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Aid to Africa: What can the EU and China Learn from Each Other?

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A 'China–Africa Toolkit' has been developed to serve African policymakers as an information database, a source of capacity building and a guide to policy formulation.

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ABSTRACT

With China's increasing role in Africa, the issue of aid to Africa has been high on the China–EU agenda and the subject of considerable debate. This occasional paper focuses on one area of potential co-operation, i.e. China's and the EU's aid policies towards Africa, by examining their different approaches to aid and the internal logic behind these differences in order to facilitate mutual understanding. Through comparative studies, the occasional paper points out that, due to their different development stages, different development models and different aid co-operation experiences in Africa, China and the EU have developed different aid principles, priorities and modalities with different logics. Regarding aid principles, China advocates more 'co-operation' than 'aid' itself, so the country's main principles guiding the way in which it manages aid are no political conditions attached to aid provisions, two-way co-operation and a win-win formula. The EU considers aid as a one-way instrument to promote Africa's good governance and sustainable development, so the key principles that it applies are conditionality, one-way benevolence and co-responsibility. Regarding aid priorities and modalities, China puts more emphasis on developing economic infrastructure, with concessional loans as the main instrument, while the EU stresses the development of social infrastructure, especially regarding the issue of government institutional reform, with grants as its main instrument.

However, the occasional paper highlights that these different logics behind the EU's and China's policy approaches are not necessarily contradictory. Both sides should shift perspective, putting aside the perception of 'competing models', to study the points of overlap and thus open a new window for co-operation. But considering the wide perception gap that exists between the two sides, the author recommends that a practical and pragmatic way to advance co-operation maybe through focusing initially on second-track approaches.

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ABBREVIATIONS AND ACRONYMS

ACP	African, Caribbean and Pacific
CCP	Chinese Communist Party
DIE	German Development Institute
EC	European Commission
ECDPM	European Centre for Development Policy Management
EDF	European Development Fund
EU	European Union
Exim Bank	Export-Import Bank of China
FOCAC	Forum on China–Africa Co-operation
IMF	International Monetary Fund
MDG	Millennium Development Goal
MOFCOM	Ministry of Commerce
ODI	Overseas Development Institute
PRC	People's Republic of China

INTRODUCTION

With China's increasing role in Africa, the issue of aid to Africa has been high on the China–EU agenda. In the 2006 China–EU summit, Africa appeared for the first time in the joint statement that was issued in which both sides stressed their own principles in their relations with Africa, agreeing to find avenues for practical co-operation on issues such as aid effectiveness and achieving the UN Millennium Development Goals (MDGs) in the continent.[1] But reality has shown that it is difficult to overcome the different principles involved and start effective co-operation. Since 2006, despite the EU Commission's co-operative stance, the negative coverage in the European media and academic community on China's Africa policy contributed to the adoption of a critical resolution regarding this policy by the EU Parliament. Adopted in April 2008, the resolution declared that China's Africa policy is mainly aimed at natural resources exploitation; China's loans to Africa endanger the continent's debt sustainability; China's unconditional aid undermines the EU's endeavour to promote good governance in Africa; and China's approach reflects indifference to sound environmental and social standards.[2]

China's response to the resolution was one of indignation, pointing out the constructive role it was playing in Africa and that EU parliamentary claims were unfounded. Chinese analysts believed that the EU actions were motivated by concerns over its declining dominance in Africa as well as globally; that China's effective and unconditional aid programme rendered the EU's conditional aid approach unattractive; that the EU is worried that the success of the 'Beijing Model' in Africa undermines its soft power; and, last but not least, that China's successful trade and economic co-operation with Africa threatens the EU's virtual monopoly of economic relations with Africa.[3]

Despite this exchange, in October 2008 the EU Commission published its communication on China–EU–Africa trilateral co-operation. The communication proposed four priority areas for future co-operation, i.e. peace and security; Africa's infrastructure; the sustainable management of natural resources; and food security. This marks a shift in the EU's view of China's Africa policy, to one seeking not criticism and confrontation, but rather practical and pragmatic co-operation with China. But nearly a year has passed since that communication was issued, and the future of such co-operation appears gloomy. Although the unwillingness of African governments to endorse it is said to be one explanation,[4] it is the contention of this occasional paper that both China and the EU are not ready for such co-operation. The different ideas and principles, different approaches to aid, and different decision-making mechanisms in the two sides' policies toward Africa have aroused many misperceptions that act as a barrier to starting substantive co-operation. And, given that co-operation over Africa has been identified as a key area for the EU–China strategic partnership established in 2003, serving, as two European scholars suggest, as a 'soft test case for the EU–China strategic partnership', the diplomatic stakes are high.[5] Against this backdrop, this occasional paper will focus on the aid policies of China and the EU, examining their different approaches and the internal logic behind the differences in order to facilitate mutual understanding.

DIFFERENT IDEAS AND PRINCIPLES BETWEEN THE EU'S AND CHINA'S AID POLICIES TOWARDS AFRICA

Historically, China and the EU have had very different kinds of relationships with Africa, which continue to influence contemporary conduct. The colonial past has been a heavy burden in EU–Africa relations, but has nonetheless laid a solid foundation for the so-called donor–recipient relationship model of engagement. Unlike the EU, China has a history of being colonised, like Africa, and is today facing similar development challenges to those faced by the continent, so it has been easier for China and Africa to create a relationship based on common perspectives on issues such as sovereignty and national priorities. These differing points of departure have profoundly shaped the different approaches of aid to Africa adopted by China and the EU. For instance, over the past 60 years, China has been both an aid recipient and an aid-delivering country. As an aid recipient, China rejects any aid provided with the intention of the supplier interfering in its internal affairs, while as an aid-delivering country, China considers its aid as a form of two-way economic co-operation and therefore rejects the imposition of political conditionalities. Although alterations have occurred over the years, the basic ideas and principles behind the country's aid policy remain largely in line with the eight principles first proposed by former Prime Minister Zhou Enlai in 1964.[6] By way of contrast, EU aid policy has evolved over the years, moving from benevolent paternalism,[7] to a laissez-faire approach that has in recent decades given way to the imposition of various conditionalities.[8] Thus, these differing starting points have reflected three distinctively different approaches to aid policy, namely conditionalities versus no conditions, the mode of engagement, and the rationale for aid/co-operation.

