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CHINA AND THE CHANGING INTERNATIONAL DEVELOPMENT LANDSCAPE

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SUMMARY

● China has become an important player in the changing international development aid landscape. There is a need to understand and analyse the motivation and objectives behind China's policy on international development cooperation and the differences between traditional Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC)-led development assistance and China's development finance, which is typically composed of concessional and non-concessional loans and export credits. In the aftermath of the dissolution of the United States Agency for International Development and the overall decline in OECD DAC countries' foreign aid budgets, serious questions have been raised on whether China will step up and step in to play a more prominent role. This policy brief aims to address some of these issues.

INTRODUCTION

The international development aid landscape is facing its most serious challenge in nearly two decades. Many traditional donor members of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), from Belgium to France, the Netherlands, Sweden, Switzerland and the United Kingdom, have announced significant reductions in their foreign aid budgets. The Trump administration's decision to abolish the United States Agency for International Development (USAID) in July 2025 sent shockwaves through the international development and aid system. Combined, these reductions of $41–60 billion represent 15–22 per cent of the 2023 level of official development assistance (ODA) of $275 billion. The OECD projects a 9–17 per cent fall in ODA in 2025 on top of the 9 per cent fall in 2024.[1] The most severely affected sector, which has long depended on ODA, is public health, on which the USA alone spent $20.6 billion (32 per cent of total worldwide aid spending) in 2023, and had budgeted $12.4 billion for 2025.[2] Among the other areas that will be badly affected are education, governance, humanitarian aid and assistance to civil society. Regionally, the impacts of these cuts will be felt most in sub-Saharan Africa.[3]

In the aftermath of the closure of USAID, and amid the overall trend for reductions in the ODA budgets of traditional donor countries, speculation abounds about China's potential role, and the implications for the global development aid system—and for the norms and structures that govern ODA decisions and disbursement. China is a major donor country, but the level and design of its ODA differ from those of traditional donor countries, including the USA. There have been serious questions about whether China might be willing or have the capacity to step in to fill the gap left by reductions in ODA funding by the USA and OECD donor countries.[4] At the same time, there have been alarmist media reports that the Chinese model of develop-

[1] Sabow, A. et al., 'A generational shift: The future of foreign aid', McKinsey and Company, 6 May 2025; Ahmad, Y. et al., *Cuts in Official Development Assistance: OECD Projections for 2025 and the Near Term* (OECD Policy Brief: Paris, 2025); and Faguy, A., 'USAID officially closes, attracting condemnation from Obama and Bush', BBC News, 2 July 2025.

[2] Abdelgelil, C., 'How could US foreign aid cuts affect global public health?', Economics Observatory, 8 May 2025.

[3] OECD, 'Cuts in official development assistance', OECD Policy Brief, 26 June 2025.

[4] Ken, K., 'China unlikely to fill void left by US aid pullback, data shows', *Japan Times*, 23 Apr. 2025.

ment assistance could erode if not replace the existing aid structure.[5] This policy brief argues that neither of these scenarios is likely. Nonetheless, such concerns should not be dismissed lightly, given the importance of the issues involved, especially at a time when international development cooperation is both reflecting and shaped by shifting geopolitics, donor priorities and future directions.

China's international development cooperation is a combination of ODA and other official flows (OOF). However, only a small percentage of China's total international development finance can be considered ODA or ODA-equivalent. According to AidDATA, between 2000 and 2023, China's total international development finance amounted to more than $1.22 trillion. It is predominantly project-based and infrastructure-driven, and funds are disbursed through concessional or commercial loans, export credits and investment. China's ODA, in the form of grants, and interest-free and concessional loans, represents about 11 per cent of the total, at $137 billion.[6] China does not have the capacity to replace or replicate what the USA and traditional OECD donor countries have typically done—disburse and administer funds through dedicated government agencies such as USAID and the Swedish International Development Agency (Sida), working on the ground with international and local NGOs and aid professionals.

