

Environmental Scan towards the next Corporate Strategy

Background Paper 1: Silent revolution in international development assistance

IDRC Project no. 104305

Intention – Since the 1940s, the western industrialized powers have dominated in setting international norms. Such norms include formal rules –such as results-based management, intellectual property rights, controls on money laundering, and defining official development assistance– as well as informal rules –such as corporate social responsibility, environmental standards and transparency. For decades, forums such as the OECD, Bretton Woods institutions (WB, IMF and WTO) have served to set international norms and establish ‘best’ practices (i.e. OECD guidelines, IFC practices, Equator principles, etc). Yet a number of developing countries are increasingly influential on the world stage and are poised to be among the world’s largest economies. As they increasingly make their presence felt, IDRC is curious to know how they are following, modifying or challenging the formal and informal rules that the industrialised countries put in place. In commissioning this paper, IDRC sought to understand how the actions of developing countries (including governments, civil society and private sector) are affirming and/or challenging different international norms in the fields of aid, trade and investment.

Summary - Author Ngaire Woods (University of Oxford) argues that the world of development assistance is being shaken by a subtle power shift. Rising economies including China, Brazil, India, Kuwait, and Saudi Arabia are changing the rules of the game with profound consequences for aid, multilateral institutions, and conditionality. The first section of this paper addresses anxieties associated with this and assesses the claims that the ‘new donors’ are encouraging poor policies, lower standards, and increasing debt burdens in countries to whom they are offering aid. The available evidence does not fully bear out these anxieties. Whilst China is at the forefront of the new anxiety, some evidence suggests that as a result of intensified trade links with China, Africa has enjoyed higher growth rates, better terms of trade, increased export volumes, and higher public revenues. There is no clear evidence that China is re-indebting the HIPC countries. In respect of standards (such as on the environment, resettlement, good governance, and so forth) the paper finds that there are new challenges but here it is clear that the established donor community is most successful in promulgating standards when it closely engages other actors – including governments and the private sector. Emerging economies have yet to be so engaged.

The second part of the paper examines the shift occurring in aid-receiving countries. It highlights that the aid of established donors has become perceived as less generous and less attractive (on its own terms) while new donors’ aid has become more generous and more attractive. Promises by established donors to increase new aid have not materialized. Nor have promises better to align aid with developing countries’ priorities and to reduce conditionality. By contrast, the new donors robustly defend sovereignty and non-intrusion in the politics of recipients of their aid, offering aid amidst trade and investment and against a background of flourishing growth within their own economies.

The result is a silent revolution because the new donors are not overtly attempting to overturn the rules of multilateral development assistance, nor to replace them. Rather, by quietly offering alternatives to aid-receiving countries, they are introducing competitive pressures into the existing system. They are weakening the bargaining position of Western donors in respect of aid-receiving countries – with a mixture of implications. On the one hand, the competition exposes standards which are either out-of-date or ineffectual. It also highlights the extent to which some donor ‘standards’ are more about aspirations than reality.

The silent revolution is unlikely to be manageable from within the existing multilateral development assistance regime. Established donors are finding it difficult better to coordinate among themselves and there are very few incentives in existing governance structure of multilateralism to give new donors an incentive to engage seriously. A rethinking of the aid architecture is overdue. This includes rethinking how ideas and money are packaged and delivered. The new donors – through their actions - are already creating more of a marketplace for ideas about development. Coordination needs not only to engage the new donors – it needs to ensure that aid-receiving countries design the process. While the OECD provides excellent information among donors, it cannot sensibly be the forum for a discussion about how better to deliver aid and the role of the UN’s new Development Cooperation Forum remains to be seen.

A useful multilateral dialogue will require ongoing work to draw out and express the priorities and experience of aid-receiving countries, the goals and modalities preferred by new donors, and some new ideas about how to structure the international architecture so as to deliver a marketplace of ideas. Here independent research institutions will be valuable – and none more so than those well-networked and grounded within aid-receiving countries who need to be at the heart of the design of a new system.

Peer Review – Lu Mai (China Development Research Foundation) focuses on China as an emerging donor. Lu critiques the claim that emerging donors compete with established donors, arguing that Chinese aid also complements existing aid flows. He suggests that China’s experience as an aid recipient has made the country aware of the limitations of aid conditions, and gives China a duty to identify a more efficient approach. He observes that established donors have changed the way they deliver aid in China, and suggests that these new practices offer lessons for how donors should act in Africa and elsewhere. He also notes that emerging economies still require assistance. In particular, he cites innovations in public administration, participatory budgets, and public access to information. This reinforces Woods argument that development assistance needs to emphasis ideas rather than money.

Current Work – IDRC’s regional office in Delhi shared this paper with the Government of India, and plans are underway to organize a roundtable with other emerging donors. IDRC does not have a program on aid architecture per se, although a number of projects under the Globalization, Growth and Poverty program do touch upon development financing. This work including research by the North–South Institute on finance, debt, and development assistance (project no. 103907); and the African Economic Research Consortium to assess the impacts of so-called Asian Drivers on African development (project no. 104442). The Partnership and Business Development Division has recently completed studies on the role of emerging economies in funding international development, including case studies of China, India, Brazil, and South Africa (project no. 104207).

Reflection – This paper highlights the need to assess development assistance from the point of view of aid recipients. Existing literature tends to generalize about the behaviour of donors across countries, suggesting a need to better understand specific experiences at the country-level. Furthermore, available literature on emerging donor tends situated in the here and now; it lacks the historical perspective needed to understand how the established donors evolved over time. Such a perspective is needed to determine whether emerging donors represent a new path, or are simply repeating history.

The silent revolution in international development assistance

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(for the IDRC Board)

Introduction

The world of development assistance is being shaken by a subtle power shift. New rising economies are changing the rules of the game. The six largest non-Paris Club bilateral creditors to low-income countries are Brazil, China, India, Korea, Kuwait, and Saudi Arabia (IMF/World Bank 2006; Reisen 2007). Conservative estimates suggest that these countries will at least double their current ODA to a little over US\$1 billion by 2010 (Manning 2006). Others have estimated that non-DAC donors disbursements were already around US\$ 8.5 billion in 2006 (Martin and Stever 2007). Among the emerging donors, China is in the lead, combining loans, credits and debt write-offs with special trade arrangements and commercial investments. A quest for energy security, enlarged trading opportunities, and new economic partnerships is coupled in most cases with rapidly growing strength and size in the global economy. As these emerging powers build aid programs and forge stronger relationships with poor countries, no existing development assistance programme will be immune from the implications.

