

# Is China eroding the bargaining power of traditional donors in Africa?

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The growing presence of China on the African continent has stimulated vibrant and often polarizing debates on the impact of Chinese financing on both socio-economic development and foreign policy decision-making in Africa. In these debates, European and American actors are often depicted as being left out in the cold. In the field of international development, it is often assumed that China's increased involvement in sub-Saharan Africa is decreasing the bargaining power of traditional donors, that is, members of the OECD's Development Assistance Committee (DAC).<sup>1</sup> By offering a new source of financial aid in the form of grants and concessional loans, it is commonly assumed that China is enabling African governments to be more selective about the type of foreign aid they accept, increasing their bargaining power with traditional donors. To what degree is this narrative actually true?

In this article, I draw on two unique sources of empirical data to evaluate the claim that China is decreasing the bargaining power of traditional donors in Africa. First, I present data from an original, cross-national survey in which high-ranking donor officials working for traditional donor agencies in 15 African countries were directly asked about the impact of China on their respective agencies' activities in the recipient countries. Second, I draw on secondary data and in-country field-work to develop case-studies of Chinese involvement in three African countries: Ghana, Tanzania and Uganda. Across all three countries, I consider what types of initiatives Chinese official financing is supporting, and how Chinese official finance compares to aid from traditional donors—both in volume and in terms of the types of projects and initiatives it funds. Data from the survey provide, for the first time, a cross-national perspective on how donor officials working in sub-Saharan Africa interpret the impact of China on their relations with recipient governments. Such data, however, must be contextualized within a rich under-

\* The author is grateful for research assistance provided by Ilse Renken, Art-Jan Sijtsma and Maya Tuolla. Research funding for this article was provided by a grant from the European Commission's Research Executive Agency (CIG no. 322228). A data appendix with figures complementing this article is available at: [http://haleyswedlund.com/files/DataAppendix\\_ChinaBargainingPower](http://haleyswedlund.com/files/DataAppendix_ChinaBargainingPower). (Unless otherwise noted at point of citation, all URLs cited in this article were accessible on 30 Nov. 2016.)

<sup>1</sup> The 29 members of the DAC include most European countries, plus Australia, Canada, Japan, New Zealand, South Korea and the United States. Affiliated multilateral institutions include the World Bank, the IMF, the United Nations Development Programme (UNDP), the African Development Bank, the Asian Development Bank and the Inter-American Development Bank.

standing of what types of projects China is actually financing in Africa and how Chinese aid compares to traditional development aid.

On the basis of data from both the survey and the country case-studies, I argue that claims that China is fundamentally reshaping bargaining relations between traditional donors and recipient governments in sub-Saharan Africa are overstated. China rarely competes directly with traditional donors, focusing its engagement on supporting Chinese business interests abroad. At the same time, aid from traditional donors remains an important source of income for many African governments. As a result, DAC donors still wield a large amount of influence across the continent.

There are, however, two important caveats to this claim. First, when the choice is whether to take Chinese financial assistance *or* traditional foreign aid (rather than Chinese financial assistance *and* traditional foreign aid), many recipient governments prefer assistance from China. Second, given its interest in expanding markets and acquiring natural resources, China is more likely to be active in countries where aid dependence is declining. As aid becomes a smaller and smaller part of the national economy, the bargaining power of traditional donors should also decrease. Therefore, financial assistance from China may be symptomatic of the declining bargaining power of traditional donors in some African countries, even if it is not directly responsible for the decline.

## Pariah or saviour?

In recent years there has been a great deal of discussion both in the popular press and in academic scholarship about the role of China in Africa.<sup>2</sup> China's presence on the African continent is not 'new' and is part of a broader pattern of greater South-South development cooperation.<sup>3</sup> Nonetheless, China is the most visible emerging donor in Africa and has increased its engagement with Africa markedly in recent years. As a result of this increased presence, a polarized debate on China's impact on African socio-economic development has emerged.

On the one hand, some scholars and practitioners argue that China is resource-hungry and that its growing presence in Africa is undoing hard-fought battles on human rights protection, good governance, environmental protection and debt sustainability.<sup>4</sup> Quite provocatively, Naim, for example, decries China for deliv-

<sup>2</sup> Chris Alden, *China in Africa: partner, competitor or hegemon?* (London: Zed, 2007); Deborah Bräutigam, *The dragon's gift: the real story of China in Africa* (Oxford: Oxford University Press, 2009); Howard W. French, 'Commentary: China and Africa', *African Affairs* 106: 422, 2007, pp. 127–32; Daniel Large, 'A "Chinese scramble"? The politics of contemporary China-Africa relations', *African Affairs* 106: 422, 2007, pp. 141–3; Robert I. Rotberg, ed., *China into Africa: trade, aid and influence* (Washington DC: Brookings Institution Press, 2008).

<sup>3</sup> Bräutigam, *The dragon's gift*; Paolo de Renzio and Jurek Seifert, 'South-South cooperation and the future of development assistance: mapping actors and options', *Third World Quarterly* 35: 10, 2014, pp. 1860–75.

<sup>4</sup> Christopher Alessi and Stephanie Hanson, *Expanding China-Africa oil ties*, CFR Backgrounders (New York: Council on Foreign Relations, 2012); *More than humanitarianism: a strategic US approach toward Africa*, Task Force report (New York: Council on Foreign Relations, 2006); Todd Moss and Sarah Rose, *China Exim Bank and Africa: new lending, new challenges*, CGD Notes (Washington DC: Center for Global Development [CGD], 2006); Jean-Christophe Servant, 'China's trade safari in Africa', *Le Monde diplomatique*, May 2005; Ian Taylor, 'China's oil diplomacy in Africa', *International Affairs* 82: 5, Sept. 2006, pp. 937–59; Ian Taylor, 'Sino-African relations and the problem of human rights', *African Affairs* 107: 426, 2008, pp. 63–87; Denis M. Tull, 'China's engagement in Africa: scope, significance and consequences', *Journal of Modern African Studies* 44: 3, Aug. 2006, pp. 459–79.

ering what he calls ‘rogue aid’ or ‘development assistance that is nondemocratic in origin and nontransparent in practice’, and whose ‘effect is typically to stifle real progress while hurting average citizens’.<sup>5</sup>

On the other hand, others argue that, as Rwandan President Paul Kagame put it, ‘China gives what Africa needs’.<sup>6</sup> Scholars and practitioners in this camp often focus on refuting the most outspoken accusations, for example the assertions that China is ‘resource-hungry’ or that Chinese aid is ‘rogue aid’.<sup>7</sup> They also point out that traditional donors are themselves by no means immune to criticism of their motives and effects; and that we should be correspondingly careful about assuming that traditional aid is necessarily more beneficial for African governments.<sup>8</sup>

In this article, I do not take a position on whether Chinese financing is good for socio-economic development in Africa, but instead focus on a narrower, related question: is China’s increasing involvement in sub-Saharan Africa decreasing the bargaining power of traditional foreign aid donors? I am interested in how Chinese financial assistance is affecting relations between traditional DAC donors and African governments. If African governments can increasingly ‘shop around’,<sup>9</sup> how might this affect the bargaining relationship between traditional donor agencies and recipient governments?

African governments have never been powerless.<sup>10</sup> However, historically, many African governments were structurally dependent on foreign aid from DAC donors.<sup>11</sup> If China offers a new source of financing, this could introduce competitive pressures into the system, allowing African governments to engage in more aggressive bargaining. Financing from China may allow recipient countries to play international financial institutions such as the World Bank and the IMF off institutions like the China Exim Bank in order to secure better terms and offers from both. In 2005, Angola broke off negotiations with the IMF only to sign a US\$2 billion package of soft loans from China.<sup>12</sup> While it is not clear that Angola even needed Chinese financing at this point,<sup>13</sup> assistance from Beijing undoubtedly

<sup>5</sup> Moises Naim, ‘Rogue aid’, *Foreign Policy*, no. 159, 2007, pp. 95–6.

