FOREIGN AID IN AFRICA IN THE NEW MILLENNIUM: 
THE CHINA AND U.S. MODEL FIGHT FOR RELEVANCE

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FOREIGN AID IN AFRICA IN THE NEW MILLENNIUM: 
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ABSTRACT

Poverty remains the scourge of the modern world. Millions of people live in poverty despite the best efforts of the most powerful governments in the world. Due to a myriad of political and historical reasons, the most vulnerable of these are in Africa, and the sub-Saharan region of Africa remains the poorest region in the world. Over the last two decades, the world’s two largest economies, the United States and China, have emerged as the preeminent aid donors to the African continent. The purpose of this research is to analyze the competition between both development models, discern which model is responsible for the alleviation of the most poverty and assess the human values questions that arise from both approaches.

The analysis used data from 2004 - 2008 because the timeframe is considered the golden age of American Aid to the continent, is free of data skewed from the 2008 economic downturn and represents a mature Chinese foreign aid mechanism. Chinese and United States aid allocations to Angola, Sudan and the Democratic Republic of Congo, often the poster childs of negative connotations of Chinese foreign aid, were analyzed and compared from this timeframe.
Despite various problems with the quality of data and considering the long-term viability of the poverty alleviation, the data showed a positive correlation to both the United States’ and Chinese models of aid and poverty alleviation. The data also showed a clear indication that the Chinese model affected poverty levels at a greater measure than the United States’ model.

Based on the data and research concerning the two development aid models, the American development aid system was found to be characterized by a bureaucratic process, insistency on aid conditionality, and a focus on good governance that collectively neglected poverty reduction. The Chinese model was found to be more conducive to poverty reduction due to a minimal development aid structure, nominal aid conditionality and a consistent focus on infrastructure projects, despite the system’s opacity which presented some trouble in data collection.

Three primary human values concepts also arose from the dichotomy of the two development aid problems. The impoverished were found to be better served by a focus of development aid on infrastructure rather than good governance. The United States’ focus on good governance was found to essentially punish those in poverty for their government's ineffectiveness. Finally, the ascension of the Chinese development aid model changed both the Chinese and United States’ development aid model positively.
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INTRODUCTION:

AFRICAN AID, UNBOUND

The Chinese are doing more than the G8 in making poverty history. If a G8 country had wanted to rebuild the stadium, we'd still be holding meetings. The Chinese just come and do it. They don't hold meetings about environment impact assessment, human rights, bad governance and good governance. I am not saying it is right, just that Chinese investment is succeeding because they don't set high benchmarks.

—Sierra Leone Ambassador to Beijing

Poverty remains the scourge of the modern world. Millions of people live in poverty despite the best efforts of the most powerful governments in the world. Due to a myriad of political and historical reasons, the most vulnerable of these are in Africa, and the sub-Saharan region of Africa remains the poorest region in the world.

Over the last two decades, the world’s two largest economies, the United States and China, have emerged as the preeminent aid donors to the African continent. These two global economic powerhouses have taken two vastly different tracts concerning aid and its structuring. America's aid structure remains tethered to the notion wherein aid is based on three primary aspects: the promise of democratic change, the directed use of the funds and allocation and usage transparency. China, however, is often the opposite. The

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3“U.S. Intelligence Sees China as World's Largest Economy by 2030,” *Wall Street Journal*, December 10, 2012. A recent US Intelligence Council report estimates China will becomes the world’s largest economy by 2030, making China’s role on the continent even larger. Ian Talley,
Chinese give large amounts of money with very few political and economical strings attached, often with little or no accounting, do not mandate the direction of the funds and care little what a government does within its own borders as part of non-interference policy. The size of China’s aid is also increasing, mirroring its growing economic might. And for the first time, according to the Financial Times, in 2009 and 2010 China lent more money to developing countries than did the World Bank. China continues to focus on its South-South relationships, a term used by policy makers and aid academics to describe the exchanges of technology, resources and knowledge between developing countries.

China is able to deliver its aid at a speed unmatched by the US, and its infrastructure projects on the continent dwarf that of the US, yet it is accused of systematically ignoring complaints from Africans ranging from low wages to environmental damage. This paper will analyze the competition between the two approaches, examining the merits of both paradigms based on data, decide which one resulted in the greatest poverty reduction - the true aim of foreign aid - and explore the human values questions that arise from the Chinese and American approaches. This thesis will test the hypothesis that regardless of Chinese transgressions and America’s promises, the Chinese model brings more people out of poverty than America’s due to the Chinese focus on economic outcomes rather than democratic concerns.

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5Developing countries are known as the Global South.
Interest in foreign aid and its efficiency has surged since the economic downturn of early 2008. The austere fiscal conditions the global economy is facing have forced many governments to look to trim their financial obligations and foreign aid is often the introductory target. It is from this prism that the idea for this paper originated. Poverty is a global problem but, nowhere is its torment felt more than sub-Saharan Africa. I will gauge the effectiveness of the two paradigms focusing on this region due to two factors: its extreme poverty - the people who most need assistance - and because it has been the focus of both US and Chinese aid in the last two decades. I will further focus on three countries: Angola, Sudan and the Democratic Republic of Congo (DRC).

These countries were chosen due to the immense aid that both the US and China have committed and the availability of robust aid data. Combined with geographical constraints for research, I will also incorporate a temporal limitation from 2004-2007. Data from this time frame was chosen because it allowed and even comparison as it provided three aspects: the data is free of any possible numerical skewing derived from the 2008 economic downturn, highlights a mature Chinese foreign aid mechanism, and is generally considered a golden age of US African aid.

Aid has been used by the United States in various parts of the world for political means and Africa is in no way different. Yet, the United States has never had to contend with a rival on the continent as economically powerful as China. The United States

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6The country’s had comparatively robust data for the continent. The quality of aid data, especially Chinese aid data, will be addressed in Chapter 3.

continues to insist on aid tied to political strings that are increasingly difficult to guarantee. The approach is inherently political, hamstrung by politicians in the United States often for domestic and foreign political reasons, while ensuring poverty’s continued distress on a troubled population. The bureaucracy of the American foreign aid mechanism is also an impediment to the easing of the impoverished as the redundant mechanisms decrease the speed of development aid.

China’s approach toward foreign development aid in Africa has been drastically different. Unencumbered by the bureaucracy hampering the United States foreign aid paradigm, China’s foreign aid on the continent is extremely agile. The Chinese government does not dole out aid based on a country’s political leanings; rather, Chinese foreign aid seeks to give money and, more importantly, infrastructure and agricultural projects as well as foreign direct investment (FDI). The Chinese aid paradigm is primarily an FDI program that focuses on long-term economic outcomes. The agility aside, the Chinese FDI projects move at speeds that Western aid powers cannot or will not match.8 The size of these programs also eclipses American aid programs. The difference between the two countries’ foreign aid structures could not be clearer. While the United States is waiting on political and democratic changes on the continent in order to allocate aid, the Chinese are moving ahead on ambitious development plans and goals. By examining the two approaches in the three countries, I believe the data will illustrate

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the scenario wherein democratic reforms and economic reforms will be trumped by meeting the basic needs of the most vulnerable in our world.

People who move out of poverty are increasingly vocal concerning their political rights. Maslow’s hierarchy of needs has to be met before there can be any truly meaningful political movements, let alone democratic ones. The Chinese method of foreign aid is another version of the carrot and stick approach the United States has been promoting on the continent. Instead of political change for cash as the United States foreign aid system decrees, the Chinese insist that foreign aid funds and infrastructure projects will be paid for by governments with natural resources and that loans will be repaid in full. Eventually, these newly un-impoverished populations will demand additional political freedoms, just as we have increasingly observed in mainland China.

However, the more important needs of food, shelter and infrastructure - aspects critical to poverty reduction - can be addressed by the Chinese aid system in ways in which the United States’ aid system has grown deficient in. The Washington Consensus, an academic term coined by economist John Williamson to describe a global standard of economic policies concerning developing countries outlined by institutions based in Washington D.C., is quickly being challenged by its global counter-weight - the emerging Beijing consensus, a Chinese-centric development model.

China’s motives in these activities are not all without worry - these actions are not selfless. Chinese aid funds and infrastructure projects embarked upon are seen by western eyes as a method to curry favor of African governments. Some of whom that possess immense natural resources.
However, the true goal of foreign aid is poverty reduction. Though both approaches seek to achieve this goal through disparate means, I believe the Chinese method has decreased poverty by greater levels than the United States’ aid model. African governments are entrenched in corruption. Kowtowing to their demands may seem counter-intuitive. However, using this utilitarian approach, that is, the achievement of the greater good, is an appealing way to decrease poverty levels. This reduction will, in time, guarantee the very political changes western aid strives for.
CHAPTER 1

WHAT IS POVERTY? WHAT IS THE GOAL OF AID?

It doesn’t matter whether the cat is black or white, as long as it catches mice.

—Deng Xiaoping, former leader of the Communist Party of China

Defining Poverty

To begin, it is important to establish a baseline definition of what poverty actually is. Establishing a definition allows us to effectively gauge poverty reduction within the data and objectively explore the issue. Webster defines poverty as “the state of one who lacks a usual or socially acceptable amount of money or material possessions.”

However, the social phenomenon of poverty is multidimensional and should not solely assess material possession. According to the World Bank, the definition of poverty along with its causes can “vary by gender, age, culture, and other social and economic contexts.” The United Nations goes further and defines poverty as “a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society.”

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1 Aihwa Ong and Donald M. Nonini, eds., Ungrounded Empires: the Cultural Politics of Modern Chinese Transnationalism (New York: Routledge, 1997), 172.


With all the varying definitions, it is important to discern a factor that all populations, regardless of context, can be measured against. Economists have termed the minimum level of income deemed adequate in a given country as the poverty line. The one level that is recognized by numerous NGOs and governments is the international poverty line. The World Bank defined the international poverty line as one dollar a day from 1990-1993, $1.08 from 1993-2008 and revised its poverty line to $1.25USD a day in 2008 taking in account inflationary and other factors.

This paper will utilize the 2008 poverty line of $1.25USD. Because sub-Saharan Africa is home to the world’s extreme poverty, the use of this measurement will reach the most abject populations, allowing for a more robust data set and ultimately, a more clear understanding of poverty reduction in the region. This measurement will highlight those in the most need of help and who foreign aid reportedly works to provide relief.

**The Goal of Aid, a Brief History of Aid in Africa**

Upon understanding poverty and its proper quantification, it is also important to understand the goal of aid as well as the history of both the United States’ and China’s aid on the continent. The goal of aid may be fairly straightforward at a cursory glance. One may believe the goal of aid is simply the reduction of suffering brought on by poverty, but the United States and China also use aid in order to promote their political ideologies

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7 “The World Bank,” worldbank.org, http://data.worldbank.org/topic/poverty (accessed December 29, 2012). The world bank also measures poverty with an additional poverty line of $2.00USD. However, in 2008, 69.2% of the population of sub-Saharan Africa were below the $2.00USD poverty line. Using this level would skew the results immensely.
and economic interests abroad under the guise of foreign aid. Due to their varying motives, it is not surprising that the two countries’ aid paradigms have also differed extensively.

According to official documents, China’s aid approach is centered on five concerns: helping recipient countries build up their self-development capacity, imposing no political conditions, adherence to equality, remaining realistic about development goals and keeping pace with reform and innovation.\(^8\) China has shown sensitivity to the rampant corruption with which African governments have been associated with. The Chinese government, according to a Chinese bank official, primarily delivers aid through discrete projects because the projects avoid avenues for possible corruption and “generally produce quick and tangible results”.\(^9\)

Data concerning China’s foreign aid is also susceptible to the country’s famously opaque statistical measurements. Many economists believe that China’s economic statistics are doctored by the controlling Communist party. China’s foreign aid is also likely doctored and is likely lower than what is articulated in official state white papers and releases.\(^10\) The clandestine nature of the country’s foreign aid program is such that the Chinese government classifies its foreign aid expenditures as a state secret.\(^11\)


unclear aid data from China will be addressed in more detail in Chapter 3. While the western aid structure has labeled China as an 'emerging donor', Chinese foreign aid in Africa is not a new phenomenon. According to a recent Chinese government white paper on foreign aid, the country began allocating foreign aid in 1956. Chinese aid flows have fluctuated in the years since that initial aid. From 1956 to 1977 $2.4 billion USD was transferred to Africa. The years 1977-1983 saw African aid lessen substantially, likely due to the commodity inflation of the time. China’s foreign aid increased again in 1983-1995, with the country contributing $200 million USD annually. Africa’s importance to China is highlighted in its most recent aid figures from 2009: out of the 123 countries the Chinese government is actively and regularly giving foreign aid, 51 of those nations were in Africa.

The Chinese aid system can be divided into three phases. The first phase of Chinese aid to Africa was officially directed with the aim of replacing Taiwan with China in the UN Security Council. This was the origination of the one-china policy China mandates many recipient countries remain beholden to. This initial phase of aid was also China’s bid to reduce “white supremacy in the third world” which resulted in China’s support of the numerous liberation movements in Africa. The Chinese specifically supported liberation movements not supported by Moscow in order to stop Russia’s growing influence on the continent.

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13Ibid. 45.7% of China’s 2009 foreign aid was distributed to African nations.

