

DAC Aid in Africa South of Sahara

The Impact of a Rising China

Abstract

The DAC countries have for a long time been practically the only large donors of international aid. However, China has become increasingly influential the last decade.

This study is aimed at investigating how aid from the DAC countries has changed when Chinese aid has increased. Aid aimed at promoting democracy, corruption, governance, and human rights is investigated since these sectors present a clear difference in Chinese and DAC aid policies. The thesis also offers an explanation to this policy change through aid theory.

It is concluded that DAC countries have somewhat increased aid towards democracy, corruption, governance and human rights in the region of Africa South of Sahara. This is explained by both a concern about Chinese aid being a negative influence, but also that it is a way of the traditional donors to keep its influence by investing in a sector where China explicitly states they will not interfere.

Zambia is presented as an illustrative example which supports the conclusions reached in the first section. It is also found that new donors give aid recipients a new possibility to negotiate with donors, meaning the DAC countries are risk losing influence, not to China, but to their development partners.

Key words: Aid, China, DAC, Zambia, Africa

Words: 10 210

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1 Introduction

For most of modern history a small group of rich, Western, countries have dominated the aid sector. Money has been flowing from the global north to the south with outspoken goals of poverty reduction, humanitarian aid and democracy building. However, the world is changing, and a growing share of the world's aid comes from developing countries where the BRIC, Brazil, India, Russia, and China, are in the lead. These countries still receive aid from traditional donors, but have set out to start their own aid programs. Programs often criticised for ignoring democracy building, good governance, and anti-corruption work, whilst promoting economic growth benefiting domestic companies. However, the motifs of these new donors do not necessarily differ substantially from the actual goals of traditional donors. Nonetheless, there are many differing factors between the two groups of donors, which intuitively should change the way old donors work when new donors increase their aid. This is what will be investigated throughout this these.

1.1 Methodology

The general aim of this thesis is to shed some light on one the changing global dynamics of aid, and how this is affecting donor behaviour. To do this the question of research is defined as:

Has the increased aid from China to Africa South of Sahara had an effect on DAC-donors aid regarding democracy, human rights, good governance,¹ and anti-corruption? Why?

These specific areas of aid are of particular interest since a common critique towards China is that they are neglecting, or having a negative impact on these areas. This makes it interesting to investigate how traditional donors

¹ Good governance here means processes of decision making and implementing are; participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. (UNESCAP)

react to an increase in Chinese aid. If aid directed to these areas has increased when Chinese aid has also increased, it can be taken as a sign of traditional donors complementing Chinese aid, and if it wards decreases it is seen as a sign that it is becoming more similar to Chinese-style aid.

This is a descriptive and, to some extent, explanatory study. The aim is to see how DAC countries work has changed; from the time where Chinese aid constituted a very small share of Africa's aid donation, up until today where they are a more significant actor in the region. This is done in order to find a difference in the way DAC gives aid that can have been affected by China. It is also interesting to see whether or not DAC has reacted on this presumed change in the aid environment, and if they have moved towards filling the gaps that Chinese aid supposedly leaves. This means the direct causality problem becomes less important in the study.

This thesis is also a case study, which has the benefit that it allows us to more map the causes and effects on one specific case, but it also makes generalisations more problematic as no comparisons are made, and it is possible that the examined case is an outlier (Teorell & Svensson, 2012:226ff).

The focal point in time lies between the year of 2000 up until today. Development cooperation between China and Africa intensified after the Sino African forum in 2000 and this can therefore be seen as a sort of breakpoint for Chinese involvement in Africa (Mahmoud,2007:115). The year 2000 is also one year before China joined the WTO, which can be seen a crucial step towards Chinese integration on the world's economy and politics (Hoekman-Kostecki, 2009:568). As shown in later chapters Chinese aid to the region south of Sahara also increased significantly around the year 2000. Unfortunately though, DAC only keep detailed statistics of aid by sector, year, and recipient country from 2002, which is why some of the analysis will start from then.

Chinese aid's effect on traditional donor behaviour in Africa has received a lot of attention from journalists. It has received a lot less so from researchers, meaning this study can aspire to fill a gap in the academia. Furthermore, the focal point of the thesis is on the "supply side" of aid, which has long been somewhat neglected, but is now receiving increased attention from both academia and journalist (Samuel Jones, 2012:125). This makes the study relevant both within and outside of the academia.

In order to explain DAC countries donor behavior, a theoretical framework of why countries give aid is presented. The topic of investigation, how and why traditional donors react to increased aid from China, is a case of what and how external factors affect aid donors. In order to explain these effects, it is necessary to first examine what causes change. In this case, countries can be expected to react differently to the rise of a new type of donor depending on why they give aid in the first place. Therefore, theories about why countries give aid will serve as a starting

point for the theoretical discussion. Since governance, democracy, human rights, and anti-corruption often are highlighted by traditional donors, it is interesting to see if these areas receive more or less attention when a new aid donor enters the stage. The theory then serves as a tool to explain these changes. This means the study is of a theory consuming character.

In order to analyse the dynamics of aid in Africa in further detail, the illustrative case of Zambia is examined. A single country allows us to look at more country specific explanation factors which hopefully yields a deeper understanding of the subject.

1.1.1 Choice of Cases

China is analysed as it is the fastest growing and, in some ways, the most controversial “new” donor. The only non-democratic BRIC country gives billions of dollars in aid and strongly promotes Chinese investment in poorer countries. Further, Chinese aid is very opaque, making China a very difficult, albeit interesting country to study. It is not a typical case of south-south cooperation, but it definitely is one of the most important ones.

The DAC² is a forum for policy discussion on aid, but does not give aid. Its member countries do give aid, and they agree on certain policies which affects members’ national aid policies. These countries, together, donate a clear majority of the world’s aid. (Woods, 2008: 1205). This makes them a good representation of the traditional donors that have given the most aid in modern history (Tan-Mullins et.al. 2010, 858). It is somewhat problematic drawing far reaching conclusions about such a diverse group of countries, and they are affected very differently by economic and political events (Jones, 2012:126). However, since they have outspoken, collective goals and collaborate in so many ways, it is still possible to make conclusions of trends, and to see how the organization in itself is changing.

As for recipients of aid, Africa and the region South of Sahara receives the largest part of the world’s aid making this a very an important region to investigate (Aidflows, 2013). This region is examined in this thesis on a general level, and Zambia is then used as an illustrative example as it is one of the top receivers of Chinese aid. It is a country heavily dependent on aid but with rich natural resources. This and the lack of conflict in the area

² The member countries of DAC are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, The Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States and The European Union. Iceland became a member in March of 2013 and will not be included as a member of the DAC as they have not been a member during the relevant period, they are however still represented as the EU is present in DAC (OECD¹)

makes it a favourable case to examine, as all these factors seem to pave the way for a reaction from DAC donors in some way.

1.1.2 Concepts and definitions

The definition of aid is highly debated and there is no consensus between DAC and China what sort of activities can be named aid. Generally, aid is defined as a transfer of capital from one country to another, with a non-commercial objective, and including some concessional terms (Todaro-Smith, 2011: 670). DAC uses ODA, Official Development Assistance, as a means of defining what aid is. ODA are “Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective and which are concessional³ in character with a grant element of at least 25 per cent”(Bräutigam, 2011:756). To be marked ODA, aid has to be directed to a developing country, or to a multilateral agency that is undertaken by the official sector in such a country. Technical co-operation is included in the DAC definition along with bilateral ODA, grants and concessional and non-concessional development lending by multilateral financial institutions. However, grants and loans for military purposes are not included, neither are export credits or transfers to private individuals (OECD²). Both bilateral and multilateral aid is investigated, and DAC aid is measured as the aggregate ODA flows from all member countries.

China rejects this DAC definition of aid, even though aid from China and DAC has a number of similarities. However, unlike DAC, China does not make a distinction between what would be called ODA, and economic cooperation or investment if it is intended to “build local capacity of the recipient countries” (Tan-Mullins et.al. 2010: 862). Furthermore, China defines aid by financial flows being concessional, including grants, zero interest loans and concessional loans in the definition (Bräutigam, 2011:753ff).

The discrepancy in definitions does not pose as such a large reliability problem as it may seem as the aim of this thesis is not to compare the donors. Instead, the effect of one on the other is investigated, so aid will simply be defined for DAC as DAC defines it and for China as China defines it. This distinction between DAC and Chinese definitions mirrors a highly politicized aid discussion. The DAC have for a long time had monopoly on saying what aid is, but this is questioned and discussed as new donors enter the aid scene with a somewhat different philosophy as to what

³ Concessional terms: Terms for a loan that is more favorable to the borrower than for loans available through standard financial markets (Todaro-Smith, 2011:698).

aid is. This discussion is avoided by allowing each actor to define aid for themselves.

1.1.3 Disposition

The introductory chapter is followed by a theoretical discussion about the motivations behind aid. An outline of Chinese aid to Africa is drawn, to be followed by an overview of DAC aid and its development in Africa. This is analysed and summarised to be further examined in the chapter dedicated to Zambia. In the last and final chapter a short summary of the findings is presented alongside with the conclusion.

