

Brief on White Paper on China's International Development Cooperation in the New Era¹

On 10 January 2021, the State Council Information Office of China issued its much-awaited third White Paper (WP) on China's foreign aid, six and a half years after the release of the second WP was published in July 2014. Its release has been timed to coincide with China celebrating seven decades of foreign aid that began in the 1950s and embarking on a new stage in its journey as a provider of development cooperation.

The first WP was released in April 2011 in commemoration of the 60th anniversary of foreign aid, covering data and events up to 2009. As the Government's first-ever attempt, it provided a high-level summary of its aid policy (including different historical contexts, rationale and principles), financing (including three financial arrangements and eight patterns), distribution (geographically and sector-wise), management and international cooperation. Building on that and using a similar structure, the second WP provided updates on the progress that had been made between 2010 and 2012.

The newly issued third WP provides a comprehensive overview of China's foreign aid experience and guiding principles combined with a forward-looking perspective. It is an exhaustive document exceeding the total length of the previous two papers combined. Below, we summarise key developments and new concepts described in the 2021 update and provide some suggestions and reflections on how to move these concepts forward.

What's new?

It is no longer just about "aid". The difference between the third WP and the previous two papers is clear from the outset and reflected in its title and messaging – "China's International Development Cooperation in the New Era". The new WP presents a more ***comprehensive understanding of development cooperation, going beyond "China's Foreign Aid"***.

- As the title indicates, the WP's scope and objective are not limited to traditional, mainly bilateral "aid", but involve a broader discussion about China's multiple South-South cooperation engagements with bilateral and multilateral actors.² Foreign aid – in its standard Official Development Assistance/ Other Official Flows (ODA/ OOF) definition – remains the primary means, but it is not the only means.

1. State Council Information Office (SCIO), 2021, *White Paper on China's International Development Cooperation in the New Era*. Available from http://www.xinhuanet.com/english/2021-01/10/c_139655400.htm

2. "International Development Cooperation" is defined the note of the WP as "China's bilateral and multilateral efforts, within the framework of South-South cooperation, to promote economic and social development through foreign aid, humanitarian assistance, and other means".

- The reference to “in the new era” specifies a new direction, which began with the 18th National Congress of the Communist Party of China in 2012. The WP takes stock of the recent evolution of China’s engagements in international development cooperation and reflects on the linkages of these engagements with China’s overseas development priorities, as well as the development priorities of partner countries, and bilateral and multilateral development actors.

It involves a broadened scope captured in the concept of “grand foreign aid” (“da yuan wai”).

In addition to the extensive elaboration on recent, concrete achievements, the WP also provides the basis for the strategic framework of Chinese overseas engagement, describing the cultural and philosophical background, as well as the overarching approach and principles.

- The 2021 paper explicitly articulates the strategic priorities of China’s international development cooperation engagements (pp.6-7):

- **Mission:** “promoting a global community of shared future”
- **Underlying guideline:** “pursuing the greater good and shared interests, with higher priority given the former”
- **Focus:** South-South cooperation
- **Major platform:** Belt and Road Initiative (BRI)
- **Goal:** “helping other developing countries to pursue the UN 2030 Agenda for Sustainable Development”.

- The linkage between overseas development engagements and the BRI is repeatedly underlined and exemplified. According to the WP, the former creates “space and opportunities” (p.20) for implementation by the latter in five dimensions (i.e. policy, infrastructure, trade, financing and people-to-people exchanges).

International elements have been brought in. While Chinese characteristics are still dominant (aid modalities and relevant statistics are the same as the previous two WPs), ***international concepts and frameworks have been integrated into crafting and presenting overseas development engagements.*** This is based on the experiences and lessons learned during China’s seven decades of interaction with both the Global South and Global North. ***For the first time, China’s foreign aid has been partially framed in a non-Chinese framework.*** Here, we highlight three examples:

- The 2030 Agenda for Sustainable Development is mentioned 16 times, recognizing it as an important vision guiding China’s contribution to partner countries. There is a specific section that provides a rationale for how China’s recent aid engagements contribute to the implementation of the 2030 Agenda, across eight thematic areas that echo many of the 17 SDGs including poverty reduction, food security, health, education, gender equality, infrastructure, sustainable and innovation-driven economic growth and environmental protection.
- The sections regarding humanitarian assistance (including the COVID-19 response) and “supporting the endogenous growth of developing countries”(pp.38-40) also echo themes that are central to international development cooperation. These include people-centered engagement, gender equality, focus on the most vulnerable,