This paper analyses the silent revolution occurring in global development finance and the likely consequences for aid, multilateral institutions, and conditionality. The first section dissects contemporary fears about the 'new donors' and their impact on conditionality. The term 'new donors' is used as a shorthand to contrast with OECD/DAC members but it must be remembered that China has been a donor in Africa for several decades. The second section analyses the background against which the new donors are emerging – the 'established' development assistance regime and what has happened to recent pledges by donors to increase aid, to enhance country ownership of policies, to use new modalities, to reduce conditionalities, and to enhance coordination. Against this background, the activities of the new emerging donors are assessed. The final concluding section explores the implications for aid as we know it.

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1. The rise of `new donors': a cause for alarm?

The rise of new donors such as China, Venezuela, and Saudi Arabia has caused much adverse comment. “What's wrong with the foreign aid programs of China, Venezuela, and Saudi Arabia? They are enormously generous. And they are toxic” opined Moises Naim in *Foreign Policy* in 2007. The new donors we are told, will elbow aside established aid institutions who protect the environment such as the World Bank, regional development banks, and other donors agencies. Important standards and conditions for loans are being shredded. China, Venezuela and Saudi Arabia and others are supporting rogue states such as Sudan and Zimbabwe, making regional and global security and stability more precarious. Furthermore they are introducing and pushing `toxic ideas' which will harm both poor countries and established donors (Naim 2007). In a more measured tone, the head of the OECD DAC has reflected on the possible risks that loans from emerging donors to low-income countries may prejudice their debt situation (because the terms are inappropriate), may postpone necessary adjustment (because there is so little conditionality), and may waste resources on unproductive investments (Manning 2006). These concerns are all worth exploring.

(a) New donors and the support of rogue states

The most obvious critique of new donors focuses on their support for rogue states, or, as they would put it, their determination not to involve themselves in the politics of countries with whom they deal. In Zimbabwe, China has delivered not just aid but military equipment (McLaughlin 2005). In Sudan, when Swedish and Canadian oil companies were pressured to withdraw in 2002, Chinese, Malaysian, and Indian oil companies stepped in to take their place (Human Rights Watch 2003). Sudan is one of China's main oil suppliers - it shipped 4.7 million metric tons of crude oil to China in January-May, a fivefold increase over the same period in 2006 (AP 1 July 2007). Meanwhile Western governments complain that Chinese aid and trade prevents them being able to put effective pressure on the Sudanese government to end the crisis in Darfur. Sudan's economy is expected to grow by 13 percent this year (faster even than China's), in part facilitated by the dams and roads the Chinese have built in Sudan (*First Post* 6 Feb 2007). Further investment in Sudan was announced on 1 July 2007 by China's major oil company

(CNPC) (AP 1 July 2007). Although China has appointed a special envoy on Darfur and announced it is doing its best to help solve the conflict – the West see China’s economic relationship with Sudan as providing an unwelcome counterweight to their efforts to pressure Sudan to change its policies.

Extending the argument about supporting rogue states, Naim (cited above) alleges that Venezuela’s President Hugo Chávez is using his nation’s oil-fueled international reserves to recruit allies abroad, by using large aid packages to “infect” Latin America with his model. This ‘rogue aid’ permits countries like Cuba (recipient of about US\$2 billion from Venezuela) to put off ‘opening up’ the economy - affording instead an artificial lifeline which puts off reforms that would bring prosperity. Here Naim and others slide from an argument about the support of a rogue security state (Sudan) into an argument about the support of a rogue economic state (Cuba) (Naim 2007).

The relationship between China’s aid and the push to get countries to adopt the ‘right’ economic policies is a much more contested ground. Several scholars argue that as a result of intensified trade links with China, Africa has enjoyed higher growth rates, better terms of trade, increased export volumes, and higher public revenues (Reisen 2007; Goldstein et al 2006; OCED/AfDB AEO 2007; Zafar 2007). Clearly the general argument about China’s impact on policy choices needs more careful analysis.

The economic case against Chinese aid, put more precisely is that the new donors are permitting low income countries to postpone necessary adjustment, permitting countries to avoid the economic conditionality which they would otherwise face. Furthermore, the easy money being offered by China may result in wasting resources on unproductive investments such as China’s interest-free loan to Sudan for the building of a new presidential palace (BBC 2 Feb 2007: <http://news.bbc.co.uk/2/hi/africa/6323017.stm>). Central among these arguments are those which focus on the challenge being posed to Western ‘standards’. This needs closer examination.

(b) Are standards being lowered as multilateral assistance is challenged?

The new donors are said to be elbowing aside the World Bank, regional development banks, and established donors, offering loans or grants for projects. Primarily the argument focuses on the non-

conditionality of the new aid and the fact that in recent years the World Bank (and many of the regional development banks) have developed safeguards policies better to ensure that Bank projects do not cause harm to the environment, indigeneous peoples, or natural habitats, and that minimum standards are met in respective of involuntary resettlement and dam safety (<http://go.worldbank.org/WTA1ODE7T0>).

In no-strings-attached loans such as to Nigeria, China has pushed aside the World Bank and its efforts to tackle corruption by stepping in with a loan for railways. Similarly in Indonesia, Beijing agreed to expand the country's electrical grid building plants that use a highly polluting, coal-based Chinese technology when "no international agency would have signed off on such an environmentally unfriendly deal." In the Philippines, the Asian Development Bank was pushed aside after it had agreed to fund Manila's new aqueduct, by China offering lower rates and fewer questions. These are the cases invoked by Naim (Naim 2007).

China's 'elbowing aside' of multilaterals reflects both on China's aid and non-conditionality as well as on multilateral aid. China is not constrained by safeguards policies. Nor does China require that aid-receiving countries set or meet standards – whether on environment or worker safety – which are higher than China's own national ones. In some sectors this means standards are very low. The Chinese-developed Chambishi mines in Zambia have been a recent lightning rod for resulting criticisms. Conditions in the mines are poor, the area remains undeveloped, and 46 miners died in an explosion two years ago. Meanwhile China is benefiting greatly, importing 63 per cent of its base metals from Zambia alone. (First Post, 6 Feb 2007).

In China itself safety standards in mining are egregiously low. In 2003 China produced 35 percent of the world's coal last year, but reported 80 percent of the total deaths in coal mine accidents, according to statistics with the State Administration of Work Safety (SAWS). The death rate for every 100 tons of coal was 100 times that of the US and 30 times of South Africa. That said, slow improvements are occurring and the government has developed a national surveillance system and earmarked funds (in 2001 more than 4 billion yuan - over US\$480 million) to help state-owned and small local coal mines prevent and monitor gas explosions (Zhao Xiaohui and Jiang Xueli 2004).

