CENTRE FOR CHINESE STUDIES
STELLENBOSCH · SOUTH AFRICA

Policy Briefing

November 2011

Transparency of Chinese Aid –
The published information on Chinese external financial flows

There are many myths and misconceptions about the level of information publically available on Chinese efforts and activities in the developing world. With the growing momentum around aid transparency since the Third High Level Forum on aid effectiveness (HLF-3) in Accra in 2008, and the preparations for HLF-4 being held in Busan in late November 2011, the Centre for Chinese Studies published a report on China's aid information to provide a firmer footing for the discussions going forward. The purpose of this paper is to map and assess the levels of aid information made available across Chinese agencies that engage in various forms of international cooperation. The paper — summarised in this policy briefing — explores opportunities to improve publicly available information on Chinese foreign assistance and how to ensure comparability with other donors.

The report was jointly published by the *Centre for Chinese Studies* (CCS) at Stellenbosch University and *Publish What You Fund*, the global campaign for aid transparency. The full report can be found on the CCS website: www.sun.ac.za/ccs.

There is much debate and speculation on the levels and targets of Chinese foreign assistance and investment to other developing countries. The lack of information on Chinese aid flows makes it difficult to accurately monitor or evaluate the impact of this foreign assistance. From the perspective of the broader international efforts on aid transparency, data is needed in order to provide both comparable figures and to assess South-South Cooperation in its own right. Yet little systematic assessment has been made of what information is available. The purpose of this policy brief is to provide an overview of the type of information that is currently available.

A good start might be to ask the recipients of Chinese foreign assistance how much they know about financial transfers. This path encounters challenges in recipient countries however. Statistics records of recipient governments are often not comprehensive or up to date, and some aid flows that are not government-to-government loan agreements may be unrecorded, as a study in Rwanda in 2010 highlighted. (See Grimm et al. *Coordinating China and DAC development partners: Challenges to the aid architecture in Rwanda*, German Development Institute, Studies 56, 2011.)

Chinese aid

When assessing the available data on financial flows from China to other developing countries, the first challenge is to define the flows to consider. Chinese official policy does not use the term 'development assistance' according to the OECD-DAC definition. Originally, the key term used was 'external assistance' instead of 'aid', explicitly distancing China from Western definitions and practice; but this semantic debate seems to have relaxed recently – and most visibly so with the publication of an official policy paper in 2011 titled *China's Foreign Aid*. This does not imply that underlying definitions of the OECD-DAC are applied by China. Debates on what constitutes Official Development Assistance (ODA) erroneously often take Chinese foreign aid figures as synonymous with ODA, but different donors use different definitions (see box 1). It is only through reporting via the DAC that ODA figures are calculated according to common statistical standards of the OECD.

Generally, aid figures are still a sensitive issue in China; aid in the sense of 'handouts' to other countries is somewhat considered to be immoral, also due to persisting high needs for development finances 'at home'. Chinese policymakers

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and documents emphasise domestic needs in China; it is thus not surprising that China's foreign aid policy starts with the sentence: "China is a developing country".

Available information on Chinese Aid

Three major policy documents were published in recent years in China: *China's African Policy* (January 2006), *China-Africa Economic and Trade Cooperation* (December 2010), and most recently, *China's Foreign Aid* (April 2011). These papers are considered to be Chinese 'White Papers', even though they do not necessarily fulfil the function of reasoning for a specific policy rationale or arguing for policy choices and thus are of limited use as guidelines for *future* policymaking.

China's Foreign Aid provides some aggregate figures. These figures are often for the last three years, but in some cases they go back as far as 1954, shortly after foundation of the People's Republic. They do not provide for rates of increase over time or across countries however.

The information closest to an annual report is an annual 'special article' on Chinese aid that is published in the China Commerce Yearbook, written by the Director General of the Department of Aid to Foreign Countries in the Ministry of Commerce. The article for 2008, for instance, has an overall length of five pages without any detailed statistical data.

