

# China's Foreign Aid: Current Status and Future Challenges

October 5, 2018

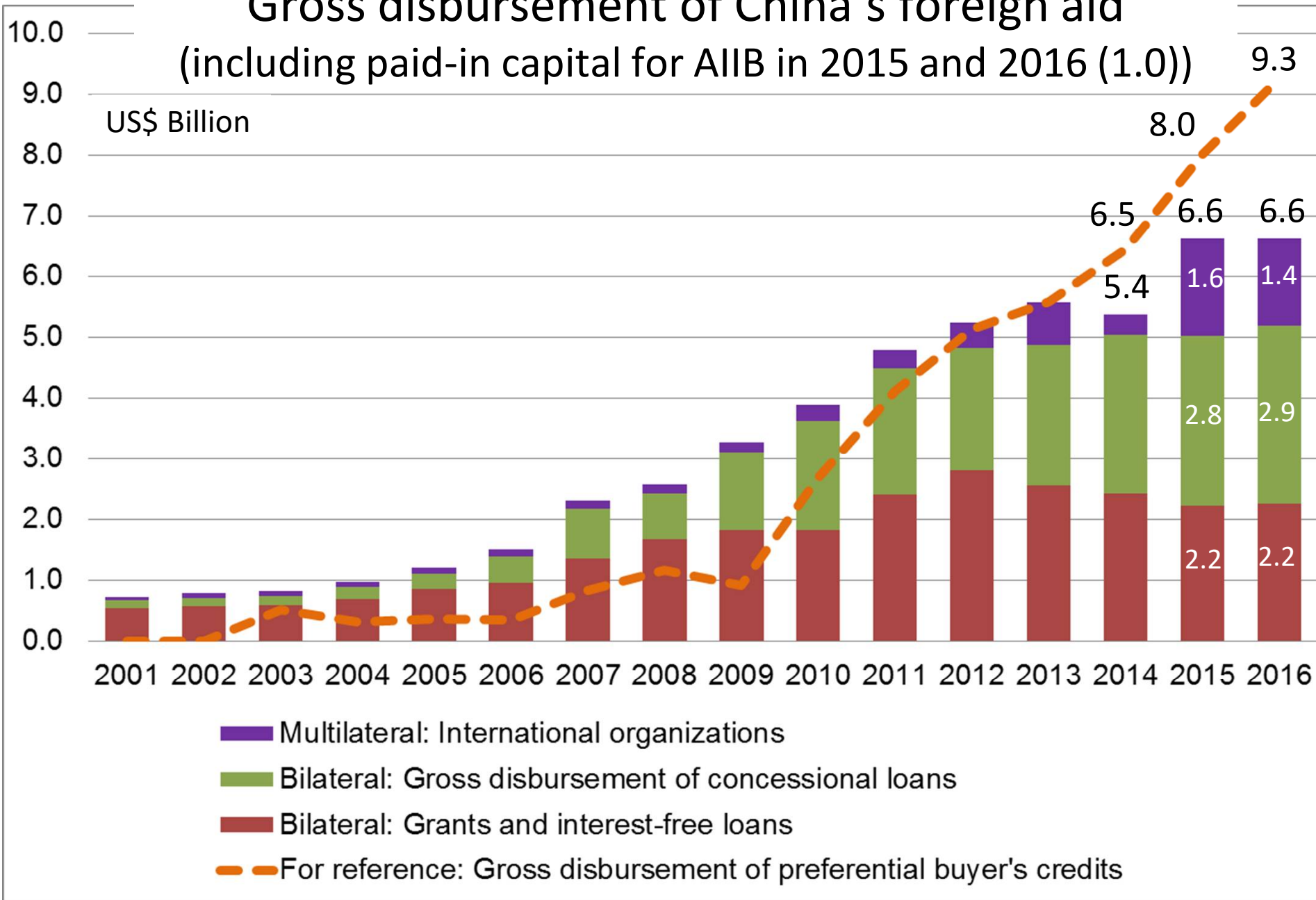
Naohiro Kitano

Faculty of Science and Engineering, Waseda University  
JICA Research Institute

# Gross disbursement of China's foreign aid

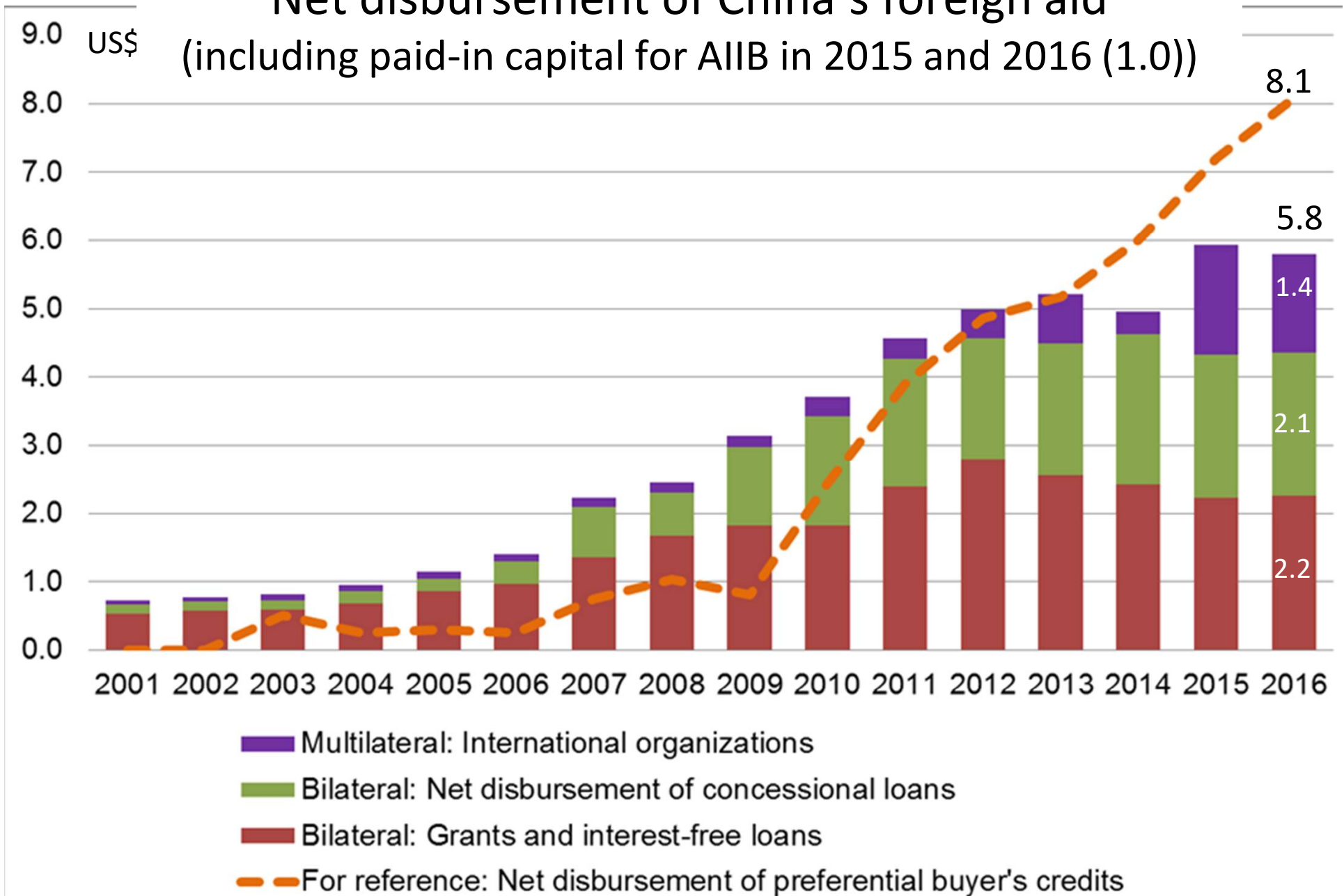
(including paid-in capital for AIIB in 2015 and 2016 (1.0))

