of the implementing organisation/country and the development partners;
- projects are relevant to an agreed strategy and to the real problems of target groups/beneficiaries;
- projects are feasible, i.e. objectives can realistically be achieved within the constraints of the operating environment and with the capabilities of the implementing subjects.

In the following chart these peculiarities are well summarised:



It is evident that the learning process is central, indeed through it both those who implement the programmes as well as the stakeholders can start the learning process. By analysing the past they learn how to improve present interventions and optimise the planning of projects in the future.

The following table presents each phase and highlights its functions within the Development Cycle.

**Table 2: Development Cycle Phases and their Purpose**

<b>Development Cycle Phases</b>	<b>Purpose</b>
<b>Programming</b>	The situation at national and sector level is analysed to identify problems, constraints and opportunities which co-operation could address. This involves a review of socio-economic indicators and of national and donor priorities. The purpose is to identify the main objectives and sector priorities for co-operation and thus to provide a relevant and feasible programming framework within which programmes and projects can be identified and prepared. For each of these priorities, strategies that take account of the lessons of past experience are formulated.
<b>Identification</b>	The purpose of the identification stage is to: identify project ideas that are consistent with partner and EC development priorities; assess the relevance and likely feasibility of these project ideas, under the “Programme Approach”; prepare a Financing Proposal or an Identification Fiche for individual projects; prepare a Financing Decision for a programme of projects; or determine the scope of further work required during the formulation stage for individual projects.
<b>Formulation</b>	Confirm the relevance and feasibility of the project idea as proposed in the Identification Fiche or Project Fiche. Prepare a detailed Project Design that includes the management and co-ordination arrangements, financing plan, cost-benefit analysis, risk management, monitoring, evaluation and audit arrangements. Prepare a Financing Proposal and a Financing Decision.
<b>Financing</b>	The options available are: accept the Financing Proposal for the Programme/Project and make the Financing Decision and proceed to concluding the Financing Agreement; request modification of the Financing Proposal, seek further clarification and make amendments to the Financing Proposal prior to making a Financing Decision; reject the Financing Proposal.
<b>Implementation</b>	Deliver the results, achieve the purpose and contribute effectively to the overall objective of the project; manage the available resources efficiently; monitor and report the progress. This stage is the most critical, because it is during this stage that planned benefits are delivered. All other stages in the cycle are therefore essentially supportive of this implementation stage.
<b>Evaluation</b>	Make an assessment as systematic and objective as possible, of an ongoing or completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, developmental efficiency, effectiveness, impact and sustainability.

Information provided should be credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors.
---

*Source: Aid delivery methods Project Cycle Management Guidelines, 2004. Table compiled by the author.*

We have seen that one fundamental instrument used by the DAC members is the project, which consists of a series of activities aimed at bringing about a clearly specified objective within a defined time-period and with a defined budget. A development project has defined characteristics:

1. A scope or a specific project goal, tending to a purpose;
2. A choice regarding the use of resources susceptible to different uses;
3. A changing process: the project manages the transition from a negative position to an improved situation;
4. A specific context and determined space for the involved parts to interact in;
5. A specified length;
6. A pre-established budget;
7. An organised structure for implementation (Rossi, 2007).

The planning involves the three main temporal stages:

- Past: The pre-existent situation must be analysed before another project can be planned. Previous evaluations done in the same field or in the same context present valuable insights;
- Present: The collection and analysis of data presents a clear picture of the context;
- Future: Attempts can be made to foresee the future and anticipate what should happen and why. Furthermore, the innate indeterminateness involved in the future's concept can be reduced

## **2.3 THE LOGICAL FRAMEWORK APPROACH**

The Logical Framework Approach (LFA) was designed in the 1960s to:

- improve the specificity of planning by introducing the reference to clear and defined objectives;
- clarify the responsibilities of the management roles within the project;
- make the evaluation more incisive in order to determine the objectives, results and activities.

By its creation the LFA has been an important methodological instrument for the aid operations. At present it “constitutes a methodological and operational cornerstone of the three approaches useful to improve the effectiveness of the Aid processes” (Rossi, 2011). These three approaches are:

- Project Cycle Management (PCM): a complex and creative process – as much an art as a science. It involves the negotiation of decisions acceptable to key stakeholder groups. PCM provides an overall analytical and decision-making framework, which must nevertheless be complemented by the application of other specific “technical” and “process” tools. (Aid delivery methods Project Cycle Management Guidelines, 2004)
- Result Based Management (RBM): a broad management strategy aimed at achieving important changes in the way government agencies operate, with improving performance (achieving better results) as the central orientation. A key component of results based management is performance measurement, which is the process of objectively measuring how well an agency is meeting its stated goals or objectives. (Binnendijk, 2001.)
- Managing for Development Results (MfDR): is a management strategy that focuses on development performance and on sustainable improvements in country outcomes. It provides a framework for development effectiveness in which performance information is used to improve

decision making. At its most fundamental level, it calls for an emphasis on results in all aspects of the development process. (Managing for Development Results, 2008.)

The DAC/OECD definition of Logical Framework is:

*“Management tool used to improve the design of interventions, most often at the project level. It involves identifying strategic elements (inputs, outputs, outcomes and impact) and their causal relationships, as well as the indicators, assumptions and risks that may influence project success or failure. It thus facilitates planning, execution and evaluation of a development intervention.”*

(Glossary of Key Terms in Evaluation and Results Based Management, 2004)

The LFA is an analytical process composed of a set of tools used to support project planning and management, as shown in the table below:

**Table 3: Logical Framework**

Analysis Phase	Planning Phase	Evaluation Phase
<u>Stakeholder Analysis:</u> Identification and characterization of the major stakeholders;	<u>Developing Logical Framework Matrix:</u> Designation of the project structure, the internal logic & risks, formulation of measurable indicators of success;	<u>Relevance Assessment:</u> Project objectives’ pertinence in relation to the stakeholders’ identified problems;
<u>Problem Analysis:</u> Identification of the key problems determining cause & effect relationships;	<u>Activity scheduling:</u> Determining the sequence and dependency of activities, their duration, assigning the responsibilities;	<u>Efficiency Assessment:</u> Modalities by which the resources/inputs are transformed into results;
<u>Objective Analysis:</u> Developing solutions from the identified problems;	<u>Resource scheduling:</u> Develop input schedules and budget from the activity schedule;	<u>Efficacy Assessment:</u> Modalities by which the results of the projects contribute to the achievement of the Project Purpose;
<u>Strategy Analysis:</u> Identifying different strategies to achieve solutions; Selection of best strategy;	-	<u>Impact Assessment:</u> Represents the influence of the project on the achievement of the Overall Objective.

*Source: Aid delivery methods Project Cycle Management Guidelines, 2004. Table compiled by the author.*

It is necessary to make a distinction between the Logical Framework Approach, which is an analytical process, and the Logical Framework Matrix, which represents the product of this analytical process.

One of the positive aspects connected to the use of the Logical Framework Approach is relative to the use of a clear and well defined vocabulary. The last version of the LF Matrix is the one made by the Department for International Development (DfID) in the United Kingdom (UK).

The Log Frame is an expression of the “Results Chain” – the results you expect the project should achieve. The box below provides an example of a Results Chain and how it aligns with the Log Frame format.

**Graph 1: The results chain underlying a local framework**



Graph produced by the author.

## 2.4 EVALUATION OVERVIEW

The purpose of the evaluation is to make an

*“assessment, as systematic and objective as possible, of an ongoing or a completed project, program [sic] or policy, its design, implementation and results. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipient and donors”*

(Review of the DAC principles for Evaluation of Development Assistance, 1998 ).

The Project Cycle Management forecasts an assessment phase and the Logical Framework is an instrument useful to this phase of the aid process.

There are five main criteria that the DAC members evaluate when assessing a project, as presented in the following table:

**Table 4: DAC Assessment criteria for development assistance**

<b>Evaluation Criteria</b>	<b>Definition</b>
<b>Relevance:</b>	Evaluates the appropriateness of project objectives to the real problems, needs and priorities of the target groups and beneficiaries, and to the physical and policy environment within which it operates.
<b>Efficiency:</b>	Evaluates whether the results were obtained at a reasonable cost; How well the means and activities were converted into results; and The quality of the results achieved.
<b>Effectiveness:</b>	Evaluates the contribution made by the project's results to the achievement of the Project Purpose.
<b>Impact:</b>	Evaluates the effect of the project on its wider environment; Its contribution to the wider sector objectives summarised in the project's Overall Objective; and The achievement of the overarching policy objectives.
<b>Sustainability:</b>	Evaluates the likelihood of a continuation in the stream of benefits produced by the project after the period of external support has ended.

