Meeting Summary

Myth Busting?
The Transparency of Chinese Aid

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Karin Christiansen:
This discussion will try to answer why Publish What You Fund (PWYF) is promoting aid transparency, what is meant by aid transparency, and why PWYF has worked with Dr Sven Grimm and other colleagues to formulate this work on Chinese aid transparency.

When trying to figure out how best to effectively define aid transparency and to explain why PWYF has focused on this issue, PWYF used its technical expertise to formulate the following animation:

http://www.youtube.com/watch?v=GJCbHu-cWBw

PWYF recognises that aid transparency will not get rid of corruption, nor result in the better coordination of aid, nor solve budget offset issues for recipient countries. However, PWYF argues that it is not possible to achieve these goals without achieving aid transparency. Therefore, aid transparency is necessary but not sufficient; it is the starting point for this series of important processes.

Aid transparency cannot just be defined as the total amount of aid flow or as a group of transactions, but needs to be identified as the whole cycle of information that is being produced by aid actors. This cycle of information needs to be:

- accessible and published
- comprehensive and timely
- comparable

PWYF recognises that a lot of this information is out there, and the discussion of whether more or better information is needed has been revisited many times. The conclusion at PWYF is that comparability offers the medium to turn more information into better information.

Manually mapping aid flows is a timely process. PWYF spent six months mapping all the aid flows in Uganda alone, and so recognises that for this to be feasible on a larger scale the process needs to be reduced in time and cost. Therefore higher data standards on aid are needed, and it should be clearly stated which processes the information is about and how it has been made accessible. This is what PWYF is doing and why the focus is being placed on aid transparency.

So why is PWYF interested in Chinese aid transparency? The organisation was intrigued by the multitude of opinions on Chinese aid and wanted to know
the facts. PWYF also gets asked by donors about China and Chinese aid, and therefore felt it was an important subject to know more about. The issue of advocacy and whether PWYF should be working on this topic at all was raised, yet felt that overall there is an increasing appetite in China to engage with this agenda.

**Sven Grimm:**

CCS works on China-Africa relations, and recognises the broad scope of opinions on Chinese aid. Literature and links presented on the CCS website show the variation in opinions, including arguments that the Chinese are too disorganised and chaotic to know what they are doing with aid, and that aid is part of a crafty plan masterminded from Beijing. It is important and interesting for CCS to see what is actually published on Chinese aid within China itself in order to limit the dangers inherent when just tracking other peoples’ sources.

When undertaking previous work in Rwanda, we found that neither the government administration nor agencies knew what Chinese aid organisations were doing or what they should be doing. CCS therefore became involved in this project by researching what is published on Chinese aid in China itself. Dr. Grimm discussed with Chinese colleagues how they find information on what Chinese aid is achieving in Africa. Interestingly, most did not know where to find data and advised asking the African governments. However, as shown in CCS’s previous work, the Rwandan government did not have this information, and so there was a case for broadening the scope of this project to the whole of Africa.

CCS’s work with PWYF was a strong follow up to research undertaken in Rwanda. Research for the report included half a dozen face-to-face interviews in China with policymakers, various think tanks and research institutions. Information was also gained from responses to questions sent to contacts in China and administrations in Africa.

The main findings of the research were as follows:

- There is much more information on Chinese aid out there than you would think, and what China is doing with regards to aid in Africa is not a complete secret. There are more details on some projects than others, for example you can quite easily get hold of aggregate figures on what Chinese aid is doing with regards to infrastructure. China also issues a statistical booklet and narrative report by the Ministry of Finance and Commerce (MOFCOM),
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which is the department that deals with aid to foreign countries. This latter report does outline the major projects deriving from Chinese aid to Africa, but does not cite the figures involved. There is also a yearbook concerning trade and economics, in addition to a financial yearbook that China publishes containing some information relevant to this topic.

- However, it is not possible to access figures at a country level. You can get a glimpse of certain figures through government officials giving speeches in African countries concerning what has been achieved by Chinese aid in the last five years etc, and some interviewees noted these situations to be where they obtain additional country-specific figures. In order to gain country-specific figures you would have to collate data yourself.

CCS’s research coincided with the publication of a White Paper on China’s foreign aid (April 2011), which had come about in response to criticism that the Chinese government is not transparent on this issue. This report does not give country-specific information, but does give continental figures in addition to noting when and where certain instruments are applied. However, it does not discuss the rationale behind the implementation of these certain instruments, which I feel should have been included. There is also no mention of who reports to whom, yet it is important to note that this issue is not unfamiliar in a Western setting. It is also interesting to note that Chinese academia was not really involved in the making of this White Paper, so they know no more on the issue other than what was published.

The information available on Chinese aid does not give the full picture. Chinese transparency is improving but information is not reported with figures for specific projects. It is possible to gauge which projects might be the most important, but there are no figures to confirm this. Interviewees confirmed that they do collect aid information on each country but it is not published for specified reasons. There is little information on the specific conditions of loans; small pieces of information on this can be found in newspaper articles. It is no secret that Chinese aid is tied with set conditions, for example there are specific official policies which identify that loans will be granted on the condition that a certain percentage of the money will be spent on goods or services from China.