US\$ Billion

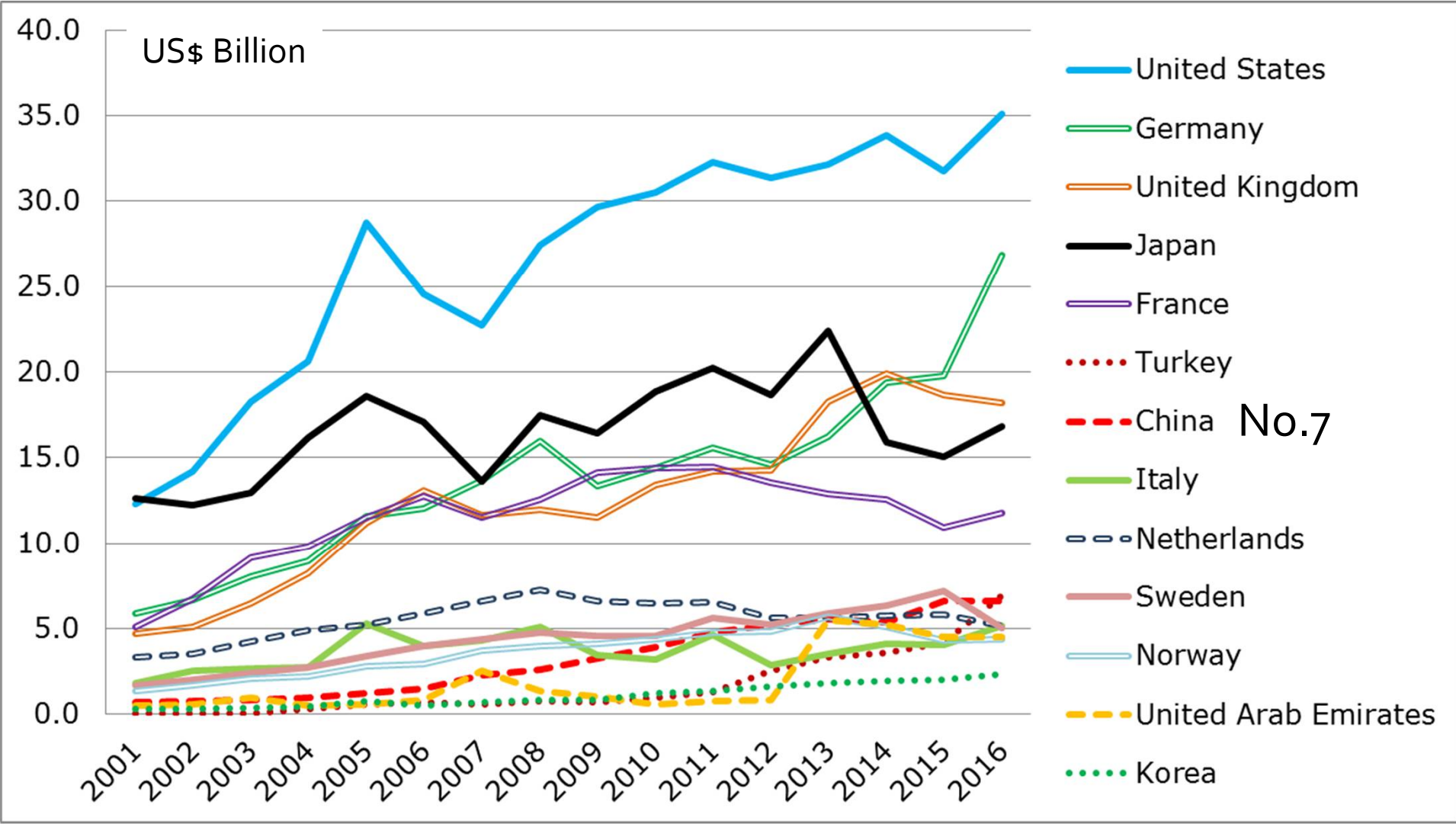


Source: Kitano. N. (2018). Estimating China's Foreign Aid Using New Data: 2015-2016 Preliminary Figures. JICA Research Institute. [https://www.jica.go.jp/jica-ri/publication/other/20180531\\_01.html](https://www.jica.go.jp/jica-ri/publication/other/20180531_01.html)

# Net disbursement of China's foreign aid (including paid-in capital for AIIB in 2015 and 2016 (1.0))

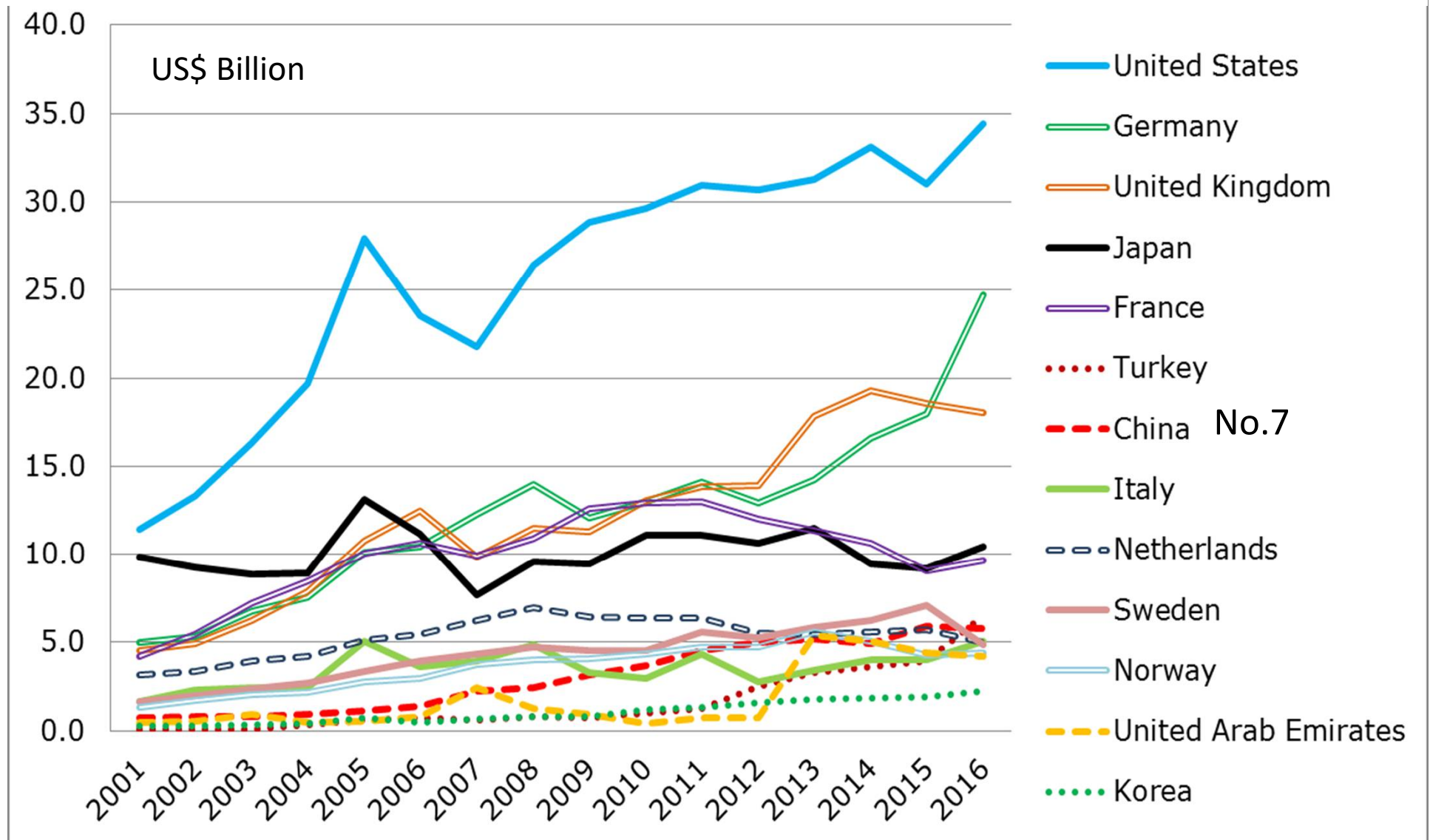


# Comparison of gross ODA flows of DAC member countries and emerging providers and China's gross foreign aid



Source: Kitano (2018)

