



# Aid Effectiveness, Development Effectiveness and Directions of China's Foreign Aid

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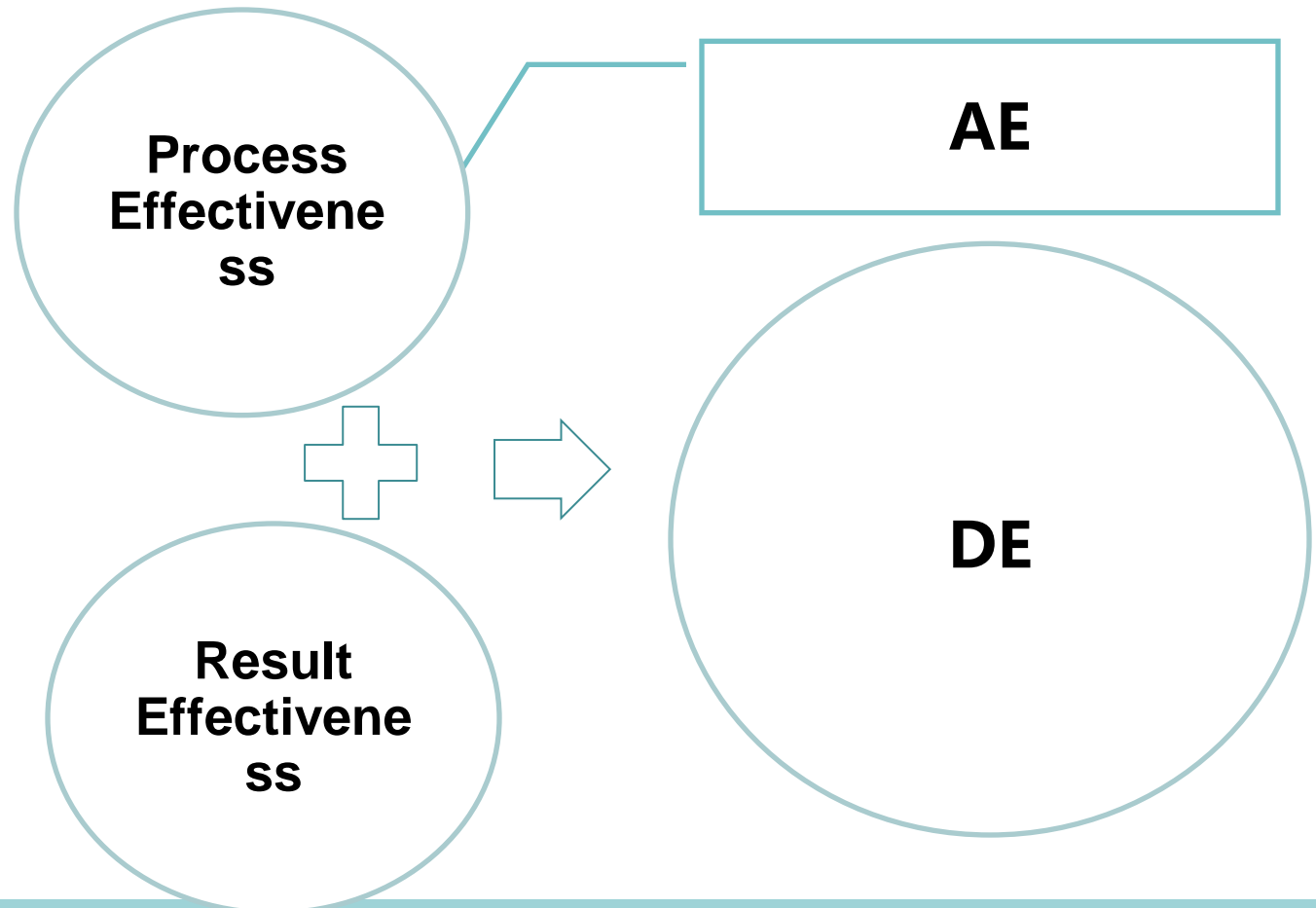
## **Evaluate Chinese Foreign Aid**

