

OVERVIEW

Afghanistan continues to suffer from the economic shock and drastic reduction in development assistance that followed the regime change in August 2021, and which aggravated the protracted humanitarian crisis in the country (HRW 04/08/2022). In the aftermath of the Taliban takeover, the US froze more than \$9bn of Afghan central bank assets (Al Jazeera 18/08/2021). Development aid shrunk as the Asian Development Bank, IMF and World Bank recalibrated their relationship with the new authorities (CSIS 23/02/2022). The formation of the Interim Taliban Authority (ITA) changed the nature of bilateral and aid relationships at a time when the Afghan GDP dropped by 20-30% (CSIS 23/02/2022) and humanitarian needs surged.

As an important neighbouring country, the ITA have actively sought Chinese investments to shore up the Afghan economy and build infrastructure to exploit resources (South China Morning Post 03/09/2021). In turn, China assured the ITA shortly after the regime change about its intention to provide aid worth USD 31 million, to support reconstruction efforts and maintain its embassy in Kabul while also calling on the ITA to cut ties with all foreign militants (e.g. East Turkestan Islamic Movement) (VoA 10/9/2021).

Although Beijing shares counterterrorism interests in Afghanistan with many other countries, China's engagement in Afghanistan has historically been anchored in economic cooperation with little conditionality attached to it (Friedrich Ebert Stiftung 2021). China's global aid strategy has tended towards long-term investment and economic development with less focus on humanitarian support. This approach has also prioritised bilateral investments over channelling aid via multilateral forums. China is favourable to large, regional investments and aid projects that establish platforms for long-term engagement such as the Belt and Road Initiative (Rose 07/12/2021). This role as long term partner includes providing emergency assistance, such as after the COVID pandemic and Afghan earthquakes (Xinhua 08/10/2020), and supports Beijing's desire to play a more dominant role in global governance. On the global stage, China supports UN activities through their assessed contributions, is a prominent decision-maker at the World Bank and contributes to various humanitarian and human rights institutions (Rose 07/12/2021; WFP 30/05/2023).

As the ITA prioritises economic stability through investment and infrastructure development, there is an alignment with the interests of China. This means that China will continue to seek economic opportunities while also providing some humanitarian aid, especially for emergency operations. However, economic - as opposed to humanitarian - interests will likely dominate the relationship.

About this report

The purpose of this context note is to better understand the modalities, scale, and role of Chinese humanitarian aid and economic investments in Afghanistan. Research studying Chinese aid usually takes on a geopolitical perspective and explores the nexus between development and security. However, there has been little analysis of the modalities and scale of Chinese humanitarian aid and economic investments in Afghanistan. Understanding the modalities and role of China's humanitarian assistance and economic investments in Afghanistan is important contextual knowledge for humanitarian responders.

Methodology

This context note primarily draws on secondary sources and desk-based research. The analysis is also informed by ongoing conversations with Afghan and foreign (including Chinese) experts on Afghanistan since August 2021, which helps provide the background understanding that informed this context note.

Limitations

One of the main limitations with studying Chinese humanitarian aid is that there is a relatively new aid architecture operating alongside long-established international trade and investment modalities. The China International Development Cooperation Agency was formed in 2018 assuming responsibility for policymaking, project approvals, coordination and funding management but the Ministry of Commerce remains a key player (HAG/ICVA/ICRG 12/2019). Since then, China has emerged as an important non-traditional donor with the ability and intent to contribute more to multilateral humanitarian initiatives. However, China does not differentiate between humanitarian and development assistance conceptualising humanitarian aid as a core part of its development aid (HAG/ICVA/ICRG 12/2019).