<sup>6</sup> ‘China gives what Africa needs: interview with Paul Kagame’, *Handelsblatt*, 12 Oct. 2009.

<sup>7</sup> Alison Ayers, ‘Beyond myths, lies and stereotypes: the political economy of a new scramble for Africa’, *New Political Economy* 18: 2, May 2013, pp. 227–57; Deborah Bräutigam, ‘China, Africa and the international aid architecture’, working paper no. 107 (Abidjan: African Development Bank Group, April 2010); Axel Dreher and Andreas Fuchs, ‘Rogue aid? The determinants of China’s aid allocation’, *Canadian Journal of Economics* 48: 3, 2015, pp. 988–1023; May Tan-Mullins, Giles Mohan and Marcus Power, ‘Redefining “aid” in the China–Africa context’, *Development and Change* 41: 5, Sept. 2010, pp. 857–81; Abdoulaye Wade, ‘Time for the West to practise what it preaches’, *Financial Times*, 23 Jan. 2008.

<sup>8</sup> Tull, ‘China’s engagement in Africa’; Ngaire Woods, ‘Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance’, *International Affairs* 84: 6, 2008, pp. 1205–21.

<sup>9</sup> Austin Strange, Bradley Parks, Michael J. Tierney, Andreas Fuchs, Axel Dreher and Vijaya Ramachandran, ‘China’s development finance to Africa: a media-based approach to data collection’, working paper (Washington DC: CGD, April 2013).

<sup>10</sup> Giles Mohan and Ben Lampert, ‘Negotiating China: reinserting African agency into China–Africa relations’, *African Affairs* 112: 446, 2013, pp. 92–110.

<sup>11</sup> Lindsay Whitfield, ed., *The politics of aid: African strategies for dealing with donors* (Oxford: Oxford University Press, 2009); Lindsay Whitfield and Alastair Fraser, ‘Negotiating aid: the structural conditions shaping the negotiating strategies of African governments’, *International Negotiation* 15: 3, 2010, pp. 341–66.

<sup>12</sup> Lara Pawsen, ‘Angola calls a halt to IMF talks’, BBC News, 13 March 2007.

<sup>13</sup> Given its oil revenues, Angola did not necessarily require Chinese financing. Rather, the Angolan government appears to be using Chinese loans to counterbalance its dependence on oil exports to the US and as a way to

made it easier for Angola to withdraw from negotiations with the IMF.<sup>14</sup> Similarly, in 2009 the Democratic Republic of the Congo (DRC) negotiated a massive package of loans and financial aid from China,<sup>15</sup> despite strong protests from the IMF.<sup>16</sup>

Fuelled by these high-profile examples, as well as concerns about how China is reshaping global governance more broadly,<sup>17</sup> the idea that financing from China may erode the bargaining power of traditional donors has resonated powerfully with scholars, practitioners and even African leaders themselves:

By quietly offering alternatives to aid-receiving countries, emerging donors are introducing competitive pressures into the existing system. They are weakening the bargaining position of western donors in respect of aid-receiving countries, exposing standards and processes that are out of date and ineffectual. The result is a serious challenge to the existing multilateral development assistance regime.<sup>18</sup>

From an African perspective for the first time since the end of the cold war African countries have more choices about who to turn to for aid and investment and can play donors off against one another.<sup>19</sup>

African governments have won ‘policy space’, or in plain English, the ability to make decisions to pursue their self-defined development objectives, not those of their donors, after decades of quasi-unilateral dependence on Western donors.<sup>20</sup>

China offers African nations alternative financing to Western donors, emboldening some leaders to take a harder look at the conditionality of the IMF and other institutions.<sup>21</sup>

According to this logic, the emergence of China as a big player in African development increases African agency,<sup>22</sup> giving recipient African governments more ‘room to manoeuvre’.<sup>23</sup> As a result, Chinese financial assistance should make it easier for African countries to state their wants and needs more clearly,<sup>24</sup> and

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use Chinese construction firms. See Alastair Fraser and Lindsay Whitfield, ‘Understanding contemporary aid relationships’, in Whitfield, ed., *The politics of aid*, pp. 74–107.

<sup>14</sup> Whitfield, ed., *The politics of aid*; Woods, ‘Whose aid?’.

<sup>15</sup> Originally valued at US\$9.2 billion, the agreement was scaled down to US\$6.2 billion (US\$3.2 billion for mining and US\$3 billion for infrastructure) owing to concerns about debt sustainability. See Benedicte Vibe Christensen, ‘China in Africa: a macroeconomic perspective’, working paper no. 230 (Washington DC: CGD, Nov. 2010).

<sup>16</sup> Raphael Kaplinsky and Mike Morris, ‘Chinese FDI in sub-Saharan Africa: engaging with large dragons’, *European Journal of Development Research* 21: 4, Sept. 2009, pp. 551–69.

<sup>17</sup> Jing Gu, John Humphrey and Dirk Messner, ‘Global governance and developing countries: the implications of the rise of China’, *World Development* 36: 2, Feb. 2008, pp. 274–92.

<sup>18</sup> Woods, ‘Whose aid?’, p. 1221.

<sup>19</sup> Giles Mohan and Marcus Power, ‘New African choices? The politics of Chinese engagement in Africa and the changing architecture of international development’, *Review of African Political Economy* 35: 1, 2008, p. 31.

<sup>20</sup> Helmut Reisen and Jean-Philippe Stijns, ‘Emerging partners create policy space for Africa’, VoxEU.org, 2011, <http://voxeu.org/article/how-emerging-donors-are-creating-policy-space-africa>.

<sup>21</sup> *More than humanitarianism*, p. 48.

<sup>22</sup> Fahimul Quadir, ‘Rising donors and the new narrative of “South–South” cooperation: what prospects for changing the landscape of development assistance programmes?’, *Third World Quarterly* 34: 2, March 2013, pp. 321–38; Tan-Mullins, Mohan and Power, ‘Redefining aid’.

<sup>23</sup> Peter Kragelund, ‘Back to BASICS? The rejuvenation of non-traditional donors’ development cooperation with Africa’, *Development and Change* 42: 2, 2011, pp. 585–607.

<sup>24</sup> Peter Kragelund, ‘“Donors go home”: non-traditional state actors and the creation of development space in Zambia’, *Third World Quarterly* 35: 1, Jan. 2014, pp. 145–62.

may even more fundamentally challenge dominant development paradigms and the hegemony of DAC donors.<sup>25</sup>

It is important, however, to interrogate critically the claim that China is fundamentally reshaping the bargaining power of traditional donors *vis-à-vis* African governments. There is a great deal of hyperbole surrounding Sino-African relations,<sup>26</sup> which may lead practitioners and scholars alike to overestimate the degree to which traditional donors are being overshadowed by financial aid from China.<sup>27</sup> At the same time, Chinese official finance typically looks quite different from foreign aid from DAC donors.<sup>28</sup> Unlike traditional development aid, Chinese financing privileges the productive sectors rather than the social sectors, and is mainly channelled through state institutions such as the China Exim Bank rather than development agencies.<sup>29</sup> Thus, it may be that Chinese development assistance is not in direct competition with traditional official development assistance (ODA), but rather performs a complementary role.<sup>30</sup>

### Claims of a 'silent revolution' are overstated

As part of a larger survey on donor–government relations and aid effectiveness,<sup>31</sup> I asked heads of development cooperation (HoCs) working in 15 different sub-Saharan African countries about the impact of Chinese assistance and investment promises on their agencies' work in recipient countries.<sup>32</sup> HoCs are the senior civil servants working at recipient-country level for a particular donor agency, such as the African Development Bank or the UK Department for International Development (DFID).<sup>33</sup> A HoC oversees negotiations with the recipient government

<sup>25</sup> Sophie Harman and David Williams, 'International development in transition', *International Affairs* 90: 4, July 2014, pp. 925–41; Kragelund, 'Back to BASICS?'; Clemens Six, 'The rise of postcolonial states as donors: a challenge to the development paradigm?', *Third World Quarterly* 30: 6, Sept. 2009, pp. 1103–21; Woods, 'Whose aid?'