The second phase of the Chinese aid system began in 1979 and ended in 1989. This phase was marked by China’s dramatic drop in aid allocation to the continent. In 1979 the number of recipient countries stood at 29 and by the end of 1989, the number had fallen to 13, less than half. It was in this phase that China began to hone the hallmark of its aid program - mutual benefits and economic sustainability of its projects - in Africa. Three factors prompted this decline: Africa was waning strategically as China began improving “relations with Moscow and Washington”; China’s own economy was in decline; and China’s push to modernize its economy forced China to take on loans from the West.15

The third and current phase began with the horrific scene in Tiananmen square in June, 1989. The events that occurred in Tiananmen soured many of the relationships with the West which China had worked hard to foster. China turned inward after the collapse of the Soviet Union and the recognition of the United States’ hegemony over the world order. In this new order, China sought out those who it believed it could count on - other developing countries. Aid allocations began increasing again during this phase and within two years the “Chinese aid rose more than 6 times and the number of countries in which it launched aid projects more than tripled.”16 China, itself an aid recipient, knew the power of aid and wanted to harness its dynamism.

The United States has a rich history of development aid in Africa. Although the United States’ aid program dates back as far as 1896, the United States began its modern

15Ibid., 571-572.
16Ibid., 572.
Aid program in Africa in 1944 with the Bretton Woods Act.\textsuperscript{17} This act laid the foundation for the World Bank, the International Monetary Fund (IMF) and the International Trade Organization (ITO). Three years after the Bretton Woods Act was another legislative act essential to America’s aid role on the continent - the Marshall Plan.

The Marshall Plan of 1947 would provide European countries who were destroyed during World War II development aid.\textsuperscript{18} As the Marshall Plan’s success began to be understood in development circles, it was “widely assumed that poor countries lacked the financial capital to spur development.”\textsuperscript{19} This change in foreign aid thinking coincided with an immense political change in Africa. During the mid-1950s, Africa was undergoing drastic changes. Many countries on the continent were gaining independence. As the colonies gained independence, the colonial powers of France and Britain began using aid as a way to continue their geopolitical holdings. The United States recognized both of these changes and wanted, as a superpower does, to benefit from the situation.

Zambian economist Dambisa Moyo has broken down the ensuing decades of foreign aid in Africa in her book \textit{Dead Aid}.\textsuperscript{20} Following the independence of a majority of the African countries from their colonial rulers, the 1960s marked the first decade where foreign aid in Africa matured. In the 1960s, foreign aid was focused on industrialization. The focus on industrialization was due to the western belief that large industrial projects,

\begin{itemize}
\item \textsuperscript{18}Ibid., 12. In today’s terms, the Marshall Plan provided $100 billion USD to Europe.
\item \textsuperscript{19}Ibid., 13.
\item \textsuperscript{20}Ibid., 10. Chapter 2, A Brief History of Aid, gives a more detailed account of foreign aid in Africa.
\end{itemize}
whose value was inherently long-term rather than immediately beneficial, were unlikely to receive funds from the private sector. In the 1970s, the focus turned to poverty as global commodity prices increased dramatically and African economies confronted inflation. In the 1980s, African foreign aid focused on the economic stabilization of African countries. The global aid movement restructured many of the African countries’ debts. Moyo describes the thinking of the time: “poverty-related aid flows subsided, tilting in favor of stabilization and structural adjustment packages.”\(^{21}\) As the 1990s dawned, a new focus of aid also emerged - adequate governance. The 1980s aid programs had saddled African countries with enormous debts even with the restructuring of debt. As the loan obligations came due, African countries had difficulties in meeting their responsibilities. In fact, these repayments eventually eclipsed foreign aid.\(^{22}\) As poverty rates increased and many of the continent's economies declined, aid donors began to view the problems as emblematic of poor governance. The 2000s were awash with an assortment of so called ‘glamour aid’ projects that used high-profile celebrities to champion special causes on the continent, especially debt forgiveness.

The United States’ aid program has changed significantly since the September 11, 2001 terrorist attacks. In 2002, in its National Security Strategy, the Bush Administration established global development as a third “pillar” of U.S. national security, along with defense and diplomacy.\(^ {23} \) The United States’ foreign aid system’s main goals are as

\(^{21}\)Ibid., 21.

\(^{22}\)Ibid., 22. In fact, “there was a net reverse flow from poor countries to rich to the tune of $15 billion USD every year between 1987 and 1989.”

follows: fighting terrorism, promoting economic growth and reducing poverty, combating the global HIV/AIDS pandemic, addressing global health problems, and fostering democratization.  

It is unclear what the foreign aid trend for the 2010s are as the 2008 economic downturn and its ensuing austerity measures have cut aid funding. However, there has been a recent push to modernize and focus the western system of foreign aid, especially in the United States. In some cases these changes reflect China’s aid’s growing influence on the aid industry which will be addressed in Chapter 4.

What Constitutes Aid? It Depends

There are primarily three types of foreign aid: humanitarian, charity-based and bilateral. This paper will not assess the poverty reduction of the humanitarian and charity-based aid categories. Humanitarian aid is used in response to catastrophes and is rarely sustained for a lasting effect. Charity-based aid is also dubious for poverty reduction measurements because of their high administrative costs and poor implementation. Instead, the paper will focus on the world of bilateral aid. Bilateral aid is government-to-government aid. Bilateral aid is being analyzed in this paper due to two aspects: relative transparency and data availability. Charity-based aid data is difficult to track down and by

24Ibid.


27Giles Bolton, Africa Doesn't Matter: How the West Has Failed the Poorest Continent and What We Can Do About It, 1st U.S. ed. (New York: Arcade Publishing, 2008), 76. Only around 5% of global spending on aid is comprised of humanitarian aid.
its very nature, non-governmental. Humanitarian aid, though it is sometimes supplemented by governmental funds, is also vague in nature. Bilateral aid is the best candidate of the three and will be used to test the thesis concerning poverty reduction.

As discussed previously, foreign aid is difficult to judge in the case of China. Many developed economies around the world, including the United States, are members of the Organisation for Economic Co-operation and Development (OECD). However, China remains outside the fold of the organization. The OECD and the United States use the same categories of aid, termed Overseas Development Assistance (ODA). ODA is determined by two factors:

The funds are provided by official agencies, including state and local governments, or by their executive agencies; and each transaction is administered with the promotion of the economic development and welfare of developing countries as its main objective and is concessional in character and conveys a grant element of at least 25%.²⁸

The United States’ ODA data is extremely detailed and robust. However, the Chinese version of ODA is difficult to ascertain. Chinese aid on the continent tends to blur “the boundaries between aid and investment”.²⁹ The Chinese continue to trade infrastructure projects for natural resources such as oil, making data comparison difficult.


Conventional Wisdom, Corrected

Over the last two decades, two compelling narratives have emerged. First, through foreign aid, the Chinese are overtaking America on the African continent, acquiring a lot of African countries’ natural resources and are stifling the continent’s economic promise. Second, the United States’ aid system has helped millions of Africans out of poverty, has been instrumental in instituting democratic reforms on the continent and has improved the economies of African nations.

Indeed, the conventional wisdom concerning aid on the continent, especially in regards to Chinese aid, has been lacking. Perhaps the most over-reported issue is Chinese aid’s “unconditionality”. Despite Chinese touting politically unconditional aid to Africa, all of China’s African aid hinges on the recipient country agreeing to the one China policy. In its official African policy, released in 2006, China presents the one China principle as the “political foundation for the establishment and development of China's relations with African countries and regional organizations”.

Clearly, the two aid structures the United States and China have implemented in the continent are not what they seem. The following chapters will describe the true nature of the two systems, their inherent weaknesses and strengths, attempt to parse out the poverty reduction rate of both systems based on selected case studies, and ultimately evaluate the human values issues that arise from both aid paradigms.

I find that the Chinese treat us as equals. The west treats us as former subjects. Which is a reality. I prefer the attitude of the Chinese to the west, but there's bugger all I can do about it!

- Festus Mogae, President of Botswana

In this chapter, I will analyze the United State’s foreign aid system and China’s foreign aid system. It is here where the structural and political differences illustrate the complete dichotomy between the two systems, identifying both systems’ overall strengths and weaknesses leading up to the presentation of the poverty reduction data.

**The US Aid System: Its All Politics**

The United States’ aid system is inherently political. It is through this prism one must look to gauge the impediments and strengths of US foreign aid. There are four basic factors that pervade the United States’ foreign aid construct. First, the overall aid structure is signified by bureaucratic processes. Second, the multiple aid agencies within the structure can lead to a dispersed approach. Third, the fluidity of foreign aid as is subject to public opinion. Finally, conditionality is tied to commitments by the recipient nation that binds the country in its aid implementation in various ways.

United States’ foreign aid funding, like all official fund allocation has to, by law, go through the legislative process. Foreign aid funding in the United States is an extremely complex endeavour. The complete process takes nearly a year and a half prior...

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to the fiscal year before the funds are to be spent. It is within this process that politics seeps into the considerations for funding and their use. Former Deputy Administrator of United States Agency for International Aid (USAID), Carol Lancaster, explored the issue of politics and their effect on US foreign aid in *Transforming Foreign Aid: United States Assistance in the 21st Century*. The Executive Branch, the origination point of the budget, itself consists of five major stakeholders: USAID, the Department of State, Department of Treasury, the Office of Management and Budget (OMB) and, of course, the White House. The most important participant in country allocation decisions within the Executive Branch is the State Department.

From the beginning, political calculus is present in the allocation of aid funds. There are a myriad of foreign aid bodies within the United States’ aid structure and they often are in competition for the same funds. In the last two decades, the Department of State has increasingly encroached on USAID territory in order to garner more control of aid allocation. USAID is the federal agency responsible for the administration of foreign aid. According to Lancaster, the Department of State is attempting to “exert greater control over US bilateral aid resources” - a program historically directed and managed by USAID. The sheer scope of the United States’ aid structure is one of the largest concerns of development analysts as the breadth of the agencies can lead to diverging focuses. In

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2The ordeal can last up to two years in the event that Congress fails to pass a foreign aid appropriations bill before the beginning of the fiscal year. Carol Lancaster, *Transforming Foreign Aid: United States Assistance in the 21st Century* (Washington, DC: Institute for International Economics, 2000), 35-36.

3Ibid., 41. In 1994, US Secretary of State Warren Christopher proposed a merger of USAID and the Department of State. The proposal was rebuffed by then Vice President Gore.

4Ibid., 40.
2008, then House Foreign Affairs Committee Chairman, Howard Berman, commented on the muddled structure of United States’ foreign aid, stating "it is painfully obvious to Congress, the administration, foreign aid experts, and NGOs alike, that our foreign assistance program is fragmented and broken and in critical need of overhaul." From its very inception into the budgetary process, foreign aid, no matter the administration, has been tinged with interagency politics that hamper agenda execution and poverty reduction.

While the Executive Branch has to manage to speak with one voice between a few cabinet and sub-cabinet agencies on US foreign aid issues, the Congress has to, by its very nature, focus even more voices, chairs and committees into agreement. Lancaster identifies two major issues that Congress must address to pass foreign aid legislation: a persuasive argument to assemble enough votes and making the programs and policies “attractive enough from the point of view of their own interests and preferences to support.” US foreign aid is difficult to pass in the Congress because of the very nature of foreign assistance. Foreign aid in the United States is a contentious issue that is usually tied to the political and economic environment of the day and the respective political parties. In the United States, foreign aid is often viewed with suspicion. Historically, American society has cut aid expenditures when economic outlooks for the country have declined and these cuts have been independent of party lines as well. The fluidity of

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6Lancaster, Transfroming Foreign Aid, 45-46.
foreign aid is best viewed in the mid-1990s, when both Democratic and Republican congresses sharply cut aid expenditures.

Also, as a tool of foreign policy, aid is also subject to global political considerations. The United States foreign aid programs have been altered due to a number of things which had little to nothing to do with foreign aid; including disagreements on abortion, the policies of the Vietnam War, and the policies in Central America. Increasingly, United States foreign aid is dependant on Congressional views on the merits and political implications of the funding rather than the actual goal of poverty reduction. These developments, Lancaster assesses, have made “foreign aid less flexible as a foreign aid policy tool and more vulnerable to attack when there is a major change of Congressional leadership or an influx of new members of Congress who do not see a compelling rationale for voting for aid.” The relative rigidity of aid funds from the United States, borne from political considerations, has repercussions in the real world and can negatively affect on poverty reduction. Chapter 4 will analyze the role of conditionality and poverty reduction further.

Along with the usual foreign aid actors - the Executive Branch and Congress - there are other groups that need to be considered as influencing foreign aid. Lancaster goes on to highlight private organizations, foreign governments, international organizations, and public opinion among the other principal actors in the United States

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7Ibid., 46.
8Ibid., 49-50.
foreign aid system. These extra-governmental actors have been very influential in increasing a recipient country’s foreign aid.

Perhaps most influential are the multiple Israeli groups that have lobbied for foreign aid from the United States, of which the American-Israel Public Affairs Committee (AIPAC) is most notable. Even in resource constrained fiscal environments like the one the United States finds itself in now, these groups still maintain a significant influence on foreign aid expenditures. As the entire foreign aid expenditures of the United States are being decreased in 2012-2013, Israel was able to obtain an additional a$680 million USD on top of their annual $3 billion foreign aid installments.

