

China's Third White Paper on Foreign Aid — A Comparative Analysis

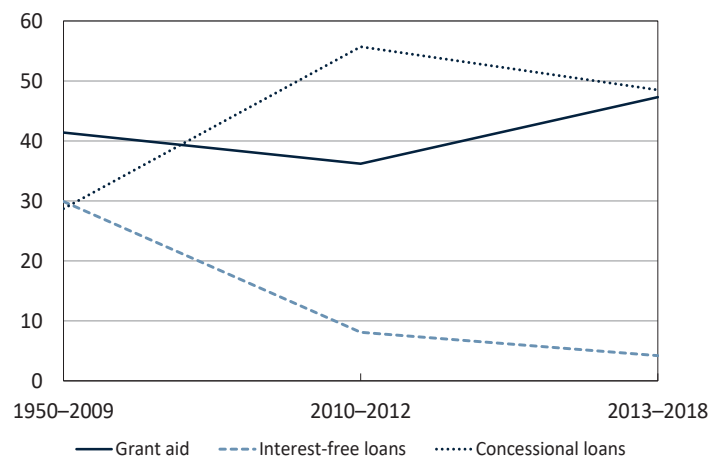
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The long-anticipated China's third white paper on foreign aid was released by the Chinese government on 10 January 2021 (State Council 2021). It covers Chinese aid in the period 2013–18. This In Brief compares the 2021 white paper with the previous two, released in 2014 and 2011, and reveals some of the new features of Chinese aid, including the intention to reform aid planning, delivery and evaluation and provide improved aid statistics. Table 1 reveals that Chinese yearly foreign aid grew by more than three times to US\$5.1 billion in 2010–12 and further rose to US\$7 billion in 2013–18.¹

Figure 1 demonstrates how grants accounted for 41.4% of Chinese aid in 1950–2009, dipped in 2010–12 and increased to nearly half of Chinese aid in 2013–18. Interest-free loans from China have nosedived from nearly 30% in 1950–2009 to 4.2% in 2013–18. By contrast, concessional loans have become one of the most important parts of Chinese aid, growing from 28.7% in 1950–2009 (more accurately 1994–2009, as concessional loans were introduced in 1994), peaking at 55.7% in 2010–12 and decreasing to 48.5% in 2013–18.³ These changes of Chinese aid components can largely be interpreted as China's image-building efforts by providing more aid in grants.

Figure 1. Components of Chinese foreign aid as a percentage of total aid



Source: Compiled by the author from figures supplied in China's three white papers on foreign aid.

Table 1. Chinese foreign aid spending over three periods, yuan and US\$ billion²

	1950–2009		2010–2012		2013–2018	
	Yuan	US\$	Yuan	US\$	Yuan	US\$
Grant aid	106.2	30.5	32.3	5.5	127.8	19.9
Interest-free loans	76.5	22.0	7.3	1.2	11.3	1.8
Concessional loans	73.6	21.1	49.8	8.5	131.1	20.4
Total aid	256.3	73.6	89.3	15.2	270.2	42.0
Average yearly aid	4.3	1.2	29.8	5.1	45.0	7.0

Source: Compiled by the author from figures supplied in China's three white papers on foreign aid.

Africa and Asia remain the two largest recipients of Chinese aid, receiving more than 80% of Chinese total aid between 2013 and 2018. Pacific Island countries accounted for 3.71% of Chinese aid, equivalent to US\$1.56 billion. Although this proportion was reduced from 4.2% in 2010–12, if the increase in Chinese total aid in 2013–18 is considered, Pacific Islands received Chinese aid averaging US\$259.8 million per year in 2013–18, an increase of 21.7% based on the US\$213.4 million in yearly aid to the region in 2010–12.

The 2021 white paper unsurprisingly seeks to highlight the distinctive elements of China's aid program under President Xi Jinping. The most notable feature relates to its highlight of Xi Jinping's two major concepts — the 'global community of shared future' and the Belt and Road Initiative (BRI). For example, between 2013 and 2018, China provided 'access to satellite TV' services for 10,000 villages in more than 20 African countries and organised more than 7000 short-term technical training courses for about 200,000 attendees from recipient countries. The white paper states that China's aid program

will be guided by this 'global community' concept. This sends a clear signal that China will further use foreign aid as a diplomatic tool in the future. Similarly, the white paper points out that the BRI has served and will continue to serve as a major platform for the Chinese foreign aid program. In other words, China will use its foreign aid to support the BRI.⁴ This is in line with the pronounced objective of the China International Development Cooperation Agency, a standalone aid agency established in April 2018 (Zhang 2019).

Based on the white paper, China has started to reform its foreign aid program in a wide array of aspects, including project evaluation, feasibility, environmental impact, project monitoring, post-project evaluation and management, tendering systems, appraisal of contractors, anti-corruption measures and humanitarian aid response. This indicates China has realised its weaknesses in these aspects and pledged to improve its aid efficiency. The white paper also says China will make medium- to long-term aid plans and, if needed, plans targeting specific regions, countries and circumstances. This could in part solve the lack of predictability issue that besets Chinese aid.

China has also pledged to improve its aid statistics. As the white paper states, China will 'revise and improve the statistical indicator system of foreign aid, and develop a modern statistical information system for foreign assistance'. If implemented, this could bring at least two benefits for China and the international development community. First, an improved aid database provides a first step for China to improve its aid transparency. Second, improving the aid indicators could make it easier to compare Chinese aid with traditional donors' official development assistance and ease the problem of comparing apples and oranges. However, to what extent China can increase its aid transparency needs to be monitored.

It is important to highlight that, according to the white paper, China has been piloting a new aid delivery model under which China provides funding and technical support while allowing the selected recipient countries 'with sound tendering processes and experience in organising and implementing such projects' to be 'responsible for site survey, design, construction and process management'. If this model succeeds, it will no doubt bring new opportunities for recipient countries who will have more discretion regarding using local contractors, workers and building materials. The reform can be interpreted as China's response to external criticism of Chinese aid projects that mainly benefit Chinese companies and workers.

In short, China's 2021 white paper on foreign aid conveys some new messages about its foreign aid. These changes will affect recipient countries in all regions including in the Pacific. A better understanding of the changes will help these countries to get more prepared.

Author note

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Endnotes

1. Belt and Road Initiative projects are estimated to be worth far more than US\$7 billion and it should be noted that a large proportion of these are commercial rather than aid projects. Thank you to the anonymous reviewer for bringing up this point.
2. Based on [China Economic Net](#) and other online data, the average yearly exchange rate between US\$ and yuan for 1950–2009, 2010–12 and 2013–18 was 4.137, 6.516 and 6.429, respectively. These rates are used in this paper to convert the aid volumes from yuan to US\$. A limit is that the base years used by the Chinese side when they calculated the aid volumes for each of the three periods are unknown. Thus for comparability, base years were assumed to be those one year prior to the year of publication and deflated to 2020 prices using [US CPI figures](#). The author thanks Rohan Fox for helping adjust the aid figures for inflation and thanks Ryan Edwards and Ligang Song for general advice.
3. For information on the types of loans, see Zhang (2018).
4. A caveat here is that the China State Council Information Office provides both [Chinese](#) and [English](#) versions of the 2021 white paper online, but the English version is thinner in content than the Chinese version. For example, the Chinese version says that 'China's international development cooperation uses BRI as a platform, actively participates in and plays a supportive role of BRI', but the English version says only that BRI is 'a major platform for international development cooperation'. To avoid missing important points, the reader is advised to refer to the Chinese version.

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