2 Theoretic Framework

The motivation behind developing aid varies between donors, and is a contested topic within the research community. Most commonly, countries themselves claim that aid is given out of solidarity and altruism, the goal being promoting economic development and welfare for the recipient (Mahmoud, 2007:48). However, when researchers look at what actually guides countries' aid allocation, a different image emerges. It seems like countries give aid to boost their own economic growth, or simply to gain international power by increasing influence abroad. These contradictory explanations are presented below along with a short description as to how they would apply on the case of DAC-donors.

2.1 Why Countries Give Aid

In 1993 David Halloran Lumsdaine argued that countries essentially give aid because it is moral to do so. He showed how several DAC countries moved away from using aid as leverage in donor-recipient relationships, instead giving more aid to the poorest countries whilst decreasing conditionalities. Lumsdaine concludes that humanitarian and egalitarian principles are what actually motivate countries to give aid. (Hodgen Thomson, 1995:242f).

Despite being a vivid part of donors' rhetoric's, Lumsdains theories are very rarely advocated by researchers (Collier and Dollar, 2001:2). Instead, a much more accepted notion is that countries primarily give aid because it is within their political or economic self-interest to do so (Todaro, 2011:700). David Dollar and Alberto Alesina claims that aid is mostly allocated to countries where donors have strong economic or political interests. This can mean donor countries donate to their former colonies, as in the case of France, or to allies, as in the case of the US.

As for economic motivations to aid, it can be understood as a way for donor countries to promote national companies or expand export markets by boosting foreign economy. Furthermore, loans, albeit concessional, are not grants. They are ultimately a source of income for donor countries. Poor countries may not be able to loan to market rates, and concessional loans are therefore an important source of capital to be used for development. However, donor countries still make a profit of these loans as developing

countries pay interest. Aid can also be tied, or concessional, e.g. making recipients liberalize import markets which makes it easier for donor country firms to compete there (Todaro-Smith, 2011:701ff). On occasion, aid even ends up in the pockets of donor countries firms, studies shows that up to 80% of US aid ultimately went to US companies (Mahmoud, 2007:56).

Political strategies may be just as important as economical ones (Todaro,2011:701). This school of thought can be exemplified by the aid situation during the cold war, where large countries, very clearly used aid as an instrument of political power. The US and Soviet both “bought” recipient countries’ loyalties with aid money, securing prime materials as well as military allies (Odén, 2006: 141). Dag Ehrenpreis states that the fall of the Berlin wall made it more difficult for the OECD countries to motivate aid to poor countries as their loyalty no longer needed to be secured by aid, showing how important these political motivators of aid are (1994:19).

2.2 Self-interest and Aid

Even if countries primarily give aid to serve their own interest it can still be justified to focus aid on non-economic sectors, such as democracy, governance, human rights and anti-corruption.

To have any of the desired effects of aid, it needs to be effective, otherwise it is difficult to gain loyalties or promote domestic economic interests. Good governance is generally considered to increase the chances for aid to be efficient (Collier - Dollar, 2001:1798ff). Dollar and Burnside (1997) even argues aid is beneficial for countries that adapt appropriate and stable policies, and if they do not, the aid is wasted. A high level of democracy makes it more probable that the poor can influence, and take part of, the inflow of investment from abroad. The state also plays a crucial role in making private sector growth possible by keeping a macroeconomic balance and by protecting private ownership and rule of law (Ehrenpreis, 1995:22). Furthermore, corruption undermines efficient and accountable institutions, and holds back economic growth, but it also divert resources away from projects and activities that reduce poverty (OECD⁸, 2012:1). Further, corruption means donors cannot trust that their money is coming to good use, meaning they feel they have to increase control over aid, which in turn makes aid less effective. Therefore, anti-corruption work is an important part of making aid effective (OECD⁷, 2006:8). This implies that promoting good governance not only is a way for western countries to spread norms and make developing countries adapt to their policies, but also is an important step towards economic growth and a more equal distribution of assets.

However, democracy, human rights, and anti-corruption must be weighed against recipient countries right to self-determination. It is no longer acceptable for rich countries to dictate how aid recipients should handle their internal affairs. Further, numerous studies have shown how untied aid is far more efficient than conditional aid. (Todaro – Smith, 2011:646). This balance between a desire to respect the right of self-determination, norm spreading and need for instant poverty release is reflected in how countries allocate aid. To make matters even more complex, trade and the private sector are key forces for economic growth and development, meaning they should also receive a share of the collected aid (Ehrenpreis, 1995:22). Hence, aid to private sector and trade promotion and donor and recipients can be good for the recipient, and does not necessarily suggest purely selfish donor-motifs.

Furthermore, the claim that harmonized aid is more efficient aid can support the notion that growing Chinese aid should have some impact on DAC aid. According to the DAC, donors should work together and complement each other in order to be more efficient.

Looking at aid from a realist perspective, where countries act in self-interest, democratic aid can be justified as a way to increase influence. By giving aid to strengthen democracy, you also get an indirect influence over the democratic system. Parallel to how economic aid give economic influence, political aid gives political influence (Dunne and Schmidt, 2008:93). Further, if countries perceive that China is playing an increasing role in the field of economic aid, democratic aid can be a way of growing influence in the region.

Regardless of whether the motif for aid is selfish, it still needs to be efficient to yield these desired results. This could mean it is in a country's best interest to promote human rights, good governance, democracy, and anti-corruption in a recipient country as it both promotes a better long time trade climate, but also gives the donor increased possibilities to affect its national policy through international democratic institutions.

2.3 Hypothesis

This thesis not directly aimed at investigating why countries give aid, but rather what changes the pattern of aid donation by sectors. However, the two are closely related. If countries give aid because of strategic reasons, changes in their political or economic sphere will probably cause a change in aid allocation. In the continuation of this thesis, aid focused on democracy, anti-corruption, or human rights, will be investigated as it is a category of aid that clearly sets the DAC donors apart from Chinese aid. If Chinese aid is working to disrupt development within these areas, or at least

is ignored by Chinese aid, it is expected that DAC countries would put a larger focus on aid directed towards these areas. Even though work on human rights and anti-corruption risks to cause friction with recipient countries, these areas poses as an opportunity for traditional donors to gain political influence. Also, in the light of aid effectiveness, as is discussed in later chapters, if China is a disruptive force in terms of good governance, DAC countries would have to raise focus on that in order to counterbalance the Chinese influence.

The continuation of this study is dedicated to investigating more closely at why China can be expected to affect DAC countries work, in order to draw a conclusion on whether this change has occurred or not.

3 Chinese aid

The last decade has been a dynamic one, with an increasing Chinese influence and economic crises in most of the DAC-countries. The following chapter is aimed at showing what Chinese aid looks like in order to give an analysis of how this may have affected traditional donors.

3.1 Chinese Aid Characteristics

In recent years South-South cooperation has increased dramatically, and China is the most prominent of these southern donors. (Mahmoud, 2007:2). However, cooperation between developing countries is not a new phenomenon, and Chinese aid dates back to the 1950's (Mahmoud, 2007:85ff). As early as the 1980's, Deng Xiaoping formulated a principle of mutual benefit between them as donors and the recipients of their aid. Until relatively recently, Chinese aid was focused on a few resource rich countries like Algeria and Nigeria, but has now expanded to almost all African countries (The Economist, 2013).

Chinese aid is generally more pragmatic than traditional donor aid. It generally focuses on immediate issues such as health care, agriculture, education, energy issues, and trade⁴ (UN¹, 2013). Chinese aid also has a very strong policy of non-interference, which contrasts to the relatively high amount of tied aid from DAC donors. (Mahmoud, 2007:83ff). An expression of this policy of non-interference was the initiation of the Forum on China-African Cooperation (FOCAC), where Chinese and African leaders met to draw directions for a deepening collaboration. The conference was aimed at promoting “equal negotiations, enhancing understanding, increasing consensus, strengthening friendship and promoting cooperation”. Connections between Chinese and African leaders have intensified at all levels following the conference (Mahmoud 2007:118f). However, China's policy of non-interference also means they tend to ignore issues central in traditional Western aid, such as democracy, gender, participation, and the

⁴ An example of this are the 100 schools, 30 hospitals, 30 anti-malaria centers and 20 agricultural technology demonstration centers that was announced to be built with Chinese help 2012 at the Forum on China-Africa Cooperation (UN¹, 2013).

environment, which are more central issues amongst traditional donors (Mahmoud, 2007:83ff).

China offers all developing countries, with which they have diplomatic relations, some sort of grant or zero-interest loans. Eximbank, the Chinese export credit agency, offers concessional foreign aid loans to credit worthy countries or bankable projects⁵ to less creditworthy countries (Bräutigam, 2009: 277–281). Chinese descriptions of their concessional loans emphasize the similarities with ODA. The objective of these loans is to ‘promote economic development and improve living standards in developing countries,’ and to ‘boost economic cooperation between developing countries and China.’ These projects are also supposed to have social benefits (Bräutigam, 2009: 27ff). Further, China includes military aid and loans to support Chinese joint venture investments in their external assistance, something that would not qualify as ODA.

China competing in the trade sector with relatively low salaries, are also very competitive in the aid sector. In West Africa, for example, it is not uncommon to find western water engineers that cost nine times that of a Chinese water engineer (Mahmoud, 2007: 83). This means recipients can buy more with the aid and concessional loans they receive from China.

3.1.1 The Size of Chinese Aid

Chinese aid is very opaque, and there is generally a lot of confusion between what is an actual aid project, an on-going negotiation, or even pure investments, which makes it problematic to make a reliable estimation of the size of Chinese aid (Bräutigam, 2013). Numbers mentioned by researchers and governments vary a great deal, therefore, all numbers mentioned here should be taken with caution.

