



# The Ins and Outs of China's International Development Agency

MARINA RUDYAK

Established in March 2018, the China International Development Cooperation Agency (CIDCA) aims to elevate the political importance of foreign aid, better align the country's aid agenda with its overall foreign policy, and tackle bureaucratic fragmentation. Since then, the CIDCA's portfolio has continued to slowly take shape. What policy challenges will the agency seek to address, and what role can other Chinese actors and the international community expect it to play?

## WHY WAS THE CIDCA ESTABLISHED?

Before the CIDCA materialized, China's aid spending [had been growing](#) markedly since the turn of the millennium, yet the institutional structure of its aid system had barely changed since the mid-1990s. The Chinese aid model combines aid with commercially oriented trade and investment ventures. This approach is rooted in the idea that since China is (by definition) a developing country, its aid spending should be "mutually beneficial" and serve the recipients' and China's economic development goals.

Beijing adopted this approach after receiving [Japanese developmental aid](#) in the early 1980s. Formalized in 1995 under then minister of foreign trade and economic cooperation Wu Yi, the model provided Chinese companies with a low-risk framework for internationalizing their operations by implementing aid projects. (In 2003, the Ministry of Foreign Trade and Economic Cooperation was reorganized and renamed the Ministry of Commerce, but this reorganization did not radically alter the structure and role of the ministry's aid-focused personnel.) Alongside these economic motivations, Beijing also has consistently considered aid a [foreign policy tool](#). For instance, China's top leaders, including President Xi Jinping, [have admitted](#) that aid helped Beijing secure its seat in the UN General Assembly in 1971. The [AidData project](#) by researchers affiliated with the College of William and Mary has shown a notable correlation between Chinese aid giving and the voting behavior of recipient countries.

This juxtaposition of diplomatic and economic objectives was reflected in China's aid governance structure, whose core was comprised of three nominally coequal government agencies: the Ministry of Commerce, the



Ministry of Foreign Affairs, and the Ministry of Finance. The Ministry of Commerce (specifically its Department of Foreign Aid) was tasked with managing China's foreign aid portfolio. The Ministry of Foreign Affairs coordinated aid policy formation and annual planning with the Ministry of Commerce and sought to ensure that the aid agenda aligned with broader foreign policy goals. Meanwhile, the Ministry of Finance coordinated the aid budget with the Ministry of Commerce and was responsible for China's financial contributions to multilateral development agencies and banks. To complicate matters further, depending on the economic sector, China's aid management bureaucracy involved more than twenty central line ministries, commissions, and agencies as well as their provincial counterparts.<sup>1</sup>

This is the policy context into which the CIDCA emerged when it replaced the Ministry of Commerce as the lead coordinating body of Chinese foreign aid in 2018. The new vice ministry-level agency absorbed the personnel of the Ministry of Commerce's Department of Foreign Aid (DFA), took over its aid coordination functions, and assumed the Ministry of Foreign Affairs' responsibility for aligning foreign aid objectives with broader foreign policy goals.

Beijing designed the CIDCA in hopes of addressing a few intractable challenges that have long plagued the country's foreign aid policymaking processes. These include:

- shoring up the country's fragmented aid bureaucracy characterized by poor coordination between relevant government bodies and minimal information sharing;
- addressing a lack of oversight and accountability that sometimes has produced poor project implementation and wasteful spending; and
- defusing a bureaucratic turf war over the foreign aid portfolio between the Ministry of Commerce and the Ministry of Foreign Affairs.

First, the tension between the economic and diplomatic aims of China's foreign aid portfolio reflected a fierce competition between the Ministry of Commerce and the Ministry of Foreign Affairs over which body would control the aid program and which interests would take precedent. According to the Australian scholar [Denghua Zhang](#), for a long time, the Ministry of Commerce was on the winning side of this battle, mainly because former commerce ministers such as Li Lanqing and Wu Yi were promoted to senior positions in the State Council, assuming higher ranks than former foreign ministers did. This has changed under Xi. Former foreign minister Yang Jiechi was promoted to the State Council in 2013, where he served until 2018 and was succeeded by the current foreign minister, Wang Yi. Yang now heads the Chinese Communist Party's Central Foreign Affairs Commission Office. The CIDCA reports to both Wang and Yang.