<sup>26</sup> Ayers, 'Beyond myths'; Deborah Bräutigam, *Will Africa feed the world?* (Oxford: Oxford University Press, 2015); Deborah Bräutigam and Sigrid Marianella Stensrud Ekman, 'Briefing: rumours and realities of Chinese agricultural engagement in Mozambique', *African Affairs* 111: 444, 2012, pp. 483–92; Daniel Large, 'Beyond "Dragon in the bush": the study of China–Africa relations', *African Affairs* 107: 426, Oct. 2008, pp. 45–61.

<sup>27</sup> Qadir, 'Rising donors'.

<sup>28</sup> Deborah Bräutigam, 'Aid "with Chinese characteristics": Chinese foreign aid and development finance meet the OECD–DAC aid regime', *Journal of International Development* 23: 5, 2011, pp. 752–64; Dreher and Fuchs, 'Rogue aid?'

<sup>29</sup> Vivien Foster and Cecilia Briceno-Garmendia, *Africa's infrastructure: a time for transformation* (Washington DC: World Bank, 2009); Peter Kragelund, 'The return of non-DAC donors to Africa: new prospects for African development?', *Development Policy Review* 26: 5, Sept. 2008, pp. 555–84.

<sup>30</sup> *Background study for the development cooperation forum: trends in South–South and triangular development cooperation* (New York: United Nations Economic and Social Council, April 2008).

<sup>31</sup> Haley Swedlund, 'Data report: survey on aid effectiveness and donor–government relations', working paper POL15-01 (Nijmegen: Institute for Management Research, Radboud University, March 2015), <http://haley-swedlund.com/files/SurveyDataReport.pdf>.

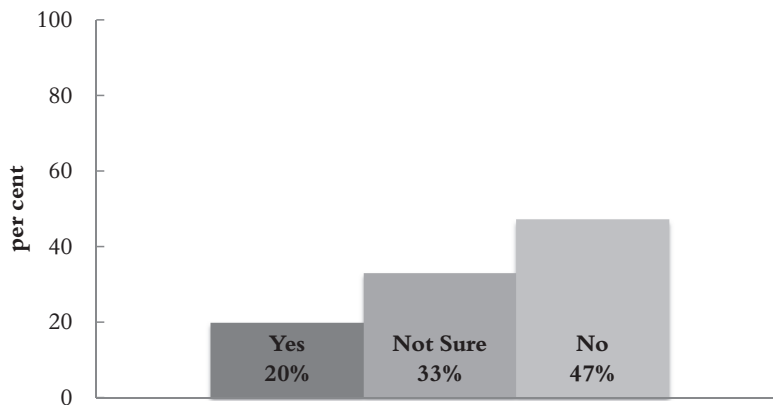
<sup>32</sup> The survey was implemented in a total of 20 countries. However, questions about the impact of China were not added until a later date. Questions regarding China were asked in the following countries: Burundi, Chad, Comoros, Ethiopia, Guinea, Ivory Coast, Kenya, Liberia, Malawi, Mauritania, Niger, Republic of the Congo, Sierra Leone, Togo and Zambia.

<sup>33</sup> Official names for HoCs vary by donor. Within UNDP the equivalent would be the resident representative; at the World Bank it would be the country director. Most bilateral agencies have a head of (development) cooperation. This position is different from that of the ambassador, who is responsible for the political relationship between two countries, while the HoC is responsible for the agency's development portfolio in the recipient country.

on behalf of their donor agency and is responsible for their agency's development portfolio in a given recipient country. As donor agencies' chief negotiators in recipient countries, HoCs work day in, day out with recipient governments. As a result, they should feel acutely any decrease in their agencies' bargaining power. Donor officials working at headquarters back in London, Brussels or Washington DC are likely to be heavily swayed by global rhetoric on the rise of China. In contrast, HoCs should have a much better sense of China's actual impact on their agencies' relationships with recipient governments.

Data from the survey suggest that we should be cautious about assuming that a 'silent revolution' directed by China is under way.<sup>34</sup> While the HoCs surveyed report that there is both concern and uncertainty about the growing role of China among development partners, there is nothing like a consensus among development practitioners that China is decreasing the bargaining power of their agencies. When asked directly and in conditions of anonymity whether the possibility of Chinese assistance or investment promises currently reduces their agencies' bargaining power with the government, only 20 per cent of respondents selected 'yes', while 33 per cent selected 'not sure' and 47 per cent selected 'no' (see figure 1). The results do not change when the sample is broken down to distinguish between donor officials representing multilateral and bilateral donor agencies;<sup>35</sup> nor is there a substantive relationship between the amount of Chinese official finance provided to a given recipient country and the proportion of HoCs saying

**Figure 1: The limited effect of Chinese financing and investment on the bargaining power of traditional donors**



HoCs' self-reported responses to the question: 'Does the possibility of Chinese assistance or investment promises currently reduce your agency's bargaining power with the Government of [Country]?' (n = 49) Respondents were told at the outset that their responses would not be associated with either their own name or their agency's name.

<sup>34</sup> Woods, 'Whose aid?'

<sup>35</sup> See figure A.1 in online appendix.



that their bargaining power is affected by financing from China. I estimate that an increase in Chinese official financing by 1 per cent of the recipient country's gross national income (GNI) between 2000 and 2011 is associated with an increase of merely one percentage point in the probability that a traditional donor finds its bargaining power reduced (95 per cent confidence interval: -1 to +3 percentage points), even after controlling for donor fixed effects.<sup>36</sup> Considering that an increase in official financing from China by 1 per cent of GNI would be a major increase, the effect is minuscule.<sup>37</sup>

Perhaps the term 'bargaining power' simply sets too high a threshold. It may be, for example, that some donor officials are reluctant to admit a change in their agencies' bargaining power, even under conditions of anonymity. It may also be that the presence of China is altering the activities of traditional donor agencies in a more limited way, for example by affecting how donor agencies think about future aid allocations or how they design their country programmes. For this reason, I also asked the respondents to indicate how much their agencies consider China in four different scenarios: (1) in their aid negotiations with the recipient government; (2) in the drafting of their country strategy; (3) in their decisions about future aid allocations; and (4) in decisions about development cooperation in the extractive/natural resource sector (see figure 2 overleaf).