*DAC Criteria for evaluating development assistance, n.d.*

The relation among these criteria and the Logical Framework's Elements can be graphically presented as follows:

**Table 5: Logical Framework Elements and DAC Monitoring and Evaluation Criteria**

Logical Framework Elements	Monitoring and Evaluation Criteria			Sustainability ↑
Overall Objectives			← Impact	
Project Purpose		← Efficacy		
Results				
Activities	← Efficiency			
Inputs				

Source: Rossi, M 2007. Table compiled by the author.

The tools mentioned above must not be static. All projects must be periodically reviewed, refined and updated through a learning process driven by the implementation experience. This is one of the main characteristics of the western Aid System, the attempt to learn and improve skills and methodologies through a continuous “learning by doing” process. The learning process must involve those who implement the project, the stakeholders, as well as the policy-makers, in an effort to improve the effectiveness of projects.

The final goal of a development project is the sustainability. To achieve this aim it is important to involve stakeholders throughout all the stages, to increase the project “Ownership”. The choices must not follow a top down process, but must rather arise from a bottom up process to ensure the effective participation of all the subjects involved in the project.

### 3. THE CHINESE VISION ON FOREIGN AID

#### 3.1 THE DIFFICULTIES IN RESEARCH

I would like to point out to the reader that parts of the conclusions in this paper (specifically concerning to Chinese Aid system), are results of diligent research work together with an elaboration process. In some cases, the results are not sustained by an official confirmation. This lack of proof can be ascribed to me and my inefficiency as researcher. However, I also know that part of it is a result of the lack of transparency in Chinese official development assistance. Indeed the Western scholars and policy makers had to work with estimates and guess work, while in interviews with Chinese officials they appeared unable to provide more comprehensive figures (Brautigam, 2007).

#### 3.2 SOUTH-SOUTH CO-OPERATION

The Chinese aid system can be assigned to the South-South Co-operation, the co-operation that occurs among developing countries. This is not a new practice, but has recently drawn international attention thanks to the increasing volume of affairs.

One of the main characteristics of the Chinese vision on Development Co-operation is that China does not use the donors'/recipients' language analysed above. “South-South co-operation (...) is a reflection of

the fact that China considers herself as an equal partner and does not see Africa as only a receiver and an economic burden, but as an opportunity for China within a win-win co-operation” (Davies, P. 2007).

The South-South co-operation is considered "the other" aid channel, indeed it is an alternative way compared to the "paternalistic" Northern assistance, and African countries seem to be very interested in this kind of co-operation.

The growing importance of the South-South co-operation is a fact. Even the World Bank recognises it in the "Shanghai Consensus" declaration, which states that: "the importance of South-South cooperation [*sic*] in scaling up poverty reduction efforts" (United Nations, 2005).

Also in the Chinese Aid Policy (White Paper on China's Foreign Aid, 2011) we can find a reference to South-South Co-operation. Here it is described as an effective and beneficial supplement to South-North co-operation, holding a strong characteristic born from relationships that took place in the past among the so called "Developing Countries". China still considers itself the largest developing country in the world, and for this reason it is strictly connected to this kind of co-operation. Conversely, Africa is the continent with the greatest number of developing nations and the sum of these two facts creates the condition for this strategic phenomenon (He, 2007).

The success bases of the Chinese co-operation model are political and based on two main explanations:

- China is substantially different from traditional donors, indeed part of the attraction power shown by the Chinese Aid system derives from "singularities" that it adopts when working with African countries;
- China is the basis for the creation of a new pole of power that could balance the economic, political and cultural power of western countries.

Strongly connected to South-South co-operation, is the concept of win-win co-operation.

*“China will unswervingly carry out the win-win strategy of opening-up. China cannot develop in isolation of the world, and China's development brings benefits to the world. China does not pursue its interests at the expense of other countries or seek to maximize its own interests. What we want is to expand the common interests with other countries and integrate our own interests with the common interests of the entire world with a view to achieving common development”*

(Yang, 2011).

In contrast with the past, the benefits that flow from China to African Countries is not a one way stream anymore, but has become two-way.

We should thus not speak of "gifts" but of “exchanges”. The range of opportunities for both sides is increased, and China too can get something back from its efforts and these feedbacks are incentives for the Chinese Foreign Aid System.

He (2007) gives us an example of common political interests when she affirms: "strengthened Sino-African relations will help to raise China's own international influence and that of developing countries as a whole".

Furthermore, the sixth principle of the "Eight principles for China's Aid to foreign countries” (Brautigam, 2009) explains the sense of the win-win perspective. The recipient country gets "best quality equipment and material of its own manufacture" (Brautigam, 2009) whilst China simultaneously improves its industrial production and maintains/generates jobs. The win-win concept is well summarized with the Latin locution “do ut des”, which literally means "giving something to somebody in order to get something back”.

### 3.3 GUIDING PRINCIPLES

The Chinese support to Africa is by no means new. Ever since the Bandung Conference that took place in 1955, China has had relations with African countries. It was during this Conference that the first national principles regarding Aid were developed. These are known as the "Five Principles of Peaceful Coexistence", and are still important today.

The five principles declared in the Conference of Bandung are:

1. Mutual respect for sovereignty and territorial integrity;
2. Mutual non-aggression;
3. Non-interference in each other's internal affairs;
4. Equality and mutual benefit;
5. Peaceful coexistence (Belligoli & Defraigne, 2010).

These principles have outlined the ways for further policy declarations. For example, on 19 April 1955 Zhou Enlai stated in his speech: "By following the principles of mutual respect for sovereignty and territorial integrity, non-interference in each other's internal affairs, equality and mutual benefit, the peaceful coexistence of countries with different social systems can be realized" (Enlai, 1955 cited in Shao, 1996).

In this statement by Enlai we find the same principles as those declared in the Bandung Conference. Nine years later Enlai himself, during his visit in Ghana (1964), proclaimed the "Eight Principles for China's Aid to Foreign Countries" (shown below):

1. The Chinese Government always bases itself on the principle of equality and mutual benefit in providing aid to other countries, it never regards such aid as a kind of unilateral alms, but as something mutual.
2. In providing aid to other countries, the Chinese Government strictly respects the sovereignty of the recipient countries, and never attaches any conditions or asks for any privileges.
3. China provides economic aid in the form of interest-free or low-interest loans and extends the time limit for repayment when necessary so as to lighten the burden of the recipient countries as far as possible.
4. In providing Aid to other countries, the purpose of the Chinese Government is not to make the recipient countries dependent on China but to help them embark, step by step, on the road of self-reliance and independent economic development.
5. The Chinese Government tries its best to help recipient countries build projects that require less investment while yielding quicker results, so that the recipient governments may increase their income and accumulate capital.
6. The Chinese Government provides the best quality equipment and material of its own manufacture at international market prices. If the equipment and material provided by the Chinese Government are not up to the agreed specifications and quality, the Chinese Government undertakes to replace them.
7. In providing any technical assistance, the Chinese Government will see to it that the personnel of the recipient country fully master such technique.
8. The experts dispatched by China to help in construction in the recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities. (Belligoli & Defraigne, 2010.)

Notice that the same principles are found in China's Foreign Aid White Paper (2011) produced by the Information Office of the State Council, where they are mentioned in the guise of "Technical Assistance

to Other Countries". The political view summarised in these principles, has not changed for 47 years. This means that the Chinese political system has, at least in a rhetorical way, followed a specific and long lasting path. This way has been presented and reaffirmed repeatedly until this day.

These principles were born in a specific historic period during which China wanted to:

- help post-colonial regimes to modernise themselves and become self-reliant, within a "poor helping the poor" strategy;
- strengthen communist internationalism, and subsequently, after the split with Moscow, reinforce the position of the “not-aligned” movement within the developing world;
- mitigate the influence of Taiwan's Kuomintang government, and gain support from African countries in the international arena (Chin & Frolic, 2007).

The evolution of China's Development Co-operation policy can be summarised with the three-stage analysis provided by Li Anshan:

**Table 6: Evolution of China’s Development Co-operation**

Change	Description
From Emphasis to Neutrality	The principle of contact is no longer ideological. The China Communist Party (CCP) keeps co-operation not only with socialist parties, but also parties with different ideologies. The partnership of contact is not confined to ruling parties, but also non-ruling parties. The content of contact is not limited in party politics, but extended to economic-commercial co-operation and cultural exchange.
From Unitary Form to Multiple Channels	The unitary state-managed trade has changed to state and private trade together, the unitary form to multiple form of co-operation on multi-level, aid typed co-operation to win-win co-operation;
From Single Aid to Win-win Strategy	The change in China's aid pattern from unitary aid given for free to multiple forms, the transformation of China-African co-operation is expressed in the form of Aid, the exchange of development experience and win-win pattern of economic interest.

