

Africa after the Africa Commission:

What priorities for
the German G8?

Should we worry about
Chinese aid to Africa?
Andrew Lawson, ODI

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What is the issue?

- Chinese aid to Africa is seen to be growing
- Much of it is tied aid
- A good proportion of it is in concessional loans, but the level of concessionality is unclear
- Chinese aid is provided indiscriminately, regardless of the democratic & Human Rights record of the recipient, eg. Sudan, Zimbabwe



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Is Chinese aid really growing?

- Very difficult to obtain firm statistics
- Concessional loans feature prominently but terms unclear
- Significant proportion of “aid” provided as export credit guarantees to Chinese firms
- Chinese commitments to Millennium Review Summit:
 - Zero tariff treatment for 39 LDCs with China relations
 - Expansion of aid to HIPCs, inc write-off of remaining debt
 - \$10 bn in concessional loans + export credits over 2005-08 to improve infrastructure + promote cooperation between firms
 - Anti-malaria drugs + medicines
 - Training of 30,000 personnel



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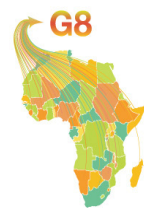
Some sense of perspective is needed

- DAC members have committed themselves to increases which OECD-DAC Secretariat estimates will yield aid of \$ 130 billion in 2010 at 2004 prices. (Manning, 2006)
- Aid in a strict sense much less significant for Africa than China's policies on trade & investment.
- Effects of the demand for raw materials & ability to export cheap labour-intensive manufactures are of far greater consequence to African development. (Goldstein et al, 2006)



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Some residual worries

- Tying of Chinese aid is an increasing concern to African recipients – increases costs + diminishes benefits, leaving ‘subsidised Chinese businesses behind’
- Easy availability of apparently concessional loans may lead to re-emergence of a debt problem in certain countries
- Availability of ‘no strings attached’ Chinese aid may defer much needed economic and political reforms
- If China does not appraise projects correctly (especially in face of pressures from Chinese companies), then productive resources may be wasted.



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What is the OECD-DAC doing?

- Promoting choice over sources of aid: move from a world 'dominated by North-South flows to a much more multi-polar approach' (Manning, 2006)
- Increasing formal contacts with non-DAC donors
- Promoting more in-country contacts.

Clearly more is needed and more avenues of dialogue need to be explored: this is one of the key subjects on the table today!