These observations affect not only multilateral donor agencies but a second way in which environmental and labour standards are being promoted globally. In recent years, actively promoting particular standards akin to those pushed by the World Bank have been purely private sector organizations. Indeed, corporate self-regulation has become dizzyingly popular. Most global companies today are signing up to codes of conduct in respect of their social and environmental impact. Many such codes are issued by individual corporations or industry associations, some involving other groups of stakeholders, committing participants to minimum standards of environmental and social conduct (Haufler 2001, Florini 2003). An inventory prepared by the OECD analyses the contents of 246 such codes across most major industry sectors and finds that environmental and labour standards were most prominent among the goals addressed, which also included commitments to protect human rights and refrain from bribery (OECD 2001). That said, companies from the emerging donors are not part of this discussion.

The new trend towards corporate self-regulation has been encouraged by several international organizations but corporate codes seldom involve any governmental role in enforcement or monitoring. For example, the United Nations Global Compact and the OECD through its 'Guidelines for Multinational Enterprises' invite corporations to uphold principles of human rights, labour rights and environmental conduct, across the whole extent of their global operations. Similarly, international banks have adopted the 'Equator Principles'. All of this is strictly voluntary. But do these voluntary codes work and is it therefore important to try to engage companies from emerging economies in these initiatives?

Optimism about corporate standard-setting is expressed by those who see the uptake of standards as part of a global shift in what is considered minimum 'appropriate' behaviour for MNCs in relation to human rights, labour rights and environmental protection. NGOs and corporations are said playing 'increasingly important roles in generating, deepening and implementing transnational norms in such areas as human rights, the environment and anti-corruption' (Ruggie, 2003). As sufficiently large numbers of corporate leaders are persuaded to adopt emerging norms, they reach a 'threshold' or 'tipping point' setting new standards of behaviour (Finnemore and Sikkink 1998) which become internalised in corporations' operational structures.

Scepticism about self-regulation is rooted in theories of public choice. The sceptics point out that managers with altruistic concerns may be removed or else their firms will not last long in a competitive market. More fundamentally, public professions of corporate codes of conduct will not necessarily result in changes in actual behaviour. Beyond the sign-up and content of the code, the sceptics point to the lack of evidence that corporate behaviour systematically changes with the adoption of commitments or responsibilities. They do not negate the possibility that self-regulation could work, but to quote an Australian government task force on self-regulation: ‘For industry self-regulation to be effective, there need to be some vested interests or incentives to make it so.’ (Commonwealth of Australia Department of the Treasury 2000, p.48).

In bolstering and shaping incentives and interests for corporate self-regulation governments become vital. Even on the sceptical view, self-regulation might be achieved where there is pressure from consumers and activists, pressures to retain and attract employees, and pressure from investors. Crucial to all of these influences is access to accurate information – by NGOs, the media, consumers, and investors. Here purely voluntary regimes wobble. The evidence suggests that voluntary disclosure regimes do not provide the necessary information to unleash market-based pressures on firms to improve their behaviour (Repetto 2007). A narrow step towards remedying this is to improve auditing or assurance of standards in respect of information. However, companies face a serious collective action problem in respect of disclosure. If any one company discloses information about its social and environmental impacts without others doing the same, it risks attracting the adverse attention it seeks to avoid. For this reason, even under the best conditions, some minimum government intervention to mandate (and enforce) disclosure is required to ensure market-based incentives emerge. More broadly, the reliance on NGOs and public attention to performance in order for self-regulation to work points to important political and social pre-conditions, particularly freedoms to investigate, to associate, to publish and to mobilize in support of standards.

What does this mean for the debate about emerging donors and standards? It highlights that private sector actors can play a role in raising standards in developing countries, including in emerging economies as well as in countries to whom they are offering assistance. However, self-regulation is unlikely to have much effect in the absence of freely available information about companies’

performance and work practices and politically mobilized groups who have the capacity to access, analyse and act on the information. To some degree multilaterals have set an important precedent here.

The World Bank's Inspection Panel has permitted affected groups within states to bring complaints to the Panel and this has in some cases mobilized local capacity collectively to monitor standards and to act when they are not met. This has occurred even in local communities fearing or suffering political backlash (Keck 2000). Yet this indirect support for local action is now at risk from two directions: (1) as borrowers choose not to borrow or to borrow less from the World Bank and other multilaterals (more on this below), there is less scope for the World Bank's to apply its own standards to projects it supports; and (2) as staff within the Bank attempt to 'panel-proof' loans so as to reduce the risks of an Inspection Panel investigation. Panel-proofing can include choosing not to participate in projects which are likely to be controversial even though these are the projects in which the Bank's standards have the most bite.

The role of standards in development assistance is an important one in which multilateral, national and private sector actors from 'established donors' have engaged. The emerging economies have not been full partners either in private networks or in multilateral negotiations taking place in the OECD and elsewhere. Existing trends suggest they need to be if standards are to be effective.

(c) The threat to multilateral (and bilateral) debt relief

Alongside fears about standards, Western donors have voiced concerns about potential backsliding from debt relief if emerging donors offer new loans to low-income countries who have just been granted debt relief by established donors. The debts of poor African countries have been alleviated principally as a result of the HIPC initiative and the MDRI which dealt with their debts to multilaterals. The result was the relief of US\$ 43 billion of official debt (Reisen 2007). The fear is that China is now offering new loans to these debt-relieved countries, free-riding on the established donors debt relief programme and creating new problems for the future of these countries.

In an attempt to prevent China from re-indebting poor countries, in April 2007 the G7 Finance Ministers announced that they would seek 'principles for responsible lending and seek to involve other interested

parties' (G7 2007). The US Secretary of the Treasury went a little further in his elaboration of how they hope to corral all donors (particularly China were the unspoken words) into the same framework: "Responsible lending policies and practices are fundamental to our efforts to enhance support to low-income countries. The key to preserving debt sustainability is to build upon and support the work reflected in the IMF/World Bank Joint Debt Sustainability Framework, and for all creditors to incorporate the framework into their lending practices" (US Secretary of Treasury 2007).

Missing from the discussion of China and the previously-indebted countries is a sense of China's own involvement in debt relief. Principally this is because China does not report debt cancellation in aid figures (indeed, nor does it report most of its aid). Chinese aid takes several forms from grant aid (principally through the Ministry of Commerce); aid in kind and zero-interest loans (some 90% of which China claims to write off over time); subsidized loans; and at the non-aid end of the spectrum, commercial loans and investments.