Aid conditionality versus no conditions

Conditionality can be broadly defined as the donor setting the development co-operation objectives, goals or methodology, which a recipient government would not otherwise have agreed to if not pressured by the donor, explicitly or implicitly, with threats of the latter terminating or reducing development assistance, in part or full, if the set objective, goal or methodology is not complied with. This can be imposed both as a precondition (ex ante) for entering into the aid relationship, or it may be expected that, through the development assistance that is provided, the recipient would progress towards meeting these set objectives (ex post). Conditionality includes economic orthodoxies such as the adoption of the neoliberal macroeconomic policy, the exercise of good governance, policy changes, spending priorities (targeting), participatory objectives (e.g. ownership) and value-based objectives (e.g. the promotion of democracy, human rights and gender parity, or protecting the ecological balance).[9] The EU's aid management cycle can be divided into three stages, from programming and initial allocation to mid-term review and final assessment. Conditionality can be mainly seen in the first and third stages. Since 2000, at the programming stage, in order to receive EU aid, all recipient countries need to sign a kind of 'contract' called a country strategy paper that is mainly drafted by the EU.[10] These strategy papers set the priority development areas and the percentage of aid provided to each area, prescribing the ways to achieve reform and sustainable development. At the initial aid allocation stage, there is no conditionality involved and aid is based more on the needs of the recipient countries. At the mid-term review and final assessment stages, the EU uses performance criteria covering economic, social and political aspects of progress to reallocate the aid resources. According to the regulations of the 10th European Development Fund (EDF), the impact of the performance indicators on the aid allocation based on needs falls within the -30–42% range.[11]

In different periods, the EU's aid conditionality has taken different forms. It started with economic conditionality in the 1980s, and then reflected more political conditionality in the 1990s, while currently it is a combination of economic and political conditionality. Economic conditionality mainly refers to using aid to promote macroeconomic reform. In the EU's economic performance evaluation system, which measures the effectiveness of economic governance, the two main factors monitored are the investment climate and macroeconomic performance. Economic governance measures the capacity and determination of government to undertake structural reforms.[12]

Political conditionality became a part of EU development policy in the 1990s. On 28 November 1991 the Council of Ministers of the European Community declared in a resolution on human rights, democracy and development that the promotion of democracy was a top priority in development co-operation.[13] As a result, in the revised Lomé Convention, human rights were defined as constituting an 'essential element' of co-operation, meaning that any violation of such rights could lead to the partial or total suspension of development aid. Besides this, in the 10th EDF, the EU introduced a kind of incentive political conditionality called a 'governance incentive tranche' to promote democratic governance in African countries.

Compared with the EU's conditionality, China's 'no conditions attached' policy mainly refers to the fact that no political conditions are set in establishing the aid relationship, and aid is provided on the basis of negotiations according to the partner countries' needs. The 'no conditions attached' principle conveys two basic ideas: firstly that 'all countries are equal' and, as equal partners, neither side has the authority to teach the other; and, secondly, that economic structural reform or political reform can only be successfully fulfilled within the country itself and therefore cannot be imposed externally. Since China's aid principles were first proposed in 1964, the 'no conditions attached' principle has always been the most important one and was reiterated in China's Africa Policy Paper in 2006. Regarding the 'no conditions attached' principle, two points need clarification. Firstly, in providing concessional aid, there will also be a kind of contract between China and partner countries specifically regulating the modes of implementation, which will effectively be a type of 'condition', e.g. the project implementer should be from China, a certain percentage of procurements should be acquired through the Chinese market, etc. These 'conditions' are sometimes considered as a form of economic conditionality. Another of China's aid principles that is relevant here (which will be addressed in the following part of this occasional paper) is the 'win-win' principle, which is a way to achieve 'win-win co-operation', which is a kind of mutual economic investment.[14] These economic conditions are clearly different from Europe's economic conditionality, which effectively dictates reform measures to be taken by partner countries. The second point of clarification is the accusation that China's presence in Africa indirectly interferes in African countries' internal affairs.[15] This accusation confuses two different concepts, i.e. interference and impact. The basic meaning of interference is that some form of 'threat' is used. It is a fact that China's presence in Africa will possibly have unintended negative effects, but this is not deliberate interference, and no such 'threat' is issued. As to the possible negative effects of Chinese aid, China and Africa have reached consensus on finding solutions to such problems on the basis of friendly negotiation.

One-way benevolence versus two-way co-operation

Since the first Lomé Convention (Lomé I) was signed in 1975, the partnership principle has been set as a guiding principle in EU–Africa relations, but it has seldom been fully practised. This is not only because of the asymmetry between the two sides as to resources, power and capabilities, but also because of the dominant donor–recipient pattern of behaviour, according to which the EU considers its aid as a form of one-way benevolence instead of two-way co-operation, and aid is given the function of offering development to Africa. As a result, the EU has gradually moved from the role of 'promoter' to that of 'driver'[16] and has imposed different kinds of conditionality. For a long time, the EU — operating under the logic of 'it is our money and we must be responsible to our taxpayers' — from the perspective of a developed country, has formulated development policy and set reform measures and development priorities for Africa according to the prescriptions of the International Monetary Fund (IMF) and World Bank for providing aid. The deficiencies of the EU's one-way mindset are deeply felt by Africans. According to a study on the ranking of the most pressing problems in the international aid system from an African perspective, donor-driven priorities are among the first rank. The problems are basically donor pressures on partners' development strategies and aid management systems supporting donor requirements, not national systems.[17] It has become increasingly evident that ownership of specific policy measures or programmes — and good governance in general — can only be achieved if recipient governments begin to take a more proactive role in determining how aid is allocated and managed. Since 2000, with the introduction of the MDGs, aid effectiveness and a European consensus on the question of aid, the EU has attempted to move towards the principle of ownership and participation on the part of aid recipients, and since then, the EU's development aid has also witnessed a gradual increase, while, according to its own annual report, aid effectiveness has also been improved. In the 2007 Joint EU–Africa Strategy, both the EU and Africa set out their intentions to move beyond the donor–recipient model towards working together on jointly identified, mutual and complementary interests that set the direction for the building of a real partnership.[18] The challenge confronting the EU is how to put this principle into practice and put Africans in the aid driver's seat.

