



# Coordinating Chinese Aid in a Globalized World

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The debate about China's growing global economic footprint is often quite polarized. Some voices in the West routinely express concerns about the [potentially negative effects](#) that Chinese aid and investment may have on the governing capacities of recipient countries, and others [criticize](#) Beijing for its unwillingness to be more transparent about the financial assistance it provides. Meanwhile, a set of [2014–2015 surveys](#) found that African public perceptions of China's growing presence on the continent, including its economic and political influence, is generally perceived to be positive and beneficial. This suggests that at least some parts of the developing world are receptive to China's conception of development assistance in certain cases. This debate is only increasing in importance as the scale of Chinese overseas aid and investment grows.

Despite widespread criticism of Beijing's approach from some corners, many analysts have paid far less attention to the ways that China may be trying to recalibrate how it administers foreign assistance. Following the National People's Congress in March 2018, Beijing set up the [China International Development Cooperation Agency](#) (CIDCA) to oversee its massive, globe-spanning foreign aid and investment activities. This new agency,

which answers to the State Council (the country's highest executive body), plans to consolidate the roles and functions that have traditionally been shared by the ministries of commerce and foreign affairs.

If it is empowered to do so, the CIDCA could help China coordinate its aid portfolio more efficiently and give Chinese decisionmakers a better grasp of the local contexts they are operating in. That said, it is more difficult to say at this juncture whether the new agency will be able to make Chinese aid disbursement and procurement decisionmaking more transparent.

## A DIFFERENT KIND OF AID

China wields great influence in many developing countries through its investments and aid, the latter of which largely consists of grants and concessional loans. For instance, many African countries have received [large shares of Chinese aid](#) over the past two decades, a list that includes seven of the top ten recipients of Chinese aid during this period. Elsewhere, countries in Southeast Asia, the former Soviet Union, and Latin America account for a much



larger number of so-called **infrastructure megaprojects** (those with a financial value exceeding \$1 billion) than Africa. **Estimates** of the overall scope of Chinese-funded infrastructure financing through the Belt and Road Initiative (BRI) range from \$1 trillion to \$8 trillion.

Chinese aid differs significantly from Western aid. China does not abide by the **Paris principles**, which aim to achieve better impacts by formulating aid policies around five pillars. These pillars include: greater national ownership over aid recipients' self-identified development priorities, increased alignment between donor goals and recipients' national policy priorities, harmonization of aid from different donors to improve coordination, better management of aid to achieve measurable results, and greater accountability on the parts of both donors and recipients for failed interventions. Unlike development assistance from most Western countries, Chinese aid does not come with stringent conditions for improving local governance, strengthening women's rights, or combating corruption. Moreover, Beijing neither distinguishes between the grants and loans it furnishes nor offers detailed information about aid disbursements to individual countries.

China's overall strategy is to present itself as a country driven by the conviction that state-to-state relations ought to benefit both parties. When Beijing makes decisions about aid and investment projects around the world, it strives to present itself as not questioning the legitimacy of the governments in recipient countries. China touts its aid policies as representative of a set of **interrelated general principles**, such as win-win outcomes, noninterference in the domestic affairs of other countries, mutual respect, and friendship. When it comes to development assistance, Chinese leaders often are particularly wary of being perceived to be preaching to other countries, and Beijing routinely places a rhetorical emphasis on experience-sharing between developing countries and economic self-reliance.

## UNPACKING CHINA'S FOREIGN AID PROBLEMS

Despite the growing prominence and novel approach of Chinese foreign aid, it does suffer from challenges and limitations that constrain its effectiveness and can distort its economic impact in some respects.

One major concern that the citizens of some recipient countries have expressed is that certain projects may not be prudent or suitable for their particular circumstances. Many actors in sub-Saharan Africa and other developing regions are increasingly questioning the capacity and motives of their governments for initiating certain projects with Chinese funding. While better roads and railways are almost always welcome, some doubt the benefits of building **expensive sports stadiums and five-star hotels** when many local residents continue to live in poverty. Many criticize the one-size-fits-all model that China employs in large parts of the African continent despite the continent's wide range of different sociopolitical conditions and cultural traditions.

Another issue is the lack of transparency surrounding the terms of Chinese investment decisions and the size and nature of aid allocations. Citizens and civil society organizations in many parts of the world are routinely **questioning the logic and conditions** behind various Chinese loans negotiated by their governments, even when these loans are interest-free and concessional. They seek more information about the conditions attached, whether their countries can afford such loans, and the consequences if their governments were to default on their obligations. In recent years, a growing number of countries—including **Malaysia, Sierra Leone, and Sri Lanka**—have publicly expressed their concerns about Chinese loans and the risk that they may be unable to repay them.

A third concern is that the Chinese government has not had enough specialized personnel to fully parse out the risks and challenges in the difficult investment environments prevalent in many of the developing countries where Chinese assets are

invested. Aid recipients are **demanding more** of China (including better-quality products and responsiveness on projects that require longer-term commitments for maintenance). The complex nature of many global problems calls for increased partnerships with international agencies and closer bilateral collaboration with other donors. This includes the scaling-up of the so-called “**trilateral cooperation**” that China has been prioritizing more in recent years. Facilitating a shared space for better engagement and learning about best practices is even more relevant now, given China’s establishment of several major financial institutions (like the Asian Infrastructure Investment Bank) and Beijing’s greater willingness to engage more actively with multilateral institutions in promoting the United Nations’ **2030 Agenda** for Sustainable Development.