*Source: (Li 2007); Table compiled by the author.*

These variations are offshoots of China's political and economic growth and the change of priorities has been accompanied by changes in guidelines. The "opening policy" in the Chinese system had consequences in the methodologies used to implement development co-operation.

The new equation is: less ideology leads to more opportunities, less centralisation leads to more ways of acting and finally, less unilateralism leads to greater benefits.

### **3.4 COMPARISON OF PRINCIPLES**

To make a comparison among the principles recognised by western donors and the principles followed by China's Foreign Aid system, I use a two-column table, which on one side presents the Eight Principles of the Project Cycle Management as listed in the European Commission's Manual dated 2004 by title "Aid

delivery methods Project Cycle Management Guidelines", and on the other side "China's Eight Principles for Economic Aid and Technical Assistance to Other Countries", as reported in the official White Paper produced by the Information Office of the State Council by title "China's Foreign Aid".

**Table 7: Comparison of EU and Chinese principles for foreign aid**

<b>Eight Principles of the Project Cycle Management</b>	<b>China's Eight Principles for Economic Aid and Technical Assistance to Other Countries</b>
Projects are supportive of overarching policy objectives of the EC and of development partners.	The Chinese government always bases itself on the principle of equality and mutual benefit in providing aid to other countries. It never regards such aid as a kind of unilateral alms but as something mutual.
Projects are relevant to an agreed strategy and to the real problems of target groups/beneficiaries.	In providing aid to other countries, the Chinese government strictly respects the sovereignty of recipient countries, and never attaches any conditions or asks for any privileges.
Projects are feasible, meaning that objectives can be realistically achieved within the constraints of the operating environment and capabilities of the implementing agencies.	China provides economic aid in the form of interest-free or low-interest loans, and extends the time limit for the repayment when necessary so as to lighten the burden on recipient countries as far as possible.
Benefits generated by projects are likely to be sustainable.	In providing aid to other countries, the purpose of the Chinese government is not to make recipient countries dependent on China but to help them embark step by step on the road of self-reliance and independent economic development.
The active participation of key stakeholders is required and the promotion of local ownership is aimed at.	The Chinese government does its best to help recipient countries complete projects which require less investment but yield quicker results, so that the latter may increase their income and accumulate capital.
The Logical Framework Approach (as well as other tools) is used to support a number of key assessments/analyses (including stakeholders, problems, objectives and strategies).	The Chinese government provides the best quality equipment and materials manufactured by China at international market prices. If the equipment and materials provided by the Chinese government are not up to the agreed specifications and quality, the Chinese government undertakes to replace them or refund the payment.
Key quality assessment criteria is incorporated into each stage of the project cycle.	In giving any particular technical assistance, the Chinese government will see to it that the personnel of the recipient country fully master the technique.

The production of good-quality key document(s) is required in each phase (with commonly understood concepts and definitions) to support well-informed decision-making.	The experts dispatched by China to help in construction in recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities.
--	---

*Table compiled by the author.*

In the two lists it is evident that there are differences and similarities. Among the differences I want to point out that the European Commission circumscribes the application field of its principles to the methodologies and instruments used to implement its projects, while China locates two categories of specific operations, such as the Economic Aid and the Technical Assistance. China clearly outlines the operating area of its principles, but does not speak about the methodologies or instruments.

There are some similarities between the two lists of principles:

- One of the crucial points in the list of the European Commission as well as in the Chinese list is sustainability. See point 4 of the European Commission as well as point 4 of the Chinese list where it reads: "In providing aid to other countries, the purpose of the Chinese government is not to make recipient countries dependent on China but to help them embark step by step on the road of self-reliance and independent economic development" Point 7 also states: "In giving any particular technical assistance, the Chinese government will see to it that the personnel of the recipient country fully master the technology". Both these points seem to demonstrate an attention to sustainability within Sino-African relations.
- Point 2 of the European Commission speaks about the relevance to an agreed strategy and to the real problems of target groups/beneficiaries. To some extent China is also concerned about that, indeed point 1 speaks of the importance of "equality and mutual benefit in providing aid to other countries".

Besides these similarities, the differences between the two lists are various. Notice that through these principles enunciated in 1964 China wanted to differentiate its Aid by affirming the absence of conditions, privileges and special benefits for its apparatus.

## **4. THE CHINESE AID SYSTEM**

The aim of this paper is to investigate whether the Chinese methodologies to supply Aid commitments are similar or not to the ones used by the DAC/OECD members. As Kobayashi (2008) wrote:

*"Since China is not a member of DAC, it does not have an obligation to report its aid activities to the international community. As a result, China discloses much less information on its foreign aid, compared with DAC member donors, which makes it difficult to obtain a full picture of what it is actually doing in its external assistance activities."*

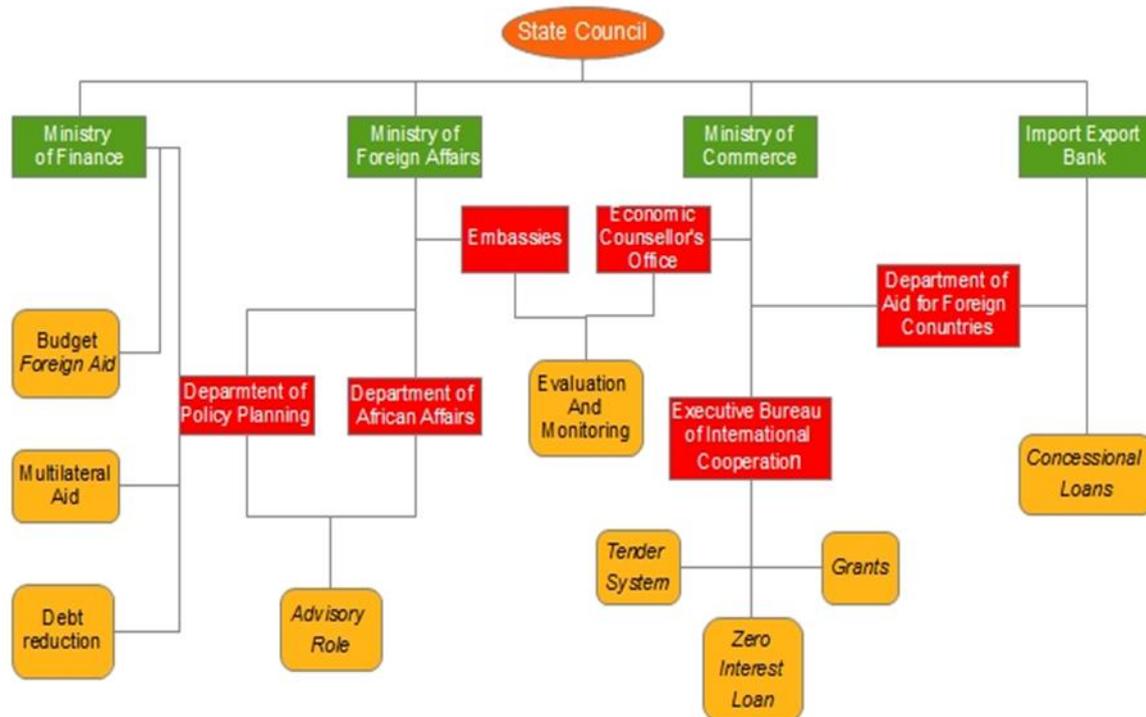
In the following pages I will present the results of my research.

### **4.1 CHINESE INSTITUTIONAL FRAMEWORK**

To better clarify China's Foreign Aid System it is necessary to understand who does what, and therefore present the institutional architecture at the bottom of the Chinese Development Co-operation System. First of all it is necessary to say that a clear hierarchical chain of command has been dissolved, and policy has become the product of negotiation between different government bodies (Corkin, 2012). We are in

front of an informal intra-government system of checks and balances (Wu, 2005, cited in Corkin, 2012, p.65). Even if it is quite difficult to see through this confused set of roles and tasks, I tried to define an institutional framework following the information given me by researchers Brautigam, Corkin, M. Davies, P. Davies, Kobayashi, Li Xiaoyun, Li Anshan, and He Wenping. The following graph is the result of this “collage” work:

**Graph 2: China’s Institutional Framework for Aid**



*Graph produced by the author*

It is evident that China’s foreign aid policy and decision-making is in the hands of the central government. The State Council oversees the co-ordination mechanism among a “horizontal power level” where four institutions (Ministry of Commerce, Ministry of Foreign Affairs, Ministry of Finance and the China Export Import Bank) are trying to self-preserve (Idiomatic expression used by Liou Chih-shian quoted in Corkin L, 2012) their roles and tasks. The Ministry of Commerce works through some internal entities such as the Economic Counsellor's Offices, the Executive Bureau of International Cooperation and the Department of Aid for Foreign Countries. All these organisms contribute to the policies definition in the field of grants, tender system and zero interest loans. The Ministry of Foreign Affairs, through its related institutions like the Department of Policy Planning and the Department of African Affairs, seems to fulfill only an Advisory Role. Perhaps it is expiating the Chinese policy change which now has a more commercial view of Foreign Aid than in the past when it was considered a political matter relevant to the construction of international relations. The Embassies have to be studied as a separate topic, as they play an important role in the planning and assessing stages. The Ministry of Finance plays an essential role, because it is in charge of defining the foreign aid budget and the multilateral aid, and what’s more it controls the powerful debt reduction lever. The Ministry of Finance’s role is central, because it is the sole shareholder of the China Exim Bank, the body that controls the concessional loans aid channel.