KEY FINDINGS

- China is within the top ten contributors to humanitarian aid in Afghanistan, and one of the only and the largest economic investors in the country.
- China and the ITA prefer economic investment and development cooperation over humanitarian assistance.
- A characteristic of China's aid delivery is the preference for bilateral channels.
- In delivering humanitarian aid and economic investment, China highlights its own role and the role of the ITA very publicly. From the ITA's perspective, this bolsters the ITA's legitimacy as an effective government.
- China's engagement with the ITA is guided by a style of diplomacy, which is discrete on humanitarian principles and women's rights, but publicly highly visible in its way of delivering aid in collaboration with the ITA.
- Despite many public statements, communicated intentions, and meetings between ITA officials and Chinese state and private entities, the actual volume of Chinese state or private investments to date does not appear to be very high. However, the nature of projects points to a direction of economic investments by the Chinese state or private entities in infrastructure and mineral extraction, which could offer the ITA alternatives outside of the humanitarian aid sector. Chinese economic investments will likely continue to be accompanied by humanitarian aid.

BACKGROUND – CHINA'S DIFFERENT FORMS OF DEVELOPMENT ASSISTANCE

Since the 1950s, Chinese humanitarian aid, economic investment, trade, development projects and foreign policy objectives are not clearly differentiated in Chinese foreign policy (CGD 09/07/2020). China tends to see aid, development support and economic investments as similar things, which is captured in presentations like those around the Belt and Road Initiative where Chinese leaders like Xi Jinping will discuss all three in the same breath (Xinhua 14/05/2017). This blending of humanitarian aid with investments is also apparent in the way aid is calculated. For example, according to one set of calculations, which focused on what the Chinese Ministry of Finance reports, in 2021 China gave a total of \$3.1 billion in foreign aid around the world (an all-time high) (CARI 2023). Other datasets looking at all Chinese development financing, it averages out at around \$85 billion per year since 2000 (Aiddata 29/9/2021).

Forms of Chinese aid:

- Complete sets of projects (also known as “turnkey” or infrastructure-based projects)
- Commodity aid (i.e., equipment, goods, and materials exported to other countries)
- Technical cooperation projects
- Cooperation on human resources
- Sending Chinese medical teams
- Emergency humanitarian aid
- Volunteers programmes
- Debt forgiveness

Chinese aid modalities operate through three financing options:

- **Grant or a “donation”:** Grants or donations are mostly used to help the recipient country government construct social welfare projects such as hospitals, schools, and housing. They are also used to provide goods and materials and emergency humanitarian disaster relief aid, and to train personnel.
- **Interest-free loan:** These are usually provided when recipient countries want to build a “turnkey” project. When China forgives debt, it is often for this type of loan.
- **Concessional loan:** These loans do carry interest, but at “low” rates. They usually have a grace period of at least two years, and repayments can stretch over 10 or even 20 years. These loans tend to be provided for big infrastructure projects, and they are provided directly by the Export–Import Bank of China (EximBank).

Source: CDG 09/07/2020; Kitano 2018.

One of the major difficulties in distinguishing China's humanitarian aid in Afghanistan from other forms of assistance or economic investments is that it forms part of its larger strategic objective around stability and prosperity through regional cooperation. China has several interests in Afghanistan. Firstly, with a shared border, there are strategic security concerns, including managing the risk of armed groups operating from Afghan territory. China has long been concerned about the spread of extremist ideas from Afghanistan through Central Asia and across its own borders, particularly into its western-most territory, Xinjiang. This area is home to a Uyghur population, a predominantly Sunni Muslim Turkic ethnic group (Van Der Klay 10/2014).

Secondly, China has an interest in investment in Afghanistan as part of the broader Belt and Road Initiative. In May 2023, China and Pakistan agreed to extend elements of the US\$60 billion China-Pakistan Economic Corridor (CPEC) into Afghanistan (Silk Road Briefing 29/05/2023). The CPEC is the single largest BRI project and Afghanistan's inclusion has been discussed since 2017. Infrastructure development projects would include the construction of roads and bridges. Repairing the Salang Pass and the pavement of Kumar and Laghman Roads serve as an initial demonstration. Plans include linking Uzbekistan, Turkmenistan, and Tajikistan with Pakistan via railways and highways passing through Afghanistan (Cheema 19/05/2023).

