CHINA’S EVOLVING APPROACH TO FOREIGN AID

JINGDONG YUAN, FEI SU AND XUWAN OUYANG
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China’s Evolving Approach to Foreign Aid

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JINGDONG YUAN, FEI SU AND XUWAN OUYANG

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Preface

China has emerged as a major player in international development cooperation. Over seven decades, its perspectives on and approaches to foreign aid have undergone significant changes, both reflecting its geostrategic, foreign policy and economic development priorities and enabled by its growing economic power and resources. While the underlying principle—an emphasis on cooperation, partnership and mutual benefits between China and recipient countries—remains unchanged, recent administrative changes and China’s expansive foreign policy under Xi Jinping mean that a new assessment of its foreign aid is needed.

Throughout those seven decades, Africa has been a key destination of Chinese development aid. As the authors of this paper show, Chinese aid to Africa has reflected to a significant extent both the continuity and the changes in Chinese perspectives and approaches. As Chinese foreign aid to African countries has increasingly been informed by a combination of geostrategic, foreign policy and economic considerations, it serves as the perfect case study to illustrate the current state of China’s development cooperation.

This policy paper provides a timely analysis of the evolving Chinese foreign aid perspectives, structure and practices. The authors highlight some of the key milestones in its evolution, explain some of the key drivers behind the changes and continuity, and identify and discuss the challenges that China faces as its involvement in international development cooperation deepens. It will be of great interest and use to aid practitioners and those interested in China’s role on the world stage.

Dan Smith
Director, SIPRI
Stockholm, May 2022
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Summary

China’s role in foreign aid and, more broadly, in development cooperation on the global stage has grown significantly since it began seven decades ago. Particularly in recent years, through such platforms as the Belt and Road Initiative (BRI), China’s profile and engagement in global governance in foreign aid and related areas has been further enhanced. China’s ambition is taking a more proactive approach in foreign aid and moving towards a new model of international development cooperation by linking with the United Nations 2030 Agenda for Sustainable Development and by including the BRI as a major platform to achieve key development goals.

There have been three key rationales behind the evolution of Chinese foreign aid, and their importance and emphasis have changed over time. The initial political ideology of the 1950s evolved to economic pragmatism from the late 1970s, with a focus on facilitating China’s domestic economic development after it introduced its reform and opening up policy. More recently, foreign aid has also become a channel for China to participate in global governance to improve its global image and increase its discourse power in international affairs. It is clear that China’s foreign aid plays an important role in serving its foreign policy and commercial interests. In addition, there are also humanitarian concerns to provide ad hoc emergency assistance as well as long-term support in areas such as poverty reduction, education and health.

Similar patterns can also be seen in China’s foreign aid in Africa, which has been continually used by China as a foreign policy tool to promote its political, economic and strategic interests. In practice, an infrastructure-led approach is deeply rooted in China’s development cooperation in the continent. This is more or less based on China’s own experience, where it sees infrastructure as the first step for economic development. Meanwhile, there are signs of China’s efforts at national image-building, from providing more funding to support human resource development and educational aid and training, and efforts to reform the foreign aid system in a way that is more coordinated and sustainable.

China’s foreign aid offers an alternative source of funding with a focus on hard infrastructure, which can be an opportunity for countries that have urgent development needs. Its pragmatic practices in aid decisions and disbursements do not completely follow the approach of the member states of the Organisation for Economic Co-operation and Development (OECD). China’s practices challenge and may undermine the efforts by those traditional donors that impose conditions, such as good governance and free markets, for receiving aid.

In addition, there are also multiple challenges that China will face or is already facing as it becomes more actively involved in international development financing. For instance, China has been criticized for its lending practices that have been (fairly or unfairly) characterized as a ‘debt trap’. There are potential risks of growing divergences between the norms, principles and practices embraced by China and those of traditional donor countries. Last but not the least, China’s
principles of non-interference and non-conditionality could, over the longer term, undermine its own economic interests as corrupt recipient governments, lack of transparency and accountability, and instability in recipient countries could put China’s foreign aid, investments and reputation at risk.

Given the challenges facing China and other donor countries, opportunities for cooperation in areas where their objectives align and where their comparative advantages can be complementary should be explored. Chinese authorities and other donor countries could engage with each other in improving the accountability and effectiveness of foreign aid.
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>AIIB</td>
<td>Asian Infrastructure Investment Bank</td>
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<td>BRI</td>
<td>Belt and Road Initiative</td>
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<td>CDB</td>
<td>China Development Bank</td>
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<td>CIDCA</td>
<td>China International Development Cooperation Agency</td>
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<td>CLA</td>
<td>Chinese Loans to Africa (Database)</td>
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<td>CPC</td>
<td>Communist Party of China</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>EU</td>
<td>European Union</td>
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<td>Exim Bank</td>
<td>Export–Import Bank of China</td>
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<td>FOCAC</td>
<td>Forum on China–Africa Cooperation</td>
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<td>GONGO</td>
<td>Government-organized non-governmental organization</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>MDB</td>
<td>Multilateral development bank</td>
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<tr>
<td>MFA</td>
<td>Ministry of Foreign Affairs</td>
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<tr>
<td>MOFCOM</td>
<td>Ministry of Commerce</td>
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<tr>
<td>MOU</td>
<td>Memorandum of understanding</td>
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<td>NDB</td>
<td>New Development Bank</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organization</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 Co-operation and Development</td>
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<td>OOF</td>
<td>Other official flows</td>
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<tr>
<td>SAIS-CARI</td>
<td>Johns Hopkins University School of Advanced International Studies China–Africa Research Initiative</td>
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<tr>
<td>SDG</td>
<td>Sustainable Development Goal</td>
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<td>SSCAF</td>
<td>South–South Cooperation Assistance Fund</td>
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1. Introduction

In January 2021 the Chinese Government marked the 70th anniversary of the country’s foreign aid programmes by releasing its latest white paper on international development cooperation.1 Historically, foreign aid has played an important role in China’s foreign policy and economic statecraft; it has even greater salience today as the country becomes more active in global development financing. China’s growing diplomatic activism—from the Belt and Road Initiative (BRI) to ‘a community of shared future for mankind’—is both expanding its presence and influence and affecting the norms, governance, and practices in such critical areas as official development assistance (ODA), which over six decades has been defined largely by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD).2

Given China’s growing role in international development, its policies and practices—from how it evaluates and determines development finance, assesses aid needs and approves projects, via aid disbursements to project implementation—are important issues that require careful research and analysis. An important aspect of Chinese foreign aid that sets it apart from traditional donor countries and organizations is that China places greater emphasis on its role as a partner, rather than a donor, to promote development cooperation.3 Its finance in supporting development cooperation is composed of both ODA and other forms of lending such as non-concessional loans and export credits.

A better understanding of China’s foreign aid objectives, practices, expectations and approaches has significant policy implications for international development finance and the international aid architecture. This is particularly true in the case of African countries, which share long historical relations with China and are the primary destination of Chinese foreign aid. This paper thus chooses Africa as a case study to illustrate changes of China’s foreign aid.

Specifically, this policy paper addresses three research questions: How have China’s perspectives on foreign aid evolved? To what extent has China’s foreign aid to Africa followed its overall foreign aid strategy and pattern, and what are some of its key features? What are some of the new developments, trends and issues in China’s approaches to delivering foreign aid? The paper focuses on understanding the evolving Chinese perspectives on foreign aid by providing (in chapter 2) an overview of its evolution over the past seven decades to identify and evaluate the rationales, modalities and some of the major developments. It then discusses (in chapter 3) some recent developments, trends and issues in Chinese foreign aid. The paper concludes (in chapter 4) with key findings and recommendations.

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3 Chinese State Council (note 1).
2. Evolving Chinese perspectives on foreign aid

This chapter analyses the evolving Chinese perspectives on foreign aid. It first introduces the definition of foreign aid that is used here. It then presents a historical review of Chinese foreign aid to explore the key events and rationales that have led to the policy changes at different historical stages. Finally, Africa is discussed as a case study to highlight how and where Chinese foreign aid has evolved in both perspectives and practice.

Definition of foreign aid

While the literature on foreign aid is extensive, one of the most widely used definitions for measuring aid is provided by the OECD DAC’s definition of official development assistance. ‘Resource flows . . . which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms. In addition to financial flows, technical co-operation is included in aid.’