African countries do not have the same lobbying resources the well-established Israeli lobby groups do, but several pro-African groups have been instrumental in obtaining funding for the continent. In an October 2012 meeting in Dar es Salam, Tanzania, attended by a whole range of African business groups and representatives of USAID, business owners mingled with USAID workers and appealed for assistance. Aid agencies refer to these occasions as “advocacy” but there is no difference between the major lobby groups in Washington D.C. and these meetings. The advocacy meetings are an increasing trend in African aid circles and will likely become commonplace in the Western aid structure in the foreseeable future.

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9Ibid., 46.


Beholden to these multiple interest groups and actors, the fluidity of resources to African governments hampers aid’s overall effectiveness in the recipient country as well as the overall view of aid on the continent itself. An African government that is dependent on American foreign aid is at the mercy of the sometimes arbitrary political headwinds of the United States. This uncertainty can weaken a government in the eyes of its population and inflame tensions in poor countries - leading to a further breakdown in the social and economic structure of a country. The uncertainty may also lead to African leaders’ embrace of the Chinese aid system as well because the Chinese are known as an “all-weather” fiscal friend. This difference will also be analyzed more thoroughly in Chapter 4.

Besides political calculations, the United States’ foreign aid is also bound by public opinion. With the United States’ style of foreign aid, foreign aid expenditures are subject to taxpayers and voters’ views and whims. Since the modern aid paradigm began in 1947, the United States’ voting majority have retained a gap between their ideals on foreign aid and that of the political leaders. Citizens continue to place “a higher priority than leaders on expanding domestic programs like Social Security, crime fighting, and health care, and have been more eager to cut foreign economic aid.”

Simply put, public opinion is often related to the protection of economic assets for domestic programs. Analyzing foreign policy preferences of political leaders and citizens from 1974-1998, researchers Benjamin Page and Jason Barabas revealed that a majority of United States’ political leaders had disagreed with the majority of the public. Table 2.1

12Jason Barabas and Benjamin Page, “Foreign Policy Gaps between Citizens and Leaders,” International Studies Quarterly 44, no. 3 (Sep 2000): 339. These gaps are not replicated in matters of defense spending or military aid.
describes the gap between the leaders’ views on American activities and whether the nation should have a more active role in the world and that of its citizens. Table 2.2 describes the same data but isolated to concern the use of foreign aid and the gap is even more pronounced.

Table 2.1. Public Opinion on Whether the US Should Have a More Active Role in the World

Table 2.2. Public Opinion on Whether the US Should Have a More Active Role in the World, Foreign Aid Only

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More troubling still, is that the data indicates that public opinion primarily depends on misconceptions such as overestimates of current aid and its percentage of the budget and may be due to the increasingly vocal mass media. However, public opinion is quite malleable when it concerns foreign aid. When voters are informed of the true fraction of the budget foreign aid levels comprise, support increases drastically.\(^{13}\) This data suggests two things. First, public opinion, when controlled for foreign aid consideration only, indicates a significant dislike for foreign aid by the public and a significant dissonance between politicians and the public.

This disconnect can lead to aid fluctuations as voters make their voices heard, hurting active poverty reduction programs on the continent and can paint the United States as a finicky aid partner. Secondly, the attitudes of voters indicate that aid advocacy, which is a critical part of foreign aid policy, has had little effect on the public’s perception of aid structure and the relative allocation of funds to aid projects within the overall budget. To some this data may indicate that Western aid is in need of an overhaul as many of its core tenets have produced an unsteady development partner with habitual fund allocation programs that remain unproven.

Due to the structure of the United States’ style of foreign aid, the focus and intent of aid is sometimes diminished due to the numerous interests and projects the multiple aid organizations have. This leads to the fragmentation of the aid system which has been noted by many in the aid arena. The World Bank has warned that “donors may fragment central capacity for policy formation, entering with ministries into bilateral deals on multiple projects without determining whether their cumulative effects are collectively sustainable or mutually consistent.”14 These conflicts of interests have been noted in the aid community for a considerable time. As far back as 1998, the World Bank, in its assessment of aid implementation lamented, “At times, donors have hindered the creation of effective public sectors because they saw end-runs around local institutions as the easiest way to achieve project success”15


As discussed previously, US foreign aid is also based largely on a “strings attached” mentality. In development circles the practice of attaching restrictions and contingencies on aid is known as ‘conditionality’. Any foreign aid funds that a country receives from the United States are usually constrained by rules and regulations. The regulations can be geographical, temporal or designatory in nature or a combination of these factors. To the United States, and the Western aid arena as a whole, conditionality acts as an enforcer agent on funds that can ward off corruption and focus finance on selected projects.

However, conditionality continues to be a contentious topic in the development arena. Some aid researchers, westerners included, believe this mechanism from the outset fosters an “unavoidable tension between conditionality and self-determination.”

Perhaps the most distressing of these conditionalities in Sub-Saharan Africa occurred during George W. Bush’s first administration. The Bush administration has often been lauded in aid and development circles for its aid expenditures within Africa. However, the aid the administration gave to African countries was often bound by rather dubious political strings that directed the aid expenditures.

For example, the Bush administration announced in January 2003 the President’s Emergency Plan for AIDS Relief (PEPFAR), which would appropriate $15 billion USD to fight AIDS over the 2003-2008 period. However, the appropriation of the funds had several limiting factors to the extent of the aid. A field study by the Center for Health and


17Ibid., 56.
Gender Equality indicated that aid administrators were overwhelmingly “US officers without the community groups most experienced with AIDS”.\(^{18}\) When local groups were recruited they were largely faith-based rather than public health officials. The program also placed “excessive weight on abstinence and discriminated against any group that provided information on safe abortion.”\(^{19}\) Furthermore, in 2004, the Bush Administration pressured developing countries to halt their production of low-cost generic AIDS drugs in “return for bilateral aid”.\(^{20}\)

These conditions on foreign aid not only allowed the donor country, in this case the United States, to enforce their own morality on a recipient country, but perversely, in this case especially, the donor country was actually working to the detriment of the recipient. The absence of generic anti-AIDS drugs would result in a windfall for Western businesses, particularly pharmaceuticals, but would in turn price these drugs out of reach for a majority of Sub-Saharan Africans. Not only is this a detriment to the recipient country, but in fact works against the donor country’s quest for poverty reduction.

Conditionality is a means of leverage for donor countries to ensure good governance. However, there is a case to be made that the economic realities in the region in question negate the aim of the practice.\(^{21}\) In nearly all measures, Sub-Saharan countries are the poorest on the earth. These countries are the least capable to enact policy in line


\(^{19}\)Ibid.


\(^{21}\)Chapter 4 will address this issue among other human values questions and the changing Western interpretation of conditionalities.
with donor countries’ needs. This is a double-edged sword for the recipient countries in the region: many countries are unable to eradicate poverty simply because they lack the infrastructure to implement donor required change. Oliver Morrissey’s analysis on the literature concerning conditionality and aid effectiveness found that often “trained officials in these [recipient] countries tend to spend their working lives in negotiations with donors, leaving little time to make or implement policy. Put simply, countries with the least ability to do so are being expected to design and implement highly sophisticated (and often experimental) policy programmes.”22 Morrissey ultimately recommended that donor countries “help governments to choose policy, but not dictate the choice.”23

Now that we have an understanding of the United States’ aid system, and its weaknesses and strengths, we must turn to the Chinese system to discern any relevant similarities and differences that further help us in our understanding and analysis.

**China’s Aid System, Blurring the Lines**

In Chapter 1, the ways in which the United States engages in foreign aid in Africa and how it has been adapted over the ensuing decades were discussed. The Chinese method too has matured and has developed into a system that rivals that of the Western aid model.

Understanding China’s aid system is not only important for support of the thesis, but it is also important because China’s role in the global aid system will increase dramatically as the country becomes more economically powerful in the coming decades.

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23 Ibid.
As China gains more political, economical, and military influence throughout the globe, understanding China’s current aid efforts will yield greater understanding of how aid delivery will be transformed in the future and whether these developments bode well for the impoverished.

The Chinese aid system, like the United States’ is an extremely complex structure. However, as with many things concerning China’s official activities, the overall Chinese aid structure is poorly understood, especially concerning economic aid in Africa, due to the country’s lack of transparency. The following analysis is based on the scant evidence presented in the available literature.

Overall, the Chinese aid system is characterized by five main components: opacity, speed, agility, size and focus. Data wise, opacity is the most straightforward aspect of the Chinese foreign aid system. Members of the OECD and other large foreign aid donors submit their official numbers to global agencies such as DAC and The World Bank in order to ensure transparency. This data availability allows Western donors and analysts an unbiased look at where aid is going, the amount that is being transferred and poverty reduction rates. The Chinese system forgoes these accuracy-enabling actions in favor of retaining the data for its own records. China’s opacity in its foreign aid regime mirrors its clandestine internal political environment.

However, recent developments may indicate China is beginning to shed its veil of secrecy. In 2008, Chinese Premier Wen Jiabao publicly announced that China had
allocated $30 billion USD in aid since 1950.\textsuperscript{24} These types of aid numbers, while sporadic, allow analysts a better understanding of the Chinese aid structure and focus.

As discussed previously, the Chinese do not follow the official development assistance (ODA) guidelines established by the Development Assistance Committee (DAC). For years, Western powers have sought to bring China into the OECD fold and to comply with its standards. However, the Chinese are unlikely to join the OECD because a majority of its aid would not qualify under the ODA guidelines at all. In order for the Chinese aid structure to properly be identified, one must first go outside of the OECD context as the organization’s parameters “are not necessarily the right ones to govern these growing ties” between the Chinese aid structure and African countries.\textsuperscript{25}

China’s aid structure is primarily based on three instruments: zero-interest loans, concessional loans (loans with fixed rates and low interest) and grants. These three instruments are essentially the country’s ODA equivalent. Due to the opacity of the Chinese government, China’s aid system is often viewed as disjointed with redundant offices, mirroring the United States’. However, China’s foreign aid program is organized by the Department of Foreign Aid in the Ministry of Commerce (MOFCOM). MOFCOM also works with the Ministry of Foreign Affairs (MFA) in aid allocation efforts.\textsuperscript{26} Zero-interest loans and grants are managed by the Department of Foreign Aid and China’s Export-Import Bank (Eximbank) works under the direction of the Ministry of Commerce.


to manage concessional loans. The structure of the foreign Chinese aid system, though complex, is minimal compared to that of the United States’ immense construct. This minimal structure promotes the two hallmarks of the Chinese deployment of aid: agility and speed.

Conditionality remains the United States’ tool of choice when doling out foreign aid. For the United States it can ensure some sort of accountability and can act as a guarantor of good-governance. For the Chinese, there are very little restrictions on recipients in order to receive aid. A popular claim in development circles is that Chinese foreign aid projects are often guises to obtain natural resources at less-than market rates. Indeed that would ultimately be a negative development as resource revenues can encourage African governments into rent seeking as well as undermine its own credibility by depending less on taxpayers for revenues. The available data, however, paints a different picture.

An analysis of data derived from the World Bank’s database of Chinese projects in Africa tells a different story. Only seven instances of the use of natural-resource backed lines of credit from China Eximbank for infrastructure projects were found to have been undertaken. Since 1996, China Eximbank has financed over 300 projects. These projects only represents a two percent rate of natural resource-backed loans.

China’s emphasis on non-interference in a state’s political and governmental activities is a signature characteristic of much of what comes to mind when people think

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28Ibid.
of China in Africa. For the most part this perception is largely supported in the data available. The Chinese consistently decline interference opportunities within recipient countries and have paid a price for their inaction on the global stage. China is often chided as a ‘rogue donor’ because the country has entered into economic and aid relationships with pariah countries. However, non-interference may become politically untenable as China rises in the global political scene and is increasingly looked to for international leadership.

Chinese foreign aid in Africa is largely based on commercial activities, involving large infrastructure projects. The focus on these large projects fly in the face of traditional donor countries such as the United States who have largely focused on good-governance agendas in the last decade. China’s focus on ‘pro-poor’ growth is also a factor in its ability to create poverty reduction. China’s large infrastructure programs are well-known in academic and popular literature. The country has built railroads, government buildings and highways all across the continent. China has focused on agriculture as well. As the United States and other Western donors have moved onto a focus on good-governance, the Chinese model, replicating its success in its own country, places a heavy emphasis on the establishment of industrial and agricultural-related projects.

As is the case of the United States, China is sensitive to public perception of its aid programs, both within China and outside. When senior Chinese officials visit the continent, the Chinese government makes sure the visited countries do not have natural resources.29 As China’s GDP rises, its own population will become increasingly vocal

29 Arjan de Haan, “Will China Change International Development as We Know It?” Journal of International Development, no. 7 (October 2011): 888-89.
about where aid money is allocated, especially as millions in the Chinese countryside languish in poverty. This fact represents a valid counter-weight to what some development analysts say is China’s ever-growing power on the continent.

Western powers have taken notice of China’s increasingly large role in the global development arena. The World Bank, the United Nations and the United Kingdom’s Department for International Development (DFID) have promoted China’s development lessons.30 These ideas will be explored more thoroughly in Chapter 4.