## 4.2 WHICH KIND OF AID

An introduction about the Chinese development co-operation channels is necessary in order to classify what China considers aid. We know that China provides aid by almost always using bilateral agreements between governments. These agreements are realised through three possible forms:

- Grants: mainly used to help recipient countries execute small social projects;
- Preferential loans: mainly used for industrial and infrastructure projects;
- Interest-free loans: mainly used in situations where there is a high probability of the recipient countries not returning the loans;
- Other funds: new funds have recently been introduced to promote economic co-operation between Chinese businesses and recipient countries (Qi, 2007).

“The Chinese Aid emphasises infrastructure, something many poor countries need and want but often find traditional Western aid donors reluctant to fund” (Lancaster, 2007). Indeed the Chinese Aid system pays particular attention to construction of infrastructure, buildings, and stadiums. The White Paper published by China’s Government states that “complete projects are a major form of China's aid ... complete projects refer to productive or civil projects constructed in recipient countries with the help of financial resources provided by China” (White Paper on China’s Foreign Aid, 2011).

The importance of the kinds of projects China implements in Africa is a direct consequence of the planning methods and evaluation criteria used. Traditional donors prefer to use a Process Approach, where the concept of “learning by doing” is applied. China may prefer the Blueprint Approach, a kind of plan detailed in all its aspects and for which a faithful execution is necessary (Rossi, 2007). *The Blueprint Approach* is a typical plan for engineering projects such as the construction of highways, buildings and stadiums, which are China's preferred types of co-operation projects.

*“The Chinese Government does not report its Aid statistics or other flows to the DAC, a practice adopted by OECD donors (and even many countries outside the OECD). This has led to several attempts by researchers to estimate Chinese Aid through media reports, or to use other published figures as proxies for Aid”*

(Brautigam, 2011).

It is important to underline that the Chinese aid figures include projects that the DAC members do not consider worthy of financing, such as: construction of sport facilities, military assistance, subsidised loans for joint ventures and co-operative projects (Grimm, 2011).

The Chinese government uses a wide range of financial instruments to provide aid, and it is difficult to fit them into the category of Official Development Assistance (ODA). The most precise description for the Chinese aid instruments is Other Official Flows (OOF). “China does not keep data on its assistance as defined by the ODA guidelines. The aid projects are part of larger packages of investments and trade deals with recipient governments. Even Chinese labour is considered part of aid. China is comparatively unorthodox in record keeping, as it is not used to Western levels of transparency” (Lengauer, 2011).

“The Development Assistance Committee (DAC) members agreed to define OOF as money that comes from governments but do not meet the ODA criteria, ... ODA excludes, by definition, export credits given by state-supported export credit agencies primarily to promote exports” (Brautigam, 2010). The impossibility to inscribe the Chinese Aid instruments into the category of ODA is one of the problems that the researchers find along their path of research. We must manage the data with intelligence and make a work of cut and sew to try to compare the ODA flows with the Chinese Aid Instruments.

### 4.3 THE CHINESE PLANNING SYSTEM

It is evident that the planning phase is very important inside the Development Cycle adopted by the DAC/OECD members. However, the planning stage is not a peculiarity of the previous members, since China also plans its operations in the African continent. The planning phase is performed by the actors involved through the Forum on China-Africa Cooperation, which is an “important platform for collective dialogue and an effective mechanism of practical cooperation [sic] between China and Africa” (Sharm El Sheikh Action Plan, 2009). Within FOCAC, the planning stage is completed through collaboration between African countries and China. Attendees have been meeting up every three years since 2000, the year in which the first FOCAC meeting was held in Beijing. The outputs of these meetings are generic programmes realised through the implementation of single projects. In China there is a distinction between programme and project, with the first being more extensive than the latter, indeed the project is characterised by being more specific.

Hubert Vaughan, professor of Project Management at the Institute of International Engineering Project Management of the Tsinghua University, in a paper wrote for PM World Today (PM stands for Project Management) states that project management techniques were introduced in the Chinese system at the beginning of the 21st century. Since its early introduction, professionals and senior managers have realised the advantages and benefits that project management offer by helping them minimise project delay, reduce project cost, improve product and service quality, and allowing them to utilise their technical resources effectively. Yet, even if the introduction of project management is good news, most projects delivered in China do not have a well defined, structured delivery approach (Vaughan, 2008). The paper written by Vaughan is the only explicit material concerning the project management methodologies adopted by Chinese professionals that I have found in two years of research on this topic. For this reason I present here an extract from the paper produced by Vaughan: most projects delivered in China do not have a well defined, structured delivery approach. A simple 3-stages delivery process was used in most projects, the initial Preparation Stage, the central Execution Stage, and the final Close-up Stage. The Execution Stage is a cycle of Analysis, Design, Construction, and Review. Thus the Execution Stage is a continuous cycle of Code and Fix until project objectives are achieved, or the original concept has to be modified to suit the end result, or the necessary patch-up work needs to be performed to close the project. In order to help the reader I introduce a table produced by Vaughan that clearly shows the main stages of the Chinese project delivery model (Vaughan, 2008).

**Table 8: Stages in Chinese project delivery**

Preparation Stage	Execution Stage				Close Up Stage
Concept	Analysis	Design	Construct	Review	Final Patch Up
Execution Stage					
Think – Code – Review Fix	Think – Review – Refix		Re-think – Make Do – No Need to Do		

*Table compiled by the author.*

From Vaughan's article it is evident that inside the Chinese project management model the purpose is central, to use Vaughan's (2008) words: “the project scope is the foundation of the project success”, and deviation from the goal will drive into the repetitive cycle of the delivery model.

One of the questions of this research is: Does the Chinese apparatus of development aid use these guidelines? To answer to this question, I must introduce the following chapter, because in it I will analyse the two main Chinese aid channels in order to understand which kind of methodologies are used to plan the aid projects.

#### **4.4 THE CONCESSIONAL LOAN CYCLE**

Concessional loans as financing instrument were added to China Exim (Export-Import) Bank's operations in 1995 (Kobayashi, 2008). I analyse this instrument because among the ones adopted by the China Exim Bank it is the only one that could be numbered into the DAC/OECD parameters. China's Exim Bank operates under the direction of the Ministry of Commerce that administers China's concessional foreign aid loan programme (Grimm, 2011). This instrument is used to promote economic development and improve living standards in developing countries. The government Concessional Loans is defined as "Official Assistance" (Chinese Government Concessional Loan and Preferential Export Buyer's Credit) by the Chinese Government.

The programmes/projects implemented through this instrument are tied to the principles of:

- Mutual benefit: to guarantee work and economic benefits to the national companies involved;
- Anti-corruption: the funds usually do not go to beneficiary country accounts, but are directly given to the Chinese companies to satisfy their needs.

At the bottom of the supply of a concessional loan there are some criteria that have to be satisfied such as:

##### **Combined:**

- endorsement by both governments (Chinese and Borrower);

##### **Chinese side:**

- existence of good diplomatic relationships between China and Borrower Country (outcome of the application of the One's China Policy principle);
- Chinese enterprises should be selected as contractors/exporters;
- equipments, materials, technology, or services that projects need should be procured from China ahead of other countries.