# Comparison of net ODA flows of DAC member countries and emerging providers and China's net foreign aid



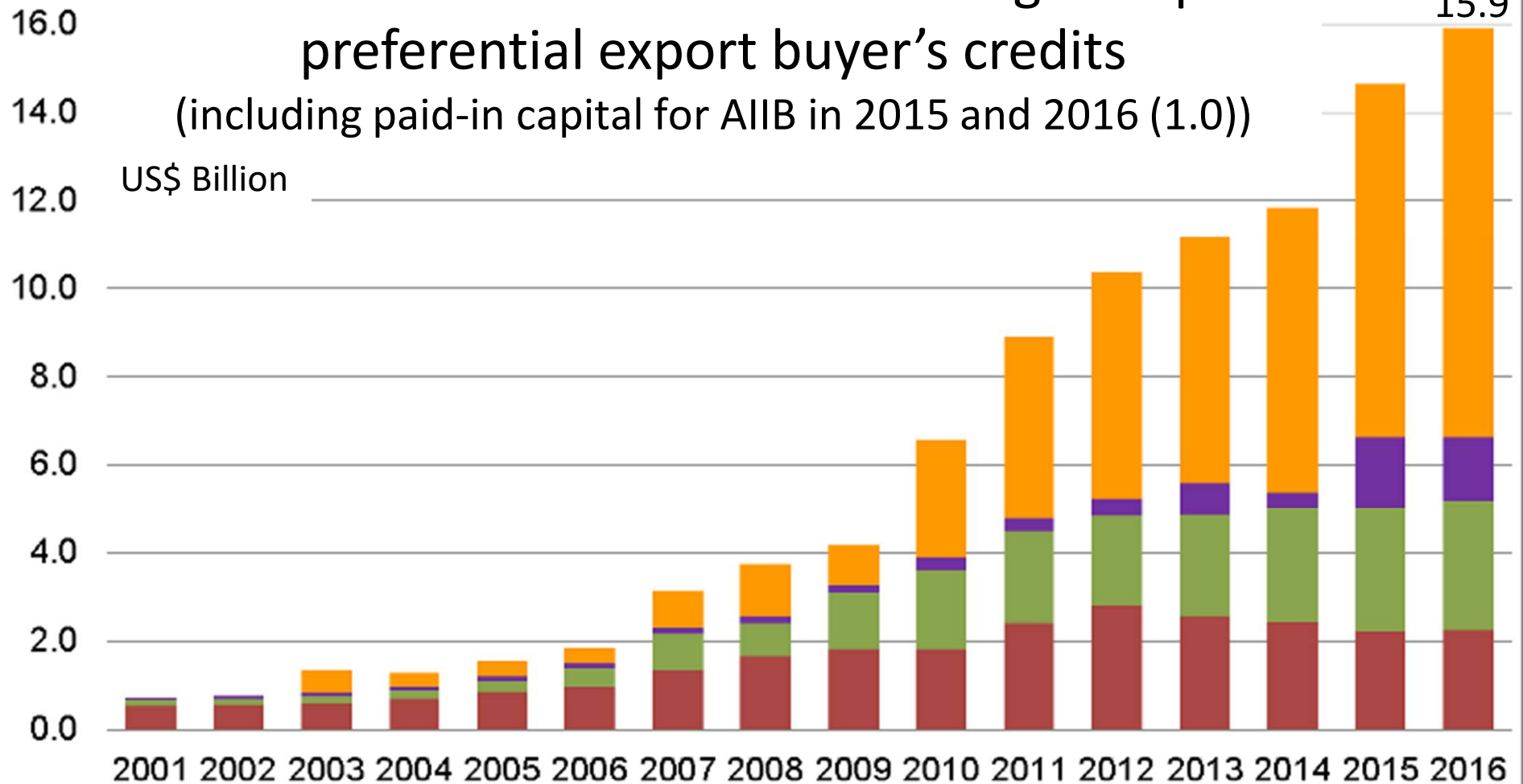
Source: Kitano (2018)

# Gross disbursement of China's foreign aid plus preferential export buyer's credits

(including paid-in capital for AIIB in 2015 and 2016 (1.0))

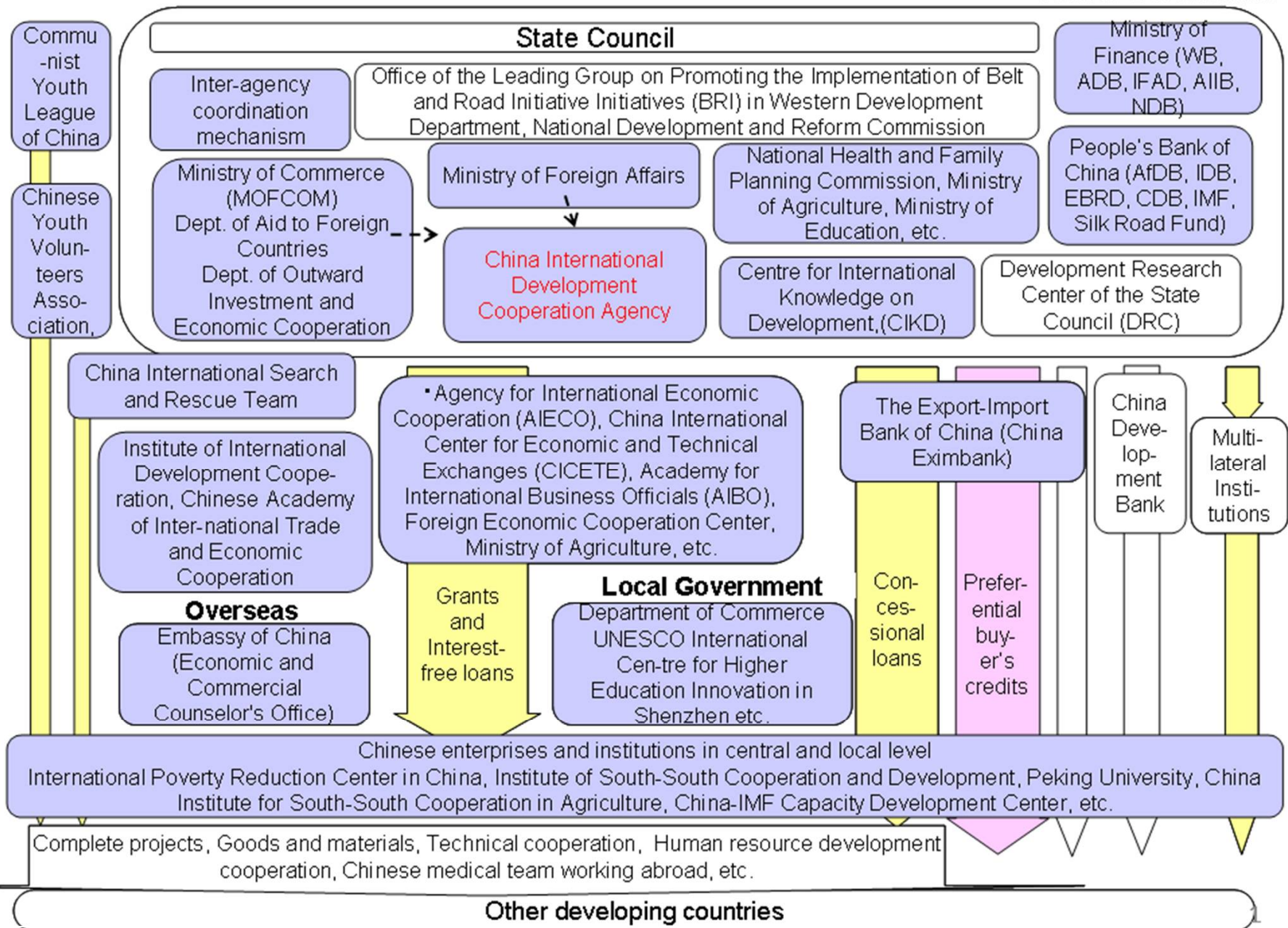
US\$ Billion

15.9



- For reference: Gross disbursement of preferential buyer's credits
- Multilateral: International organizations
- Bilateral: Gross disbursement of concessional loans
- Bilateral: Grants and interest-free loans

# China's new implementation structure of foreign aid Central Government



Source: Kitano. N. (2018). "China's Foreign Aid: Entering a New Stage." *Asia-Pacific Review* . 25. (1).