**West Versus East**

As illustrated above, the United States and Chinese methods of foreign aid have some things in common but possess many more differences. The United States’ foreign aid system has been aligned with popular support while the Chinese foreign aid structure seems to be largely immune from wavering in its aid pledges - enforcing an “all-weather friend” sentiment. Chinese foreign aid in Sub-Saharan Africa is also faster in implementing and finishing its projects than the United States, which is often confined by its bureaucracy and numerous aid agencies. The Chinese also have a bureaucracy within their aid system but appear to not be affected by it.

Chinese aid opacity is a problem that needs to be addressed within China and by international bodies such as the United Nations. It is important to know how much aid a country is receiving so all donor countries can plan accordingly. The Chinese should join the fold in announcing its precise aid expenditures as it will help alleviate poverty even further. Conditionality remains a politically sensitive subject for the United States and

30Ibid., 894.
China. The Chinese do not have near as many conditionalities as the United States places
on its aid packages but China is sometimes seen as a rogue donor due to the large absence
of conditions.

The Chinese foreign aid program continues to push the boundaries of what is
considered foreign aid and has begun to augment how aid is applied elsewhere. The rise
of China’s aid programs on the continent should also help the aid industry overall. As
China’s aid paradigm shows gains, Western organizations such as the OECD and DAC
need to begin to alter their measurements of aid to allow for funds outsides of ODA.
These additional measurements will better illustrate the amount of aid that is going into
the continent as well as better frame the data about poverty reduction - the ultimate goal
of both aid structures.

Facts and Figures

The growing unease with which development circles have treated China, while
simultaneously embracing select features of the country’s aid programs, is astounding. In
this chapter and the previous, I have laid out the history, consequences, misconceptions,
and both the strengths and weaknesses of the United States’ and China’s approach to
foreign aid based on a large body of research. However, foreign aid’s true goal - poverty
reduction - needs to be addressed, as it is the sole arbiter of the argument. In the
following chapter, I will present data on poverty reduction using three case studies. Based
on this data, we can accurately judge the merits of both the United States’ and China’s aid
program.
Thesis

The data will test the following thesis. The United States’ aid system is hampered by its conditionalities on funds, speed of project cycle, and lack of agility due to a large, often competing, aid apparatus. All of these deficiencies have been at the expense of the very populations the Western aid structure is attempting to advance. The Chinese system’s focus on infrastructure projects, the minimal use of conditionality, and the speed in which aid projects are completed have substantially contributed to the alleviation of poverty on the continent. Consequently, the Chinese system of aid has uplifted more people from the binds of poverty than the United States’ aid system.
These results are striking considering all the effort traditional donors have put into these sectors.

—Economist Helmut Reisen

Poverty Reduction Data, the Good and the Bad

Despite bleak prognostications only a decade ago, poverty reduction data is beginning to show some positive signs in the fight against poverty in Africa. Between 1981 and 2005, according to World Bank data, sub-Saharan Africa and South Asia were the only regions where the number of those living in poverty had actually increased over time. Table 3.1 represents the number of people in their respective regions who lived on less than a $1.25 USD a day.

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1Deborah Brautigam, “Testimony On China’s growing Role in Africa Before The United States Senate Committee On Foreign Relations Subcommittee On African Affairs,” United States Senate Committee on Foreign Relations, http://www.foreign.senate.gov/imo/media/doc/Deborah_Brautigam_Testimony.pdf (accessed March 17, 2013). Reisen as speaking as the head of research at the OECD’s Development Center commenting on a survey of African stakeholders which found that emerging partners such as China were ranked as having a comparative advantage for cooperation in infrastructure, innovation, and health compared with Africa’s traditional bilateral and multilateral partners.
Those living on less than $1.25 a day in Sub-Saharan Africa almost doubled since the World Bank began to collect poverty data in 1981. In 1981, 205 million sub-saharan Africans lived in poverty and in 2005 there were 395 million. However, for the first time, between 2005-2008, poverty fell across all regions of the globe to include sub-Saharan Africa. Sub-Saharan poverty declined by 5 percent to 386 million in 2008 which constitutes another poverty reduction record. For the first time in 27 years, the World Bank reported that less than half, in this case, 47 percent, of all Africans were living under the poverty line.\(^2\)

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A big part of the global poverty reduction that has been experienced since 1981 is largely due to China’s economic rise and its population’s increase in wealth. In 1981, East Asia had the highest incidence of poverty in the world, eclipsing that of sub-Saharan Africa. 77 percent of East Asia’s population were living on below $1.25 a day, but in 2008 the number had dropped dramatically to only 14 percent. China was responsible for a large majority of those gains. Of “the roughly 1.3 billion people living on less than $1.25 a day in 2008, 1.1 billion of them were outside China.”³ Based on this drastic and recent decrease, China is perhaps in the best place when it comes to aid efficiency. As the country that is behind the staggering drop in poverty, China is in a position that is unlike

many countries: it is an emerging power that is both a receiver and donor of aid. This unique stance allows China to internalize the problems and inadequacies it observes in the Western system and improve upon it in its function as a donor.

**Data Concerning Poverty Reduction and Aid**

Until recently, literature concerning the link between poverty reduction and aid were tenuous at best. For decades, empirical studies of aid effectiveness had yielded results that were inconclusive and often contradictory in nature.\(^4\) However, with advances in data gathering and computer modeling, there recently was a turning point in the literature that concludes a positive correlation of aid and poverty reduction.

The turning point in the literature occurred in 1998 when David Dollar’s and Lant Pritchett’s work for the World Bank, *Assessing Aid: What Works, What Doesn’t, and Why* was published. After decades of dubious findings, Dollar and Pratchett found that aid cut poverty under the right policy conditions. This finding led to the current movement in aid circles of policy and governmental reform known as good governance. The report identified two key factors that correlates foreign aid and poverty reduction: aid behaves as a magnet for private investment - nearly $2USD for each $1USD of aid, and aid also ensures knowledge creation at the local level such as primary education and development of a rural water supply.\(^5\) These findings are important to bear in mind when dealing with the different aspects of socio-economic stratas the United States and China has chosen to focus on.

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\(^4\) See Cassen (1994) for an exhaustive study of aid outcomes and their implications.

In 2001, economists Paul Collier and David Dollar, in their seminal work on aid and its allocation, found that aid lifts people out of poverty but with efficiency that is half of what it should be.\textsuperscript{6} Collier and Dollar also find that aid and policy have a unique relationship. They concluded that as policy reform increases, aid actually decreases - “aid is being tapered out with reform, when it should be tapered in with reform.”\textsuperscript{7} Inefficiency is a large problem with the western style of aid and its focus on good governance. The inefficiency of aid is a central problem that the Chinese seek to curtail in their infrastructure and agricultural projects which appear to be less vulnerable to corruption.

Recent studies continue to find that aid does have a marked impact on poverty reduction. Mark McGillivray, a senior research fellow and Project Director at World Institute for Development Economics Research (WIDER) of the United Nations University in Helsinki and Fellow of Global Equity Initiative at Harvard University examined the empirical literature on the effectiveness of aid and poverty reduction and its related variables. McGillivray found that aid overwhelmingly increases growth and poverty-related variables.\textsuperscript{8} Essentially, McGillivray believes that based on the evidence available - the most recent data concerning the aggregate, country level impacts of foreign aid - poverty would be much higher in the absence of aid. Aid, it appears, does have a positive effect on poverty reduction despite the sometimes unclear connection

\textsuperscript{6} Paul Collier and David Dollar, “Aid Allocation and Poverty Reduction,” \textit{European Economic Review} 46, no. 8 (September 2002): 1475-0.

\textsuperscript{7} Ibid., 1477.

between the two. Since aid and its connection to poverty has been established, it is important to isolate the two aid systems temporally and geographically.

**So Why Here? Why Now?**

Sub-Saharan Africa is the most poverty-stricken area on earth. 47% of the area’s population live below the poverty line. The region is the ideal candidate concerning this thesis due to several factors: China and the United States have both committed vast aid resources to the region; both China and the United States increased resources during this time; the extreme poverty in the area is comparable in most of the countries, allowing for a more measured comparison; and the 2008 economic downturn would likely skew the data.

Between 2004 and 2007, the United States’ foreign aid budget in Africa more than doubled, growing from $4.5 billion USD to $10.1 billion USD. This rapid increase is largely due to George W. Bush’s administration’s focus on the continent. The Bush administration's counterterrorism efforts in the wake of the September 11, 2001 attacks and its focus on AIDS prevention were a large part of the increase in aid allocation to the continent. China’s foreign aid to the continent during the time period also rose. The Chinese government has increased its foreign aid to the continent from $4.5 billion USD

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11The two largest projects were the President’s Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Corporation projects.
in 2004 to $7.7 billion USD in 2007.\textsuperscript{12} The Chinese increase is due to spending on infrastructure and natural resource extraction and production - which has a growing negative connotation. Table 3.3 compares the two countries’ aid programs’ assessed expenditures from 2004-2007.

**Table 3.3. Aid to Africa (Million USD)**

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<th>Year</th>
<th>United States</th>
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<td>2004</td>
<td>4,000</td>
<td>1,500</td>
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<tr>
<td>2005</td>
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<td>2007</td>
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Table 3.4 illustrates the focus of Chinese aid projects in Africa from 2002-2007. Although the conventional wisdom describes China’s activity on the continent as natural-resource seeking in nature, the data suggests infrastructure is the largest focus of Chinese

\textsuperscript{12}Data derived from NYU Wagner School, Understanding Chinese Foreign Aid: A Look at China's Development Assistance to Africa, Southeast Asia, and Latin America, April 25, 2008. Annual totals represent announced loans and other reported aid and economic projects using PRC financing.
aid. Time and time again, the data will dispel commonly held beliefs concerning both of the systems.

**Table 3.4. Chinese Aid By Type (Million USD)**

![Bar Chart: Chinese Aid By Type](chart.png)

Source: Thomas Lum et al., China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia (Military Aid was 4 million while Technical assistance aid was 10 million)

**Poverty of Data**

There are two important caveats that must be cited at this point. First, the data available concerning Chinese aid is largely unknown. Researchers from many different countries have had difficulty obtaining reputable figures. According to the Congressional Research Service, tasked with providing the United States legislative branch the most up-
to-date and detailed information on pressing issues, cited that “accurate, uniform data on PRC aid flows to Africa are not available.”

While researching for this paper, figures from experts were often deemed wildly inaccurate by other experts in the field. I sought to use official figures from government offices, when present, in order to maintain a sense of officiality. The figures given are based on documents that may be inflated. Second, the direct comparison to the United States ODA and Chinese ODA remains difficult as well. I have chosen to include Chinese loans and grants into Chinese aid measurements because the Chinese and recipient countries often use these means as tools of developmental aid. The Congressional Research Service also included Chinese loan information in its calculations of Chinese aid in its detailed reports to the legislative branch.

**Selected Countries: Angola, Sudan and Democratic Republic of Congo (DRC)**

A long standing assumption of Chinese development aid is that the recipient country is guaranteed large amounts of money despite its international standing and political leanings as long as China receives the natural resources it is seeking. Angola, Sudan and the Democratic Republic of Congo (DRC) are clear examples of this style of thinking. Chinese aid activities in these countries have all been viewed with suspicion by the United States as the three countries possess a large amount of natural resources to

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14 Ibid.

include oil (Sudan, Angola and DRC), and cobalt and copper (DRC). However, as indicated in Table 1.4, the available data indicates that Chinese aid remains focused on infrastructure first and natural resources second. Again, the data tells a very different tale when it comes to the continent and aid.

Angola Data

In 2002, a 27-year bloody civil war in Angola finally ended. Since the end of the war, the country has worked to fix its economy and infrastructure. While aid from the United States plunged, another kind of aid from China was greeted with caution.

The Chinese practice of obtaining resources for infrastructure is known as the “Angola Mode” because the Chinese began the practice in Angola due to the high financial risk the country represented to China. In March 2004, China financed infrastructure projects that included electricity, health, education, water and telecom projects. The loans were to be repaid with interest and 1.5% of the total was to be repaid in 10,000 barrels of crude oil. The “Angola Mode” allowed China to lend when others would not. The oil made up for the inadequate Angolan financing assurances that normally negated Western interest. In this agreement, Angola was provided infrastructure in needed sectors on terms that were reasonable rather than extortionate in exchange for natural resources.16

The West often assumes that the Chinese are arranging deals with poor governments that are not economically sustainable. However, most of the “Angola

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Mode” projects are simply a means to an end because the large, infrastructure projects impoverished countries require are also exorbitantly expensive. And upon completion, these types of projects will only add to the economy and help in the reduction of poverty.

The Chinese aid system is significantly less risk-averse than the United States’ aid system. Angola rejected an International Monetary Fund loan in 2007 because the terms were so onerous and the IMF attempted to emplace a staff-monitored program to oversee Angola’s economic policies. Instead Angola cancelled the negotiations all together and agreed to more Chinese-backed loans which were under the “Angola Mode”. In response to the Chinese loans, then World Bank head, Paul Wolfowitz, and many others in western aid circles declared that China’s activities on the continent threatened to plunge Africa further into debt. However, China regularly cancels “the loans of African countries, loans that were usually granted at zero interest without the long dance of negotiations and questionable conditions. Increasingly, China’s method of aid is trumping that of the United States.