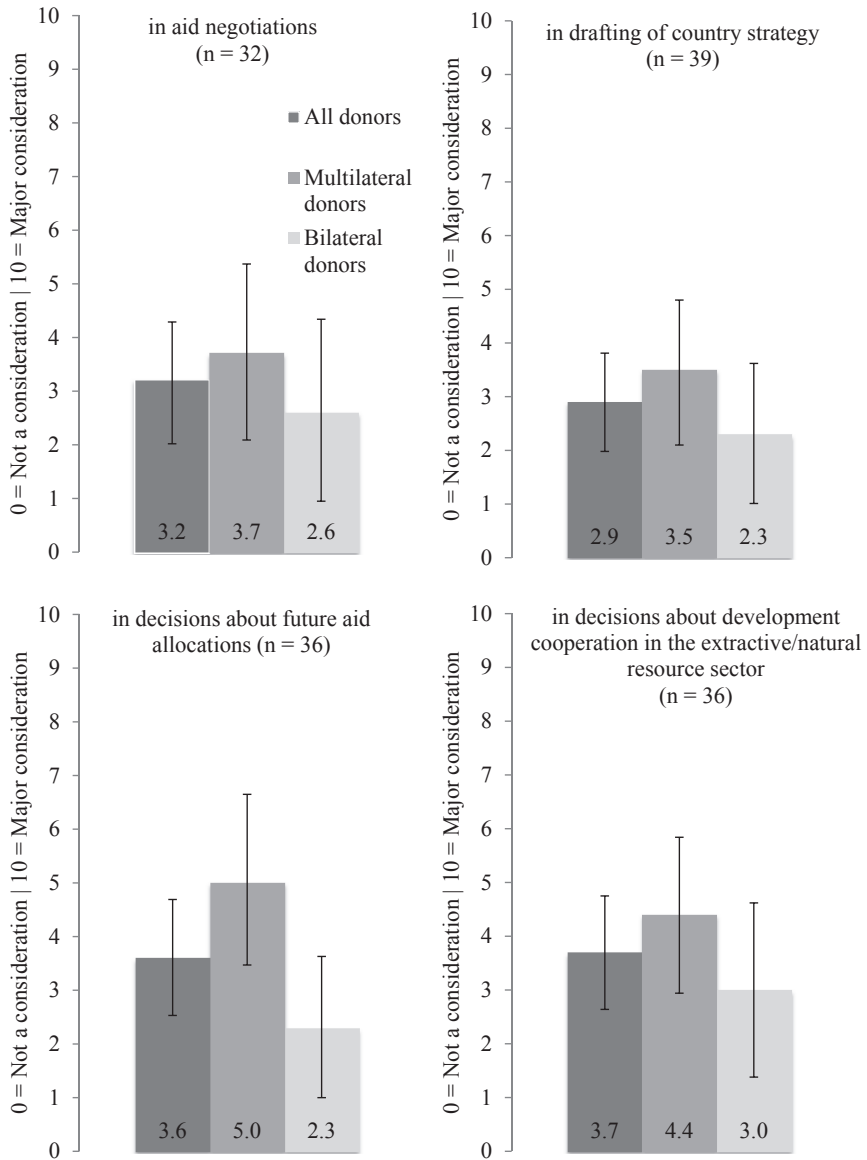
Consistent with the previous results, on average most HoCs indicated a very low level of consideration. The mean values for all the different scenarios were around three on a scale of ten, with zero representing 'not a consideration' and ten representing 'a major consideration'. On average, HoCs working for multi-lateral agencies reported that China has a greater impact across all four categories. However, even among multilateral respondents the highest mean value was five. The results suggest that HoCs believe that China is most influential in decisions about development cooperation in the extractive/natural resource sector and in decisions about future aid allocations. This is logical given that China is heavily involved in the extractive sector and that its current activities are more likely to affect future donor programming than previously allocated funding. However, even here, the mean values for the whole sample were only 3.6 (for decisions about future aid allocations) and 3.7 (for decisions about development cooperation in the extractive/natural resource sector).

Collectively, results from the survey suggest that the majority of the HoCs sampled do not see China as a direct threat to their respective agencies' bargaining power; nor do they perceive Chinese aid and investments as fundamentally changing how their agencies operate in recipient countries. Opinions may change over time. A substantial portion of the sample—33 per cent—responded that they were 'not sure' if China was decreasing their agencies' bargaining power with the government. This suggests that there is a great deal of uncertainty among HoCs on this issue. Furthermore, like all survey data, the responses reflect respondents'

<sup>36</sup> See figure A.2 in online appendix.

<sup>37</sup> In the median country in the sample (Burundi), Chinese official financing between 2000 and 2011 amounted to merely 1.19% of GNI. See figure A.3 in online appendix.

**Figure 2: China’s limited impact on the decisions undertaken by traditional donors**



Mean of HoCs’ self-reported responses to the question: ‘In [Country], how much does your agency consider China during the following scenarios?’ with 95% confidence intervals.

personal opinions and are subject to informational and social desirability biases. Nonetheless, the data provide us—for the first time—with a glimpse of how senior donor officials view the rise of China in sub-Saharan Africa and suggest that claims about a silent revolution may be overstated.



## **Chinese financial aid looks different from traditional ODA**

How can we explain these results? Why has China's growing presence on the African continent not resulted in a stronger response from the sampled HoCs? Does this mean that China's impact is exaggerated? Or do the results merely suggest that donor officials are unaware of or unwilling to take into account China's growing role on the continent? That is, are donor officials simply underestimating the impact of Chinese financing on traditional development financing?

In order to better interpret the survey results, it is essential to consider how China is actually engaging in African countries, and how African governments are actually using Chinese aid. While extremely useful in providing an overall picture of how senior donor officials see the rise of China, data from the survey generate only a partial picture. Not only is the sample limited to donor officials, the data can only describe broad patterns. In order to arrive at a more complete picture of how Chinese aid is affecting the bargaining power of traditional donors, in this section I consider the impact of Chinese engagement in three specific African countries: Ghana, Tanzania and Uganda. I begin by looking at the historical involvement of China in these diverse contexts, and then—so far as is possible—compare Chinese official finance to foreign aid provided by DAC donors. This section draws largely on historical accounts of Chinese involvement in these three countries, and current databases on the volumes of foreign aid disbursed by both the Chinese government and DAC members.

In my comparisons, I focus on Chinese official finance, or what is sometimes referred to as 'ODA-like' financing: that is, foreign aid from China that meets the requirements set out by the DAC for funding to be classified as ODA.<sup>38</sup> Like aid from all donor governments, financial assistance from China is part of a larger package of socio-economic engagement in a country. While I certainly do not ignore this broader engagement, I focus on Chinese official finance because it is the most obvious direct substitute for traditional ODA and thus is most likely to have a direct impact on the bargaining power of DAC donors.

Because China refuses to publicly release figures on its official finance, quantitative data on Chinese aid are notoriously unreliable and therefore should always be treated with caution. In the sections below, I rely on the dataset 'Tracking Chinese Development Finance' from Aiddata.org,<sup>39</sup> which currently offers the most comprehensive comparative data on Chinese official finance. The dataset provides a useful comparative tool. However, we should be very cautious about assuming that the data are entirely accurate.<sup>40</sup>

<sup>38</sup> To qualify as ODA, financial assistance must be (a) undertaken by the official sector, (b) promote economic development and welfare as the main objective and (c) be given at concessional financial terms.

<sup>39</sup> <http://china.aiddata.org/>.

<sup>40</sup> The dataset relies on a crowdsourcing technique. This is likely to overestimate the amount of Chinese financing because it is largely based on promises rather than actual disbursements. For more on methodology, see <http://china.aiddata.org/content/methodology>.

## What does official financing from China look like?

Ghana, Tanzania and Uganda are interesting country contexts in which to study the impact of Chinese official financing, because they represent a 'typical' range of cases with respect to China's engagement in sub-Saharan Africa.<sup>41</sup> Much of the discussion on China in Africa has focused on headline-grabbing cases such as Angola and Sudan. However, in order to make claims about China's impact on the continent, we need to look beyond these prominent examples to consider how the country is engaging with a broad range of African countries.

According to data from Aiddata.org, among the three countries considered here, Chinese engagement has been strongest in Ghana, where it was equivalent in value to 5.3 per cent of GNI between 2000 and 2011. This represents the top end of the spectrum in terms of Chinese engagement in Africa. Tanzania and Uganda receive more moderate amounts of aid from China, estimated as equivalent in value to 0.44 and 0.55 per cent of GNI respectively between 2000 and 2011.<sup>42</sup> Country-specific features will of course always have an impact on the individual relationships between China and different African governments. However, taken as a whole, snapshots of Chinese engagement in Ghana, Tanzania and Uganda should provide us with an excellent sense of how China typically engages across a range of African governments. What we see in the case-studies below is that, despite variation in the volume of official finance received, Chinese engagement follows a similar pattern across the three countries.