In 2005 aid from China was estimated to make up between 1.5% to 8% of total ODA offered by DAC members (Lee, 2012:978). The relatively new, and somewhat contested, database Aid Data claims China has directed about 75 billion to Africa in development financing. According to researcher Deborah Bräutigam is a vastly overstated number as she points to numerous errors in the data collection where discussions about deals are filed as actual aid donation and some cases where the actual transfer of funds were about a hundredth of the amount filed in the database (Aid data; Bräutigam 2013). According to my own estimates of the Aid Data database, Chinese ODA like commitments to Africa South of Sahara amounts to 5,7 billion USD between 2000 and 2011 (which is about half of the calculated

⁵ Bankable project = a project that lenders are willing to finance because it has a positive outlook (www.eib.org)

ODA like commitments made by China). This can be compared to total DAC ODA that amounts to 264 billion USD since 2002 (OECD⁴). However, considering how many of the sources are considered unreliable (by Aid Data themselves) and the heavy critique of the database, these numbers should be taken with a large pinch of salt.

Chinese aid is sometimes difficult to separate from FDI, and the two are often somehow connected. Africa South of Sahara is also a relatively popular destination for Chinese FDI. In 2010, Chen Deming said Chinese FDI to Africa was 14.7 billion, but at the same time a Chinese ambassador in South Africa claimed that it was more than 40 billion. (Economist, 2011²) Acclaimed researcher Deborah Bräutigam reports on official Chinese figures of trade with Africa as a whole for somewhere around 16 billion USD for 2012, which she judges is a slight underestimation (Bräutigam, 2013²).

Despite the lack of reliable numbers, there is a consensus that Chinese aid has increased since the turn of the millennia, and that, today, China is an important power in Africa.

3.1.2 China as a Development Partner

There is a large recent debate on whether Chinese aid is beneficial for African countries. There is a, predominately Western, concern about if China's policy of non-interference undermines Western efforts to promote political and economic reform (Negi, 2008). Not everyone agrees though. The Economist claims that African democracy has not been damaged by Chinese presence, and the Chinese governments' lack of concern about human rights abuses or democratic development has not, per se, undermined democratic institutions. The fact that the Chinese government has given support to both dictators and their opposition supports this argument (Economist, 2013). Furthermore, Chinese involvement in the region means a much-needed influx of investment which helps boost economic development.

Official conditionalities in the shape of institutional reform or democratization, are absent in the case of Chinese aid, but there are sometimes economic conditionalities tied to the development assistance. There have, for example, been reports of Chinese demands of hiring only Chinese labour in development projects in Angola and Ghana. However, in numerous cases almost exclusively locals are being hired (Tan-Mullins et. al, 2010:876). The Economist reports that most of Chinese aid is given under the condition that recipients spend their aid buying goods and services from Chinese companies (Economist, 2011²). This however, is far from an exclusive Chinese practice; it is very common amongst all donors, traditional as well as new ones.

It is also frequently discussed whether China is taking advantage of African countries, by securing access to prime materials whilst drowning the African market in cheap goods, harming domestic production. This particular issue is reoccurring in the critique of Chinese aid, as a lot of the Chinese aid is somehow trade related (Tan-Mullins et al. 2010:857ff).

There is also a concern coming from Western scholars and policymakers about corruption trailing behind Chinese aid (Bräutigam, 2010:15). Transparency International places China as the second worst bribe payer when investing abroad, out of the 28 biggest economies in the world. However, China passed a law in 2011 making it illegal for Chinese companies to pay bribes abroad, which, albeit somewhat late, can be seen as China taking steps towards accountability abroad (Transparency², 2011). This does not mean that the Chinese state itself pays bribes, but by so intensively promoting domestic companies in Africa it may also implicitly introduce new corrupted actors on the continent.

In short, Chinese aid has a lot in common with traditional aid as it may seem at a first glance. A lot of good is done thanks to Chinese development assistance. However, the lack of interest in democracy, human rights and functioning governmental institutions is evident, and illustrates a difference in focus from traditional donors.

3.2 China's Effect on DAC

Apart from the fact that China does not contribute to traditional donors work on democracy and governance, why would DAC countries adapt their policies because of China's aid? Well, not only does China have a different focal point in aid, but there also seems to be a concern of a power shift, from the North, to the South.

There is a widespread, mainly Western, concern about China's growing international role in politics and economics. This concern is particularly high in regards to Africa. Media, NGOs, researchers, and governments send out warnings about how China's impact in Africa is negative (Mahmoud, 2007:120). British Prime Minister David Cameron has named China's increased presence in Africa as an "invasion" that harms stability, investment, and growth (Daily Mail, 2011). Hilary Clinton also stated that China may be neo-colonialist as they do not always meet international standards of transparency and good governance when it comes to aid (Hairong-Sautman, 2013:132). Clinton also stated, in 2012, that "America will stand up for democracy and universal human rights even when it might be easier to look the other way and keep the resources flowing". This, however, is only one example of US critique of China taking advantage of African countries whilst ignoring democratic development (The Guardian,

2012). Critique of Chinese aid often touches on China's lack of respect for human rights, democracy, and the type of good governance standards traditional donors promote (Mahmoud, 2007: 120 – UN²). As leaders of prominent DAC donors are reacting like this there are reasons to expect they would change their aid policies.

It is not only politicians that stay weary of Chinese involvement in Africa. Moisés Naím, at the time editor in chief of Foreign Policy, writes about “toxic aid” from China. Naím claims Chinese aid is undermining traditional donors work by its competitive, non-conditional aid. He goes as far as calling it harmful, non-democratic, and corruption fostering (2007:96). This is also part of a general trend where the focus of Western scholars have moved focus; from the political motivations of Chinese aid in Africa, to economic motivators (Mahmoud, 2007:110).

Not all critique of China is valid, and much of it is based on misconceptions. For example, researchers like Deborah Bräutigam, claim that there is no evidence of the Chinese practice to use official foreign assistance budget to gain access natural resources (Bräutigam, 2009: 277–281). Also, when accusing China of being a harmful donor as they collaborate with undemocratic regimes, one might want to keep in mind that the biggest lenders to said regimes still are Western commercial banks. The US and Europe are continuously selling large volumes of weapons to autocracies in Africa, making them just as bad, or worse than their Chinese counterpart (Hairong-Sautman, 2013:133).

It is not entirely clear what the effect of Chinese aid is, but it is clear that it does have an impact on Africa, which means DAC countries can be expected to react in some way. Either to counterweight this seemingly harmful type of aid to ensure that good governance practice is not forgotten in African countries, or to compete with Chinese aid to make sure political or economic influence is not lost.

Also, as mentioned in the theoretic part of the thesis, resources are sometimes a driving part of development collaborations. For DAC countries, the entrance of China on the world market as well as on the aid scene is therefore a cause of concern. Increased Chinese influence may cause competition between the West and China. As Michael Battle, US ambassador to the African Union said: “if we don’t invest on the African continent now, we will find China and India have absorbed its resources without us” (Hairong-Sautman, 2013:132).

In 2006 Ali Zafar, a Macroeconomist at the World bank, wrote that “the ascent of China will influence the dynamics of Western aid to the continent and alter the landscape of development assistance. New working mechanisms between the lenders will have to be crafted. Moreover, the traditional donors and international financial institutions will have to work creatively to bring the Chinese into the broader development platform.” (Zafar, 2007:126).

4 DAC Aid

In order to shed some light on how DAC aid has changed, a description of their common goals and major areas of focus is presented below. This is followed by some data of how aid by sector has changed over time.

4.1 DAC Official goals of aid

The DAC-countries have worked with aid for decades, and their view of what the important elements of aid are, have inevitably changed over time. To add to this, DAC countries and their policies are very heterogeneous. The US is for example known to have directed a large share of its aid to areas that concern their national security, France works to promote and preserve French culture in its former colonies and Japan commonly tie demands of recipients purchasing Japanese goods or services to their aid. However, a common factor for most of the traditional donors is been to lift the importance of democracy, human rights, participation and environment issues (Odén, 2006:33f). Countries also agree that aid should be efficient, which is why several declarations on aid effectiveness have been prepared and signed regarding good governance (OECD¹¹). The DAC countries claim that poverty reduction is, and should continue to be the main goals of aid (OECD¹²). They have simultaneously worked on a number of guidelines for aid, through forming a “best practice”. It is stated in these guidelines that democracy, good governance and low levels of corruption are essential to poverty reduction (Ljunggren, 1995:46).