There is an obvious need to analyse China's role in the new international development cooperation landscape, but there is no consensus in existing scholarship on Beijing's political will or capacity, the shape of that role or its broader implications. There is, however, broad agreement that China has become a major player in international development finance. Over the past two decades, as of late 2025, China has disbursed US$1.34 trillion, primarily through its Belt and Road Initiative (BRI), which includes investments in infrastructure and energy projects. These are typically OOF, funded through preferential or commercial loans, together with export credits and investments. To a lesser extent, China has also provided developing countries with what the OECD DAC defines as 'ODA-like' grants and grant-equivalent concessional loans at low interest rates, for public health, education, humanitarian assistance and disaster relief projects. While recognizing China's significant contribution to international development, it is critical to understand the motives and objectives behind China's evolving policy on development finance, its impact on the traditional OECD DAC-led international aid regime, and how China's role might affect future international aid. These questions have even greater policy salience in the aftermath of the shutdown of USAID and the cancellation of over 80 per cent of its earmarked $63 billion, along with the overall decline in OECD DAC members' foreign aid budgets.

This policy brief examines the impacts of over two decades of China's approach to development finance on the structure, norms and future direction of international aid; and whether cooperation can be fostered and

[5] Tan, H., 'Experts warned USAID's gutting would give China room to replace the US: Now, it's happening', *Business Insider*, 27 May 2025; and Davidson, H. and Hawkins, A., 'US cedes ground to China with "self-inflicted wound" of USAID shutdown, analysts say', *The Guardian*, 7 Feb. 2025.

[6] Parks, B. C. et al., *Chasing China: Learning to Play by Beijing's Global Lending Rules* (AidData at William & Mary, Nov. 2025), p. 62.

strengthened for the benefit of the Global South to achieve the Sustainable Development Goals (SDGs).

CHINA'S FOREIGN AID: EVOLUTION, MODALITIES AND OBJECTIVES

China's foreign aid, which is now officially labelled international development cooperation or South-South cooperation, has evolved over seven decades in distinct phases.[7] From the early days in the 1950s until the reform and opening up of the late 1970s, Beijing's foreign aid was provided to a number of Asian and African countries, strongly tied to foreign policy objectives of gaining diplomatic recognition and breaking through the economic and political isolation imposed by the USA, and to promote Third World solidarity. In the 1980s and 1990s, as China adopted its reform policy and made economic development its top priority, foreign aid aimed to promote mutual benefits and common development between China and recipient countries. During this period, China itself became a recipient of ODA from Japan and the World Bank. Since the mid 1990s, Chinese foreign aid and OOF have assisted Chinese companies with their 'going out' strategies, and have been provided to developing countries, notably those with critical resources such as crude oil to enhance China's energy security. Since 2012, when Xi Jinping assumed the Chinese leadership, it has been recognized that international development cooperation has strategic importance in that it helps Beijing to achieve its foreign policy goals and promote Chinese models of development.[8] Chinese development finance in the form of OOF has expanded exponentially since the launch of the BRI in 2013. Within the span of a decade, BRI-related development finance, predominantly in the form of loans, export credits and investment reached $1.175 trillion. About $704 billion is in construction contracts, and a further $470 billion is in investments in manufacturing and tangible assets.[9]

Thus, China's international development finance has been informed by and has in turn served Beijing's strategic interests and foreign policy objectives for the past seven decades. Broadly speaking, these are politico-diplomatic, economic-commercial and strategic. Politico-diplomatic interests provided the rationales for Chinese foreign aid in the pre-reform period. During that time, even though China was a poor, developing country, it still managed to provide significant foreign aid, relative to its gross domestic product, to a number of developing countries in the form of donated sports stadiums and conference centres, transport infrastructure, such as the Tanzania–Zambia Railway, grain donations throughout the 1970s and Chinese medical teams. The politico-diplomatic driver remains today, as Beijing seeks to use development finance, including ODA grants, to achieve its foreign policy objectives, such as securing support in UN votes, promoting its agendas and initiatives on the international stage, isolating Taiwan and consolidating its

[7] Ren, X. (任晓) and Liu, H. (刘慧华), 中国对外援助:理论与实践 [China's foreign aid: Theory and practice] (Truth and Wisdom Press: Shanghai, 2017).

[8] Rudyak, M., *China's International Development Cooperation: History, Development Finance Apparatus and Case Studies from Africa* (Friedrich-Ebert-Stiftung: Bonn, Dec. 2023).

