

# New Trends of China's Bilateral Aid

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As an important part of a country's foreign policy, foreign aid is affected by both the domestic policy and the international environment. In recent years, the international situation and China's domestic situation have been undergoing profound changes, with significant impacts on China's bilateral aid. As a result, China's bilateral aid will present new trends and characteristics.

Internationally, the global economy is still in deep adjustment process after the international financial crisis. The emerging economies and developing countries are facing economic downturn risks and pressures. International development imbalance will be a long-term challenge, and meanwhile, the development pattern has been witnessing gradual adjustment. In 2015, the Millennium Development Goals (MDGs) came to an end, and the 2030 Agenda for Sustainable Development, after extensive discussions and negotiations, was adopted at the UN General Assembly held in September 2015. The 2030 UN Agenda will certainly influence the domestic development policies of all countries and the international development cooperation situation to varying degrees. In China, after over three decades of rapid growth, the economy has entered a new normal of medium to high speed of growth, and an urgent phase of adjustment of the economic structure and development mode. China's new leaders have put forward development strategies for comprehensively deepening reform, building a new system of open economy and innovation-driven development, as well as generating development initiatives like "the Belt and Road Initiative" and promoting international production capacity cooperation.

I personally believe that, as affected by the changes in domestic and international environment, China's bilateral aid will present the following new characteristics and trends:

First, **adhering to the right approach to justice and interests will become a new concept and guiding principle for China's foreign aid.** The right approach to justice and interests was first put forward by President Xi Jinping during his visit to Africa in March 2013, and repeated on many occasions when the relationship with other developing countries was mentioned, such as at the UN Summit in 2015 and the Summit of the Sixth Forum on China-Africa Cooperation (FOCAC) in South Africa in December 2015. President Xi repeatedly stressed that we should uphold the values of friendship, justice and shared interests and attach more importance to the former when handling the relationship with other developing countries. The right approach to justice and interests means political justice and equal treatment as well as mutual benefits and common development of economy.<sup>1</sup> In bilateral assistance, priority should be given to the interests of the recipient countries, with justice outweighing China's benefit. The right approach to justice and interests embodies Chinese traditional culture and the long-standing spirit of China's foreign aid, and it is also an important guideline on how to balance the responsibilities of a big country and its economic interests in foreign aid in the new era. To promote the common development with other developing countries through foreign aid and broader cooperation is in line with the fundamental interests of China, and even of the world.

Second, **foreign aid administration will become increasingly standardized and institutionalized.** Under the guidance and requirements of the Chinese government for promoting the rule of law in an all-round way, the Ministry of Commerce, as China's foreign aid authority, accelerated the revision of the relevant regulations in the recent two years. In November 2014, the Ministry of Commerce issued the "Administrative Measures for Foreign Aid (for Trial Implementation)",<sup>2</sup> which are the first publicly an

1 Wang Yi: Adhere to the correct concept of justice and benefit and give play to the role of China as a responsible big country, September 11, 2013.

2 See details at the website of the Ministry of Commerce: <http://yws.mofcom.gov.cn/article/gzdtongtai/201411/20141100803904.shtml>

nounced comprehensive measures for administering China's foreign aid. The Measures stipulate the scope, modalities, policy planning and detailed management of foreign aid. According to this document, the Ministry of Commerce will strengthen top-level policy design and planning for foreign aid, and gradually establish the three-level policy system including medium- and long-term policy guidelines, country strategies and an aid project database. As for the project management level, the Ministry of Commerce will further optimize the bidding system, implementation management, and the monitoring and evaluation system. In addition, the Ministry of Commerce is revising and improving a series of existing rules and regulations. Though these rules and regulations are internal within the Ministry of Commerce now, the need for strengthening foreign aid legislation will become increasingly urgent with the development of China's foreign aid, requiring a higher level of law to regulate the administration and implementation of foreign aid.

Third, **China's foreign aid will grow steadily in volume and cover more fields.** Although China's economic growth is facing huge pressure, the Chinese government has promised to continuously expand the scale of foreign aid and make efforts to help other developing countries implement the 2030 UN Agenda for Sustainable Development. During his visit to the United States, at the UN Summit in September as well as the Summit of FOCAC held in December 2015 in South Africa, President Xi Jinping made a series of aid commitments, including the establishment of a \$2 billion Assistance Fund for South-South Cooperation and an RMB 20 billion China Climate Change Fund for South-South Cooperation, and provision of \$5 billion of grants and interest-free loans as well as \$35 billion of concessional loans for Africa, indicating a sustained growth in the volume of China's foreign aid in the next few years. In addition to the traditional key areas such as poverty reduction and infrastructure construction, the fields and scope covered by China's foreign aid have been constantly expanded. China is paying more and more attention to assistance for global public goods, such as climate change, biodiversity and wildlife protection, disaster prevention and mitigation, prevention and control of

infectious diseases, etc. The Proposals for the Thirteen Five-Year Plan issued in October 2015 has, for the first time, incorporated China's foreign aid planning, in which the assistance priorities also include these emerging fields.<sup>3</sup>

