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The political and economic dynamics of foreign aid: A case study of United States and Chinese aid to Sub-Sahara Africa

By Kafayat Amusa, Nara Monkam and Nicola Viegi

The study revisits the issue of the determinants of (development) aid allocation by analyzing the motives of two key traditional and non-traditional foreign aid donors - the United States of America (US) and China, in providing aid to a sample of 31 Sub-Saharan Africa (SSA) countries. The results from the econometric analysis indicate that (i) US and China's motivation for the provision of foreign aid to the SSA countries does not differ substantially, (ii) while donor and altruistic motives and recipient need were drivers of US aid pre-China's entry into the aid field in SSA, recipient need has dominated US aid allocation post-China's entry. China's increasing importance in the region as an economic and strategic partner seems to have reduced the space within which US can exert its economic and political dominance in SSA, and resulted in a pronounced shift in US foreign aid focus towards the "needs" aspects of foreign aid, (iii) lastly, resource motive is only conspicuous in Chinese aid allocation.

The results have important policy implications for the region in terms of its development finance, especially given the persistent uncertainties in the global economic and financial space. The existence of both China and the US in SSA has been beneficial and observable in the socio-economic and humanitarian projects undertaken by both countries. However a major drawback lies in the fact that, although both countries provide aid for different projects over a wide spectrum of issues, for the most part, a significant amount of the aid is highly sector specific, and does not necessarily address pertinent issues of enabling domestic avenues for resource generation in the region. In this regard, there is need for recipient SSA countries to ensure that the modalities around Chinese and American aid ties in with their development agenda.

Chinese aid provides less stringent conditionalities and China projects an altruistic motive behind its foreign aid to the region, however, foreign aid remains a significant foreign and economic policy tool for China. For example, in the last 10 years, of the top 10 recipients of Chinese aid, almost half were in return for access to oil wells and the granting of first rights to prospect for oil especially in countries like Angola and Nigeria. Chinese aid must be examined and assessed thoroughly in terms of its socio-economic effectiveness and, the need for development finance from both donors must be weighed against the socio-economic effects in the recipient nation.