[9] Nedopil, C., *China Belt and Road Initiative (BRI) Investment Report 2024* (Griffith Asia Institute, Griffith University and Green Finance & Development Center: Brisbane, 2025).

leadership in the Global South.[10] In the early 1980s, as China adopted policies on reforming and opening up the economy, the country's priorities shifted to economic development. Foreign aid became a vehicle for supporting its economic agenda, notably on energy security. During this period, China provided substantial loans to countries with natural resources, especially oil, as China became a net importing country. Angola, which is an oil-rich country, has been and remains a major recipient of Chinese development finance—$45 billion in the past two decades, nearly $26 billion of which has been invested in the energy sector.[11]

China's international development cooperation has gained increased strategic salience in recent decades as Beijing has recognized how the provision of commercially beneficial development finance and ODA supports its broader agenda of gaining strategic footholds in important regions of the world, securing access to critical resources, facilitating trade and investment to support Chinese exports of industrial and consumer goods and using its excess capacity to build infrastructure. Expanding its influence and forging partnerships in the Global South has long been a major Chinese foreign policy goal, and Beijing sees the growing potential of international development cooperation. The Forum on China-Africa Cooperation (FOCAC), which was inaugurated in Beijing in 2000, has served as the platform for China and African countries to promote economic cooperation at both the business and the governmental level. FOCAC summit meetings, which are held every three years, have become the venue where the direction of China-Africa economic relations is set, and where Chinese commitments to development finance for the continent are announced.[12] At the same time, however, China's pattern of lending has become more obvious, as countries with large oil reserves or China's crucial strategic partners, such as Russia, Venezuela, Pakistan, Angola and Kazakhstan, have been the major recipients of Chinese loans and investment.[13]

In its 2021 white paper on international development cooperation, Beijing explicitly states that it 'has been upgrading its foreign assistance to a model of international development cooperation'. This model involves providing foreign aid to countries along the BRI, which has also become a major platform for facilitating China's development finance. China has also linked its development finance to the United Nations 2030 Agenda for Sustainable Development.[14] Beijing hopes that by helping developing countries to achieve the SDGs through development finance, this will help China to increase its 'soft power', increase its political and diplomatic influence in the Global South and provide alternative models of development cooperation. In announcing its Global Development Initiative (GDI), Beijing pledged its commitment to: development as a priority, a people-to-people approach, benefits for all, to leave no country and no one behind, innovation-driven

[10] Raess, D., Ren, W. and Wagner, P., 'Hidden strings attached? Chinese (commercially oriented) foreign aid and international political alignment', *Foreign Policy Analysis*, vol. 18, no. 3 (July 2022).

[11] Yoshikawa, S., 'China and Angola: From the pioneering "Angolan model" to a "new" relationship', *AsiaPacific Issues*, vol. 28, no. 170 (Nov. 2024).

[12] Yu, S., 'How has a quarter century of FOCAC shaped the role of China in Africa?', London School of Economics, 6 Nov. 2024.

[13] AidDATA, 'China's portfolio of overseas loans & grants',[n.d.], accessed 10 Nov. 2025.

[14] McNicol, H., 'What is China's role in achieving the UN's 2030 Sustainable Development Goals?', The Interpreter, 5 Aug. 2024, Lowy Institute for International Policy, Sydney.

development, harmony between human and nature, and results-oriented actions.[15]

THE CHINESE AID SYSTEM AND INTERNATIONAL DEVELOPMENT COOPERATION

The Chinese system of development cooperation is top-down and centrally controlled, involving multiple implementing line ministries coordinated through the China International Development Cooperation Agency (CIDCA), an agency established in 2018 at the deputy ministerial level.[16] CIDCA comprises seven departments, each with specific responsibilities from policy and planning to regional affairs, supervision and evaluation, and international cooperation, among others.[17] It 'aims to formulate strategic guidelines, plans and policies for foreign aid, coordinate and offer advice on major foreign aid issues, advance the country's reforms in matters involving foreign aid, and identify major programs and supervise and evaluate their implementation'.[18]

At the top of the new structure are the Office of the Central Foreign Affairs Commission (CFAC) and the State Council, China's cabinet.[19] Before 2018, Chinese foreign aid was primarily administered through the Ministry of Commerce (MOFCOM) departments responsible for outward investment and international economic cooperation. These continue to be responsible for project-level implementation, while CIDCA is responsible for political steering and policy coordination, as well as project formulation, planning, monitoring and evaluation.[20] As China's international development cooperation took a major leap in the early 2010s, the need for better coordination of policy formulation became obvious. The restructuring was intended to improve domestic coordination and to better align aid decisions with foreign policy objectives. CIDCA serves as the central coordination point to centralize decision making through better inter-agency consultation and deliberation, information sharing, minimizing duplication and more efficient implementation.[21]

[15] UN Association of China, 'Summary report: Promoting Global Development Initiative for a shared future', [n.d.], accessed 10 Nov. 2025.