The OECD DAC differentiates between ODA and other official flows (OOF). ODA refers to development-motivated loans that are concessional in nature and ‘conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)’. OOF refers to ‘official sector transactions that do not meet [ODA] criteria’ and with the primarily purpose being to facilitate export.

China’s foreign aid includes what the OECD DAC defines as ODA but is broader in terms of both the goals and forms of development finance. Instead of viewing foreign aid as a donor-to-recipient relationship, China places more emphasis on the benefits of cooperative and collective economic development. It views foreign aid as mutual help among developing countries, focuses on achieving practical results, emphasizes the needs of and benefits for the recipient countries, especially the latter’s capacity for independent development, and promotes bilateral relations through economic and technological cooperation. Indeed, China’s 2021 white paper altogether avoids terms such as ‘donor’ to describe its own role, and uses the term ‘development cooperation’ rather than ‘foreign aid’ in the title.

The scope of China’s foreign aid has expanded exponentially, especially since 2000. In the 2021 white paper on foreign aid, China explicitly states that it ‘has been upgrading its foreign assistance to a model of international development cooperation’. This model includes the BRI as a major platform to facilitate China’s development finance; the model also links with the United Nations

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4 Organisation for Economic Co-operation and Development (OECD), Development Co-operation Directorate, ‘DAC glossary of key terms and concepts’, [n.d.].
5 Organisation for Economic Co-operation and Development (OECD), Development Co-operation Directorate, ‘Official development assistance—Definition and coverage’, [n.d.].
6 Organisation for Economic Co-operation and Development (OECD), ‘Other official flows (OOF)’, OECD Data, [n.d.].
7 Chinese State Council (note 1), chapter VI.
8 Chinese State Council (note 1), preface.
2030 Agenda for Sustainable Development. In addition to providing financial or in-kind resources and helping advance development goals in recipient countries, achieving the Sustainable Development Goals (SDGs) of Agenda 2030 through its aid activities will also help China to increase its ‘soft power’. There are two aspects to this increase: (a) improving its global image by providing global public goods; and (b) strengthening its discourse power in governance and standard setting in the international system. This also fits with China’s overall foreign policy since Xi Jinping became president, in 2013, in which China has adopted more assertive approaches in foreign policy and started to play a more proactive role in international affairs as a great power.

This paper uses the term ‘development cooperation’ as a broad concept to describe Chinese foreign aid perspectives and practices. Specifically, it uses the term ‘development finance’ to describe the various types of financial flows to deliver aid and promote development cooperation. Among these, three stand out. First is ODA as defined by the OECD DAC, which roughly corresponds to what the 2021 Chinese white paper terms ‘foreign aid’—that is, grants, interest-free loans and concessional loans (see figure 2.1). Second is the non-concessional loans and export credits issued primarily by the Export–Import Bank of China (Exim Bank) and the China Development Bank (CDB), China’s two policy banks, which provide lending as directed by governments rather than for commercial purposes. The third type is loans and credits provided by Chinese state-owned commercial banks and enterprises and guaranteed or insured by an official export credit agency. To some extent, this broader definition draws on China’s own experiences as a recipient of ODA, in particular from Japan, which itself has emphasized the combination of aid, trade and investment in promoting development in China.

**Historical review**

The amount of Chinese foreign aid and the incentives behind it have changed significantly over time. Overall, China’s foreign aid is strongly associated with its strategic and foreign policy objectives, its domestic economic growth and external commercial interests, and its relations with the rest of the world. This section uses international historical events and key domestic developments in
China’s evolving approach to foreign aid

China as transition points to divide the long history of Chinese foreign aid into four periods. This allows an examination of the evolution of Chinese foreign aid, highlighting activities in Africa. The aim is to understand the motivations for Chinese foreign aid and the changes over the past seven decades; and to examine whether China’s aid policy towards to Africa is consistent with its overall agenda.

1950–79: An ideologically driven approach

China’s foreign aid began in 1950, for its two neighbouring Communist countries, the Democratic People’s Republic of Korea (DPRK, or North Korea) and the Democratic Republic of Viet Nam (North Viet Nam). It subsequently expanded to include a number of other developing countries in Asia such as Cambodia, Burma (now Myanmar), Mongolia and Nepal, and to African countries such as Egypt, Ghana, Guinea and Mali. Guinea was the first African country to receive a line of credit from China, one worth US$25 million in 1960.15 China’s aid to Africa mostly consisted of interest-free loans.

During his visit to Ghana in January 1964, Chinese Premier Zhou Enlai enunciated the Eight Principles for Economic Aid and Technical Assistance, with ‘equality

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and mutual benefit’ and ‘never attach[ing] any conditions’ as the core principles.\textsuperscript{16} However, in this early phase China’s aid policy was ideologically driven by its internationalist obligations to support other Socialist and developing countries. Economic feasibility was not considered as the leading factor. Foreign aid during this period was also informed by Chinese foreign priorities such as breaking sanctions imposed by the United States or the West in general to isolate China on both economic and political fronts, and, from the 1960s, competition with the Soviet Union for influence in the developing world.\textsuperscript{17} A high-profile and costly project in the 1970s was the Tanzania–Zambia railway, which was perceived and presented as a symbol of China–Africa friendship.\textsuperscript{18} The Chinese leadership considered foreign aid as a crucial tool to win friends in support of China’s international and regional objectives, from claiming its seat on the United Nations Security Council, via winning diplomatic recognition of its claim to Taiwan, to building a united front with Third World countries. It is noteworthy that, of the 23 countries that tabled the resolution to reinstate China’s seat at the UN, all but one (the exception being Yugoslavia) had received aid from China.\textsuperscript{19} In particular, African countries played a crucial role in providing diplomatic support to China during this phase.\textsuperscript{20} Several events during the 1970s led to the first important transition in China’s foreign aid. Internationally, deteriorated relationships with its major aid-recipient countries—Albania and Viet Nam—had resulted in the termination of aid programmes to both countries and led China to review its overall strategy for foreign aid.\textsuperscript{21} Domestically, the prioritization of political considerations over economic realities had resulted in Chinese aid being dominated by request-centric and turnkey modalities (whereby aid recipients receive completed projects or services). Aid expenditure averaged 5.8 per cent of the total government budget in 1971–75, peaking at 6.9 per cent in 1973.\textsuperscript{22} Clearly this placed a significant burden on China’s already crumbling economy and was no longer sustainable.\textsuperscript{23}


\textsuperscript{18} Chinese Embassy in Tanzania, ‘王克大使《中国日报》 (海外版) 刊文积极评价中坦关系 [Ambassador Wang Ke’s article in the China Daily (overseas edition) positively evaluated China–Tanzania relations], 26 Nov. 2019.

\textsuperscript{19} Chinese State Council Information Office, ‘国新办举行我国抗疫援助及国际发展合作发布会’ [The State Council Information Office held a press conference on anti-epidemic assistance and international development cooperation], 26 Oct. 2021; and Zhou (note 17).

\textsuperscript{20} ‘中非共同见证新中国恢复联合国合法席位50周年’ [China and Africa jointly witness the 50th anniversary of the restoration of the People’s Republic of China’s seat at the United Nation], CCTV News, 26 Oct. 2021.

\textsuperscript{21} Li, A. \textit{and} Li, A. \textit{Anshan}, ‘论中国对非洲政策的调适与转变 [On the adjustment and transformation of China’s Africa policy], \textit{西非非洲 [West Asia and Africa]}, no. 8, 2006.

\textsuperscript{22} Zhou (note 17).

\textsuperscript{23} Yu, B. ‘Cognitive evolution and China’s international development cooperation’, \textit{Chinese Journal of International Politics}, vol. 14, no. 4 (winter 2021); and Zhou (note 17).
A consequent adjustment in the budget in the late 1970s resulted in deep cuts in foreign aid. In particular, China’s aid to Africa dropped significantly, from an annual average of $319 million during 1970–75 to $94 million in 1976–80. This change was due to its deteriorating domestic economic situation, resulting in a rethink on its overall strategy on foreign aid.

1980–99: Prioritizing economic interests

From 1978, China embarked on economic reform and opening up to the outside world. Economic development replaced politics and ideology as the key policy priority. One important lesson learned from the previous decades was that China should base its foreign aid on a more pragmatic foundation, taking into consideration both its own domestic needs and its capacity to meet its international obligations. As a result, the focus of China’s foreign aid shifted dramatically, from being ideologically driven to being pragmatic and economically informed.