Between 2004 and 2008, the United States drastically cut foreign aid to Angola by almost a fourth. This corresponded with the Angolan government’s increasingly close relationship with the Chinese. Table 3.5 shows aid allocations to Angola from 2004 to 2007.

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19 Ibid., 14.
Table 3.5. US Aid to Angola (USD)


Tellingly, in 2006, Angola became China’s biggest trading partner in Africa. Angola’s economic rise is an example of the Chinese style of aid working in both the favor of China and the host country. China received its much needed natural resources while the infrastructure and associated economic benefits Angola experienced was a boon as well. The Angolan president called the partnership with China “pragmatic”. The very generous loans were secured with oil exports. However, the agreements with the Chinese government, unlike Western companies, were always tied to development infrastructure - a poverty reducer in its own right. One only has to look at the initial projects financed by

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China to understand the initial infrastructure projects and their effect on the Angolan economy. Table 3.6 is a selection of the largest initial development projects undertaken by the Chinese in Angola.

Table 3.6. A Selection of the Largest Projects Undertaken by China in Angola

<table>
<thead>
<tr>
<th>Project</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I of the Rehabilitation of the 444-km Kaunda Railway</td>
<td>90 Million USD</td>
</tr>
<tr>
<td>Phase I of the Rehabilitation and Expansion of the Electrical Network of Luanda</td>
<td>15 Million USD</td>
</tr>
<tr>
<td>The Rehabilitation of Electricity Networks of Lubango</td>
<td>15 Million USD</td>
</tr>
<tr>
<td>The Rehabilitation of Electricity Networks of Namibia and Tombowa</td>
<td>25 Million USD</td>
</tr>
</tbody>
</table>


The loans for oil are clearly not what the OECD and DAC describe as aid. However, in the examples from Angola, using its natural resources to bring about the initial infrastructure reforms needed to lift a country out of poverty and violence is a pragmatic choice. The only harm Angola may face in the future is the non-diversification of its economy away from oil and into manufacturing and agriculture, known as “Dutch disease”. Chapter 5 will discuss this issue in further detail. However, following China’s example, Angola established several special economic zones (SEZ) in 2009.22 These special commerce zones are geographical areas that are more free-market oriented than the rest of the country and allow a country to experiment with different types of

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commerce systems that are unlike what is currently in place. These zones are a large reason behind China’s own economic rise and are likely to help Angola’s economic diversification efforts.

**Sudan Data**

Divided into two separate countries in July 2011 after many years of turbulent political events, to include two civil wars, Sudan remains a pariah among the West, especially within aid circles. The regime of President Omar al-Bashir is known the world over for the atrocities committed, reportedly under his orders, in the Darfur region of Eastern Sudan. Despite the negative history and pariah status, China has taken an interest in Sudan recently and has increased its aid and trade with the country substantially. It should be noted that the United States was also generous in its aid allocation to Sudan from 2004-2007, even though the country was increasingly problematic in international circles. Much of the aid from the United States, however, was humanitarian in nature. The Darfur crisis began in 2003. The percentage of aid which went to humanitarian assistance was never below 79% during 2004-2007. Table 3.7 and 3.8 indicate the amount of foreign aid from the United States and the percentage of that aid going to the humanitarian crises in Sudan.
Table 3.7. US Aid to Sudan (USD)

![Bar Chart: US Aid to Sudan (USD)]


Table 3.8. US Aid to Sudan by Type

![Bar Chart: US Aid to Sudan by Type]

The Chinese began their aid program in Sudan with two large aid years in 2005 and 2007. Table 3.9 illustrates the amount of Chinese aid received by Sudan.

**Table 3.9. Chinese Aid to Sudan (USD)**

![Bar chart showing Chinese aid to Sudan by year 2004-2007]

Sources: Adapted from the Central Bank of Sudan Annual Reports (1999-2009), Ministry of International Cooperation and Ministry of Finance and National Economy

Most of its aid went to natural resource and infrastructure projects. What has all of this aid done to help alleviate poverty? Unfortunately, the data concerning Sudan and poverty levels is not very robust and therefore we cannot look at poverty levels directly. According to figures from the World Bank, in 2009 (the only available figure) 19% of the Sudanese population lived on less than $1.25 a day. However, we can look at other data that is traditionally related to poverty levels and are outside the scope of humanitarian aid.
Gross Domestic Product (GDP) can be an indicator for poverty levels. Recent poverty reduction data shows a clear correlation to GDP and poverty reduction. Collier and Dollar, previously cited, also found “that on average growth of per capita GDP is translated into proportional growth of income of the poor.” Table 3.10 illustrates Sudan’s GDP per capita as compared to the whole of sub-Saharan Africa.

Table 3.10. GDP Per Capita, PPP (Contant 2005 International $), Sudan, Sub-Saharan Africa

![GDP Per Capita Chart](image)


There is a clear closing of the gap in terms of GDP that is likely also indicative of a drop in poverty. Sudan remains under an embargo over its human rights record and few Western countries and firms deal with the country. In many ways, the infrastructure

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projects China is endeavouring in within Sudan are the lifeline of the country, and, more importantly, its citizens are reaping the economic rewards of the projects and the relationship with China itself.

It would be prudent, based on the narrative many in the Western aid industry promulgate, to believe China has taken advantage of Sudan’s pariah status. The data tells a different tale. While China’s aid to Sudan is largely seen as a natural resource hunt, data from 1997-2008 in Table 3.11 indicates only 9-12% (Khartoum Refinery and Other Sectors) of all aid was used in natural resource obtainment activities.

Table 3.11. Chinese Aid to Sudan by Sector (1997-2008)

![Pie chart showing aid distribution]


To be sure, the atrocities in the Darfur region and the country’s support of terrorism is extremely troubling. However, the infrastructure the Chinese build in Sudan
will undoubtedly raise the economic opportunities of the populace rather than going into
the coffers of the corrupt political elite.

The labels of rogue donor and all-weather friend are sometimes given to China.\textsuperscript{25} However, in the case of Sudan, new data has emerged and may point to China’s evolving nature. When the country split into North and South Sudan in July 2011, newly independent South Sudan took control of over 75\% of the oil production. In response, the Chinese began to make overtures to the newly created country - a region it ignored while the south was still part of Sudan. In April 2012, nascent South Sudan and China agreed to $8 billion dollars in development loans.\textsuperscript{26} These loans were allocated to be used for road construction, agriculture, hydroelectric, infrastructure and telecommunications - all GDP increasing, and poverty reducing investments.

Interestingly, Sudan was not ignored when it lost its vast oil wealth, as one would expect. Instead, in November 2012, Sudan agreed to allow China to establish a free-trade zone for agricultural products and livestock.\textsuperscript{27} Sudan is using this area similarly to Angola’s special economic zones to increase farm exports to offset the loss of oil to South Sudan. Again, China is using its recent aid lessons learned from its own use of aid as a template for its own aid recipients.

\textsuperscript{25}Especially concerning its neighbor, North Korea, although China has recently begun to temper its support for the hermit kingdom.


Democratic Republic of Congo (DRC)

Finally, we come to the Democratic Republic of Congo (DRC). It is in the DRC that we can observe the confluence of the two systems, their results and an emerging archetype. The DRC has long been at or near the bottom of the numerous economic indicators kept by the World Bank for decades. The country has been mired by violence and corruption and it is all due to what many call the resource curse. Table 3.12 shows that the United States’ aid during 2004 - 2007 has increased somewhat during the time period.

Table 3.12. US Aid to DRC

![Bar chart showing US Aid to DRC]


Almost half of the United States’ aid to the DRC falls under the emergency response sector which is comprised of material relief assistance and services, emergency
food aid, relief co-ordination, protection and support services, and reconstruction relief and rehabilitation.\textsuperscript{28}

As for Chinese aid for the DRC, the Chinese paid little attention to the DRC before 2007, besides the training of military officers.\textsuperscript{29} However, in 2007, China introduced the Angola mode to the DRC when the DRC and the Chinese government agreed on what many deemed “the deal of the century”.\textsuperscript{30} The deal was between two Chinese firms, China Railway Engineering Corporation and Sinohydro, and the government of DRC. The deal was for $6 billion USD. The deal is by far the largest infrastructure project China has ever undertaken. The deal originally concerned “402 km of paved roads, including an auto-route and bridges connecting the main cities of the DRC (Lubumbashi, Bukavu, Goma, Kisangani) and construction and repair of 450 km of roads within the capital district of Kinshasa; 3213 km of railway construction or rehabilitation; construction and equipping of 145 health centres, 31 hospitals, 5000 units of low-cost housing, and two universities” but was eventually expanded to include the “rehabilitation of two airports and two electricity distribution systems, and the construction of two hydroelectric dams.”\textsuperscript{31}


\textsuperscript{29}David Shinn Ambassador, “China's Relations with Zimbabwe, Sudan, and the Democratic Republic of the Congo,” The George Washington University, http://elliott.gwu.edu/news/speeches/shinn031508.cfm (accessed February 14, 2013). Even that outreach was small as China trained only eighty-nine military officers from the DRC between 1998 and 2003,


\textsuperscript{31}Golley and Song, Chinese Development, 213.
In return for a massive infrastructure project, the DRC agreed to establishing a joint venture, Sicomines, that would be held 32% by the DRC and the remainder would be held by a Chinese consortium. Any profits from the company would go to repay the loans “financing the costs of developing the mine and the unrelated infrastructure projects.” There were concerns by the Western aid system, primarily the International Monetary Fund, which eventually forced some Chinese concessions. The Chinese aid system has slowly embraced a minimal amount of conditionalities on its aid which is indicative of moving toward OECD standards rather than a rogue donor status.

Clearly this aid example does not constitute aid by the OECD/DAC standards. However, when analyzing the World Bank development indicators, the effect the project has had is undeniable. Because the time of the agreement was in 2007, I have extended the timespan of inquiry to 2012. Table 1.13 compares various development indicators in DRC from 2004 to 2012. Bear in mind that the outcome is despite the world economic downturn, so returns are likely to be skewed downward after 2008.

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32 Ibid.

33 Ibid. After a year-long standoff, the Chinese and the DRC agreed to remove the sovereign guarantee from the debt associated with the mining project.
Table 3.13. Effects of Infrastructure Projects on DRC Economy

<table>
<thead>
<tr>
<th>Year</th>
<th>Time required to start a business (days)</th>
<th>Road sector energy consumption (kt of oil equivalent)</th>
<th>Time required to build a warehouse (days)</th>
<th>Road sector gasoline fuel consumption (kt of oil equivalent)</th>
<th>Trade (% of GDP)</th>
<th>GDP per capita (current US$)</th>
<th>Mortality rate, under-5 (per 1,000 live births)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td></td>
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<tr>
<td>2011</td>
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<tr>
<td>2012</td>
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</table>


Such a large modernization project could only currently be done by the Chinese. The scale of the Chinese roads project in the DRC has not been seen since the West embarked on the Marshall plan. This is a hallmark of the Chinese aid system that the United States cannot currently match. However, the DRC represents a new model of aid where both systems simultaneously address different strata of the socioeconomic structure.

The United States’ aid program in Africa continues to focus on the very low-level indicators such as food availability and health (humanitarian/emergency aid) as well as the high levels of policy reform and good governance (political). Although they are not working in concert, the Chinese and American aid systems have essentially aided the DRC in all levels of its economic improvement. The United States assists in the lower-level needs of the impoverished while China steps in at the middle stage of infrastructure development. The United States completes the circle with the focus on the political processes, anti-corruption and good-governance practices.
Winner Takes All or the Middle Path

Chinese aid in the African continent continues to be a pragmatic affair, both for the donor and recipient. American aid continues to protect the vulnerable while ensuring the powerful assume some kind of responsibility. As the data shows, especially in the case of the DRC, aid from the west and the China model work in two very different ways. While America has increased its focus on good governance, health outcomes and conflict resolution, Chinese aid is focused on infrastructure and, to a lesser extent, agricultural sectors. The Chinese aid system is essentially mirroring what the United States’ system did in the first phase of its evolution. The American system has forged ahead and sought to address what it sees as the root of the problem - poor governance. The Chinese aid system continues to focus on the building blocks of society and an economy - its infrastructure. The confluence of these two vastly different systems is partly responsible for the largest decrease in poverty on the continent.

There is no zero-sum game in poverty reduction. The impoverished do not take sides concerning the mechanism from which they are delivered from poverty. These two systems can learn to work together rather than attempting to work against poverty reduction. In the next chapter I will discuss the human values concepts that the two systems cultivate on their own: China’s heavy-handed approach, where everyone, despite outright human rights abuses, receives funds and the United States’ idealistic approach to poverty reduction that can leave millions out of an economic system to spite a powerful few.
The question is less does Africa gain or lose from China, but rather, which Africans might gain or lose, in which countries or sectors, and in which circumstances?