Second, in the long-running absence of any substantial institutional revamping, China's old aid apparatus led by the Ministry of Commerce became increasingly complex and fragmented. [Chinese observers](#) have long attributed the general opaqueness of China's aid system to this high complexity and fragmentation, whereas many observers outside China assume that the government is being deliberately secretive. To exacerbate matters more, the foreign aid system, like most parts of China's political system, suffered from bureaucratic stovepiping: relevant information tended to be channeled up and down each ministry's chain of command, and government departments exchanged little or no information. Information sharing between ministries occurred almost exclusively at the level of the State Council and the Central Foreign Affairs Commission. These problems continue to exist under the current CIDCA-led system, and while the CIDCA is mandated to address them, it is yet too early to say how successful the endeavor will be.

Sometimes communication channels would break down even within a single ministry. To give an example, when most Western donors began phasing out their bilateral

development assistance to Beijing around 2010, some of them looked into trilateral development cooperation with China for the benefit of third countries. When donor representatives approached their liaisons in the Ministry of Commerce's Department of Internal Trade and Economic Affairs for information about Chinese foreign aid, it became clear that there were neither regular working contacts nor any information exchanges between the Department of Internal Trade and Economic Affairs and the Department of Foreign Aid.<sup>2</sup> This is just one case of the communication lapses and bureaucratic disconnects that plagued this institutional arrangement.

Third, China's aid system is plagued by a dearth of oversight that has hampered accountability and sometimes resulted in waste or corruption. The problem is not a new one. For many years even before the CIDCA emerged, Beijing stressed the need to reform the aid system if it wants to be perceived as a responsible power. At an August 2010 national work conference on aid, then premier [Wen Jiabao](#) warned that China must improve the quality of its aid projects, strengthen the oversight of Chinese companies that implement aid projects, hold them accountable for illegal activities and subcontracting, and ensure that they abide by local laws. To achieve that, Wen argued, China needed to reform its aid institutions, systematize its aid management, and improve the capacity of its aid personnel.

After years of debate, it appears Xi's anticorruption campaign spurred reforms to China's aid bureaucracy. In early 2014, the Chinese Communist Party's (CCP) Central Discipline Inspection Commission (CDIC), which [investigated](#) the Ministry of Commerce's foreign aid management, concluded that there were substantial risks of corruption in foreign aid projects. It was nearly impossible to monitor aid projects on the ground, and there were major issues with budget management and tender procedures as well as a high prevalence of illegal spending. Many projects began without feasibility studies and did not undergo impact assessments and evaluations once completed.

Inadequate oversight of aid projects has repeatedly led to negative environmental and social outcomes that have damaged the Chinese government's reputation. One such project is the [Stung Cheay Areng](#) hydropower plant in Cambodia, the construction of which Cambodian Prime Minister Hun Sen suspended in late 2014 following massive local protests. The Chinese contractor, a state-owned construction company called Sinohydro, failed to engage local citizens in dialogue about their environmental concerns. Using primarily social media outreach, activists mobilized a wave of support that pressured the prime minister to suspend the project. It remains shelved today. In the aftermath, numerous Chinese state media outlets [reposted](#) an article that originally appeared in *Nikkei Asian Review* arguing that environmental degradation needed to be taken more seriously in relation to Chinese aid projects. This reflected a shift in China's official discourse toward paying more attention to the environmental and social costs of economic development.

Following the CDIC report on foreign aid, the Ministry of Commerce [pledged](#) to tackle critical issues related to Chinese aid. It drafted new legal documents to better regulate aid management, clearly expecting to keep its leading position in coordinating the country's aid portfolio. In February 2017, however, the first clear signs that China's aid system was due for a bigger overhaul emerged. At the year's first meeting of the Central Leading Group for Comprehensively Deepening Reforms, foreign aid [was announced](#) as one of nine major areas that would undergo reform. The leading group stated the need to optimize strategic plans for foreign aid, improve the management of foreign aid funds and projects, reform China's aid administration in general, and improve the overall effectiveness of Chinese aid.