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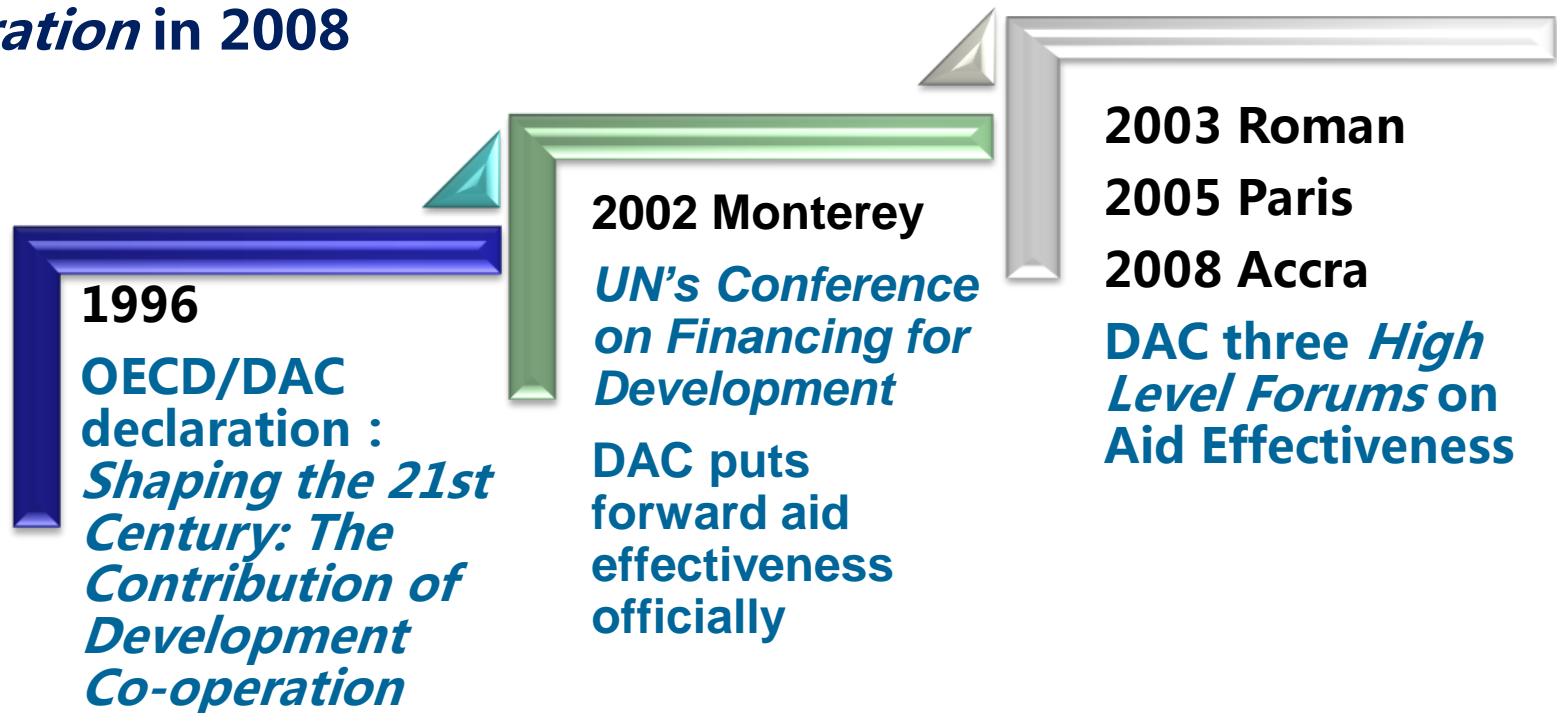
# Part 1. Aid Effectiveness (AE) and Development Effectiveness (DE)





## Aid Effectiveness (AE)

**Concept**: Plan, manage and arrange aid to reduce transaction costs between the donor and the recipient and improve the quality and efficiency of aid —Independent evaluation report of *Paris Declaration* in 2008





AE

## *Effects*

Advantage

**Help to manage aid process**

**Standardize/Normalize donors' aid management system**

**DAC countries have not realised it aid effectiveness commitment**

**Aid amount is increasing while the result on poverty reduction is not satisfactory**

Disadvantage



## AE

### *Reasons*

1

**AE is Mainly used to standardize donors' aid system, but neglecting the role of the recipients in aid**

2

**Attaches political conditions**

**①Aid flows into recipients who conform to political conditions rather than poorest countries**

**②Poor countries must pay political and economic prices for getting aid**



## Development Effectiveness (DE)

**2011 The Fourth High Level Forum on Aid Effectiveness, Busan Partnership for Effective Development Cooperation**

- ✓ *New global partnership with effective development cooperation ;*
- ✓ *"Development Effectiveness"*