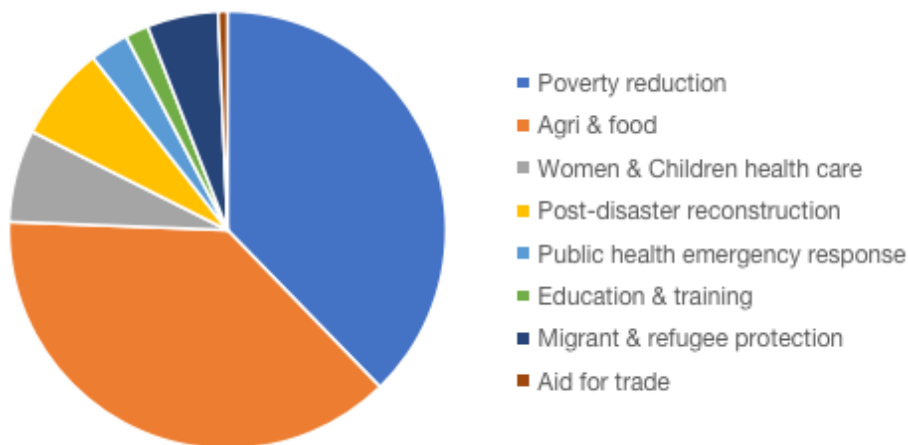
and enhancement of local capacity through improving governance and promoting technological progress, with an emphasis on a demand-driven approach.

- Global partnership, as defined by the 2030 Agenda, is mentioned as an entry-point for China's international exchanges and tripartite cooperation. The new WP appears to imply an increased willingness of Chinese aid strategists and policy makers to align China's international development engagements with internationally recognised frameworks and global practices.

The categorization of what constitutes foreign aid has been evolving. Since the 1990s, China's foreign aid has been based on three financing modalities (grants, interest-free loans, and concessional loans) and eight patterns (the top three are complete turn-key projects, technical assistance, goods and materials), as explained in the previous two WPs.

- One of the new aspects of the third WP is the **explicit inclusion of the South-South Cooperation Assistance Fund (SSCAF) as an emerging and innovative Chinese aid modality**, with poverty reduction, agricultural development and food security at its core.

Figure 1. SSCAF



Source: SCIO (2021)

2013 to 2018 aid figures are published for the first time. Total foreign aid assistance amounted to a cumulative 270.2 billion RMB over this period. The WP provides visual breakdowns and details by categories including financing, recipient country groups (focus on LDCs), regional distribution (focus on Africa and then Asia), and by sectors using the same approach as in the previous two WPs.

- Concessional loans account for the largest share of foreign aid, at 48.5% of the total, down from 55.7% in 2010-2012.
- Grants increased to 47.3% of total aid in 2013-2018, up from 36.2% in 2010-2012.
- Complete turn-key projects are likely to continue to account for the lion's share of grants, with an emphasis on infrastructure and agriculture.

Figure 2. Complete projects by sector (% of total)

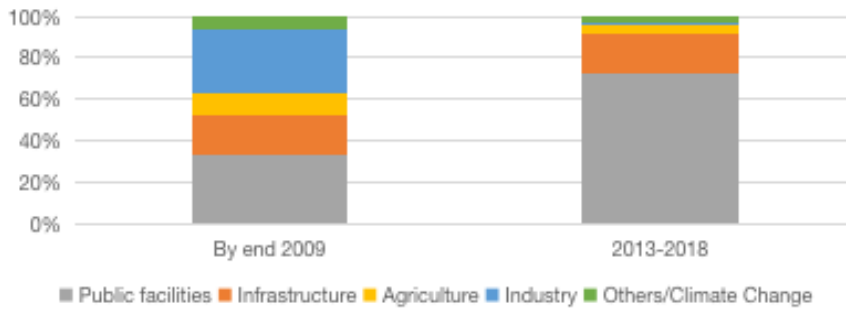


Figure 3. Foreign aid by geographical distribution (% of total)