##### **Borrowing Country side:**

- the borrowing country should enjoy a relatively stable political and economic situation;
- the borrowing country should have sufficient debt servicing capacity;
- local needs for funds, equipment, and labour necessary for the project should be secured in advance;

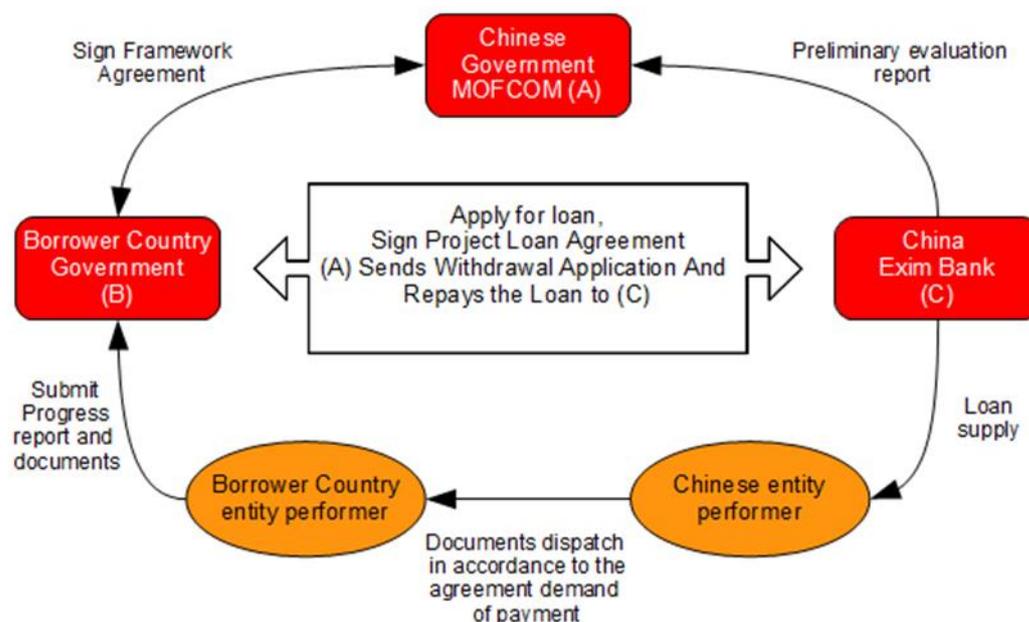
##### **Features connected to the project:**

- the project should be technically feasible;
- the project should generate favourable economic returns;
- the project should have good social benefits.

(Kobayashi, 2008.)

Below is a graph of the project cycle of the China Export-Import Bank (Brautigam, 2009; and M. Davies 2008):

**Graph 3: Project Cycle of China Exim Bank**



*Graph produced by the author.*

We can reassume the project cycle phases of China Exim Bank in the following table (information collected from: Davies, M. 2008; Kobayashi, 2008; Chinese Government Concessional Loan and Preferential Export Buyer’s Credit):

**Table 9: China Exim Bank Project Cycle**

Phase	Description and features
<b>Loan Application</b>	The borrowing country government based on its own development plan and national strategy sends the project to the Chinese Government while the Ministry of Finance sends a loan request to the China Exim Bank.
<b>Recommendation and Appraisal</b>	After examining the requested project, the Ministry of Commerce recommends it to the China Exim Bank. The Bank then makes its own appraisal of the project through a feasibility assessment report, after which it sends a recommendation to the Ministry of Commerce.
<b>Signing of the inter-governmental framework agreement and loan agreement</b>	If the feasibility assessment report is accepted, the Chinese Ministry of Commerce signs a framework agreement in which the amount, terms and use of the money is specified.
<b>Signing of the Loan Agreement</b>	According to the Inter-governmental framework agreement the China Exim Bank signs the loan agreement with the involved Ministry of the borrowing Country. The technical features of the loan are negotiated separately.

<b>Project implementation and monitoring</b>	The implementation is a duty of the borrowing country, specifically of the actors involved (ministries, agencies, departments) to which are added the Chinese actors. During this phase the features and conditions of the project cannot be modified without the Chinese's consensus. The responsibility to manage the project is up to the implementing agency of the borrowing country. The China Exim Bank should monitor the project and give advice if necessary.
<b>Disbursement</b>	The contractor/exporter sends payment documents to the project executing agency;
	The latter submits a request for payment to the borrower in which is cleared the progress status of the project;
	The body in charge of the borrowing country sends a request consistent with the Loan Agreement, adding the document certifying the state of works related to the project. Together these documents form the reimbursement request to the China Exim Bank;
	After confirming and approving such an application, the China Exim Bank makes a disbursement to the account of the contractor/exporter (usually Chinese).
<b>Double monitoring processes</b>	To ensure the efficient use of the funds, the China Exim Bank monitors the project implementation and supplies the payments in accordance to progress made. The borrowing country bodies involved in the project implementation have to: report to the China Exim Bank on the state of work and the funds usage, furnish assistance in loco to the Chinese Exim Bank monitoring teams.
<b>Completion and Repayment</b>	After the project conclusion, the borrowing country sends a completion report to the China Exim Bank, with which the borrowing country formally assumes the obligation to pay interest and fees and repay the principal, according to the provisions of the loan agreement.
<b>Ex-post Evaluation</b>	After the project conclusion, the China Exim Bank conducts evaluations on some identified project (NB: not on all the projects).

*Table produced by the author.*

Below is a list (Kobayashi, 2008) of the specific documents that the applicant countries have to present together with their requests of concessional loans:

- written loan application;
- a document certifying the consent of the borrowing country government;
- a statement of context issued by the Economic and Commercial Section of the Embassy of the PRC in the borrowing country. As the body working on the ground it has to provide the Chinese officials with a picture of the social, political and economic context of the borrowing country;
- project proposal or feasibility study (FS) report. This report is very interesting for my study because it connects the Chinese planning operations to the ones of the European Community in

particular, and of the DAC/OECD countries in general. Indeed in the identification phase of European Project Cycle Management is expected the pre-feasibility study and in the formulation stage, the feasibility study;

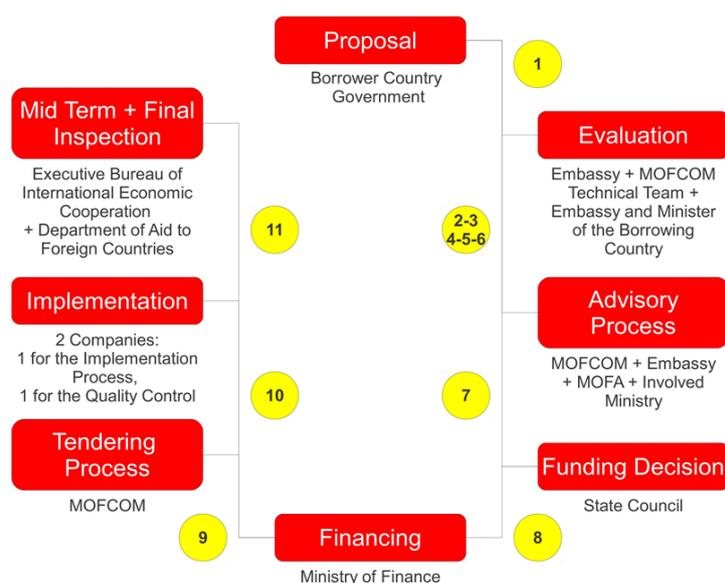
- commercial agreements or other co-operation agreements between Chinese and borrowing country companies undertaking the project;
- information on the political, economic, and social condition of the borrowing country. This kind of information is crucial for the DAC/OECD countries, as they form part of the external factors that must be analysed before the start of a project, and that can influence the implementation;
- profiles of the Chinese and borrowing country companies undertaking the project;
- a copy of the business license, together with (9) audited financial statements of the past three years, and past business activities of the Chinese company in and outside China.

Notice that the responsibility of the project implementation belongs to the agency/institution of the borrowing country, and that the project is unchangeable without the prior approval of the Chinese institutions in charge. By attributing the responsibility of the project implementation to the borrowing country agency is a way to make it responsible for a project toward which it could feel extraneous since the biggest part of the implementation work is done by Chinese companies. The role of the borrowing institution is to maintain the relationship with the China Exim Bank through the sending of documents regarding the state of work, in order to unlock the financing tranches. In conclusion, this process of audit report and monitoring is a prerogative of the agency/institution of the borrowing country.

#### 4.5 THE GRANT CYCLE

As stated on the Chinese White Paper titled China's Foreign Aid, the grant instrument is mainly used to help recipient countries to build hospitals, schools and low-cost houses, to support well-digging or water-supply projects, and other medium- and small-scale projects for social welfare. In addition, grants are used in projects in the fields of human resources development co-operation, technical co-operation, assistance in kind and emergency humanitarian aid (White Paper on China's Foreign Aid, 2011). The phases that underline the Grant supply process can be summarised in 11 points (Davies, M. 2008). Below I present this list in a graph in order to simplify the interpretation and comprehension thereof:

**Graph 4: Chinese Grant Supply Process** (Graph produced by the author)



Firstly, in analysing this graph it is evident that its graphical form is similar to a cycle presented in the first part of this paper in the discussion of DAC/OECD members and their methodologies. It is important to note that this cycle is not closed but open. This means that the information and data gathered throughout the 11 phases are not being used to identify and plan a new similar project.