Lastly, China has interests in Afghanistan's vast mineral wealth (O Donnell 24/04/2023). This includes oil, copper, and lithium (the essential component for green energy). The ITA's first major economic deal was signed with the Xinjiang Central Asia Petroleum and Gas Co (CAPEIC) in January 2023. This was a new version of a deal signed with the previous government to extract oil from the Amu Darya basin and develop an oil reserve in the country's northern Sar-e Pul province (Al Jazeera 06/01/2023). Worth US\$541 million, the agreement is a 25-year contract that provides the Taliban with a 20% stake for no investment, involvement or risk (Silk Road Briefing 29/05/2023). In April, the ITA announced that discussions were underway to extract lithium with the investment in lithium projects, estimated to be around \$10 billion, creating more than 100,000 jobs over the next five years (Cheema 19/05/2023).

CHINESE AID TO AFGHANISTAN

Shortly after the regime change in August 2021, China pledged an emergency aid package of USD31 million to Afghanistan (VoA 10/9/2021). This figure is small compared to the donations by other countries including the US donation of \$1.1 billion, and unsubstantial considering the UN's funding request of USD 4 billion in humanitarian aid for 2022 (USAID 23/9/2022). Similarly, US emergency assistance for earthquake hit southeastern Afghanistan in 2022 was more than seven times higher than Chinese emergency aid pledged for the same response (SIPRI 11/2022). Hence, while China is one of the largest individual economic investors, it is one of the smaller contributors to humanitarian aid in Afghanistan.

Reflecting China's modalities for development assistance globally, much of its development and humanitarian aid to Afghanistan is not channelled through multilateral UN-led formats, such as the Afghanistan Humanitarian Fund or the Special Trust Fund for Afghanistan; instead it prefers bilateral and mini-lateral formats (SIPRI 11/2022). However, in May 2023, China provided additional funding for the WFP to support emergency operations amidst a funding shortage, which enabled WFP to provide food assistance to some 70 000 families for two months, potentially indicating a revised approach (WFP 30/05/2023).

Table 1 below provides instances of Chinese humanitarian aid to Afghanistan since August 2021, as it might be understood by international actors. The list is not exhaustive, but it is based on a systematic assessment of open media reporting in multiple languages. In some cases, reports contained no details as to the exact value of aid but have been captured to highlight the plurality of both actors and volumes of aid given to Afghanistan. Beyond cash, donated items include vaccines, wheat, building a school, winter clothing, food, rice, cooking oil, tea, flour, and cash, some in the form of emergency support after earthquakes.

Broadly speaking, Chinese humanitarian aid can be categorized in three broad brackets:

- donations directly from the state (which when tallied drawing on reported figures and using current exchange rates comes to around \$42m USD)
- donations from the Xinjiang government (\$600,000 USD)
- donations from private Chinese citizens, NGOs, or companies, such as the Metallurgical Corporation China (MCC) – the company that won the Mes Aynak copper mine exploitation rights in 2007 (\$220,000 USD)

Table 1. Examples of Chinese humanitarian aid since September 2021

DATE	ITEM	SOURCE
08/09/2021	Wang Yi announces 200m RMB (\$28m USD) aid to Afghanistan, and 3m doses of COVID-19 vaccine.	Guancha 06/12/2021; Twitter 08/09/2021
28/11/2021	Anonymous Chinese company says it will build and donate a school and orphanage to help displaced people in Kabul.	Afghanistan Islamic press 28/11/2021
06/12/2021	China will give an additional 30m RMB (\$4.7m USD) in aid to Afghanistan says Chinese Ambassador to Kabul.	Guancha 06/12/2021
22/12/2021	Xinjiang region announces it will hand over aid worth 3m RMB (\$420,000 USD) to Badakhshan, Takhar, Kunduz and Baghlan (northern border regions near Xinjiang).	Embassy of China in Afghanistan 21/12/2021
06/02/2022	2nd batch of aid from Xinjiang (600 tonnes of wheat) leaves Xinjiang. Included in this batch is another, 130 tonnes of wheat, donated by Chinese Red Cross and the Tencent Foundation.	Twitter 06/02/2022

