AN ASSESSMENT OF CHINA’S FOREIGN AID TO THE INFRASTRUCTURAL DEVELOPMENT OF GHANA: FROM 2003 – 2013

BY

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THIS DISSERTATION IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTER OF ARTS DEGREE IN INTERNATIONAL AFFAIRS

LEGON  JULY 2015
DECLARATION

With the exception of reference to other works which I have duly acknowledged, I hereby declare that this dissertation is the result of an original research conducted by me under the supervision of Dr. Mrs. Afua Boatemaa Yakohene and that no part of it has been submitted anywhere else for any purpose.

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(DEVICE)

DR. (MRS). AFUA BOATEMAA YAKOHENE ............
(SUPERVISOR)

DATE:......................................................

DATE:......................................................
DEDICATION

This work is dedicated to my dear mother, Madam Gloria A. Amoako, my beloved husband, Mr. William Charles Kwadwo Kuma Manful and our dear daughter Pearl Mama Akoto Klutse.
ACKNOWLEDGEMENTS

It brings me great joy and a sense of fulfillment for the successful conduct of this research and I am immensely indebted to the Almighty God for his direction, guidance and provision throughout the herculean task of preparing this dissertation.

I offer my sincerest thanks to my supervisor, Dr. Mrs. Afua Boatemaa Yakohene for her patience, priceless advice and tutelage.

My special thanks to Dr. Yao Boni Gebe and Dr. Vladimir Antwi Danso for their words of encouragement and support throughout my stay at LECIAD.

Furthermore, I thank Mr. M. A. Quist of the Ministry of Finance and Mr. M. F. Inusah of the Ministry of Foreign Affairs and officials of the Chinese Embassy for granting me audience to interview them on the subject matter.

It is my obligation to express gratitude to the entire staff of LECIAD, my colleagues and the leadership of the Ministry of Foreign Affairs and Regional Integration (MFA&RI) for the confidence reposed in me pertaining to the nomination and sponsorship of the programme.

Finally, special tonnes of gratitude to my dear mother, Madam Gloria Aboagyeewaa Amoako, my husband, Mr. W. C. K. Manful and sweet sister Rita Ama Asare for their unflinching support.
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<th>Full Form</th>
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<tr>
<td>ACET</td>
<td>African Centre for Economic Transformation</td>
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<td>AU</td>
<td>African Union</td>
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<td>CACF</td>
<td>China-Africa Consultative Forum</td>
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<td>CADF</td>
<td>China-Africa Development Fund</td>
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<td>CDB</td>
<td>Chinese Development Bank</td>
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<td>CHF</td>
<td>Swiss Franc</td>
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<td>CGC</td>
<td>China Geo-Engineering Corporation</td>
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<td>CIRR</td>
<td>Commercial Interest Reference Rates</td>
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<td>CSOs</td>
<td>Civil Society Organisations</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>DPs</td>
<td>Development Partners</td>
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<td>DSRAC</td>
<td>Debt Service Reserve Account Cover</td>
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<td>ECG</td>
<td>Electricity Company of Ghana</td>
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<td>ECMMTP</td>
<td>Eastern Corridor Multi-Modal Transport Project</td>
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<td>ENT</td>
<td>Eye, Nose and Throat</td>
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<td>ETC</td>
<td>Economic and Technical Cooperation</td>
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<td>EPC</td>
<td>Engineering, Procurement and Construction</td>
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<td>EXIM</td>
<td>Export and Import Bank</td>
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<td>ERP</td>
<td>Economic Recovery Program</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>FOCAC</td>
<td>Forum on China-Africa Cooperation</td>
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<td>Acronym</td>
<td>Description</td>
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<tr>
<td>G-JCK</td>
<td>Ghana-Japan, China and South Korea</td>
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<td>GNGC</td>
<td>Ghana National Gas Company</td>
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<td>GSGDA</td>
<td>Ghana Shared Growth and Development Agenda</td>
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<td>ICT</td>
<td>Information, Communication and Technology</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>LDCs</td>
<td>Least Developed Countries</td>
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<td>LEKMA</td>
<td>Ledzorkuku Krowor Municipal Assembly</td>
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<td>MFA&amp;RI</td>
<td>Ministry Of Foreign Affairs and Regional Integration</td>
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<td>MFA</td>
<td>Master Facility Agreement</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>MoFEP</td>
<td>Ministry Of Finance and Economic Planning</td>
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<td>MoH</td>
<td>Ministry Of Health</td>
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<td>NLC</td>
<td>National Liberation Council</td>
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<td>NGOs</td>
<td>Non-Governmental Agencies</td>
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<td>NDPC</td>
<td>National Development Planning Commission</td>
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<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>PRC</td>
<td>People’s Republic of China</td>
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<td>SSC</td>
<td>South–South Cooperation</td>
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<td>SME</td>
<td>Small Medium Enterprise</td>
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<td>SINOPEC</td>
<td>China Petroleum &amp; Chemical Corporation</td>
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<td>SWAPs</td>
<td>Sector Wide Approaches</td>
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TAZARA - Tanzania-Zimbabwe Railway
US - United States of America
UK - United Kingdom
UN - United Nations
UNCEA - United Nations Economics Commission for Africa
WTO - World Trade Organisation
UNDP - United Nations Development Program
VRA - Volta River Authority
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ABSTRACT

Foreign aid was previously perceived to be a direct flow of money and resources from the North to South but the landscape of foreign aid is transforming with the coming of emerging powers like China, India and other countries into the frame of aid architecture. Infrastructure is perhaps a major area of cooperation between China and Ghana and a number of agreements have been reached over the years for Chinese companies to carry out construction projects in Ghana. China’s foreign aid to Ghana cuts across infrastructural development, education and agriculture. Cooperation in infrastructural development appear to have been more welcomed by Ghana due to the country’s estimated US$2.5 billion infrastructure deficit. China has assisted Ghana in a number of infrastructural development such as the construction of roads, hospitals, hydro-power stations and telecommunication through aid instruments such as grant assistance, interest free loans and preferential government loans. Through the use of qualitative primary and secondary data collection techniques and snowballing and purposive sampling, the study seeks to ascertain the contribution of China’s aid to the infrastructural development of Ghana and to evaluate how this foreign aid to Ghana’s infrastructural development has positively impacted its socio-economic development or otherwise. The study finds that, the cordial relationship between Ghana and China, though beneficial, is not without hidden, often unreported and overlooked negative consequences. Also, the research reveals that China’s foreign aid can be grouped into three various levels, which are, Government to Government level, Public Private Partnerships, and private sector participation. Ghana saves over US$2 billion as a result of foreign aid from China. Again, the constructions of social infrastructure such as the LEKMA hospital and section of the Eastern corridor road improves health and trade in Ghana and in the West African sub-region respectively. Nonetheless, in comparing the drawbacks associated with China’s foreign aid to Ghana, Ghana tends to lose more due to poor negotiations skills on the part of Ghana with regards to the conditions attached to the foreign aid. The study concludes that, foreign aid from China does not offer “value for money” projects which will inure to the benefit of the country. It is thus recommended that experienced Ghanaian negotiating should spearhead negotiations with China in respect of aid agreements in order to make it more advantageous to Ghana. In Addition, it is recommended that Chinese construction firms must be encouraged to partner with local construction firms to ensure technology transfer and knowledge building.
CHAPTER ONE

RESEARCH DESIGN

1.1 Background to the Study

Foreign aid involves the transnational transmission of goods, capital, services, and other resources from a country or international organization to benefit the population of the recipient country.\(^1\)

According to Morgenthau\(^2\), “of seeming and real innovations which modern age has introduced into practice of foreign policy, none has proved baffling to both understanding and action than foreign aid. Nothing even approaching a coherent philosophy of foreign aid has been developed”.

Foreign aid also refers to the transfer of real resources from governments or public institutions of richer countries to governments of less developed countries (LDCs) in the third world.\(^3\)

A country’s foreign aid likewise its foreign policy is hard to construe because of the inescapable interests associated with foreign aid on the part of both the donor and the recipient.\(^4\) Balogh says that foreign aid “from being a voluntary contribution by sovereign nations, is becoming slowly (as it is already within communities organized as states) a civic or human duty to contribute in proportion, or more than in proportion of wealth to the progress of the less privileged populations. Foreign aid will then become a conscious weapon controlled intestinally to combat poverty and inequality in an international framework.”\(^5\)

Over the last decade, Chinese investments and aid have been spreading through the continent of Africa very rapidly through its foreign aid which is known as Economic and Technical Cooperation (ETC).\(^6\) In 2000, the Forum on China-Africa Cooperation (FOCAC) was established to strengthen cooperation between China and African states.\(^7\) President Jiang Zemin, and Vice
President Hu Jintao of the People’s Republic of China and Premier Zhu Rondji of the State Council participated in this first Ministerial Conference held in Beijing from 10th to 12th October, 2000.\(^8\)

It was emphasized by China that the purpose of the Sino-Africa Forum was ‘the construction of an international political and economic order and to explore new areas of cooperation’.\(^9\) More than 80 ministers from China and 44 countries and representatives from 17 international and regional organizations attended the meeting to discuss the South–South Cooperation, the North-South Dialogue, debt reliefs and Chinese economic cooperation with African states such as Ghana, Angola, Nigeria and Democratic Republic of Congo.\(^10\) The conference passed the Beijing Declaration of the Forum on China–Africa Cooperation and the Programme for China–Africa Cooperation in Economic and Social Development.\(^11\) After this conference, various FOCAC Summits were held on December, 2003 in Addis Ababa, November, 2006 in Beijing, and November, 2009 in Sharm El-Sheikh, Egypt.\(^12\) It is believed by some that, the Chinese governments are seeking international recognition and political allies in Africa in order to strengthen its international alliances in the quest to be a force to reckon with on the international plane.\(^13\)

Diplomatic relations between China and Ghana were first established on 5\(^{th}\) July, 1960.\(^14\) This has been characterized by regular high level visits, cultural/educational exchanges, economic cooperation and developmental aid provisions. However, the relationship between the two countries was suspended due to a political coup in Ghana in 1966 which overthrew President Kwame Nkrumah who was ironically on a state visit to China.\(^15\) The relationship was later restored when General Acheampong of Ghana came to power in 1972.\(^16\)
While China’s foreign aid to Ghana cuts across infrastructural development, education and agriculture, cooperation in infrastructural development appears to have been more welcomed by Ghana due to Ghana’s estimated $2.5 billion infrastructure deficit in financing. China’s assistance to Ghana’s infrastructural development, which is the focus of this study, has been in the construction of roads, hospitals, cultural facilities, hydro-power stations, offices and telecommunication through grant assistance, interest free loans and preferential government loans. Some of the infrastructural development undertaken by the Chinese government in Ghana are the construction of the 17.4 km Ofankor-Nsawam road, construction of the Bui-dam project, the construction of the new office buildings for the Ministries of Defence and Foreign Affairs and Regional Integration (MFA&RI) in 2009 and 2013 respectively, the installation of telecommunication cables by Huawei technologies company meant to link Accra to Tamale among others.

1.2 Statement of the Research Problem

China’s activities in Africa are closely linked to its foreign policy and has the reputation of being, a rising power in the world today. Over the past decade, China’s international economic activity has grown through the increasing of foreign aid to African countries including Ghana. Ghana has benefited from China’s foreign aid through concessionary loans, grants, debt cancellation, road construction projects, hydro power generation projects etc. While some believe that this aid and assistance will benefit the country, others have expressed pessimism. The Human Rights Watch reports that Chinese foreign aid creates new options for African dictators who previously depended on development partners (DPs) which insisted on human rights progress in the light that China has a poor human rights record. The pessimists argue that, instead of providing reform-incenting
investment, aid from China is usually self-focused, thus creates a fertile environment for corruption and human rights abuses.\textsuperscript{23}

In recent years, the rapid growth of China has brought to bear many criticisms to the world economy and especially sub-Saharan African countries. Looking at the role China is playing in the infrastructural development of Ghana through its foreign aid, in the face of stern pessimism expressed by civil society organisations (CSOs), scholars, non-governmental organisations (NGOs), etc., there is the need to assess the effectiveness of the foreign aid towards Ghana’s infrastructural development and how it has impacted on its socio-economic development.

1.3 Research Questions

The researcher seeks to answer the following questions:

- How has China’s foreign aid contributed to the infrastructural development in Ghana?
- How has China’s foreign aid to Ghana’s infrastructural development positively impacted on its socio-economic development or otherwise?

1.4 Research Objectives

The key objectives of this study are to:

- Assess the contribution of China’s aid to infrastructural development in Ghana.
- Ascertain how China’s foreign aid to Ghana’s infrastructural development has (positively) impacted on its socio-economic development or otherwise.
1.5 Scope of the Research

The study will assess China’s foreign aid to Ghana’s infrastructural development from 2003 to 2013 after the establishment of the institutional mechanism for China-Africa multilateral engagements known as the FOCAC in 2000. At the 2006 FOCAC in Beijing, the Chinese President, Hu Jintao, expressed interest in enhancing cooperation with Ghana in key areas such as infrastructural development, telecommunication and human resources to ensure development.

1.6 Rationale of the Research

The relevance of this study is to bring clarity to the impact of China’s foreign aid towards Ghana’s infrastructural development by assessing the effectiveness of China’s foreign aid to Ghana from 2003 to 2013. This study will also augment further research and literature on China’s foreign aid to Ghana’s infrastructural development. The study could also serve as a guide to key policy makers and stakeholders with regards to Ghana’s foreign aid agreements with China.