As with most African countries, China established formal relations with Ghana, Tanzania and Uganda in the 1960s.<sup>43</sup> In all three countries, aid and investment from China can be separated into three waves. Beginning in the late 1960s and early 1970s, China provided foreign assistance to African countries mainly via prestige projects, including research centres, stadiums, large farms and large infrastructure projects. From the 1980s, China began to invest more heavily in debt relief and programmes that sought to exchange knowledge. Since the 1990s, we have seen an increase in business investments and the establishment of more joint ventures between Chinese companies—typically state-owned—and African governments.

*Tanzania* The United Republic of Tanzania has a long alliance with China owing to Julius Nyerere's advocacy of *ujamaa*, a particular brand of African socialism.<sup>44</sup> Key Sino-Tanzanian aid projects include the famous Tanzania–Zambia Railway (TAZARA)<sup>45</sup> and the Urafiki 'Friendship' Textile Mill in the late 1960s,

<sup>41</sup> Jason Seawright and John Gerring, 'Case selection techniques in a menu of qualitative and quantitative options', *Political Research Quarterly* 61: 2, June 2008, pp. 294–308.

<sup>42</sup> Strange et al., 'China's development finance to Africa'.

<sup>43</sup> All African countries that recognize the People's Republic of China (PRC) as the legitimate Chinese state receive some sort of financial assistance from Beijing. The first African government to receive aid from the PRC was Egypt in 1956. The PRC expanded its aid giving across the continent as African states won their independence (Bräutigam, *The dragon's gift*).

<sup>44</sup> For a historical look at Sino-Tanzanian relations, see Martin Bailey, 'Tanzania and China', *African Affairs* 74: 294, 1975, pp. 39–50; Ng'wanza Kamata, 'Perspectives on Sino-Tanzanian relations', in Adem Seifudien, ed., *China's diplomacy in eastern and southern Africa* (Aldershot: Ashgate, 2013).

<sup>45</sup> China gave a loan of US\$2.8 billion to support the building of the TAZARA. The Tanzanian government first requested financing from the World Bank but was turned down because the project was not perceived to

the Mbarali Rice Farm and the Mahonda Sugar Cane Factory in the mid-1970s, and the Kiwira Coal Mine in the late 1980s. Over time, these prestige projects have been privatized and sold to state-owned Chinese companies via soft loans from the Chinese government. For example, the Friendship Textile Mill, which opened in 1968 near Dar es Salaam,<sup>46</sup> was privatized and reorganized in 1997 under a joint venture company, the Tanzania–China Friendship Textile Company Ltd. Friendship Textile is jointly owned by the Textile Assets Operation Company—a state-owned company from Changzhou—and the government of Tanzania,<sup>47</sup> and the reorganization and incorporation of the company were facilitated by an interest-subsidized preferential credit from the Chinese government.<sup>48</sup>

More recently, China has shifted its focus in Tanzania from agriculture to the burgeoning natural gas sector, but support still mainly flows to Chinese companies. For example, in September 2012 Tanzania signed a loan agreement for US\$1.2 billion with China Exim Bank to finance a national gas pipeline linking the Mtwara gas field to Dar es Salaam. Prior to this agreement, Tanzania had already signed a contract for construction with three Chinese companies, including the China Petroleum Technology and Development Cooperation and the China Petroleum Pipeline Engineering Cooperation—both of which are state-owned.<sup>49</sup>

*Uganda* Chinese involvement in Uganda has not been as extensive or as large in scale as in Tanzania, but has followed a similar pattern. Key historical projects include the Kibimba and Doho Rice Schemes in the 1970s and 1980s,<sup>50</sup> the Kampala Ice Plant in the early 1980s, and several biogas projects in the 1980s and the early 2000s.<sup>51</sup> Just as in Tanzania, many of these early projects were privatised in the 1990s, with Chinese companies continuing to hold a stake in the projects and the loans being underwritten by the Chinese government at concessional rates.

Recent Chinese initiatives in Uganda have largely focused on infrastructure. In 2011, the Ugandan parliament approved a US\$350 million concessional loan from the China Exim Bank for the construction of a toll road from Uganda's main airport in Entebbe to the capital, Kampala.<sup>52</sup> Like most contracts awarded by

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be economically viable (Kamata, 'Perspectives on Sino-Tanzanian relations').

<sup>46</sup> At the time, the cost of the mill was estimated at £2.5–3.32 million. At full operation, Urafiki consumed about a tenth of Tanzanian's production of cotton and employed more than 2,000 workers. See Deborah Bräutigam and Xiaoyang Tang, 'An overview of Chinese agricultural and rural engagement in Tanzania', discussion paper 01214 (Washington DC: International Food Policy Research Institute, Oct. 2012).

<sup>47</sup> Textile Assets owns 51%, while the government of Tanzania maintains a share of 49%. The Chinese government has reportedly bailed out the factory several times (Bräutigam and Tang, 'An overview').

<sup>48</sup> Embassy of the PRC in the United Republic of Tanzania, 'China and Tanzania on economic and trade relations and economic and technical cooperation', 4 April 2008, <http://tz.china-embassy.org/eng/ztgx/jj/t421433.htm>.

<sup>49</sup> See <http://china.aiddata.org/projects/30183>.

<sup>50</sup> The Kibimba Rice Scheme was the first rice-farming project in Uganda. Construction began in 1973 and was turned over to the Ugandan government in the early 1980s. The Doho Rice Scheme also began in the 1970s, but Chinese involvement did not begin until 1987. The Chinese part of the scheme was handed over to the Ugandan government in 1990 (Embassy of the PRC in the Republic of Uganda, 'Sino-Ugandan relations', 28 Oct. 2004, <http://ug.china-embassy.org/eng/zwxg/t168251.htm>).

<sup>51</sup> The Chinese government claims to have constructed seven pilot biogas projects in the Mbale and Tororo districts in the 1980s and to have supported another 20 biogas projects in Kampala in the 2000s (Embassy of the PRC in the Republic of Uganda, 'Sino-Ugandan relations').

<sup>52</sup> See <http://china.aiddata.org/projects/14235>.

the Chinese, the loan stipulates that the Ugandan government must use Chinese contractors; in this case, the contract went to the state-owned China Communications Construction Company.<sup>53</sup> In 2015, the Ugandan parliament approved a US\$1.4 billion loan from the China Exim Bank to help fund the building of the Karuma Hydroelectric Power Station in the western part of Uganda. Shortly after the dam was commissioned in 2013, a tender for construction was awarded to the state-owned Sinohydro Corporation Ltd.<sup>54</sup>

*Ghana* Owing to particular historical events, Chinese involvement in Ghana looks slightly different from that in Tanzania and Uganda. Nevertheless, the principles of engagement follow a similar pattern. Based on an ideological alliance between Ghana's first post-independence leader Kwame Nkrumah and the Chinese communist government, Sino-Ghanaian relations were strong in the early 1960s. When Nkrumah visited Beijing during his first state visit to China in 1961 he signed three major development agreements (estimated at a total value of US\$40 million).<sup>55</sup> Only half of the pledged funds were ever released, however. In 1966, Nkrumah was overthrown in a coup led by Emmanuel Kwasi Kotoka and the National Liberation Council, and the new Ghanaian government severed all ties with the former administration's communist partners.<sup>56</sup> Relations were eventually restored in 1972, but official financing from China was limited and erratic throughout the 1970s.<sup>57</sup> This began to change in the 1980s. Key investments by China in Ghana during the 1980s and 1990s included irrigation projects in the Volta region, as well as the establishment of a cocoa-processing plant and a factory making fishing ropes and nets.<sup>58</sup>

Official finance from China to Ghana grew substantially in the late 2000s, largely because of two huge loan agreements. First, starting in 2007, Ghana signed four agreements (estimated at a total of US\$771.1 million at 2009 values) with the Chinese to help build the Bui Hydro-Electric Power Dam in the Volta region.<sup>59</sup> Then, in December 2011, Ghana accepted a US\$3 billion loan from the China

<sup>53</sup> CCCC is the largest government-owned construction company listed on the Hong Kong Stock Exchange. The contract was controversial because CCCC is blacklisted by the World Bank for fraudulent activities. See Edward Kannyo, 'Sino-Ugandan relations: themes and issues', in Seifudien, ed., *China's diplomacy in eastern and southern Africa*.