31/03/2022	CIDCA chief Li Zhaohui gives a speech in which he says China has given 250m RMB of emergency assistance through bilateral channels, including winter clothing, food and COVID-19 vaccines. Local governments and NGOs have given another 50m RMB. During the next stage China will cooperate with UN agencies to provide food aid of \$2m USD, and implement another 1bn RMB announced by Chinese leaders.	CIDCA 01/04/2022
25/06/2022	China Ministry of Foreign Affairs spokesman says China will give 50m RMB (\$7m USD) in emergency support in wake of earthquake.	News CN 26/06/2022
26/06/2022	MCC gives aid in Khost as part of post-earthquake support. Rice, cooking oil, tea, flour that went to 800 families. Reported value of donation was around \$200,000	News CN 27/06/2022; News CN 26/06/2022
29/06/2022	Wang Duanyong, a prominent expert on Afghanistan at the Shanghai International Studies University (SISU) researcher raises money to buy 4 tonnes of flour to send to Khost.	News CN 07/05/2022
03/07/2022	Chinese Red Cross hands over post-earthquake aid to Afghan Red Crescent via Chinese Embassy. \$200,000 cash, 16 tonnes relief aid. Also handed over \$150,000 cash donated by Xinjiang region.	News 04/07/2022
28/07/2022	MCC hands over more post-earthquake aid to MoMP Minister Delawar.	News 29/07/2022
28/08/2022	MCC gives food aid to people in Logar.	Twitter 28/08/2022
07/01/2023	The Chinese NGO Friends of Hindu Kush Organization (FHKO) takes food and warm clothing to poor in Ghazni.	Global times 20/01/2023
19/01/2023	China-Pakistan youth group hand 110 winter coats to Afghan refugees in Pakistan. The charity has been paying attention and sending support to refugees since 2013.	News CN 19/01/2023
27/01/2023	MCC donates \$20,000 of food and goods to 300 poor families in Logar ahead of Eid celebrations.	News CN 27/06/2023

The reported Chinese aid distribution since August 2021 included in table 1 above, as they might be understood by international actors, amount to an estimated USD 50 million. Considered in comparison to the multilateral funding for the humanitarian operation in Afghanistan by other countries, China is a significant donor within the top ten contributors but also far behind the US, UK Germany, and others (OCHA accessed 31/07/2023). The 2022 Humanitarian Response Plan, including the earthquake response, totaled \$3.2 bn with the top donors contributing:

United States of America, Government of	\$1,206,612,236
United Kingdom, Government of	\$454,498,459
Germany, Government of	\$444,033,377
Asian Development Bank	\$240,840,250
European Commission's Humanitarian Aid and Civil Protection Department	\$130,247,490
Japan, Government of	\$125,442,592
Canada, Government of	\$106,284,855
Australia, Government of	\$73,370,298
Disasters Emergency Committee (UK)	\$52,222,721
Switzerland, Government of	\$35,518,957

Source – OCHA FTS OCHA accessed 31/07/2023

CHINA AND AFGHANISTAN: SHARED ECONOMIC INTERESTS

While China is providing some humanitarian assistance, this is part of a larger economic interest. The alignment of economic priorities is where Beijing and the ITA find commonality and due to this, China appears to have a much closer relationship publicly to the ITA than any of the other major aid providers (South China Morning Post 03/09/2021; VoA 10/9/2021). ITA officials have repeatedly stated that the economy is the top priority for the government, which is adopting an economy-centred foreign policy, particularly towards neighbouring and regional countries (RAND 2023). This has included a focus on development assistance to enable economic recovery and growth and to shift away from the continued need for humanitarian aid (RAND 2023). Central to this economic recovery is the role of Afghanistan as a transit area and linking country for Central Asia as well as mining and mineral extraction with the ITA prioritizing mineral wealth as a key source of investment and income (RAND 2023).