1.7 Hypothesis

The hypothesis of this study is, China’s foreign aid has advanced the infrastructural development of Ghana.

1.8 Theoretical Framework

The study employs the theory of international cooperation. According to Grieco international cooperation refers to “the voluntary adjustment by states of their policies so that they manage their differences and reach some mutually beneficial outcome”. International cooperation involves efforts by states to work together voluntarily, that is, states must be able to choose not to join or
exit from a cooperative arrangement. Also, international cooperation “comprises the specification by states of some common or at least compatible end to which they devote their combined efforts”. Furthermore, cooperation does not imply a one-time interactions between states but rather an enduring engagements by states. Krieger asserts that, international cooperation is “the mutual adjustment of governments’ policies through a process of policy coordination.” According to Krieger, cooperation among states should be separated from “harmony”. Harmony is a situation in which unilateral pursuit of self-interest automatically facilitates the ability of others to achieve their goals. This means that, cooperation does not wholly take away the proclivity of states to face conflict of interests in their interactions, but seeks to find ways in which states would overcome such conflicts for their mutual benefits.

International cooperation is viewed variedly among the two extreme school of thought, that is, the realists and the institutionalists. To the realists, international cooperation is seen through a Hobbesian lens, in which world politics is compared to a “state of war”. In their view, states compete with each other for power and influence, thus, the international system is seen as anarchic due to the lack of an authoritative government that can enact and enforce rules of behavior. The realist interpretation of this discord is as a result of the fundamental conflicts between the interests of states in a condition of anarchy. The realist perceive the norms and rule structures of the international system as an epiphenomenal, merely reflecting the interests of powerful states. The Institutionalist school of thought asserts that, “shared economic interests create a harmony of interests among states which in turn generate a demand for international institutions and rules that states will voluntarily agree to follow”. Keohane aspire with the institutionalists belief in the
possibility of cooperation among states. This is because, the harmony of interest’s logic is based on solid empirical evidence of cooperation among states in modern international relations.

In the concept of international cooperation three assumptions can be identified. First, there is the voluntary nature of international cooperation. Second, international cooperation has a compatible end. The third element is long-term engagement especially by states which seeks to do so. Milner on the other hand, advocates for two elements on the concept of international cooperation. The first assumption is that every actor’s behaviour is directed toward certain goals, which at times varies from other actors involved. The second key element is that international cooperation enables the actors to gain or earn rewards. Nonetheless, the gains may not be equal in terms of its magnitude for each actor. International cooperation therefore centers on a goal-directed behaviour and mutual policy adjustments, so that all actors will at least end up better off than they have been. Proponents of the realists’ school of thought such as Morgenthau and Gilpin have criticized the international cooperation theory on the basis that, states being the dominant actors in world affairs are preoccupied with their security and power. States are therefore predisposed towards conflict and competition, and often fail to cooperate even when they have common interests. Similarly, cooperation is dependent on the impact that international institutions can have on states’ behavior. This is because institutions increase the level of information available to states, create dense patterns of issue linkages and encourage their members to think about the future, thereby creating conditions necessary for the rise of cooperation. Likewise, another factor conducive to international cooperation, is the involvement of a small number of actors. They recommend ways in which states can manage verification and sanctioning problems. One of them is to restrict the
number of partners in a cooperative arrangement to make monitoring of one another easier thereby reducing verification costs. When the number of states involved in an issue area is large, negotiating mutually acceptable agreements and monitoring compliance with such agreements become more difficult. Thus, cooperation is often easier when only a few states need to coordinate their policies to achieve superior outcomes. Small numbers make negotiations simple, increase the ability of actors to recognize and understand one another’s preferences, and make identification and punishment of those breaking cooperative arrangements less problematic. With a smaller number of partners, the collective-action costs of organizing retaliation against defectors will be lower, and as a result the hidden credibility of small-group threats to punish cheaters will be higher and more effective. Thus the institutionalists assert that institutions reduce verification costs, make relationships more iterated, and facilitate punishment of cheaters.

The relationship that exists between Ghana and China in terms of the provision of foreign aid can both be explained by the theory of international cooperation. Relationships between Ghana and China is based on the cooperation of both countries. The tenets of international cooperation therefore allows Ghana and China to voluntarily engage each other and also benefit from each other. The significance of the theory of international cooperation to the study is that, it provides a good platform to assess the relations existing between Ghana and China in relation to foreign aid for infrastructural development.

1.9 Literature Review

The question of whether foreign aid impact positively on economic growth is highly controversial and excites polarised opinions. Optimists like Sachs, call for a doubling of worldwide aid flows
as an expression of the moral obligation of developed countries that will send significant hope for the alleviation of poverty in less developed country. Conversely, others like, Easterly\textsuperscript{42} openly argue that aid in itself is inimical to the achievement of economic growth. In recent times, the seriousness of the global economic crisis since 2009, indicates the rush for aid by less developed countries.

However, Moyo\textsuperscript{43} describes it as “Dead Aid” and argues for a complete cessation of aid flows to Africa because it stifle economic growth of the recipient country. Moyo\textsuperscript{44} argues that geographical, historical, cultural, tribal and institutional factors have accounted for Africa’s inability to achieve economic growth. Moyo\textsuperscript{45} maintains that, aid dependency has been the prime cause of Africa’s under-achievement in relation to economic growth. She further explains that, “the notion that aid can alleviate systemic poverty and has done so, is a myth. Aid has been, and continues to be, an unmitigated political, economic and humanitarian disaster for most parts of the developing world”. Moyo\textsuperscript{46} contends that, “conditions” associated to aid by DPs often do not serve the interest of developing countries. The “conditions” attached to aid usually fail to check corruption and bad governance, thus, aid becomes an avenue for corruption, conflict, bad governance as well as a ‘slow killer’ of free enterprises, domestic savings and investment in developing countries.

Moyo\textsuperscript{47} recommended measures that will enhance development if adopted by developing countries. First, African governments should follow the Asian emerging markets in accessing the international bond markets and taking advantage of the falling yields paid by sovereign borrowers over the past decade. Again, developing countries should encourage Chinese policy of large-scale direct investment in infrastructure and they should continue to press for genuine free trade in
agricultural products from both China and the West. In Moyo’s view, African countries should emulate China’s economic success which could be traced to foreign direct investment and rapidly growing exports and not aid. She, however, advocates for African countries to patronize the Chinese foreign aid which provides the continent a “win-win” advantage and “golden opportunity” because the Chinese aid usually concentrates on trade and infrastructural investment which will assist Africa move up the development curve. Critics of Moyo⁴⁸, argue that, the remedies professed by Moyo⁴⁹ are problematic insofar as they are based on neoliberal models of development and declined to acknowledge the deleterious effects that such remedies have often had on African economies.⁵⁰ Another criticism is that she uses statistics that show correlations between a high level of aid receipts and poor economic growth and then attempts to imply causality (aid causing poor growth) by using emotive, highly selective, anecdotal and even hypothetical. Finally, the invention of a fictitious country “Dongo” as evidence to back up her assertions has heavily been critiqued for not being empirical.⁵¹

Riddell⁵² provides some key answers to the questions on contemporary debates on aid effectiveness. First, the critics of development aid to some extent are in support of emergency aid. Nonetheless, Riddell⁵³ opines that, evidence has shown major weaknesses and failures in such aid. He provided a brief historical analysis on aid and also distinguished between emergency and development aid, which he contends are “becoming increasingly strained”. Riddell believes that, “more emergency aid is being used a year or more after emergencies strike to rebuild lives and restore livelihoods, while more development aid is used to directly save lives.”⁵⁴
In contrast to Moyo, Riddell provides evidence to prove that aid projects by DPs have a 75 percent chance of meeting immediate objectives, thus making positive impacts on the lives of the beneficiaries. The catch, however, lies in the failure for these DPs to fully access the long term viability of such aid projects. He explains that this has been the bane of aid for developing countries, especially Africa. Even though there are scanty evidence of the wider and long-term impact of aid at the sectorial and country level, the quality of the data has improved. Interestingly, Riddell believes that the contribution of aid towards development is underestimated and that the evidence of corruption issues in aid for development form part of the minor incidents that cannot tarnish the gains of aid in development.

Riddell also discusses a range of inefficiencies within and across the aid system and their costs in terms of reduced impact, which includes the way aid is allocated, its growing complexity, and the volatility and unpredictability of aid flows. To Riddell, the question of whether aid works depends on the assessment and concerns of whether the short-term, immediate and extensive benefits that aid undoubtedly brings are outweighed by the direct and indirect systemic problems that it risks creating or accentuating.

Against the backdrop of already too many proposals of how to make aid work better, Riddell suggests nine concrete proposals to make aid work. These are, deepening knowledge of local contexts; ensuring short-term uses of aid are consistent with and supportive of long-term development; ensuring all aid is more closely related to overall recipient development goals and processes; helping build local capacities for recipients to be able to coordinate aid better; moving from rhetoric to reality in learning lessons from aid; using aid to help the poor in middle income
countries; reducing volatility in aid at the country level; encouraging budget support by addressing donor-country political concerns; And rethinking ways of communicating about aid.

In conclusion, Riddell suggests that, the impact of aid may have been harmed by the narrow focus on short-term aid. This requires that, the main focus of attention of aid has to be widen to assess how aid can contribute more to a recipient’s own development goals in the long run. Capacity building of developing countries is key to the administration of the aid projects fairly. Furthermore, developing country scholars will be able to play a bigger role in helping to answer the question of whether aid works; unsettling though their assessments may be.60

Tan-Mullins et al61 looks at the rationale and foreign policy motivation tool that encourages China-Africa aid relationship. The notion that aid from China does not consider developmental elements such as good governance forms the basis for their argument. Tan-Mullins et al provide a comparative study to analyse China’s relations with Ghana and Angola. Unlike Riddell,62 Tan-Mullins et al assess aid from China as a non-member of Development Assistance Committee (DAC). The Chinese provide aid that have quick and tangible results, with focus on providing assistance and aid through projects and infrastructure which do not allow for corrupt practices. China’s focus on the African continent has been on trade because trade provides a win-win situation between China and the African continent.63 China has, however, been regarded as the second wave of colonialism to hit Africa due its flooding of the African continent with cheap trade, aid and investment options, whiles stashing its coffers and feeding off African resources to their factories and industries. The irony of the situation is that, the West is the accuser in this situation. To Tan-Mullins et al Africa can look up to both the East and West in case of developmental aid
assistance. Critics like Wilson\textsuperscript{64} contends that China should conform to DAC standards and reforms so that it can help shape Africa for a more hopeful and economically independent continent. Finally, the nature of the dialogue between China and Africa is usually held at an elite level discourse which to a large extent ignores mass reforms and investment. Tan-Mullins et al maintain that China has an upper hand during trade, aid, and investment dialogue, thus, African countries are not in the position to negotiate a favourable aid policy.

Tsikata et al\textsuperscript{65} support the assertion of Tan-Mullins et al\textsuperscript{66} and Moyo\textsuperscript{67} that Chinese foreign aid to the Africa region is in ascendency by four folds by 2005. Their findings reveal that the export trade from Ghana to China is very low in comparison to imports and most of the Ghanaian exports are non-manufactured goods. Tsikata et al\textsuperscript{68} note that, it is industries which stand to collapse from the influx of Chinese goods and influence amidst unhealthy competition externally and internally. This point is worth noting because Riddell\textsuperscript{69} believes that aid usually has negative effects in the long run on the recipient country. Perhaps, China is no exception in this case. To further aggravate the situation, the current trend of sourcing from China by traders is a potential economic suicide because in the long run the local industries will eventually collapse. Aid from China to Ghana has been generally in three forms: loans, grants and technical assistance. The loans have taken the form of either interest-free or interest subsidized preferential loans (concessional loans) granted by the Chinese government through the Ministry of Commerce.\textsuperscript{70} According to Tsikata et al, the question of whether Ghana is gaining or losing as a result of Chinese aid should be answered cautiously. However, China’s foreign aid provides Ghana with the leverage that will enable Ghana to negotiate at least, to some extent, for more favorable conditions for aid from the Western donors. Thus, Ghana is gaining from Chinese aid in general because the Chinese are serving a wide variety of
infrastructure needs which will be quite difficult and/or expensive for Ghana to meet on its own or have met elsewhere.

According to Davies et al\textsuperscript{71} the increasing efforts of China’s engagement in Africa has instigated enormous debate in world politics, especially, in the West. China in recent years has stepped up effort to engage Africa in such a way that is neither shaped by the West nor African Africans but through the FOCAC. Davies et al\textsuperscript{72} posit that China’s definition of aid entails a broad and vague scope as compared to the well-defined aid policy of the traditional Organisation for Economic Cooperation and Development- Development Assistance Committee (OECD-DAC), which includes grants and loans that are extended to developing countries that has the main aim of promoting the socio-economic development of the recipient country through favourable concessional and financial terms.

