

# China's Influence on Donor Coordination

**Jiajun XU**  
University of Oxford  
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# 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.
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# 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.
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# Illustrative Examples

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



**A lost continent in need of rescue**



**A land of opportunity for development**

# 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
    - ...
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# 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.
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# 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.
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# 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.”
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# 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.





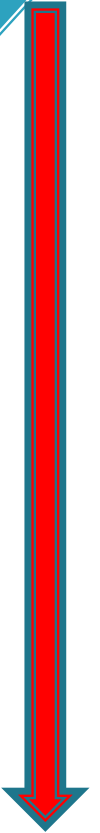
# Conclusion

**“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.”
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# Conclusion