China–Africa aid relations were initially defined in terms of mutual co-operation rather than one-way alms giving. Instead of the language of donor and recipient, China strongly prefers to present its activities in terms of two-way exchanges and two-sided co-operation. Three basic meanings are conveyed by the principle, the first being the equality between the two sides. The eight aid principles proposed by Zhou Enlai are essentially self-regulating, meaning that with equality as the core idea, China as an aid provider to Africa has no right to be superior to Africa. The second is that, in providing aid, China wishes to gain political support from African countries. This point has been enriched by the radical changes in the internal Chinese and international contexts since the 1960s. Today it has been broadened to include mutually beneficial economic co-operation. The third point is that the fundamental objective of Chinese aid is to realise common development. In terms of the method of achieving development resulting from the receipt of aid from developed countries, China puts more emphasis on the co-operation experience instead of the aid itself, and the co-operation experience has also been considered to have contributed a great deal to Chinese development. So, in providing aid, China also values mutual learning experiences with partner countries, which is well captured in Chinese President Hu Jintao's words: 'The different civilisations can learn from each other through communication so as to enrich and develop themselves respectively in this way'.[19] With this principle of 'two-way co-operation', China's aid practice demonstrates high levels of flexibility in reality. This principle, strengthened by China's own experience both as an aid receiver and aid provider, is at the core of the country's aid policy.

Co-responsibility versus the win-win approach

These two different principles to some extent reflect two different perceptions of Africa on the part of the EU and China, based on long experience with the continent. Generally speaking, the EU's perception of Africa is rather pessimistic, and the continent is seen more as a challenge or a kind of burden, as Michel describes: 'Afro-pessimism is still too prevalent in Europe, not just in the circles of power, but in public opinion too. Africa continues to be regarded as a problem.'[20] This perception came from the following experiences. Firstly, since Europe first established its aid system over 50 years ago, Africa has not developed as Europe expected, contributing to doubts that Africans have the capacity to realise self-development. Secondly, because of the fact that it is geographical adjacent to Africa, the EU has long been troubled by a flood of illegal African immigrants, which has threatened Europe's security and stability. Thirdly, since the attacks in the US of 11 September 2001, the EU has sensed the threat of terrorism coming from Africa's poverty and instability. This is reflected in the Joint Africa–EU Strategy, where co-responsibility was strengthened as a principle in the bilateral relationship. Additionally, co-responsibility is also in line with the EU's emphasis on ownership in aid delivery.

China also thinks that Africa will have to meet challenges on its way to development, but, differently from the EU, the general Chinese perception of Africa is positive and optimistic. This can be clearly seen in China's 2006 Africa Policy paper, which states: 'Africa has a long history, vast expanse of land, rich natural resources and huge potential for development. Africa will surely surmount difficulties and achieve rejuvenation in the new century.'[21] Instead of the word 'poverty' appearing in the policy paper, it contains multiple references to economic co-operation. The win-win principle is the natural results of the 'non-interference' and 'two-way co-operation' principles. But at the same time, the win-win principle is also a reflection of China's own aid policy transition. It has been stated that 'China's aid policy to Africa has experienced three stages of transition, from ideological weakening to the broadening of co-operation areas and then to strengthening the win-win principle since the introduction of the market economy in China'.[22] So, compared with the 'two-way co-operation' principle, the 'win-win' approach puts more emphasis on bilateral co-operation in the economic area. Additionally, it is also a result of China's own thinking on aid effectiveness. For instance, in 1982 the former president of the Chinese Communist Party (CCP) said, 'as to economic aid, history shows that grants are not good for the two sides',[23] and since then, China has started to explore different forms of delivering aid, coming up with the win-win principle.

DIFFERENCES IN AID PRIORITIES AND MODALITIES

While ideas and principles, coupled with differences in their own development levels, are areas of difference between China and the EU, their aid priorities and modalities in Africa also present distinctive approaches. Generally speaking, the main differences between the two sides are the focus on social infrastructure versus economic infrastructure, and the avenues and instruments of aid, i.e. budget support and grant-dominant support versus project-based and more flexible approaches.

Social infrastructure versus economic infrastructure

The EU's aid priorities have been transformed largely by its development experiences, from being economic infrastructure focused to more social infrastructure focused, as can be seen in Table 1, below.[24] Until Lomé IV, economic infrastructure was the EU's aid priority. Since then, social infrastructure has begun to play an increasingly important role in the EDF. As can also be seen from Table 1, it is clear that in the total share assigned to social infrastructure, 'government and civil society' takes the largest share. This is understandable because of the changing aid philosophy that has occurred in the EU, involving a major shift in the EU's discourse and practice from 'partnership' to 'good governance' to 'aid effectiveness'. The Lomé Convention was signed under the partnership principle; it is to a large extent granted on a need basis reflecting African, Caribbean and Pacific (ACP) countries' need to improve their infrastructure. At that time, the EU still believed in the ACP countries' ability to achieve self-development through the improvement of their

Table 1: EDF sectoral breakdown per instrument, 2003–07 (EUR millions)

	2007	2006	2005	2004	2003
Social infrastructure and services	1,247	1,372	1,371	1,128.57	1,346.29
Education	88	215	239	84.24	181.19
Health	154	193	185	101.85	287.22
Population policies	54	27	28	163.24	3.46
Water supply and sanitation	209	378	366	191.69	259.35
Government and civil society	**546**	**513**	**513**	**494.50**	**279.71**
Other social infrastructure	196	47	39	93.05	335.36
Economic infrastructure	751	933	899	511.61	918.45
Transport and storage	545	803	817	447.30	706.23
Communications	32	–	–	21	11.32
Energy generation and supply	138	130	11	0.32	34.34
Banking and financial services	13	–	3	15	98.34
Business and other services	**23**	**–**	**57**	**27.99**	**68.23**