[16] Among the more than 20 line ministries are the Ministry of Foreign Affairs (MFA), the Ministry of Commerce (MOFCOM), the Ministry of Finance (MOF), the Ministry of Agriculture (MOA), the Ministry of Health (MOH) and the Ministry of Education (MOE), as well as the China Development Bank (CDB) and the Export-Import Bank of China (Eximbank).

[17] China International Development Cooperation Agency (CIDCA), 'Departments', Updated 25 May 2025.

[18] China International Development Cooperation Agency (CIDCA), 'What we do', Updated 1 Aug. 2018.

[19] Rudyak (note 8), p. 15.

[20] Lynchi, L., Andersen, S. and Zhu, T., *China's Foreign Aid: A Primer for Recipient Countries, Donors and Aid Providers* (Center for Global Development: Washington, DC, 2020).

[21] Rudyak, M., *The Ins and Outs of China's International Development Agency* (Carnegie Endowment for International Peace: Washington, DC, 2019).

INTERNATIONAL DEVELOPMENT AID AFTER USAID: ASSESSING CHINA'S ROLE

A number of questions have been raised by the international media and the global aid community in the aftermath of the dismantlement of USAID. Will China step up and step in, given the sharp decline in levels of foreign aid in recent years? Amid China's growing role in international development finance, do the Chinese model and practice represent better solutions to development challenges than the existing ODA model and its focus?[22] The question also arises whether Beijing will promote its brand of development finance, with an emphasis on infrastructure, industry and energy, based on the Chinese motto 'to become rich, build the road first', but increasingly also on digital information, the green transition and communications technology.[23]

The current level of China's ODA makes it impossible for Beijing to fill the gap left by the USA. USAID spent $12 billion on public health in 2023, in areas such as combating HIV/AIDS and addressing emerging public health threats such as Ebola, malaria and tuberculosis.[24] This alone is more than double China's annual global ODA spending, which averages $5.7 billion. Even if China were willing and able to spend more, it would face enormous challenges in managing disbursement because it simply does not have the institutional capacity or the experience. USAID had over 10 000 staff, and around 20 US government agencies, as well as countless NGOs were also involved. The agency maintained more than 60 country and regional missions that designed and managed a range of projects, most intended to meet the specific development objectives outlined in a Country Development Cooperation Strategy. Most projects were implemented through a grant, a cooperative agreement or a contract with one or more of thousands of foreign or US development partners, involving nonprofit organizations, for-profit contractors, universities, international organizations and foreign governments.[25] In contrast, CIDCA had a staff of around 100 and a budget of €10.4 million in 2021. There is also the question of whether China would be willing to work with international and local NGOs on grant disbursement, in addition to working through other government agencies such as MOFCOM. In sum, China is neither willing nor able to step in to fill the gap left by the USA, but it will seek to portray itself as a responsible contributor to international development finance, albeit in its own way rather than follow the traditional OECD DAC model.

Largely for structural reasons, China has increased its provision of aid in areas that the USA had traditionally concentrated on, such as healthcare, good governance and disaster relief, but such support is a tiny fraction of what the USA used to provide. For instance, China, along with South Korea, sent in $4 million to the African Centres for Disease Control (CDC) to sup-

[22] Custer, S., Burgess, B. and Sritharan, N., *Into the Breach: Will China Step Up as the US Retreats on Global Development?* AidData at William & Mary, Policy Brief, Mar. 2025.

[23] Ray, R., 'The road to 2030: What role for Chinese Development Finance?', Boston University Global Development Policy Center, 10 Oct. 2025.

[24] Rahim, F. et al., 'Life after USAID: Africa's development, education, and health care', ThinkGlobalHealth, 18 Mar. 2025.