Davies et al\textsuperscript{73} contend that the lack of consolidation of the actors responsible for aid in China is somewhat responsible for lack of unified foreign aid policy in China. For example, in the Peoples Republic of China (PRC), the Ministry of Finance, set aside a “basket of funds” allocated to foreign aid. The purpose of this fund is to provide foreign aid to developing countries which usually is in kind. The Chinese government usually provide aid and assistance to countries which usually do not come from the policy aid budget funds. Other state institutions including the Ministry of Welfare and the Export and Import (EXIM) bank are charged to provide humanitarian and concessional loans respectively. The provision of humanitarian aid is based on need and crisis situations only.
In trying to conceptualise Chinese aid policy, Davies et al\textsuperscript{74} note that China’s aid is based on “lisuonengli and liangli erxins” which means that Chinese foreign aid should be China’s capacity and fiscal capacity. This concept has prompted the insistence of the Chinese government that China is still developing, thus, its aid policy should not be compared to that of the developed West. As reviewed earlier, Moyo\textsuperscript{75} has describe China’s aid as a South-South collaboration that will help alleviate poverty in most developing countries. Davies et al\textsuperscript{76} maintain that, the focus of aid policy in Africa has been spear-headed by the focus on resource-rich countries such as Angola, Sudan, Nigeria and Zambia. Davies et al\textsuperscript{77} have also posited that, China’s aid to Ghana has focused on sectors that has been ignored by Western donors.

In conclusion, Davies et al\textsuperscript{78} recommend that African countries should understand the different strategies China has adopted to have a clearer view of what China has to offer. Another recommendation is for African countries to reciprocate China’s engagement through regional economic community coordination. Again, Davies et al\textsuperscript{79} maintain that African countries should consider the possibility of Chinese aid fatigue in the medium term, thus, they should be circumspect in their request for aid from China. Other recommendations include, the avoidance of a division between traditional and emerging donors, the strengthening of the African voice, improvements in reporting and evaluation of aid and finally the avoidance of over politicisation. Davies et al did not provide any concrete aid policy of China, and is thus describe the nature of aid sent to three African countries. However, their study is relevant because it provides a cross-national analysis of the nature of China’s aid to Africa.
Frontani and McCracken\textsuperscript{80} highlighted the widespread of China’s involvement in Africa, and for the purpose of this study, Ghana. Frontani and McCracken\textsuperscript{81} also highlight the seeming widespread criticism of China’s foreign aid to Africa, in the presses of the West, headed by United States of America (US) and the United Kingdom (UK) for undermining human rights, good governance, and environmental protection. Interestingly, Frontani and McCracken\textsuperscript{82} assert that Chinese etc. is the official term used by the Chinese for their development assistance, to Ghana over five decades (1961-2011). Despite the constant criticism, the Chinese Government has maintained that there is no imposition of political conditions on foreign assistance but to uphold the principles of peaceful coexistence. The ETC policy does not only promote local development and self-reliance but also a vehicle to provide benefits to both recipient and donor country.\textsuperscript{83}

Frontani and McCracken agreed with Tan-Mullins et al\textsuperscript{84} that, African countries including Ghana, are becoming more indebted to China. The insistence of Chinese investors and companies to execute Chinese funded projects is laudable but not sustainable. Countries like Ghana should be allowed to build employment capacity as well as local industry involvement. This may be more sustainable and will improve on the reduction in foreign support and dependency. Ghana has not been able to channel ETC towards agriculture which employs majority of the rural population in Ghana.

According to Frontani and McCracken, the criticisms that exist amidst China’s foreign aid has not deterred Ghana’s economic engagements with China and this has translated into several benefits including creating jobs, technology inflows, affordable manufactured imports, and a degree of
investment. Perhaps the most significant benefit is that, for the first time since the end of the Cold War, African countries like Ghana, have options when it comes to aid either than the West.

1.10 Sources of Data

The study employs the use of both primary and secondary data sources. The main instrument of data acquisition for this study is based on primary data. Semi-structured interviews were conducted with key and expert persons so as to obtain relevant primary data. Qualitative interview techniques are generally used by social scientists in order to gather information about a particular topic in a way that allows the collection of ‘rich’ and detailed data.\(^8^5\)

This study also employs the use of secondary data, collated from books, articles, dissertation papers, internet etc. for the purpose of sourcing information to provide theoretical backings as well as a review of literature of this dissertation.

According to Saunders et al.,\(^8^6\) one of the main importance of the secondary data is that, it is available with less effort as compared to the primary data. The researcher ensured that, secondary data collected for the study were accurate, valid and also relevant to the objectives of the research.\(^8^7\)

1.11 Research Methodology

This study is of a qualitative nature. As such, the researcher relies on expert knowledge and vital information and data rather than statistical and number analysis. Qualitative research relates to understanding some aspect of social life, and its methods which (in general) generate words, rather than numbers, as data for analysis.\(^8^8\) Qualitative methods answer questions about the ‘what’, ‘how’
or ‘why’ of a phenomenon rather than ‘how many’ or ‘how much’, which are answered by quantitative methods.\textsuperscript{89}

The researcher selected two sample strategies that is systematic to qualitative study, so as to ensure that the sample is deemed as credible and indicative of the population.\textsuperscript{90} The research employed purposive and snowballing sampling. In purposive sampling, participants are selected based on their ability to generate useful data for the subject matter of the research. This sampling techniques allowed the researcher to interview key personalities who hold relevant offices and are privy to information which are vital to the study. Senior officials of the Chinese Embassy in Ghana, Asia Bureau of the Ministry of Foreign Affairs and Regional Integration (MFA&RI) of Ghana and the Ministry of Finance and Economic Planning (MoFEB) of Ghana were interviewed.

1.12 Organisation of the Study

This research is organized into four main chapters. Chapter one consists of the research design which includes background to the study, statement of the research problem, research objectives, research questions, scope of the research, rationale of the research, hypothesis, research methodology, theoretical framework, literature review, data sources organization of the study and limitations to the study. Chapter two examines China’s foreign aid to Ghana’s infrastructural development. Chapter three ascertains the benefits of China’s foreign aid to the infrastructural development of Ghana. The final chapter summarizes the findings of the research, conclusion and recommendations of the study.
1.13 Limitations of the Study

The main limitations to this study were the restricted time allotted for the conduct of the research and the unwillingness on the part of some of officials interviewed to release some documents with regards to the subject matter which they considered confidential.
ENDNOTES


7 Ibid.


9 Ibid.

10 Ibid.

11 Ibid.

12 Ibid.


15 Thompson, R. op. cit. p. 38.


20 Ibid. p. 13.


22 Ibid. p. 38.

23 Ibid. p. 24.


27 Ibid.

28 Ibid.


30 Ibid.

31 Ibid.

32 Ibid.

33 Grieco, J. M. op. cit., p. 4


35 Ibid.

36 Grieco, J. M. op. cit. p. 4.
Ibid. p. 33.
Ibid. p. 46.
Krieger, J. op. cit. 403.
Easterly, W. op. cit.
Easterly, W. op. cit.
Easterly, W. op. cit.
Riddell R. C. op. cit. 2007

84 Ibid.

85 Ibid.


CHAPTER TWO

AN EXAMINATION OF CHINA’S FOREIGN AID TO GHANA’S INFRASTRUCTURAL DEVELOPMENT

2.0 Introduction

This chapter provides a historical overview of the relationship between Ghana and China. It also conceptualises and defines China’s foreign aid as used in the study as well as provides a brief discussion on China’s aid towards infrastructural development of Ghana.

2.1 Defining Aid and Aid Effectiveness

Contrary to the expectation of many, the global network of foreign aid has outlasted the end of the Cold War. Aid is a big part of the world’s development cooperation effort and different meanings are associated with it. Generally, aid is any form of assistance from a donor to a recipient towards the latter’s development. Lancaster defines aid as "a voluntary transfer of public resources, from a government to another independent government, to an NGO, or to an international organization (such as the World Bank or the United Nations Development Program-(UNDP) with at least a 25 percent grant element, one goal of which is to better the human condition in the country receiving the aid.” Lancaster further states that foreign aid was used for four main purposes: diplomatic (including military/security and political interests abroad), developmental, humanitarian relief and commercial.

In addition, “OECD defines development aid programs as Official Development Assistance (ODA), which consists of technical aid, official grants, or loans promoting economic development
and welfare, and having concessional terms, with a grant element of at least 25 percent. In the view of Riddell, aid “consists of all resources, physical goods, skills and technical know-how, financial grants (gifts), or loans (at concessional rates) – transferred by donors to recipients”. The key elements in this definitions includes recipient and donor countries. However, over the years, aid flow has seen a shift from the North to South relations to include a South–South flow with the emergence of players, like China, India, Brazil and South Africa, into the frame of aid architecture. The notion of aid, connotes the sending of resources to address developmental and welfare challenges to bridge the developmental gap. ODA is generally administered with the objective of promoting the economic development and welfare of developing countries. Aid can be bilateral or multilateral in nature. Aid is said to be “bilateral” when it is given directly by the donor country to people or institutions in the recipient country. Conversely, multilateral aid is provided to an international agency, such as the United Nations.

Similarly there are various classifications of aid and these are:

i. Project aid (aid given by donors to recipients for a specific purpose e.g. building materials for a new school);

ii. Programme aid (aid given to a specific sector of the recipient country e.g. funding of the education sector of a country);

iii. Budget support which is a form of programme aid that is directly channeled into the financial system of the recipient country;

iv. Sector Wide Approaches (SWAPs) which is a combination of Project aid and Programme aid/Budget Support e.g. support for the education sector in a country will include both funding of education projects (like school buildings) and provide funds to maintain them (like school books);
v. Food aid which is food given to countries in urgent need of food supplies, especially if they have just experienced a natural disaster;

vi. Untied aid i.e. a country receiving the aid, can spend the money as they chose;

vii. Tied aid is aid that must be spent in the country providing the aid (the donor country) or in a group of selected countries. A developed country will provide a bilateral loan or grant to a developing country, but mandate that the money be spent on goods or services produced in the selected country;

viii. Technical assistance is non-financial assistance provided by international specialists. It can take the form of sharing information and expertise, instruction, skills training, transmission of working knowledge, and consulting services and may also involve the transfer of technical data. The aim of technical assistance is to maximise the quality of project implementation and impact by supporting administration, management, policy development, capacity building, etc.

ix. Emergency aid refers to help given to populations affected by unpredictable natural disasters or human conflicts. Such aid includes basic food supplies, clothing and shelter.

For the purpose of this study, the definition of aid includes debt relief, technical assistance and a bilateral aid flow between China and Ghana.

The broad spectrum literature on aid and growth has not fully settled the debate about aid effectiveness”. Burnside and Dollar provides evidence in favour of the argument that aid leads to economic growth unconditionally. Interestingly, scholars such as Boone and Easterly et al argue that there is a neutral effect of aid on the socio-economic development of the recipient
country. Bobba and Powell,\textsuperscript{15} however, contend that there is a negative relationship between aid and economic development.

It is worth noting that, foreign aid is not always a free resource transfer. It is usually attached with economic and political conditions.\textsuperscript{16} Official donors usually require that, recipient countries pursue reforms or policies that the donors feel will promote economic growth or development. Multilateral development financial institutions, notably, the International Monetary Fund (IMF) and World Bank attach to their aid, what they refer to as stabilization and structural adjustment conditions.\textsuperscript{17} These conditions has been bias for the controversy that surrounds China’s foreign aid to Africa. Whiles some scholars have argued that the very policy reforms suggested by these Bretton Wood institutions have been productive, others have maintained that, it has caused economic and social decline rather than growth.

\textbf{2.2 China's Africa Policy}

Montgomery observed that “international politics lie at the heart of foreign aid”.\textsuperscript{18} Morgenthau also posited that “foreign aid is an instrument of foreign policy which is used to augment short term prestige or to promote long term economic growth.”\textsuperscript{19} This has stimulated much debate amongst scholars, politicians and general public with regards to the pivotal role of foreign aid as an instrument of foreign policy. China’s policy towards Africa is basically geared towards the development and consolidation of friendly relations and collaboration with developing countries, to which Ghana is no exception.
The late Premier Zhou Enlai of China was the pacesetter of the principles guiding the relations between China and African countries. In early 1980's Chinese leaders put forward four principles on economic and technological cooperation between China and African countries, namely: equality and mutual benefit, emphasis on practical results, diversity in form, and pursuit of common development. During President Jiang Zemin of China’s African tour in May, 1996, he came up with a five point proposal on creating a lasting and steady relationship of all-encompassing cooperation with African countries directed towards the 21st century, the central features of it being genuine friendship, considering each other as contemporaries, cohesion and collaboration, conjoint development, and looking to the future. President Hu Jintao of China also underscored many times that China will further cement the unity and cooperation with the developing countries including Africa, and will make continued efforts to achieve the goal of conjoint development.