In 2000, the UN agreed on the Millennium Development Goals⁶, which since then have been an important determinant for DAC aid work (Mahmoud, 2007:51). The DAC countries have since signed a number of agreements that can help clear their positions on aid. The Paris declaration,

⁶ The Millennium Goals are: Eradicating extreme poverty and hunger; Achieving universal primary education; Promoting gender equality and empowering women; reducing child mortality rates; improving maternal health; combating HIV/AIDS, malaria, and other diseases; ensuring environmental sustainability, and developing a global partnership for development (www.un.org)

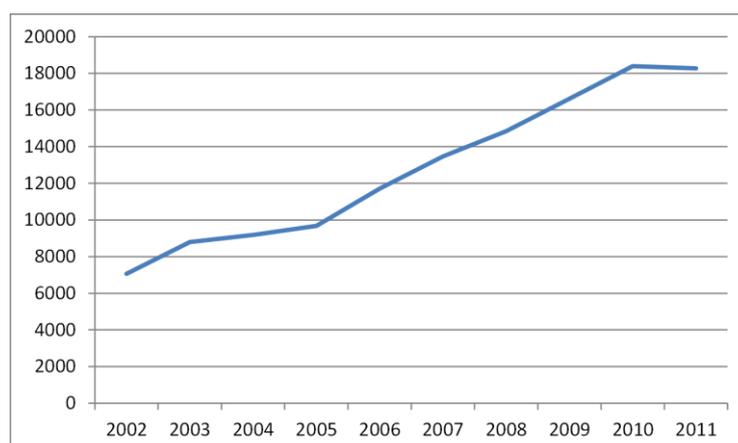
signed in 2006, clearly states that it is desirable to avoid intrusive conditionalities, that is, the practice of donor countries interfering in recipients national politics in exchange for aid. Corruption and transparency, as well as failing recipient country institutions are also lifted as important (OECD⁷, 2006:4ff; OECD⁹). Furthermore, DAC claims to focus on good governance, human rights and democracy. Work on these issues should not be carried out through conditionalities, but rather by helping governments by assessments, strengthening of both institutions and NGOs (OECD¹⁰).

In 2005, The OECD, and DAC, started the “Aid for Trade” program illustrating a stronger focus on the importance of trade for economic development. The initiative is aimed at helping developing countries overcome obstacles to trade and development and has been important to trade becoming a development strategy priority (OECD³). It is also important to keep in mind that aid that supports economic growth indirectly can promote democratization as a number of studies have shown that higher income levels may lead to a more democratic government (Falk, 1995:137).

In recent years, DAC countries have strived to increase collaboration with other donors, and especially China. In 2009 the China-DAC study group was established in order to promote growth and increases poverty reduction in developing countries. The group serves as a means of communication between donors. The group highlights that good governance stable democracy are crucial aspects of African development (OECD¹³, 2011).

To summarize, the DAC as a whole has many explicit result-oriented goals where economic development is the most prominent. However, softer, non-economic goals such as good governance, human rights and anti-corruption still take an important place in their collective aid agenda. Without further investigating individual countries policies this can be taken as evidence that these topics are important for DAC countries in general as they have all agreed on a more harmonized aid policy, which includes working towards common goals. Also, the important Paris declaration emphasizes on the importance of good governance, and since all DAC countries signed it they are assumed to agree with that statement.

Figure 1 DAC Aid to Africa South of Sahara
Gross ODA Disbursements in Constant Prices 2011
USD¹



Source: OECD⁵

ODA and other official flows to Africa South of Sahara have increased in absolute numbers since the 2000's (Mahmoud, 2007:58f). This is illustrated by the figure above of gross ODA disbursements (OECD⁴). Aid share of total DAC GDP has also increased since 2000, from about 0.23% in 2002 to 0.3% in 2011(Aidflows.org).

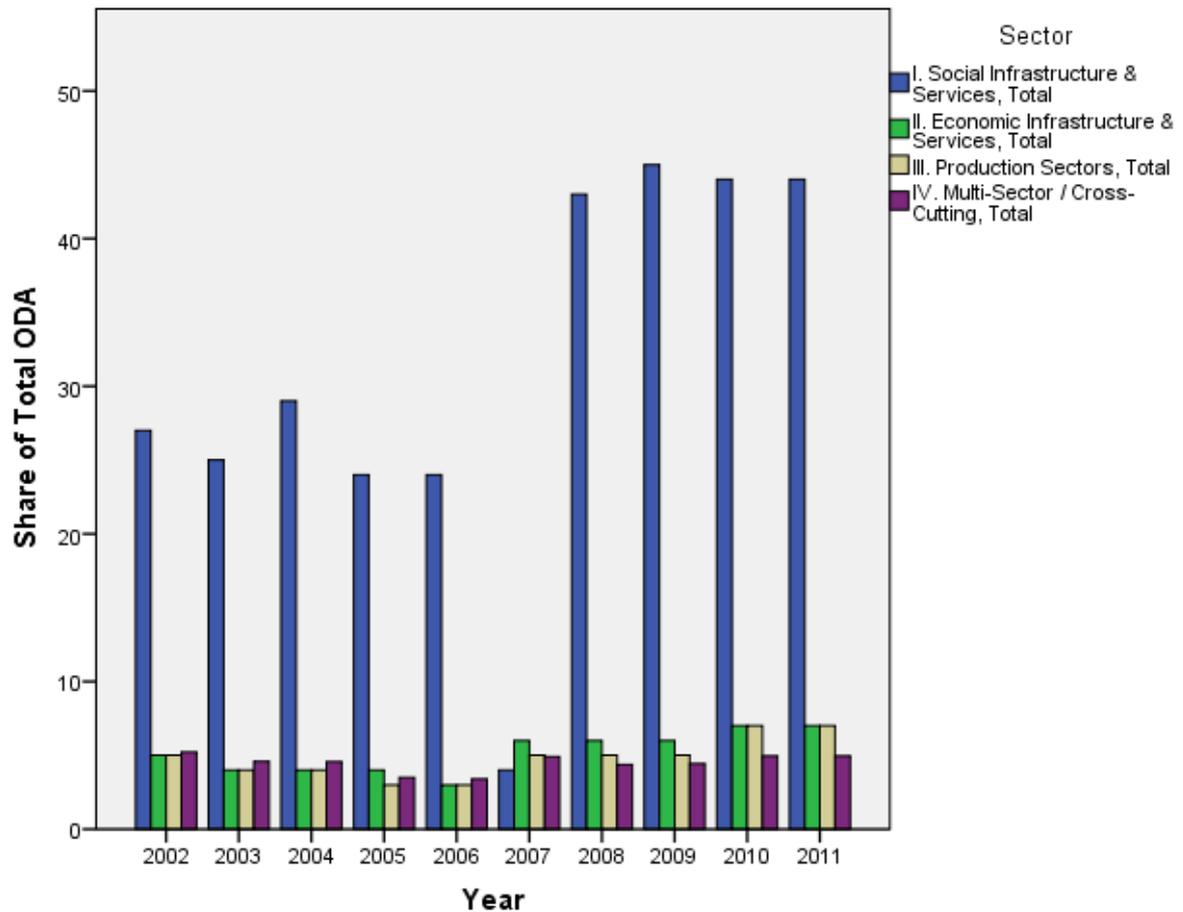
DAC only keeps statistics over aid per sector and recipient country from 2002, making the timespan a slight bit shorter than would be ideal. The following statistics still gives an image of the distribution of aid classified as "allocable⁷". These sectors, or main purpose categories (e.g. health or education) defines the main categories which an activity intends to foster. These sector classifications includes a number of sub-categories that are not allocable by sector; general budget support; debt relief; humanitarian aid, emergency assistance; food aid; support to non-governmental organisations and administrative costs (OECD⁵)

The share of aid directed to work on improving governance⁸ seem to have increased, from 5-6 percent of total ODA in the first half of the decade to 8-9 percent during the second half of the period (OECD⁵, authors calculations). This indicates that governance, democracy and anti-corruption work has become increasingly important since China increased its aid.

⁷ Category I includes aid to Education, Health, Sanitation, Governance, Human Rights, Anti-Corruption, Gender equality. Category II includes aid to road and rail transport, Energy, Banking and Financial services, and Privatization. Category III includes aid to Agriculture, Mining, Construction, and Trade policy and regulations.

⁸ The category of Government and Civil society includes work on Public Sector Management and Administration Management, Public Finance Management, Decentralization and Support to Sub national Government, Anti-corruption Organisations and Institutions, Legal and Judicial Development, Democratic Participation and Civil Society, Elections, Legislators and Political Parties, Media and Free Flow of Information, Human Rights, and Women's Equality Institutions and Organizations.

Figure 2 Sector Share of Total ODA Allocable



Source: OECD⁵

The figure above shows that Social Infrastructure and Services have become increasingly compared to the other three categories. All have grown though, with the exception of 2007 where the allocable sectors lost shares to other categories, mainly that of costs for internal refugees that is not included in the figure (see Appendix A). Appendix B shows a table of the changes by all sectors, including budget support, humanitarian aid and administrative costs of aid. In order to examine how DAC-work has changed by regards to the sectors of governance, anti-corruption, and human rights further the components of sector I are compared to the total ODA given, showing how the share of aid to these three sectors have changed over time.

