

China's Influence on Donor Coordination

Jiajun XU
University of Oxford
2011-11-1

Puzzle

- ▶ **Conventional Wisdom:**
 - Donor coordination is inherently desirable.
 - How to create incentives for non-DAC donors to be part of the existing donor coordination system?

- ▶ **African Countries:**
 - **Against** the notion that China should join the club-based donor community.
 - “We do not like the idea that traditional donors and emerging donors are sitting on the same table.”

Question

- ▶ What is the influence of China on international donor coordination?
 - ▶ Two polarized answers:
 - China has **undermined** the international best practice of aid effectiveness agenda.
 - China has offered **a new vision** for aid effectiveness that has challenged the traditional donors' development hegemony.
- 

Conventional Wisdom



My argument: An alternative perspective

- ▶ China's arrival as an emerging donor has created a space for *alternative* development thinking that may have been **marginalized** due to the dominance of “international best practice”.
 - ▶ Such influence is not a deliberate effort from China, but it helps to opening up a space for diversified ideas of development cooperation.
- 

Illustrative Examples

- ▶ Aid philosophy
 - ▶ Untied aid principle
 - ▶ Infrastructure financing
 - ▶ Debt sustainability framework
- 

Aid Philosophy

- ▶ **One-way:**
 - North-South transfer of resources
- ▶ No space for national interests
- ▶ Delink aid from commercial activities
- ▶ **Reciprocity:**
 - enhancing the partner's **potential** in one's own interest
- ▶ Aid as catalyst
- ▶ Aid as leverage of private resources

Aid as Charity

Aid as Investment

Untied Aid Discipline

- ▶ Aid should be delinked from trade and investment.
 - ▶ Advantages of untied aid:
 - Economic efficiency
 - Country ownership
 - ...
- 

Untied Aid Discipline

- ▶ **Ideology:** free market principle; “right to choose”; minimize the government intervention
 - ▶ **Assumption:** Perfect competition and complete information
 - ▶ **However,** the estimated consequences of tied aid becomes problematic if conventional assumptions do not hold.
- 

Untied Aid Discipline

- ▶ **Contestation**
- ▶ “the report merely focused on ‘**how much**’ aid is untied but touched little on the developmental impact of untied aid projects; and, untied aid as a result has become the dissemination of ‘religion’, with aid officials defending the untied aid principle like ‘**missionaries**’ even though some untied aid projects may not serve a development purpose.”

--Interview with DAC delegates, April, 2011

Undue Coordination-- “Cartel of Good Intentions”

- ▶ Coordination = Harmonization
- ▶ the power is latent—“certain ideas or belief systems gain power as they become more widely disseminated to people and get treated as common knowledge”
- ▶ As a result, international organizations may serve as “gatekeepers in deciding *what is right and wrong, normal or deviant*”

(Hyden, 2008: 264)

Infrastructure Financing

- ▶ Innovative *co-financing* instrument of the EU–Africa Partnership on Infrastructure.
- ▶ It brings together EC, Member States, EIB, and European Development Financing Institutions, who can *pool* their respective efforts and resources to directly co-finance relevant projects.
- ▶ The Trust Fund provides grants that will attract and *leverage* additional funds.

Juergen Kettner
European Commission



Infrastructure Trust Fund
European Union Africa



Infrastructure Financing

- ▶ **China–DAC Study Group:** “it signals a new policy direction by “exploring how trade, investment and aid linkages and financing packages can mobilise additional actors and capital for economic transformation processes in Africa.”
 - ▶ **Japan:** Japan has started to use aid package approaches used in the 1980s in China and Southeast Asia.
 - ▶ **US:** The Obama Administration is initiating a pilot project combining USAID and US Ex–Im Bank financing to promote economic growth of recipient countries.
- 

Debt Sustainability Framework

- ▶ IMF: Debt strategy
- ▶ China: LI Ruogu (president of Ex-IM Bank)
 - IMF's debt sustainability framework ignores the growth potential.
- ▶ China-DAC Study Group: “the role of China's co-financing in building up Africa's own dynamics of development.”

Conclusion

- ▶ Those who deeply care about doing good must pay attention to doing well.
- ▶ Donor coordination is necessary, but undue coordination may run the risk of ruling out alternative thinking on development cooperation.



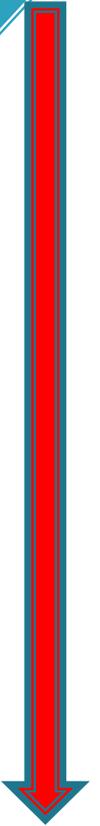
Conclusion

**“Best
Practice”**

International

Regional

National



Conclusion

- ▶ **A major flaw in aid system:**
- ▶ “there has been **no systematic process** for examining *how the aid process is working* at country level; what is working and what needs to be fixed, and what systemic outcomes are being achieved in a context where many donors and many local institutions are focused on particular issues or projects.”

Conclusion