Source: *Europe Aid Annual Reports*, 2004–08, http://ec.europa.eu/europeaid/multimedia/publications/publications/annual-reports/.

infrastructure. Then came the structural adjustment period, in which the EU placed a great deal of emphasis on economic institutional reform, which required that more should be spent on governance structures, resulting in the share allocated to government and civil society structures increasing. This trend accelerated with the political shift to 'good governance'. This transition was partly demonstrated in the European Commission's 1995 'Green paper on relations between the European Union and the ACP countries on the eve of the 21st century'.[25] In summarising the EU's 20 years of aid experiences, the green paper stated: 'On the aid front, the assessment was that there had been insufficient account of the institutional and policy context of the partner country, undermining the viability and effectiveness of aid'. Lastly, when the achievement of the UN's MDGs and poverty reduction came to the centre of the EU's aid agenda, combined with the dominant discourse of aid effectiveness, those aims directly connected to MDG goals received more attention, which is also in line with those in the EU who advocate for an emphasis to be placed on the social aspects of aid, because of the long-standing concern for transparency in aid delivery.

China has long been focused on economic infrastructure in aid co-operation with Africa.[26] Of the 900 projects China has supported in Africa, 519 are focused on infrastructure support. China's aid co-operation with Africa in economic infrastructure development is mainly in the form of concessional loans delivered through the Export-Import Bank of China (Exim Bank) — 79% of Exim Bank's commitment to Africa is for infrastructure projects. According to a report published by the World Bank,[27] the power and transport sectors receive the largest share of infrastructure finance from China, followed by telecommunications and, with a much smaller share, water supply infrastructure, as can be clearly seen in Table 2. This sectoral distribution reflects the general pattern of emerging financiers concentrating on infrastructure linked to natural resources development.

Table 2: Confirmed Chinese infrastructure finance commitments in sub-Saharan Africa, 2001–07

Electricity	Transport	ICT	General	Water
33.4%	33.2%	17.4%	14%	2%

Sources: World Bank, Public–Private Infrastructure Advisory Facility, Chinese Projects Database, 2007, http://siteresources.worldbank.org/INTAFRICA/Resources/Building_Bridges_Master_Version_wo-Embg_with_cover.pdf.

Compared with the EU, China has had more positive experiences with Africa in aid co-operation. China's aid priorities in Africa are jointly decided by three factors, i.e. Africa's demand, China's own development experiences and the potential for mutual beneficiary co-operation. Regarding Africa's needs, poor infrastructure is a critical barrier to accelerating growth and alleviating poverty. One in four Africans does not have access to electricity. Travel times on African roads and export routes are two to three times higher than in Asia, increasing the prices of traded goods. Power generation capacity is around half the levels achieved in South Asia. Africa is in urgent need of infrastructure whose lack has acted not only as a bottleneck in the continent's quest for sustainable development, but also as a brake on plans for regional integration. According to Chen:[28]

> The chances of Africa reaching the MDGs in the most part will be determined by the region's ability to tackle critical infrastructure challenges. A properly developed infrastructure will reduce the costs of doing business, enable access to markets and advances in agriculture, facilitate trade and regional and global economic integration and assist human development, and in the process, give the region a fighting chance of reaching the MDGs.

As to China's own development experiences, the rapid expansion of infrastructure has been an important factor in sustaining China's growth, captured in the Chinese saying that 'building roads is the prerequisite to becoming rich'. So as a developing country itself, China is better able to understand the centrality of infrastructure to Africa's development aims. Moreover, China has a comparative advantage in the area of infrastructure, which provides the biggest potential for win-win co-operation and co-development. Africa has an infrastructure deficit and China has both the financial resources and the construction industry capacity to help meet the continent's needs, and this is the best illustration of how win-win co-operation works. With China's finance, Africa's infrastructure deficit can be overcome, while as a part of the deal China wins access to Africa's natural resources that are important for the country's economic growth.

Grant-dominant and budget-support-oriented aid versus diversified instruments and project-focused aid

The main EU aid instrument in Africa is the EDF, which does not come from the EU budget, but is contributed by member states on the basis of negotiation every five years. Except for the money administered by the European Investment Bank, which is significantly less and consists of loans to foster private investment, all the other parts are delivered in the form of grants with different modalities that are in the form of either project, programme or budget support. In EU aid history, different modalities have played different roles in different periods. Generally speaking, it can be divided into the following three periods. During the period 1960–80, the main modality was project-based support. This was followed by policy-based support in the form of programme support, and since 2000 the emphasis has been on budget support, which has been considered as an innovative way to foster the spirit of ownership. This modality transition also reflected the EU's aid learning experiences in Africa, which demonstrates the different relations that the EU has with its partner countries and also different constraining factors seen in Africa's development.

In the project-based support period, the main constraint the EU addressed was that of economic infrastructure, and the relationship between the EU and its partner countries were more or less on the basis of partnership. In the policy-based support period, the EU saw macroeconomic policies as the main constraint on aid effectiveness and African development, so it put more pressure on partner countries to promote structural economic adjustment. The budget-support period came with the appearance of the dominant role of governance and ownership in EU aid discourse. At the March 2005 Paris conference on aid effectiveness, the EU promised that by 2010 half of EU aid would be delivered through budget support. The EU's analysis of the rationale for this transition was as follows:[29]

> the core is the move from the conventional project-based approach, which is generally believed [to have] contributed too little to the administrative and institutional building in partner countries. The new approach is to heed the finding that effective aid should be focused on the ownership of the reform.

Under budget support, EU uses conditionality to encourage its partner countries to carry out reforms internally. Compared with the project approach, budget support provides the EU with more leverage to engage its partner countries for two reasons. Firstly, compared with the project-support modality, budget support allows the partner countries more autonomy in using the money, so it is more attractive for them and they are hence more willing to agree to the preconditions set for them to access budget support.[30] Secondly, if the country's condition is considered as not suitable for budget support, the evaluation itself is a kind of 'naming and shaming' that serves as a form of pressure to promote reform.