Table 1 ODA to South of Sahara in Millions USD
Constant Prices

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total All Sectors	16583	23375	21978	28196	36108	24233	25539	27212	29056	31888
I. Social Infrastructure & Services	4547	5917	6438	6839	8497	9578	10955	12304	12864	12615
I.1. Education	1434	1981	2000	1784	2081	2588	2439	2877	2911	2232
I.2. Health	869	1049	1063	1205	1449	1342	1553	1879	1988	2156
I.3. Population Pol./Program	480	778	1100	1187	1657	2112	3055	3543	3613	3845
I.4. Water Supply & Sanitation	353	406	454	525	664	646	752	788	924	1065
I.5. Government & Civil Society	1052	1301	1388	1631	1979	2176	2408	2581	2749	2603
I.6. Other Social Infrastructure	358	400	430	504	664	711	747	636	676	711

Source: OECD⁵

As is evident from the table above, as well as the figure in Appendix C, there has been an absolute increase in aid directed to government and civil society programmes, from 2002 aid increased with 147%. Aid to government and civil society therefore seem to have become more important for DAC-countries since 2002. It also continues being relatively important in comparison to other sectors like health and water. An important explanation to this is that the amount of untied DAC-aid has gone up during this period, from 42% in 2001 to 82% in 2007 (OECD¹⁴). This however, does not take technical assistance and food aid into account, which makes the real percentage of untied aid somewhat lower than this (Musakwa, 2013). However, there is still a trend towards untying aid, which implies that traditional donors lose a portion of influence over developing countries. Slowly phasing out conditionalities mean that old democracies, if they want to encourage a democratization or a certain political development need to find new ways. This then, creates a good explanation to why countries seem to invest increasing amounts in sectors promoting political change.

5 Analysis

It is inherently problematic to answer the question on whether the increase in Chinese aid has changed DAC aid. It is problematic because of the uncertainties involved with determining causality; the ways in which DAC could be expected to move because of Chinese aid also is the way DAC has decided to change seemingly on their own accord. It is also difficult because of the lack of information about aid on sector-level, and last but not least, difficult because the heterogeneous group of DAC donors are not really stating why they are changing their priorities.

However, it seems clear that OECD and DAC countries have been forced to take China into account, now more than ever. This is evident in the new forms of collaboration between the OECD/DAC and BRIC countries that have been initiated, and the sole fact that there is a DAC-China study group indicates that China, in particular, is a political force that needs to be taken into consideration.

Despite the discourse on harmful Chinese aid, it does have similarities with DAC aid. The DAC continuously discusses the importance of economic growth in order to reduce poverty in Africa South of Sahara. This can be done by means of investments in infrastructure, agriculture and the private sector, just as China is doing. The difference in this type of aid seems to lie more in the way that the aid work is executed. Whereas DAC tries to make its members give aid in the most transparent way possible to hinder corruption, information on Chinese aid is very inaccessible.

On top of this is conditionality, DAC countries still tie aid to political reform to promote good governance and democracy to some extent. This is a highly contested practice, it risks to supersede national self-determination and it is not at all certain that DAC countries knows best when it comes to national policy in developing countries. China on the other hand renounces this practise, which may lessen incentives for African states to deepen their democratic development.

Another reason for action is that Chinese aid is not directed to projects regarding human rights, good governance, democracy or anti-corruption work, which may mean they fall behind on the list of priorities which means development within these areas are not as efficient as it could be.

With this background, it is reasonable to assume DAC-countries would focus more on aid dealing with the subjects that Chinese aid does not, both in order to make sure these questions do not lose priority and that the

development does not lose momentum, but also in order to assert their political power in the region. Chinese aid is more appealing thanks to its lack of conditionality and workers and experts are cheaper than those of traditional donors. Furthermore, China offers a great market potential for many African countries in terms of food and mining exports. So, it would make sense for DAC-donors to focus on something they do actually know more about than China, namely democracy and human rights. Because, regardless what the motivation for aid is, donors want to have an impact on the countries they work in.

It does seem to be a weak trend of DAC countries moving Governance and Democracy up on the agenda, over time. This could be because it has become part of the political discourse that development within these fields are necessary for economic development; but it can also be a sign of DAC countries adapting to Chinese aid, trying to counterweight it and asserting their political power. To investigate further, and in more depth, the illustrative case of Zambia is presented below.

6 Zambia

Overall China as a donor in Zambia cannot be ignored
– Martyn Davies (2008:48).

As one of the largest recipients of Chinese aid, Zambia is an interesting case for showing the effects of DAC aid of the increased donations from China. Chinas involvement in the Zambia has also been studied by numerous Western scholars since the mid-2000s, indicating that there is an important on-going development collaboration between the two (Hairong-Sautman, 2013:1).

The Zambian economy is heavily dependent on its copper resources; about 60 per cent of their export revenue comes from this single commodity (CIA, 2013). As of 2012, Switzerland is the single most important export partner of Zambia, China came in second, standing for approximately 20 per cent of total Zambian exports. (Trading Economics, 2013).

Zambia has been a democracy since 1991, and is classified as “partly free” by the Freedom House index (CIA Fact book – Freedom House, 2012). Human rights conventions are ratified but not incorporated into domestic legislation. A US report on human rights accounts for serious human rights violations by means of abusive security forces, unlawful killings, torture and restrictions on freedom of speech, assembly, and association (Bureau of Human Rights, Democracy and Labour, 2012:4). NGOs have been able to operate relatively freely during the first half of the 2000s, but in 2009 a new legislation was brought on, making work more difficult for them (Freedom House, 2013). Zambia is a country plagued by corruption. In 2012 it ranked as 88 out of 176 countries in Transparency Internationals index, scoring well below the global average. Ever since Transparency International started measuring corruption, Zambia has placed itself relatively high on the list of the most corrupt countries (Transparency International, 2012)

Despite of Zambias natural resources, more than 60 per cent of the population lives under the poverty line, and in spite of recent years economic growth, the trend of unemployment and poverty does not seem to break. Zambia was classified a middle income country in 2011 despite having 80% of rural population living in extreme poverty, which indicates a skewed income distribution (OECD¹¹). Zambia also has a very low HDI, scoring below the average of Sub Saharan Africa even though there has been an improvement over the last few years (UNDP, 2013).

Zambia is heavily dependent on aid. In 2009 no less than 20% of the annual budget came from foreign donors, this share is decreasing, but improvement is relatively slow (Afrodad, 2012- OECD, 2011c: 14). This means changes in donor behaviour can be expected to have great impact on the country.

6.1 Zambia and China

The first high-profile Chinese aid project in Zambia was created as early as the 1970. The TAZARA railway between Tanzania and Zambia, a huge investment in infrastructure, marked the beginning of Chinese presence in the region. Today the railway is scarcely used, run down, and a source for up to 700 million in debt for maintenance to the Tanzanian and Zambian government. (French, 2010:3).

In 1998, Zambia started deepening its collaboration with China once again as the Chinese made a 100 million USD investment in the copper mines there, for commercial purposes. China has since then increased its presence in Zambia by a remarkable pace just as it has in so many other African countries. (French, 2010:3). According to Davies, China provided about 240 million USD in aid to Zambia between 2000 and 2007. These numbers may be slightly skewed since they are based on interviews and newspaper articles, but can still be compared to the 372 million USD Zambia received from China between 1967, and 1996, showing on a remarkable increase in monetary flows (Davies, 2008:45ff). According to a report from the Zambian Finance and National Planning China moved from number 17 to 12 on the list of biggest donors to Zambia from 2006 to 2009. China also accounted for no less than 35% of the loans Zambia received (OECD, 2011c:14). Not only is Chinese aid in Zambia picked up considerably after the year 2000, but also that China is a considerable aid donor in the country (albeit still much smaller than the Paris club donors.). The OECD report also states that the emergence of new donors, such as the BRIC has affected the aid architecture in Zambia since 2005. Its real impact though, is problematic to measure as Chinese aid often is off-budget, i.e. not disbursed through government systems (OECD, 2011c:4)

The vast majority of Chinese donations are aimed directed towards economic projects involving China, or is aimed at promoting Chinese companies. Therefore, to track some of the consequences of Chinese aid, we have to look at what is happening in the private sector. Foreign direct investment from China to Zambia has increased from 100 million USD in 2000 to 2.8 billion in 2012, and China is now amongst the top three FDI providers in Zambia. This makes Zambia the third largest recipient of

Chinese FDI in the world which is generally explained by Zambia's great production of copper (Redvers, 2011).

At the symbolically important 2006 FOCAC meeting, China proclaimed a \$3 million debt write-off, and promised to build hospitals, schools and anti-malaria centres in Zambia. President Hu Jintao's also signed a joint communiqué where both countries agreed that cooperation would focus on infrastructure, agriculture, mining and human resources development and expanded cooperation in culture, education, health, tourism and aviation. They also agreed to establish yet another Special Economic Zone (SEZ) the following year (Davies, 2008).

China's first SEZ was established in copper rich Chambishi region in the year 2000. Firms located in the zone get duty waivers and tax reduction in order to promote investment and economic growth. Over the years more SEZs were established, and in 2007 after the FOCAC meeting, China committed to provide 800 million USD worth of investment credit for Chinese companies in the newly established region⁹ (Davies, 2008).

Beijing supports Chinese companies' investments in the mineral, agricultural, manufacturing sectors, and has continues meetings with Zambian leaders to promote more favourable conditions for Chinese businesses in the country. At the same time, social responsibility is encouraged in order to promote Zambian development (China Daily, 2013) Generally, Chinese investment in Zambia has been focused on mining precious metals rather than development. However, some aid is given unconditionally to Zambia, enabling the government themselves to make investments in poverty reduction projects (Afrodad , 2012:13).