# Development Effectiveness (DE)

1

Elliot Stern et al(2008)

2

Shannon & Bill ( 2009 )

3

Francesco & Sanoussi ( 2011 )

- *Aid efficiency*
- *Recipients' inclusive*
- *Development-result-based indicators*
- *Sustainable economy growth and social development*
- *Improvement recipient's independent development capacity*





## AE V.S. DE

### 1 DE and AE are fundamentally different

	AE	DE
He Wenping (2011)	process	result
Francesco & Sanoussi(2011)	input/management	output/result
Wang Xiaolin & Liu Qianqian (2012)	process-driven	growth-driven
Zhang Haibing (2012)		aid+cooperation



## AE V.S. DE

2

**DE includes AE, but is broader and richer than AE**

- ✓ **Aid agent: donor+recipient**
- ✓ **Aid pattern: grant+trade+investment, etc.**
- ✓ **Aid effect: aid process's efficiency+poverty reduction and growth effect; direct effect of aid+recipients' inclusive and sustainable economic and social development**



## Part 2. Evaluate Chinese Foreign Aid

### **AE** *China and AE : as a recipient*

1

According to the five principles of *Paris Declaration* , **China was especially prominent in "Ownership" and "Harmonisation" .**

#### **Ownership**

*——combines aid with China' s development strategy*

- aid project and China' s long-run economic development policies ;
- aid project and China' s long-run poverty reduction plans
- aid project and local economic development plans

#### **Harmonisation**

*——sets up directional aid management and coordination mechanism*



# Effects of Chinese Foreign Aid

2

## *China and AE : as a donor*

- China is not a member of DAC, so it's foreign aid is not evaluated by "Aid Effectiveness".
- According to 12 indicators of *Paris Declaration* ,  
*China does good in two aspects:*
  - “Aid flows are aligned on national priorities”
  - “Strengthen capacity by co-ordinated support”



# Effects of Chinese Foreign Aid

## DE

1. Chinese foreign aid idea and concept come from China's economic development experiences(**Beijing Consensus**- An independent, gradual and progressive development path) and China's experience as a recipient
3. China's foreign aid is a more “development effectiveness” model: put foreign aid in the framework of economic development, pay more attention to capacity building, and emphasis more on the result and economic growth
  - China-Africa cooperation emphasizes trade, investment, infrastructure and development capacity*



## Part 3. Reform of Chinese Foreign Aid

**Directions  
of Int.  
Development  
Aid:  
Inclusive  
and  
mutual  
learning**

1

**Developed countries** should both stabilize existing achievements and adjust their aid modes, and seek dialogue with emerging donors to reconstruct international aid system

2

**Emerging countries** should focus on aid effects, and refer to aid management experiences of developed countries in order to improve their own aid management system

3

Strengthen the communication and coordination among developed countries, emerging donors and recipients



# Reform of Chinese Foreign Aid

## Strategy

1

**Insist south-south cooperation principles**

- ***Equality treatment***
- ***Mutual benefit***

2

**Actively participate in global partnership and assume international responsibilities consistent with its capability**

- **Insist CBDR principle, provide aid within its capacities**
- **Assume greater int. responsibilities according to its economic strength.**





# Reform of Chinese Foreign Aid

## Policies



- High percentage of concessional loan;
  - More aid on infrastructure and production sector;
  - Combine aid with trade and investment
- 
- Increase aid amount;
  - Raise the ratio of grant;
  - Increase preferential degree;
  - Increase multilateral aid;
  - Increase social sector aid;
  - Maintain aid to LDCs





# Reform of Chinese Foreign Aid

## Management

- **Promote the legislation of foreign aid;**
- **Work on juristical and political bases of aid and policy alignment**
- **Accelerate the reform of aid management agency: clearly define functions among management sectors, and develop a unified and harmonious decision mechanism;**
- **Improve aid implement mechanism, increase the transparency of aid**
- **Strengthen the aid project management and evaluation to enhance aid efficiency;**
- **Actively play the role of NGOs, reinforce the coordination and cooperation with other donors.**



Thanks for your  
attention!