China's aid instruments consist of grants, interest-free loans and concessional loans. China's aid is not provided through direct financial support, but through project support, including infrastructure construction, providing technical assistance, supplying medical and expert teams, providing training and offering scholarships. Different instruments have different focuses. Grants are in the main made available in the form of material assets provided for social projects such as hospitals, schools and housing and for material and technical support, education and training, and humanitarian assistance. Interest-free loans are made available directly by the government to finance infrastructure projects, while concessional loans with interests rates below the market level, are granted exclusively via Exim Bank, with the difference between the market rate of interest and the lending rate being paid by the Chinese Ministry of Commerce (MOFCOM) to Exim Bank. Actual work on these projects is done by a select group of Chinese companies assigned to Africa that have had to prove their eligibility. The normal selection procedure is as follows: firstly, the partner countries present their requirements to the commercial counsellor's office of the respective Chinese embassy; there will then be intergovernmental negotiations on the possible aid co-operation areas according to the 'mutual benefit and win-win' principle, followed by the field survey procedure, if the aid project is demonstrated to be feasible and practical. Thereafter, an economic and technological aid agreement will be drawn up that serves as the legal basis for the aid co-operation project. If the aid is in the form of a concessional loan, there will be a detailed description of the amount, the purpose for which it will be used, the duration of the project and the method of repayment.

One of the most debated forms of Chinese aid instruments is that of concessional loans, both because of the comparatively large amounts of money involved and also the fact that they are directed towards areas of economic infrastructure such as transport, energy and information technology, etc., which blurs the line between aid and trade, and aid and investment. But these loans are understandable when their evolution is traced. In 1992, the 14th National Congress of the CCP advocated the establishment of a social market economy, and since then, market forces have been an important factor in China's aid policy. In 1993, at the Tokyo International Conference on Africa Development, the representatives from Africa stated that increasing foreign investment is a more effective way to promote development than traditional aid. Within this context, in 1995 the Central Committee of the CCP convened a conference calling for the reform of China's aid policy.

It declared:[31]

> With China's reform and opening up policy and the changing world situation, the context of China's policy is facing deep changes. With the establishment of a market economy, enterprises have become the main actor of economic activity; financial institutions are playing more and more an important role in economic affairs. The conference paid attention to the changing context of developing countries' political and economic conditions. They urgently hoped for more foreign investments to take part in their economic development in order to increase growth and employment. So the conference encourages China's enterprises to play a greater role in delivering aid by means of wholly owned or joint enterprises.

Since then, concessional loans have become one of the principle instruments for delivering aid. The logic behind the use of the instrument is clear from its origin outlined above. But there are still some points that need clarification. Firstly, this new instrument responds to the needs of China's partner countries. For a very long time, because of the difficulties in attracting private finance for African infrastructure, there has been a huge infrastructure backlog in the continent. Secondly, the instrument is in line with the mutual benefit and co-development principle, which can be demonstrated by the increasing trade volumes between China and Africa and also Africa's increasing growth rate. On the one hand, under concessional loans, the Chinese government takes the economic risks that serve as an incentive to supply finance to fill the long-standing investment gap in the infrastructure area; while on the other hand, with the improvement of Africa's infrastructure, such loans also benefit China's demand for natural resources. Thirdly, because this instrument is strongly linked to trade and investment, for the sake of statistics, the difference between the market interest and the actual interest rate of the loan paid by MOFCOM is seen as aid.

CHINA–EU AID IN AFRICA: CONTRADICTORY OR COMPLEMENTARY?

From the above, it is not difficult to discern the different logics behind the approaches of the EU and China to aid to Africa. These different logics reflect different historical foundations based on different experiences. On China's part, the experiences come mainly from its own process of development and its role as an aid recipient, while the EU's experiences relate more to its long experience of aid practices in Africa and also its own development model. However, different approaches arising from different logics are not necessarily contradictory. Whether they are contradictory or complementary largely depends on the perspective from which they are viewed. However, over the last few years, these differing perspectives have brought about much misunderstanding between the two sides that has hindered political will and the potential for co-operation, leaving a shadow on China–EU relations.

Mutual perceptions of each other's approach to aid

China and the EU have debated the issue of the effectiveness of aid to Africa for several years. Generally speaking, the pattern has been that the EU has actively doubted or criticised China's approach to providing aid to Africa, and as a response, China has refuted the EU's criticism as unfounded. In the debate, the EU tends to identify itself as a 'protector' of vulnerable Africa, while China acts more like sympathiser who shares the same history and faces the same challenges on the road to development. How big the perception gaps are and what will be the crossing points of their aid policy will be seen from tables 3 and 4 (on pages 16 and 17), which will show different understandings of their respective aid policies.

It is interesting to see that China and the EU share many of the same concerns, such as the issue of the MDGs, sustainable development and ownership; however, despite this, there is a considerable gap in their perceptions of each other's aid policies. As we have seen, both China and the EU developed their aid approaches from their own different experiences, which has partly contributed to the perception gap that exists. At the same time, beyond perceptions there are hard and soft interests, as clearly stated by the EU's development commissioner, Louis Michel:[32]

> In today's changing world, Africa has become the playground of a new Great Game; it is not just a Great Game about getting access to natural resources; it is also about power politics and competing models of development, notably in relation to the more assertive Chinese foreign policy.

Compared with hard interests, the soft interests mainly refer to the EU's role in the international arena, while the so-called competing models of development are the main concerns of the EU that lie behind its criticism of China. The EU, as a unique entity, is different from the normal nation state, and its main foreign policy goal is to 'use its soft power to promote its soft agenda and to demonstrate its credibility as a qualified international actor'.[33] From this point of view, Africa is a proving ground for its external capacity and has a strategic importance to the EU, with the result that China's presence is thus seen as a threat to the EU's strategy and its legitimacy as a policy actor in Africa. But such logic needs to be transformed and should be replaced by a more constructive approach. As we have seen, whether the two policy approaches are complementary or contradictory to a large extent depends on which perspective you choose to view them from. Generally speaking, there are two main perspectives from which to evaluate an aid policy: one is in terms of national interests, which assesses aid effectiveness according to its instrumental values, i.e. whether in the long run it benefits or improves the donor's power. The other one is to evaluate aid effectiveness from the point of view of the recipient countries' needs and to what extent these needs have been satisfied.[34] This, of course, does not mean that pursuing a donor's national interests cannot be concurrent with delivering aid; however, evaluating aid from the latter perspective can open a new window for China and the EU to co-operate with Africa.