China turned its focus to the West in the early 1980s in order to access capital and develop experience. While Africa was less important for China’s foreign trade during this period, its natural resources became essential for China’s economic interests. This does not mean that Africa completely lost its strategic importance to China. Indeed, Chinese Premier Zhao Ziyang, during a tour of 11 African countries in 1983, announced four principles governing economic and technological cooperation between China and African countries, with an emphasis on equality and mutual benefits and on joint development.

Meanwhile, China started integrating the planning of foreign aid with its domestic economic development in order to facilitate its own global trade and investment—this was known as ‘aid to facilitate trade’ (以援促贸, yiyuan cumao). While the value of China’s global trade increased from $37 billion in 1980 to $117 billion in 1990, trade with Africa accounted for only 2.6 per cent of the total in 1980 and this dropped to about 1 per cent by 1988.

In addition, securing access to oil and minerals for its rapidly growing economy started to play a more important role in China’s relations with Africa. Chinese companies started to engage with the exploitation of minerals in Africa in the

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24 ‘述真：改革开放前的中国对外援助’ [Tell the truth: China’s foreign aid before reform and opening-up], SouthCN, 3 Nov. 2011; Li (note 21); and Shinn, D. H., ‘China–Africa ties in historical context’, eds Oqubay and Lin (note 15).
26 Li (note 21); and Shinn (note 24).
28 Ren and Liu (note 16), chapter 5.
1980s. From 1993 China became a net importer of petroleum. China targeted Sudan, Iraq, Iran, Russia and Pakistan as key countries for the supply of strategic crude oil. This strategic goal was elaborated by China’s ‘two markets and two resources’ (两个市场两种资源, liang ge shichang liang zhong ziyuan) concept, in that Chinese companies were encouraged to gain access to resources and trade opportunities abroad as well as at home.

In practice, in addition to grants, Chinese foreign aid during the 1980s and 1990s mostly consisted of interest-free loans tied to the purchase of Chinese products and services. China started to introduce other forms of assistance to promote mutual benefit. The introduction of a market-oriented approach in its domestic economic reform was integrated into its approach to providing aid to recipient countries—with more conditions concerning trade and contracting for projects. The introduction of preferential loans was the result of a series of foreign aid reforms in the mid 1990s to increase the total amount of capital available for aid. These types of loan include both concessional loans and preferential export buyer’s credit; the latter is a type of loan with an interest rate lower than the market rate. Exim Bank, which was established in 1994, has become the only bank with the authority to issue concessional loans designated by the Chinese Government for foreign aid.

The 1989 Tiananmen Square protest and the subsequent sanctions imposed by the West led China to re-evaluate its traditional political ties with African countries. In addition, winning diplomatic recognition of its claim to Taiwan remained another critical factor.

2000–12: Scaling-up

Benefiting from the rapid economic growth in the 1980s and 1990s, China’s foreign aid entered a phase of expansion at the turn of the century. According to the 2011 white paper on foreign aid, China’s expenditure on foreign aid increased steadily, with an average annual growth rate of 29 per cent between 2004 and 2011.

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31 Lei, Y. (雷岩), Zheng, D. (郑镝) and Guo, Z. (郭振华), ‘矿产资源“走出去”进入非洲的形势及建议’ [Analysis of the situation of ‘going out’ to Africa for mineral resources exploration and some suggestions], 中国国土资源经济 [Chinese Land Resources Economy], no. 4, 2015.
32 Zhang, Y. (张耀), ‘中国能源安全环境辨析及发展战略选择’ [Analysis of China’s energy security environment and choice of development strategy], 国际观察 [International Review], no. 5, 2011.
34 Chen, Y. (陈扬勇), ‘江泽民“走出去”战略的形成及其重要意义’ [The formation of Jiang Zemin’s ‘going out’ strategy and its significance], 中国共产党中央党史和文献研究院 [Communist Party of China Central Party History and Literature Research Institute], 12 July 2012.
37 Export–Import Bank of China, ‘Chinese Government concessional loan and preferential export buyer’s credit (two concessional facilities)’, [n.d.].
2009.\(^\text{39}\) In this period, China’s foreign aid programme was expected to support Chinese enterprises to expand overseas through the ‘going out’ strategy (走出去, zou chuqu), which was launched in 2000.\(^\text{40}\)

The forms for delivering aid became more diverse, with eight different models. Grants were mainly provided for small- and medium-sized social welfare projects and for supporting activities related to material assistance (e.g. the provision of money and food), human resource development cooperation and medical assistance. Interest-free loans were mainly provided for the construction of public facilities and for projects related to local livelihood improvement, while concessional loans issued by Exim Bank aimed to provide funding for medium- and large-sized infrastructure projects and other industrial projects that could generate economic and social benefits. One notable change was the way that China dealt with aid debt, which until then involved primarily rescheduled payments and some swapping of debt for equity shares in the ventures. After 2000, China started cancelling the debt through its debt-relief programme.\(^\text{41}\)

Multilateral diplomacy became a key feature of China’s foreign policy after the 16th National Congress of the Communist Party of China (CPC), in 2002. As a result, engagement with traditional donors and participation in multilateral organizations gradually also gained more importance in its foreign aid. This engagement was an important step for China in learning to improve its own practices and to have exchanges and dialogue with traditional donors to improve mutual understanding.\(^\text{42}\)

Meanwhile, China became more confident of its role in promoting development assistance. A notable example of China’s willingness to adopt more proactive and diverse approaches to development cooperation was the establishment of the Forum on China–Africa Cooperation (FOCAC) in 2000. FOCAC serves as the platform for China and African countries to promote economic cooperation at both the business and government levels. This platform marked another new phase in China’s economic engagement with Africa, which China has repeatedly used to announce large-scale aid packages.\(^\text{43}\)

Last but not least, the diplomatic competition between China and Taiwan continued. For an African country to be eligible to participate in FOCAC, it must have formal diplomatic relations with China, not Taiwan. At the first FOCAC meeting, in October 2000, 44 African countries participated, while 8 African states had diplomatic relations with Taiwan. By the time of the eighth meeting, in

\(^{39}\) Chinese State Council (note 16).

\(^{40}\) Chen (note 34).


November 2021, the number of African participants had increased to 53, and only 1 African state recognized Taiwan.

2012–present: ‘A new era’ under Xi Jinping

Since the 18th CPC National Congress in late 2012 and after Xi took office as president in 2013, China moved away from Deng Xiaoping’s ‘hide capacity and keep a low profile’ (韬光养晦, taoguangyanghui) approach to become more assertive in its foreign policy. It started to pay more attention to promoting Chinese solutions to global challenges and to building an image as a responsible great power.\(^{44}\) This has led China to give more consideration to environmental issues and social responsibility in its aid practice.\(^ {45}\)

While economic interests will probably remain as the primary driver, China is paying increasing attention to the importance of top-level design in its foreign aid programme to pursue both political and economic interests.\(^{46}\) Moreover, the strategic competition with the USA in almost all domains is also affecting policy thinking in development cooperation, which now includes more security, geopolitical and geo-economic considerations.\(^ {47}\) Clearly, it has become imperative for China to better align foreign aid with its overall strategic objectives and to streamline development financing from planning to implementation in order to develop its institutional capacity, accountability and operational efficiency.

In this context, Africa is assuming greater salience in overall Chinese foreign policy. President Xi chose Africa, after Russia, as his second foreign visit as head of state, and then visited the continent in 2015, 2016 and 2018, before the Covid-19 pandemic disrupted travel. Chinese foreign ministers begin each year with visits to African countries—a long-term tradition since the 1980s.\(^ {48}\) Indeed, the growing influence of China over the continent is indicated by the increased frequency of visits of African leaders to China since the 1990s: from 9 in the period 1990–99 to 47 in 2000–2009 and 172 in 2010–19.\(^ {49}\) The latter figure surpassed the 83 visits of African leaders to the USA in 2010–19.

China’s integration of the BRI into its foreign aid is another step that further blurs the lines between grants, loans, credits and investments. The BRI is a massive and ambitious geo-economic and geostrategic initiative that China has conceptualized and rationalized and is now operationalizing and implementing. It combines multiple goals (economic, energy security and diplomatic) with various stakeholders (governments, enterprises and financial institutions) to forge a coordinated, systematic and phased development programme on a grand scale.

