

# Development in Brief



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## Comparing China's Foreign Assistance to DAC Donors

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In July, the Chinese government published a long-awaited second white paper providing information on China's commitment in developing countries (China's Foreign Aid 2014). The first issue was published three years ago. China does not belong to the group of Development Assistance Committee (DAC) donors that record their contributions towards public development cooperation in the internationally recognised Official Development Assistance (ODA) statistics of the OECD. While China's increasing commitment was noticeable in many places, there was little information available. What does the Chinese government have to say with regard to the scope of Chinese international cooperation and is it possible to compare China with other donors?

### Second white paper on foreign aid

According to the second white paper, China donated USD 14.41 billion towards cooperation with developing countries during the three years from 2010 to 2012. However, the report does not include a yearly review. Financial assistance has risen steadily and a further increase is expected. Out of the overall contributions, 36.2 % was issued in the form of grants (including material supplies), 8.1 % as interest-free loans and 55.7 % as concessional loans. Regional focus was given to Africa and Asia, with 52 % and 30 % respectively. More than 60 % of the foreign assistance went to the least developed

countries. The priority area was clearly the expansion of the economic infrastructure (45 %) as well as the social and public infrastructure (28 %). Furthermore, 15 % was allocated to the supply of goods and materials.

The Chinese refer to mutual respect, keeping promise and mutual benefit as their underlying principles and emphasise equality in the sense of South-South cooperation.

### China and Official Development Assistance

Although the Chinese do not comply with the statistical rules of the OECD, at least a rough comparison with the ODA statistics is possible. The figures published in the white paper relate to "ODA-like" cash flows. They are subject to (a Chinese interpretation of) development policy motivation, are channeled to developing countries and include an (unspecified) grant element.

The white paper also reports on assistance given to multilateral institutions such as the UN, World Bank and International Monetary Fund (amounting to approx. USD 284 million for the three years under review) as well as costs for foreign students (76,845 students) in China. The report also refers to debt relief equating to approximately USD 230 million. The Chinese data relates to gross cash flows, while the OECD statistics relate to net ODA values (financial support less the repayments from the partner countries) as the decisive indicators.

However, in China's case, loan repayments are expected to be insignificant.

### ODA ranking

Chinese financial contributions towards foreign assistance during the three years from 2010 to 2012 roughly correspond to the net ODA of Germany for the year 2013 (USD 14.06 billion). In the ODA donor ranking, China (in the three-year comparison for 2010–2012) was in ninth place and roughly at the same level as countries such as Norway, Australia and Sweden.

As it can be assumed that China's expenditure will increase significantly year on year, it could already have achieved a higher ranking in 2013. A Japanese study conducted by the JICA Research Institute estimates China's contributions for 2013 to be USD 7.5 billion gross or USD 7.1 billion net. Accordingly, China would rise to sixth place in the international donor ranking only surpassed by the major donor countries, namely the USA, UK, Germany, Japan and France (USD 11.4 billion).

### Conclusion

China defines "development cooperation" in a different way and does not report to the OECD in strict accordance with the ODA guidelines. Thus, it is difficult to make an exact comparison with other donors. China is considered a "key partner" and fosters exchange with the OECD-DAC with regard to development policy matters. However, it is unlikely that China will report to the ODA in the foreseeable future. Possibly, in future "new donors" such as China will be able to integrate with international reporting through a new, more broadly defined measure. International discussions to this end are still in the early stages. Independently of reporting, China is already an important bilateral donor and its quantitative significance will presumably become of even greater importance. ■

### Literature:

Information Office of the State Council, The People's Republic of China, "China's Foreign Aid (2014)", July 2014, Beijing

Noahiro Kitano + Yukinori Harada, JICA Research Institute Working Paper No. 78, "Estimating China's Foreign Aid 2001–2013", June 2014

Fig.: China compared to DAC donors / net ODA (2010–2012) (USD millions)