<sup>54</sup> The cost of the dam is estimated at US\$1.6–2.2 billion, with China expected to provide 85% and the Ugandan government the remaining 15% (see <http://china.aiddata.org/projects/30919>).

<sup>55</sup> Isaac Odoom, 'Dam in, cocoa out; pipes in, oil out: China's engagement in Ghana's energy sector', *Journal of Asian and African Studies*, 2015, pp. 1–23.

<sup>56</sup> After the coup, all projects funded by communist regimes were halted and over 4,000 Chinese were repatriated. Nkrumah's Seven-Year Development Plan was abandoned, as were prestige projects such as the Nkrumah Tower in Accra and the Accra–Tempa motorway. See Heidi Glaesel Frontani and Anna McCracken, 'China's development initiatives in Ghana 1961–2011', *Journal of Sustainable Development in Africa* 14: 8, 2012, pp. 275–86; Roger Gocking, *The history of Ghana* (Westport, CT: Greenwood, 2005).

<sup>57</sup> African Center for Economic Transformation, 'Ghana country case study', in *Looking east: China's engagement with Africa*, Dec. 2009; Frontani and McCracken, 'China's development initiatives'; Odoom, 'Dam in'.

<sup>58</sup> The Ghana Cocoa Processing Plant was a joint venture between a company owned by the Chinese Ministry for Agriculture and the commercial wing of a women's political group in Ghana linked to the then President's wife. The venture was backed by a concessional loan from China Exim Bank for US\$8.75 million. For more on how the deal imploded, see Bräutigam, *Will Africa feed the world?*, pp. 100–101.

<sup>59</sup> Deborah Bräutigam, Jyhjong Hwang and Lu Wang, 'Chinese-financed hydropower projects in sub-Saharan Africa', SAIS China–Africa Research Initiative policy brief no. 08/2015 (Baltimore: School of Advanced International Studies, Johns Hopkins University, 2015).

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Development Bank (CDB) designed to support the building of infrastructure to extract crude oil found on the west coast of Ghana.<sup>60</sup> Both of the loans are resource-sourced, meaning they will be paid back using resources from the sale of oil and cocoa beans respectively.<sup>61</sup> And, as in similar cases in Tanzania and Uganda, the contracts have been awarded to Chinese companies. Sinohydro Corporation (the company contracted to build the Karuma Dam in Uganda) was awarded the contract for the Bui Dam.<sup>62</sup> In the case of the infrastructure loan, it is stipulated that 60 per cent of the contracts must go to Chinese companies, the main player being China's second-largest national oil company, Sinopec.<sup>63</sup>

A word of caution on the volume and nature of these two loans is warranted, however. Both agreements were originally widely reported as being ODA-like and thus were included in datasets on Chinese official finance, including Aiddata.org's 'Tracking Chinese Development Finance'. However, new details about the loans have called this classification into question. In the case of the financing for the Bui Dam, two sequential loans were apparently negotiated: a concessional loan of US\$292 million and a commercial-rate export buyer's credit of US\$306 million. Only half of the total loan is therefore actually comparable to ODA.<sup>64</sup> More importantly, in the case of the US\$3 billion infrastructure loan, it has now been revealed that the financing is *entirely* at commercial rates.<sup>65</sup> It is now being reported that the Ghanaian government, claiming that it was misled and that the cost of the loan is too high given current oil prices, has cancelled US\$1.5 billion of the US\$3 billion loan.<sup>66</sup>

### *How does official financing from China compare to traditional ODA?*

These brief case-studies reveal several important points about the nature of Chinese official finance in Ghana, Tanzania and Uganda. First, China's engagement in these countries is far from new. Second, Chinese official finance goes almost exclusively to (state-owned) Chinese companies. Third, Chinese engagement has mainly been

<sup>60</sup> Ghanaian President Atta-Mills reportedly missed a high-level meeting at the UN to stay in Beijing for the signing ceremony (Odoom, 'Dam in').

<sup>61</sup> In the case of the infrastructure loan, the government of Ghana entered into an agreement in which it agreed to pay UNIPEC Asia Co. Ltd—a subsidiary of Sinopec—13,000 barrels of crude oil daily. In the case of the Bui Dam, Genertec Corporation of China has a sales agreement with the Ghana Cocoa Board for 30,000–40,000 tonnes of cocoa beans annually for the first five years of the loan. The beans are to be sold at market prices and the funds placed in an escrow account with China Exim Bank. In addition, 85% of energy sales are deposited into an escrow account at the China Exim Bank to help pay back the loan (Bräutigam et al., 'Chinese-financed hydropower'; Odoom, 'Dam in').

<sup>62</sup> Oliver Hensengert, 'Interaction of Chinese institutions with host governments in dam construction: the Bui dam in Ghana', discussion paper 3/2011 (Bonn: German Development Institute, 2011).

<sup>63</sup> Sarah Hardus, 'Chinese national oil companies in Ghana: the cases of CNOOC and Sinopec', *Perspectives on Global Development and Technology* 13: 5–6, 2014, pp. 588–612.

<sup>64</sup> In 2012, two additional loans of US\$75.4 million and US\$76.2 million were negotiated to cover cost overruns (Bräutigam et al., 'Chinese-financed hydropower').

<sup>65</sup> Odoom, 'Dam in'.

<sup>66</sup> Given the global decline in the price of oil, the CDB attempted to renegotiate the terms with the Ghanaian government in February 2014, reportedly asking for an additional 2,000 barrels of oil per day (roughly 750 million barrels for 15 years and six months, or US\$6.4 billion for the US\$3 billion loan): Thomas Chen, 'What happened to China Development Bank's US\$3 billion loan to Ghana?', policy brief no. 10/2016 (Baltimore: School of Advanced International Studies, Johns Hopkins University, 2016).

in the productive sectors, namely infrastructure, agriculture and mining. Fourth, figures on Chinese aid are prone to exaggeration. How, then, does Chinese financial assistance compare to traditional ODA in these three countries?

We can compare official finance from China to ODA both in volume and in terms of the types of projects and initiatives it funds. As previously noted, we should be very cautious about assuming the precise accuracy of data on Chinese financing. Still, even a cursory and highly guarded look at the data reveals the continued salience of ODA. Even though the data probably overestimate the amounts of Chinese official finance, between 2000 and 2011, as a share of GNI, official finance from China pales in comparison to ODA in most countries across sub-Saharan Africa.<sup>67</sup> This is certainly true of both Tanzania and Uganda, where Chinese official finance constituted only a tiny fraction of ODA between 2000 and 2011 (see table 1). During this period Tanzania received more than 25 times as much aid from traditional donors as from China, while Uganda received more than 23 times as much ODA as Chinese official finance.