Exploring these package deals raises the question of whether the Chinese know themselves what is involved. Chinese trade and aid are inherently
interlinked but this does not mean it cannot be unpacked, for example by naming specific instruments and saying what is occurring where. However it is difficult to say how much overall is spent as the Chinese both exclude and include things that Western donors do not.

This research raised the question of who knows about the details of Chinese aid. As previously touched upon, academia is not clued up on what is happening; aid is becoming a more fashionable topic of research but at present there is little information on it.

The reasons (previously alluded to) for why the Chinese do not provide some levels of data on aid include:

- Fear of competitive pressure. Questions may be asked about why one country gets more aid than another;
- Domestic pressure. As western China is highly undeveloped, questions may be raised about the legitimacy of providing aid to external countries;
- Statistical challenges. How do you include money provided by all the different provinces and ministries across different portfolios?
- A degree of defensiveness towards the West. The key question that the Chinese are currently trying to answer is whether they want to be a norm-taker, shaper, or creator. Although not wanting to adhere to set Western norms on aid, China has yet to decide on whether to, and if so how to, shape and create new norms. This will take time to debate.

Overall, this research has identified an interest in the question of aid transparency in China, and recognises that in recent years there have been some adjustments in Chinese accounting which takes on board some Western elements key to transparency.

Key recommendations to improve aid transparency identified in this report include:

- Publish the data available on aid in one report, or make it clear where this information can be accessed;
- Collect and gain new information as the questions of aid effectiveness are not currently present as a discussion in either academic literature or policy.

- Use the data available and start building a means for China to increase its own aid accountability.

Dr Chris Alden:
This is a timely and useful contribution to our understanding of China’s role in aid and aid policy.

The extent to which bureaucratic competition and government institutions can shape, and limit, what data on aid is released is an area of concern. Moreover, the fact that scholars have a minimal role in this process in China is an interesting yet worrying point.

It is important to remember that transparency is a developing feature of Chinese aid that has gained prominence over the last few years. There is a sense of trajectory towards greater transparency. How far can this go in terms of domestic accountability, and how far will China push this issue of aid transparency domestically? China is itself a developing country and people are starting to ask why give aid to those who, in income terms, are level or better off than the Chinese people. This is interesting as it suggests a move away from the ‘we as brothers’ mindset and towards a donor-recipient understanding.

This report highlights the changing context and rising critique of aid. This makes it difficult to argue for Chinese convergence with OECD-DAC standards when DAC itself is in crisis as to its own effectiveness, as highlighted through discussions on dead aid and other critiques. This current situation opens up the space for China to have a real role in shaping the new norms that are emerging. China’s gains in terms of market access in Africa were made because the Chinese distinguished themselves from the West, so why would they want to converge with OECD DAC standards? Moreover, the recipients of Chinese aid have a lot to gain from not indulging in aid transparency standards.

It should also be considered whether China has the same idea of development. What are the costs of aid on society? China’s view of aid is as a primer for business moving into the future, which is very different to the prominent Western view of aid as an offset for the most vulnerable.
Q&A SESSION

Question 1:
Did you use official government information requests when information was not proactively disclosed? If so, how useful were they?

Sven Grimm:
I did not use official government information requests in this study and so cannot respond to this question personally.

Question 2:
Is there a difference in aid transparency when aid is going from China to African countries, rather than to other countries?

Sven Grimm:
Unfortunately the focus of this study was on African countries and I do not know of such a comparison. It would depend on what would be classified as aid, and although there is no knowing for certain, I would expect it to be at a similar level.

Karin Christiansen:
PWYF do undertake a lot of comparison studies, and we have noted that transparency for all donors is rather varied across sectors and between countries.

Question 3:
Have you compared Chinese levels of aid with Chinese levels of foreign direct investment?

Sven Grimm:
This comparison was not undertaken in this study as the focus was on aid. However CCS published a report titled ‘Assessing China’s Role in Foreign Direct Investment in Southern Africa’ in March 2011. This highlighted that the amount of information available from China for recent years appeared equal to, and in some cases better than, other countries’ availability, including the
UK and South Africa. There is however a problem with documenting figures, as to whether or not data originating from Hong Kong should be included.

**Question 4:**
What is the motivation of Chinese aid?

**Sven Grimm:**
As with Western countries, Chinese aid has different motivations. Both Taiwanese and Chinese aid to Africa go back a long time, so there remain old links and projects which the Chinese gain little, if anything, from. Business benefits are a key motivating factor in Chinese aid.

**Karin Christiansen:**
Many governments believe that access to more information will make people more suspicious, however most findings at PWYF indicate the opposite; more information means people believe in it more and feel more comfortable with aid. China has not yet realised this.

**Question 5:**
Why should China become more transparent? Where is this push coming from?

**Karin Christiansen:**
Western citizens and African governments are asking why China doesn’t disclose what type of aid it is offering, how many projects there are, what and where they are, and how projects are chosen.

**Sven Grimm:**
If China is pushed to become more transparent in terms of OECD-DAC requirements, it is likely these calls will hit a brick wall as China can say it did not sign up for it. Instead, focus should be placed on emphasising the win/win benefits of aid transparency.