Generally speaking, the central themes of China's policy towards Africa are as follows:

a) Abide by the Five Principles of Peaceful Co-existence, hold in the highest regard the selection of the political system and trail of development chosen by African countries themselves in line with their distinct state of affairs, not meddling in African countries' domestic issues; assist African countries’ fair struggle to preserve national independence, power, and territorial integrity; render assistance to African countries in their determination to keep internal order and harmony, reviving national economy and boosting social advancement.

b) Help African countries in their bid to fortify unity and cooperation and resolve their incongruities and disputes through diplomatic dialogues without external intrusion;
backing the optimistic measures including the carrying out of New Partnership for Africa’s Development (NEPAD) spearheaded by the African Union (AU) and other sub-regional organizations in their quest for tranquility, order and growth of the African continent, enhancing African unison, and realizing political and economic integrity.\(^{26}\)

c) Reinforce and improve an enduring bond of all-inclusive cooperation with African countries, increase China-Africa high level visits, enhance personnel exchanges at various levels and in numerous fields, broaden common ground, cement friendship, and promote cooperation.\(^{27}\)

d) Endeavour to offer, as our topmost priority, governmental aid to African countries devoid of political specifications, and to come up with stringent procedures to revamp the execution of the projects constructed with China’s help; utilise the Forum on China-Africa Cooperation as a pristine pedestal and cultivate economic and commercial partnership with African countries in varied forms and fields in line with the concept of mutual respect, mutual benefit and add-on to each other with our individual dominance, and embolden enterprises from both sides to heighten interdependence, expand two-sided commerce, escalate investment and pursue joint development.\(^{28}\)

e) Implore the global populace particularly the industrialised countries to give reverence and show concern for Africa, make the maintenance of peace and development of Africa be their prime concern, espouse achievable methods to intensify their assistance to Africa, hold in high esteem their pledge to debt cancellation, promote economic development in Africa and enable Africa to eliminate poverty in order to close the gap between Africa and other continents.\(^{29}\)
f) Render assistance to African countries in contributing and engaging in a constructive role on the international plane as contemporaries globally, continue to safeguard impartiality and speak boldly for African countries during international gatherings. Reinforce a reciprocal dialogue and collaboration between China and African countries, work as a team to protect the genuine rights and well-being of developing countries and endeavor to push for a fair and square new international political and economic progress.30

The consolidation of friendly relations and collaboration between China and Africa will be beneficial to both China and Africa and has a future. In this new era, China is ready to propel political and economic exchanges between her and many African countries to a greater height.31

2.3 History of Foreign Aid

The earliest form of foreign aid was military assistance designed to help warring parties that were in some way considered strategically important. Its use in the modern era began in the 18th century, when Prussia subsidized some of its allies.32 Even though the provision of foreign aid precedes the mid-1940s, the period, is often credited as era beginning modern practice of foreign aid.33 This is because, foreign aid expanded from the 1950s to become a large and complex enterprise that reaches all corners of the globe, with every country either seen as an aid donor or an aid recipient.34 Many donors provide significant aid to their former colonies as a means of retaining some political influence.35 The British provided aid through the 1929 Colonial Act to their colonies and also through Colonial Development and Welfare Acts of 1940 and 1945. The French also provided aid to their colonies during the 1940s. The structure and scope of foreign aid today can therefore be traced to several major developments following World War II.36 They include the founding of
significant international organizations, including the United Nations (UN), IMF, and World Bank in the mid-1940s which have played a major role in allocating international funds, determining the qualifications for the receipt of aid, and assessing the impact of foreign aid. The Marshall Plan in the 1950s, that is, a United States’ (U.S.) sponsored package to reconstruct and rehabilitate the economies of 17 Western and Southern European countries, the decade of industrialization aid of the 1960s; poverty alleviation aid in the 1970s; stabilization and structural adjustment aid in the 1980s; political regime of democracy; and good governance aid in the 1990s after the Cold War are other development. In recent years, Taiwan, China and India have used aid among other foreign policy tools to gain recognition for their governments from countries around the world especially developing countries.

2.4 Chinese Foreign Aid and Assistance Defined

Foreign aid from China is development assistance provided to other countries in the form of infrastructure projects given as gifts; concessional loans to fund projects; disaster relief; student scholarships; and other forms of assistance. The first instance of foreign aid by China to Africa was in 1956 during the Suez Crisis when China gave Swiss Franc (CHF) 20 million to Egypt. From 1970 and 1975, China helped finance and build the Tanzania-Zimbabwe (TAZARA) Railway in Africa, which remains the country's single-largest foreign aid project.

Chinese aid is almost automatic for African countries with formal diplomatic ties with Beijing. Every country in Africa, with the exception of Swaziland, has been a recipient of Chinese aid. Countries such as Chad, Burkina Faso, and The Gambia, have switched diplomatic recognition back and forth between Beijing and Chinese Taipei. China has over the years, since the 1950s,
established and maintained a foreign assistance and aid policy on three state’s principles. These principles are equality, ideological blindness, and mutual benefit. The Chinese government has strictly maintained that, it does not impose any form of political conditions on its foreign assistance and aid to recipient countries. China’s ETC policy targets local development, self-reliance and is also fosters and strengthens bilateral relations between the donor and the recipient. China has tailored its ETC policy to involve private and Chinese state-owned enterprises, to investment in recipient countries and to support a wide range of projects, from community infrastructure to planes for national airlines.

Considering itself as a developing country likewise a nation that has experienced colonialism and imperialism common to most African countries, China does not refer to itself as a “donor.” Instead, China sees its aid to other developing countries, including Africa, as a form of mutual help among friends that are categorized into the South-South cooperation. As a matter of fact, there are numerous features of Chinese development collaboration with Africa that vary from Western methods, as Chinese aid is seen to be provided with “no strings attached”; emphasis is placed on two-sided aid projects rather than on many-sided initiatives; and there is a penchant for “hardware projects” such as physical infrastructure construction over “software projects” like research and capacity building, etc. The members of what is referred to as the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD-DAC) consist of the orthodox aid givers to which China is not yet an affiliate. It is therefore a challenge to evaluate aid from China due to unavailability of data which is supposed to be in the identical format as data on undertakings of the OECD-DAC members. Although the Chinese government has produced a White Paper on its aid not long ago, there are countless explanations as to why it
is arduous to measure Chinese aid.\textsuperscript{49} It is worth noting that, a portion of China’s aid is offered in kind as bilateral co-operation and how this is devised is vague. Also, the Chinese apply several aid mechanisms comprising: grant-in-aid, soft loans, natural resource-for-infrastructure swaps and so on. Furthermore, some of China’s aid packages are in the form of export credit guarantee accessible to Chinese private firms that have the ability to amass resources from the capital market and build the facility in Africa.\textsuperscript{50}

Chinese official ETC differs significantly from the ODA by the DAC.\textsuperscript{51} An example that can be cited is that, DAC mandates that, foreign assistance should originate from governments and not private corporations. Chinese corporations on the other hand, can provide official aid and investment to recipient countries. Another difference between ODA and ETC is the strict structure of aid packages that DAC advocates. The Chinese do not use strict structure package when determining their ETC.\textsuperscript{52} Also, aid figures for donors that are members of the DAC are reported and published annually. China does not report its aid to the DAC, and estimates of its ODA are often vastly exaggerated.\textsuperscript{53} Similarly, the Chinese rarely give budget support, and they do not contribute to common pool “basket financing” of sectors, which is a growing trend among the OECD donors.\textsuperscript{54} Principles governing the modalities of how aid is delivered include those embodied in the 2005 Paris Declaration on Aid Effectiveness, which emphasized that aid should be given in ways that support ownership, harmonisation, alignment, results, and mutual accountability. Since 1964, the delivery of aid from China has been governed by eight principles, which emphasise some of the same ideals enshrined in the Paris Declaration.\textsuperscript{55} The Chinese development assistance can be classified into eight categories due to the flexibility in its structure. The eight categories are, “complete projects, goods and materials, technical cooperation, human
resource development cooperation, medical teams sent abroad, emergency humanitarian aid, volunteer programs in foreign countries, and debt relief”. Most Chinese aid projects, in transportation, education and communications, are considered “complete projects” thus, they are typically funded through bilateral and regional agreements with the recipient country. The DAC on the other hand executes such projects through multinational organizations like the United Nations (UN), IMF and the World Bank. The Chinese-funded projects usually staff employees with some quota at least by Chinese workers.

2.5 Basic Features of China's Foreign Aid Policy

During the late Premier Zhou Enlai’s tour to Africa in the 1960’s, he first announced eight features or principles governing Chinese aid policy towards Africa at the People’s Congress in Somalia in 1964. These have been summed up into five basic features which defines China’s foreign aid policies and they are discussed below:

2.5.1 Increase Self-Development Capacity

A primary feature of China’s foreign aid is to unrelentingly help recipient countries build up their self-development capacity based on the realization that a country's development depends mainly on its own strength. Thus, China helps recipient countries to foster its own development through the use of local personnel, technical forces, build infrastructure and domestic resources in the provision of foreign aid to enable the receipt country to lay a strong foundation for future development and self-reliance.
2.5.2 No Political Condition

The Chinese Government maintains that, it does not use its foreign aid as a tool to interfere in the internal political affairs of the recipient countries. The PRC has also debunked accusations that, it uses foreign aid to seek political privileges for itself. The PRC believes in peaceful coexistence, thus, the PRC holds in high esteem the right of recipient countries to independently choose their own suitable developmental path and model base on the actual condition of their country.

2.5.3 Mutual Benefit and Development

China’s foreign aid policy aims at promoting equality, mutual benefit and common development. The PRC maintains that foreign aid is a mutual assistance between the recipient and the donor and this creates a win-win situation and relationship. The focus of Chinese foreign aid is on practical effects and an accommodation of the recipient countries’ interests as well as China’s interest. It uses its aid to promote friendly bilateral relations and mutual benefit through economic and technical cooperation with recipient countries.

2.5.4 Realistic and Achievable

The PRC remains realistic and strives for the best form of foreign aid to recipient countries. China provides foreign aid within the reach of its abilities in accordance with its national conditions. The PRC tailors its aid to the actual needs of recipient countries. However its takes into consideration its comparative advantages when providing foreign aid.
2.5.5 Innovation

The PRC keeps pace with modern times and also pays rapt attention to reforms and innovations. As discussed, because China’s foreign aid is mutually beneficial to both China and the recipient country, it adapts innovative process that will maximize these benefits. China adapts its foreign aid to the development of both domestic and international situations. The PRC pays attention to summarizing experiences, makes innovations in the field of foreign aid, and promptly adjusts and reforms the management mechanism, so as to constantly improve its foreign aid work and policies.

2.6 History of Ghana-China Relations

China’s relationship with Ghana ceremoniously began on March 6, 1958, when a Chinese acrobatic troupe gave a performance in Accra to honor the first anniversary of Ghana’s independence from British colonial rule.\(^6^4\) Formal diplomatic relations between Ghana and China was established in the early 1960s. This made Ghana the second sub-Saharan African country to officially recognize Chinese Government in Beijing. Ghana allowed China to establish an embassy in Accra and vice versa, followed by the appointment of Ambassadors to China and Ghana.\(^6^5\) The form of cooperation in the initial stages included military training for Ghana toward colonial liberation. Ghana showed further commitment by requesting that, China be granted membership into the UN.\(^6^6\)

In 1961, Ghana signed a three compartment deal of development assistance package from China. The Sino-Ghanaian Agreement also known as the ETC, provided Ghana with interest-free loans and grants to set up several factories to promote Ghana’s industrialisation.\(^6^7\) The Sino-Ghanaian Trade and Payments deal improved trade relations between both countries through the fixing of
annual export volumes. The cultural cooperation between Ghana and China took the form of technical cooperation in science, education, arts, medicine, and public health. This initial cooperation ceased due to the overthrow of the Republic of Ghana’s Government in a coup in 1966. This resulted in a brief cessation of cooperation between Ghana and China. Projects and all ties with the East were halted. Chinese advisers, embassy staff, technicians and freedom fighters numbering 430 were deported. Several monumental projects suffered as well. This included the extension of the Accra-Tema motorway.

The NLC abandoned Nkrumah’s Seven-Year Development Plan and stopped the construction on all prestige projects, such as the Accra-Tema motorway and the Nkrumah Tower in Accra. From 1966 until 1972, China and Ghana had no diplomatic relations and all aid agreements were disbanded. The period between 1972 and 1975 began the restoration of engagement and cooperation of between Ghana and China. However, political upheavals in both countries rendered the relationship less fruitful than the period between 1958 and 1966. African Center for Economic Transformation (ACET) mentions that ETC commitment to Ghana between 1978 and 1980 estimated a little over US$9 million, which was used to fund projects like the Juapong Cotton and Textile Factory in the Volta Region.