According to conservative estimates, China has written off total debts of some US\$2.13 billion for 44 recipient countries, 31 of which are African countries. A further debt cancellation of approximately US\$ 1.28 billion is being negotiated at present (Qi 2007). Western reports suggest that China has been well in advance of the G8, cancelling some \$10 billion of the debt it is owed by African states; and at the second Sino-Africa business conference in December 2003 offering further debt relief to thirty-one African countries, as well as opening the prospect of zero-tariff trade (Melville and Owen 2005). China has also used debt relief to assist African nations, effectively turning loans into grants. Since 2000, Beijing has taken significant steps to cancel the debt of 31 African countries. In 2000, China wrote off \$1.2 billion in African debt; in 2003 it forgave another \$750 million. Ethiopian Prime Minister Meles Zenawi has proclaimed that "China's exemplary endeavor to ease African countries' debt problem is indeed a true expression of solidarity and commitment." Debt relief has been an excellent public relations tool for Beijing because it not only garners popular support but also allows for two positive press events: the first to provide the loan, the second to relieve the debt (Eisenman and Kurlantzick 2006).

Equally important to evaluate the claim that China is imperilling debt relief efforts is a breakdown of to whom China's financing is going. It has been estimated from unpublished World Bank data that Chinese

new financing commitments for infrastructure have gone to Angola (40 percent), Nigeria (24 percent), Ethiopia (15 percent), and Sudan (12 percent) (Reisen 2007). It is worth noting that neither Angola nor Sudan have benefited from debt relief. Nigeria has had its own special debt relief deal outside of HIPC. Only Ethiopia has been dealt with under the HIPC.

There is no clear evidence that China is re-indebting – en masse - the HIPC countries. Assessing this risk would require more data about precisely to whom China is extending which categories of aid, and with what likelihood of write-off. China does not publish this information and it is extremely difficult to assemble.

What is clear is that the main multilateral discussions underway on highly indebted countries are being held in the G7 and in the OECD/DAC where neither China, nor India, nor Malaysia, nor any other emerging donors are members. This poses a serious challenge for any policy aimed at forging shared principles and/or a multilateral approach to debt relief.

The hysteria surrounding the emerging donors is overplayed. That said, China and other new donors do pose challenges for the existing development assistance regime, particularly for standard-setting by both private sector actors and multilateral institutions. These challenges are magnified when one considers what China and other new donors are offering as contrasted against what the established donors are promising and delivering. Examined more closely, the rise of new donors highlights several important cracks in the existing system of development finance.

2. Playing into cracks in the established system of development assistance

The rise of new donors is occurring against a background of disaffection among other poor countries with the established development assistance regime. This disaffection has been recognized by established donors who have been grappling with a new agenda which is worth examining. Over the past five or so years, established donors have promised to double their aid to Africa, to deliver it in ways which ensure more space for recipient government ownership, and better to coordinate among themselves. How have these pledges played out?

(a) The promise of more aid

In recent years wealthy countries have made dramatic pledges to increase aid: such as the commitment made to double aid for Africa by 2010 at the G8 meeting in Gleneagles in 2005 (G8 2005). However, although there has been some significant debt relief, new net aid flows from the G8 countries have not increased since this commitment was made. To quote the OECD DAC “aid to Sub-Saharan Africa has stalled’ (OECD DAC 2006, Figure 2.2). In the World Bank’s assessment net ODA disbursements overall have declined by US\$3 billion in 2006 (World Bank 2007, p.55).

Greatly influencing aid flows have been the war in Iraq, the war in Afghanistan and the post 9/11 security ‘imperatives’. These have had a huge diversionary effect. In the early days of the so-called ‘war on terror’, aid flows were not diverted. Instead, funding was procured through supplemental appropriations. However, over time it is aid budgets which have taken up the slack. This is most obvious in the case of the United States - the world’s largest provider of global development aid, accounting in 2004-5 for 25.4 percent of official development aid (OECD DAC 2006, Table 8). By 2004, top recipients of US aid had become Iraq, Afghanistan, Egypt, Sudan, Ethiopia, Jordan, and Colombia (OECD DAC 2006). Yet more telling are the wider US aid figures. For example, in the Near East (which includes Lebanon, Morocco and Middle East Regional) while the US directed some US\$10 million of official development assistance, 600 times this amount was directed in other forms of aid (from the economic support fund and foreign military spending which do not qualify as OECD/DAC defined official development assistance) (USAID 2007, pp.92-99).

A similar diversion of development assistance has been passed through to the UK’s aid budget – the fastest growing in the world, increasing from £5.9 billion in 2005 to £6.8 billion in 2006 (DFID 2007). By 2005, 16.4% of total net UK bilateral ODA was going to Iraq (as opposed to 0.39% in 2002). Alongside this was an imputed UK share of multilateral assistance to Iraq equal to 13.6% in 2004, dropping to 4.5% in 2005 (DFID 2007, 263).

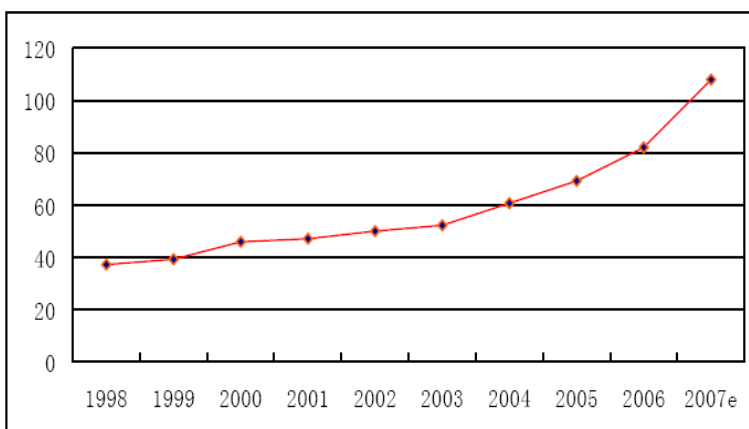
In sum, while G8 politicians have aspired to increase aid to the poorest countries, these promises have not translated into new net aid flows. At the same time, aid from other sources has been increasing.

China plans to double aid to Africa by 2009 (UN/IRIN 2006) and there is some reason to believe it will. New donors have been increasing aid although it is very difficult to compile an accurate picture of this new aid. Although non-DAC aid is going up overall, there is almost no data about individual ‘new donors’ (OECD DAC 2005: see <http://fiordiliji.sourceoecd.org/pdf/dac/stat-analysis.pdf>). Most of the new aid flows are not being officially reported. This means that while newspaper reports speak of billions of aid from China to Africa, OECD/DAC data suggests that non-DAC flows of aid are insignificant (OECD/DAC 2007), as does the Net Aid Transfers Data Set compiled by the Centre for Global Development (Roodman 2005). Of those who report to the OECD/DAC, three donors doubled their ODA between 2004 and 2005: Korea from US\$ 423 million to US\$752 million; Turkey from 339 million to 601 million; and Kuwait from 209 million to 547 million (OECD DAC 2006).

There is little officially reported data on Chinese aid. The figure below was presented by a MOFCOM official at a conference in Oxford in June 2007.

