

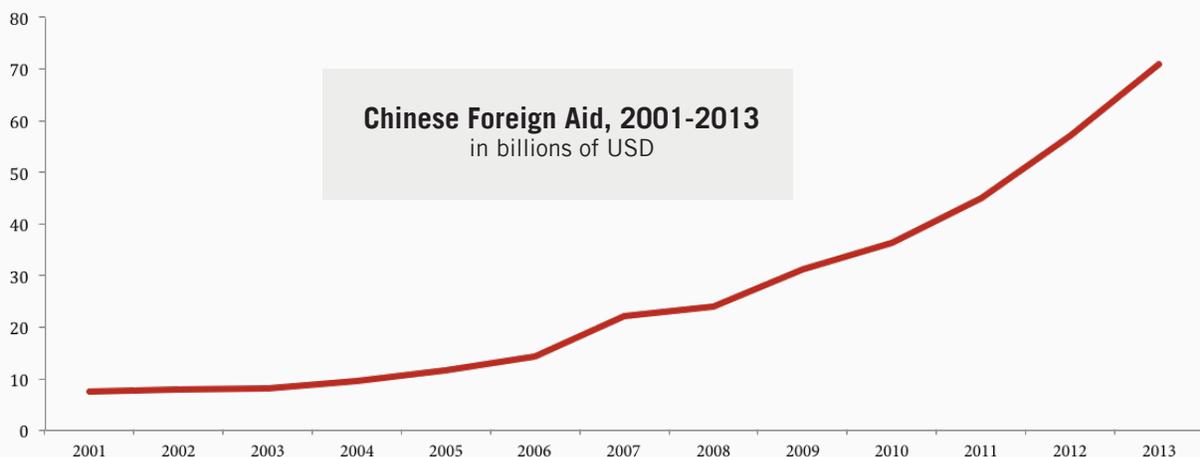
# China's Foreign Assistance



**Chinese spending** on foreign aid has grown dramatically in recent years—increasing perhaps as much as ten-fold since 2001.

## How much does China spend on foreign assistance in the developing world?

Due to the Chinese government's lack of transparency, the actual level of assistance is difficult to assess; however, there are estimates that China spent as much as \$7.1 billion on official development assistance (ODA) in 2013, the most recent year from which data is available. The growth in Chinese economic engagement abroad has been even greater if activities more akin to export promotion and foreign direct investment, than foreign aid, are included.



## How does China's assistance differ from assistance from the U.S. and other countries?

China's assistance is much more likely to be in the form of loans than grants. The China aid program has focused on projects that benefit Chinese industries, such as the development of energy, mineral resources, and infrastructure. By contrast, U.S. assistance focuses on promoting sustainable development, health programs and ending extreme poverty. It also includes significant funding for education, democracy promotion, and humanitarian assistance. Further, while western development assistance typically requires host countries to meet conditions related to accountability and democratic governance, China's assistance rarely includes such provisions.

## Where is China's foreign assistance focused?

Africa is the continent reported to be the largest recipient of Chinese foreign assistance, receiving about half of total Chinese assistance, with the other half going to Latin America and Asia. In Latin America, where Chinese interest has been growing, Brazil, Argentina, Ecuador, and Venezuela (four resource-rich countries) appear to be the largest recipients of Chinese aid and investments—especially related to the development of infrastructure and energy resources.

# China's Foreign Assistance

## Are there other ways China seeks to influence assistance to the developing world?

China, noting its frustration with the lack of reform at the International Monetary Fund and World Bank, has recently pushed for the creation of two new development institutions. The Asian Infrastructure Investment Bank (AIIB) is a Chinese-led development bank headquartered in Beijing with 57 provisional founding members, including other major donors such as Australia, France, Germany, Sweden, and the United Kingdom. The AIIB is scheduled to become operational by the end of 2015, with \$50 billion in capital.

Second, China, along with Brazil, Russia, India and, South Africa, has created the New Development Bank (or "BRICS Bank" as it is colloquially called). Headquartered in Shanghai, the BRICS Bank has an authorized capital of \$100 billion equally divided among its four members, and could soon be lending up to \$34 billion per year.

## How is China's foreign assistance received in the developing world?

Chinese assistance is sometimes said to be welcome in the developing world because it does not include conditions on accountability and democracy. However, in recent years, China has been criticized by local leaders and populations for poor quality in programs, lack of local input, corruption, and its reliance on imported Chinese labor. Others in the developing world have said they prefer American assistance because it comes with a commitment to ensuring effective and accountable progress on development challenges.

## Examples of Chinese Foreign Aid

More so than the U.S. and most other Western countries, Chinese foreign aid tends to focus on major construction projects—from stadiums and government buildings to large infrastructure projects like dams, roads, railroads, and energy-related projects.



### African Union Headquarters – Addis Ababa, Ethiopia

One such example is the new African Union headquarters in Addis Adaba, Ethiopia—a \$200 million facility which now dominates the city's skyline. The building was financed with Chinese grants and constructed largely with imported Chinese labor.



### Bui Dam – Ghana

Elements of Chinese foreign aid resemble commercial loans or export buyer's credits, as opposed to direct assistance. One example is the Bui Dam, a 400-megawatt hydroelectric dam that became operational in 2013. The dam, which cost over \$600 million to construct, was financed through a resource-secured loan by the Chinese government. The loan was guaranteed through export sales of cocoa beans.