These 11 phases can be grouped into three stages: conception, implementation and conclusion. An examination of the conception stage reveals that it is the responsibility of the Borrowing Country which “perpetuates the feeling of ownership of the aid process amongst African leadership” (Davies, M. 2008). As affirmed by the China Exim Bank projects have to be consistent with the national priorities (Chinese Government Concessional Loan and Preferential Export Buyer’s Credit, n.d.). “China aligns its aid with national priorities as presented by the governments, but through other mechanisms and in different ways than traditional donors” (Davies, P. 2007). There seem to exist forms of ownership inside the Chinese Foreign Aid System, although these have different features and modalities in comparison with the ones declared in the Paris Declaration on Aid Effectiveness. The following statement by the Sierra Leone Minister of Foreign Affairs, Alhaji Momodu Koroma, supports this thought: “There is a difference and it is huge (between China and other donors). What they (Chinese) want to help you with, is what you have identified as your need. With Britain, America, they identify your needs. They say: look we think there is a need here” (Brautigam, 2009 p.139-140).

I will analyse points 2 to 6 in the next chapter concerning the Evaluation theme.

Within the grant cycle there are some peculiarities (for example in point 7 there is an advisory process that involves many actors) that discuss the feasibility and the possibility to present the project to the State Council as the last decision maker. Another peculiar feature of this cycle is the tendering process through which the implementers-exporters companies are determined. This is a crucial trait, indeed this procedure responds to the mutual benefit policy adopted by China as one of its guiding principles on Foreign Aid. Through the grant supply China helps its companies to become bigger and to reach new markets.

An elucidation has to be made for point 11: The Executive Bureau of International Cooperation has no staff abroad, so it has to count on the Chinese Embassies for information regarding the borrowing countries.

#### **4.6 EVALUATION INSIDE THE CHINESE FOREIGN AID SYSTEM**

*“Only assessing everything correctly, is possible to win, with bad evaluations you lose ... I evaluate the circumstances, the result determines by itself.”* (Sun, 2003)

As my study in the first part of this paper regarding the DAC/OECD system revealed, evaluation is a fundamental practice adopted by the members of this international organisation. This also applies to the Chinese System, indeed “MOFCOM explained that an evaluation is done for each project. Before each project a feasibility study is carried out by technicians. This needs to be approved by both governments before the project can be implemented. A joint mid-term evaluation is carried out. Finally, after project completion, a post-project evaluation is done for both countries to approve” (Davies, P. 2007). Based on this statement by MOFCOM, material and manuals about the Chinese evaluation system should be numerous and easily available. However, after months of research and readings I have found that these documents, if they exist, are not easily available.

Below, I present a list of possible explanations regarding this lack:

- cultural barriers that result in reluctance to criticise others (Li, 2002);
- linguistic barriers – the information exists but is in Chinese and this argument suggests that it is a “veil of ignorance” rather than a “lack of transparency” that frustrates Western aid analysts (Hubbard, 2007);

- objective absence – it is not merely an issue of linguistic accessibility of knowledge, Chinese researchers do not necessarily know more than international researchers (Grimm, 2011).

In support of this last point of view, I display a statement made by Li Jiali (2010), Senior Engineer, Deputy Director General Foreign Economic Cooperation Centre of China's Minister of Agriculture, in a document published by the International Poverty Reduction Center in China (IPPRC): “the western countries, the international financial organisations, etc. have attached great importance to the supervision and assessment of the aid projects and established a set of scientific and systematic evaluation methods. However, the Chinese Government has not formulated a set of systematic, standardised and scientific project assessment systems for the said projects such as the agricultural technical demonstration centre, etc., and guaranteed the effective management and objectivity of the achievements and convincing evaluation.”

Moreover, Carol Lancaster affirms that Chinese foreign aid system does not yet have an evaluation system, even though recognises the need for such a system and is planning to create one soon (Lancaster, 2007). Therefore the monitoring of China's aid commitments and their implementation is proving difficult, even for the Ministry of Commerce and government think-tanks. “In absence of a central Aid Agency, the lack of general time series data on aid flows and the non-transparent nature of Chinese loans complicate the process of defining, calculating and monitoring China’s development assistance to the continent” (Davies, M. 2008). Based on the documented lack of official information I can also present some evaluative typologies that characterise the Chinese Foreign Aid System.

#### **4.7 DOES AN EVALUATION SYSTEM ALREADY EXIST?**

The Chinese government apparatus knows the methodologies and criteria of the DAC evaluations, because, as a developing country, China has received loans and grants from the DAC/OECD members, and has been confronted with the whole set of rules and applications that the DAC system requires. There is a Chinese institution in charge of these matters – the National Centre for Science and Technology Evaluation (NCSTE). Established in 1997, this centre now takes care of ODA's evaluations. The following statement is available on the NCSTE website: “in the recent years, NCSTE has been taking Aid Evaluation as an important part of the work and placing great emphasis on the improvement of ability to carry it out. An Aid Evaluation project team in NCSTE has been set up. The project team has systematically studied the concerning OECD development aid policies and the policies on utilization [sic] of foreign government loans to China” (NCSTE).

“To legitimise the projects’ goal and expenditures, evaluation has become standard practice for government-sponsored projects” (Li, 2002). This statement suggests that Foreign Aid projects also need to be evaluated because they are funded by the government.

Below is displayed the five generic evaluation stages identified by Li that could be useful to provide evaluations regarding Foreign Aid projects.

**Table 10: Five stages of Chinese aid delivery according to Li (2002)**

Stage	Description
1	Project applicants self-assess their proposals or outputs according to guidelines issued by the Ministry. To discourage arbitrariness, an internal committee is requested to provide basic information and initial comments.
2	Application documents, including the project proposals, are mailed to an anonymous programme director in NCSTE. After receiving these documents, the programme

	director first checks that the proposed project is not already being supported by another branch of government and has not already been undertaken elsewhere, and that the objectives of the proposed project are consistent with those of the program. Copies of the application documents are posted to the evaluators, together with a set of instructions designed by NCSTE to provide guidance on how to assess the proposals.
3	The programme director integrates the results of the first and second stages and draws up an opinion. For project selection, four of these items are related to the feasibility of the project, two to the qualifications of the applicant researchers, and two to the expected impediments to carrying out the project. For mid-term evaluation, four items are related to changes in the Research and Development (R&D) environment, and four to the likelihood of goal achievement if the project is continued. In the case of midterm evaluation, if a specific prerequisite item for a project is indicated to be inappropriate, or the number of items indicated to be inappropriate is more than three, then the project is rejected.
4	A site visit occurs only in ex-post evaluations. The visitors compare the outputs of the project with the written report. They also gather detailed information about the project through open communication with the researchers.
5	During this stage the panels critically investigate, modify, and approve the project, aided by the director's opinion and the site-visit report.

*Source: Li, (2002); Table compiled by the author.*

This kind of evaluation foreseen for projects in Science and Technology, after rearranging some details, could also be used for Foreign Aid projects. “There are standards for selecting the evaluation methods, based on the project characteristics” (Li, 2002), therefore, for Foreign Aid projects different evaluative features have to be employed than those used for Science & Technology projects. To have an evaluation system in China it is necessary to build a large pool of evaluators with outstanding academic achievements, comprehensive practical experience and distinguished expertise, since the success of an evaluation depends on its objectivity and credibility. China needs to create and select appropriate evaluators that understand the methodologies and follow the same rules when they evaluate. Of course this will cost more, but the cost is justified for important projects that might have major impacts on national (and international) development strategies (Li, 2002).

Although the NCSTE is, at least on paper, the entity appointed to the evaluation activities inside the Chinese Foreign Aid system, there is no evidence of the existence of a systematic evaluation system for Chinese Aid programmes/projects abroad.

#### **4.8 CERTIFICATION OF IMPLEMENTERS' ENTITIES**

Certainly there is a type of evaluation done inside the Chinese foreign aid system, this assessment process involves implementer entities of the foreign aid projects. This kind of evaluation regards quality control made to verify the suitability of these companies/organisations. They must fulfil the following requirements to serve as project-implementer companies:

1. be registered in the sector overseeing commerce, industry and administration;
2. be a large- or medium-sized enterprise with a status of independent corporations; and
3. have a good standing in business management, financial conditions, equity capital and creditworthiness (Kobayashi, 2008).

Because not all the companies/organisations are suitable to implement foreign aid projects abroad, they must be ISO9000 certified (Kobayashi, 2008). The standards included in the ISO9000 are international technique guidelines, and describe the requirements that companies must meet. These standards provide guidance and tools for companies and organisations who want to ensure that their products and services meet customers' requirements, and that quality is consistently improved. The standards are based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement (Management System Standards, n.d.).

Now the question is: Who are the customers of a foreign aid project? The answer is: the stakeholders – any individuals, groups of people, institutions or firms that may have a significant interest in the success or failure of a project (either as implementers, facilitators, beneficiaries or adversaries) (Aid delivery methods Project Cycle Management Guidelines, 2004).