Figure 1. China’s foreign aid expenditure increases, 1998-2007

Unit: RMB 100 million



Source: Qi Guoqian (2007), “China’s Foreign Aid: Policies, Structure, Practice and Trend”, presented at University of Oxford/Cornell University Conference ‘New Directions in Development Assistance’, 11-12 June 2007.

(The figures cover the aid in the forms of grant, interest-free loan, preferential loan, cooperative and joint venture fund for aid projects, science and technology cooperation, and medical assistance, on a bilateral basis. Note that Chinese aid figures do not include debt relief, unlike DAC donors’ reported ODA).

What we do know about China's aid is that – unlike a lot of established donor aid to Sub-Saharan Africa - it is strongly supported by investment and trade policies. China's trade with Africa has grown dramatically: China has become Africa's third most-important trading partner (behind the United States and France). In the 1990s Sino-African trade grew by 700 percent. From 2002 to 2003, trade between China and Africa doubled to \$18.5 billion. In the first ten months of 2005 it jumped a further 39 percent to US\$32.17 billion. Most of the growth was due to increased Chinese imports of oil from Sudan and other African nations. China's foreign direct investment in Africa represented \$900 million of the continent's \$15 billion total in 2004 (Pan 2007). In 2006, trade between China and Africa reached \$55.5 billion, up more than 40 percent from 2005, according to data from China's Ministry of Commerce (International Herald Tribune 2007: www.ihrt.com/articles/2007/03/12/business/oil.php).

India's trade with Africa has also been increasing dramatically (see Jenkins and Edwards 2006: especially Figure 1 graphing Africa's rising trade with China and India, 1990-2003; and Figure 2 describes the rising share of China and India in Africa's trade, 1990-2003).

Aid from major Arab donors is also difficult accurately to track. That said, using the annual reports of Arab aid agencies suggests that new commitments by both bilateral and multilateral funds have increased in the last 5 years or so and especially in the last couple of years. This is true of both bilateral and multilateral funds. The Islamic Development Bank has committed roughly doubled new commitments in the period 2001-2006 compared to the period 1996-2001. Similarly, new commitments from the OPEC Fund for Development since 2001 have been on average one third higher than the annual average in the preceding decade. While for the Arab Fund for Economic and Social Development, 2005's new commitments were almost 20% higher than those in 2001. Among the bilaterals, data is more problematic, but the Saudi Fund for Development provides an illustration. In 2006, new commitments of around 800m USD were around 70% higher than the average annual new commitments of 480m USD from 1995-2002, and almost double the 2005 figure. The largest recipients of the Arab aid remain the 'frontier' states of Egypt, Syria and Jordan. However, in recent years aid to South Asia has increased, especially to Pakistan and Bangladesh, and aid to East Asia has increased, for example China has received approximately 15% of Saudi Fund new commitments since 2003 (before which date it received none) (figures compiled by Robert Wood; see also Wood 2007).

(b) The promise to 'reform' conditionality

Established donors have long entrenched 'conditionality' – meaning demands that receiving governments adopt specific economic policies and targets - into their aid programmes. The 'Washington consensus' which emerged as a response to the debt crisis in the early 1980s and the dominant ideologies (particularly in the US and UK) of the time set up deeply embedded instruments, habits, and organizational structures across the aid regime. Crucially, the 1980s cemented-in the idea that one set of ideas about what economic policy should be in developing countries would lie at the heart of the regime. Around that core, all donors would contribute different amounts and kinds of aid. In essence, one set of ideas with many different modalities for financing them.

In subsequent years the central core of ideas framing conditionality has expanded – in particular to include ideas about good governance and the building and strengthening of government institutions, and subsequently to include a wider range of policy targets including, in particular, social goals as elaborated in the Millenium Development Goals.

Meanwhile established donors have wrestled with two kinds of critique of conditionality, notably: (1) that conditionality does not work as a way to get governments to reform; and (2) that donors have imposed the wrong conditionalities.

The first critique is that conditionality has failed to get governments to implement particular policies – donors are using the wrong means to push governments to change. In a worldwide survey of 305 IMF programs from 1979 to 1993, Killick found implementation failure in 53 percent of cases where failure was defined as a country not implementing 20 percent or more of the program's conditions (Killick 1996). This result is reinforced further by an independent evaluation (commissioned by the Board of the IMF) of the IMF's concessional lending facility for poor countries – the Enhanced Structural Adjustment Facility (ESAF). The evaluators report that three-quarters of ESAF programs collapsed or were interrupted (IMF External Evaluation 1998, 32).

The second critique is that conditionality has failed to produce growth and development – donors have been pushing the wrong policies. Early on a number of evaluations undertaken by the IMF and World Bank explored whether conditional lending had effects on growth – the results were at best ambiguous:

see the excellent summary of the IMF work from Khan 1988 onwards, World Bank 1989 (*Adjustment Lending*); World Bank 1989 (*Africa's Adjustment*), and World Bank 1989 (*Sub-Saharan Africa*). At the heart of the conditionality debate was the IMF because without its seal of approval, all other donors funding would be cut off. However, in a later review of the IMF's ESAF, independent evaluators found that the IMF's zeal to reduce budget deficits was producing some adverse long-term effects, very poor quality privatization, and overly contractionary approaches to foreign aid (IMF, External Evaluation 1998).

One response to the early failure of conditionality was to broaden the aims sought to focus not just on stabilization and structural adjustment, but on the strengthening of institutions such as the rule of law, the judiciary, and governments' public expenditure management capacity. However the expansion of targets to include 'good governance' as well as the traditional macroeconomic and sectoral reforms did not make conditionality any easier to translate into implemented reforms. Furthermore, the debate about the impact of reform continued. In the review of ESAF mentioned above, it was found that where ESAF programs were being followed, they seemed to have no impact on investment flows which was the whole point of the exercise (IMF External Evaluation 1998, Rodrik 1995).

The difficult experience with conditionality led donors and both the World Bank and the IMF to go back to the drawing board. Two results emerged. First, both institutions have paid more attention to the social effects of economic policies and crises. Second, they are pushing for greater social spending, alongside macro and microeconomic reform, thus reversing an earlier reputation for having cut back social spending in countries.

Promises to reduce conditionality have been a further response to the critiques of conditionality. In 2001 the IMF reviewed its own attempts to streamline and focus its conditionality (IMF 2001) while the World Bank elaborated the idea that conditionality would only work if a government had 'ownership' of the policies included in formal conditions. More generally, the Bank began to develop the view that aid works best when an aid-receiving government is committed to the policies and projects to which the aid is being put. The idea would soon become widely accepted among donors. Implementation, however, has proven much more difficult.

Ensuring more ownership by aid-receiving governments has proven elusive for established donors. Efforts to streamline conditionality have had mixed effects (Killick 2002). The World Bank and other multilateral and regional agencies have sought to enhance their position 'on the ground' enabling them more regularly to consult with officials, civil society groups, and others. This too has had mixed effects, as have new aid modalities aimed at ensuring more 'ownership' - and several donors have increased aid delivered through budget support or sector-wide assistance.

