

Abstract:

Using a two-analytical framework and drawing on a wide range of secondary data, this article attempts to assess the likely impact of aid from China and India on the development of Africa. The framework treats aid as one of four main channels through which China and India influence the shape and performance of particular sectors and, through them, development outcomes. The first stage of analysis examines the varying patterns of Chinese and Indian aid and the multiple impacts such aid has on one key sector: manufacturing. The main findings from this level of analysis have to do with the differing patterns of Indian and Chinese aid, differences between Chinese and Indian aid, and aid from western countries, and the interconnections between the impact channels. India and China have different patterns of aid. India concentrates on non-monetary aid mainly in the form of technical assistance and scholarships, while China offers a wider range of monetary and non-monetary aid packages, which include grants and loans for infrastructure, plant and equipment, as well as scholarships, training opportunities, and technical assistance. Chinese monetary aid is tied to the use of Chinese goods and services, and requires adherence to the 'One China' policy, but does not carry the 'good governance' conditionalities that currently characterize western donors. The impact channels of trade, FDI, aid, and migration overlap to some degree, especially in the case of China. The line between FDI and aid is often blurred, as is the line between aid and trade. The second stage of the analysis looks at the implications of Chinese and Indian aid to manufacturing for development outcomes such as growth, distribution, governance, and environment. The analysis shows clearly that the potential impact of Chinese and Indian aid on Africa is significant, but that the actual effects of these emerging donors on particular countries depends to a large extent on the institutional and structural conditions of the recipients.