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\(^ {44}\) Luo, Z. (罗照辉), ‘七十年援外路 五大洲风雨情’ [Seven decades of foreign aid, five continents of storms], 人民日报 [People’s Daily], 5 July 2021.

\(^ {45}\) Brautigam (note 38), pp. 299–306.

\(^ {46}\) Luo (note 44).


\(^ {49}\) Thomas, N., ‘Far more world leaders visit China than America’, The Interpreter, Lowy Institute, 28 July 2021.
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It is important to note that China’s own development experiences underline how it views adequate infrastructure as essential to manufacturing, trade and economic growth. Many Chinese observers view the BRI not only as a continuation of the ‘going out’ policy but also as a useful development model that can benefit Africa. Indeed, Africa needs infrastructure for its economic development, which aligns with China’s geo-economic plan, in particular the BRI’s emphasis on connectivity and infrastructure construction. It is not surprising that China’s 2021 white paper on foreign aid claims that it will ‘increase assistance to participating countries of the Belt and Road Initiative’.

The signing of memoranda of understanding (MOUs) on the BRI with Eritrea and Guinea-Bissau in November 2021 took the number of African countries that have joined the BRI framework to 52.

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Figure 2.2. Distribution of China’s foreign aid by region, 1950–2018

*Note:* The Middle East is included in Asia.


with an extensive reach.


52 Calabrese, L., ‘China–Africa economic relations: The BRI, the AfCFTA, and the rest of the world’, Commentary, Italian Institute for International Political Studies (ISPI), 29 July 2021.

53 Chinese State Council (note 1), chapter VIII.

54 Xinhua, ‘这场云聚会，扬起“非”比寻常的旗帜’ [This online gathering raises the unusual banner], 1 Dec. 2021.
Finally, China has incorporated the Agenda 2030 international development initiative into its foreign aid policy. This demonstrates a willingness to play a more influential role in facilitating recipient countries’ efforts to address climate change and develop clean energy. President Xi’s announcement at the UN General Assembly in 2021 that China will no longer finance the building of new coal-fired power plants overseas could be seen as a step towards green development. This, however, may not affect the projects that are already in progress, including those currently under construction in South Africa and Zimbabwe. Meanwhile, more Chinese financing may be available to promote a green energy transition and in November 2021 Xi pledged to undertake 10 projects to support green energy, environmental protection and adapting to climate change.

**Africa in Chinese foreign aid**

This section explores how the expansion of China’s foreign aid has been illustrated through FOCAC and examines the sectors in Africa that have received most development finance. The aim of this section is to assess whether these motivations of China’s development finance in Africa are similar to or differ from its overall foreign aid strategy.

The choice of Africa as a case study is informed by several factors. First, China’s relationship with the continent dates back to the mid 1950s. Over the years African countries have provided much needed diplomatic support to China. They were also among the initial few recipients of Chinese foreign aid and Africa has since become the primary destination of Chinese foreign aid (see figure 2.2). Second, China’s foreign aid and investment and its extensive economic engagement with Africa also reflect the continent’s geopolitical and geo-economic value as a major source of fossil fuel and raw materials, as a potential market, and as a political bloc whose support China seeks in order to advance its strategic goals. These goals include sustaining and expanding its diplomatic influence, promoting its economic interests and shaping global governance, including in the areas of foreign aid and development financing. Finally, Africa has become an important partner of China in the BRI, which in turn has increasingly been linked to China’s development cooperation with the continent.

**FOCAC and Chinese development finance**

The establishment of FOCAC in 2000 institutionalized China–Africa relations. There are now multiple channels for meetings and communication between

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55 Chinese State Council (note 1), preface.
the two sides. These include ministerial conferences every three years at which important announcements on economic and development cooperation are made.\textsuperscript{59} Through this platform, China’s development finance to Africa has increased exponentially. This is illustrated by its commitments to loans, grants and investments announced at FOCAC. These doubled from $5 billion in 2006 to $10 billion of preferential loans in 2009.\textsuperscript{60} Pledges then tripled from $20 billion in 2012 to $60 billion in 2015 and 2018.\textsuperscript{61} China’s financial pledges to Africa fell for the first time at the 2021 FOCAC meeting, where only $40 billion was committed, a one-third reduction since 2015. This cut was, to some extent, anticipated, considering the economic impact of the Covid-19 pandemic, although many observers argue that the cut was probably due to criticisms over unsustainable debt accumulated by recipient countries as a result of Chinese lending.\textsuperscript{62} China’s 2021 pledge did not include grants or interest-free loans, and $10 billion of the $40 billion committed was for lines of credit to African financial institutions to support the development of African small and medium-sized enterprise (SMEs).\textsuperscript{63} In 2021, China placed more focus on trade promotion, especially to increase African exports to China, green development cooperation, health, and poverty reduction, among others.\textsuperscript{64}

With the BRI, China has further consolidated and expanded its footprint in Africa as a key gateway linking the Middle East, Europe and Asia, facilitating mutual trade, investment, energy supplies and greater connectivity. While African countries get much-needed funds to build their infrastructure, massive Chinese

\begin{table}[h]
\centering
\caption{Top five recipient sectors in Africa for Chinese loans, 2000–19} 
\begin{tabular}{l|c}
\hline
\textbf{Sector} & \textbf{Amount (US$ b.)} \\
\hline
Transport & 45.8 \\
Power & 39.2 \\
Mining & 18.0 \\
Information and communications technology & 12.8 \\
Water & 7.3 \\
\hline
\end{tabular}
\end{table}

\textit{Source:} China–Africa Research Initiative and Boston University Global Development Policy Center, Chinese Loans to Africa Database, version 2.0.


\textsuperscript{63} Xi (note 58).

lending has also left some with huge debts and has entrenched their dependence on China.\textsuperscript{65}

\textit{Target sectors for Chinese foreign aid}

China does not officially disclose detailed information on aid. Many analysts and databases have thus used different measurement standards to estimate the amounts and allocation of Chinese foreign aid in Africa based on multiple open sources such as media reports and governmental documents. Several efforts have been made by, for example, the Japan International Cooperation Agency (JICA), AidData at the College of William & Mary, USA, and the Johns Hopkins University School of Advanced International Studies China–Africa Research Initiative (SAIS-CARI), also USA, in order to improve understanding of the accounting of the Chinese foreign aid programme.\textsuperscript{66}

This paper draws on the data for 2000–19 in SAIS-CARI’s Chinese Loans to Africa (CLA) Database.\textsuperscript{67} The reasons for using this database are twofold. First, since the integration of Chinese foreign aid with trade and investment is extensive and growing, foreign aid needs to be evaluated more broadly within Chinese developmental finance. The CLA Database includes both aid and loans, which are used here as a proxy for China’s foreign aid. Second, the CLA Database had the most recent data available for analysis at the time of writing, covering the years 2000–19. Based on the CLA Database, the top five sectors that received Chinese loans between 2000–19 can be seen to be ‘hard’ infrastructure, with a focus on transport, power and mining (see table 2.1).

From its own experience, China sees transportation infrastructure—that is, roads, railways, ports and airports—as the first step for economic development. As the Chinese saying goes, building the road is the first step to becoming prosperous (\textit{要想富, 先修路}, yao xiangfu, xian xiu lu). This concept is deeply rooted in Chinese development assistance to Africa.\textsuperscript{68} The first major infrastructure project that China implemented on the continent was the Tanzania–Zambia railway in the 1970s.\textsuperscript{69} Since this is an area that China has been working on since the beginning of its foreign aid programme, it has gained more experience than other donor countries.\textsuperscript{70} Now with the integration of the BRI as a major platform for facilitating China’s development cooperation, it is reasonable to expect that transportation infrastructure will remain as the key component of China’s foreign aid planning.


\textsuperscript{67} China–Africa Research Initiative and Boston University Global Development Policy Center, Chinese Loans to Africa Database, version 2.0.

\textsuperscript{68} Fan, Z. (范正利), ‘\textit{要想富, 先修路}’, \textit{一条中国式“民谚”的国际化实践} [‘If you want to get rich, build roads first’, the international practice of a Chinese ‘folk proverb’], \textit{中国日报} [China Daily], 30 Sep. 2018.


\textsuperscript{70} Song, W. (宋微), ‘中国对非援助70年——理念与实践创新’ [China’s foreign aid to Africa at seventy—innovation in theory and practice], \textit{国际展望} [Global Review], no. 5, 2019.
for Africa.\textsuperscript{71} Based on the CLA Database, Angola, Kenya and Ethiopia were the top recipient countries for transportation projects in 2000–19.