For China, there remain concerns about the security risks associated with investments in Afghanistan, but these seem to be diminishing as the ITA has been able to contain most domestic security threats. Some of the key Chinese investments include the extension of the Belt and Road Initiative and the associated infrastructure and the CAPEIC oil deal (see the Background section above). Other key areas of interest and investment include:

- The Mes Aynak copper mine project was first signed in 2007 between the Republic government and two Chinese firms – the Metallurgical Corporation China (MCC) and Jiangxi Copper. Since then, little has materialised. Both Jiangxi Copper and MCC were separately quoted in the media after August 2021 stating that they intended to continue the project, but were waiting for things to stabilize (MENAFN 14/9/2021; Global Times 17/8/2021). The lack of progress has apparently led to some tension with the ITA (Ariananews 27/11/2022).
- PowerChina, a Chinese energy provider that is heavily invested in neighbouring Pakistan in projects captured under the China-Pakistan Economic Corridor (CPEC), has been reported as visiting to explore opportunities (Pajhwok 04/11/2022).
- The Yellow River Engineering Consultancy has been exploring specific opportunities, including a 300MW generating gas and electricity plant in Shiberghan, northern Jawzjan, and a 100MW solar power plant in Kabul (Pajhwok 12/08/2022; Alemarah 12/03/2022). Since their signing in 2022, they have not moved forward.
- Other prominent Chinese state owned enterprises like the China Road and Bridge Company (CBRC) and the China Rail Construction Company (CRCC) have also held meetings with officials, but nothing has materialized yet (Ministry of Energy and Water 01/01/2023; Pajhwok 09/03/2023).
- China reopened the pine nut air corridor after August 2021 with the aim of facilitating the sale of Afghan pine nut on Chinese consumer market where the product is a popular delicacy. While this corridor is heralded by Chinese officials, there is unclarity about its current success and Afghan traders have complained about subsidy cuts and struggles with competition from Pakistani traders (Tolonews 21/06/2022).
- China has opened rail routes to Afghanistan to facilitate the transit of goods back and forth, including aid to Afghanistan. Their exact volume is unclear, but these rail routes provide an important access for products for Afghan consumers. In May 2023, an agreement was signed between Pakistan Railways and China Railway Eryuan Engineering Group to build a rail line between Karachi and Mazar-e-Sharif (Brecorder 01/05/2023).

PERCEPTIONS OF CHINESE AID AND INVESTMENTS

It is difficult to objectively assess Afghan's view towards China and its aid or investments into the country. Chinese media focuses on positive stories, including interviews with families receiving aid. Western media tends to elicit stories of frustration and unfulfilled opportunities. The ITA projects both a positive attitude and a level of frustration towards China as an investment partner.

The continuing discussion of Belt and Road has not resulted in any large infrastructure investment or loans. The Mes Aynak project remains blocked, and while many Chinese companies have shown an interest in the other big mining opportunities in the country such as the Hajigak mines, little has been practically delivered so far (Pajhwok 31/7/2022).

At the same time, China's aid and economic investment delivered so far appear to be adequate for the ITA to continue to see China as a major opportunity and partner. The ITA has publicly stated that the only two countries investing in Afghanistan are China and Iran (Khaama Press 08/05/2023). The continued positive picture could be anchored in what is referred to as China's adherence "to the "Three Respects" and the "Three Nevers" (MoFA China 12/04/2023). China has expressed little value judgments about the ITA's governance approach, although they have issued statements calling for reform of approaches to women's rights (Guancha 16/02/2023). Chinese entities undertake projects directly with the ITA, and display publicly, which can then be used by the ITA to strengthen its own legitimacy. The way in which China publicly supports the Taliban in public settings like the United Nations – lobbying regularly for the return of funds frozen by the US, as well as continuing to accuse the United States of not doing enough to support Afghanistan, is well-received by Kabul. The volume of investments to date might not be as substantive as hoped for by the ITA or Chinese investors, but progress on the various projects noted above could signal that things are moving forward on projects, which did not materialise under the Republic government.

Chinese humanitarian aid is part of this wider picture driven by an expectation of substantial investments in infrastructure, which would allow for the development of the country's mineral sector. China's humanitarian aid may not be as substantial as other international sources, but it is embedded in a wider picture of Chinese commercial activity, which the ITA prefers over humanitarian aid.