For published annual figures, the reported item on Chinese 'external assistance' as published in the annual budget are the closest to development aid figures for China. The budget provides aggregate data of annual overall spending; with MOFCOM accounting for an estimated 90% of the aid budget. Pieces of the picture can also be found in bulletins of the Chinese National Bureau of Statistics, including:

- The China Statistical Yearbook (*Almanac of China's Foreign Economic Relations and Trade).* The statistical yearbook includes aggregate figures for Chinese 'external assistance', considering grants and zero-interest loans. As accounting for concessional loans differs, caution is necessary with aggregate data.
- The China Trade and External Economics Statistical Yearbook 2006–2009. It lists international cooperation by country, providing aggregate data presented by three categories: engineering projects, labour services, and design and consulting. Data is not differentiated by projects. It was previously published as China's Foreign Economic and Trade Yearbook.

Further scrutiny is required of what is reported in these figures, such as what they include and what they exclude.

When comparing Chinese figures to ODA figures of the OECD-DAC, we have to keep in mind that Chinese figures are calculated on a different basis (see box 1).

The text lists the overall number of aid agreements and gives examples of projects. Sections of the paper include a brief report on the Forum on China-Africa Cooperation (FOCAC) measures, a list of supported diplomatic events, a brief paragraph on training programmes for capacity building (providing some titles of training courses), and a section on humanitarian assistance. Other parts include the running of the ministry, such as communication activities, inter-ministerial coordination, Chinese research for development as well as the evolution of rules and regulation for Chinese aid.

Chinese aid allocations

Statements are made – and figures provided – on regional or overall sectoral allocation of Chinese aid, as well as the overall number of recipient countries and regional/ international organisations (161 and 30 respectively). Data

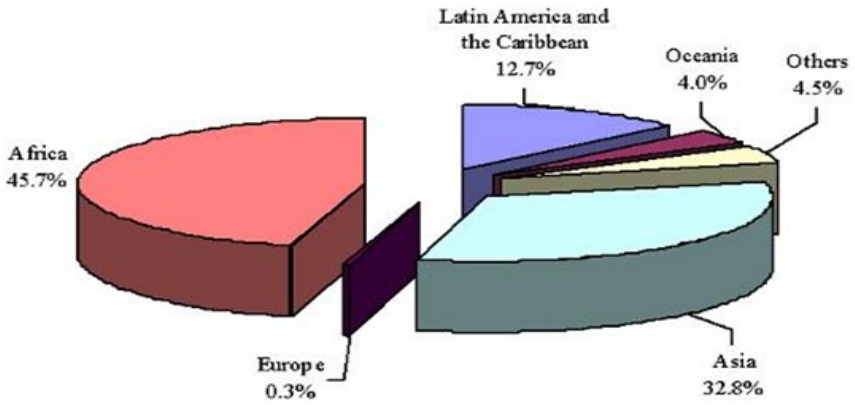
Box 1: Overview of differences in counting aid between China and DAC member states

Included in Chinese aid figures, but not in DAC member statistics are:	Reported by DAC members, but **excluded from Chinese aid figures** are:
• Construction of sports facilities • Military assistance • Subsidised loans for joint ventures and cooperative projects	• Costs for foreign students • Debt relief • Costs for first year refugees in the donor country • Administrative costs for aid[1] • Parts of loans that are commercial[2]

[1] Implementing companies, however, can include a limited share of administrative costs (cf. Brautigam 2011).

[2] Since 2009, with announcements made at the Sharm el Sheikh meeting of the Forum on China–Africa Cooperation, the full amounts of concessional loans are included in the announced aid figures. The fiscal budget, however, is only including the subsidies to the loan, not the overall amount, as the capital of concessional loans is collected by EXIM Bank. DAC figures subtract loan repayment in the statistics, so that the relevant figure for the DAC is "net ODA".

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



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

excludes multilateral contributions however (China became a World Bank donor in 2007, after having been the biggest borrower in 1991). The data provided in the White Paper is based on commitments, similar to the media coverage.

With regard to the geographical distribution of China's foreign aid, aggregate data is provided for 2009 by region and by income level in *China's Foreign Aid*. According to these figures, the (relative) majority of aid in 2009 went to Africa (45.7%, attributed to 51 countries); Chinese data for Africa includes projects in Northern African countries. Asia is following (32.8% to 30 countries overall) as recipient region, while Latin America and the Caribbean is the third most important region (12.7% to 18 countries). Oceania accounts for 4% in the regional share (12 countries) and Europe for 0.3% (12 countries in Eastern Europe). Others are listed as receiving 4.5% (see box 2).