—Leni Wild and David Mepham

Three Human Values Questions

In researching the foreign aid systems of the United States and China on the African continent, several human values questions arose. First, as the Chinese aid system focuses on infrastructure projects, would the impoverished be better served by a focus on the basic medical and good governance? Second, as the United States has moved onto focusing on good governance, are the impoverished in a way being punished for their government's ineffectiveness? Finally, is the ascension of the Chinese aid model on the continent and its effects on the Western system actually a positive addition to those mired in poverty or does the trend portend a dark age of aid? These three questions are important as they are at the essence of the conflict between the two aid paradigms on the continent. In answering these questions, we can address the similarities and differences that have developed between the two systems and identify the middle path which develops between the two systems combined. It is within this middle path that poverty reduction stands the best chance of being met.

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Would the Impoverished be Better Served by a Focus on the Basic Medical and Good Governance Rather than Infrastructure?

As discussed earlier, Sudan’s relationship with China is often considered a poster-child for the dubiousness of China’s aid system. While atrocities were being committed in the Darfur region of Sudan, China abstained from U.N. Security Council votes that called on Sudan to take action. This inaction from China is often pointed to by Western aid proponents when describing China as a rogue donor. They view China’s foreign aid as tied to a political calculus void of a moral compass. Indeed, as all countries utilize it, aid is a tool in foreign policy. However, does China’s political calculus play a larger role in its aid allocation program than traditional Western aid? First, there is extensive literature identifying that most countries give aid based on “political reasons rather than economic needs.” China is no different, as “countries that vote in line with China in the United Nations General Assembly and do not recognize Taiwan as an independent country receive larger aid shares.” Economists Axel Dreher and Andreas Fuchs concluded the above based on an exhaustive analysis of worldwide Chinese aid, not just African-oriented aid. Essentially, despite the Taiwanese aspect, China’s aid allocation is generally independent of the recipient’s institutional characteristics. That is to say, Chinese aid is allocated to countries despite the countries’ governmental structure or likely corruption.

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3 Ibid., 27.

4 Ibid.
The researchers believe that their finding confirms the Chinese aid principle discussed earlier of non-interference in a recipient country’s affairs.\textsuperscript{5} As with its development aid, Chinese humanitarian aid does not suffer from a bias either. There was no evidence that China humanitarian aid was tied to political leanings.\textsuperscript{6} Based on the data, Dreher and Fuchs found that “there is no evidence that China’s allocation of aid is inferior from a humanitarian point of view when compared to other donor countries.”\textsuperscript{7} Chinese aid is also not inferior when concerning democracy and indicators of governance based on the data. Dreher and Fuchs found that China’s aid was not biased toward “autocratic or corrupt regimes” as so many Western aid proponents have claimed, but instead is even-handed in its aid allocation across a variety of governmental types.\textsuperscript{8} These types of analysis are important to repel some of the uninformed opinions many Western aid donors have concerning China. Incorporating this type of data into the public discourse could also offer cover to the West as they slowly begin to incorporate Chinese characteristics in their own aid programs.

Aid dependence is something that needs to be addressed in the development aid programs of both the United States and China, especially concerning African countries. Aid dependence is defined by Africanist scholars Deborah Brautigam and Stephen Knack as a “situation in which a government is unable to perform many of its core functions of government such as the maintenance of existing infrastructure or the delivery of basic

\textsuperscript{5}\textit{Ibid.}
\textsuperscript{6}\textit{Ibid.}
\textsuperscript{7}\textit{Ibid.}
\textsuperscript{8}\textit{Ibid.}
public services, without foreign aid funding and expertise.”9 The notion of aid dependence became a big topic within aid circles in the 1990s, as discussed in Chapter 2, and is often viewed as the origination point of the current Western focus on good governance. Interestingly, both the Chinese and United States’ aid systems seek to solve the good governance model, be it by different means. The Chinese seek to address the infrastructure aspect by asking for minerals and loan repayments in return while the United States’ foreign aid policy is to address medical needs as well as issues of good governance. It is in this comparison that the Chinese model has a more positive effect.

Using data from the International Country Risk Guide (ICRG), a database that includes in-depth financial statistics such as tax collection as a share of GDP and seeks to evaluate governance, Brautigam was able to discern a noticeable pattern in the data. The analysis of the data identified a “robust statistical relationship between high aid levels in Africa and deterioration in governance.”10

This finding is troubling as it seems to cast the whole aid enterprise in a less than flattering light. However, Chinese aid does not seem to fall into this trap as it has a different focus (infrastructure) and requires a repayment mechanism (minerals, oil, etc or loan payments). Brautigam goes on to contend that aid has two major effects: institutional weakening and perverse incentives. Institutional weakening caused by the sheer abundance of aid directly violates foreign aid’s true goal - poverty reduction. However, China’s aid system, though abundant, helps the whole of the recipient nation as the


10Ibid., 276.
infrastructure projects have a lasting economic effect on the entire society rather than select groups. Brautigam even suggests that further aid should be “much more selective and competitive, delivered with few if any strings”.11

The Chinese method, though it has applied some conditionality to its aid, tends to have a specific focus while the United States’ aid system has inconsistently moved from different strata of aid funding throughout the decades as discussed in Chapter 1. The United States’s foreign aid system was mostly infrastructure projects in the 1960s but the idea fell out of favor in the 1970s giving way to a focus on poverty only. The Chinese, as is often the case, have mirrored the United States’ aid system in the 1950s, but have not branched out as far, instead focusing solely on infrastructure. The Chinese hesitant but steady practice of development aid allocation has allowed African countries a consistent form of economic improvement while also reinforcing the “all-weather” friend mentality Chinese officials seek to portray.

And what does the data have to say about the infrastructure projects the Chinese are carrying out all over the African continent? Studies on infrastructure’s impact on the economy and, therefore, poverty have resulted in a positive correlation. Variables such as irrigation, road density and roads paved all have a significant influence on poverty reduction. One particular large study on infrastructure and its impact conducted in 1987 found that “a 10 percent increase in the roads paved (used as a proxy for the quality of infrastructure)” lead to “a nine percent increase in aggregate output, as does a 10 percent

11Ibid., 277.
increase in the percentage of the area under irrigation.” These are significant gains and with the enhance in agricultural technology, which China has also incorporated into its aid structure, these gains are likely to be even higher.

In an expansive 2009 study in the *International Journal of Applied Econometrics and Quantitative Studies*, researchers analyzed development and infrastructure data from 20 different developing countries between 1980 and 2005. The analysis clearly confirmed the “theoretical link” between the introduction and improvement of infrastructure and poverty reduction. Further amplifying infrastructure’s role in poverty alleviation, the researchers even found a reverse causation from poverty to infrastructure. Essentially, less government funds would be available for infrastructure development due to the impoverished tax-base. Infrastructure plays a key role in poverty reduction. Sub-Saharan countries, at the bottom of nearly all poverty-related data, are the most susceptible to even the smallest infrastructure project. The Chinese introduction of vast highways, irrigation systems and government buildings has had an immense effect on poverty throughout the region.

These seem to be fairly straightforward conclusions. However, caution should also be paid to automatically linking infrastructure to poverty reduction. As the reverse causation illustrated in the aforementioned study, the infrastructure projects have to match the economy of the host-country. If roads are built and there exists no transport service or the poor can only afford to walk, the link to poverty reduction becomes less clear. Lack of access to the infrastructure is a key factor in assessing China’s

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infrastructure projects in the poorest of the Sub-Saharan countries. This problematic theme can be resolved and will be explored in Chapter 5.

As the United States’ Aid System has moved onto focusing on good governance, are the impoverished essentially being punished for their government’s ineffectiveness?

The United States’ model of aid attempts to address the problems of government corruption and to ensure good governance. However, is there an argument that this concentration on a higher order political matter comes at the expense of those in poverty? As we have seen in the previous chapters, the Chinese aid system remains largely focused on infrastructure projects. As discussed in the section prior to this, multiple studies have shown that infrastructure projects can have an effect on poverty reduction. Does the United States’ aid system’s focus on good governance do the same?

Governance in sub-Saharan Africa is poor in a majority of countries due to a plethora of problems, namely: the rapid decline in Colonialism left very few “indigenously rooted institutions that could tackle the development demands of modern states”, civil wars, political instability, economic crises, and (some say due to aid flows to the continent) unsustainable debt.13 The campaign for good governance can largely be seen as a fight against corruption but there are other inadequacies the term encompasses. Deficient mechanisms of accountability, questionable quality of official information, weak bureaucracies, and the lack of rule of law all contribute to an increase in poor

governance. Clearly, many of the countries in the region suffer from many, if not all of these maladies. However, can the campaign by the United States to promote good governance be fruitful in its quest?

The focus on good governance arose from the increase in corruption and diversion of aid within Africa at the top of governmental structures. During the late 1980s, numerous Western aid systems increasingly viewed the administration of governance by African countries as a hindrance to their activities on the continent. Tellingly, a 1989 World Bank report on Sub-Saharan Africa characterized the myriad of problems in the region as a “crisis of governance”. In 2001, a case study of ten Sub-Saharan African countries carried out by World Bank Development Research Group researchers found that aid cannot bring about reform and that conditionality tied to loans were not successful in inducing any meaningful policy change. These two findings are quite troubling as they counter the policies developed in the West and in particular, the United States, enacted in the 2000s. The United States’ focus on good governance has been proven unsuccessful and yet the country, and the Western aid industry as a whole, has increased its focus on good governance multi-fold in the ensuing decade. The recognition of good governance programs failures and the continuation of such programs are indications of the rigidity of the United States’ aid structure in the introduction. The innate rigidity and


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14Ibid., 259. Bräutigam compares the British pullout of India which left a “dense netwrok of several generations of well-trained civil servants with a growing tradition of meritocracy” while in Nigeria only “15% of the upper-level civil service positions were filled by Nigerians as independance drew close.”


cumbersome nature of the structure maintains its focus on good governance while a more agile system could quickly adjust its course.

The United States’ aid system continues to focus on the quality of public institutions largely because these bureaucratic systems play a critical role in the way in which aid is doled out and overseen. The United States and other Western Aid systems believe that development outcomes should show signs of acceleration over the long-term. A large reason for the belief in an accelerated development outcome may be due to the observation of drastic increases in “health outcomes and education enrollment” observed in Africa.\(^{17}\) The United States witnessed a rapid decrease in poverty in the early 20th century.\(^{18}\) This decrease in poverty was also coupled with an acceleration of the development of governmental institutions. Western aid agencies tend to operate under the assumption that Africa should mirror this trend. Indeed, in the developing world, especially sub-Saharan Africa, health outcomes and education enrollment have increased significantly over the last couple of decades. However, after analyzing the data, the development of governmental institutions has stagnated and shows little signs of improvement.


\(^{18}\)“Official poverty estimates for the United States at the turn of the 20th century are not available, but unofficial measures suggest that poverty was substantially higher than today. In the late 1800s, 30 to 50 percent of families were in poverty. In 1950 the poverty rate was about 30 percent or twice the current level.” Stephen Moore and Julian Simon, It's Getting Better All the Time: 100 Greatest Trends of the 20th Century (Washington, D.C.: Cato Institute, 2000), 74.
Table 4.1 shows the life expectancy at birth from 1993 to 2010 in sub-Saharan Africa. Table 4.2 shows the mortality rate from 1993-2010 in the region and Table 4.3 shows school enrollment from 1993 to 2011.

Table 4.1. Sub-Saharan Africa Life Expectancy at Birth

Table 4.2. Sub-Saharan Africa Mortality Rate, Under-5 (Per 1,000 Live Births)


Table 4.3. Sub-Saharan Africa School Enrollment, Primary (% Gross)

The changes are clear and rather impressive for a region rife with so many problems. However, when analyzing the relevant data points from the public sector, observations that governmental organizations have stalled in their improvement ring true. Table 4.4 illustrates this point by using the World Bank’s Country Policy and Institutional Assessment (CPIA) framework to analyze how public sector management in Sub-Saharan Africa has changed since its inception. To compute the number, CPIA included data that includes “property rights and rule-based governance, quality of budgetary and financial management, efficiency of revenue mobilization, quality of public administration, and transparency, accountability, and corruption in the public sector.” Table 4.5 uses the same framework and focuses on the management of the economy. CPIA uses macroeconomic management, fiscal policy, and debt policy to compute the number.

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Table 4.4. CPIA Public Sector Management and Institutions Cluster Average (1 = Low to 6 = High)


Table 4.5. CPIA Economic Management Cluster Average (1 = Low to 6 = High)

Analyzing the data, one can see the exacerbation that led the United States to alter their aid system to focus on improving governance. However, improving governance is an overwhelming task and even the smaller, seemingly more feasible actions have themselves proven difficult. The technocratic areas such as civil service, legal, and judicial reform remain unchanged despite donor countries’ focus on improving their execution.\textsuperscript{20} The lack of success on these fronts have entrenched the Western aid apparatus in its attempt to foster good governance rather than attempt to change its aid focus. Bräutigam and Knack explained, “when patterns of poor governance deepen over time and become institutionalized, the political difficulties of reform become even more challenging.”\textsuperscript{21} Human Values question 3 will delve deeper into how the United States’ aid system has shown signs of experimentation with aid, and in some instance, parroting the actions of China on the continent in order to fulfill its poverty reduction mandate.