# 13th Five-Year Plan for Economic and Social Development (2016–2020)

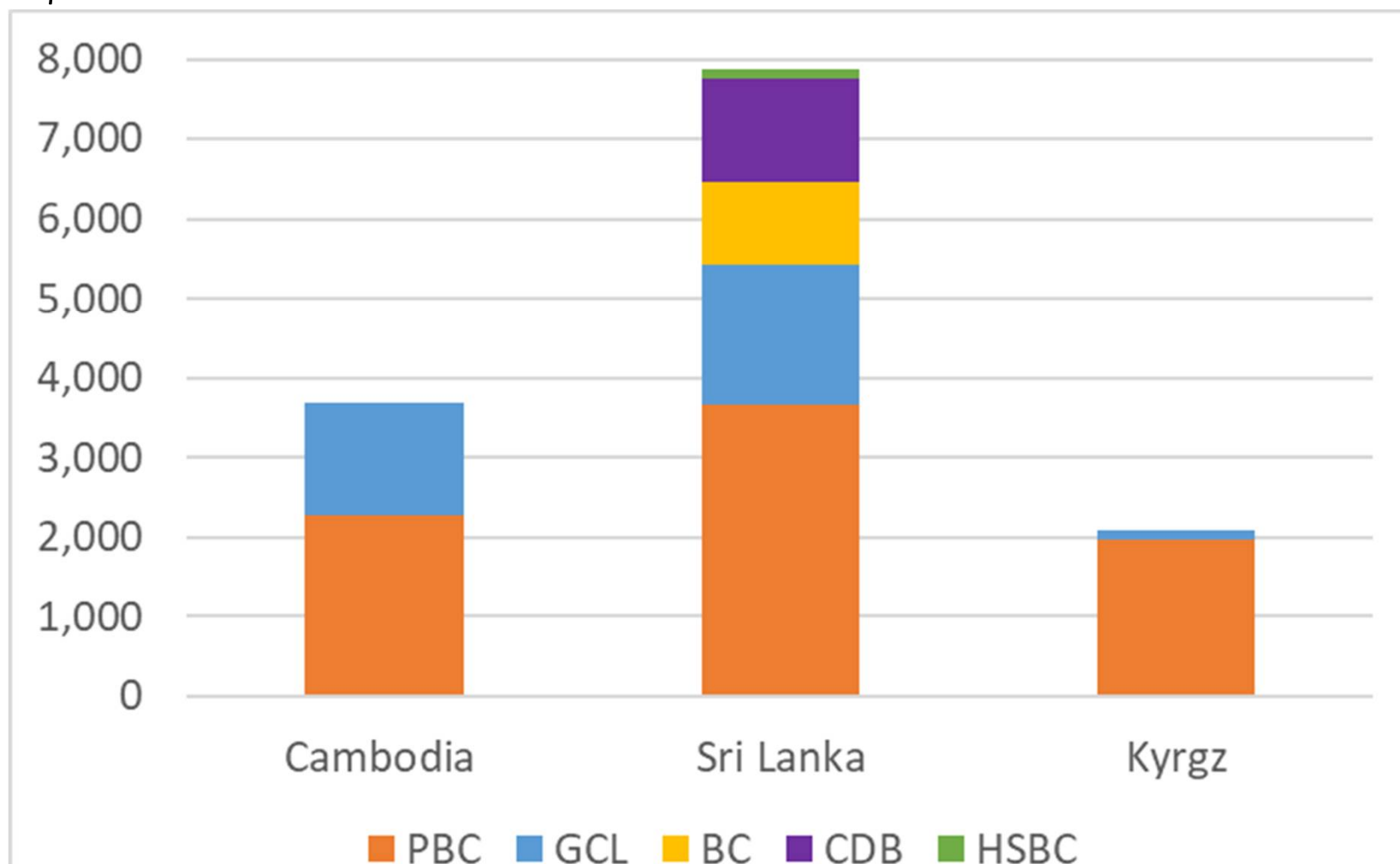
## Chapter 53 Assume International Responsibilities and Obligations

We **will increase the amount of foreign aid** provided by China and **improve the ways in which it is offered**. We will offer **more advice and training** to other developing countries free of charge in areas such as human resources, development planning, and economic policy; expand foreign cooperation and aid in the areas of science, technology, education, medical care, disaster prevention and mitigation, environmental governance, the protection of wild fauna and flora, and poverty alleviation; and **step up the provision of humanitarian aid**. We will **actively implement the 2030 Agenda** for Sustainable Development. We will help **establish diversified systems for development financing**. We will help safeguard international public security, combat terrorism in all its forms and manifestations, and **actively support and participate in the peacekeeping operations** of the United Nations.



# Cumulative commitment amount of Chinese loans to Cambodia, Sri Lanka, and Kyrgyz (2001-2017)

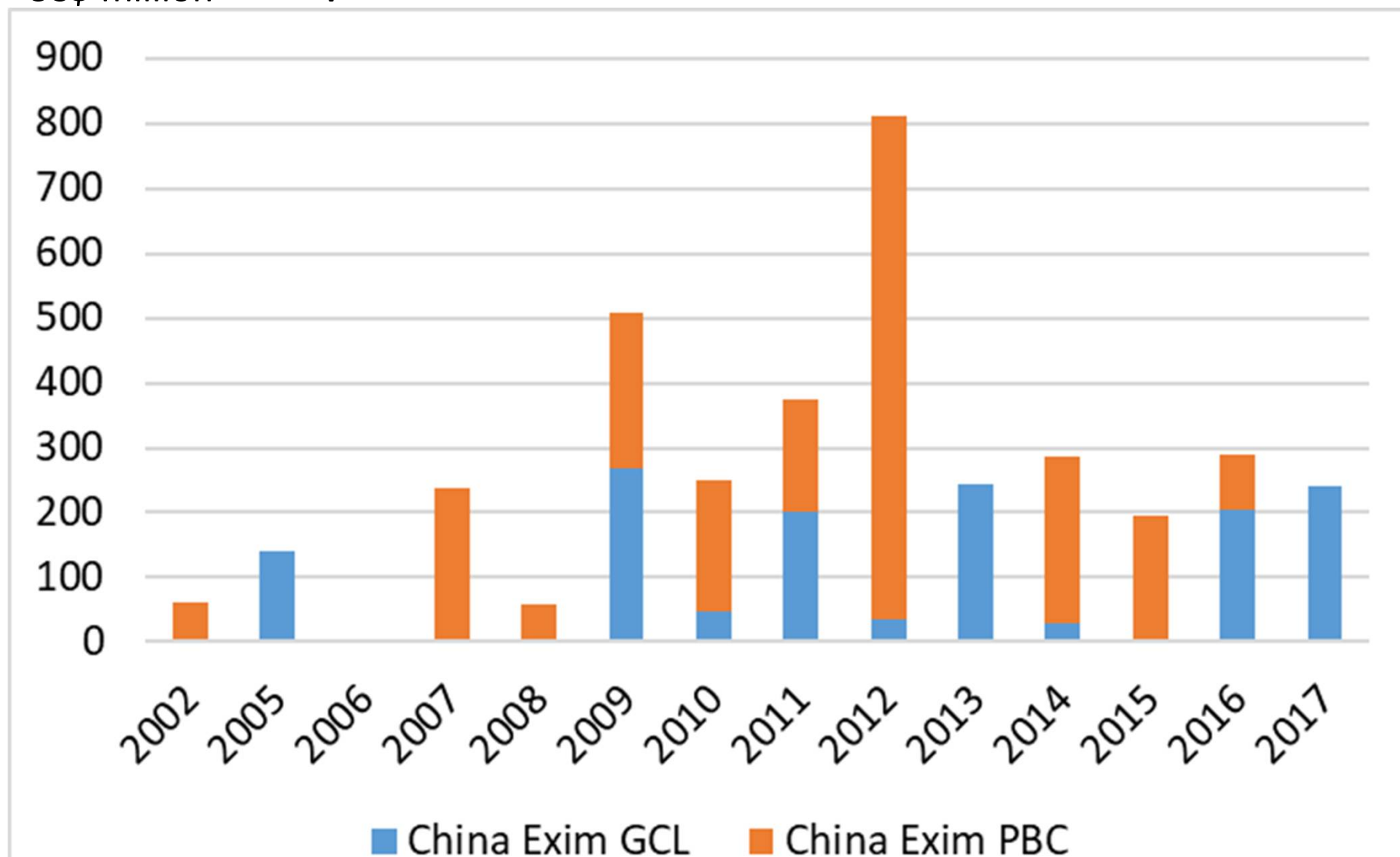
US\$ million



Note: GCL: Chinese government concessional loans, PCB: preferential buyer's credits, BC: buyer's credits, CDB: China Development Bank loans, HSBC: Hongkong and Shanghai Bank Corp. loan Source: Made by author based on various sources