[25] McCabe, E., 'US Agency for International Development: An overview', Congressional Research Service, *In Focus*, 5 Sep. 2025.

port its efforts after the USAID shutdown. However, a much greater spending commitment would be required from donor countries, including China, to close the gap.[26]

US and Chinese development finance differ in terms of type, sector and amount. Between 2001 and 2023, the USA disbursed $1.24 trillion to countries worldwide. Of this amount, ODA to support global development represented 72 per cent, $886.7 billion, while OOF such as security assistance constituted 28 per cent, $348.7 billion. The three priority areas for US development assistance were public health, good governance and humanitarian aid. More than 80 per cent of US development assistance was in the form of ODA grants and concessional loans at low or no interest.[27] The top ten recipients that received USAID-managed funds in 2024 were Ukraine, the Democratic Republic of the Congo, Jordan, Ethiopia, Sudan, Nigeria, Yemen, Afghanistan and South Sudan, as well as the West Bank and Gaza. Of the 77 World Bank-identified low and lower-middle income countries, 66 received US aid in 2024. Health became the largest USAID sector by funding in the early 1990s, bolstered since 2004 by more than $120 billion to date for the President's Emergency Plan for AIDS Relief (PEPFAR) and since 2020 by emergency assistance to combat Covid-19. Humanitarian assistance surpassed health as the largest USAID sector in 2022.[28]

As discussed above, China's international development finance is largely in the form of commercial lending and export credits, which constitute nearly 90 per cent of total disbursement. On paper, CIDCA provides strategic guidance and oversees the delivery and evaluation of China-financed overseas projects. CIDCA's remit is rather limited, however, because of its place in China's bureaucratic hierarchy, and since its oversight is limited to projects funded by traditional ODA, which in recent years has totalled $5 to $8 billion annually. Chinese development finance is predominantly OOF. Most of the funding finances big-ticket infrastructure projects through market-rate loans, with an expectation of commercial returns. Chinese lending is concentrated in three sectors: (*a*) industry, mining and construction; (*b*) energy; and (*c*) transport and storage. A small proportion, equivalent to ODA, finances small-scale projects in education, healthcare and disaster relief, among other things. This supports 'small-dollar goodwill projects' through grants and in-kind support in sectors such as healthcare, education, good governance and civil society in ways that are 'reminiscent' of US ODA. In fact, 'the PRC has the highest number of its projects in sectors like health (21%), education (15%), and government and civil society (9%)', although each project receives small amounts of funding from the Chinese government compared to what OECD donor countries would normally disburse in these sectors.[29]

CONCLUSIONS

China has become an important player in international development finance. Its ODA spending is relatively small but not inconsequential, placing it

[26] Rahim et al. (note 24); and Kenny, C., 'Chinese assistance won't replace USAID. That's the problem', Centre for Global Development, 31 Mar. 2025.
[27] Custer et al. (note 22).
[28] McCabe (note 25); and OECD, 'Development co-operation profiles: United States', 11 June 2025.
[29] Custer et al. (note 22), p. 11.

among the top ten donor countries in the world. Its overall level of international development finance, however, makes it the second largest lender in the world, surpassing the USA but after the EU and its member states combined. Driven by a multitude of considerations, from gaining access to critical resources to increasing its political and diplomatic influence, facilitating trade and expanding markets for Chinese goods, Beijing has promoted its development model and provided alternative sources of financing for which developing countries have enormous need, which traditional foreign aid cannot and will not meet given the typical focus of ODA priorities.

Whether China will take advantage of the demise of USAID and the generally downward trend in foreign aid budgets in traditional OECD DAC donor countries to fill the gap left by the rather depressing international development aid landscape remains to be seen. Beijing is currently more willing to promote its development aid model of infrastructure-driven and trade-induced growth. It will take a measured approach to significantly expanding its ODA-equivalent spending, partly due to the overall remit and structure of international development cooperation, and partly because of the economic headwinds it has been facing in recent years, which have necessitated a greater domestic focus. Nonetheless, it has become more involved in sectors that were traditionally priority areas for ODA, especially in public health, education, disaster relief and humanitarian assistance. In the long term, there will be opportunities and challenges for China and traditional donor countries to manage, at a time when the traditional development aid landscape is undergoing a transformation, and the international aid system, its traditional models of disbursement and its traditional focus are being reassessed. This provides a window for China and other new and emerging donor countries to play a more active role in shaping international development cooperation to provide better and more effective outcomes, in particular for recipient countries in the Global South.

In the light of China's growing role in a changing international development aid landscape, and given the continued commitments of OECD DAC members to its norms and priorities in their ODA spending, it will be important for traditional donor countries, including Sweden, to engage with rising powers such as China, to exchange views on what can and should be done to mitigate the impact of the recent contraction in foreign aid and leverage the growth in non-ODA development finance, which is becoming increasingly recognized as an alternative, rather than a competing, source of development support to countries in need. In this context, dialogues between development professionals and official aid agencies, such as CIDCA and SIDA, should be the way forward and should be promoted.

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