The conclusion should not be that aid is anathema to the sustained development of good governance. Studies have shown that aid can play a crucial role in governance reform in poor countries.\textsuperscript{22} However, in attempting to bridge the gap between the literature highlighting the importance of good governance to development and the growing detailed body of literature analyzing the impact of aid on development, Bräutigam and Knack addressed the connection between the two. In their 2004 study,


Bräutigam and Knack assessed that only those recipient countries which have clearly defined development agendas can benefit from aid. They found that with a defined development plan, South Korea and Taiwan were able to develop into countries with established, strong governmental institutions. On the African continent, Botswana often identified as one the rare-success stories in the region, had a clearly defined development plan.

Clearly, good governance mechanisms have a role in the deployment of aid and the resulting greater economic growth of a country. China, an aid recipient country for decades (and currently from the UN and the United States), is well aware of this fact. However, the Chinese were never affected by a sole focus on good governance as many of the sub-Saharan African countries have been. Good governance should be striven for, but not at the expense of the impoverished. Some African economic scholars have increasingly viewed Western aid with derision based on the aid industry’s turn toward good governance. In *Dead Aid*, economist Dambisa Moyo highlights the way in which “aid remains at the heart of the development agenda, despite the fact that there are compelling reasons to show that it perpetuates the cycle of poverty and derails sustainable economic growth.”

In *Dead Aid*, Moyo calls for African countries to throw away the yoke of aid and instead embrace the global market. African countries have grown accustomed to a large

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24 Moyo, *Dead Aid*, 28.
portion of their economy to be subsidized by Western aid. However, this aid is holding back the countries, according to Moyo, and even leaders of African countries have begun to speak out on the failure of Western aid.

Senegalese President Abdoulaye Wade remarked, “I’ve never seen a country develop itself through aid or credit. Countries that have developed – in Europe, America, Japan, Asian countries like Taiwan, Korea and Singapore – have all believed in free markets. There is no mystery there. Africa took the wrong road after independence.”25

The Chinese aid system seeks to treat every aid-receiving African country the same way, despite what each one’s level of corruption may be. Instead of focusing on these negative aspects of a country, China, with its own economic interests in mind to be sure, continues to seek out mutually beneficial aid projects that have a proven effect on poverty reduction. China is not subsidizing the countries it is helping, it is providing a maturing, and in many ways more moral, counter-economic model to that of the Western aid structure. Moyo summarizes China’s aid policies in Africa saying, “[a rural woman in Africa] cares less about the risk to her democratic freedom in forty years’ time than about putting food on her table tonight.”26

**Is the ascension of the Chinese aid model on the continent and its effects on the Western system actually a positive addition to those mired in poverty or does the trend portend a dark age of aid?**

The Chinese aid model has drawn a lot of attention over the last decade. Many academic journals, newspapers and the Western aid industry have covered the rise of Beijing on the African continent with a suspicious eye. However, Western aid has also

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25Ibid., 149.

26Ibid., 152.
begun to show the inevitable signs of being affected by the Chinese aid system. As International Development Research Center researcher Ngaire Woods wrote, “as these emerging powers build aid programmes and forge stronger relationships with poor countries, no existing development assistance programme will be immune from the effects.”

Have the changes the United States’ aid system and the Western aid industry instituted in response to China’s ascension had a positive effect on poverty reduction or do they presage a negative trend in the aid arena?

As discussed previously, the United States’ aid system began with a focus on infrastructure projects and over the decades has focused on a number of different economic aspects from industrialization to macroeconomic stability. The West has attempted to bring China and other emerging donors under the umbrella of a common international aid regime. Recently, G7 Finance Ministers wanted to seek “principles for responsible lending and seek to involve other interested parties” while the U.S. Secretary of Treasury stated that “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 the creditors to incorporate the framework into their lending practices.” However, there is no evidence available in the literature indicating China’s aid program has re-indebted highly impoverished countries. Now that the Chinese aid

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28 The US happens to be a major stakeholder in both the IMF and the World Bank and has a vested interest in furthering their agendas.

system has had an immense impact on the continent, Western countries can no longer ignore its influence and their own aid structures and allocations have begun to mirror some of China’s aid allocation activities in Africa.

China’s minimal use of conditionalities on aid has been lauded by African leaders from the beginning of the Chinese aid system’s focus on the continent. In the last couple of years, the Washington consensus has shown signs of embracing the lowering or even the outright retraction of conditionalities on aid. The European Investment Bank (EIB) has said that Western aid entities will have to decrease their social and economic conditionalities in order to match the Chinese aid packages. Moises Naim, the editor-in-chief of Foreign Policy magazine, worried that “Chinese economic pragmatism appeared to override principles of openness pursued by Western donors.” All of these developments are indications of the Chinese aid system’s advancement into the world development arena. Embracing the positive aspects of the Chinese system is a win-win for poverty reduction and the western aid structure can only be more dynamic because of it.

China’s role in this change should not be viewed in a political vacuum though. There are three important developments in aid to bear in mind. First, the increase in Chinese aid is in response to Western donor’s broken promises in the last decade. G8 countries pledged to double aid by 2010 from 2005 levels, but new net aid flows never


31 Moyo, *Dead Aid*, 107.

32 Ibid.
materialized and the OECD DAC announced that “aid to Sub-Saharan Africa has stalled”. The decline of aid from the West to sub-Saharan Africa was largely due to the implications of the September 11th attacks. Aid was diverted to countries with a terrorism-nexus such as Afghanistan, Iraq, and Jordan. Faced with an increasingly unpredictable aid program from the Western countries, African governments had to look elsewhere.

Second, African leaders are increasingly less politically pliable than they once were. Long gone are the days in which stipulations from an outsider Western country was treated as gospel in exchange for funds. Jose Cerqueira, an Angolan economist, quipped, “for them, we should have ears, but no mouth.” Chinese aid acts as a counterbalance to the Western aid industry on the continent, making the “aid market” more open. It is within this competition that we will see experimental aid projects. These projects, brought on by the increasingly competitive market, will likely bring about a win-win for all parties involved. Aid donors will realize more poverty reduction with a more agile aid structure, while African governments will exercise their free will in choosing the best fit for their own aid requirements. The Chinese are not taking advantage of African countries, by acting as a rogue donor on the continent. Instead, it is merely participating in a nascent aid market in which two entities are competing.

Finally, aid policy autonomy for African countries has been shrinking since the end of the cold War. Prior to that period, African countries could switch between donors

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34Moyo, Dead Aid, 109.
35In the coming years the competition will become even more fierce as other developing nations compete, including India and Saudi Arabia.
belonging to the different sides in order to increase their leverage.\footnote{Peter Kragelund, “The Revival of Non-Traditional State Actors' Interests in Africa: Does It Matter for Policy Autonomy?” Development Policy Review 30, no. 6 (November 2012): 703-18, http://dx.doi.org/10.1111/j.1467-7679.2012.00595.x (accessed March 3, 2013).} China has emerged as a new form of leverage as African leaders seek to use China’s growing power to influence Western aid. In response, the United States and other Western powers have recognized the growing power and effectiveness of Chinese aid and have introduced some of the Chinese aid characteristics within their own aid organizations. The World Bank has begun to promote work to express lessons learned from China’s internal development and its aid activities in Africa. The UK’s Development Studies Association’s theme of a conference in 2008 was China as “shaper of development” and the Economic and Social Research Council has established a network on “China as the new ‘shaper’ of global development.”\footnote{Arjan De Haan, “Will China Change International Development as We Know It?” Journal of International Development 23, no. 7 (28 July 2010): 892, http://dx.doi.org/10.1002/jid.1732 (accessed March 3, 2013).} In 2005, the OECD DAC as well as UN Development Program began to meet with non-DAC member donors in order to discuss differences and commonalities in their respective aid programs and to further cooperation.

Despite indications of the United States and the West altering its foreign aid activities, these changes are likely to be minimal until the Chinese aid system reaches a critical point on the continent and is viewed as a viable contender as the preeminent aid actor in Africa. Only then, possibly, will Africans have a more rational Western aid system to turn to.
CHAPTER 5

THESIS ASSESSMENT AND THE MIDDLE PATH ARGUMENT

China’s aid system and economic engagement today reflect what the Chinese learned from their experiments of the 1980s and from their own experience as a recipient of aid and the business that was linked to aid.

—Deborah Brautigam¹

**Thesis Assessment Challenges**

China’s development aid programs in Sub-Saharan Africa have been a catalyst for Africa’s marked decrease in poverty. Based on the evidence presented in the prior chapters, China’s aid program on the African continent has resulted in the alleviation of poverty or, at least, contributed to the macroeconomic forces that are known to cause poverty reduction. China’s approach has been an overall net benefit for the continent. The United States’ aid programs have also had success in mitigating poverty on the continent. However, to determine which system has alleviated the most poverty on the African continent remains difficult to judge. Quality of data and the long-term viability of the poverty alleviation on the continent are all aspects that have to be weighed when assessing the thesis.

The quality of data encountered during research for this project was a restraint to proving the thesis. Therefore, there are limitations to the findings presented in Chapter 3 and Chapter 4. The data presented throughout this paper, as discussed in Chapter 3, is based on information that is often estimated, vague in nature due to China’s opacity, and

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is contested academically. The very fact that most aid experts have had trouble grappling with the data sets adds to the obstacle of the assessment. China’s opacity in all of its data continues to be problematic within the international community and the assessment accounts for the poor quality of data in my thesis assessment.

Long-term viability of the alleviation is also a challenge and warrants inclusion into the assessment of the thesis. The strength of poverty alleviation is in its perpetuation. The Chinese aid system is based on the aid system the Middle Kingdom has instituted within its own borders. China’s current economic situation is due to the steps it took in the 1970s when the country opened up to the outside world. As China’s development aid in Africa grows, so does the likelihood that African countries will begin to develop similarly to the Chinese economic expansion. The introduction of special economic zones, easing or outright forgiveness of loan debts, and the infrastructure projects are all harbingers of enduring economic growth.

The American system also attempts to produce changes in African countries through aid that leads to a long-term decrease in poverty levels. However, the United States continues to focus on the institutions through good governance programs which have shown little improvements over the last decade as indicated in Chapter 4. Both of these aspects concerning long-term viability of poverty reduction must be included in the final analysis.

As discussed in Chapter 4, as China’s infrastructure projects in Sub-Saharan Africa continue, poverty reduction will also follow. However, there is a caveat that has to be considered and is key to the long-term viability of infrastructure-linked poverty
reduction: the lack of access to infrastructure. As infrastructure projects continue, access
to them by the impoverished is essential to long-term economic improvement. As
discussed in Chapter 4, roads have been proven GDP boosters, but the poor need to have
proper access to these constructs in order to effect their economic situation. For example,
Roads are an economic benefit to those with cars but those without cars benefit indirectly
as well. Increased transit would allow for an increase in variety and number of goods,
fostering competition and decreasing prices through increasing supply of goods - a net
economic gain for the impoverished.

Dutch Disease is also a serious issue when dealing with the long-term viability of
the Chinese aid system, especially concerning the “Angola Mode”. As more countries
enter into “Angola Mode” agreements with China, there has to be an acknowledgement
of the need of diversification. African nations cannot rely upon precious metals and other
natural resources to better their economic outlook alone. Heading off this reliance is
paramount to the long-term viability of poverty reduction. China’s establishment of
Special Economic Zones in Angola and Sudan are examples that many African countries
could follow to augment their mineral and rare earth material sectors.

One potential concern is Sub-Saharan Africa’s growing use and reliance on
Chinese aid, goods and services also makes the region susceptible to a Chinese economic
slowdown. During the global economic downturn, Sub-Saharan Africa was insulated
because “Commodity prices for African natural resources have remained relatively high
to date, sustained by the continued strong growth of major emerging market economies,
most notably China.”² This dependency, though it proved effective in the 2009 economic slowdown, could prove perilous if China suffers an economic decline.

**Thesis Assessment**

On the outset of this paper, there was a sense that the data would illustrate the scenario wherein democratic and economic reforms would be trumped by meeting the basic needs of the most vulnerable in our world. Considering the data and also acknowledging the limitations of the two caveats identified above, it is assessed that the Chinese aid system is responsible for more poverty reduction than the United States’ system within the timeframe concerned. While there are ethical concerns that China’s aid programs raise, the utilitarianism of the Chinese development aid system negates those concerns. If poverty reduction is the goal of aid, the insistence of the West to tie development aid to governmental reforms has worked to the detriment of the impoverished while the Chinese system continues to benefit those in poverty.

China knows better than most countries the effect that a growing income can have on democratic wants and needs. As the Chinese middle class increases, their demands for freedom also increases. It is not incorrect to assume that Sub-Saharan African countries will follow the same direction. We have seen similar democratic developments across Northern Africa during the Arab Spring which was launched by an increasingly vocal middle and lower class. This movement was responsible for the changing of governments across the region and can be duplicated in African countries once poverty levels decrease.

Currently, these populations need their most basic needs met, governance considerations

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can be addressed later and an internal grass-roots movement for governmental change will be more long-term than an artificial construct enforced by external actors, especially by the West with colonialism still fresh in the collective conscience of Africans.

The most conclusive evidence available is comparing the GDP before and after the introduction of Chinese aid. We know from the data that Chinese aid has overtaken American aid on the continent between 2004 and 2008. Based on the data presented in Chapter 3 and 4, Angola benefited positively from Chinese development aid. We know from Chapter 3 that GDP can be a relatively close proxy to poverty alleviation. Angola is a prime example of this economic correlation. We know that China’s aid in Angola increased substantially while the United States’ aid decreased by more than 75 percent between 2004 and 2008. During this period, Angola’s GDP more than tripled from 18.5 billion in 2004 to 79.62 billion in 2008. Table 5.1 illustrates Angola’s GDP from 1985 to 2011.