# Commitment Amount of China Eximbank's two preferential facilities to Cambodia

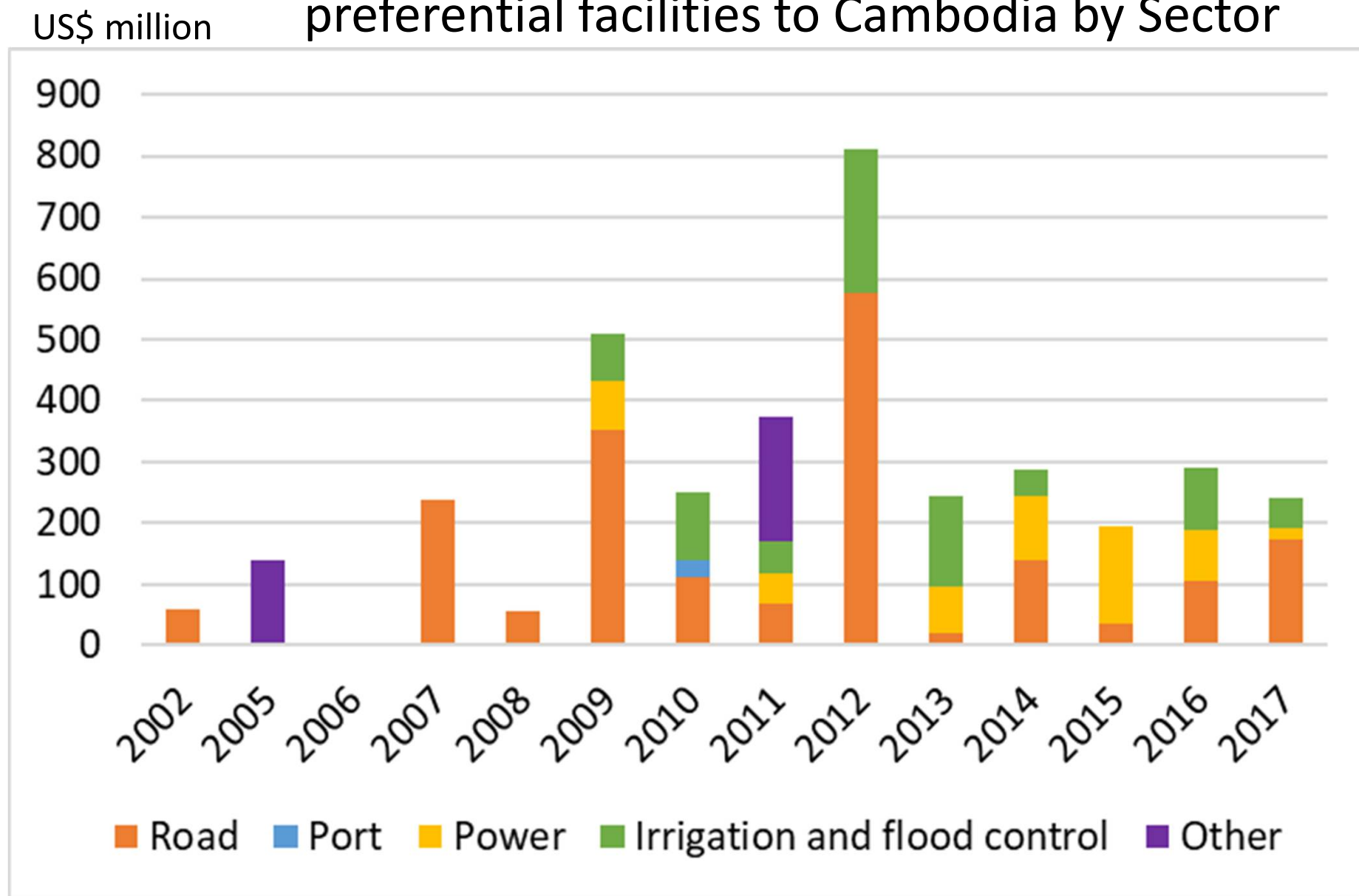
US\$ million



Note: GCL: Chinese government concessional loans, PCB: preferential buyer's credits

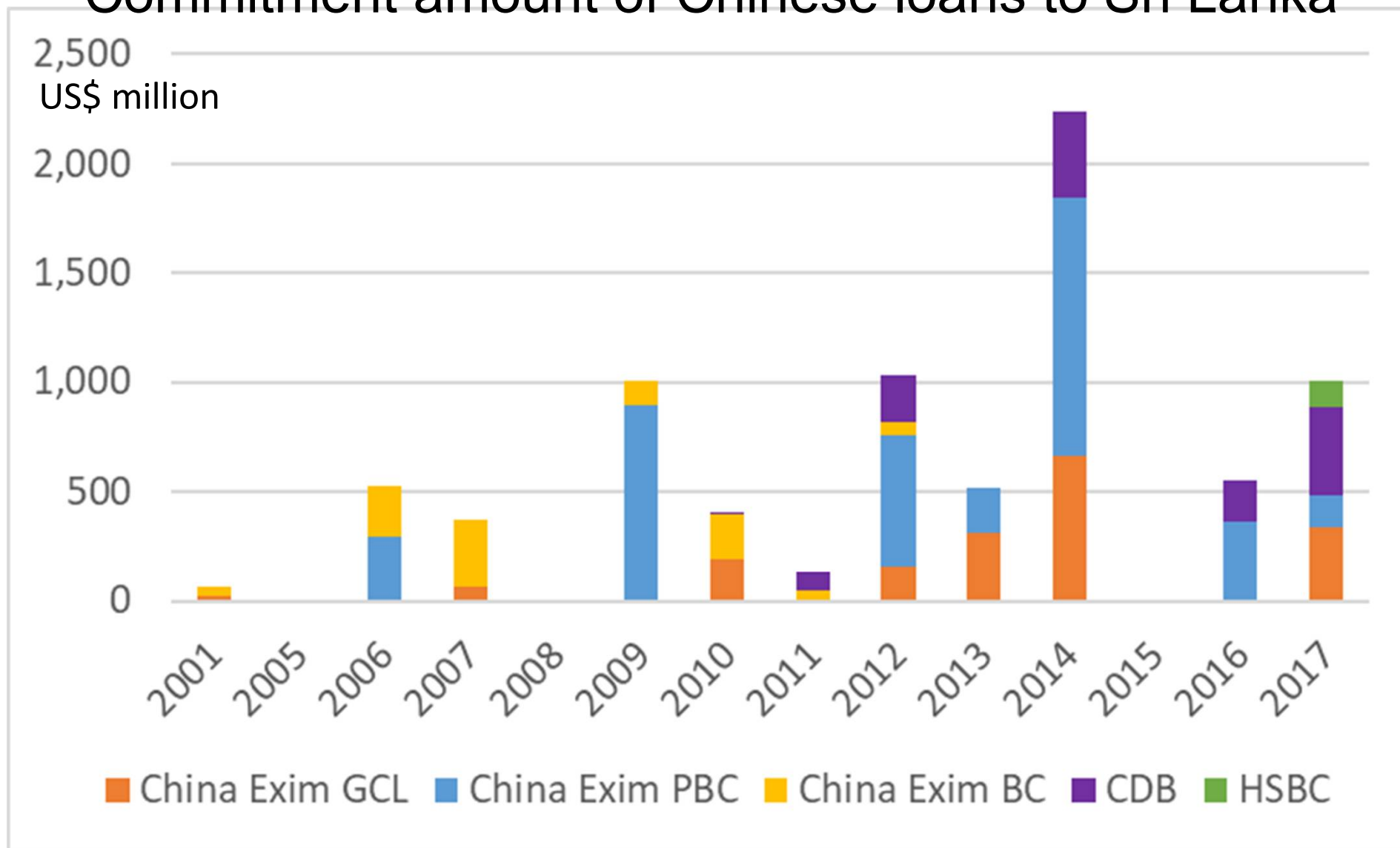
Source: Made by author based on various sources