Crossing points

In the debate around aid to Africa between China and the EU, there is a consensus that both sides share common interests in promoting peace and security, sustainable development, and the guarantee of African ownership. But, as shown above, on the one hand, there is still a lack of common understanding on how to reach these goals, which

Table 3 Perceptions of the related aspects of EU aid approach[35]

Aid policy	China's perceptions	EU's perceptions
Conditionality	1 Because of the asymmetry between donor and recipient, conditionality means interference in recipient countries' internal affairs. 2 The conditions set by the EU are not located in the African economic and political context and have thus hindered development and ownership. 3 Conditionality serves as an instrument to export the EU's development model and to promote the EU values of democracy and human rights. 4 Conditionality is also a way of maintaining the long-existing unequal relationship between the EU and Africa.	1 Conditionality is an instrument to encourage and promote recipient countries to undertake reforms. 2 Economic reforms and good governance are the prerequisite for Africa's sustainable development. 3 Performance-based conditionality is a way to achieve aid effectiveness. 4 The conditions are set in a spirit of partnership because the country strategic papers are jointly drafted.
Good governance	1 No agreed definition of and criteria for good governance exist and the EU's criteria are carefully selected to serve its strategic interests. 2 The term itself reflects a moral judgement, but whether it is 'good 'or 'bad' should be judged by recipient countries themselves. 3 Through the expansion of the concept of governance, governance has been more used as an instrument to criticise the recipient country's government. 4 The EU's positive policy has not been fully practised and the EU continues to classify recipient countries as good or bad in terms of governance, and accordingly allocates aid that is consistent with its aid conditionality.	1 Good governance, democracy and respect for human rights are internal to the process of sustainable development 2 Good governance, democracy and respect for human rights are major objectives of EU policy. 3 There is no magic recipe to promote democratic governance other than partner governments' and public/private institutions' commitment to reform. 4 The central issue is not that donors classify the governance situation in a given country as 'good' or 'bad', 'weak' or 'strong' and allocate aid accordingly. It is important to focus the discussion on methods and approaches to support governance processes.
Focus on social infrastructure	1 This is in line with the EU's endeavour to assist Africa to achieve the MDGs, including its efforts in promoting education, health, water supplies and sanitation. 2 To some extent, the EU's support for civil society is considered as a way to put pressure on partner countries' government. 3 Considering the fragility of most countries' social structure, it is considered as a kind of threat to social stability. 4 The social infrastructure approach is also a reflection of EU internal needs.	1 The MDGs are the core of the EU's aid policy. 2 The EU recognises the vital contribution of non-state actors as strategic partners in political, social and economic dialogue and as key aid delivery actors. 3 Capacity building and financial management are in the long run good for sustainability.

Table 4: Different perceptions of China's aid approach[36]

Aid policy	China's perceptions	EU's perceptions
Non-interference	1 Non-interference shows respect for partner countries, providing the basis for aid effectiveness. 2 Non-interference is the only way to practise the ownership principle and thus promote sustainable development 3 Non-interference is the prerequisite for democratisation, since democratisation should be internally driven.	1 Non-interference undermines the EU's endeavour to promote good governance in Africa. 2 Non-interference has supported autocratic governments. 3 Non-interference has delayed partner countries' reform and development. 4 Non-interference has only served China's economic and political interests.
Concessional loans	1 This is a kind of co-operation that provides mutual benefits. 2 They are provided mainly according to the needs of partner countries. 3 They combine market forces and government support to promote private–public partnership in Africa's infrastructure sector. 4 China takes sufficient measures to prevent debt sustainability problems.[37]	1 Concessional loans are a kind of tying aid. 2 Concessional loans, because of their lack of transparency, have spoiled the levelling of the playing field in Africa. 3 Concessional loans have endangered Africa's debt sustainability.
Project-based package deals	1 These are a kind of win-win co-operation, in that China supports infrastructure development and turns Africa's resources potential into developmental reality. 2 China has followed the idea of transferring know-how and skills since 1982. 3 China has paid sufficient attention to environmental issues.	1 They mainly benefit China by helping China's 'go out strategy' and meeting China's demand for resources. 2 They do not help to improve Africa's capability because of the lack of technology transfer involved and the few local workers employed. 3 The lack of environmental standards of some projects has damaged the environment.

blocks further co-operation between the EU and China. On the other hand, a large number of misperceptions exist as to each other's aid approaches. Since there are shared goals, it is time for both sides to set aside the perception of 'competing models' and to focus on the crossing points.

Governance is the trickiest issue in the debate. But if analysed carefully, it is not too difficult to identify potential points of convergence based on emerging trends. In the last few years, the EU's concept of governance has been expanding and its governance conditionality has also partly adjusted according to its own experiences and lessons learnt in Africa. Besides the political dimension of governance, the EU now prioritises the economic and social dimensions of governance, which include the issues of the sustainable management of natural resources and of the environment, and promoting economic growth and social cohesion. And in promoting good governance in Africa, the EU has noted three important points. Firstly, 'democratic governance cannot be imposed from outside'; secondly, 'support for governance must be tailored to each country's situation'; and, thirdly, 'any kind of needed reform should be progressed gradually'.[38] The above three principles are in line with the long-existing debate on the political reform process in China. Internally driven and gradual reform with Chinese characteristics has been summarised as key to reform success. On the governance conditionality issue, the EU has admitted that[39]

> because of the existence of political conditionality, there is always a lack of fair distinction between poor performance resulting from lack of resources and capabilities or from wrong policies and lack of willingness that drives the EU as it tries to seek more balance between needs-driven and performance-driven approaches.