This type of certification represents a control over the processes connected to the project implementation and guides the implementing entities in the supply of goods and services. With the quality evaluation of a project, I intend the degree by which a specific combination of elements is able to be relevant to the project and therefore fulfil the needs of the recipient subjects.

Through this prior control over the implementer entities the Chinese government wants to ensure that these companies are able to:

- prevent mistakes instead of correcting them;
- perform continuous supervision of the fundamental processes;
- check the results;
- produce efficient communication; and
- register the activities through efficient documents checking.

Thus, the use of companies to implement foreign aid projects is a relevant feature of the Chinese System. Through the use of the ISO9000 protocol the Chinese government guarantees the efficiency, efficacy and reactivity of the project with an upstream instead of a downstream control.

#### **4.9 EVALUATION INSIDE THE CONCESSIONAL LOAN CYCLE**

To analyse the concessional loans' evaluation I have divided the process into four main stages:

##### *Identification stage*

During this stage the borrowing country has to present some documents, among which I underline:

- a statement of position issued by the Economic and Commercial Section of the Embassy of the People's Republic of China in the borrowing country;
- a project proposal or feasibility study report that includes the necessity of the project (objective and target), description and scope of the project, estimate of investment, technological and economic feasibility, and social effects; and
- information on the political, economic, and social condition of the borrowing country (Kobayashi, 2008).

Note that DAC/OECD donors usually produce this information by themselves. However, the study work at the base of the identification stage of the Chinese concessional loan cycle is the borrowing country's prerogative through which is identified the project goal and purpose, and which produces a description of the operations, highlighting:

- economic terms of reference, with an appraisal of the indispensable investment;

- technological terms of reference; and
- social results obtainable by the programme/project.

*Implementation stage*

The China Exim Bank (overseeing this channel of Foreign Aid) can monitor the project and offer advice if necessary (Kobayashi, 2008). This monitoring activity performed by the China Exim Bank is mandatory for the supply of the loan tranches, which are strictly dependent on progresses made. This is one of the ways in which implementation timing is ensured and connected to determined development stages.

*Repayment and Completion stage*

China Exim Bank monitors the implementation to ensure the efficient use of funds. The borrower reports to China Exim Bank the progress of the project, the use of funds, and provides necessary assistance. After the project is completed, the Borrower sends a completion report to the China Exim Bank. Executing Agency has the responsibility to operate the project. The China Exim Bank may monitor the project and offer advice when it is necessary (Chinese Government Concessional Loan and Preferential Export Buyer's Credit n.d).

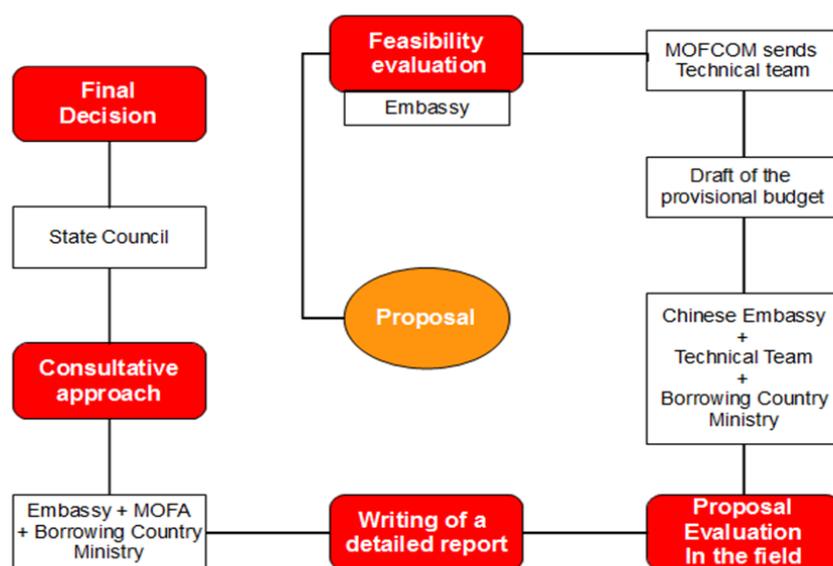
*Ex-Post Evaluation*

When the project is finished, the China Exim Bank performs ex-post evaluation on the project on a case by case basis. This means that not all the programmes/projects are subject to ex-post evaluations. We can deduce that this evaluative practice is not an entrenched routine. Unfortunately I have to complain again about the lack of information regarding the criteria and methodologies used by the China Exim Bank to perform its assessment operations.

**4.10 GRANT CYCLE'S ASSESSMENT SYSTEM**

“Although the grant is one of China’s major aid schemes, information on how it works is fairly limited” (Kobayashi, 2008). Inside the grant cycle I have identified a smaller evaluation cycle, below I present a graph that visually connects the different stages:

**Graph 5: Grant Cycle Assessment System**



Source: (M. Davies 2008); Graph produced by the author.

Inside this grant assessment cycle the project proposal is identified and sent by the borrowing country to the Chinese embassy. The Chinese embassy performs the role of screening the requests (Davies, M. 2008) and accomplishes this assignment through a feasibility evaluation that leads to a list of feasible projects. In effect the Chinese embassy nominates one or more staff to oversee the aid program, trouble shooting, monitoring, and checking up at their completion. The feasible projects list is sent to China, specifically to MOFCOM, where the evaluation process continues with the nomination of a Technical Team to be sent to the borrowing country with two specific goals:

- assess the technical feasibility of the project presented by the borrowing country government;
- develop a first budget draft (Davies, M. 2008).

The budget draft is written with the contribution of the Chinese Embassy in the borrowing country, the government-minister or ministries/departments of the borrowing country involved in the project. After a consultative phase with these bodies the technical team makes its assessment writing a detailed report and sending this evaluation to the Department of Aid to Foreign Countries (a department within the MOFCOM) (Davies, M 2008).

The MOFCOM, the borrowing country embassy in China, the Chinese Ministry of Foreign Affairs and the other Chinese ministries involved together have to assess and decide whether or not to convey this report to the State Council – the authority with the last word.

Using the DAC definitions of evaluation, all this steps described above could be summarised in the ex-ante evaluation stage. These activities are all carried out before the start of project implementation, and are preparatory to the financing decision. In addition to the Ex Ante evaluation there are other “types” of evaluation (mid-term, final, and ex-post), that are not very integrated into the grant cycle or the other Chinese funding channels. Although there are references to these types of evaluations, at least into the official documents published in English by the most important bodies involved in the Chinese foreign aid system, there is no evidence regarding methodologies and features used in these types of evaluations.

## **5. CONCLUSION**

I want to underline one thing among the many that characterise China as a global actor: its dual-role in the global scenario, indeed China is at the same time a recipient country as well as a donor. This characteristic, among others, makes Chinese Aid so charming to African countries’ eyes. It represents a paradigm change, the old power relationship of the North-South Assistance is replaced by (at least on paper) a mutual, win-win South-South Connection. The model of western donors claims to be the one to follow and in the light of this consideration China’s model is new, a work in progress system shaped by different ideas, concepts, and methods.

This paradigm difference also has consequences in China's way of conducting foreign aid. From this study it is evident that there are a lot of dissimilarities between the planning and evaluating methodologies adopted by the DAC members and China. Some of the reasons for these differences are: cultural, technical and political.

Everybody who has studied this matter knows that one of the biggest problems is the disclosure of data by the Chinese government. This structural lack of transparency often invalidates researchers' efforts. So the need of an open and clear evaluation system inside the Chinese foreign aid system is primary, as well as to respond to the criticism that portrays China's assistance in a negative light. This evaluative lack is not only a problem for western researchers, but also for everyone involved, because without an assessment system there can be no learning process which is essential to understand and correct the mistakes made in order to improve the whole aid system. This lack cannot be filled through a blind acceptance of the DAC

methodologies. My opinion is that the Chinese foreign aid system should also bring something to other donors, because not all Chinese practices are wrong or unsuitable to achieve the development goal.

The responsibilities are in the hands of the African countries that have found in the Chinese donor an alternative to the traditional donors. However, the governments, and to a greater extent the civil societies, have to become leading actors of their future and so impose on China a set of arranged reforms in order to improve their ownership and the sustainability of the projects' purposes.

The political agenda has to return to the hands of the African countries who often become subject to the will to attract investments and development operations. In my opinion researchers can play a significant role to change the condition of things through continual analysis of the different aspects of Sino-African relations. Researchers must work with Africa's civil society's wellbeing in mind, and produce works that enable it to consciously take part in this relation. Until today China has distinctly shown what it wants from Africa, but who can say that Africa really knows what it wants from China?