5.2 Effects of Chinese Aid in Zambia

Despite the long-going collaboration between China and Zambia, Michel Sata, leader of the Patriotic Front Party, made the Chinese presence a hot election question in 2006. They argued for Zambian limitation of Chinese influence, saying it lowered Zambian wages and corrupted politicians. Sata won 28 per cent of the votes in the 2006 election and 38 per cent in the 2008 election (French, 2010:66). China reacted by threatening to break contact with Zambia if Sata and his party won, and there were numerous allegations of opaque funding to the China-friendly ruling party, MMD (Redvers, 2011). When Sata won the presidential elections in 2011 China's threat was never realized, instead ties between the two countries have become increasingly stronger. In 2013 President Sata stated that that China is an

⁹ The main investment in the zone is a 250 million USD copper smelter and in 2007 EXIM bank granted a 208 million USD concessional loan for construction of the plant infrastructure.

important partner in development that brings a large amount of jobs to Zambia (China Daily).

An OECD report from 2012 lifts the question of corruption as it reports that China has used “soft loans” and “other practices” to secure contracts for copper findings. The OECD considers this a “very important” driver of corruption. There have been several allegations of China providing financing to political parties. Further, foreign business bribery is very much contributing to the Zambian corruption, especially in the mining industry, where China is particularly active. Since China is working so extensively to promote their own companies in Zambia, the government can be seen to play a role in the culture of corruption in Zambia, particularly so because of China’s hands-off policy when it comes to governance. This means China may indirectly contribute to the corruption, but not to the solution of it (OECD¹¹ p.76ff). There are indications of some of the Chinese practices promoting corruption. That does not necessarily mean that Chinese aid leads to corruption directly, but since aid and commercial interests go hand in hand, it may do so indirectly.

Zambia has reportedly asked China for help in internet surveillance and censorship equipment in 2013. Sources are anonymous and details unconfirmed, so this should be taken with caution, but this goes in line with the trend of increased intimidation and legal harassment against the country’s opposition (Freedom House²)

However, Martyn Davies reports that several government department representatives state that China is seen as a good development partner as traditional aid is not consistently provided. To fill the gap, the government turns to China for help (Davies, 2008). Yan Hairong and Barry Sautman writes that Western politicians and media have spread a negative discourse about Chinese and Zambian cooperation, particularly since the 2006 FOCAC meeting (Hairong-Sautman, 2013:131ff).

Today, China is not only a supplier of aid to Zambia, but also a stakeholder in the Zambian economy, owning mines and other businesses in communication and construction (Negi, 2008). Human Rights Watch reported about labour abuses in mines in 2011 such as unsafe working conditions, resistance to unions, disregarding to Zambian law, and lower pay than what is normal for a Zambian mine (Freedom House³).

Further, the Zambian government writes that China does not seem to be recognizing the principles of the Paris Declaration, nor are they part of the dialogue to improve aid effectiveness (OECD, 2011c:14)

6.2 AID from DAC

Zambia is a large recipient of DAC aid, about 700 million USD was transferred there in 2011. About 61% of that is contributed by the top five donors (USA, UK, Norway, Japan, and Denmark). DAC aid has increased since 2000, with the exception of 2010 where aid disbursements declined because of alleged corruption scandals which resulted in the suspension of aid to some important sectors (OECD, 2011b:1). A large portion of DAC aid to Zambia is untied but also that some non-DAC donors frequently require the use of goods and services from their respective countries when providing grants to Zambia. It is however not clear what countries they suggest use this practise frequently (OECD, 2011b:11).

A 2011 working paper shows that the three most important influences on aid relations since 2005 have been the write-off of debts from the world bank, the withholding of funds after alleged misappropriation of funds at the ministry of health, and, the rising influence of China. The influence of China is, according to the OECD, is influential since it is not a part of the aid effectiveness agenda, and because aid is mostly given in form of loans (OECD, 2011c:ix). Chinas growing influence, in combination with the fact that the world bank now is far less involved in Zambia, means that traditional donors influence relative to new ones has seen a decrease.

During the rule of President Levy Mwanawasa, some work against corruption was initiated, but corruption caught speed again in 2008 when he died. This eventually caused a number of DAC donors to suspend part of the aid donations to Zambia. President Banda responded in June 2010 by accusing donors of interfering in Zambia's internal affairs and stated "we did not ask anyone to fund the road sector or the health sector, so they must not use that as blackmail," However, donors continue supporting anti-corruption work in the country, giving assistance both to state agencies and civil society groups (Freedom House³). Furthermore, DAC donors supported the Extractive Industries Transparency Initiative in 2010, trying to make the mining sector more transparent. This is seen as a particularly important sector as there are serious concern over mineral exploitation, where prices have soared without generating very much profit trough royalties or taxation. (Freedom House⁴, 2011)

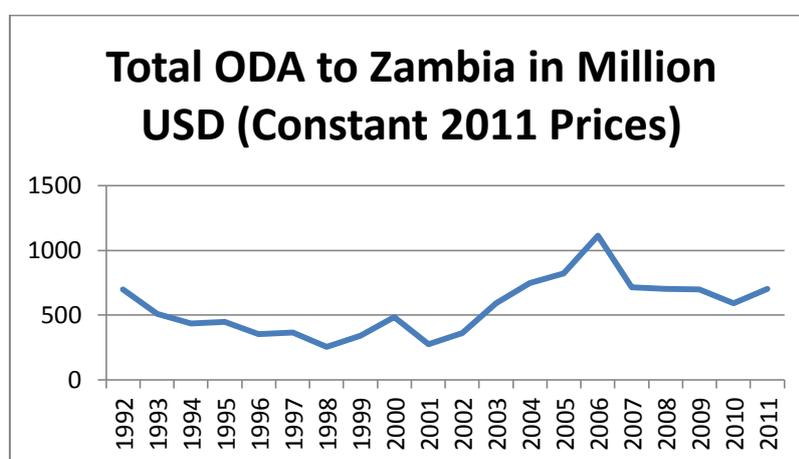
The EU as well as the British High Commission have pushed for a more extensive dialogue with China regarding Zambian aid. It is perceived that China will increasingly align itself to the global consensus on aid, especially in terms of governance (Davies, 2008).

However, it is not only Chinese aid that is criticised in Zambia, Dambisa Moyo, a London based, Zambian, economist writes about what she calls the West's "obsession with democracy" and explains how aid is truly harmful

as it encourages wasteful economic policy and prevents the middle class from growing. A middle class that is necessary for a stable democratic development. (French, 2010:4)

As illustrated in the figure below, DAC aid to Zambia was decreasing during a large part of the 1990's, a trend that was partly broken in 1999 and continued upward in the 2000's. Despite a decrease in aid during the last couple of years aid is still slightly above the levels of aid 20 years ago. DAC aid did increase in 1999, just after China made a large investment in Zambian mines and continued increasing for a large part of the 2000s. This may be an indicator of that Chinese aid affects DAC, but it could also mean that Zambia became a more interesting partner country as copper prices rose. The decrease in aid in since 2007 may partly be explained by the financial crises in the DAC countries, but also suggests that Chinese influence is not that important as Chinese aid has increased since 2000. If it were an influential factor in aid allocation DAC aid should continue increasing aid to Zambia throughout the 2000s.

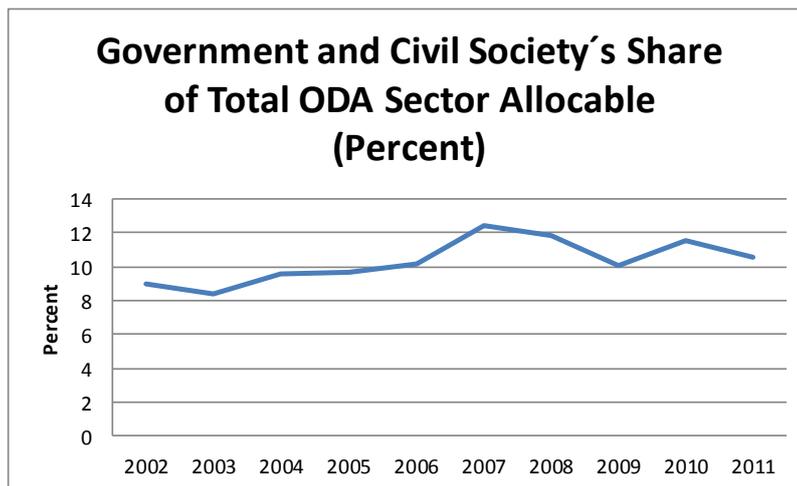
Figure 3



Source: OECD⁵

As previously mentioned, DAC data on aid by sector and country only dates back to 2002, which is slightly problematic for investigating the causality and consequences of Chinese aid. However, it does show the trend during the past ten years. Looking at the share of aid directed at Government and Civil Society projects, there is a general upward trend from 2002. Sector Allocable Aid, of which this sector is a part, has generally got an increasingly large share of ODA since 2002. ODA directed to Government and Civil Society as a part of total aid has behaved in a similar fashion to that of Allocable Aid.

Figure 4



Source: OECD⁵

The sector of Governance and Civil society contains, as previously mentioned, many categories such as infrastructure and education, but the part that has seen the largest increase since 2002 is that dealing with population. The sector that specifically deals with governance and civil society has also received more funding, it has more than doubled since 2002, from 31 to 65 million dollars, and its share of sector allocable aid has also increased. However, it does seem to have reacted as predicted, somewhat lifting focus on governance, democracy and anti-corruption. In order to draw clearer conclusions about the changes in aid, more detailed country data would be necessary.