In the 1980s, the poor economic conditions of Ghana resulted in a reluctant acceptance of World Bank funds and Ghana began an Economic Recovery Program (ERP). Bilateral agreements between Ghana and China saw the latter contribute an interest-free loan of US$3.1 million to facilitate agricultural projects notably, Nobewan and Afife Irrigation Projects in the Volta Region as well as education infrastructure. The projects sponsored by the ETC led to an increase
agricultural outputs and increase in basic community infrastructure.\textsuperscript{77} McLaughlin and Owusu-Ansah\textsuperscript{78} argues that the development projects sponsored by the Chinese aided the success of the ERP. In the 1990s, China continued to fund smaller infrastructure projects and community development projects, such as the Ghana Cocoa Processing Project, the Fishing Ropes and Net Processing Project, the Dansoman Training Center in Accra and the University of Ghana, Legon Drama School because of the strong relations and ties between both countries.\textsuperscript{79}

China intensified and diversified its ETC programs in the 21\textsuperscript{st} century to include more countries and different project types. China increased its oil imports from Africa and also became an enviable exporter of manufactured goods to African countries.\textsuperscript{80} China offered Ghana a US$622 million loan towards the construction of a hydroelectric dam despite the Western DPs’ refusal to fund the project due to the negative environmental impacts coupled with the huge sums of compensations that will be given to persons who are of the residence from Bui Gorge, thus, forcible resettled.\textsuperscript{81} China indeed has increased the ETC support and contributed several projects in Democratic Ghana after the establishment of FOCAC in 2000, at which Ghana signed an agreement for US$35 million to restore the Accra-Kumasi highway and to construct a military barracks in Accra.\textsuperscript{82}

An estimated US$66 million and another US$24 million of Ghana’s debt were cancelled by China in 2003 and 2007 respectively. Xinhua\textsuperscript{83} notes that in 2006, Ghana and China signed six bilateral Agreements. The agreements saw China send medical teams to Ghana to prevent and treat malaria, while scholarships and professional training were offered to Ghanaian students. The Bilateral agreements enhanced the cooperation between Ghana and China on issues of transnationalism, human rights and counterterrorism.
China renewed its assurances to Africa including Ghana at the 2009 FOCAC meeting by announcing that, the focus of its ETC will be to enhance African well-being through projects in human resource development, infrastructure strengthening, agriculture improvement, and a respond to climate change.\(^4\) Ghana as a result, received an estimated US$99 million in interest-free loan to construct landing sites for fishing communities, as well as the provision of social services, schools and hospitals.\(^5\)

More recently, China has taken keen interest in the natural resources of Africa. For instance, the Bosai Minerals has expanded its bauxite and aluminum mining and refining capabilities in Ghana through the China-Africa Development Fund (CADF), which is a government-sponsored private equity fund protecting Chinese investors from the potential risks of investing in Africa.\(^6\) Again in 2010, the government of Ghana negotiated a US$15 billion fund for oil infrastructure development which saw the China National Offshore Oil Corporation, acquire exclusive rights to a portion of the Jubilee Oil Fields.\(^7\) In addition to the contract, China Petroleum and Chemical Corporation (Sinopec) built a natural gas processing plant in the Western region.

2.7 Overview of Cooperation Arrangements between China and Ghana

China and Africa are linked by long standing history and deep friendship, which has stood the test of time and many changes of international affairs. Most African countries today support the “One-China policy”, and 46 out of 53 African states have friendly relations with China.\(^8\)

The internal making of the Chinese policy was espoused through its subsequent meetings of the China-Africa Forums (CAFs) which has been changed to FOCAC, that is, a conference which
takes place every three years either in China or Africa. This is an official framework aimed towards the advancement of diplomatic, trade, security and investment relations between China and African countries. China’s momentous engagement with Africa on a multilateral level, was first brought about by the hosting of the China-Africa Consultative Forum (CACF) in Beijing in October, 2000. In light of the entrenched Western interests it is threatened with in Africa, Beijing had to make available a unique package of economic, political and security incentives to speed up its entry into key natural resource producing regions of the continent. FOCAC demonstrates the key tenets of the Five Principles of Peaceful Coexistence which guides China’s African foreign policy objectives. It is expected to boost political discourse and economic co-operation, with the lasting goal of common economic development and prosper hinging on the One-China ideology. The first FOCAC meeting was held in Beijing from 10th to 12th October, 2000. The meeting attracted over 800 officials from China and 44 African countries. Representatives of 17 regional and international organisations, as well as business representatives also attended the conference. Economic and diplomatic interaction with Africa took center stage of discussions at the meeting which would define future relations. The sentiment was substantiated in the “Beijing Declaration of the Forum on China-Africa Cooperation” and the “Programme for China’-Africa Cooperation in Economic and Social Development,” the two key documents which arose from the meeting. The second FOCAC ministerial conference was held in Addis Ababa, Ethiopia, from 15th - 16th December 2003. The conference was attended by Chinese Premier Wen Jiabao, along with 7 African Presidents and a number of other senior officials from African countries. More than 70 government ministers from China and 44 African countries attended the proceedings. The central theme of the second ministerial conference was on “pragmatic and action-orientated co-operation.” Premier Jiabao proposed a four point programme for the further consolidation of Sino-African
relations through mutual support; democratisation of international relations; meeting the challenge of globalisation together; and enhanced co-operation at all levels. The conference produced the “FOCAC Addis Ababa Action Plan 2004-2006,” which further outlined future China-Africa co-operation.93

The political framework of the Addis Ababa Plan encouraged continued high-level exchanges, enhanced political dialogue, a renewed promise from Beijing to participate actively in African peacekeeping operations, and pledges to co-operate on a range of security related issues. On social and development issues China promised to expand its African Human Resources Development Fund to train up to 10000 African technicians over three years, to enhance its assistance on medical care and public health, to provide technical training on agriculture, to cancel outstanding debts of select countries, and to encourage cultural and people-to-people exchanges.94

The Beijing Summit and the Third Ministerial Conference of the FOCAC held in October, 2006 was a major milestone in the cooperation agreements between China and African countries, including Ghana. This meeting was attended by 48 African countries. President Hu Jintao stressed the long history of China-Africa cooperation and the common objective of economic development and prosperity. China committed itself to stand with African countries in advancing national and continental interests. Key outcomes of the 2006 Beijing Declaration at the FOCAC meeting included, China’s intention to double its assistance to Africa by 2009, provide US$3 billion in preferential loans and US$2 billion preferential buyer credits to Africa over the next three years, the establishment of a China-Africa Development Fund (CADF), valued at US$5 billion, to encourage Chinese companies to invest in Africa, the building of an African Unity (AU)
conference centre in Ethiopia to assist in the advancement in the objectives of African unity, debt cancellation of interest free loans in the heavily indebted poor countries, expanding from 190 to 440 in the number of export products receiving zero-tariff treatment, establishing five new trade and economic co-operation zones in Africa; and training 15000 African professionals, build hospitals, malaria prevention centres, schools and double the number of Chinese scholarships offered to African students.  

It is worth mentioning that Ghana fully participated in this meeting and was represented by His Excellency John Agyekum Kufour, the then President of Ghana and other senior public officials. The Fourth Ministerial meeting of the FOCAC was held at Soho-Square, in the Egyptian resort of Sharm el-Sheikh on 8th to 9th November, 2009. The meeting revised how the agreement of the Beijing Summit has been implemented. It also embraced a Sharm el-Sheikh pronouncement and an action plan for 2010–2012 to plan further China–Africa cooperation. Chinese Premier Wen Jiabao, Egyptian President Hosni Mubarak and African heads of state or government from 49 countries attended the opening ceremony. The outcomes of the meeting were China’s announcement of a US $10 billion low cost loan to Africa, the establishment of US $1 billion special loan for small and medium-sized African businesses, eight new policy measures aimed at strengthening relations with Africa were “more focused on improving people's livelihoods’, the writing off of the debt of some of the poorest African nations, the building of a 100 new clean-energy projects on the continent covering solar power, bio-gas and small hydro-power and gradually lower customs duties on 95 percent of products from African states with which it has diplomatic ties and cooperation in agriculture, health, science, technology and human resource
development. Subsequent FOCAC meetings were held in Beijing in 2012 and the upcoming FOCAC meeting would be held in 2015 in Dodoma, Tanzania.

In the same vein, China and Ghana cooperation agreements covers a wide range of areas. First, there is an agreement between Ghana and China to support each on issues concerning sovereignty and territorial integrity. A key component of this agreement is Ghana’s commitment to the “One China Policy” which means Ghana treats Taiwan as an inalienable part of People’s Republic of China. According to Tsikata et al, agreement forms the basis of all bilateral cooperation, as such, China refuses to maintain diplomatic as well as economic ties with any country that recognizes Taiwan as an independent nation, in the light of that, Ghana upholds that agreement by viewing Taiwan as part of China. This agreement between China and Ghana has extended to the exploration of greater cooperation in the UN, World Trade Organisation (WTO) and other international and regional organisations.

There is also an agreement and economic cooperation between China and Ghana in the areas of agriculture, investment, trade and infrastructure. The agriculture sector has seen construction of irrigation facility, agro-processing, agricultural technology and agricultural infrastructure development in Afefe and Kpong. In the area of investment, Ghana and China have agreed to foster mutual investment. The Chinese government, has empowered a number of Chinese banks such as the the China EX-IM bank and the CDB, to set up the ‘China-Africa Development Fund’ to foster investment and infrastructural projects in Africa which will lead to the creation of employment, facilitate technological progress and enhance infrastructural development. This investment fund is expected to increase US $5 billion. Trade agreements between China and
Ghana has also improve due to the bilateral agreement between the two countries to make it more balanced. China has also agreed to provide zero tariffs on certain commodity exports of Africa, from 190 to over 440 commodities.

The largest manifestation of the cooperation between China and Ghana is that of infrastructure. Quite a number of agreements have been drawn up over the years for Chinese firms to undertake construction projects in Ghana. From the construction of roads to the construction of hydroelectric dam.\(^{106}\)

Finally, the cooperation between Ghana and China has extended to the area of financing. This form of cooperation enables Ghana to enjoy aid in the form of debt cancellations, grants and technical assistance.\(^{107}\)

### 2.8 Defining Infrastructural Development

Infrastructure development basically involves fundamental structures that are required for the functioning of a community and society.\(^{108}\) Structures such as roads, drainages, electricity, water, telecommunications, renewable energy etc. can be called infrastructure. Investment in infrastructure development can boost the economic growth especially in poor country with huge infrastructural deficit.\(^{109}\) The reconstruction of essential public infrastructure is an important ingredient for recovery, sustained economic growth and poverty reduction especially in developing countries.\(^{110}\) Chinese foreign aid towards infrastructure development in a recipient country contributes immensely to the rebuilding and development of physical infrastructure of the recipient’s state. It helps poverty stricken communities by improving their access to essential
infrastructure, such as schools, affordable housing, water supply and employment of local skilled
and un-skilled labour.

China’s foreign aid to Ghana has been summarized in the table below:

<table>
<thead>
<tr>
<th>Table 1 Selected Chinese economic and technical cooperation by type</th>
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<td>SECTOR</td>
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<td>Agriculture</td>
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<td>Interior Ministry</td>
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2.8 Conclusion

This chapter of the study defined the aid and aid effectiveness and also clearly distinguished the difference between the foreign aid by China and that of the DACs. In addition, the chapter provided a history of the Ghana-China relationships as well as foreign aid assistance. The chapter also identifies the basic features of China’s foreign aid.

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<tbody>
<tr>
<td>Communication</td>
<td>2003</td>
<td>11.8</td>
<td>Interest-free loan</td>
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<tr>
<td>Mines</td>
<td>2006</td>
<td>32</td>
<td>Concessional Loan</td>
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<tr>
<td>Mines</td>
<td>1998</td>
<td>7.5</td>
<td>Concessional Loan</td>
</tr>
</tbody>
</table>

TABLE 2.8.1 Source: Ministry of Finance 2009

University of Ghana http://ugspace.ug.edu.gh
ENDNOTES

2 Lecture Notes from International Finance and Developing Countries lectured by Dr. Vladimir Antwi Danso, A Senior Research Fellow at the Legon Centre for International Affairs and Diplomacy, University of Ghana.
4 Ibid.
17 Ibid.
21 Ibid.
22 Ibid.
23 Ibid.
25 Ibid.
26 Ibid.
27 Ibid.
28 Ibid.
29 Ibid.
30 Ibid.
33 Moyo, D. (2009). Dead aid: Why aid is not working and how there is a better way for Africa. Macmillan
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89 http://www.ide.go.jp/English/Data/Africa_file/Manualreport/cia_04.html
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101 Ibid.
104 Ibid
106 Ibid.
107 Ibid.
CHAPTER THREE

THE BENEFITS OF CHINA’S FOREIGN AID TO THE INFRASTRUCTURAL DEVELOPMENT OF GHANA

3.0 Introduction

In this chapter, the data gathered and collected through interviews with experts on China’s foreign aid to Ghana and secondary sources is analyzed. The analysis will focus on an assessment of China’s aid to the infrastructural development of Ghana as stipulated in the objectives of the study. Interviews were conducted with some senior officials from the Chinese Embassy in Ghana, the MFA&RI (Asia Bureau), the Ministry of Finance and Economic Planning (MoFEP) and other relevant institutions to collect the data for this research. The data is analyzed to assess the contribution of China’s foreign aid to the infrastructural development of Ghana and its influence on its socio-economic development.

3.1 An Assessment of Ghana-China Relations

Ghana and China relations in the last decade has continued to take a cordial tone in all aspects of key cooperation areas, these include, cultural, financial and infrastructural development. In an interview with Quist¹, the head of cooperation at the Ghana-Japan, China and South Korea (G-JCK) unit of the MoFEB on the 9th of June, 2015, he indicated that in terms of bilateral cooperation, the relations between Ghana and China is cordial and is becoming more prominent in recent times. However, the nature and focus of the relationship is gradually shifting and aiming at promoting trade and investment of both the recipient and donor countries which is in this case, Ghana and China respectively. The assertion by Quist² was further confirmed by Inusah³, the
Director of Asia & Pacific Bureau of the MFA&RI of Ghana, who indicated that the relations between Ghana and China can be described as cordial.

Interestingly, the relations between China and Ghana nearly became estranged recently when the Ministry of Health (MoH) in Ghana attempted to send a delegation of health officials to Taiwan. This was, however, done oblivious of the agreement between Ghana and China with regards to the “One-China Policy”. The situation was swiftly resolved and the relationship between China and Ghana returned to normalcy. The “One-China Policy” is a key ingredient to successful China foreign relations and cooperation. Tsikata et al assert that the agreement between Ghana and China to support each other on issues concerning sovereignty and territorial integrity is a key component of Ghana’s commitment to the “One China Policy” which means Ghana treats Taiwan as an inalienable part of the PRC. According to Tsikata et al, this agreement forms the basis of all bilateral cooperation, since China refuses to maintain diplomatic ties with any country that recognizes Taiwan as an independent nation. Ghana thus upholds that agreement by viewing Taiwan as part of the PRC.