China has good reasons to try to improve these aspects of its aid portfolio. The Chinese aid model has long been appealing to recipients due to its simplicity—namely, the lack of a time-consuming planning phase, the lack of involvement of expensive consultants and critical civil society organizations, and a focus on quick, pragmatic solutions without long-term commitments. As the ambitious BRI steadily **gains momentum**, Beijing aims to leverage its long history of foreign aid to **accrue soft power** as it gears up for a more active role in global affairs. But achieving this type of power and influence will require a more committed approach to reforming the country’s current aid model.

## **IMPROVING CHINA’S FOREIGN AID MODEL**

What can and should the CIDCA do to address these challenges? Within China, the agency can help improve domestic planning and coordination on matters related to foreign aid and investments. In addition, the agency can encourage China to focus more on the impact of Chinese investment by encouraging independent evaluations of this financing. Domestically, the CIDCA can also seek to reduce tensions caused by the traditional rivalry over the foreign aid portfolio between the ministries of foreign

affairs and commerce. The agency can strive to better justify and communicate to the Chinese public why it is necessary for China to provide foreign aid to overseas recipients, despite many pressing problems at home.

Some of the CIDCA’s work may have far-reaching consequences beyond China’s borders. The agency could help formulate a new direction for aid policy and global development aimed at improving living conditions worldwide. The agency may also choose to create new national and global platforms so as to more actively involve a diverse group of actors with relevant expertise (including academics, journalists, and members of civil society organizations) in hopes of bolstering the soundness and legitimacy of aid-related decisions made within the country and abroad.

Generally speaking, Chinese aid would benefit from greater knowledge about local problems as well as economic and administrative challenges in recipient countries, including more nuanced analysis of national and local political trends in these places. Without an aid agency that has a mandate to do the necessary homework to make allocative decisions—including feasibility studies, impact analyses, and evaluations—local staff at Chinese embassies all over the world have been overstretched. Consequently, embassies often have found themselves **increasingly reliant on other actors**, especially private Chinese companies operating in these regions, to provide the information needed to justify specific aid projects for decisionmakers in Beijing.

The CIDCA likely will make a major difference if it can attract and recruit competent staff in China and abroad and station this personnel at its offices and Chinese embassies around the world, particularly in countries where Beijing has a large aid portfolio. Greater capacity at embassies, with officials exercising relative autonomy, could help China better understand local political contexts. Beijing needs to invest in such capacity building to reduce the risks associated with current and future investments, renegotiate the repayment of loans when necessary, and promote sounder, better-coordinated aid and investment policies.

## A CASE FOR MORE OPENNESS AND GREATER TRANSPARENCY

The CIDCA appears to be taking steps to address some of these issues. In November 2018, it released a [draft](#) called “Measures for the Administration of Foreign Aid”; this draft, [translated into English](#) by Marina Rudyak, builds on a previous 2014 government document yet clearly signals that major reforms are under way. For example, the CIDCA intends “to strengthen strategic planning and overall coordination of aid,” compile “annual budgets and final accounts for aid projects,” initiate evaluations, and better “communicate with recipient countries about their aid needs and conduct policy reviews.” The document also mentions that the CIDCA plans to formulate country-specific aid policies, which would mean doing away with a one-size-fits-all approach to foreign aid.

That said, there are other problems that the CIDCA may not necessarily be designed to handle. For instance, since the UN’s adoption of the 2030 Agenda, China has signaled its desire to engage more actively with multilateral actors (including UN agencies and the World Bank) by closely aligning the BRI with efforts to achieve the UN-formulated Sustainable Development Goals. However, such collaboration—if it is to be constructive and sustainable in the long run—requires that the Chinese government be more open about its decisionmaking and procurement procedures, aid allocation criteria, priority sectors and countries, and the actual amounts of its grant and loan disbursements. To what extent the CIDCA will have influence over such matters is uncertain.

This is significant because another area for improvement is the need for better data collection, compilation of national and local statistics on Chinese aid disbursements, and broader dissemination of such information. Greater clarity and disclosure regarding Chinese aid policies have

the potential to help reduce mutual suspicions between Beijing and other donors and improve the coordination and harmonization of aid from a host of bilateral donors and multilateral organizations. Chinese aid can have an even larger impact on global development if it can help make local governance and public administration more efficient and encourage governments of recipient countries to be more transparent about how they promote sustainable development. Moreover, greater transparency would help increase predictability and thereby allow recipient governments to better plan for and integrate aid packages into national policymaking processes. Such improvements, in turn, would likely help strengthen state capacity in low-income countries. In its draft guidelines, the CIDCA has expressed a desire to address the criticisms of the lack of transparency associated with Chinese aid.

It is impossible to tell definitively right now how the CIDCA will affect Chinese transparency. If the agency’s intentions can be put into practice, and if it is able to serve as an effective interministerial coordination mechanism in China, the CIDCA will likely make major contributions toward improving the effectiveness of Chinese aid and investments around the world. Even if it is not able to fully solve all the aforementioned problems in the near term, the establishment of the CIDCA is a sign that Beijing is aware of the limitations of its approach to foreign aid and is taking steps to start addressing them.

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