## BIBLIOGRAPHY

- Aid delivery methods Project Cycle Management Guidelines*, 2004. (Online) Available: [http://ec.europa.eu/europeaid/multimedia/publications/documents/tools/europeaid\\_admin\\_guidelines\\_2004\\_en.pdf](http://ec.europa.eu/europeaid/multimedia/publications/documents/tools/europeaid_admin_guidelines_2004_en.pdf) (2011, September 26)
- Belligoli, S. & Defraigne, J.C. 2010. *Ties between business and aid programs in Africa. A comparative analysis between the European and the Chinese*. (Online) Available: [http://pairault.fr/sinaf/doc\\_importes/detb.pdf](http://pairault.fr/sinaf/doc_importes/detb.pdf) (2012, June 28)
- Binnendijk, A. 2001. *Results Based Management in the Development Co-operation Agencies: a review of experience*. (Online) Available: <http://www.oecd.org/dac/evaluation/dcdndep/31950681.pdf> (2013, February 14)
- Brautigam, D. 2007. *"Flying Geese" or "Hidden Dragon"? Chinese Business and African Industrial Development*. Draft chapter prepared for 'The Politics of Contemporary China-Africa Relations'. (Online) Available: <http://www.international.ucla.edu/media/files/79.pdf> (2013, January 22)
- Brautigam, D. 2009. *The Dragon's Gift – The real story of China in Africa*. New York, Oxford University Press.
- Brautigam, D. 2010. *China, Africa and International Aid Architecture*. African Development Bank, Working Paper No. 107. African Development Bank, Tunis, Tunisia. (Online) Available: <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/WORKING%20107%20%20PDF%20E33.pdf> (2012, August 03)
- Brautigam, D. 2011. *Chinese Development Aid in Africa What, where, why, and how much?* in Golley, J & Song, L. (eds). *Rising China global challenges and opportunities*. Canberra: Australian National University. 203-222
- Chin, G.T. & Frolic, B.M. 2007. *Emerging Donors in International Development Assistance: The China Case*. Canada, IDRC and CRDI, December. (Online) Available: <http://www.idrc.ca/EN/Documents/Case-of-China.pdf> (2012, April 03)
- Chinese Government Concessional Loan and Preferential Export Buyer's Credit*. n.d. (Online) Accessible: <http://english.eximbank.gov.cn/business/government>. (2012, October 17)
- Corkin, L. 2012. *Redefining Policy Impulses toward Africa: the Roles of the MFA, the MOFCOM and China Exim Bank*, in *Journal of Current Chinese Affairs*, 40, 4, 61-90.
- DAC Criteria for evaluating development assistance*. n.d. (Online) Available: [www.oecd.org/dac/evaluation/49756382.pdf](http://www.oecd.org/dac/evaluation/49756382.pdf) (2011, October 11)
- Davies, M. 2008. *How China delivers development assistance to Africa*. University of Stellenbosch, Centre for Chinese Studies.
- Davies, P. 2007. *China and the end of poverty in Africa – towards mutual benefit?* Sundbyberg (Sweden), Diakonia.
- Glossary of Key Terms in Evaluation and Results Based Management*. 2004. (Online) Available: [www.oecd.org/dac/evaluation/18074294.pdf](http://www.oecd.org/dac/evaluation/18074294.pdf) (2011, November 02)
- Grimm, S. 2011. *Transparency of chinese Aid an analysis of the published information on Chinese external financial flows*. University of Stellenbosch, Centre for Chinese Studies.
- Guidance on using the revised Logical Framework*. 2011. (Online) Available: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/67638/how-to-guid-rev-log-fmwk.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67638/how-to-guid-rev-log-fmwk.pdf) (2011, October 19)

- Hubbard, P. 2007. *Aiding Transparency: What We Can Learn About China Exim Bank's Concessional Loans*. Working Paper No. 126. Washington D.C.: The Center for Global Development.
- He, Wenping. 2007. *The Balancing Act of China's Africa Policy*, in *China Security*, 3(3):23-40.
- Kissinger, H. 2011. *On China*. New York, Penguin Press.
- Kobayashi, T. 2008. *Evolution of China's Aid Policy*. Working Paper No. 27. Tokyo, Japan Bank for International Cooperation.
- Lancaster, C. 2007. *The Chinese Aid System*. Washington DC: Center for Global Development.
- Lengauer, S. (2011) *China's foreign aid policy: Motive and method*, in *Culture Mandala: The Bulletin of the Centre for East-West Cultural and Economic Studies*: Vol. 9: Iss. 2, Article 3.
- Li, Anshan. 2007. *Transformation of China's African Policy: When, Why and What*. (Online) Available: <http://www.dur.ac.uk/resources/china.studies/Li%20An%20Shan.doc> (2013, February 5)
- Li, Jiali. 2010. *Sino-Africa Agricultural Cooperation Experience Sharing*. Beijing: Ministry of Agriculture of the People's Republic of China. (Online) Available: <http://www.iprcc.org/userfiles/file/Li%20Jiali-EN.pdf> (2012, July 10)
- Li, Xiaoyun. & Wu, Jin. 2010. *China's Foreign Aid: Historical Evolution, Architecture and Challenges*, in *Emerging Asian Approaches to Development Cooperation* p.27-38. (Online) Available: <http://asiafoundation.org/resources/pdfs/EmergingAsianApproachestoDevelopmentCooperationConferencePapers.pdf> (2012, April 11)
- Li, Xinnan et al 2002. *Evaluation in China*. *Evaluation Journal of Australasia*, Vol 2 n 1, 16-19.
- Management System Standards*, n.d. (Online) Available: [http://www.iso.org/iso/home/standards/management-standards/iso\\_9000.htm](http://www.iso.org/iso/home/standards/management-standards/iso_9000.htm) (2012, June 25)
- Managing for Development Results*. 2008 [Online]. Available: <http://www.oecd.org/dac/effectiveness/results> (2011, November 29)
- Monterrey Consensus of International Conference on Financing for Development*, Monterrey, Mexico. (Online). Available: [www.un.org/esa/ffd/monterrey/MonterreyConsensus.pdf](http://www.un.org/esa/ffd/monterrey/MonterreyConsensus.pdf) (2011, October 18)
- NCSTE, (Online) Available: <http://www.ncste.org/ncste/english/achievement/achievement.asp> (2012, May 10)
- Qi, Guoqiang. 2007. *China Unconditional Aid*. In *Courier de la Planète* n° 84 p. 28-31.
- Review of the DAC principles for Evaluation of Development Assistance*. 1998. (Online) Available: [www.oecd.org/dac/evaluation/2065863.pdf](http://www.oecd.org/dac/evaluation/2065863.pdf) (2011, September 7)
- Rossi, M. 2007. *I progetti di sviluppo. Metodologie ed esperienze di progettazione partecipativa per obiettivi*. Milano, Franco Angeli Editore.
- Rossi, M. 2011. *L'approccio del Quadro Logico per la progettazione partecipativa*. In Santini, L. *Partecipazione nei processi decisionali e di governo del territorio*, Pisa, Plus Edizioni, p. 87-102.
- Shao, Kuo-Kang. 1996. *Zhou Enlai and the Foundations of Chinese Foreign Policy*. St Martin's Press. New York
- Sharm El Sheikh Action Plan*, 2009. (Online) Available: <http://www.focac.org/eng/dsjbjzjhy/hywj/t626387.htm> (2012, March 13)
- Sun, Tzu. 2003. *L'arte della Guerra*. Milano, Mondadori.
- The Paris Declaration on Aid Effectiveness*, 2005. (Online) Available: [www.oecd.org/development/effectiveness/34428351.pdf](http://www.oecd.org/development/effectiveness/34428351.pdf) (2012, June 04)

- United Nations, 2005. Report of the Secretary-General. *The state of South-South cooperation*. New York, 16 August 2005. (A/60/257)
- Vaughan, H. 2008. *Project Management in China*, in PM World Today. Vol. X, Issue II
- White Paper on China's Foreign Aid*. 2011. (Online) Available: [english.gov.cn/official/2011-04/21/content\\_1849913.htm](http://english.gov.cn/official/2011-04/21/content_1849913.htm) (2012, January 10)
- Yang, Jiechi. 2011. *Win-Win Cooperation for Harmonious Development*. (Online) Available: <http://www.fmprc.gov.cn/eng/wjdt/zyjh/t820486.htm> (2013, March 13)

**Editorial Team**  
Harrie Esterhuysen  
Sven Grimm



## Contact Us

**Centre for Chinese Studies**  
Stellenbosch University  
T: +27 21 808 2840  
F: +27 21 808 2841  
E: [ccsinfo@sun.ac.za](mailto:ccsinfo@sun.ac.za)  
W: [www.sun.ac.za/ccs](http://www.sun.ac.za/ccs)