Since coming to power in 2013, Xi has led China to chart a more proactive course in international affairs, particularly on development cooperation. Among other decisions, Xi launched his landmark effort to fund overseas infrastructure through the Belt and



Road Initiative (BRI), made substantial commitments to [South-South cooperation](#) at the UN Sustainable Development Summit in 2015, and pledged \$60 billion to African countries in 2015 and 2018 at the Forum on China-Africa Cooperation. In 2017, the CCP incorporated the BRI into its constitution, so every party member must contribute to advancing this initiative. Evidently, China's aid agenda needed to align with the BRI's overall foreign policy goals.

## WHAT IS THE CIDCA'S MANDATE?

There is a clear sense that the CIDCA was established to address the aforementioned long-standing intractable challenges. The Chinese government's [official press release](#) announcing the new agency explained that it was established “to further the effectiveness of aid as a key foreign policy instrument, to improve the strategic planning and overall coordination of aid, to centralize aid management, to reform modes of aid delivery, and to better serve China's overall diplomacy and the construction of the BRI.”

The shift in the role of aid that the Chinese government envisions is reflected in the agency's name too. Historically, Beijing's official discourse generally employed the term “foreign aid” (*duiwai yuanzhu*) when talking about China's outgoing aid. The term was clearly distinct from incoming “development aid” (*fazhan yuanzhu*) after 1978, a direct translation of the term used by the Organization for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC). For a long time, the Chinese government effectively [argued](#) that, as a developing country searching for its own development path, China could not provide development aid to other developing countries. However, since the launch of the BRI, Beijing's own discourse has focused on the notion of “common development.” Moreover, China has explicitly declared itself ready to share its development knowledge with other countries, establishing the [Center for International Knowledge on Development](#) in March

2017. Naming the new aid agency an international development cooperation agency—and not a foreign aid agency—has to be understood as mirroring a shift in China's self-perception of its international development role.

While the CIDCA took over the Ministry of Commerce's aid coordination responsibilities, its mandate goes beyond its predecessor's previous mandate in a few important respects. First, the CIDCA represents the Chinese government in aid negotiations with recipient countries and signs international agreements in its name. It will then draft country strategies for recipient countries, allocate foreign aid funds, decide on aid projects, supervise their implementation and evaluation, and conduct aid policy reviews. But CIDCA's role does not extend beyond coordination and management, as the responsibility for execution will remain with the same twenty-plus central and provincial line ministries, commissions, and agencies that were in charge under the old system led by the Ministry of Commerce, and aid projects will still be implemented by Chinese companies on the ground.

Second, China, so far, has no overarching, binding national law to govern foreign aid. All Chinese aid-related activities—on the administrative and executive levels—have been regulated by internal regulatory guidelines, which were binding only within the government agency that issued them. In the absence of aid laws, there was no basis to ensure the coherence of internal guidelines. After the CIDCA was established, the absence of aid laws became an even more pressing issue, as it opened up new questions regarding authority and coordination powers between CIDCA and other executing ministries, [writes](#) the legal scholar Cao Junjin. The CIDCA now has been tasked with drafting a national aid law and coherent aid regulations for ministries and other government agencies tasked with executing projects, and the agency also will lead coordination efforts to mitigate these challenges until the gaps in the legal system are remedied.

The CIDCA's legislative responsibilities go hand in hand with its mandate to further reforms of China's aid system to address the aforementioned challenges. On the institutional level, these duties include designing a unified foreign aid management system and a new interministerial coordination mechanism to ensure alignment between policy planning and implementation. With regard to implementation, the CIDCA is tasked with reforming and optimizing modes of aid delivery, as well as improving the oversight and evaluation of foreign aid projects. Finally, the CIDCA will develop a budget management system for foreign aid funds to ensure that aid spending is trackable and that loopholes that enable irregular expenditures are closed. The latter aim is particularly important in light of the highly controversial domestic debate China is having about the efficacy of aid, whereby some observers have become more critical of China's increased aid spending and complained that the government is squandering money abroad instead of using it to develop China's own poor regions. In a television interview during the National People's Congress legislative session in March 2019, CIDCA Director Wang Xiaotao tried to [allay](#) such concerns: "Please be assured that we're calculating very carefully and work with a strict budget, making sure that every *fen* [the smallest unit of China's currency] is spent well."