Besides of this, the EU has recently shifted away from its use of sanctions towards an incentive-based approach in supporting governance.

The next tricky issue is China's concessional loans, and its project-based and infrastructure-focused approach to aid. It is fair to say that in the past several years, the EU has to begun to refocus on infrastructure by establishing the Infrastructure Trust Fund, which has a similar function to that of Chinese concessional loans. The main objective is to attract more private and public investment to fill the infrastructure gap in Africa. With a common understanding of the importance of physical infrastructure, it will be easier to find areas for co-operation. As to EU concerns regarding debt sustainability, environmental standards, knowledge transfer and local employment, these are also China's concerns. On debt sustainability, even though China's view of the issue differs from that of traditional donors,[40] China has taken steps to guarantee responsible lending. According to the Exim Bank, China deals with debt sustainability in its lending agreements in the following three ways: by ensuring that project returns will be robust, by consulting with the local IMF office to discuss the loan in the context of the debt sustainability framework and by ensuring that the project is part of the recipient country's development plans. On environmental issues, starting from 2007 China began to adopt practices in line with international banking and financial standards, including transparency standards (including applying the Equator Principles), while all of China's large banks are starting to increase the size of loans for environmental protection projects. In mid-July 2007 the State Environmental Protection Agency, the People's Bank of China and the China Banking Regulatory Commission issued a joint statement regarding the various 'opinions on implementing environmental protection policies and rules and preventing credit risks'.[41] On the local labour and technology transfer issue, since 1982 China has stressed the principle of '*shou ren yi yu*'('teach others how to fish'). Today's problems partly arise from Africa's demands for quick delivery and its lack of skilled labour, as well as from the pressures exerted by profit-driven actors, all of which need further regulation. The question here is how to establish mutual trust and dissipate misperceptions and then to transform the points of disagreement into real co-operation.

SHARING EXPERIENCES?

As seen from the above analysis, the different approaches to aid in Africa of the EU and China are not necessarily contradictory. Their differences naturally come from their different development models, different development stages and different aid experiences in Africa. Generally speaking, as a developing country, China's policy is more economic development-oriented, while the EU is more oriented towards institutional and political reform. But both sides have reached a kind of consensus that no external power can provide the magic prescription to resolve Africa's problems and development can never be achieved from outside alone. Both the EU and China offer different modes and experiences of development that can be beneficial to Africans. And while Africa is seen by some to be a site for competition between the great powers, in the arena of development, the 'competition' of different development models provides Africans with more opportunities to best seek their own methods of development.

In order to better serve the objective of Africa's development, it is necessary for both China and the EU to take a more self-critical view of their respective approaches to aid. Both approaches are facing problems, both in the short term and the long run. For the EU, the challenges are how to reshape its image as an equal partner in Africa and how to balance its political agenda and Africa economic development needs with serious thinking on the following two questions: how is the sovereignty issue important to Africa partners and why is there such a large gap between the EU's self-perception and Africa's perception on the ownership principle in aid practices? For China, the main challenges are how to seek a balance between quick delivery and increasing capacity building in Africa, especially regarding the local employment and technology transfer issue; how to properly co-ordinate the different Chinese actors in Africa, especially on the issue of social and environmental standards; how to seek a dialogue mechanism both on the African Union and member states levels in terms of the non-interference principle; and how to perfect China's aid management and evaluation system. Regarding the challenges in both policy approaches, China and the EU have different comparative advantages, so they could share experiences through appropriate mechanisms.

Considering the wide perception gaps and lack of mutual understanding between the two sides, it is difficult to start with a formal mechanism at a high level. Practical, pragmatic and flexible ways should be conceived in planning the possible co-operation mechanisms. It could start at the second-track level with joint research programmes involving team members from China, the EU and Africa. Joint research can provide the opportunity to avoid the long-existing knowledge deficit and to achieve a comprehensive and balanced evaluation of each other's policy through possible field studies. Secondly, at the policymaking level, exploring the possibilities of having exchange programmes for officials from the various areas will be an important way to promote experience sharing. Thirdly, under the established bilateral or multilateral framework, practical co-operation could be started in less-disputed areas such as health and human resources development projects. However, any way of sharing experiences should be conducted on the principles of diversity, good will and mutual respect.

ENDNOTES

1 See Council of the European Union, Joint Statement of the 9th China–EU Summit, 12642/06, Brussels, 11 December 2006.

2 See EU Parliament, Resolution on China's Africa Policy and Its Effects on Africa, 23 April 2008.

3 Wenping H, 'The balancing act of China's Africa policy', *China Security*, 3, 3, Summer 2007, pp. 23–40; Anshan L, 'China and Africa: Policy and challenges', *China Security*, 3, 3, Summer 2007, pp. 69–93; Hong Z, '30 years of opening up and reform policy and Chinese foreign aid', *World Economics and Politics*, November 2008, p. 29. (Note: when necessary, all reference titles and quotes have been translated from the original Chinese by the author.)

4 Author's interviews with EU officials, Brussels, April and June 2009.

5 See Berger B & U Wissenbach, 'EU–China-Africa trilateral development co-operation', German Development Institute (DIE) discussion paper, 21/2007. Bonn: DIE, 2007, p. 6.

6 The eight principles are: (1) The Chinese government always bases its approach on the principles of equality and mutual benefit in providing aid to other countries. It never regards such aid as a kind of unilateral alms, but as something mutual. (2) In providing aid to other countries, the Chinese government strictly respects the sovereignty of the recipient countries, and never attaches any conditions or asks for any privileges. (3) China provides economic aid in the form of interest-free or low-interest loans and extends the time limit for repayment when necessary so as to lighten the burden of the recipient countries as far as possible. (4) In providing aid to other countries, the purpose of the Chinese government is not to make the recipient countries dependent on China, but to help them embark step by step on the road of self-reliance and independent economic development. (5) The Chinese government tries its best to help the recipient countries carry out projects that require less investment while yielding quicker results, so that the recipient governments may increase its income and accumulate capital. (6) The Chinese government provides the best-quality equipment and material of its own manufacture at international market prices. If the equipment and material provided by the Chinese government is not up to the agreed specifications and quality, the Chinese government undertakes to replace them. (7) In providing any technical assistance, the Chinese government will see to it that the personnel of the recipient country fully master such technique. (8) The experts dispatched by China to help in construction in the recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities (taken from Hong Z, *op. cit.*; author's translation).