**Table 1: Chinese official finance and ODA as share of GNI**

	<i>China's official finance as share of GNI, 2000–2011 (%)</i>	<i>ODA as share of GNI, 2000–2011 (%)</i>
Ghana	5.32	9.00
Tanzania	0.44	11.43
Uganda	0.55	13.09

*Sources:* Data on Chinese official finance as a share of GNI from Strange et al., 'China's development finance to Africa' (fn 9). Data on ODA as a share of GNI retrieved 9 June 2016 from the World Development Indicators online database.

In Ghana, the volume of Chinese official finance was more substantial in relation to that of ODA during this period; however, recall that these figures include both the Bui Dam project and the infrastructure loan, both of which have now been revealed as at least partially non-concessional. Also, because we do not yet have comparative data for the years after 2011, the data are also likely to underestimate the role of traditional aid in Ghana. As the Ghanaian economy took off in the 2000s, ODA as a share of GNI declined dramatically.<sup>68</sup> The fall in ODA was given further impetus by a reclassification exercise in 2012 that propelled the country into lower middle-income status, directly affecting the types of aid traditional donors could offer.<sup>69</sup> More recently, however, the global financial crisis has forced Ghana once again to reach out to traditional donors. After failing to raise the necessary capital on the international market, in 2015 Ghana took a US\$918 million extended credit facility (ECF) from the IMF to support its economic reform programme.<sup>70</sup>

<sup>67</sup> See figure A.3 in online appendix.

<sup>68</sup> See figure A.4 in online appendix.

<sup>69</sup> Todd Moss and Stephanie Majerowicz, 'No longer poor: Ghana's new income status and implications of graduation from IDA', working paper no. 300 (Washington DC: CGD, July 2012).

<sup>70</sup> See <https://www.imf.org/external/np/sec/pr/2015/pr15159.htm>.



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Even if traditional aid is on the decline in Ghana, we should be deeply sceptical of any claim that Chinese official finance is on a par with ODA in Ghana.

Qualitatively, Chinese official finance also looks quite different from traditional ODA. As shown in the previous section, Chinese official finance flows almost exclusively to the productive sectors of the recipient countries via state-owned Chinese companies. By contrast, in each of these three countries, the largest share of ODA from DAC countries flows into the social sectors (see table 2). Probably of even more significance for the bargaining power of traditional donors and in contrast to Chinese financial assistance, ODA still constitutes a large part of government expenditure across all three countries. In 2011, the last year for which data are available for all three countries, net ODA as a share of central government expenditure was 49.5 per cent in Uganda and 43.6 per cent in Tanzania.<sup>71</sup> Even in Ghana, ODA constituted 26.1 per cent of central government expenditures in 2011.

**Table 2: Official development assistance received by sector from DAC donors, 2005–2015**

<i>Recipient country</i>	<i>Sector</i>	<i>Total ODA (US\$ millions)</i>	<i>% of total ODA</i>
Ghana	Social infrastructure and services	3,829.4	41
	Economic infrastructure and services	1,469.2	16
	Production sectors	1,401.5	15
	Multi-sector and cross-cutting	614.7	7
	Commodity and general programme assistance	1,494.5	16
	Action relating to debt	584.0	6
Tanzania	Social infrastructure and services	8,724.6	48
	Economic infrastructure and services	3,166.3	18
	Production sectors	1,015.4	6
	Multi-sector and cross-cutting	781.0	4
	Commodity and general programme assistance	3,500.4	19
	Action relating to debt	857.9	5
Uganda	Social infrastructure and services	6,768.4	66
	Economic infrastructure and services	1,303.9	13
	Production sectors	909.3	9
	Multi-sector and cross-cutting	532.2	5
	Commodity and general programme assistance	679.4	7
	Action relating to debt	113.0	1

*Source:* Calculations by author. Data retrieved 13 Jan. 2017, from OECD.Stat. Excludes humanitarian aid and unallocated/unspecified aid received by the recipient during this period.

<sup>71</sup> Central government expenditure is defined as the central government budget expenditure as reported in the final central government accounts. Data retrieved on 9 June 2016 from the World Development Indicators Online (WDI) database: <http://data.worldbank.org/data-catalog/world-development-indicators>.



While recipient governments may find assistance provided by China appealing for many reasons, the continued salience of ODA suggests that they cannot afford to alienate traditional donors. Recipient governments clearly value the type of aid being offered by China, and there may be a strong normative desire to distance themselves from traditional donors (particularly on the part of leaders who do not want to be seen as beholden to traditional development actors). However, Chinese official financing is not a direct alternative to the aid on offer by traditional partners. Therefore, recipient government officials—particularly those in charge of the national budget or those responsible for sectors dependent on traditional donor financing, such as health and education—would be remiss to alienate traditional donor agencies.

## Two important caveats

Taken together, the results from the survey and the case-studies suggest that we should be careful about assuming that a silent revolution in development cooperation is under way in Africa. There are, however, two caveats to this inference that are worth exploring further. This section is largely informed by in-country fieldwork conducted by the author between 2012 and 2015 in Ghana, Tanzania and Uganda for a larger research project on donor–government relations in sub-Saharan Africa.<sup>72</sup>

### *China as a fierce competitor*

Chinese official finance and traditional development aid generally benefit recipient governments in different ways and are thus both attractive to recipient governments. However, when China and traditional donors do compete directly, African governments often prefer Chinese official finance—and not just because Chinese assistance offers a new source of income. Significantly, Chinese financing is appealing to African governments because it is perceived to come more quickly and with less red tape.<sup>73</sup> As the former Senegalese President Abdoulaye Wade wrote in the *Financial Times*: ‘What makes China much more interesting to deal with, is that a contract that would take five years to discuss, negotiate and sign with the World Bank takes three months when we have dealt with Chinese authorities.’<sup>74</sup>

Take, for example, Uganda, where both traditional donors and China have been involved in dam construction. When engaging in large infrastructure projects, traditional donors often rely on many different lenders, all with their own missions and widely varying standards. This can make projects difficult to manage and generate delays of several years before they get off the ground. Such

<sup>72</sup> Between 2012 and 2015, I carried out over 100 interviews with donor and government officials working across the three countries. For more details on the larger project, see Haley Swedlund, *The development dance: how donors and recipients negotiate the delivery of foreign aid* (Ithaca, NY: Cornell University Press, 2017).

<sup>73</sup> In an analysis on the role of China in Zambia, Kragelund (“Donors go home”) similarly points out that traditional loans have higher transaction costs and more hassle attached.

<sup>74</sup> Wade, ‘Time for the West’.

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was the case, for example, with the Bujagali Dam in Uganda, which was largely funded by traditional donors and from private sources. While traditional donors see the dam as 'best practice', the Ugandan government does not want to repeat the experience, because the number of lenders made it difficult for the government to manage the project.<sup>75</sup> In contrast, Chinese financing is typically provided more rapidly. The Karuma Dam project in Ghana, for example, languished as a World Bank project but moved more quickly to completion once the Chinese took over.<sup>76</sup>

Often, Chinese assistance can be provided more speedily because it is unhindered by certain socio-economic and environmental safeguards. While this raises important and legitimate concerns, for recipient governments what matters most is that the project is actually completed—and quickly; and there is a dominant perception (which may or may not be warranted) among recipient government officials that the Chinese are much quicker at getting things done than traditional donors. Recounting a visit to the Tanzanian Investment Centre, a donor official for a major multilateral donor agency recalled being told that, if a traditional donor wants to build a road in 2012, they start in 2007. If the Chinese are going to build the same road, they start in 2011 and it is finished in 2012.<sup>77</sup> In many cases, China and traditional donors are not in direct competition. However, when China does compete directly with traditional donors—for example, on large infrastructure projects—it can be a fierce competitor.