China is also heavily engaged in the African power and energy sector, including power plants, energy generation and supply, transmission lines, and gas pipelines.\textsuperscript{72} Based on the CLA Database, between 2000 and 2019, China committed $39.2 billion in 175 loans to Africa’s power sector. China is also increasingly involved in renewable energy development in Africa. According to Boston University’s China Global Energy Finance database, by 2020, China's two policy banks had provided $29.7 billion worth of power-generation capacity in Africa and $9.3 billion for the transmission lines connecting power plants.\textsuperscript{73} Among Chinese greenfield energy investment projects across 37 countries in Africa from 2010 to 2020, 56 per cent used renewable sources of energy, together worth $13 billion.\textsuperscript{74} Angola, Sudan and Ethiopia are the top three African countries that have received Chinese loans in the power sector according to the CLA Database.

Mining received the third largest share of Chinese loans. Chinese companies started to engage in mineral exploration in Africa in the 1980s.\textsuperscript{75} In recent years, China’s interest in rare earth, cobalt and lithium—which are essential for mobile telephones and batteries—has driven its scramble for these valuable minerals in Africa.\textsuperscript{76} Chinese mining deals with African countries take diverse forms, such as direct investment in mining projects, infrastructure-for-mineral resource deals, joint ventures, indirect investment, offtake agreements, options and a variety of other structures.\textsuperscript{77} Many African countries, particularly in sub-Saharan Africa, have witnessed the influx of Chinese investment in mining. The Democratic Republic of the Congo (DRC), South Africa and Zambia are among the African countries that have attracted large amounts of Chinese capital in mining. By 2018, South Africa and Zambia had attracted the most mining investments from Chinese investors in Africa because of their high-grade cobalt and copper deposits and their relatively stable political and economic environment for Chinese investors.\textsuperscript{78}

In conclusion, the driving factors of China’s foreign aid have changed over time, from political ideology to economic pragmatism with a focus on securing access to natural resources to meet the growing demand of its rapid economic development.
at home, and on facilitating its trade and investment overseas. Entering the 21st century, China’s foreign aid does not just serve its domestic economic interests but is also becoming a channel for China to participate in global governance and promote a new international order. China’s geostrategic ambitions and sense of great-power responsibility have become a new political ideology and an increasingly important factor guiding Chinese foreign aid, with different approaches and a broader agenda.

These motives have clearly had an impact on China’s engagement in Africa, which seems to share more similarities than differences with its overall foreign aid strategy in terms of focus and interests. In practice, infrastructure—as the most common and traditional form of aid that China provides globally—is also the main sector of focus in China’s development cooperation in Africa. Although mining is ranked as the third largest sector, more financial support from China may flow to secure its mineral supplies. Meanwhile, more focus has been placed on promoting trade, green development and welfare projects such as health and education through platforms such as FOCAC. This suggests that China’s development cooperation in Africa both serves its economic interests and contributes to its identity building as a responsible great power.

79 Su, R. (粟瑞雪) and Li, Y. (李燕), ‘习近平对外援助理论与中国对外援助实践’ [Xi Jinping’s foreign aid theory and China’s foreign aid practice], 文化软实力 [Cultural Soft Power], no. 4, 2019; and Tang (note 29).
3. Recent developments and trends

This chapter examines the developments and trends in China’s approach to delivering foreign aid since Xi Jinping took office. It explores what changes have been made and why.

Chinese aid reorganization

From the early 1950s until the establishment in 2018 of the China International Development Cooperation Agency (CIDCA), at least 30 different ministries and agencies were involved in China’s foreign aid programme, with the Department of Foreign Aid in the Ministry of Commerce (MOFCOM) as the key agency.80 This largely de-centralized approach to foreign aid was bound to result in less than optimal outcomes: lack of inter-agency coordination; passivity in assessing and reviewing aid requests given insufficient resources and specialized personnel; parochial interests and institutional in-fighting; and project duplication.81 CIDCA was created to address these problems and to develop a more coordinated approach with top-level design and guidance, and greater personnel and resources dedicated to programme evaluation, budget planning and oversight.82

CIDCA is directly under the supervision of the State Council and reports to Wang Yi, who is a state councillor and minister of foreign affairs. The director of CIDCA, Luo Zhaohui, was a vice-minister of foreign affairs. This is the first time that China’s lead aid agency has not sat under MOFCOM.83 However, many Chinese analysts remain sceptical about the actual role and influence of CIDCA. They argue that much project management and implementation remains unchanged. In practice, MOFCOM retains considerable influence over foreign aid as the key implementing agencies remain under its jurisdiction, and it will be difficult for CIDCA as a vice-ministerial level agency to coordinate projects among various ministries.84

The Administrative Measures for Foreign Aid released in August 2021 represent another attempt at further reform, by clarifying the division of labour between CIDCA, MOFCOM and the Ministry of Foreign Affairs (MFA).85 The measures treat MOFCOM like any other aid-implementing department (援外执

83 Liu, F. (刘方平), ‘建国70年中国对外援助治理体系现代化: 脉络与走向’ [Modernization context and future trends of China’s foreign aid governance system over past 70 years since the founding of PRC], 深圳大学学报 (人文社科版) [Journal of Shenzhen University (Humanities & Social Science)] vol. 36, no. 6 (Nov. 2019).
They also state that aid requests received from recipient countries through Chinese embassies and consulates shall be reported to the MFA and CIDCA.\textsuperscript{86} Previously, this was a task of MOFCOM’s in-country presence—the economic and commercial counsellor’s office at each embassy.\textsuperscript{87} Should this change be implemented, it would allow CIDCA and the MFA to have oversight for integrating foreign aid into broader and longer-term strategic and foreign policy plans.\textsuperscript{88}

It remains to be seen whether the proposed reform under CIDCA will come to fruition, and to what extent and how quickly. A long-standing criticism has been the absence of a mechanism for integrating China’s foreign aid portfolio. CIDCA has committed to formulating strategic guidelines, medium and long-term foreign aid policy plans, and country-specific plans.\textsuperscript{89} MOFCOM had made this commitment in 2014 but did not fulfil it.\textsuperscript{90} Meanwhile, it will be interesting to see how these documents—especially the country-specific plans—differ from the annual country-specific studies and guides released by MOFCOM on foreign investment and the BRI. Whether these developments suggest that China will have a more institutionalized and systematized foreign aid mechanism and will move away from its project-based approach remains to be seen.

**Aid forms**

After seven decades of practice, the forms for delivering foreign aid are well established in China. There are nine (see table 3.1), most of which are funded by grants, rather than interest-free or concessional loans.

The ‘complete project’ (成套项目, chengtao xiangmu) is a traditional model for China’s aid, starting with repairing war-damaged infrastructure in North Vietnam and North Korea. Its scope expanded from building connectivity infrastructure to public facilities, agriculture and industry, and more recently climate change-related projects. The activities under the complete project model have decreased: the number of such projects declined from 580 in the three-year period 2010–12 to 423 in the six-year period 2013–18, but the total amount spent on these projects remains unknown.\textsuperscript{91} However, with the integration with the BRI, the complete project model will probably remain as the key component of China’s international development cooperation.
Table 3.1. Types of financial flow that support different aid forms in Chinese foreign aid

<table>
<thead>
<tr>
<th>Aid Form</th>
<th>Grants</th>
<th>Interest-free loans</th>
<th>Concessional loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete projects</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Goods and materials</td>
<td>✓</td>
<td>–</td>
<td>✓</td>
</tr>
<tr>
<td>Technical cooperation</td>
<td>✓</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Human resources development cooperation</td>
<td>✓</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Medical teams</td>
<td>✓</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Outbound volunteers</td>
<td>✓</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Emergency humanitarian aid</td>
<td>✓</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Debt relief</td>
<td>–</td>
<td>✓</td>
<td>–</td>
</tr>
<tr>
<td>South–South Cooperation Assistance Fund</td>
<td>✓</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Note: The funding source of medical teams and outbound volunteers is categorized as grants since they are managed by relevant ministries and organizations whose funding is budgeted as part of public expenditure.