The table of Appendix D shows how total ODA disbursements have developed over time, per sector. It is clear that sector I, Social infrastructure and Services, is a very important destination for development assistance. It has gone from making up 45% of total ODA to 65% in 2011. Support to democracy, governance, human rights and corruption fighting, are included in this category. However, as shown in the picture of Appendix F, it makes up a very modest part of aid. It is also well below the share of what Government and Civil Society receive out of aid to Africa as a whole. Instead, in Zambia aid is directed quite evenly across the Social Infrastructure and Services, with an exception of Population and Reproductive health programmes, which receives far more funding than any of the other categories. Education and health are still relatively prioritized despite the fact that they have received less substantially less funding the last two years.

In conclusion, despite the fact that aid towards governance and democracy has doubled since the beginning of the millennia, the relative share of aid directed there have increased little. The increase is still evident though, and even if its not a dramatic change, it at least shows that DAC aid has not decreased when Chinese aid has increased.

7 Conclusion

Just as in Africa South of Sahara, aid in Zambia has changed, if only modestly, to a heavier focus on governance, corruption, democracy and human rights.

Zambia is a country rich in natural resources, with a relatively stable political system, and in desperate need of investment and development assistance. This should make it an ideal country to give aid to, as there is much to win and relatively good conditions for aid to reach the intended projects.

China has had a clear influence on Zambia over the past decade, both politically and economically thanks to investment and development assistance. China has without doubt brought much good to Zambia, but its presence does not seem to be without problems. China trying to affect the outcome of a democratic election by heavy party funding and threats of aid and investment withdrawal, and corruption controversies are only one example of that.

The DAC seem to have good incentives to act to increase their influence in Zambia. Aid has certainly increased in general, and sectors supporting governance and democracy have also received more funding as Chinese influence has increased. However, its importance relative to other aid sectors have only increased marginally since the beginning of the millennia. Considering there seemed to be such good preconditions for DAC aid to exhibit a change in aid patterns in Zambia, it seems unlikely that it would show more in other places.

The small increase that has in fact happened can be explained by the common perception that China is negative for the development of good governance and democracy in Zambia. For DAC countries to avoid losing political influence, and risk their previous work to be reversed they would have to place a larger focus on these issues.

On the other hand, as China does not, at least on an official level, interfere with national policies, meaning DAC countries still operate relatively undisturbed with aid directed towards democracy, corruption, human rights and governance. This could be an explanation to why not even more attention has been given to democracy and governance in general. There are other aid sectors where China has become a viable player, and perhaps it becomes increasingly important to be strong on the type of economy developing aid that China focuses on. Focus on economy also goes hand in hand with DAC's own goals of aid, meaning there is no

certain a causation effect here, but rather a correlation between DAC countries increased focus on economy and Chinese focus on the same. Focus on economy and focus on governance are two effects that could work against each other, perhaps decreasing the viable change in DAC aid.

Furthermore, the Zambian government does not seem to always welcome DAC ideas with open arms. As the Zambian government can get assistance from an alternative source it is easier to question DAC ideals about, for example, democracy and good governance. Chinese aid, then, can be used as leverage against traditional donors, implying they are losing influence. The fact that aid continues to increase to Africa South of Sahara, as well as Zambia may not be a coincidence. Apart from filling a need amongst the world's poorest, it may also be a way for the traditional great powers to stand their ground and defend their values and interests.

In conclusion, aid promotion of democracy, good governance, human rights, and anti-corruption work has increased somewhat, both in Africa South of Sahara in general, and Zambia in particular. This means that DAC does not seem to have shifted focus completely towards aid promoting trade and economic development as China has become a stronger actor in the region. It also means governance and democracy keeps their priority in DAC aid policy. It is difficult to say that this small shift is caused entirely by Chinese aid to the region, since DACs own policy has also changed. However, looking at the new-established connections between new and old donors, it seem very probable that the aid donors would take China into consideration when making aid policies. Further, there seem to be a general caution about Chinas increased economic and political influence in the region, which could decrease old donors relative influence. If aid is given in order to gain influence, DAC would have to react for them to act in some way, and keeping or increasing aid towards sectors strengthening governance can be such a way.

To be able to draw more certain conclusions on how DAC aid is affected by China, a quantitative study would be needed. This would allow for a conclusion on whether the small change found in Zambia occurs systematically, over years and countries. It would also be interesting to investigate general trend changes in DAC aid, not only what has happened to democracy, human rights, governance and anti-corruption, but also aid connected to trade, agriculture and production.

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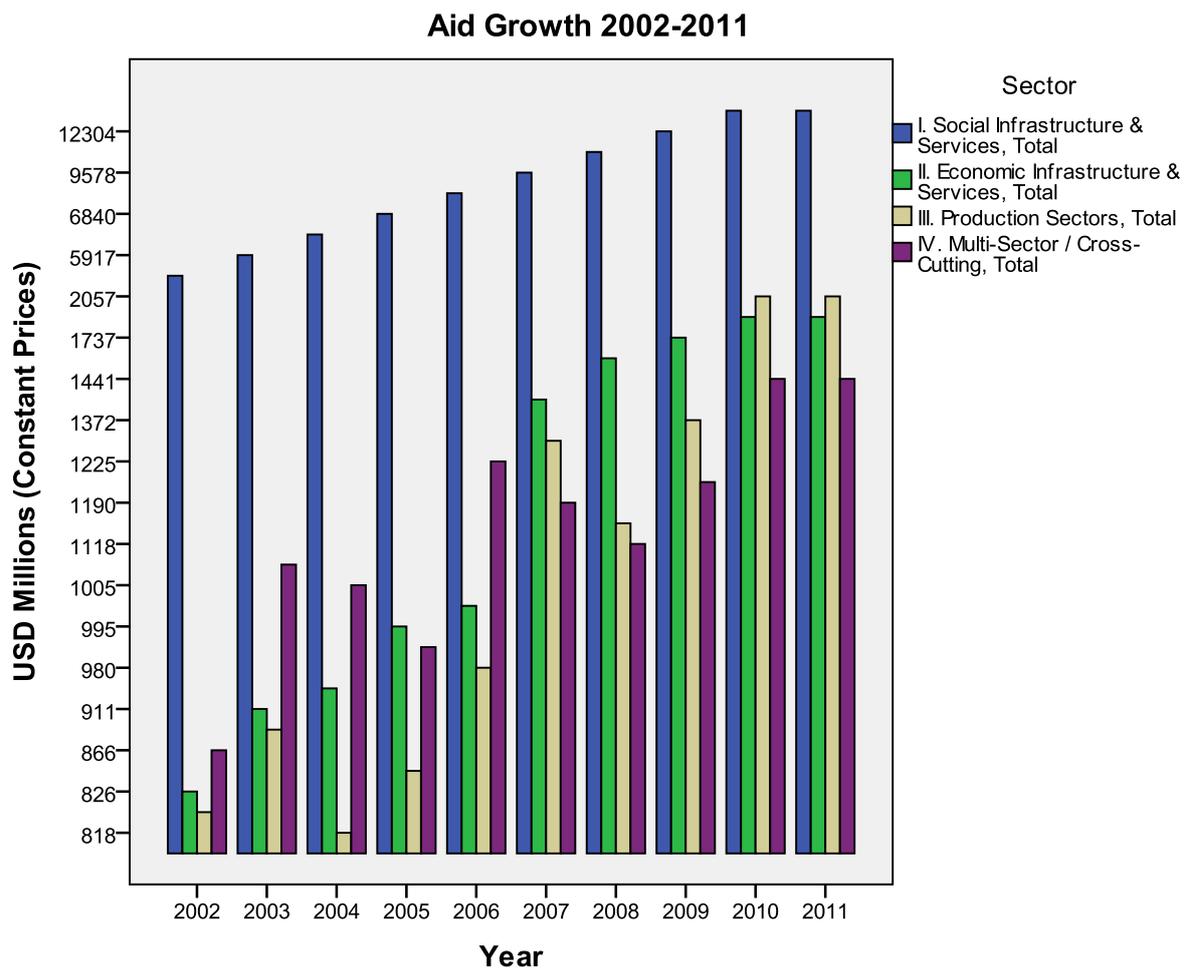
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9 Appendix

Appendix A



Source: OECD 5

Appendix B

Total ODA from DAC-Donors to Countries South of Sahara in Million Dollars

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total All Sectors	16583	23375	21978	28197	36108	24233	25540	27213	29057	29056
I. Social Infrastructure & Services, Total	4548	5917	6439	6840	8497	9578	10956	12304	12864	12864
II. Economic Infrastructure & Services, Total	826	911	926	995	1003	1431	1598	1737	2037	2037
III. Production Sectors, Total	822	898	818	855	980	1271	1172	1372	2057	2057
IV. Multi-Sector / Cross-Cutting, Total	866	1073	1005	984	1225	1190	1118	1206	1441	1441
VI. Commodity Aid / General Prog. Ass., Total	1515	1461	1480	1556	2145	2215	2680	2613	2634	2634
VII. Action Relating to Debt, Total	4780	9260	7275	11953	18212	4756	3010	3113	4013	4013
VIII. Humanitarian Aid, Total	1472	2787	2911	3805	3653	3291	4531	4457	3384	3383
IX. Administrative Costs of Donors, Total	29	35	70	88	89	94	119	130	156	155
XI. Refugees in Donor Countries, Total	162	100	372	332	74	157	189	130	162	162
XII. Unallocated / Unspecified, Total	1564	932	683	789	229	250	167	151	309	309