Finally, the most significant difference between the Ministry of Commerce's previous mandate and the CIDCA's current one is that the CIDCA not only coordinates aid but is also expected to provide strategic recommendations on major foreign aid issues to China's top leadership, particularly about how aid could better serve the overall goals of Chinese diplomacy and the BRI. This new, closer alignment with foreign policy goals is reflected in the governance structure whereby the new agency directly reports to Wang Yi and Yang Jiechi, the country's two most senior foreign policy officials. Wang Xiaotao has also [reiterated](#) that the CIDCA's main task is to serve China's great power diplomacy and promote the BRI.

## NEXT STEPS FOR CHINESE AID?

In its November 2018 draft of [Measures for the Administration of Foreign Aid](#), the CIDCA outlined a number of new policies that could help improve China's aid system. According to the draft, the CIDCA will take charge of international exchanges and cooperation on aid and development (Article 5), participate in development policy dialogues (Article 15), ensure that specific projects are executed by qualified government agencies when aid agreements are signed with recipient countries, and supervise project oversight on the ground by Chinese embassies (Article 34). A few key points stand out.

**First, the CIDCA should facilitate more exchanges and other forms of cooperation with other donors.** Such engagement is crucial for ensuring that development resources are spent wisely and that unsustainable projects are avoided. China has participated selectively in cooperative and joint research activities, but it has rarely joined international development policy dialogues or donor coordination discussions. The CIDCA should consider participating in more dialogues and international exchanges, such as UN or OECD meetings on development practices. The same is true for engagement with recipient countries on project implementation. Previously, the Ministry of Commerce's economic and commercial councilors at Chinese embassies worldwide, who were responsible for supervising the implementation of Chinese aid projects on the ground, were not empowered to participate in donor coordination efforts. All donor questions had to be directed to Beijing. The CIDCA should ensure that its representatives in recipient countries have the mandate to speak on behalf of the Chinese government, just as aid representatives from DAC donors do.

**Second, the CIDCA should ensure that its tailored country-specific strategies are aligned with the national and regional development plans of recipient countries.** They should also clearly define how Chinese aid will help realize specific national and regional



objectives and the UN Sustainable Development Goals. China benefited greatly from development assistance because, for decades, the Chinese government has ensured that outside aid supported the country's own development agenda. Similarly, a [2017 McKinsey study](#) on Chinese engagement in Africa shows that the size of benefits that accrue from Chinese development finance tend to depend on how well recipient governments translate their development priorities into development cooperation requests. To help recipient countries build capacity and leverage Chinese development finance more effectively, the CIDCA should build country-specific strategies jointly with recipient governments, sharing China's own experience as an aid recipient.

**Third, the CIDCA is tasked with establishing a project evaluation system and conducting such evaluations.**

Improving development outcomes requires effective monitoring and evaluation to ensure that aid financing supports economic and social development in recipient countries. Impact assessments need to be evidence-based and transparent so that lessons can be learned and adjustments can be made when necessary as projects are implemented. Whether evaluations are conducted by the CIDCA or by executing departments (both possibilities exist according to the aid measures), it is highly important that such evaluations are independent. This means that evaluators must be free from political or organizational control by those who are responsible for managing or executing aid projects.

Such evaluators do not necessarily have to be external to the entities they are overseeing to guarantee their independence as long as they meet standards like those set by the [International Aid Transparency Initiative](#); on the contrary, it can be beneficial for evaluators to know the operating context. The [German International Development Agency \(GIZ\)](#), for example, maintains an internal monitoring and evaluation unit, which reports independently to the management board and publishes all its reports. Yet it does take time to build up the necessary capacities for such monitoring and to achieve the necessary level of freedom from control given the

constraints of a Chinese institution. Therefore, the CIDCA should consider partnering with qualified third-party organizations, such as GIZ's monitoring and evaluation department, to ensure results-based monitoring and evaluation, while in parallel building up its own evaluation system.