## Commitment Amount of China Eximbank's two preferential facilities to Cambodia by Sector



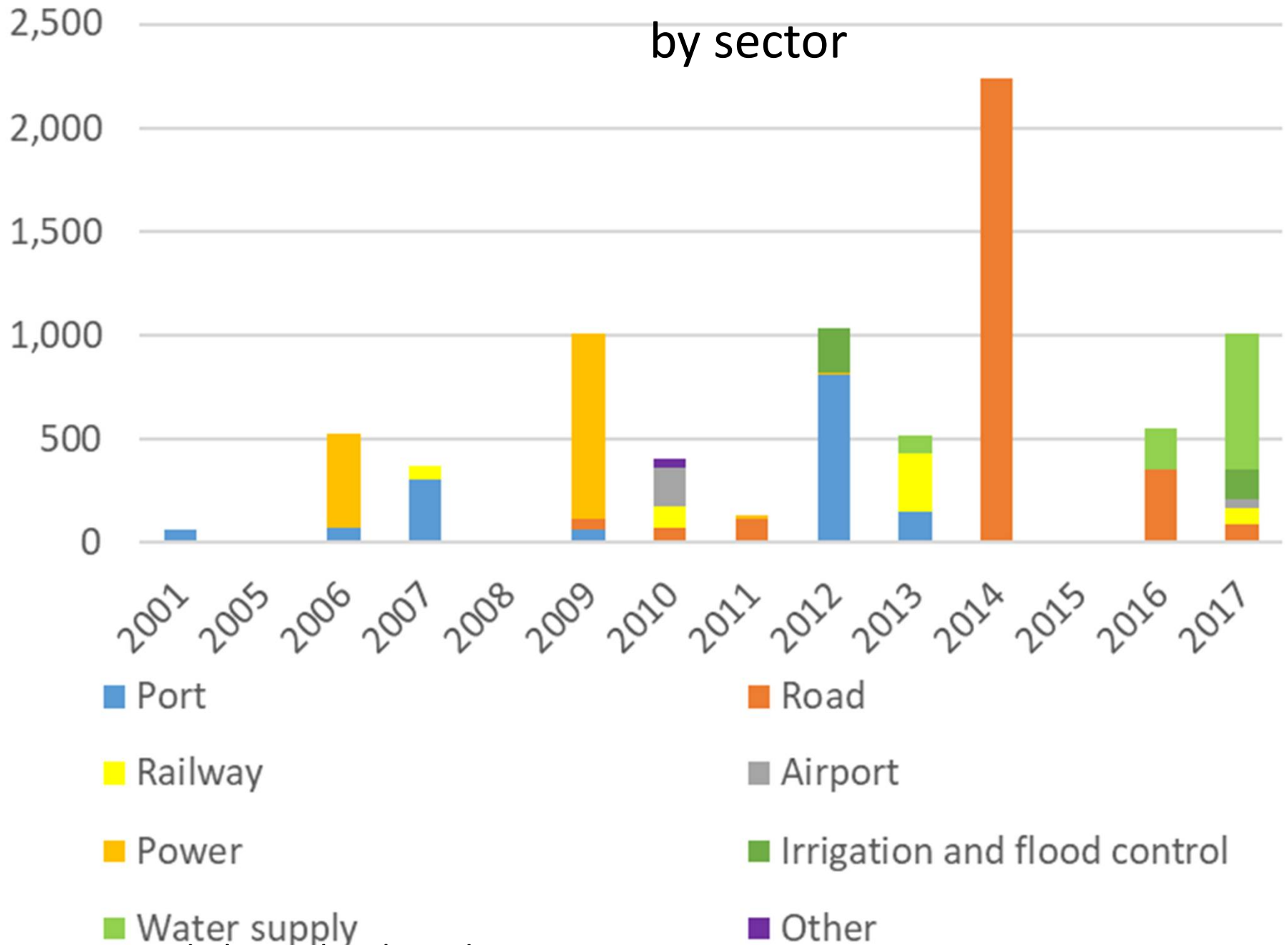
Source: Made by author based on various sources

# Commitment amount of Chinese loans to Sri Lanka



Note: GCL: Chinese government concessional loans, PCB: preferential buyer's credits, BC: buyer's credits, CDB: China Development Bank loans, HSBC: Hongkong and Shanghai Bank Corp. loan Source: Made by author based on various sources

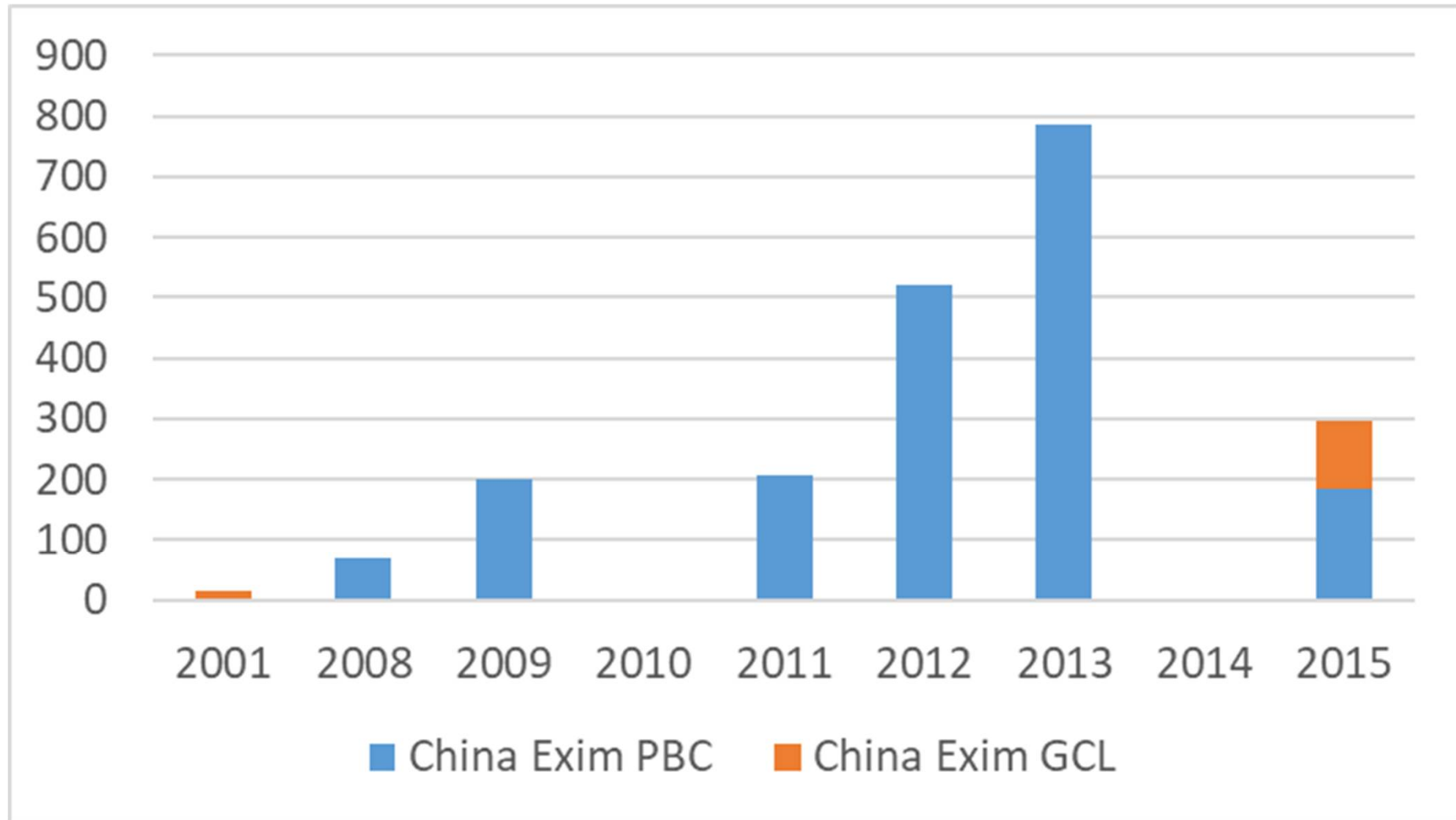
# US\$ million Commitment amount of Chinese Loans to Sri Lanka by sector