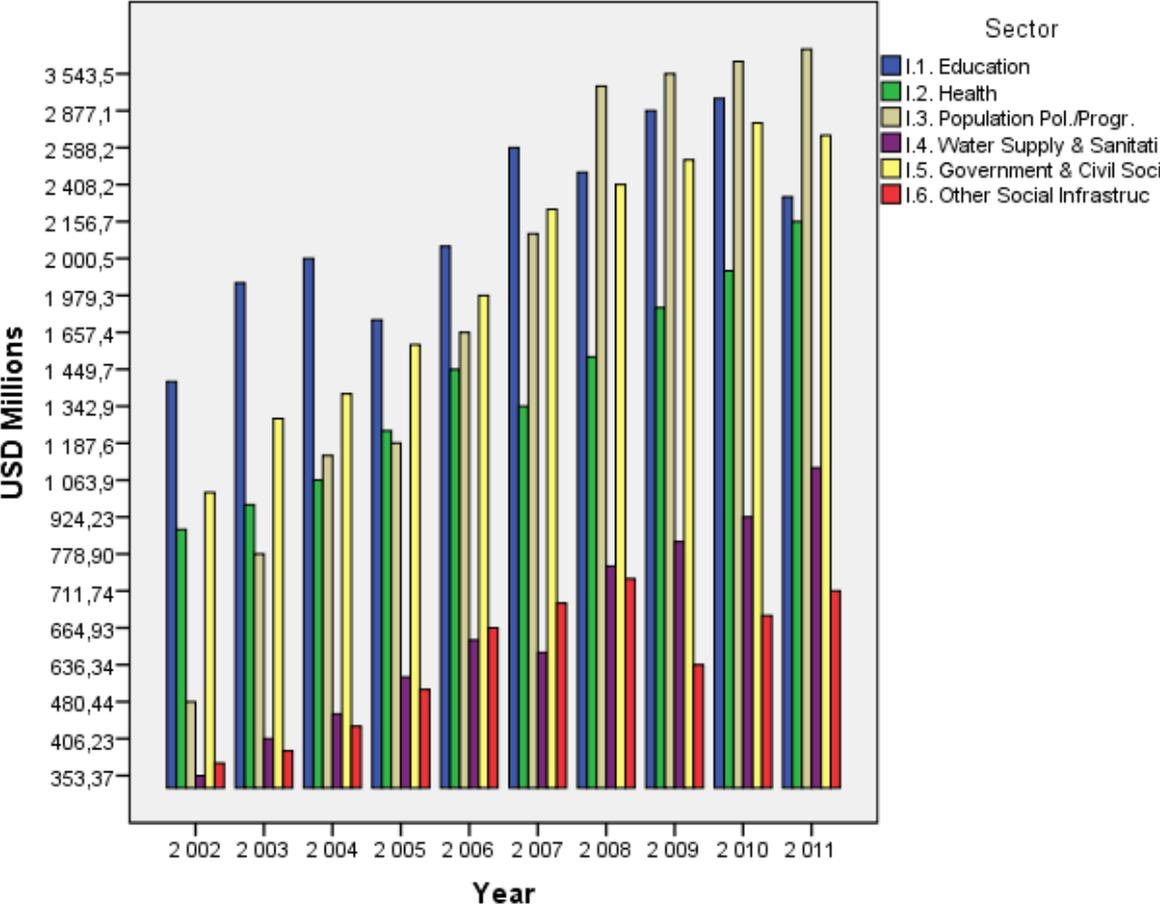
Total flows= Public and Private flows. Public spending data was only available from 2004.

Gross disbursements = actual transactions and not only agreements

Source: OECD 5

Appendix C

ODA Within Social Infrastructure and Services



Source: OECD 5

Appendix D

Government & Civil Society's Share of Total ODA From DAC to Africa South of Sahara

2002	4,9%
2003	4,5%
2004	5,4%
2005	4,8%
2006	4,5%
2007	6,9%
2008	7,1%
2009	7,1%
2010	7,5%
2011	6,3%

Source: OECD⁵

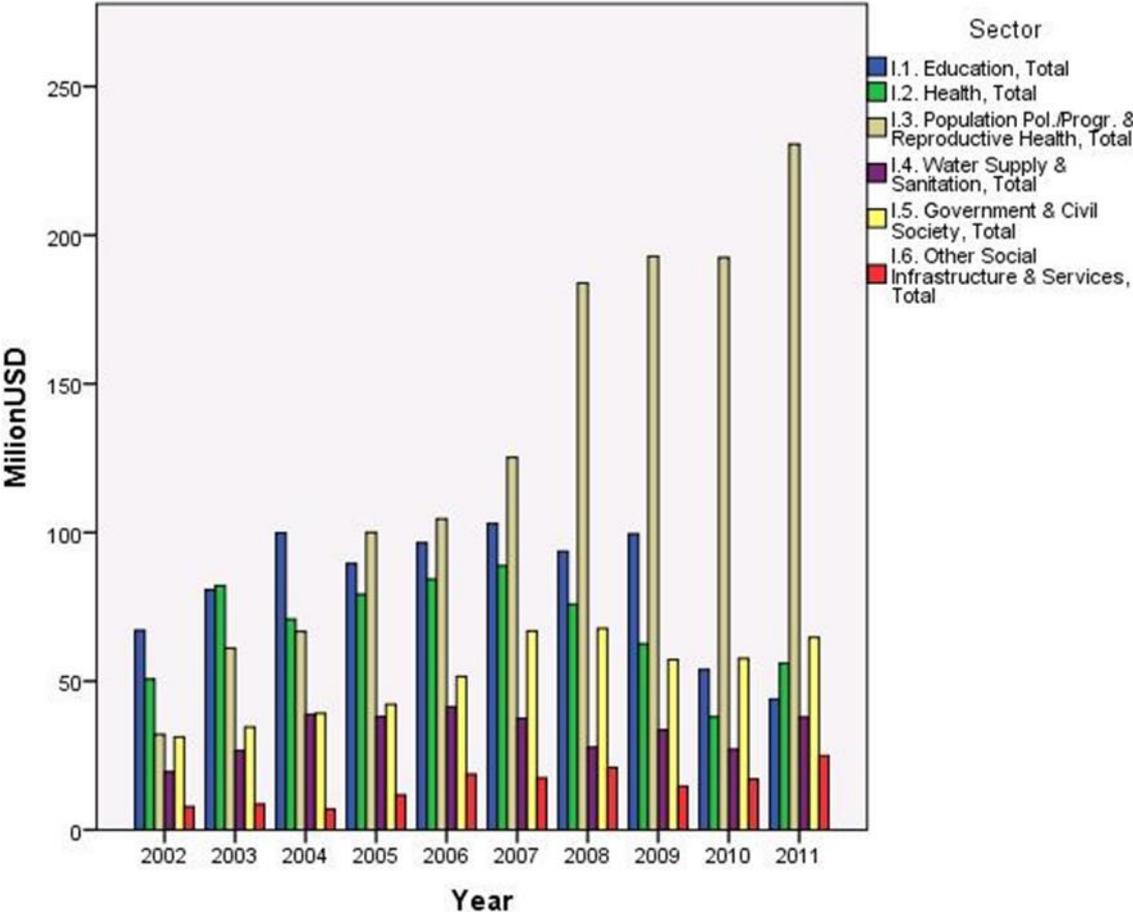
Appendix E

Government and Civil Society's Share of Total ODA to Zambia

2002	7%
2003	8%
2004	5%
2005	2%
2006	4%
2007	9%
2008	9%
2009	8%
2010	9%
2011	9%

Source: OECD⁵

Appendix F



Source: OECD⁵

Appendix G

Total Government and Civil Society ODA to Zambia

2002	31,21376
2003	34,57445
2004	39,15067
2005	42,22063
2006	51,63047
2007	66,83854
2008	67,77377
2009	57,21906
2010	57,61982
2011	64,69131

Source: OECD⁵

Appendix H

DAC Sector Allocable ODA to Zambia in Million USD (Constant Prices)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
I. Social Infrastructure & Services, Total	208,5	293,9	322,5	360,8	397,2	438,9	469,9	460,4	386,1	458,1
II. Economic Infrastructure & Services, Total	61,7	58,1	30,7	24,9	41,6	22,9	23,9	36,9	49,3	80,6
III. Production Sectors, Total	48,7	21,02 831	19,03 707	36,32 333	45,44 89	48,80 021	49,46 964	48,70 035	38,63 17	43,76 087
IV. Multi-Sector / Cross-Cutting, Total	29,3	38,1	38,2	14,3	22,4	24,9	26,7	23,3	22,9	28,8
VI. Commodity Aid / General Prog. Ass., Total	17,5	4,2	10,6	52,4	90,9	122,2	139,5	139,3	125,2	86,30
VII. Action Relating to Debt, Total	50,5	320,0	399,7	1182, 4	819,4	90,3	0,6	7,2	0,2	0,2
VIII. Humanitarian Aid, Total	21,4	17,2	9,9	16,7	9,2	10,8	14,3	13,4	3,1	2,1
IX. Administrative Costs of Donors, Total	0,4	0,1	1	1,2	2,9	2	2,2	4,9	4,9	4,4
XII. Unallocated / Unspecified, Total	25,9	16,7	13,1	19,9	2,9	4,6	4,4	4,2	0,9	0,9
Total Allocable	348,1	411,1	410,4	436,3	506,8	535,5	569,9	569,3	496,9	611,3

Source OECD5