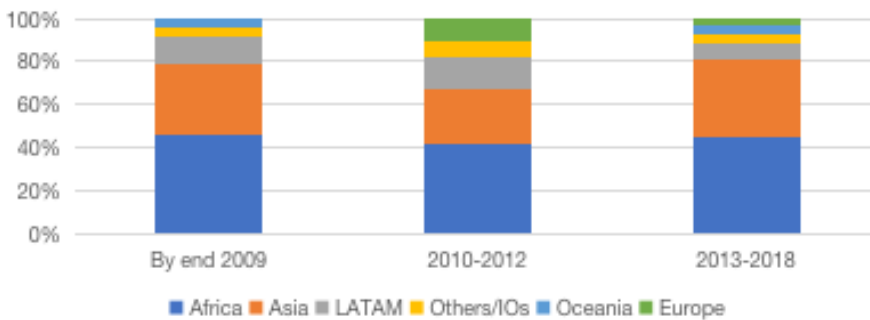
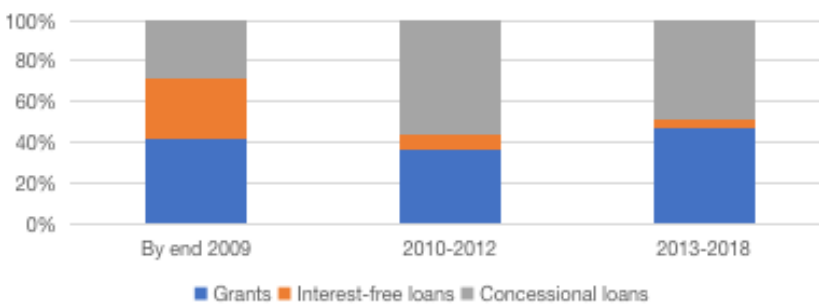
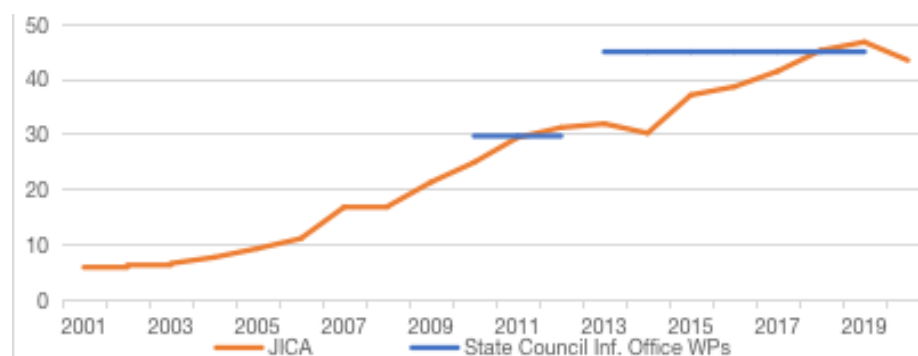


Figure 4. Foreign aid by type (% of total)



Source for Figures 2-4: SCIO (2021); SCIO (2011), *White Paper on China's Foreign Aid*, available from: http://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284620.htm; SCIO (2014), *White Paper on China's Foreign Aid*, available from: http://english.www.gov.cn/archive/white_paper/2014/08/23/content_281474982986592.htm

Figure 5. Net disbursement of China's foreign aid (RMB billion)



Source: SCIO (2014 and 2021); JICA (2020), *Estimating China's Foreign Aid: 2019-2020 Preliminary Figures*, available from: https://www.jica.go.jp/jica-ri/publication/other/175nbg000019o0pq-att/Estimating_Chinas_Foreign_Aid_2019-2020.pdf

- The WP also introduces a ***new modality called “locally constructed projects”***,³ where China provides funds and technical assistance, while the partner country is responsible for the rest. This modality was introduced during the 2014-2015 China aid management reform as a pilot to complement the “turn-key” model that has dominated international cooperation by Chinese actors for a long time.

The White Paper calls for strengthened global partnerships, international cooperation and tripartite cooperation, stressing its openness to actively engage with bilateral and multilateral development partners. The role of multilateral and trilateral cooperation is emphasised in this WP considerably more than in the previous two, as is the role of and China’s engagement with actors such as the UN. Notably, a series of approaches building on past interactions are highlighted, which will set the foundation for future engagements including:

- China’s participation in international conferences and dialogues,
- project-level cooperation with international organisations and INGOs on South-South cooperation such as under SCAF,
- tripartite cooperation with traditional donors/INGOs and developing countries,
- increasing financial contribution to international organisations as well as co-financing with financial institutions.