Source: Made by author based on various sources

# Commitment Amount of China Eximbank's two preferential facilities to Kyrgyz

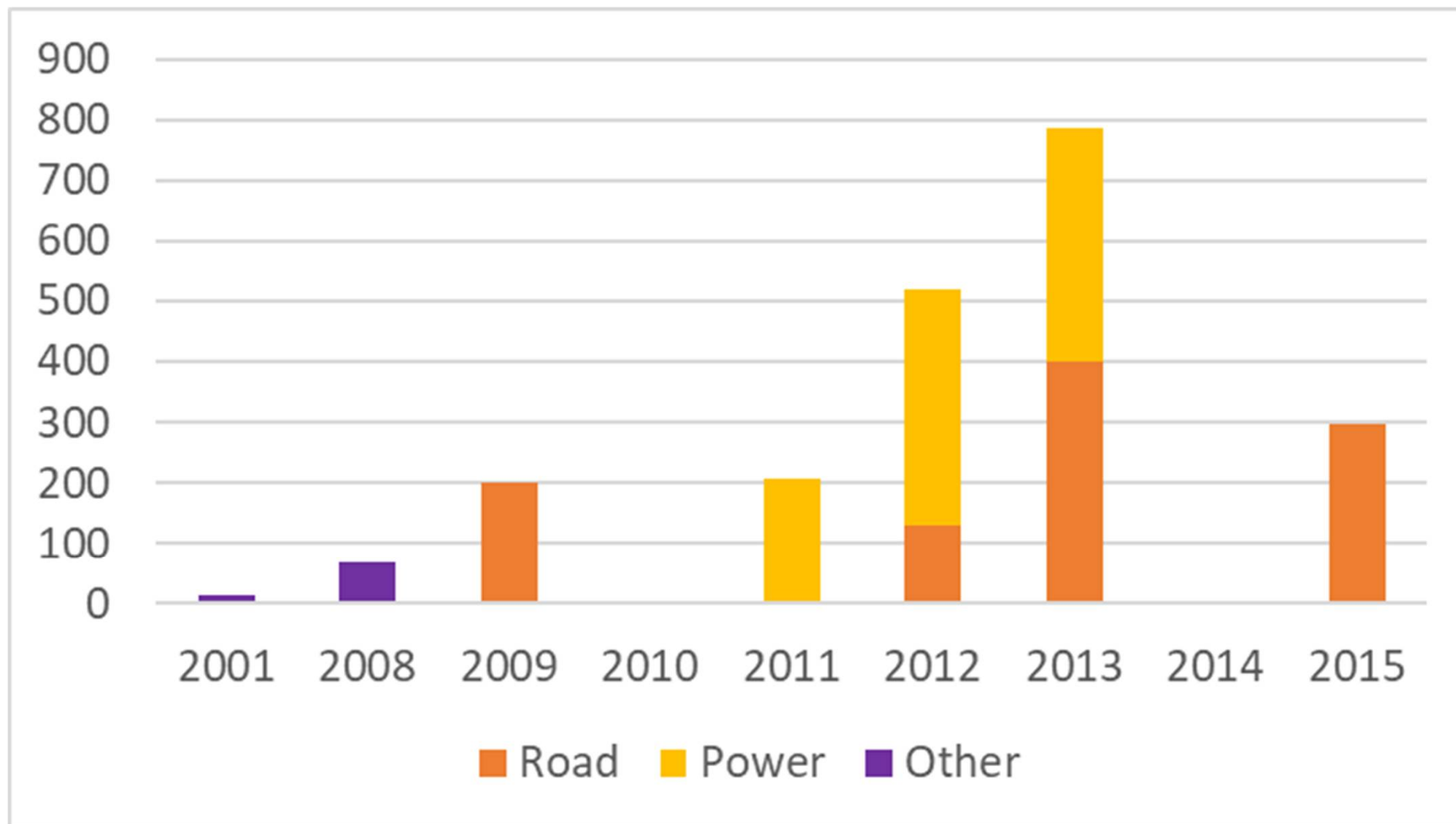
US\$ million



Note: GCL: Chinese government concessional loans, PCB: preferential buyer's credits  
Source: Made by author based on various sources

## Commitment Amount of China Eximbank's two preferential facilities to Kyrgyz by Sector

US\$ million



Source: Made by author based on various sources

## Commitment Amount of China Eximbank's two preferential facilities to Kyrgyz

Year	Project	Type	Inter- est Rate	Repay- ment Period	(Grace Period)	LA amount (US\$ million)	LA amount (RMB million)
2001	Kyrgyz-Chinese Paper Factory	GCL	3.0	15		15	100
2015	North-South Alternate Road Corridor Phase II	GCL				112	697
2008	South Osh Kyzyi-Kiya Cement	PBC				70	
2009	Rehabilitation of Bishkek-Balykchy Road (part of CAREC corridors1)	PBC				200	
2011	Modernization of Power Transmission Line in Datka	PBC	2.0	20	5	208	
2012	Rehabilitation of Bishkek–Balykchi Road and Osh–Batken–Isfana Road	PBC	2.0	20	9	130	
2012	Datka-Kemin power transmission line and Kemin substation	PBC	2.0	20	11	390	
2013	Bishkek Thermal Power Plant	PBC	2.0	20	11	386	
2013	North-South Alternate Road Corridor Phase I	PBC	2.0	20	11	400	
2015	North-South Alternate Road Corridor Phase II	PBC				185	
Sub-total GCL						127	797
Sub-total PBC						1,969	
Total						2,095	

Note GCL: Chinese government concessional loans, PCB: preferential buyer's credits

Source: Made by author based on various sources



## China Eximbank's commitments to selected countries (% of total commitment)

Year	Cambodia GCL+PBC	Sri Lanka GCL+PBC	Sri Lanka BC	Kyrgyz GCL+PBC
2005	11%			
2006		16%	6%	
2007	7%	2%	8%	
2008	2%			2%
2009	9%	16%	4%	4%
2010	3%	2%	4%	
2011	6%		1%	3%
2012	8%	8%	3%	5%
2013	2%	4%		6%
2014	1%	10%		

Note: GCL: Chinese government concessional loans, PCB: preferential buyer's credits,  
BC: buyer's credits      Source: Made by author based on various sources

# Communiqué, G20 Finance Ministers and Central bank Governors Meeting, Buenos Aires (19-20 March, 2018)

Rising debt levels in Low Income Countries (LICs) have led to concerns about debt vulnerabilities in these economies. We agree that building capacity in public financial management, strengthening domestic policy frameworks, and enhancing information sharing could help avoid new episodes of debt distress in LICs. **We call for greater transparency, both on the side of debtors and creditors.** We reaffirm our support to the ongoing work of the Paris Club, as the principal international forum for restructuring official bilateral debt, towards the broader inclusion of emerging creditors. **We support the provision of technical assistance by the IMF and the World Bank Group (WBG) in debt recording and reporting in LICs, where needed, and look forward to the work of these institutions on debt transparency.**

**Table 4. Total Public and Publicly Guaranteed Debt by Creditor, 2007–16**

(in percent of GDP)

	All LIDCs 1/ (in percent of GDP)		
	2007	2013	2016
<b>Total</b>	<b>47.1</b>	<b>39.8</b>	<b>52.7</b>
<b>External</b>	<b>36.5</b>	<b>28.7</b>	<b>37.3</b>
Multilateral, o/w	19.6	14.4	15.7
<i>WB, IDB, IMF, AfDB, AsDB</i>	16.8	9.4	9.9
<i>Other</i>	2.8	5.1	5.8
Bilateral, o/w	14.2	11.4	16.0
<i>Paris Club</i>	7.4	2.3	2.2
<i>Non-Paris Club, o/w</i>	6.8	9.1	13.8
<i>China</i>	0.3	2.5	4.2
Commercial, o/w	2.7	2.9	5.6
<i>Bonds</i>	0.5	0.6	1.4
<i>Commercial banks</i>	1.1	0.8	1.1
<i>Other</i>	1.1	1.5	3.2
<b>Domestic, o/w</b>	<b>10.5</b>	<b>11.1</b>	<b>15.3</b>
<i>Central bank claim (net)</i>	-0.8	0.3	2.8
<i>Deposit money banks</i>	0.6	2.6	6.2
<i>Non-banks</i>	10.7	8.2	6.3
<i>Memorandum:</i>			
Domestic, o/w by instrument			
<i>Marketable</i>	3.1	5.9	7.0
<i>Non-marketable</i>	7.4	5.2	8.3

1/ Based on 37 LIDCs where continuous data is available from 2007 to 2016.