Medical and health assistance is another of China’s traditional aid activities. This assistance is mainly delivered through medical teams, hospital construction, medical training, equipment donations and public health programmes. The dispatch of medical teams plays a key role in China’s diplomacy.92 Historically, withdrawals of Chinese medical teams have, in the main, only been caused by either a deteriorating political and security situation in the recipient country or a disruption of diplomatic ties with China.93 By the end of 2019, China had dispatched medical teams to 72 countries and regions.94 During the Covid-19 pandemic, China sent medical teams to 27 countries and donated medical supplies to over 150 countries, regions and international bodies.95 In particular, through FOCAC, China announced a donation of 600 million doses of Covid-19 vaccine to African countries and the joint manufacturing of 400 millions doses with local companies.96

95 Chinese State Council (note 1).
96 Xinhua, ‘Xi announced supplying Africa with additional 1 bln COVID-19 vaccine doses, pledges to jointly implement nine programs’, 11 Nov. 2021.
Under the past turnkey model, the operation of many Chinese-funded projects posed significant challenges for recipient countries once Chinese workers and technicians had left.\textsuperscript{97} Drawing lessons from this experience, growing attention is focused on human resource development and on improving China's exchanges with recipient countries at the people-to-people level, which might ultimately result in greater influence over these countries and individuals.\textsuperscript{98} As a result, China's educational aid and training—so-called human resource development—has expanded rapidly. This is evident in the number of students from African countries in China, which has increased dramatically over the past decade, from 20,744 in 2011 to a peak of 81,562 in 2018.\textsuperscript{99} Meanwhile, China increased its total number of government scholarships available to Africa to 50,000 in 2019–22 from 30,000 in the previous three years.\textsuperscript{100} China appears to be the largest scholarship provider to Africa, ahead of Western governments.\textsuperscript{101} These trends show both an increasing interest from African students in studying in China and China's ambitions to invest in African education. On the one hand, this approach provides opportunities for studying and learning on-site in China and gaining experience in trading with China; on the other hand, it also provides opportunity for China to cultivate Africa's next generation.\textsuperscript{102}

Apart from the youth, China has focused on African elites through capacity-building programmes. This has been viewed as an extension of China's building of soft power as many of the African trainees and scholarship recipients are from governments, including some who are likely to become high-ranking officials and even future leaders of their countries.\textsuperscript{103} Two analysts (one of whom is a former Malian government minister) recently observed that ‘There is simply no comparison in terms of the depth and breadth of relationship-building that China has developed with African leaders and future leaders for at least the past decade.’\textsuperscript{104}

The creation of the South–South Cooperation Assistance Fund (SSCAF) in 2015 was another notable development. This fund supports projects implemented by international organizations, social organizations and think tanks, among others, to help other developing countries to achieve Agenda 2030, with a focus on poverty reduction and agricultural development.\textsuperscript{105} By the end of 2019, 82 projects in cooperation with 14 international organizations were conducted under the

\textsuperscript{97} Zhou (note 17).
\textsuperscript{102} Benabdallah (note 98).
\textsuperscript{103} Benabdallah (note 98).
\textsuperscript{105} Chinese State Council (note 1), chapter II.
SSCAF. This fund is not only an initiative led by China but has also become one of the official forms of foreign aid to sustainable projects.

**Trilateral cooperation**

While Chinese foreign aid continues to be predominantly bilateral, since 2015 China has become more involved in multilateral development cooperation, in particular through the UN system, such as with the UN Development Programme (UNDP), and multilateral development banks (MDBs), such as the World Bank’s International Development Association (IDA). Indeed, in 2019 China was the fifth largest overall donor to UN agencies focusing on development programmes.\(^{107}\)

The purpose of this engagement with traditional donors and multilateral organizations, however, has shifted from learning from others to promoting its own model. Trilateral cooperation with these actors serves as an important channel for China to participate in global governance, to increase its discourse power and expand its influence in international and regional affairs. As a Chinese scholar put it, ‘Through the proper use of multilateral aid, China's developmental philosophy and methods will be recognized on a more extensive platform and scope, thereby leveraging more resources for configuration in a Chinese fashion.’\(^{108}\)

China has also become more involved in trilateral cooperation through MDBs and has even established some in recent years, such as the New Development Bank (NDB) in 2015 and the Asian Infrastructure Investment Bank (AIIB) in 2016.\(^{109}\) However, China's shares in the major MDBs that it did not play a key role in establishing are rather limited: 5.7 per cent in the World Bank, 6.4 per cent in the Asian Development Bank (ADB) and, surprisingly, only 1.2 per cent in the African Development Bank (AfDB).\(^{110}\) A notable exception is China’s significant contributions to the replenishment of the IDA's concessional funds: it ranked 20th in the 2010–12 replenishment but rose to sixth in 2019–21.\(^{111}\) This has allowed China to push for more IDA funding for infrastructure construction, which has not traditionally been a priority area of development finance.\(^{112}\)

There is no hard evidence that the new China-led MDBs pose serious challenges to the norms and structure of the existing international development finance

\(^{106}\) Chinese State Council (note 1), chapter II.


\(^{111}\) Morris et al. (note 107), pp. 10–12.

\(^{112}\) Lee, N. 'Infrastructure and IDA19: A priority or not?', Center for Global Development, 3 Sep. 2019; and ‘World Bank provides $425 million to support the provision of infrastructure financing in eastern and southern Africa’, Press release, 30 June 2020.
However, the modality of Chinese foreign aid is beginning to have some impact, including on the way in which ODA, commercial loans and export credits are combined to address a range of development-related areas, from welfare and poverty alleviation to infrastructure and manufacturing. At the same time, through trilateral cooperation, there are growing opportunities for China and the OECD DAC to converge on certain issues such as how to help aid recipients achieve the SDGs, as well as to share experiences and good practices in evaluating development results and harmonizing standards. For instance, there have been proposals for trilateral cooperation between the European Union (EU), China and African countries through joint business ventures in Africa to promote sustainable development, innovation and institutional capacity building. Likewise, the EU and China share interests in maintaining peace and stability in the Horn of Africa, which is crucial for sustainable economic development in a vital part of the continent. In that regard, working together would allow the EU and China to complement each other and achieve goals they set for themselves that benefit Africa.

Another development in trilateral cooperation has been the inclusion of non-governmental organizations (NGOs) in the implementation of foreign aid projects and a positive message from the Chinese Government encouraging NGOs to play a greater role in foreign aid. This is evident in a recent conference on trilateral international development cooperation organized by the Chinese Academy of International Trade and Economic Cooperation (CAITEC) under MOFCOM and the EU in June 2021, where the participation of NGOs was emphasized as part of the debate. It is crucial to note that a lot of large-scale and well-funded NGOs in China are government-organized NGOs (GONGOs), such as the China Foundation for Poverty Alleviation, which have carried out projects in Africa. Unlike the West's independent NGOs, China's GONGOs are more likely to follow certain government agendas. In fact, as early as 2003, Tang Jiaxuan, a state counsellor and former foreign minister, pointed out the importance of NGOs' role in international collaboration.

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114 Heldt and Schmidtke (note 113).
119 Hu, J., ‘How China’s NGOs are entering Africa’, Wits Journalism, Africa–China Reporting Project, 4 Aug. 2014.
development cooperation. Li Anshan, a leading expert in China–Africa relations and foreign aid from Peking University, has argued that the participation of NGOs could enhance China’s relations with African countries by facilitating exchanges between Chinese enterprises and local people in the recipient countries and could improve China’s global image by promoting non-governmental interactions. In addition, NGOs also possess a unique advantage in gaining support from local people and avoiding politicizing engagements in development cooperation.

In practice, however, Chinese NGOs still face a lot of obstacles to ‘going out’. These include funding problems, lack of personnel, lack of opportunity for participating in projects, domestic politics and regulatory frameworks in recipient countries among other things. In addition, the promulgation in 2016 of an NGO law, which had a devastating effect on foreign NGOs operating in China, has also affected Chinese NGOs that receive funding from and collaborate with foreign organizations. While both Chinese and foreign NGOs along with international organizations and think tanks are eligible to receive funding under the framework of the SSCAF, judging from the list published in the 2021 white paper, only international organizations and mainly UN agencies have received such support, with a focus on agricultural development, food security and poverty reduction.