China pledges to increase “the supply of global public goods, channel more resources to developing countries to support their sustainable economic and social development” (p.47).

Points for further reflection

Considering the recent evolution of China’s development cooperation, the new WP is an important step to clarify China’s position and policy direction on international development cooperation. The 14th Five-Year Plan provides an opportunity to translate the concepts reflected into policy frameworks. Below are a few reflections and recommendations in relation to some of the key elements articulated in the WP:

- ***Governance structure:*** Given the wider scope, diversified modalities and new sectoral coverage of China’s engagements, the current inter-ministerial coordination mechanism⁴ is likely to require expansion to new ministries and departments. This calls for enhanced efforts to speak with a unified voice and facilitate concerted action in formulating new policies and identifying projects and initiatives. To do so, higher-level guidance and support may be required. Moreover, China International Development Cooperation Agency (CIDCA), the consolidated new aid agency established in March 2018, may need to be strengthened to play its designated central coordination role

3. "shou yuan fang zi jian", as defined in the Chinese version of the 2021 White Paper. Available from <http://www.scio.gov.cn/zfbps/32832/Document/1696685/1696685.htm>

4. For more details refer to *Brief on the Governance System of China’s Foreign Assistance*, UNDP China, September 2019, available from <https://www.cn.undp.org/content/china/en/home/library/south-south-cooperation/issue-brief---governance-system-of-china-s-foreign-assistance.html>

in taking forward the ideas of the WP in designing concrete regional and sectoral aid strategies for the mid- and long-term that are country-specific.

- **Development effectiveness, accountability and transparency:** Terms such as “development effectiveness” and “aid transparency”, or reference to international norms and best practices are not explicitly mentioned. The identification and development of concrete tools to enhance the quality, effectiveness, transparency and predictability of development cooperation and aid flows are key and the paper identifies some relevant steps in that direction. Effectiveness is articulated in the context of increasing the “quality and effectiveness of cooperation” (p.9) in response to new, evolving domestic and international trends. Agreeing on harmonized modalities, norms and standards for South-South and overall development cooperation efforts would enhance development cooperation results. A “modern statistical information system” is being announced in the WP (p.49), although no details are provided. An integrated information management system for regular data collection and dissemination, leveraging technological innovation would be critical to enhance information flows, communication and transparency for and between development cooperation providers and should be considered. A clearer set of definitions in tracking different categories of flows would also be helpful especially as the inclusion of various other cooperation mechanisms transcends the line between aid and other forms of development and economic cooperation.
- **Project management:** Legislative regulations and measures, critical for China’s aid implementation, are evolving and are now in the process of being revised to adapt to the new circumstances and changing context. The WP highlights a few entry points for more detailed regulations across the entire project cycle to “optimize management... and enhance the quality of international development cooperation” (p.47). These include:

- new administrative measures on complete turn-key projects, goods and materials as well as technical assistance,⁵
- SSCAF projects and tripartite cooperation processes’ guidelines,
- project identification and planning optimisation (e.g. feasibility studies, emphasis on environment impact assessment, pipeline management),
- ex-post maintenance to ensure project sustainability,
- the scale-up of “locally constructed projects”,
- strengthened monitoring and evaluation (e.g. establishing a monitoring system including benchmarks and indicators, enhancing statistical reporting taking international practices into consideration).

In this context, it would be beneficial for China to systematically draw upon international experience and best practices, including through involving international development partners in the country. There is also an opportunity to incorporate digital solutions to modernize its development aid management using technology – a field in which China has significant capacity.

5. CIDCA posted a new series of Draft Administrative Measures on China-aid projects online for public consultation in November 2020.

- ***China's contribution to the 2030 Agenda through its international development cooperation engagements:*** The reference to the 2030 Agenda is an important and welcome addition to the WP. Aligning China's development cooperation with the principles of the SDGs is key to contributing to global progress on the 2030 Agenda. The robustness of this can be further strengthened by engaging with the UN and international development partners in conducting joint assessments, evidence-based case studies, consultations, and dialogues to strengthen development results that advance the SDGs. In addition, it will be critical, when engaging with partner countries, to ensure that engagements truly meet local development priorities through effective policy making and identifying projects that serve the most vulnerable.

Contact Information

United Nations Development Programme in China

bing.wang@undp.org