If anything, conditionality overall seems to have increased in some countries. Low-income countries hoping for debt relief have found themselves entangled in a new layers of conditionality associated with the PRSPs and HIPC. Delivering more aid through budget support was supposed to leave more room for governments to set their own priorities and strengthen their own procedures. However, in many cases budget support has come with their own new sets of procedures. In Mozambique, for example, where donors committed to provide general budget support in a Memorandum of Understanding 2004, they simultaneously created a regular cycle of annual and mid-term reviews based on 24 sectoral and thematic working groups which meet regularly to accompany the formulation and implementation of government policies (De Renzio and Hanlon 2007). Similarly in Tanzania, the new modalities have been accompanied with new procedures (Harrison and Mulley 2007). The result is that where previously governments were tied down in projects and reporting requirements, in some cases they are now tied down in donor consultative and oversight groups.

On the recipient end of aid, the debate about conditionality is now framed in a larger disillusionment with the promised results of first and second generation reforms pushed by established donors. There is great scepticism among borrowing countries about policy conditionality. In Zambia, for example, while Western critics point to China's involvement in the Chambishi mine disaster (discussed above), Western donors have also been strongly criticized for the way they pushed the privatization of mining in Zambia (Fraser and Lungu 2007). More generally, there is resentment among aid recipients about the way advice or conditions are imposed. In the recent words of President Festus Mogae of Botswana: "I find that the Chinese treat us as equals. The West treats us as former subjects" (*First Post* 6 Feb 2007). For a long time the West has treated criticisms both of the economic prescriptions of the World Bank and other donors and of their manner of giving advice as the unwarranted complaints of patients unwilling to take

medicine which is good for them. The arrival of China is forcing a harder look at the quality of the advice and the modalities used for delivering it.

The disillusionment of developing countries forms a powerful and important backdrop to the rise of new donors. While established donors are still clinging to economic policy conditionality about which their development partners are sceptical, the new donors are keen to lend and give aid without these kinds of specific economic conditions. Furthermore, the new donors have their own economic success to tout which some present as an alternative to the sequence of policies established in the Washington consensus and its successors.

The conditionality of the established donors has long been misaligned with the priorities expressed by developing countries who have sought assistance in developing the productive side of their economies. In the 1980s, a central critique of donor policies was their neglect of supply side issues and investment: stabilization and adjustment conditionalities seemed to be shrinking not growing productive economies in poor countries and little was being done to prevent this (see ESAF review cited above). In the 1990s the attention of donors turned to poverty and the need to increase social spending. Yet again, aid-receiving governments found their arguments for strategies focussed on investment and growth falling on deaf ears. More recently, the Millenium Development Goals and the objectives on new foundations such as the Gates Foundation and other public-private partnerships have cemented the focus on social sector assistance. While global priorities and funding for them continues to grow, governments in poor countries are still calling for assistance in developing the productive sectors of their economies.

China and India by contrast seem to be promoting development assistance deeply entwined with trade and investment strategies. For some this smacks of a new mercantilism. However, for aid-receiving countries it responds to a long-expressed wish for support aimed positively at directly promoting growth.

Further behind the debate about the goals of aid is a debate about who should set the goals. Here again, there is a stark contrast between the established donors and the emerging donors.

The new donors' aid programmes are marked by a robust support for the sovereignty of other governments. Since Premier Zhou Enlai's 1964 visit to Africa, China has framed its aid around eight principles which emphasize sovereignty, equality, and mutual respect. Likewise India's aid programme, which began in the 1950s, has centred around respect of territorial integrity, mutual non-aggression, mutual non-interference in domestic affairs, equality and mutual benefit and peaceful co-existence (Price 2005). Beyond these large principles, relatively little research has been conducted into the implicit or explicit conditionalities (about performance, success, policies, or wider issues) associated with the new donor conditionalities.

(c) The promise of better coordination and alignment

Established donors have long recognized problems in their existing multilateral aid system which looks increasingly dysfunctional. It is fragmented, duplicative, and over-burdening on aid-receiving countries. The practical problems of the system were highlighted by a 2004 assessment completed by the World Bank, European Commission and DFID on donor efforts to coordinate better in the area of public financial accountability. The report highlights that in this area of aid alone:

- Too many different audits were taking place in each country in the area of public expenditure and financial accountability (their role is important but limited in enhancing capacity or fiduciary assurance)¹.
- Existing tools were paying too little attention to other institutions (the legislature, civil society, institutional and governance factors, and asset management) and what a government could realistically achieve.
- Existing instruments were too short-term and inadequately linked into key in-country planning instruments such as the Country Assistance Strategy and the Poverty Reduction Strategy Papers.
- Heavy transaction costs were being imposed in-country, which were related to the inadequate sharing of information among international development partners. (Allen et al 2004)

¹ The Bank subsequently integrated its own assessments (for example in the Phillipines, Bosnia and Herzegovina, Turkey, and Zambia).

The problem has been widely recognized. The solution has been defined as better coordination, with OECD/DAC donors in particular pledging to work together better to harmonize their aid efforts and to align them with recipient policies (OECD/DAC 1996 and OECD 2004). The OECD/DAC itself has produced indicators and benchmarks which permit monitoring of progress at both international and country level.

How much progress has been made? A 2004 survey identified serious shortcomings in donor efforts to implement pledges made in the 2003 Rome Declaration on Harmonization (OECD 2004 and for the Declaration see www.aidharmonization.org/ah-overview/secondary-pages/why-RomeDeclaration). It found “not enough evidence that harmonization initiatives have helped curb transactions costs. Indeed, over the short term at least, they may actually have increased these costs” (OECD 2004, 9). The obstacles to greater harmonization are substantial (De Renzio et al 2005). These findings highlight the yawning gap between the talk about coordination and ownership, and actual donor practices, which are neither coordinated, nor linked to instruments or institutions within aid-receiving countries.

The paradox about coordination is that established donors have created so many institutions to enable better coordination among themselves – yet they have simultaneously sidelined them. The World Bank is at the centre of an international development assistance regime that is notoriously cluttered with a large number of donors tripping over each others’ bilateral rather than multilateral efforts. In theory, the World Bank, by pooling information and resources should vastly reduce transaction costs on both sides of the aid relationship.

Perversely, the major donors who created the World Bank do not rely upon it. Instead they sustain and expand their own separate aid agencies and processes, creating a cacophony of donors making different demands on over-stretched aid-needy governments. The governments of the US, Britain, and Canada speak daily to developing countries through dozens of megaphones including their own national agencies and special initiatives alongside several multilateral agencies (the UNDP, World Bank, IMF, WHO (World Health Organization), WTO and so forth). The result is that scarce personnel and other resources in poor countries are used up in strengthening and maintaining external relations with donors and undertaking externally demanded actions, many of which are contradictory.