3.2 The Sectors of Ghana’s Economy Which Benefit from China’s Foreign Aid

China in considering foreign aid to Africa, treats Africa as a single entity guided by its Africa Policy chassis, which explains why some African countries have taken advantage of the situation to gain more benefits from China in terms of foreign aid than others. Ghana, however, has benefited from China in terms of foreign aid due to her participation in all FOCAC meetings. Due to this, Ghana remains one of the African countries that has maintained fraternal relations with China for over fifty years in terms of cooperation. However, “most of the promises made by China
to Ghana are all political talk and they hardly come to fruition”.\textsuperscript{11} The US $3 billion CDB loan to Ghana can be cited as an example of such failed promises.\textsuperscript{12} In order to check this lapses, there should be an increased awareness on the outcomes of FOCAC meetings so as to take advantage of its outcome to gain more from China.\textsuperscript{13}

The Chinese government is focused on the construction of roads and bridges, the improvement of energy, enhancing effective and efficient communication and telecommunication, empowering local government systems, education, sports, health, agriculture, transport and national security.\textsuperscript{14} The sectors of Ghana’s economy which have benefited from China’s foreign aid can be grouped into various levels. The Chinese foreign aid is operated at Government to Government level, through Public Private Partnerships and with private sector participation.\textsuperscript{15} It is clear that the aid from China to Ghana has not been targeted at any specific sector. They are multi-sectorial investments and aid which are operated at different levels.

China’s foreign aid has been erratic in terms of commitments and unpredictable in terms of both the timing and the volume of funding to Africa\textsuperscript{16}. Among reasons for the selection, many aid donors, especially the DACs, use aid to advance a political agenda driven by the political concerns of their domestic electorates which vary over time.\textsuperscript{17} Another reason, that may inform the selection of specific sectors include the donors’ procedures for the disbursement of aid. In some instances, aid and fund commitments are so cumbersome due to unpredictable lags before governments are able to utilize these resources. For example, Ghana received only US$ 600 million of the US$ 3 billion Chinese loan after three years of signing the agreement, yet the Ghana government was still paying commitment fees on the whole principal on the loan.\textsuperscript{18} China has maintained that, its aid
flows though favourable to coherent government expenditure, or the development of sound institutions of accountability in recipient countries by providing for specific donor coordination with a view to committing long-term, predictable flow of resources.\textsuperscript{19}

Various reasons have been used to explain the reason these sectors of the Ghanaian economy are targeted to benefit from China’s aid. In selecting a sector to benefit, there are bilateral cooperation agreements between Ghana and China.\textsuperscript{20} There is a need for these countries to collaborate in order to decide on which areas they would want to focus their attention on. “Sometimes, the donor country in this case China, may have some comparative advantage in certain sectors of the Ghanaian economy and may therefore decide and offer to concentrate their efforts in such sectors. In certain circumstances, it is the recipient, in this case Ghana which makes a formal request to the donor (China) to assist her in those sectors that are lagging behind in terms of development.”\textsuperscript{21} In sum, cooperation between Ghana and China on which sectors of the Ghanaian economy to cooperate is mixed, that is, Ghana may request or China may just decide to help through formal discussions and understanding between the two countries.\textsuperscript{22} This particular arrangement between Ghana and China, buttresses the theory of international cooperation by Grieco\textsuperscript{23} which suggests that, states do voluntary adjustments of their policies so that they can manage their differences and reach some mutually beneficial outcome. The theory of international cooperation involves efforts by states to work together voluntarily, as such the agreement between Ghana and China is devoid of compulsion.

Chinese foreign aid diverges from the traditional “donor-recipient” format to what can be described as a horizontal partnership which aims at providing the two parties (Ghana and China)
the same level of assistance and aid. Thus, foreign aid from China tends to focus more on productive sectors than social sectors as well as poverty reduction sectors of the recipient countries by the traditional DAC donors. A Senior Manager from the United Nations Economics Commission for Africa (UNECA) observes that “If you want concrete things go to China. If you want to engage in endless discussions and discourse go to the normal traditional donors.” However, these claims have been refuted by the Chinese foreign officials in the sense that aid and assistance from China have the prospects of serving poor countries by offering them the opportunity to learn from the Chinese developmental process and experiences. The drive and motivation for Chinese foreign aid is coordinated by many policy instruments which have inured to the benefit of the PRC and the recipient country as well. In this regard, China’s foreign aid policy is similar to “Japan’s outward march” than to the foreign aid policy drive of the OECD countries and the DACs. Chinese foreign aid policies, especially those spearheaded by Chinese banks usually develop aid instruments which can link rich natural resources of African countries including Ghana to their development.

3.3 China’s Contribution to Ghana’s Infrastructural Development since 2003

The Chinese government has contributed a lot to Ghana’s infrastructural development in various sectors of the Ghanaian economy. Some of these developmental projects and infrastructure established since 2003 are:

**TABLE 3.3 China’s Contribution to Ghana’s Infrastructural Development since 2003**

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>PROJECTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads</td>
<td>Ofankor- Nsawam Road, Sofoline Road in Kumasi, Bridges, Flyovers.</td>
</tr>
<tr>
<td>Energy</td>
<td>Atuabo Gas Processing Plant and Bui-Power Plant.</td>
</tr>
<tr>
<td>National Security</td>
<td>Security equipment used on the oil enclave in Cape Coast</td>
</tr>
<tr>
<td>Local Government</td>
<td>Building of the Kotokuraba Market</td>
</tr>
</tbody>
</table>
Additionally, the Shanghai Construction Group of China was contracted by the Government of Ghana to build two stadia in Sekondi-Takoradi and Tamale in preparation for the 2008 African Cup of Nations which was hosted in Ghana. The Chinese government provided a soft loan to finance the construction of the stadia with the total project costs reported at US$ 38.5 million. The Shanghai Construction Group was awarded the project at the detriment of a number of prospective bidders due to the cancellation of the original tender process because the “the Chinese construction firm” was viewed more competent in finishing the stadia before or on time for the deadline and below the estimated cost of the project.

Again, in August, 2007, the government of Ghana officially commissioned the construction of phase one of Ghana’s fibre-optic cable network to improve the Information, Communication and Technology (ICT) infrastructure in the country. The laying of the cables was executed by China’s Huawei Technologies Company, which had to install the cables from the capital, Accra to Tamale in the Northern Region at a project cost of US$ 30 million. The purpose of the project was to serve as a platform for the implementation of the E-Ghana project which will reduce the cost of bandwidth, as well as providing greater access to information, communications and technology across the country.
Similarly, in 2009 and in 2013, the Chinese government helped Ghana to address its infrastructural deficit through the construction of ultra-modern offices complex for the Ministries of Defence at a cost of US $50 million Chinese grant and the MFA&RI at a cost of 91 million Yen or US $13.6 million interest free loan respectively. These magnificent structures are being used by the Ministries to enable it function effectively and efficiently in a sound working environment to promote national development. Also, various meetings, plans and decisions are made by government officials and other stakeholders in these magnificent structures to protect the sovereignty and strategic interests of Ghana.

This study will however focus on three key Chinese foreign aid projects and its socio-economic impact on Ghana, these are the Bui Hydro Power Plant, the Ghana National Gas Plant at Atuabo and the LEKMA hospital. The selection of these three projects was due to the limited amount of time for the study and the reluctance in the release of the data by some government officials and officials of the Chinese Embassy in Ghana.

3.3.1 Bui Hydro-Electric Dam

The construction of the Bui Dam commenced in 2007 by the Sinohydro Corporation of China. The Ghanaian Bui Dam was one of the Ghanaian Government’s priority projects due to erratic power supply in the years 2006 and 2007. In terms of financing, the agreement between the two countries involved the extension of a two part loan facility amounting to a total of US$ 562 million to facilitate the construction of the Bui Dam complex. A buyer’s credit facility of US$ 292 million was contracted by the Government of Ghana from the Chinese EXIM-Bank formed the first part of the loan agreement. A US$ 270 million concessionary loan was extended by the Chinese
Government to Ghana via EXIM-Bank as the second part. Ghana however provided a counterpart funding of 10 percent of the total project cost which translated into US$ 60 million. The terms of the first loan included a twelve year period of amortization and a five year moratorium. The interest rate of the loan was set at a margin of 1.075 percent over the prevailing Commercial Interest Reference Rates (CIRR). The payment terms of the second loan included a fixed interest rate of 2 percent. The loan from the China EXIM-Bank was guaranteed through the export sales of cocoa beans. An integral part of the bilateral agreement stipulates that Bui Hydropower Authority enter a power purchase agreement with the Electricity Company of Ghana (ECG). The net revenue realized from the purchase agreement will be deposited into an escrow account which will help the authority repay the loan.

3.3.2 Ghana National Gas Company (Atuabo Gas Plant)

In July, 2011, the Ghana National Gas Company (GNGC) was established, following extensive consultations made by the National Gas Development Task Force led by Dr. Kwesi Botchwey. The task force was commissioned by the late President Atta Mills in February, 2011 to develop a blue print that will ensure the development of Ghana’s gas resources from the Ghana oil fields. The GNGC was thus incorporated as a limited liability company with a key mandate to “build, own and operate infrastructure required for the gathering, processing, transporting and marketing of natural gas resources in the country”. The Ghana National Gas Projects was financed from the US$ 3 billion CDB loan facility. The loan facility was to be the largest Ghana had secured. The purpose of the loan was to finance the infrastructural gap identified in the national development strategy, the Ghana Shared Growth and Development Agenda (GSGDA), which included gas infrastructure, rail rehabilitation, road building, and the expansion of the harbour at Takoradi.
The CDB facility was compounded with many challenges. Even with compounded challenges, the gas infrastructure project was completed within a global record time of barely two and a half years and it was not without delays.\textsuperscript{42} The cost of the Ghana Gas Infrastructure Project is estimated to be one US$ 1 billion with the GNGC having spent US$ 728 million. The company is expected to further spend US$ 272 million to cover the entire cost of a project once touted as a "game-changer" in Ghana's energy space by H.E. John Dramani Mahama, President of the Republic of Ghana.\textsuperscript{43}

3.3.3 Ledzorkuku Krowor Municipal Assembly Hospital

The Ultra-modern LEKMA General Hospital at Teshie Tebibiano was constructed by the Chinese Government in 2010 at a cost of US $7.280 million. It was officially inaugurated and commissioned in December, 2010 by His Excellency John Dramani Mahama, the then Vice President of the Republic of Ghana, and now President.\textsuperscript{44} Before its establishment, there was no health facility running in the area and the hospital is currently addressing the health needs of people in the Municipality at a reduced cost in terms of transportation to hospitals at far distance like Tema General Hospital. The LEKMA hospital was built as a multi-purpose health facility with a special Research Centre, focused on malaria and herbal medicine.\textsuperscript{45} The facility also deals with all other medical conditions which include surgical theatre, eye, nose and throat (ENT), medical scans etc. A dental laboratory, a first in the country, has been uniquely established in the health facility and it provides artificial replacement braces, among other dental issues.\textsuperscript{46}

3.4 Conditions of Chinese Foreign Aid to Ghana

China’s foreign aid policy is significantly different from the foreign aid for DACs. This is so because China’s “no-strings-attached foreign aid” is tailored to suit both China’s actual conditions
and the needs of the recipient countries. China is recognized as the world’s largest developing country, with a large population and uneven economic development. Thus China’s foreign aid is categorised under the South-South Cooperation which provides an avenue for mutual help between developing countries including Ghana.\textsuperscript{47} “China attaches conditions to its aid to ensure that funds released to recipient countries would not encumber avoidable risks known as Risk Mitigations.”\textsuperscript{48} This is a measure put in place by the Chinese to minimize instances whereby funds meant for developmental projects are diverted to other ventures rather than its original purpose.

Conditions attached to bilateral and multilateral cooperation with regards to aid, is a necessary effort made by the donors to ensure that funds released to recipient countries do not end up in the hands of extremists and terrorist groups like the Al Shabab, ISIS, Boko Haram etc.\textsuperscript{49} For this reason, Chinese fund transfers are based on government to government agency transfers.\textsuperscript{50} Foreign aid conditions are usually negotiated between the donor and recipient countries.\textsuperscript{51} “Negotiations are made between China and Ghana before agreements are reached on the conditions attached to the aid”. The agreement is forwarded to Cabinet for review and approval and then to Parliament for ratification before they are finally signed by the Finance Ministers of Ghana and China.\textsuperscript{52}

It must be noted that the signing of agreements between Ghana and China normally requires the power of incumbency which is put in place to ensure that disputes are resolved amicably between the donor (China) and the recipient (Ghana) in the likely event of disagreements or non-compliance of the agreement.\textsuperscript{53} “Ghana’s Ambassador to China is sometimes asked by the Minister of Finance to facilitate the signing of such agreements and he/she liaises with the Chinese officials on all aid extended to Ghana”.\textsuperscript{54} In some instances, the parties (China and Ghana) appoint facilitators to
handle the negotiations. In the case of Ghana, there is also what is known as a list of authorized
signatories to formal letters sent to China requesting for the contracting of loans for Ghana and it
is the Minister of Finance who identifies and nominates such officials to sign formal letters of such
nature. Under the Master Facility Agreement (MFA) and other finance documents of the CDB
loan agreement, MoFEP, is the Government of Ghana’s (GoG’s) representative with the
responsibility of overseeing all eligible projects under the CDB loan. MoFEP is also charged with
the responsibility to “coordinate and ensure compliance by all relevant project sponsors with the
requirements of the MFA and finance documents”. In addition, a joint MoFEP/CDB Project
Management Office was established at MoFEP to coordinate the affairs and projects enlisted under
the MFA. In general terms the conditions of repayment of all loans contracted from China and
conditions for the use of such loans dictates that every request for the contracting of loans from
China must be based on approved invoices and certificate of work done. This is usually done to
ensure that taxpayers’ monies of the donor country in this case China is put to good use.