7 Of course, this may be truer at the EU level than at the EU member state level.

8 Frish D, *The European Union's Development Policy: A Personal View of 50 Years of International Co-operation*, European Centre for Development Policy Management (ECDPM) policy management report, 15. Maastricht: ECDPM, 25 August 2008, p. 27.

9 See Siraj SMB, 'Self interest, conditionality and effectiveness: Triaxial tension within EU development co-operation', paper presented at the European Foreign Policy Conference, London School of Economics, 1–3 July 2005, http://www.lse.ac.uk/Depts/intrel/EFPC/Papers/SIRAJ.pdf.

10 According to EU policy principles, the country strategy papers should be jointly drafted, but in practice, because of the lack of capabilities of African aid recipients, most strategy papers are mainly drafted by EU delegations or member states delegations in the recipient countries.

11 EC (European Commission), Commission Decision Regarding the Adoption of the Aid Allocation Criteria for Geographic Co-operation with the ACP countries in the Framework of the 10th European Development Fund Covering the Period 2008–13, draft version, 2007, p. 17.

12 *Ibid*.

13 European Council, Resolution of the Council and of the Member States Meeting in the Council on Human Rights, Democracy and Development, DOC.NO10107/91, 28 November 1991.

14 In the author's view, if compared with the EU's aid, this form of Chinese aid may be closer to the concept of tied aid. But in China's aid policy, this is not purely aid, but a kind combination of aid and investment, and is a form of mutual co-operation.

15 See Berger B & U Wissenbach, *op. cit*., p. 13.

16 The Lomé Convention has been seen as a breakthrough in building a more balanced and equal partnership between the EU and Africa, which can be seen from former EU Commissioner Claude Cheysson's words to African aid recipients that: 'It is your money! You should use it to meet your priorities in the best possible way. We are here to provide technical assistance if you need it.'

17 Menocal AR & S Mulley, 'Learning from experience? A review of recipient government efforts to manage donor relations and improve the quality of aid', Overseas Development Institute (ODI) working paper, 268. London: ODI, May 2006, http://www.odi.org.uk/resources/download/1372.pdf.

18 Africa–EU Strategic Partnership, 'A Joint Africa–EU Strategy'. Lisbon, December 2007.

19 Speech at the Forum on China–Africa Co-operation (FOCAC) opening ceremony, Beijing Summit, 4 November 2006, http://news.xinhuanet.com/world/2006-11/04/content_5289040.htm.

20 Michel L, 'EU and Africa: The indispensable partnership', speech at the London School of Economics, January 2008.

21 PRC (People's Republic of China), *China's Africa Policy*, 2006, http://english.peopledaily.com.cn/200601/12/eng20060112_234894.html.

22 Anshan L, 'South–South co-operation in a globalised world: China's aid principle and action', 12 November 2008, http:// theory.people.com.cn/GB/1364578/8326945.html.

23 *Ibid*.

24 Even from the absolute figures listed, economic infrastructure, especially transport and storage, accounts for the largest share of total commitment, but considering the different nature of the two kinds of infrastructure and the relative small gap between them, the point is still made.

25 EC, *Green Paper on Relations between the European Union and the ACP Countries on the Eve of 21st Century*. Brussels: EC, 1995.

26 China has also prioritised rural development and other forms of social infrastructure in its aid to Africa, but comparatively speaking, the main focus is on economic infrastructure development.

27 Pushak N, Chen C, Butterfield W & V Foster, *Building Bridges: China's Growing Role as Infrastructure Financier for sub-Saharan Africa*, 2008, http://siteresources.worldbank.org/INTAFRICA/Resources/Building_Bridges_Master_Version_wo-Embg_with_cover.pdf.

28 Chen L, 'Closing Africa's infrastructure gap is essential for reaching the MDGs', 2 July 2008, http://businessfightspoverty.ning.com/group/mdgsatthemidpoint/forum/topics/2014886:Topic:10751.

29 Schmitz A, 'Aid conditionality in development aid policy', SWP (German Institute for International and Security Affairs) research paper. Berlin: SWP, August 2008, p. 22.

30 The four preconditions set for access to the budget support are key indicators; the quality of public finance management; policy for addressing the problems of the country; and whether it operates in a democratic way and respects human rights.

31 Chang W, *High-level Decision Making in China's Foreign Policy.* Xi An: Shan Xi, 2001, pp. 168–69.

32 Michel L, 'Europe–Africa: The indispensable partnership', 17 January 2008, http://www.lse.ac.uk/collections/LSEPublicLecturesAndEvents/pdf/20080117_Michel.pdf.

33 This seems a common sense shared by the EU officials working in the EU's Directorate General for Development.

34 See Hong Z, *op. cit*.

35 The points in the table are drawn from academic papers and related policy papers.

36 The points in the table are drawn from academic papers and related policy documents.

37 According to Exim Bank, China deals with debt sustainability in the lending agreements in three ways: (1) It ensures that project returns will be robust. (2) It consults with the local IMF office to discuss the loan in the context of the debt sustainability framework. (3) It ensures that the project is part of the country's development plans. China's view of debt sustainability differs from that of traditional donors. The Chinese look at the potential of African countries in the long term, rather than assessing their immediate ability to repay loans.

38 EC, *Governance in the European Consensus on Development: Towards a Harmonized Approach within the European Union*. Brussels: EC, 2006, pp. 7–10.

39 EC, 2007, *op. cit*., p. 20.

40 The Chinese look at the potential of African countries in the long term, rather than assessing their immediate ability to repay loans.

41 See http://www.chinaenvironment.com/view/ViewNews.aspx?k=20080819101748765.

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