### *Correlation is not causation*

Second, although the evidence suggests that we should be careful about claiming that China is *causing* a decline in bargaining power on the part of traditional donors, it may be *correlated* with such a decline. Given its particular brand of development, China is likely to be most interested in working with recipient governments that are already becoming less and less dependent on DAC donors. China is interested in investing in growing economies that can support the expansion of Chinese business interests. This is more likely to be the case in countries where foreign direct investment (FDI) is on the rise and ODA as a share of GNI is declining.

As FDI has increased in Ghana, Tanzania and Uganda, ODA as a share of GNI has also decreased.<sup>78</sup> In 2013, ODA as a share of GNI was below 10 per cent—the traditional marker of aid dependence—in all three countries. This is particularly evident in the case of Ghana, where FDI increased from approximately US\$165.9 million in 2000 to over US\$3.4 billion in 2013 (current prices). Over the same period, ODA as a share of GNI decreased from 12.4 per cent to 2.9 per cent.<sup>79</sup>

<sup>75</sup> Author's interview with bilateral donor official, Uganda, 26 Sept. 2013.

<sup>76</sup> Author's interview with Ghanaian government official, Ghana, 30 Sept. 2013. Financing from China took almost two years to come through but that was still much quicker than the languishing World Bank project, which had been promised back in 2006.

<sup>77</sup> Author's interview with multilateral donor official, Tanzania, 21 June 2012.

<sup>78</sup> See figures A4–A6 in online data appendix.

<sup>79</sup> All data retrieved 9 June 2016 from WDI database, <http://data.worldbank.org/data-catalog/world-development-indicators>.

Although China has contributed to this increase in FDI, it is only one part of the story. According to data from the Ghana Investment Promotion Centre, between 2000 and 2008 investments from Chinese companies as a proportion of all investments in Ghana varied widely from year to year but never exceeded 8 per cent.<sup>80</sup> China is an important trading partner for Ghana, but greater investment in the country is not driven by China alone. Rather, it is a broader phenomenon.

For donor officials in Ghana, Tanzania and Uganda, the bigger fear is that current or anticipated revenue from FDI and newly discovered natural resources (crude oil and natural gas) will make them less and less relevant over time. China is a factor in this equation through its investments in the extractive industries, but the issue is not China *per se*; rather, it is declining rates of aid dependence. Take, for example, Ghana, where oil revenues are already flowing. As donor officials have explained, while foreign aid remains important for capital, 'they could run the country without us'.<sup>81</sup> As a result, over time the 'donors' leverage will become less and less'.<sup>82</sup>

Similarly, in Tanzania, where ODA as a percentage of GNI has stayed under 10 per cent since 2006, several donor officials expressed uncertainty about the future, noting that future earnings from natural gas and increasing net inflows of FDI have the potential to change the dynamics between donor officials and recipient governments in the years ahead. According to one donor official, the government of Tanzania will not have enough money to replace aid totally for quite some time. However, it will not be that long before we see a significant increase in FDI, which will 'change a lot of the premises for some of the dialogue and interaction'.<sup>83</sup> Another donor official expressed the view that this coming shift will make it more and more difficult for traditional donor agencies to influence policy in the future.<sup>84</sup>

Even in Uganda, where oil has not yet come on stream, and where there is a lot of uncertainty regarding how much money is at stake, many believe that the promise of oil has made the government less keen to bargain with donor agencies. An independent consultant who frequently works for both donor agencies and the Ugandan government told me, for example, that the discovery of oil has shifted the dynamics between the government of Uganda and donor agencies, particularly in the light of a large-scale suspension of aid that occurred in 2012.<sup>85</sup> According to the respondent, the government is angry about the suspension and does not want to return to the way things were before. Oil gives them the opportunity to move

<sup>80</sup> See table A1 in online data appendix.

<sup>81</sup> Author's interview with bilateral donor official, Ghana, 23 April 2013.

<sup>82</sup> Author's interview with multilateral donor official, Ghana, 10 April 2013. Similarly, a civil society representative noted that, 'since the discovery of oil, [donors have] been a little bit on the quiet side because I think, they've gotten to realise that Ghana is no longer a lower-middle country, once the oil funds start flowing they might not listen to us' (author's interview with civil society organization representative, Ghana, 25 April 2013).

<sup>83</sup> Author's interview with bilateral donor official, Tanzania, 20 June 2012.

<sup>84</sup> Author's interview with bilateral donor official, Tanzania, 4 July 2012.

<sup>85</sup> For details on the suspension, see Haley Swedlund, 'Aid diplomacy reconsidered: survey evidence on the microfoundations of foreign aid suspensions', working paper, [http://haleyswedlund.com/files/AidSuspensions\\_Swedlund\\_Aug16.pdf](http://haleyswedlund.com/files/AidSuspensions_Swedlund_Aug16.pdf).

away from their dependence on foreign assistance.<sup>86</sup> According to a civil society representative, the promise of oil allows the government to ‘limp’ along without donor money until oil starts to flow.<sup>87</sup>

We should be cautious about speculating in respect of an uncertain future. Oil revenues are notoriously volatile and, since 2013, Ghana in particular has suffered from several economic setbacks. However, whether it occurs now, soon or at some time in the distant future, donor agencies should prepare for a time when aid constitutes a smaller and smaller percentage of national budgets. When this happens, traditional donors are likely to have less and less leverage over recipient governments. Given Chinese investment strategies, declines in aid dependence are likely to be correlated with an increased Chinese presence. However, in such a situation, China is a symptom, not a cause, of declining bargaining power.

### **Concluding remarks**

In this article I have sought to address a question which has attracted a great deal of speculation, but limited empirical analysis: is China reducing the bargaining power of traditional donors in Africa? I have argued that we need to be careful about assuming China is fundamentally reshaping relations between donor agencies and recipient governments. Original data from a survey of high-ranking donor officials working in several African countries suggest that the majority of those sampled do not believe that China is fundamentally changing their agencies’ bargaining power with the recipient governments. To help contextualize these results, I then narrowed the focus onto Chinese involvement in three African countries: Ghana, Tanzania and Uganda. Evidence from these three countries suggests that traditional development aid continues to play an important role and that China rarely competes directly with traditional donors. African governments court *both* Chinese official finance and foreign aid from DAC donors.

I have, however, qualified this claim in two important ways. First, when China does compete directly with traditional donors—for example, with respect to large infrastructure projects—China is a fierce competitor, and many African governments prefer aid from China. Second, because of the particular brand of aid it offers, China is likely to be active in contexts where ODA as a percentage of the country’s national economy is declining. Hence, there may be a correlation with an increased Chinese presence and a decline in the bargaining power of traditional donors, even if China is not the cause of this decline.

This is, of course, far from the end of the story. There is little evidence that Chinese investment in Africa is slowing down. Therefore it will remain important to continue assessing China’s impact on traditional development cooperation (particularly in the light of the uncertainty expressed by some donor officials in the survey). Comparative survey data on how African government officials view the role of China in comparison to their donor counterparts would also be extremely

<sup>86</sup> Author’s interview with development consultant, Uganda, 25 Sept. 2013.

<sup>87</sup> Author’s interview with civil society representative, Uganda, 27 Oct. 2013.

useful. There are many practical challenges in obtaining such data. However, if it can be obtained, this information would permit us to compare directly how donor and government officials see the rise of China and its (potential) impact on development cooperation.

My findings challenge conventional assumptions about the impact of China on traditional development cooperation. Taken together, the evidence from the survey and the case-studies suggests that there is little reason to assume that the bargaining power of traditional donors is systematically declining across the African continent as a result of the increasing presence of China. As Bräutigam and others have cautioned, when it comes to the role of China in Africa, we need to be highly critical of broad narratives.<sup>88</sup> The truth is usually a highly nuanced picture.

<sup>88</sup> Bräutigam, *Will Africa feed the world?*.