In line with policy interests of not fostering competition among aid recipients, Chinese aid is presented as "comparatively even" across the globe, even though the volumes for individual countries or specific years are not usually disclosed.

For more country allocation or project data, researchers may find individual statements made by ambassadors to individual countries or media reports for specific projects. Also, for Chinese colleagues who 'operate within the system', visits of foreign delegations or visits of Chinese delegations abroad are an occasion to ask for specific country data in order to better brief the Chinese representatives.

Modalities of Chinese Aid

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

Concessional loans are provided by the EXIM Bank. EXIM Bank's annual reports are easy to locate on the homepage of its website, but they give little indication about business practices. The reports list high ranking international contacts, international meetings that were attended by Bank management, and some cooperation agreements, but speak little about the bank's lending rates or detailed partner countries listings.

EXIM credits would not all qualify as aid according to ODA definitions. First, according to the OECD-DAC, export credits are not part of ODA but are registered as Other Official Flows. ODA would have to, among other conditions, aim at the development of the recipient country, which is not the case with export credits. In fact, EXIM makes this distinction and does single out

Box 3: Chinese aid instruments

Eight forms of foreign aid are discussed in the 2011 White Paper. Each is defined in an initial paragraph; yet often the rationale for these modalities is not explained. Some inherent tensions between goals and modalities – for example tensions between promoting self-help and providing complete projects – are not discussed. And unfortunately, aid packages – the deliberate mix of various modalities – are not discussed either. The list of instruments includes:

- Complete projects, i.e. turnkey projects (accounting for 40% of Chinese aid)
- Goods and materials
- Technical cooperation
- Human resource development cooperation (beyond the costs for foreign students in China)
- Chinese medical teams working abroad (not as humanitarian assistance, but in development)
- Emergency humanitarian aid (often provided through UN organisations)
- Overseas volunteer programmes (including 405 volunteers in 19 countries by 2009)
- Debt relief.

"preferential export buyers' credits" from other preferential loans. A second aspect in the ODA definition is the degree of concessionality. In order to qualify as ODA, loans need to include a grant element of at least 25% at a 10% discount rate. While Western countries account *the entire* loans with these characteristics as ODA, China only reports the subsidies to credits. Chinese aid figures might thus actually be lower than DAC reporting standards would allow.

Overall, the assessment shows limitations in Chinese transparency and some points that African decision-makers might pursue for more information. Chinese aid data is not static and changes do occur that can be encouraged and pushed for from Africa, too.

Conclusions and Recommendations

The Chinese government publishes less data than 'traditional donors', but provides more information than might be expected. The provision of information is evolving in the case of China; more data is currently available than in the previous decade and this illustrates some efforts for increasing transparency in Beijing. The accessibility of Chinese researchers on aid provision and the increased interest in the topic in Chinese academia are additional positive points to highlight.

However, finding information on Chinese aid is like putting together a jigsaw puzzle. This is also the case with other donors, but the missing pieces are larger and often less comparable in the case of China. Not all demands for more aid transparency are exclusively directed to Beijing: Information could be provided by borrowing governments, who, it seems, prefer not to publish the details of their Chinese deals.

Attempts to engage actors are likely to be best framed in terms of the existing discourse on "South-South" cooperation. In a mutually beneficial (win-win) situation, one can understand why conducting assessments on impact *for both sides* might be deemed unnecessary. Yet, some need for evaluation and assessment to Chinese policy -makers seems obvious, not least so to ensure that value for money was delivered.

Building on a Brazilian–US led Open Government Partnership and the International Aid Transparency Initiative (IATI), the Chinese government should consider the following measures:

Initially: Assess, test and develop a publication schedule for aid information that Chinese agencies already hold in line with the best practice standard set out in IATI.

More substantially: Publish existing information already held by these agencies, in line with best practice, and facilitate the dissemination and use of this information, particularly by recipient country governments.

More ambitiously: Build systems to collect data that is not currently held and invest in the accessibility and use of that information in China itself.

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About Us
The Centre for Chinese Studies (CCS) at Stellenbosch University is the leading African research institution for innovative & policy relevant analysis of the relations between China and Africa.

Research to this policy brief was conducted with support from Publish What You Fund, the global campaign for aid transparency

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