**Fourth, the CIDCA is tasked with setting up rules for gathering data and formulating statistics on foreign aid to make China's aid system more transparent.**

The need to gather more data is by no means new. In fact, the Ministry of Commerce's 2014 Measures for the Administration of Foreign Aid also included a promise to set up a statistical system. The appearance of the same exact passages in the CIDCA's 2018 draft indicates the difficulty of this task. Chinese scholars have long attributed the lack of data transparency to gaps in aid legislation, as there is no legal basis to force government agencies to share aid data.<sup>3</sup> Given that the CIDCA's mandate also includes legislative responsibilities, its chances of success are higher than the Ministry of Commerce's were previously, provided that the new law would compel government agencies to share relevant data with the CIDCA.

Whatever form the new agency's system takes, it should be comprehensive and transparent. The agency should publish statistical data annually or at least every two to three years and provide disaggregated data. This is important for both China and recipient countries. In the past, recipient countries frequently approached international donors asking if they knew the full scope of official Chinese development finance in their respective countries, demonstrating that recipient countries often do not have comprehensive information at their disposal.

**Finally, the CIDCA should consider how Chinese aid can engage a broader range of stakeholders.**

In the information age, the shortcomings of China's traditional government-to-government approach to aid are becoming more apparent. Chinese companies that implement aid projects on the ground typically

interact with central and local governments in recipient countries and rarely engage with local stakeholders such as civil society or nongovernmental organizations (NGOs). This tendency has at times resulted in disputes, environmental protests, and other forms of social unrest. As the CIDCA is tasked with reforming the modes of China's foreign aid (Article 12), the agency should also ensure that the implementers of future Chinese aid projects engage a broad range of stakeholders from the outset and take seriously the concerns of NGOs and local communities.

## LINGERING QUESTIONS ABOUT THE CIDCA

The CIDCA's highly ambitious agenda is a clear sign that, after years of considerable growth in China's development finance, the underlying bureaucratic system is now beginning to mature. Yet key questions remain unanswered. For instance, will the new agency have enough personnel to make good on its broader mandate? While the 2018 reforms made it a standalone agency with far-reaching responsibilities, the CIDCA did not inherit more personnel than its predecessors.<sup>4</sup> It employs only about 100 staff members—very few compared to international development cooperation agencies in other countries. (The German Federal Ministry of Economic Cooperation and Development, for example, employs around 1,100 staff to manage a similar scope of responsibilities.) The agency would stand a better chance of improving China's track record as a donor if Beijing invests in hiring more staffers and building their capacity.

Other challenges remain too. Although the CIDCA was created to tackle bureaucratic fragmentation, its creation might lead to new frictions with the Ministry of Commerce, which is still largely in charge of executing Chinese aid projects. While the CIDCA is supposed to coordinate the ministry's aid execution, its bureaucratic rank is lower than that of the ministry. As long as there is no national legislative framework to define their institutional relationship, the two organizations could disagree over their respective scopes of authority.

This state of affairs, in turn, is directly relevant for international donors looking to partner with China, in the context of trilateral cooperation projects, for instance. As of now, the Ministry of Commerce's Department of Internal Trade and Economic Affairs—which was traditionally responsible for coordinating incoming aid—officially remains the point of contact for international donors, including the UN agencies. This is the case even though the CIDCA is ostensibly the official aid agency mandated to carry out international exchange and cooperation on foreign aid. It would simplify trilateral cooperation with China if the CIDCA were to take over donor relations.

The changes that accompanied the creation of the CIDCA show that development aid is at the forefront of Chinese policymakers' agenda, but it remains to be seen how much of this promise the agency can make good on in the foreseeable future.

## ABOUT THE AUTHOR

**Marina Rudyak** is an international development consultant and a lecturer at Heidelberg University's Center for Asian and Transcultural Studies. Her doctoral dissertation deals with the evolution of China's foreign aid policy.

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## NOTES

- 1 Zhou Hong, ed., “Zhongguo yuanwai 60 nian” [China's foreign aid: 60 years in retrospect] (Beijing: Social Sciences Academic Press, 2013): 41.
- 2 Interview with a diplomat from an EU member country who was stationed at an embassy at that time, Beijing, February 2013.
- 3 See, for example, Huang Meibo and Ren Peiqiang, “Zhongguo duiwai yuanzhu: zhengce bianhua ji weilai qushi” [China's foreign aid: Policy transformation and future trends], *International Economic Cooperation* no. 3 (2012): 81–84.
- 4 Interview with an aid official of an EU member country, Bonn, May 2019.

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