Fourth, the Asian neighboring countries and the Sub-Saharan African countries will remain the key partners of China's bilateral aid. For a long time, Asian neighboring countries, with their important geopolitics for China, and the under-developed Sub-Saharan African countries, with traditional friendships with China, have been the major partners of China's foreign aid, accounting for about 80% of China's bilateral aid. In recent years, China provided more assistance for Africa than Asia, and Africa has become the top priority area of China's foreign aid, accounting for 51.8% of the total from 2010 to 2012. After "the Belt and Road Initiative" and the Diplomacy Strategy of Neighboring Countries were put forward, China will strengthen its assistance to the countries along and surrounding "the Belt and Road", promote China's interconnection with neighboring countries and increase aid projects closely linked to people's livelihood and human resources development cooperation projects.<sup>4</sup> Africa is not a key area along "the Belt and Road", but it is still an important supporter of China in international affairs and an important economic partner. At the South Africa Summit of FOCAC, the China-Africa relationship was upgraded to a Comprehensive Strategic and Cooperative Partnership. The "Ten Cooperative Plans" announced by President Xi Jinping at the Summit mainly support Africa to address three major bottleneck issues in its development, namely inadequate infrastructure, lack of professional and skilled personnel, and funding shortages, which also show the direction of China's future aid for Africa.

Fifth, **China will further increase assistance in capacity building and knowledge exchange.** "Teaching a man to fish", to enhance self-development capacity of other developing countries has always been the objective of China's foreign aid. In recent years, in addition to providing aid for the construction of "hardware" like infrastructure and public facilities, the Chinese government has been continuing to

3 Foreign aid planning of the 13th Five-Year Plan: "To expand the scale of foreign aid, improve the foreign aid modalities, provide more free human resources, development planning and economic policy consulting and training services for developing countries, expand foreign cooperation and aid in the areas of science and technology education, health care and medical services, disaster prevention and mitigation, environmental management, wildlife protection and poverty reduction, increase humanitarian aid efforts and actively participate in the 2030 Agenda for Sustainable Development."

4 <http://yws.mofcom.gov.cn/article/gzdongtai/201412/20141200825416.shtml>

increase efforts on "soft aid". The Chinese government has made substantial increases in scholarships and in training of human resources in China and sent senior experts to other developing countries to provide policy advice and staff training services. Meanwhile, it has strengthened the combination of "hard" and "soft" projects. While building schools and hospitals, for example, it increases the training of teachers and doctors to promote the sustainable development of the projects. China has also explored new forms of capacity building and knowledge exchange. The establishment of the International Development Knowledge Center and the South-South Cooperation and Development Institute announced at the UN Summit aims at strengthening the exchange of development theories and practices with both developed and other developing countries. Almost all of the "Ten Cooperative Plans" announced at the FOCAC involve the capacity building in each field for African countries. In particular, they committed to helping African countries set up regional vocational education centers, colleges for capacity building, and building five transportation universities, in order to help Africa train specialized personnel.

Sixth, **with development cooperation forms diversifying, coordination and cooperation between bilateral aid and other development funds and channels may become a new issue.** To further promote its cooperation with other developing countries, the Chinese government has introduced

various forms of development financing, such as the China-Africa Development Fund, the Silk Road Fund and the recently announced China-Africa Production Capacity Cooperation Fund. There are also new multilateral financial institutions like the Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB), which China initiated and is involved in actively. Even in the bilateral aid programs, the newly-established Assistance Fund for South-South Cooperation and the China Climate Fund for South-South Cooperation have been set up in the form of fund, and their operation mode is likely to be different from that of the traditional bilateral aid funds. Besides these, trilateral cooperation and multilateral donations are also growing. All these funds are provided to boost the common development with other developing countries, but have different sources, implementation channels and management methods. In general, the development cooperation between China and other developing countries shows new trends of diversity in forms, channels and contents. Under the new situation, the Chinese government needs to further clarify the definition and scope of foreign aid and incorporate some newly emerging areas and forms for unified management and statistics. At the same time, a new issue that China's foreign aid has never encountered but has to consider in future is how to coordinate the traditional bilateral aid and other development funds in the common areas so as to achieve better development results.



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