**The Belt and Road Initiative**

The BRI, which was announced by President Xi in 2013, has had a significant impact on China’s foreign aid and its cooperation with other developing countries through development finance. This is particularly true since the BRI has become an important platform for facilitating China’s international development cooperation. As of December 2021, 145 countries had joined the BRI by signing an MOU with China. In addition to grants and interest-free and concessional loans, other forms of financial flow—such as non-concessional loans, export credits and investments in infrastructure projects—could also be included in Chinese development financing. At the time of its launch in 2013, it was estimated that the total of such aid to Africa would reach $1 trillion by 2025. From 2011 to 2020,
sizeable portion of ODA by DAC donor countries—an average 46 per cent—went to social development areas such as education, gender equality, health, and water and sanitation, while only about 20 per cent went to infrastructure and manufacturing.\textsuperscript{128} In this regard, China's ability and willingness to offer development finance to Africa has presented challenges to traditional models of foreign aid while also providing alternative sources of funding to meet the development needs of African countries, including infrastructure, manufacturing and social development.

As China increasingly integrates ODA, OOF and commercially driven lending to promote multiple goals, it has become difficult to separate these different components of what China would generally term foreign aid or development finance. In particular, the financing of BRI-participating projects as an important part of its development cooperation has made it even harder to assess the overall impact of Chinese foreign aid on the international aid system and the recipients.

BRI-participating projects are generally funded through five sources: (a) concessional loans by the two policy banks, Exim Bank and the CDB; (b) commercial loans by other state-owned banks; (c) MDBs such as the World Bank, the ADB, the AIIB and the NDB; (d) sovereign wealth funds, such as the Silk Road Fund; and (e) the recipient country itself or other partners.\textsuperscript{129} With the exception of the first of these sources, the majority of BRI finance falls outside the OECD DAC definition of ODA. However, it forms part of China’s approach to linking (and including) aid with trade and direct investment, an approach pioneered by Japan.\textsuperscript{130}

According to AidData, China’s development finance increased significantly after the launch of the BRI, from an annual average of $35 billion in 2000–12 to $85 billion in 2013–17.\textsuperscript{131} In comparison, China’s foreign aid between 2013 and 2018 totalled $43 billion, with an annual average of $7 billion.\textsuperscript{132} Indeed, according to AidData, ‘since the introduction of the [BRI], China has maintained a 31-to-1 ratio of loans to grants and a 9-to-1 ratio of OOF to ODA’.\textsuperscript{133}


\textsuperscript{130} Dunford, M., ‘Chinese and Development Assistance Committee (DAC) development cooperation and development finance: Implications for the BRI and international governance’, Eurasian Geography and Economics, vol. 61, no. 2 (2020).

\textsuperscript{131} Malik, A. A. et al., Banking on the Belt and Road (AidData at William & Mary: Williamsburg, VA, Sep. 2021).

\textsuperscript{132} Chinese State Council (note 1), chapter II.

\textsuperscript{133} Malik et al. (note 131), p. 1.
Criticisms of China’s foreign aid

As China increases its role in international development cooperation, its practices in foreign aid attract more attention and criticism. This concerns, for example, issues of corruption and impediments to democratic development, lack of transparency and accountability, and the absence of conditionality other than the One China principle and aid being tied largely to Chinese contractors.

Corruption and impediments to democratic development

A criticism levied at Chinese lending practices is that, by providing alternative sources of finance to authoritarian regimes, China is undermining efforts by traditional donor countries and organizations that require democratic reform and good governance as conditions of receiving aid. Countries that receive aid from China can pursue economic goals without having to undertake democratic or market reforms or adopt sound financial management practices. Chinese companies reportedly have often engaged in corrupt practices to gain commercial advantage. China has supplied diplomatic and financial support to governments in Ethiopia, Sudan and Zimbabwe that have been denounced by the international community for their violation of human rights, suppression of ethnic minorities, and refusal to transition to democratic rule and responsible governance.

Moreover, questions have been also raised about how funds get spent and who receives them. For example, Axel Dreher and colleagues argue that China uses different types of official financing with different motivations. However, they argue that China neither favours authoritarian or corrupt regimes nor takes natural resources into consideration when committing foreign aid to African states, especially the ODA component. Meanwhile, China’s OOF—which is more commercially oriented Chinese development financing—is found to be driven by trade ties and natural resource, and is more likely to go to countries with relatively more developed institutions, more promising economic prospects and stable...
governments. Indeed, China also recognizes the importance of good governance, political stability and sustained economic growth for Chinese foreign aid and, more critically, for commercial loans and Chinese business interests since corruption and instability could place them at risk.

Transparency and accountability

Transparency and accountability are long-standing issues in China’s foreign aid. Although China has attempted to address criticisms related to transparency by releasing white papers with data presentation, these are aggregate figures; granular project-level detail is still missing. This has left a few seeds that feed scepticism and raise questions on how the aid activities have been implemented and how the money has been spent.

Chinese scholars have highlighted several reasons for the low level of transparency in China’s foreign aid. First, China itself does not have a clear picture of its overall activities in foreign aid, considering the involvement of 20–30 different ministries and their affiliated agencies. Second, there is domestic opposition to using tax money for foreign aid while a large number of people still live under the poverty line in China and there are underdeveloped regions in central and western China. Third, the disclosure of data may lead to competition between recipient countries and weaken China’s negotiation power.

As early as 2014, China committed itself to develop a statistical system for foreign aid. After more than seven years, such a system is yet to be developed. In addition to this statistical system, China has also planned to develop a project-monitoring system, a project-evaluation system and a project information-reporting system to address questions on accountability.

Conditionality

Non-conditionality is one of the guiding principles of South–South cooperation, the framework for China’s foreign aid. ODA is usually associated with conditions, such as small government, deregulation, privatization and free

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143 Chinese State Council (note 16); Chinese State Council (note 91); and Chinese State Council (note 1).
144 Chinese Ministry of Commerce (note 90).
145 Chinese State Council (note 1), chapter VIII.
146 UN Office for South–South Cooperation, ‘About South–South and triangular cooperation’, [n.d.].
market. In contrast, China invokes the principles of non-interference and respect for sovereignty—with one exception, on the One China principle. However, it often ties its development finance to goods and services procured from China. Chinese scholars tend to emphasize the flexibility and pragmatic features of China’s aid practice and remain sceptical about the effectiveness of the outcomes of aid from the OECD DAC donors.

However, some of the above-mentioned criticisms—from corruption and lack of transparency to proclaimed non-conditionality—have been contested by studies that evaluate data. These suggest that linking foreign aid to foreign policy objectives and the promotion of economic interests are standard practices of traditional donor countries, and that China is no exception—and, in fact, it is probably more driven by economic interests than other donors. In Africa, rich deposits of natural resources, a growing market and the need for infrastructure provide ample opportunities and strong incentives for China to adapt its aid policy to serve its own economy and encourage state-owned enterprises and private businesses to invest in the continent.

Another controversy related to China’s growing role in overseas lending is the ‘debt trap’, where China has been accused of providing finance to questionable projects that are beyond the recipient country’s repayment capacity. Indeed, it has been pointed out that commercial loans constitute ever larger portions of China’s development finance. Non-concessional loans tend to come with higher interest rates than concessional loans, as commercial banks seek to insure against risks and look for higher returns for their investments. Whether China deliberately gets these countries into debt remains debatable. Some analysts have criticized such accusations, suggesting that China’s ‘debt trap’ diplomacy is either exaggerated or often untrue both in terms of the magnitude of the debts and other causes.