The terms of the CDB loan agreement stipulates that 60% of all contracts under the loan go to
Chinese companies. The CDB loan facility is split evenly into two segments, which is tranche A
and tranche B. The terms of the first tranche includes a principal of US$ 1.5 billion at a 15 year
repayment period with a 5 year grace period; the interest rate is LIBOR plus 2.95%. Perhaps the
controversial aspect of the tranche A loan is a clause which stipulates that, there is an upfront fee
of 0.25% of the loan and a commitment fee of 1% per year on the undrawn and un-cancelled
balance of the loan. This clause proved problematic as Ghana continued to pay commitment fees
on some monies it had not received.
Tranche B was much aggressive than tranche A. In tranche B, Ghana was allowed a 10 year repayment period with 3 a year grace period; the interest rate is LIBOR plus 2.85%. The money would be available for six years after the agreement was signed. Principal and interest payments would be made to CDB every six months after the grace period expired.

There was a commitment fee of one percent (1%) per annum on the undrawn and un-cancelled balance of the loan, which would become due no later than sixty (60) days after the signing of the MFA in this case by February 14, 2012. Per the conditions of the loan, the Government of Ghana was to provide an ‘Owner Contribution’ of 15% of each Subsidiary Agreement amount. The Government of Ghana was required to provide and maintain Debt Service Reserve Account Cover (DSRAC) of 1.5 times on each repayment in the account at all times.

3.5 The Positive Impact of China’s Foreign Aid to Ghana’s Infrastructural Development on Its Socio-Economic Development

The word “Impact” means relevance, efficiency, effectiveness, sustainability and lasting results or outcomes. The impact of a particular infrastructural project can be short term or long term. For this reason, the objectives set up by the donor (China) in providing aid in such infrastructural projects in Ghana needs to be inferred to ascertain its impact either quantitatively or qualitatively. For example educational infrastructure can have both a short term and a long term impact which will be determined by how such facilities are utilized and maintained. This paper will assess the impact of an infrastructure based on two key principles. These are the contribution the project is making in terms of benefits to the state and how value for money retrospection of the project is required.
December 8, 2009, marked a major milestone in the relations between China and Ghana. An agreement was reached between the CDB and Ghana, for the former to provide the latter a loan of US$ 3 billion to fund infrastructural development projects, majority of which are related to the energy sector of Ghana. The loan facility was officially signed by CDB and the Ghana Government on December 16, 2011. The Ghanaian Parliament approved the agreement in February 2012. The CDB loan covered 12 eligible projects. Details as stipulated in the loan agreement are detailed below:  

1. Western Corridor Infrastructure Renewal Project - Takoradi-Kumasi; Dunkwa-Awaso Railway Line Scenario 1 Retrofit (estimated allocation of 450-500 million USD).
2. Western Corridor Infrastructure Renewal Project - Takoradi Port Retrofit Phase 1 (estimated allocation of 150-200 million USD).
3. Sekondi Free Zone Project - Shared infrastructure and utility services (estimated amount of 100 million USD).
4. Accra Plains Irrigation Project (Phase 1: 5000 ha) (estimated amount 100 million USD)
6. Eastern Corridor Multi-modal Transportation Project - Upgrade of Volta Lake Ferries, Pontoons and Landing Sites - Kpandu-Amankwakrom, Kete Krachi-Kwadokrom, Yeji-Makongo, Tapa Aboatoase, Dzemini; Upgrade of Akosombo and Buipe Ports (estimated amount of 150-500 million USD), To this end, engineers are currently working to replace the old engines on the existing ferries with the new eight main and auxiliary engines procured under the World Bank Credit facility. This will improve ferry services across the Volta Lake.
Under the CDB facility, an amount of 450 million USD has been allocated to the Eastern Corridor Multi-Modal Transport Project (ECMMTP) comprising:

• Upgrading and developing Akosombo and Buipe ports infrastructure;
• Upgrading and procuring vessels, other marine works and
• Upgrading 700km of feeder roads to selected ferry stations on the Volta Lake”.

7. Western Corridor Gas Infrastructure Project - Offshore gas gathering pipeline, early phase gas processing plant, onshore gas trunk pipeline (Pumpuni Dispatch Terminal), NGLs Processing Retrofit (Tema Oil Refinery), Helicopter Surveillance Fleet (in implementation).

This project already had submitted a subsidiary agreement to Parliament for approval. It included a gas processing plant of 150 million standard cubic feet, a 36km shallow water offshore pipeline from the FPSO to the plant, a 120km onshore pipeline from the gas processing plant to Aboadze, a 75km onshore pipeline from Esiama to Prestea, a jetty for the export of natural gas liquids, and an operations and control office complex. As of June 2013, the contractor Sinopec had been pre-financing this project, and the Government of Ghana was seeking additional bridge financing.

8. Western Corridor Petroleum Terminal Project

9. Western Corridor Oil Enclave Toll Road Project

10. Accra Metropolitan Area ICT - Enhanced Traffic Management Project (road completion components)

11. Integrated National Security Communications Enhancement Project - Deployment of ICT Enhanced Surveillance Platform for Western Corridor Oil Enclave (estimated amount of 150 million USD)
The Ghana Gas Project was part of the list of projects under the US$ 3 billion loan agreement in December, 2010 between Ghana, CDB and China EXIM-Bank that aimed to develop infrastructure, in areas such as the oil and gas sector. The Ghana Gas project at Atuabo produces gas to power the thermal plants of the country's energy generator Volta River Authority (VRA). The GNGC has reported that the VRA tend to save up to 20% in the cost of fuel to the power industry, this translates into a total savings of UD$ 2 billion within 10 years. In terms of power generation, the gas plant can power up to 400 MW which is just enough for every other year. The Ministry of Energy has indicated that at maximum production, the Atuabo Gas Processing Plant will be able to save the nation over US$ 500 million per year from importing light crude to power the thermal plants. These savings have been attributed to the fact that price of gas is 50 percent lesser than that of light crude oil. Officials of the Chinese Embassy in Ghana have indicated that the US$ 900 million Atuabo Gas Processing Plant will have a positive impact on Ghana’s economy. “The establishment of the Atuabo Plant is a step in right direction as it will ensure effective energy and electricity generation, which is the bedrock of Ghana’s industrial development. The Chinese Ambassador to Ghana, Ms. Sun has indicated that the establishment of the Gas Plant is a magnificent step by Ghana and holds the key to the transformation of the country’s economy.”

In the case of the Bui Hydro Dam Project, where the conditions entailed commodity-secured loans with China EXIM-Bank, only the amount was specified in the agreement, not the price. The China
EXIM-Bank President, Li Ruogu, affirmed this by indicating that “the bank uses market prices in repayment arrangements for its commodity-secured lines of credit.”

Secondly, a requirement for Bui Hydropower to have a power purchase agreement with the ECG. The net revenue from the forced purchase agreement was to be deposited in an escrow account which would aid in the loan repayment. In the agreement, the price for the future electricity negotiated was in a range of between US$ 0.035 and US$ 0.055 cents kWh, which was lower than the prevailing price of the average electricity tariff in Africa at US$ 0.13 per kWh, thus Ghana benefits from the foreign aid agreement. This seems to be a good and reasonable deal, the danger lies in the details of price changes over the course of the life of the dam due to the fact that there was no transparency in dealing with it.

The construction of the LEKMA hospital has provided access to quality medical care for more than 265,000 inhabitants of the municipality. The facility also serves people from other parts of Accra especially communities around Teshie and Nungua. The 100-bed hospital facility constructed by the China Geo-Engineering Corporation (CGC) was completed within 16 months at a cost of US $7.28 million. The LEKMA hospital is a multi-purpose general hospital with several departments offering various medical services to patients including a surgical theatre, eye nose and throat, scanning services, laboratory and radiological facilities. The LEKMA Hospital is the first facility to have a computerised tomography scanning machine in the nation’s capital to provide 3D X-ray scans. It boasts of specialist departments with an expert staff strength of nine specialist doctors including dentists, physiologists, dermatologists, gynecologists, and pediatricians. In 2014, the hospital delivered about 2000 babies in its 24 hour maternal unit. An
emergency wing of the children's hospital was added to its operations. The hospital treats about 2,500 out-patients on daily basis. The hospital also organizes regular health screening and community health sensitisation programs especially on malaria and cholera.

The US$ 290.64 million Eastern corridor road when completed, the road will connect roads in the Volta and the Eastern regions to the Tema Roundabout in the Greater Accra Region through the Volta Region to the Northern and the Upper East regions to link Burkina Faso, Mali and Niger. The Eastern corridor road links the northern to southern part of Ghana and it will facilitate trade by providing a shorter access to the Tema Port. The road will connect major towns such as Oti-Gushiegu Bimbilla, Yendi, Damanko, Sakpiegu, and Nakpanduri. These communities are to benefit from social infrastructural projects in health, potable water, agricultural education, and entrepreneurial support for farmers and traders. The project has employed over 500 Ghanaians which transcend into the provision income to feed their families.

3.6 The Negative Impact of China’s Foreign Aid to Ghana’s Infrastructural Development on Its Socio-Economic Development

In February, 2012, the Minority caucus of the Parliament of Ghana abstained from the approval vote of the deal because they did not agree to aspects of the CDB loan where Ghana had to collateralize its oil wealth. Among the terms reached in the loan included the collateralization of 750 million barrels of the nation’s crude oil to a Chinese company for more than 15 years. Ghana had an option to pay up US$ 6.4 billion based on the projections of crude oil prices to China for the US$ 3 billion loan.
Most of the projects that were supposed to be funded by the US$ 3 billion CDB loan have come to a halt due to the cessation of the loan agreement. The delay in the release of the funds and subsequent cancellation of the agreement is as a result of both Ghana and the China not agreeing on renegotiable terms. The deal broke down because the loan agreement failed to ensure that the payment schedule was watertight and also did not contain a clause to sanction each party for failure to fulfill their part of the agreement terms and conditions to the letter.

Unfortunately, it is clear that negotiators on behalf of Ghana could not care to secure Ghana’s national interest whiles their Chinese counterparts did so. What this loan translated to was the fact that Ghana had to give away huge sums of money in commitment fees on a loan which was yet to be granted to Ghana whiles the Chinese Development Bank was to return part of the money given as a loan to Ghana.

Some of the conditions of the various loan agreements are either drafted vaguely or are intentionally put in place to avoid public scrutiny. An example of such deals and conditions involves the establishment of the Ghana Gas Infrastructure which was a loan deal of US$850 million collateralized against Ghana oil lifting in the jubilee fields, Ghana had to contribute an additional US$ 150 million of the its taxpayers’ money over a period of three years to help with capitalization shortfalls of the Ghana Gas Company as well as financing part of the CDB facility through commitment fees. Despite the use of tax payers’ money for the capitalization of the GNGC, Parliament played no role in approving its investment programmes. This is in contravention to the principles of good governance and accountability. In addition the incorporation of Ghana Gas as a limited liability company with funding from Ghanaian tax payers’
money has provided the company with the leverage to undertake “private” projects without public scrutiny especially by Parliament.\textsuperscript{71}

One of the key reasons for the establishment of Ghana Gas Company as a limited liability company has been associated with lack of governance risks and public accountability.\textsuperscript{72} The Ghana Gas Company provides a sole sourced agreement of US $850 million Engineering, Procurement and Construction (EPC) agreement to China Petroleum & Chemical Corporation (SINOPEC) to construct gas pipelines and a gas processing plant without Parliamentary approval and regard for the Procurement Act of Ghana. This is an indication of the level of transparency in the company’s operations in respect to public accountability.\textsuperscript{73} Even though there has been an allocation of substantial amounts of public funds from petroleum revenues, Parliament does not review the financial reports of the Ghana Gas Company.

Again, local contractors suffer due to the fact that they are not given contracts on projects funded with China’s aid. Most often, the statutes of the Public Procurement Act of 2003 are overlooked and contracts are awarded to Chinese contractors.\textsuperscript{74} In the case of some of the projects, the management and maintenance of the facility after its constructions are given to Chinese companies at the expense of Ghanaian companies. Local Content is a key element that seems to be missing in all major foreign aid agreements with the Chinese emissaries. Aid from China tends to benefit China because the monies go back to them and does not remain in the country for developmental purposes.\textsuperscript{75} Ghana contracted a loan from China to build the Gas Infrastructure Plant however, China manages the disbursement of these funds and then uses most of the funds to pay contractors of the projects, mostly Chinese companies which causes Ghana to use a lot of its proceeds from
natural resources to service the loan. For instance, the CGC Overseas Construction Group of China has teams which conduct periodic checks on the LEKMA hospital facility to identify areas for structural maintenance works. These areas include minor cracks, plumbing, painting, tiling problems or problems with the toilet facilities. In 2013, the CGC Overseas Construction Group of China also, constructed a curtain wall for the hospital to prevent dust from the road construction from entering the surgical ward. These could have been managed by a Ghanaian company.