More perversely still, even when donors use the World Bank, they encumber it with special demands, special funds and additional procedures. One example is the increasing use of ‘trust funds’ in the World Bank. These are funds given to the Bank for a particular use – often supplementary to the institution’s core work. As described by a former UK government aid official, ‘we construct an elaborate mechanism for setting priorities and discipline in the Bank, and then as donors we bypass this mechanism by setting up separate financial incentives to try to get the Bank to do what we want’ (Ahmed 2006: 90).

In recent years, the fact remains that in spite of calls for greater coordination, most established donors are failing to increase the percentage of aid they channel through international institutions. This is true even for UK DfID which is committed to increasing the share of its aid channelled through multilaterals. In 2004 DFID reported that 45% of its program expenditures were being channelled through multilaterals (DFID 2004). By 2006, this had in fact dropped to 38% (DFID 2007, 140).

Although some may see greater coordination as a way to handle the rise of the new donors, this idea faces two major obstacles: (1) the weakness of progress on coordination among established donors (2) the lack of new donor voice in the institutions of coordination.

(d) The reform of the aid architecture

China’s aid is offered at lower rates and with fewer safeguards than assistance offered by the World Bank and regional development banks. The challenge for traditional donors is to consider what this reflects about multilateral assistance and the system within which it is delivered. How are the lending rates and conditions of the World Bank and regional development banks being set? Are the rates charged for multilateral assistance appropriate? Are the conditions attached to multilateral loans appropriate? Seen from the borrowers’ perspective the costs of multilateral assistance now look too high and their bureaucracy looks too unwieldy. The Bank has become a more costly and cumbersome lender as its activities have increased (very much at the behest of the ‘established donors’) and the willingness of shareholders to shoulder risk has decreased: hence, increased monitoring, due diligence and risk management within the Bank. Shifting or lightening the bureaucracy would require redistributing risks away from borrowers and back towards the whole membership of the institution including non-borrowing countries who have hitherto been setting the agenda without shouldering much of the cost. It

is borrowing countries who are left paying more (in time and charges) as a result. This greatly magnifies the attractions of loans and aid from the new donors.

The weakening role of multilateral agencies in the international development assistance regime is the result of a number of factors. These can not be fixed by appeals to more coordination. The multilateral system suffers several deeper flaws which need addressing. For all the high-level debate about a new aid architecture, little has changed across the foundations of the existing aid system. Several urgent priorities have been widely recognized but little has been done to address them.

The current multilateral system is not configured to offer sufficient incentives for new donors to engage in the system. As things stand, they have insufficient voice or influence to make it worth their while attempting to make the multilateral system work better. They are not members of the OECD/DAC or G7/G8, and have insufficient voice in the IMF and World Bank. This has been widely recognized as a serious problem.

The OECD/DAC and the UNDP began in February 2005 to meet with non-DAC member donors (Manning 2006). A new Development Cooperation Forum is now being launched by the United Nations Economic and Social Council to engage all donors. Its first meeting will be in New York in 2008 although to be effective this biennial forum will need to overcome problems the OECD/DAC has faced in trying to foster coordination even among a smaller and ostensibly more coherent set of donors. Undoubtedly the broader membership base and remit are a good start (see www.un.org/ecosoc/newfunct/develop.shtml).

In respect of the IMF detailed negotiations are ongoing about changes in quota shares: alterations which are palpably inadequate to alter the incentives on China and others to engage in the institution. The World Bank seems to have remained immune even to these small changes. Unaddressed is the more obvious issue of the headship of each institution – and which countries are genuinely engaged in appointing and holding to account the person who sets priorities, staffing, promotion structures, and chairs the board of each organization. The status quo in which the US and powerful Western European

countries continue to appoint their own further disenfranchises new donors who could become significant contributors of both resources and ideas.

Not only the leadership, but the headquarters and staffing of the existing multilaterals make them insufficiently responsive both to changes in development partners as well as to the new donors. One result is that they spend significant parts of their budgets on the preferences of established donors – mostly the G7 (the Crockett Panel reports that 44% of the IMF budget is spent on global public goods).

In sum, the international development assistance regime in which established donors work is suffering multiple stresses. Security expenditures have diverted budgets away from much-publicized pledges. A determination to enhance 'ownership' and improve the effectiveness of aid is proving difficult to implement. Efforts to coordinate among donors are not being reflected by concrete shifts towards more multilateralism. And the existing multilateral system is ill-structured to respond.

In Africa and elsewhere, governments needing development assistance are sceptical of promises of more aid: their experience is that aid from established donors is unpredictable and volatile (Bulir and Hamman 2003). They are also wary of conditionalities associated with aid, including those which are supposed to enhance ownership.

Instead, aid-receiving countries are attracted to development assistance which is packaged with trade and investment policies – aid which will promote growth in productive sectors as contrasted with established donor aid aimed heavily at social spending. At the international level, developing countries forced to deal with a multiplicity of agencies and procedures – are still confronted with just one set of ideas about development which donors are finding difficult to revise.

3. The implications

A silent revolution is taking place in the development assistance regime. This paper has argued that the development assistance of established donors has become less generous and less attractive (on its own terms) while new donors' aid has become more generous and more attractive.

Since the 1980s most established donor aid has failed to address developing countries' demand for aid and investment which grows the productive parts of poor countries' economies. Recent trends seem to cement-in donor deafness to this call. Furthermore, where changes in conditionality have been promised, donors seem to have been unable to confer promised degrees of 'ownership' on aid-receiving countries.

By contrast, the new donors robustly defend sovereignty and non-intrusion in the politics of recipients of their aid. Although, in several cases, there is a geopolitical conditionality which accompanies their assistance: such as requiring support for an emerging donor's foreign policy. The new donors offer aid amidst trade and investment and against a background of flourishing growth within their own economies. Alongside their aid they offer technology, advice, and professional assistance which many aid receiving countries find more useful and more appropriate to their needs than that offered by established donors. Very often the new donors work through national procurement and financial procedures, adding less additional cost and red-tape to development assistance (Martin and Stevers 2007). No surprise then, that a silent revolution is occurring where new donors step into relations with the 'development partners' of established donors.

It is a silent revolution because the new donors are not overtly attempting to overturn rules or replace them. Rather, by quietly offering alternatives to aid-receiving countries, they are introducing competitive pressures into the existing system. They are weakening the bargaining position of Western donors in respect of aid-receiving countries – with a mixture of implications. On the one hand, the competition exposes standards which are either out-of-date or ineffectual. It also highlights the extent to which some donor 'standards' are more about aspirations than reality. While DAC donors have agreed to meet standards to facilitate coordination among themselves, they have said much more than they have done. On untying aid, as the head of the DAC notes, not all DAC donors have made requisite progress while some non-DAC donors (such as Middle Eastern funds) already meet the benchmarks (Manning 2006, 378). Better standards of donorship are important but still very much in their infancy.