While examples of over-indebtedness exist, these are more likely to be related to BRI projects, which are now viewed as part of China’s development finance, and which have often been initiated by the recipient governments, driven by domestic

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150 Huang, M. (黄梅波) and Tang, L. (唐露萍), ‘南南合作与南北援助——动机、模式与效果比较’ [South–South cooperation and North–South aid—Comparison of motives, models and effects], *国际展望 [World Outlook]*, no. 3, 2013.
151 Rich (note 148).
152 Jiang et al. (note 71).
154 Chen (note 12).
factors and encouraged by China.\textsuperscript{156} However, that does not absolve China from its responsibility in providing funding, which should be based on careful analysis of the feasibility of the projects, the real positive impacts they can bring, and a realistic assessments of the recipient country’s capacity to generating revenue to repay loans without falling into excessive debt. In addition, there are also questions regarding the real value of China-funded projects for the economic development priorities of the recipient countries.\textsuperscript{157}

Finally, with less conditionality attached, Chinese foreign aid and commercial lending have immediately begun to meet some of Africa’s urgent infrastructure needs while imposing significant financial, if not debt, burdens on recipients. These have led to criticisms that Chinese foreign aid has helped secure unfair advantages for Chinese companies with little benefits for local industries and employment.\textsuperscript{158} In particular, the increasing debt from these large-scale infrastructure projects is a growing concern. For example, the Addis Ababa–Djibouti railway cost Ethiopia nearly a quarter of its 2016 government budget, while Kenya’s Mombasa–Nairobi standard gauge railway has gone four times over budget and cost approximately 6 per cent of Kenya’s gross domestic product (GDP).\textsuperscript{159}

China is taking note of these criticisms and has in recent years adopted a more cautious approach to lending in order to avoid further aggravating Africa’s indebtedness.\textsuperscript{160} It has started to show signs of prioritizing recipient countries that have more robust economies and few or no debt problems. It cancelled at least $3.4 billion of debt and restructured or refinanced around $15 billion of debt in Africa between 2000 and 2019.\textsuperscript{161} It also reduced lending to some recipient countries between 2015–19, including Angola, Cameroon, Djibouti, Ethiopia and Mozambique.\textsuperscript{162} However, China’s debt relief in Africa has been limited. China evaluates individual African countries and designs debt-relief strategies case by case. It also prefers to provide the options of re-scheduling loans payment, refinancing or restructuring, rather than blanket debt relief to African countries.\textsuperscript{163} Nevertheless, this practice coincided with China’s commitments in the 2021 white paper, which emphasizes that China and recipient countries will rely on bilateral consultations to solve debt problem.\textsuperscript{164}

\textsuperscript{156} Jones, L. and Hameiri, S., Debunking the Myth of ‘Debt-trap Diplomacy’: How Recipient Countries Shape China’s Belt and Road Initiative (Chatham House: London, Aug. 2020). See also Brautigam (note 38), chapter 11; and Dreher et al. (note 139).


\textsuperscript{158} Malik et al. (note 131); and Li, X., ‘Does conditionality still work? China’s development assistance and democracy in Africa’, China Political Science Review, vol. 2, no. 2 (June 2017).

\textsuperscript{159} Shepard, W., ‘What China is really up to in Africa’, Forbes, 3 Oct. 2019.

\textsuperscript{160} Pilling and Hille (note 62).

\textsuperscript{161} Acker, K., Brautigam, D and Huang, Y., Debt Relief with Chinese Characteristics, Working Paper no. 39 (Johns Hopkins University, China–Africa Research Initiative: Washington, DC, June 2020).

\textsuperscript{162} Acker, K and Brautigam, D., ‘Twenty years of data on China’s Africa lending’, Briefing Paper no. 4, Johns Hopkins University, China Africa Research Institute, 2021.

\textsuperscript{163} Sun, Y., ‘China and Africa’s debt: Yes to relief, no to blanket forgiveness’, Africa in Focus, Brookings Institution, 20 Apr. 2020.

\textsuperscript{164} Chinese State Council (note 1), chapter I.
4. Conclusions

After seven decades of practice, the forms, scale and scope of China’s foreign aid have significantly expanded. China has changed from a net recipient of aid to an emerging donor and now plays a prominent role in international development cooperation. At the same time, the principles that have underpinned Chinese practices in development finance have remained largely intact. They continue to guide its international development cooperation, in which Chinese foreign aid is combined with other forms of financial outflow, such as non-concessional loans, credits and investments, to promote China’s strategic, economic and normative interests and to help China achieve its foreign policy and development objectives.

Overall, three main conclusions can be drawn from this study. First, while the organizational structure, coordination and decision-making in Chinese foreign aid have undergone changes over the decades, the key principles that underpin why and how foreign aid was introduced in the early years and how official development finance has been dispensed have remained intact. Key among these principles are non-interference in other countries’ domestic affairs; provision of finance without political strings attached; a combination of multiple forms of lending; and essential government guidance, from budget planning and project approval to oversight and implementation. However, it is not entirely accurate to characterize Chinese development finance as condition free since the One China principle and awards of contracts to Chinese companies are often either written into or implied in undisclosed loan arrangements. While paying more attention to social welfare and development goals, as stipulated in Agenda 2030, China continues to place greater emphasis on infrastructure, manufacturing and resources as priorities for its development lending to Africa.

Second, China has clearly emerged as an important provider of development finance to Africa. The continent has always been and remains critical for Chinese foreign policy, commercial interests and geostrategic consideration. As a result, Africa has become the largest recipient of Chinese development aid. This will continue as China looks to Africa as a source of natural resources, a future market for Chinese products, a critical geographic link in the BRI, and a continent still in need of flows of capital to alleviate poverty and promote economic development—with infrastructure as the linchpin in Africa’s drive for growth. This infrastructure-led development approach should, however, also be connected to China’s own experiences in building connectivity (e.g. railways, roads and ports) and its own infrastructure-led economic development. China’s development finance to Africa, especially in recent years, is increasingly focused on recipient countries with more robust economies and few or no debt problem since China is concerned about debt sustainability.

Finally, China’s principles of development finance and its relatively consistent but pragmatic practices in lending decisions and disbursements share much with, but do not completely follow, the OECD DAC model. As it emerges as a top provider of development finance, Chinese perspectives and practices have
important implications for the international aid system. However, neither China’s intention nor its capability to undermine and radically change the system should be overestimated; at most, China offers alternative models of lending in specific cases but is far from posing a serious challenge to the prevailing norms, structure and practices. If anything, there have been signs of convergence, with China paying more attention to and providing development finance in areas traditionally emphasized by the OECD DAC, such as welfare, development, health and education, in part in response to the Covid-19 pandemic.

Recommendations

As a major—and growing—donor, China will remain a prominent partner in international development assistance. It is therefore important to understand how to better engage with China through dialogue on foreign aid to identify and promote joint interests. Based on the research in this report, the following recommendations are directed to Chinese authorities and actors involved in trilateral cooperation.

Recommendations for Chinese authorities

Improve transparency and accountability

Chinese authorities—in particular, CIDCA, MOFCOM and the MFA—should fulfil the commitments in the 2021 Administrative Measure for Foreign Aid to improve transparency and accountability. They should work with the OECD’s DAC on joint project-evaluation criteria on Agenda 2030 goals to which China has also subscribed.

Explore areas of convergence

Chinese authorities should also leverage their comparative advantages in meeting recipient country’s economic and social development needs, with a particular focus on green development. They should explore areas of convergence through trilateral cooperation to facilitate better synergy of financial assistance from different sources and allow recipient countries greater agency in ownership of their chosen development paths based on local conditions.

Provide detailed plans to involve NGOs

Finally, Chinese authorities should provide more detailed plans on how to involve NGOs, either from China or in recipient countries. This can contribute to project design and delivery, and can better meet local specifications and maximize impacts on employment, capacity building, poverty reduction and sustainable economic development.
Recommendations for actors involved in trilateral cooperation

Explore opportunities for cooperation

Actors involved in trilateral cooperation—UN agencies, multilateral development banks, the EU and NGOs—should work with China as an important player in international development finance, with a view to exploring opportunities for cooperation. This is especially needed where they share common goals (e.g. Agenda 2030) and where their comparative advantages can complement each other and where a division of labour and responsibility can be clarified.

Explore joint and sustainable projects

These actors should also explore options for more joint and sustainable projects, instead of pushing for one-off or ad hoc projects. In this, they should focus on areas that are prioritized by both China and other actors, such as renewable energy and green development, to which China has committed itself and for which the EU in its latest budget has set as priority areas.

Develop joint criteria for transparency and accountability

Finally, actors involved in trilateral cooperation should identify options for developing joint criteria for ensuring aid transparency and accountability.
China’s Evolving Approach to Foreign Aid

China’s role in foreign aid and, more broadly, in development cooperation on the global stage has grown significantly since it began seven decades ago. Particularly in recent years, through such platforms as the Belt and Road Initiative (BRI), China’s profile and engagement in global governance in foreign aid and related areas have been further enhanced. China’s ambition is to take a more proactive approach in foreign aid and move towards a model of international development cooperation by linking with the United Nations 2030 Agenda for Sustainable Development and by including the BRI as a major platform to achieve key development goals.

This paper provides a timely analysis of the evolution of China’s foreign aid policy in the past seven decades with a particular focus on the developments since 2000. It discusses China’s development finance to Africa and the major sectors receiving Chinese aid. It also analyses recent trends of Chinese foreign aid and identifies some of the challenges that China faces as it becomes a major player in international development financing.

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