The condition of making huge sums of down payments in US dollars to Chinese contractors before Chinese loans and aid is provided to Ghana defies logic as the country struggles to stabilize its currency. “Instead of making the down payment in dollars it would have been appropriate to make the payment in Ghana Cedis in order not to deplete our foreign reserves”. In that regard, the Ministry of Finance is working hard to negotiate with China to halt this practice as it affects the strength of the Ghana Cedi against the major trading currencies. In 2014, although Ghana was yet to receive full disbursement of the US$ 3 billion CDB loan, the country continued to pay commitment fees on the whole loan as conditioned in the MFA agreement.

Again, China indirectly uses the aid it extends to Ghana with regards to infrastructural development to help her construction firms operating in Ghana to demand for tax and duty exemptions on the materials and equipment needed to execute projects. In view of the countless Chinese firms operating in Ghana, revenues are lost due to tax incentives given to foreign companies. To buttress this assertion, a study conducted by Actionaid Ghana reveals that Ghana may be losing close to US$ 1.2 billion annually as a result of tax incentives provided to foreign companies including Chinese firms. This implies that, the country stand to lose an amount that
is usually about half the entire annual budget for the Education Ministry. It could be recalled that, the Chinese Construction Firm which worked on the Cape Coast Sports Stadium were provided with tax and duty exemption procedures for imported materials for the project without prior Parliamentary approval or ratification. Indeed, one can imagine the huge sums of money Ghana loses every year through her extension of tax incentives to foreign companies. This revenue, if accrued by Ghana could have assisted her meet the numerous economic and social challenges confronting the country.

“All aid from China are tied.” Due to this China import construction firms, labour and machinery from China. This does not augur well for the development of the recipients of China’s aid, in this case, Ghana due to the fact that there is rarely transfer of new technologies, skills pertaining to construction works to the locals. There is also little or no partnership between Chinese construction firms and local construction companies to pave the way for the new transfer of technological know-how and skills.

Visa exemptions is one of the conditions attached to Chinese aid. China and Ghana signed two agreements comprising a grant and an interest free loan to finance development aid facilities to Ghana such as the National Communication Backbone Project, the Office Complex of Ministry of Defence and the Youth Cultural Center in Kumasi. The agreement involved a visa-free entry by nationals of both countries possessing valid diplomatic passports. The Mutual Visa Exemption allows nationals holding valid, diplomatic, official and service passports to enter, depart or transit the territory of the other country without a visa and stay for up to six month. This agreement tend to increase unemployment in Ghana due to the fact that the Chinese import labour and hardly
employ the nationals of the recipient countries. The few who are employed by these Chinese construction firms are offered menial jobs with low wages which do not lead to the reduction of poverty in Ghana.

To make matters worse, some of the Chinese nationals abuse this privilege extended to them by overstaying their visas and engage in illegal mining in Ghana which had led to clashes between Ghanaians and Chinese resulting in loss of lives, properties and to an extreme consequence a cause of diplomatic rows between Ghana and China but for the prudent management of the situation by the leadership of both countries.\textsuperscript{88}

3.7 The Possible New Areas of Cooperation between Ghana and China in Terms of Foreign Aid and Infrastructural Development

Ghana and China’s relations will continue to grow, as the two countries have shown commitment to strengthening its cooperation and friendly ties. Ghana’s infrastructural development sector will need a boost and China is in a good position to provide aid towards Ghana’s development. Ghana should, however, be cautious in negotiating deals with China. The challenge Ghana faces through her engagement with China is basically the inability to learn and manage conditions that suit new development partner strategically. Ghana can entrench her efforts to reform governance and economic policies that might improve her economic engagement.

Ghana can make requests to China to help her improve its railway system and also to help in the construction of its major highways to enhance trade and development within Ghana and in the Economic Community of West African States (ECOWAS) sub-region. Many other forms of cooperation especially in the energy sector could come from the funding of diversified energy
sources including investment in solar power, mini dams and thermal plants, among others. Many Chinese enterprises will be willing to partner Ghana to meet its development needs, however, caution must be taken when negotiating the aid.

3.8 Conclusion

In this study, there is a revelation of Chinese officials and emissaries’ ability to combine different financial instruments to allow for the funding of large developmental projects in Ghana, however, not all foreign aid from the PRC is defined as foreign aid by the ODCs. However the China’s foreign aid and loans can be secured using resources of the recipient country in this case Ghana. Ghana have used the proceeds of its cocoa and crude oil lifting from the jubilee fields to secure loans like the Bui Power Dam Project and the Ghana Gas Facility to secure loans and guarantee repayment of its debt.

In international cooperation’s, every country will have to pursue and secure its own interest. The truth remains that China has targeted the “free resources” and huge profits of Ghana. The terms and conditions of loan agreement with China should be negotiated to inure to the benefit of Ghana. If Ghana relies on internally generated revenue to prosecute the infrastructure development project the state will have absolute control of contract agreement with contractors by providing infrastructural projects that offer value for money. This can only be realized through the prudent management of the economy as well as efficient and timely collection of taxes.
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CHAPTER FOUR
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

4.0 Introduction

This chapter gives the summary of findings, conclusion and recommendations of the research.

4.1 Summary of Findings and Conclusion

The following research findings were drawn. First, Ghana and China have retained over fifty years of international ties and cooperation, and this relationship in the last decade has continued to take a cordial tone in all aspects including cultural, financial and infrastructural development. The relationship, however, nearly hit a snag because Ghana attempted to send a delegation of health officials to Taiwan, which almost contravened the “One-China policy”. However, the situation was swiftly resolved and the relationship returned to normalcy.

Second, China’s foreign aid can be grouped into three various levels, which are, government to government level, public private partnerships, and private sector participation. Aid from China to Ghana come in the form of multi-sectorial investments and are operated at different levels. Sectorial selection of aid is based on bilateral cooperation agreements between Ghana and China, which is in line with the assumptions of the theory international cooperation propounded by Joseph M. Grieco. In effect, Ghana may request or China may just decide to help through formal discussions and understanding between the two countries.
Conditions are attached to China’s foreign aid to ensure that funds released to recipient countries would not encumber Risk Mitigations. Conditions are also put in place by China to ensure that funds are not diverted to other ventures including the financing of terrorists’ organisations.

The positive impact of Chinese foreign aid include the establishment of the Ghana National Gas Company, which enables the VRA to saves up to 20% in the cost of fuel to produce power for industries in the country. The total savings for Ghana has been estimated to be US$2 billion within 10 years. This could be used to finance other sectors of the Ghanaian economy such as agriculture, health, education etc. The Atuabo gas plant can also power up to 400MW which is just enough every other year.

Another benefit of China’s foreign aid to Ghana include the establishment of the LEKMA hospital which provides access to quality medical care for more than 265,000 inhabitants in the Teshie and Nungua area of the Greater Accra region of Ghana. The constructions of roads, particularly, sections of the Eastern Corridor has been earmarked to facilitate northern and southern trade. The project has, however, employed over 500 locals.

In terms of the negative impacts of the Chinese aid, the conditions of some of the loan agreements are either drafted vaguely and do not benefit Ghana. As a result, local contractors in Ghana suffer because they are not awarded contracts and projects funded with Chinese aid. This occurs because the statutes of the Public Procurement Act of 2003 are overlooked and as a result contracts are awarded to Chinese contractors.
Another negative impact of China’s foreign aid to Ghana is the tax exemptions given to Chinese companies in addition to duty free waivers on machines and equipment which have made the country lose a lot of revenues which could have been be used for development.

4.2 Conclusion

In a nutshell, the hypothesis of the study, which is that, China’s foreign aid has advanced the infrastructural development of Ghana will be rejected based on the fact that the foreign aid does not offer “value for money” projects which will inure to the benefit of the country.

Chinese foreign aid to Ghana has improved the infrastructure of the Ghana to an extent, especially in the energy sector, examples are the establishment of the Ghana National Gas project at Atuabo and the construction of the Bui Dam. These projects when put together save Ghana over US $ 2 billion in 10 years due to monies that would have otherwise been use to buy light crude for power generation. Again, the constructions of social infrastructure like the LEKMA hospital and section of the Eastern corridor road will improve health and trade in Ghana respectively. However, in comparing the negatives of China’s foreign aid to Ghana, Ghana tends to lose more due to the poor negotiations on conditions attached to the foreign aid. Some of these drawbacks pertaining to the foreign aid could have being avoided if the interest of Ghanaian locals and industries were secured.

4.3 Recommendations

The researcher provides the following recommendations based on findings below:

First, the terms and conditions of loan agreements with China should be well thought through and negotiated by experienced Ghanaian negotiators to ensure that aid from China inure to the benefit
of Ghana. This will require the MoFEP and other relevant state institutions to train more officers on negotiations. Admittedly, Ghana should establish secured clauses in the terms and conditions of the loan agreement with China.

Second, Ghana should strengthen its labour laws to ensure that Chinese construction firms employs and pay locals well.

Third, Ghana can rely on internally generated revenue to execute infrastructural development projects, this will mean that the state will have absolute control of contract agreements with contractors by providing infrastructural projects that offer value for money. However this can only be realized through the prudent management of the economy as well as efficient and timely collection of taxes.

Furthermore, the government of Ghana should streamline the tax incentive system in order not to lose so much revenue which could have been used for developmental projects. To make this a reality, civil society organisations must fight for these interventions. Also, the government of Ghana should not only prioritise prestige projects like physical infrastructure when it contracts loans from China rather the loans should be channel into the productive sectors of the economy like agriculture which will have a direct bearing on the populace.

Finally, Chinese construction firms in Ghana must be encouraged to partner with local construction firms to ensure technology transfer and knowledge building.
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**C. INTERVIEWS**


**D. WEBSITES**


E. OCCASIONAL PAPERS AND PUBLICATIONS


APPENDICES

APPENDIX A

SEMI STRUCTURED INTERVIEW CHINA DESK, MINISTRY OF FINANCE

1) What is your assessment of Ghana-China relations?

2) What are the main sectors of Ghanaian economy which benefit from China’s foreign aid?

3) Why are those sectors targeted?

4) What has been some of China’s contribution to Ghana’s infrastructural development since 2003?

5) What are the conditions attached to Chinese foreign aid to Ghana?

6) How has China’s foreign aid to Ghana’s infrastructural development positively impacted its socio-economic development?

7) How has China’s foreign aid to Ghana’s infrastructural development negatively impacted its socio-economic development?

8) What are the possible new areas of cooperation between Ghana and China in terms of foreign aid and infrastructural development?

9) How different is China’s foreign aid from aid from the West and the Bretton Woods institutions?

10) In what way does Ghana contribute towards the socio-economic development of China?

11) What are the mechanism for monitoring and evaluating the effectiveness of China’s foreign aid towards Ghana’s infrastructural development?

12) What are the major challenges of China’s foreign aid to Ghana’s infrastructural development?

13) What will you recommend or change to the way Ghana and China cooperate in terms of foreign aid?
APPENDIX B

SEMI STRUCTURED INTERVIEW CHINESE EMBASSY ECONOMIC DESK

1) What is your assessment of Ghana-China relations since 2003?
2) What is China’s policy on foreign aid to Ghana?
3) Why does China provide foreign aid to Ghana?
4) What are the main sectors of Ghanaian economy which benefits from China’s aid?
5) Why are those sectors targeted?
6) What are the conditions attached to Chinese foreign aid to Ghana?
7) What has been China’s contribution to Ghana’s infrastructural development since 2003?
8) What does China stand to gain from the provision of foreign aid towards Ghana’s infrastructural development?
9) What are the mechanism for monitoring and evaluating the effectiveness of aid towards Ghana’s infrastructural development?
10) How has China’s foreign aid to Ghana’s infrastructural development positively impacted on its socio-economic development?
11) How has China’s foreign aid to Ghana’s infrastructural development negatively impacted its socio-economic development?
12) How different is China’s foreign aid from aid from the West and Bretton Wood institutions?
13) What are some of the challenges faced by China in extending foreign aid towards Ghana’s infrastructural development?
14) If any, how are these challenges being addressed?
15) Do you think Chinese foreign aid towards Ghana’s infrastructural development is one of the ways to improve the trade deficits between the two countries?
1) What is your assessment of Ghana-China relations?

2) What are the main sectors of Ghanaian economy which benefits from China’s aid?

3) Why are those sectors targeted?

4) What has been some of China’s contribution to Ghana’s infrastructural development since 2003?

5) What are the conditions attached to Chinese foreign aid to Ghana?

6) How has China’s foreign aid to Ghana’s infrastructural development positively impacted its socio-economic development?

7) How has China’s foreign aid to Ghana’s infrastructural development negatively impacted its socio-economic development?

8) What are the possible new areas of cooperation between Ghana and China in terms of foreign aid and infrastructural development?

9) How different is China’s foreign aid from aid from the West and the Bretton Woods institutions?

10) In what way does Ghana contributes towards the socio-economic development of China?

11) What are the mechanism for monitoring and evaluating the effectiveness of aid towards Ghana’s infrastructural development?

12) What are the major challenges of China’s aid to Ghana’s infrastructural development?

13) What will you recommend or change to the way Ghana and China cooperate in terms of foreign aid?