The silent revolution is unlikely to be manageable from within the existing multilateral development assistance regime. While some tout increased donor coordination as part of a solution, this seems unlikely. Established donors are finding coordination among themselves very challenging.

Multilateralism in the international development assistance is weakening. And there are very few incentives in existing governance structure of multilateralism to give new donors an incentive to engage.

If a strengthened multilateralism and a better development assistance regime is the goal, several important questions need answering. First among them is what in the conditionality of established donors should be preserved and entrenched in a new multilateralism? If India, China, Venezuela, and Arab donors are to be persuaded to join established donors in imposing any conditionalities, what should these be? For example, corruption has been a focus of recent conditionalities but early attempts by established donors to build institutions to combat corruption and to apply narrow conditionalities have failed to take sufficient account of the broader reasons why some countries have successfully beaten corruption (see Gray and Kauffman 1998). It is widely agreed that a more systemic approach is needed, including a wider approach to public sector pay and reform. The way forward must be plotted on the basis of specific, hard evidence about what works. The new donors have proven themselves unlikely to be persuaded by theory and ideology alone. Established donors will have to show results and solid explanations for them. Research organizations need to evaluate, test and provide or verify such evidence.

Equally important is what we can learn from the aid policies and conditionalities (implicit or otherwise) associated with the new donors' assistance. In other words, what should be learnt from the way new donors (have delivered and) are delivering aid? More specifically, is the project-basis of their aid a better model than the program-based experiments of established donors? We know that the new donors tailor their engagement with local workers and agencies in different governance settings. The early evidence suggests that China carefully tailors aid, working in ratios of 8 local workers to 1 Chinese worker in settings with strong local governance as contrasted to weakly governed settings where they work with 8 Chinese workers to 1 local worker (Brautigam 2007). Further research and collaboration with China and with Arab donors into how and where their aid is delivered and under what conditions it is most successful would be an invaluable addition to the development community.

These issues take us to a further question about where discussions as to the content or application of conditionality take place. The multilateral system has been far too slow to adapt either its thinking (recall the debate about the East Asian Miracle study in the World Bank) or its governance so as to

reinvigorate multilateralism. More profoundly, the system which has emerged is one which attempts to corral all development assistance behind one set of ideas (about which there is considerable scepticism – even among some industrialized countries – see the DfID paper on conditionality), while failing to coordinate the mechanisms for delivering the aid associated with loans. A rethinking of the aid architecture is overdue.

One part of the exercise requires research and innovation. At the core of development assistance lie money and ideas, and the two need splitting. The production and dissemination of ideas needs to be competitive and decentralized. By contrast, the delivery of resources may well require a greater degree of coordination and alignment. Scholars and specialists need to consider how established donors can step up to this plate. The new donors – through their actions - are already creating more of a marketplace for ideas about development. On coordination and alignment, their input and experience to date could be invaluable.

Coordination needs not only to engage the new donors – it needs to ensure that aid-receiving countries design the process. While the OECD provides excellent information among donors, it cannot sensibly be the forum for a discussion about how better to deliver aid. It remains to be seen what role the United Nations might play. The United Nations Secretary General has launched a new Development Cooperation Forum to promote dialogue (www.un.org/ecosoc/newfuncnt/develop.shtml). However, a useful dialogue will require ongoing work to draw out and express the priorities and experience of aid-receiving countries, the goals and modalities preferred by new donors, and some new ideas about how to structure the international architecture so as to deliver a marketplace of ideas. Here independent research institutions will be valuable – and none more so than those well-networked and grounded within aid-receiving countries who need to be at the heart of the design of a new system. The rise of the new donors is likely to help to accelerate this debate not least because they have a different experience and enjoy a different kind of relationship with countries to whom they are giving aid.

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Comments on the IDRC paper

The situation of development assistance to African countries has changed unnoticeably in recent years. China and other rising economies participate in the assistance effort, providing more resources while rendering the assistance a more or less competitive pattern, which, on the whole, is beneficial to the African countries. The paper compares the assistances between the established donors and emerging new ones, makes objective analysis of the virtues and defects of assistances from different donors, and provides suggestion for more efficient assistance to Africa.

There are more underdeveloped countries, especially those impoverished, in Africa than in other continents. Assistance to African countries is the responsibility of the international community, including China. As a developing country, China herself has been receiving assistance from World Bank and other international agencies. Such assistance achieved good results as it was seldom provided with conditions yet met the actual need of China, and technical aid is often provided together with loans. China is now among the lower- and middle-income countries and has the duty to identify, while receiving assistance, the efficient approach of aid so as to help with countries for which the assistance is more badly needed. In a sense, China's assistance to African countries is complementary with as well as competitive to the aid from European and American donors. China had been providing aid to African countries before it started its transition to a market-oriented economy, although in a much smaller scale. After the reform and opening-up, China has learned a lot in terms of institution, policy, as well as methodology during the process of receiving aid from international agencies, governments of developed countries and various non-government organizations. It is in this sense that China's aid to Africa complements the aid from established donors and, moreover, passes on the efficient practice learned from international agencies and developed countries. International agencies like World Bank, at the same time, need to identify the working mode, operational procedures, effective concepts and experiences which are efficient and productive in their assistance to China so that they may as well be used in African countries.

China adheres to assistance without political conditions, which is a major difference from the aid currently to Africa from developed countries. In fact, assistance programs in China by international agencies like World Bank as well as developed countries are usually conducted without political

conditions, otherwise they could not be conducted in China. This leads to a question, i.e. is there a double standard for the approach of assistance? Why is it that World Bank receives much welcome and respect in China while criticism to World Bank and “Washington Consensus” is often heard in some African countries? One of the most important reasons is that World Bank respects the government in China and adopts many effective measures in accordance with the actual environment, such as promoting reform of corporatization instead of simply advocating privatization of state-owned enterprises. That is why international agencies and governments of developed countries should review the operation of their aid in China, and identify the effective measures useful in Africa.

Although China has become one of the new donors for Africa, she remains a developing country which still needs assistance from developed countries and international agencies. Assistance here said means not only input of funds and loans, but, more importantly, technical assistance, such as innovation in public administration, participatory budgeting, government information disclosure, and etc.

China has provided assistance to Africa for a relatively long period, yet there is much to improve in this area just as in the on-going reform of the old system. It is not only necessary but also possible for China and the developed countries to promote the development assistance through exchange of information and experiences.

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