Table 5.1. Angola GDP (1985-2011)

Clearly, you can see the effect of Chinese aid in Angola. It was in 2002 that the civil war ended and GDP began to climb. In 2004 the “Angola Mode” was introduced to the Angolan economy and the country hasn’t been the same since the addition of the Chinese development aid system. Prior to that, Western and the United States’ systems of aid had little effect on the economy as seen in Table 5.1. The subsiding of the ravages of war played a part in this transformation, to be sure, but the “Angola Mode” markedly changed Angola’s economic trajectory and brought more of its population out of poverty. Sudan’s GDP also experienced a noticeable increase once the “Angola Mode” was introduced to the country as discussed in Chapter 3.

The DRC also experienced a marked increase from the introduction of the “Angola Mode” to the country in 2007 as the GDP has increased 50 percent according to the latest data. Table 5.2 is an illustration of the country’s GDP growth between 2004 and 2011.
These graphs also indicate the staying power of China’s “Angola Mode” as GDP growth has been exponential and will likely increase investments in other sectors such as manufacturing - similar to what was observed in Southeast Asia in the 1990s and early 2000, and those economies have persisted in their economic improvements.

While the United States’ aid program waited on political and economic changes from governments before committing aid funds, the Chinese moved ahead with development plans and goals. The size of the development projects from China also dwarfed Western aid packages on the continent and the speed of the projects exceeded Western abilities due to both systems' structures.
All of these data points combined with the analysis of the previous chapters affirms the initial thesis of Chinese development aid surpassing that of the United States’ in the reduction of poverty.

The Illumination of the Middle Path

From the beginning of research for the thesis, and as was touched on briefly at the end of Chapter 3, a central narrative emerged when contrasting the two development aid systems. China’s and the United States’ divergent focuses on the many different levels of the economic structures in Africa, highlighted throughout this analysis, continued to illustrate a nascent united front the two systems were forming in the fight against poverty.

As China focuses on the infrastructure projects that address the physical structure an economy would rely on, the United States’ aid paradigm focuses on the basic medical needs and good governance problems that can also underpin economic growth. These two separate systems, from two increasingly competitive opponents, address a whole system of government approach - from the bare necessities all the way to the head of governments. Though the data indicates a relatively poor record in the fight for good governance, there is still value in addressing the problematic nature of some African governments.

China is also aiding America in its good governance fight as well. Requiring African countries to repay loans with payments of money or natural resources is a form of good governance in itself as it requires African governments to pay a price and be responsible for their actions. These activities invest the African governments in the nascent system the United States’ and China’s aid forms, increasing the African
governments’ accountability and, slowly, perpetuates adherence to rules and regulations. As China focuses on infrastructure, the Western systems can focus on humanitarian work and the higher political issues, an issue which China refuses to address in its development aid.

Throughout the analysis, the data has broadly illustrated China’s effect on the Western development aid structure. However, China is influenced by the Western aid structure as well. Though not a member of the OECD, China has increasingly moved into the international development fold, though armed with its own ideas. As far back as 1995, when China agreed to a program of dialogue and cooperation with the OECD council, China has shifted toward the West as much as the West has shifted towards it. Since then, China has allowed the OECD to put its own policy experience on the table for scrutiny and discussion by OECD member countries.”

On May 16, 2007, the OECD council at the Ministerial level adopted a resolution to strengthen its cooperation with China which the OECD believes “has the potential in the future to lead to membership.”

The Chinese cautious, but real, embrace of Western norms makes it more difficult for a divergence from its current course as China joins the global fold. The West too is irrevocably changed by the Chinese style of aid and its ever increasing inclusion in the development aid domain. The slow movement of both the West and China toward a mutual conception of aid is a win-win for those impoverished, not only in Africa but

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4Ibid.
around the globe. It is within this middle path that poverty has the best chance for eradication.
CONCLUSION

To end poverty, first build a road.

—Chinese Saying

In Summary

Sub-Saharan Africa is the poorest of the poor regions on the globe. It is fitting then that the two largest economies in the world are interested in alleviating the poverty levels in the region, despite the differences in the nature of the help and the motives behind the activities.

Both the United States and China have a rich history of aid on the continent, with both countries endeavouring in development schemes for decades. The Chinese system has stayed relatively static, focusing on agricultural and infrastructure projects, while the United States’ aid system continues to change focuses as it is influenced by the overall Western aid system and changing political and economic tides. The mass-media has done a horrendous disservice to the public while covering aid and development approaches on the continent as many assertions such as China’s unconditionality on aid packages and breadth of natural resources for infrastructure projects are overblown or simply not true. The two development aid models could not be any more different. The United States is known for its transparent dealings with African governments while China’s aid is noted

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for its opacity. The United States focuses on good governance while the Chinese takes pride in its aid’s non-interference with African governments.

There were four aspects of the aid programs that require additional highlighting. First, the United States aid system was found to be handicapped by its innate bureaucracy while the Chinese system, which has a minimal bureaucracy, was able to maneuver its aid programs with a size, scope and speed that is unmatched in development circles. Second, the United States’ multiple aid agencies leads to a sometimes dispersed approach to development while China’s uniform state-run programs leads to a more focused approach. Third, aid is linked to public opinion and both the United States’ and China’s aid systems are subject to its influence, though the Chinese system is currently less effected due to its autocratic government. Finally, conditionality on American aid to Africa has increased in the last couple of decades, binding countries in its aid implementations in various ways while Chinese aid conditionality remains minimal. China’s rise in Africa coincides with an increase in onerous terms from America and an increasingly less-pliable African leadership. The West’s aid operations on the continent were in many ways responsible for China’s rise on the continent. Undoubtedly, All of the deficiencies in the United States’ system have been at the expense of the very populations the Western aid structure is attempting to advance.

Understanding China’s aid program is critical. As China’s economic and military might increases and begins to change the global order, understanding its activities and the motives behind these activities will help, not only development circles, but policy makers in other arenas including finance and defense. China’s overall opacity will likely decrease
in the coming decades as the country slowly enters the global fold, particularly if China should gain membership in the OECD. As the recent publication of its first aid white paper shows, China is becoming increasingly susceptible to public opinion and pressure to diverge from its secretive past. China’s aid activities on the continent should also be viewed as a reflection of its own legitimate pursuit of political and economic self-interest. Development aid is a tool of political power and every country that is able to do so does. To characterize it in an ominous manner is disingenuous.

Fortunately, poverty data has shown a worldwide decrease in poverty levels over the last several decades. As pointed out in Chapter 3, this includes Sub-Saharan Africa which can now boast that more than half of its population lives above the poverty line. China, with the assistance of Western aid, was largely responsible for the decrease in East Asia of nearly three-quarters of a billion people since 1980, also discussed in Chapter 3. It is from the receipt of Western aid that China honed its current aid program on the African continent. China realizes the potential aid has if it is focused on large infrastructure projects rather than good governance.

Tellingly, Chinese aid to Africa overtook that of the United States during the period between 2004-2008. The data also suggest that Chinese infrastructure projects are the largest part of the country’s aid to Africa rather than natural resource extraction. A perfect example of this is the “Angola Mode” which is responsible for a large portion of Angola's and the DRC's rises in GDP and their subsequent drop in poverty. Even though loans are a central tenet of the Chinese development aid model, there is no evidence that China’s aid program has re-indebted highly impoverished countries.
Three primary human values concepts also arose from the dichotomy of the two development aid problems. First, the impoverished were found to be better served by a focus of development aid on infrastructure rather than good governance. Secondly, the United States’ focus on good governance was found to essentially punish those in poverty for their government's ineffectiveness, while still doing little to improve political stability. Finally, the ascension of the Chinese development aid model has changed both the Chinese and the United States’ development aid models positively which will likely increase poverty reduction regarding both models.

**Other External Actors and Market Mechanisms**

The rise of other donors on the continent will likely change the developmental aid picture even further. Rising economic giants such as India and Saudi Arabia have increased their aid allocations to the continent in the last decade and their influence on the continent should raise the status of the “emerging donor” set even higher and increasingly offer a counterbalance to the Washington Consensus. The good thing about these developments is that the poor are the winners at the end of the day as the development aid market will only benefit from such competition.

The Chinese aid paradigm is more market oriented, while the West continues to operate under an artificial construct that uses a lot of funds but has relatively little to show for in return. African countries have moved toward the Chinese aid model because the American terms were becoming increasingly onerous and difficult to guarantee. China’s development aid activities on the continent have opened up the door for a new
market-oriented aid structure that the emerging donors will likely partake in and augment as well.

China has also expanded its development aid operations to places other than Africa. Figure 6.1 illustrates China’s far reaching aid paradigm.

### Table 6.1. Chinese Aid By Funding Source and Region (2002-2007, Million USD)

<table>
<thead>
<tr>
<th></th>
<th>Africa</th>
<th>Latin America</th>
<th>Southeast Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Sponsored Investment</td>
<td>8,042</td>
<td>24,389</td>
<td>7,429</td>
</tr>
<tr>
<td>Concessional Loans</td>
<td>22,379</td>
<td>1,950</td>
<td>7,114</td>
</tr>
<tr>
<td>Grant</td>
<td>1,851</td>
<td>421</td>
<td>231</td>
</tr>
<tr>
<td>Debt Cancellation</td>
<td>850</td>
<td>0</td>
<td>60</td>
</tr>
<tr>
<td>In-kind Aid</td>
<td>21</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>


Table 6.2 also identifies an increasing focus on Latin America by Chinese aid. As is evident from this data, for all the apprehension concerning China's interest in natural resources in Africa, natural resource extraction in Latin America is actually larger by a wide margin.
Table 6.2. Chinese Aid By Type and Region  (2002-2007, Million USD)

<table>
<thead>
<tr>
<th>Type</th>
<th>Africa</th>
<th>Latin America</th>
<th>Southeast Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources Extraction/Production</td>
<td>9,432</td>
<td>18,585</td>
<td>4,788</td>
</tr>
<tr>
<td>Infrastructure/Public Works</td>
<td>17,865</td>
<td>7,535</td>
<td>6,438</td>
</tr>
<tr>
<td>Not Specified/Other</td>
<td>5,024</td>
<td>608</td>
<td>2,276</td>
</tr>
<tr>
<td>Humanitarian</td>
<td>802</td>
<td>32</td>
<td>159</td>
</tr>
<tr>
<td>Military</td>
<td>4</td>
<td>0</td>
<td>170</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>10</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>


While the competition increases and changes, so too will the aid projects themselves. Experimental aid projects from both systems will increasingly be used on the continent and represents a win-win for all parties involved. The market mechanism will decrease aid dependence that some African countries have developed over the decades. By investing in this market, China is not subsidizing African countries, as America does to a certain extent. Rather, the Chinese development aid model is directly assisting in the countries’ economic transformations. It is providing a maturing, and in many ways more moral, counter-economic model to that of the Western aid structure. A good distinction between these two approaches is observed in PEPFAR. PEPFAR, as discussed in Chapter 2, enforced morality on a recipient country. The market approach to development aid
would forgo this troublesome and elitist approach and instead focus on a clearly defined development agenda.

Two of China’s five pillars of development aid, as discussed in Chapter 1, are remaining realistic about development goals and keeping pace with reform and innovation. These two pillars are the essential tenets of the Chinese development aid system. In following these tenets, the Chinese have been able to modify their aid programs with an increasing efficiency while also understanding the reality of the situation on the ground.

**The Middle Path and the Way Forward on Poverty Reduction**

Liberals and the religious right in the United States were brought together in support of PEPFAR. Similarly, Africa's plight can bring the Chinese and American aid systems together for the greatest good. We must move away from the narrow OECD definition of ODA and include many of the aspects that are hallmarks of Chinese aid. It is then that we will better understand China’s development aid program and be better able to respond to and complement its effects on the continent.

In order for Americans to better understand development aid, an increase in aid advocacy programs in the United States must be undertaken. If its citizenry doesn’t understand the scope and significance of its aid programs, then they will be more likely to be on the chopping block during the next debate over funding cuts. An informed citizenry can also increase aid’s effectiveness by pressuring their elected representatives to forgo the traditional aid activities in favor of new, experimental ones and augment their system's working aspects of the Chinese system.
In the age of globalization, connectedness is increasing exponentially. China owes its very economic expansion to Western aid and much of the resources imported to China are re-exported to uphold production & consumption in western countries. We cannot fail to recognize the interplay, big and small, between our economies. Conditionality and focusing on good governance, while people are suffering from hunger and are in need of the most basic essentials, decrease the economic power of Africans and, due to globalization, the world. Regardless of Chinese transgressions and America’s promises of moral superiority, the Chinese model brings more people out of poverty than America’s due to the Chinese focus on economic outcomes rather than democratic and ethical concerns. Altogether, the utilitarian approach, the one that lifts the most people out of poverty, is the best approach for all. This reduction in poverty will, in time, guarantee the very political changes Western aid strives for.


———. “Will China Change International Development as We Know It?” Journal of International Development no. 7 (October 2011): 888-89.