	Post-HIPC LIDCs in Debt Difficulties 1/ (in percent of GDP)		
	2007	2013	2016
<b>Total</b>	<b>44.7</b>	<b>41.2</b>	<b>72.1</b>
<b>External</b>	<b>32.8</b>	<b>30.3</b>	<b>53.4</b>
Multilateral, o/w	10.5	12.1	15.9
<i>WB, IDB, IMF, AfDB, AsDB</i>	6.6	6.4	8.2
<i>Other</i>	4.0	5.7	7.7
Bilateral, o/w	17.3	12.9	22.2
<i>Paris Club</i>	8.0	1.8	2.8
<i>Non-Paris Club, o/w</i>	9.3	11.1	19.4
<i>China</i>	0.2	6.2	11.6
Commercial, o/w	4.9	5.2	15.3
<i>Bonds</i>	1.0	1.6	4.2
<i>Commercial banks</i>	0.9	1.4	2.9
<i>Other</i>	2.9	2.3	8.2
<b>Domestic, o/w</b>	<b>12.0</b>	<b>11.0</b>	<b>18.7</b>
<i>Central bank claim (net)</i>	-1.1	0.4	4.3
<i>Deposit money banks</i>	0.0	2.7	6.9
<i>Non-banks</i>	13.0	7.9	7.6
<i>Memorandum:</i>			
Domestic, o/w by instrument			
<i>Marketable</i>	5.9	7.2	9.1
<i>Non-marketable</i>	6.1	3.8	9.6

1/ Countries included are: Cameroon, Chad, Congo, Ethiopia, Ghana, Mauritania, Mozambique, and Zambia.

## Cumulative amount of debt cancelation of China's interest-free loans RMB Billion

Year	Cumulative amount of debt cancelation	Cumulative commitment of Interest-free loans
2002	10.0	
2003		
2004		
2005	16.6	
2006		
2007		
2009.12	25.6	76.5
2010		
2011		
2012	27.0	83.8

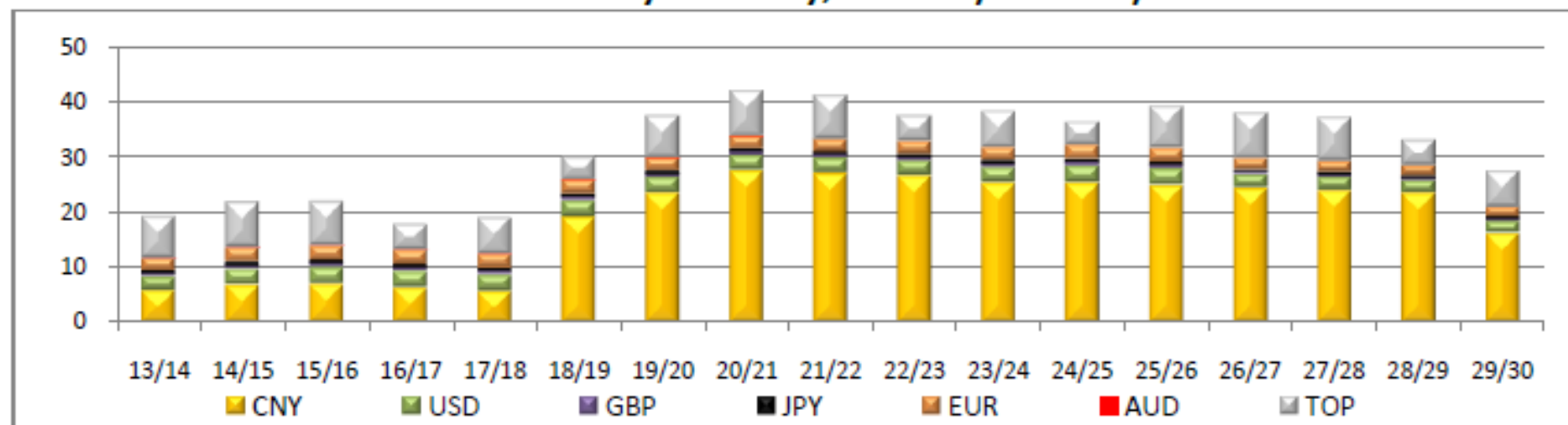
Note: In 2015, China committed to exempt the debt of the outstanding intergovernmental interest-free loans due by the end of 2015 owed by relevant least developed countries (LDCs), landlocked developing countries and small island developing countries.

In 2018, China committed to exempt the outstanding intergovernmental interest-free loans due by the end of 2018 owed by the least developed countries, land-locked countries and small island developing countries that have diplomatic relations with China in Africa.

Source: [http://news.xinhuanet.com/english/china/2015-09/29/c\\_134672436.htm](http://news.xinhuanet.com/english/china/2015-09/29/c_134672436.htm) and etc.

China's concessional loans to Tonga have been rescheduled in 2014. A concessional loan of RMB 440 million (US\$72 million) for reconstruction of the Nuku'alofa central business district in 2008 and another one of RMB 291 million (US\$48 million) for road construction and rehabilitation in 2010 **have been rescheduled with Amendment Agreements signed in June 2014.** However, with this temporary relief, that it will cost more for Government of Tonga in future years. **Unless, PRC will consider favourable cancellation of a portion of this outstanding debt (if not all).**

**Chart 29: Total Public Debt Service by Currency, FY 2013/14-2029/30**



Sources: Source: Government of Tonga.(2015) Medium Term Debt Strategy 2015/16 - 2017/18  
<http://www.ird.gov.to/sites/default/files/2018-08/MTDS%202015-16%20%202017-18.pdf>  
[http://www.lowyinstitute.org/files/chinese\\_assistance\\_in\\_the\\_pacific.pdf](http://www.lowyinstitute.org/files/chinese_assistance_in_the_pacific.pdf)

## Beijing Action Plan adopted at Forum on China-Africa Cooperation (FOCAC) summit 2018/09/04

3.9.2 In its investment and financing cooperation with Africa, China is committed to the principles of no political strings, mutual benefits and efficient development, supports Africa's pursuit of diversified and sustainable development, and **will make active efforts to help African countries improve debt sustainability** and achieve internally-driven development and mutually-reinforcing economic and social development.

## Ethiopia PM says China will restructure railway loan

ADDIS ABABA, Sept 6 (Reuters), 2018 - **China has agreed to restructure some of Ethiopia's debt, including a loan for a \$4 billion railway linking its capital Addis Ababa with neighbouring Djibouti, Ethiopia's Prime Minister Abiy Ahmed said on Thursday. ... "In particular, the loan for the Addis Ababa-Djibouti railway which was meant to be paid over 10 years has now been extended to 30 years."**

Sources: [https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1593683.shtml](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1593683.shtml)

<https://www.reuters.com/article/ethiopia-china-loan/update-1-ethiopia-pm-says-china-will-restructure-railway-loan-idUSL5N1VS4IW><sub>22</sub>

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[http://www.erd.gov.lk/index.php?option=com\\_content&view=article&id=56&Itemid=220&lang=en](http://www.erd.gov.lk/index.php?option=com_content&view=article&id=56&Itemid=220&lang=en)

Disbursement Summary in Debt Information

[http://www.erd.gov.lk/index.php?option=com\\_content&view=article&id=94&Itemid=216&lang=en](http://www.erd.gov.lk/index.php?option=com_content&view=article&id=94&Itemid=216&lang=en)

Cambodia: Cambodia ODA Database maintained by the Cambodian Rehabilitation and Development Board (CRDB) of the Council for the Development of Cambodia (CDC)

<http://odacambodia.com/>

Kyrgyz: 中华人民共和国驻吉尔吉斯共和国大使馆经济商务参赞处 <http://kg.mofcom.gov.cn>

SAIS China Africa Research Initiative (SAIS-CARI) at Johns Hopkins University's School of Advanced International Studies

<http://www.sais-cari.org/>

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<https://chineseaidmap.lowyinstitute.org/>

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<https://china.aiddata.org/>

Reconnecting Asia, Center for Strategic and International Studies (CSIS)

<https://reconnectingasia.csis.org/>

China's Global Energy Finance, Global Development Policy Center (GDP Center) at Boston University

<https://www.bu.edu/cgef/#/intro>

World Bank International Debt Statistics

<https://data.worldbank.org/products/ids>