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Chinese Development Finance and African Policy Space: Towards Productive Incoherence?

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ABSTRACT

How does Chinese Development Finance influence perceptions of policy space across Sub-Saharan Africa? This paper employs Grabel's concept of 'productive incoherence' to both describe the 'new development finance landscape' and to explore its implications for recipient-country policy space. Drawing on an exploratory survey of elite perceptions and three country case studies (Ethiopia, Malawi and Mozambique), we find that Chinese Development Finance contributes to incremental and context-specific enhancements in policy space, rather than transformative or wholesale change. Moreover, we contend that the extent of policy space is determined more-so by the internal dynamics, historical legacies and structural position of recipient countries within the global political economy, and the interplay between these elements, than by changes in the external financing environment.

1 | Introduction

China is a major source of development finance in Sub-Saharan Africa (SSA), offering approximately 2.5 times more infrastructure financing than the combined efforts of the United States, United Kingdom, Japan and Germany (CGD 2022; Gallagher et al. 2023). This diversification of the development financing landscape has been described as heralding an 'Age of Choice' for developing nations (Prizzon et al. 2016), potentially granting SSA governments increased 'policy space': 'the ability to make decisions to pursue their self-defined development objectives, not those of their donors, after decades of quasi-unilateral dependence on Western donors' (Reisen and Stijn 2011).

The assumption of increased 'policy space' stems from the notion that a wider range of financing options, particularly from China, enhances the bargaining power of recipient states. For instance, Alshareef (2024, 169) argues that 'Chinese finance enlarges the development policy space [of recipient countries] … as it provides finance free of the neoliberal conditionalities attached to Western-centred multilateral and private finance'. For some, this scenario is both long-awaited and welcome. Chang (2006) found that restricted policy space has historically correlated with modest economic growth, starkly evident during the implementation of Structural Adjustment Policies (SAPs), while expanded policy space correlates with economic development (Rodrik 2007). Others, however, caution that there are trends of convergence between Northern and Chinese approaches to development finance which may constrain policy space by undermining the capacity of recipients to play providers off one another (e.g., Kragelund 2015).

We contend that the development financing landscape is best understood not through binary notions of divergence or convergence between development providers but as characterised by 'productive incoherence' (Grabel 2011). Grabel initially advanced the term to capture the complex, fragmented and multipolar nature of global financial governance that has emerged in the aftermath of the 2008 global financial crisis and has resulted in ad hoc and at times contradictory financial policy experimentation. We contend that this concept likewise captures the heterogeneity and ambiguity of the contemporary development financing environment, which indeterminately enables incremental and context-specific policy innovations. While China continues to offer a more distinct range of financing options than 'traditional' donors—including OECD-Development Assistance Committee (DAC) donors and major International Financial Institutions—the latter are also adopting more flexible and ambiguous policy prescriptions, moving away from the rigid neoliberal conditionalities of the past. We thus seek to examine how this incoherence manifests and is internalised across recipient country contexts, and the extent to which such produces opportunities for recipient states to experiment with novel policy options and instruments.

To do so, we examine how recipient policymakers navigate and internalise this incoherent financing landscape. While much of the existing scholarship focuses on China's role as a development finance provider, few studies explore how recipients perceive and negotiate its influence on policy space. By foregrounding recipient perspectives, this article moves beyond abstract macro-level debates—such as on whether China/Northern providers are converging or diverging—to instead explore how the 'external' financing environment is experienced at the country level, and the implications of such for policy space. Empirically, we adopt an 'exploratory sequential' research strategy (Fetters et al. 2013) that includes an exploratory survey of policymakers across 20 SSA countries alongside detailed case studies of Ethiopia, Malawi and Mozambique. In doing so, we examine how Chinese Development Finance (CDF) interacts with and influences policy space.

We contend that the impact of CDF on policy space cannot be generalised as either wholly expansive or restrictive. Instead, policy space is shaped more significantly by the internal political economies of recipient states, historical legacies, their global economic positioning and the interplay of these elements with the external financing environment. We find that, for example, countries with strong state capacity may strategically leverage CDF to implement incremental policy innovations, while more aid-dependent states often face greater constraints. Notwithstanding these general reflections, our framework and findings challenge uniform assumptions about CDF's influence on policy space: neither divergence nor convergence between Northern and Chinese approaches results in wholesale shifts in policy autonomy. Rather, the development financing landscape, characterised by heterogeneity and ambiguity, creates opportunities for modest but meaningful policy experimentation. However, these manifest in an indeterminate way.

The paper proceeds by first outlining the notion of 'productive incoherence' that we regard as a useful lens to understand the contemporary development financing landscape. We then present our empirical findings from the survey and case studies. The final section discusses these findings and concludes.

2 | Productive Incoherence and the New Development Financing Landscape

How does the external development financing landscape shape the policy space of recipient countries? Policy space denotes to the autonomy and range of policy options available to a country for the pursuit of social and economic development (Chang 2006; Wade 2003; Kragelund 2015). Mayer (2009) further distinguishes between two dimensions of policy space: de jure policy space, which refers to the 'formal authority of national policymakers over policy instruments', and de facto policy space, which reflects their actual ability to achieve specific targets using these instruments. Historically, both dimensions have been constrained by external financing arrangements and domestic political and economic pressures.

Since the monetarist revolution, foreign aid conditionalities—particularly those tied to SAPs—have significantly curtailed the de jure policy space of many developing countries. Conditional foreign aid alongside SAPs imposed strict requirements for privatisation, liberalisation and the dismantling of developmental state instruments, such as import substitution strategies. Later frameworks, such as the Poverty Reduction Strategy Papers (PRSPs), reinforced these constraints by adding governance and institutional reform requirements (Guillaumont et al. 2023). De facto policy space has also been similarly constrained by the integration of many developing countries into global neoliberal capital circuits, where policy decisions are often influenced by the need to attract and retain foreign investment. Additionally, domestic interest groups advocating for macroeconomic 'prudence' and open capital accounts often limit the scope of policy autonomy within countries (Chang 2006).

Yet the (re)emergence of South–South Cooperation (SSC), particularly China's rise as a major development finance provider, has introduced significant shifts in the development financing landscape over the past two decades (Banik and Mawdlsey 2023; Mawdsley 2012; Roy 2023; Zimmermann and Smith 2011). China's demand-driven approach eschews many of the stringent macroeconomic conditions historically imposed by traditional donors, offering recipient countries financing without mandating substantial changes to their domestic political economies (Brautigam 2011; Chin and Gallagher 2019; Swedlund 2017).[1] This diversification has been praised for reducing recipient reliance on traditional donors, potentially empowering recipient states to negotiate more favourable terms or to better align external financing with their own development priorities (Prizzon et al. 2016; Greenhill et al. 2015).

However, trends of mutual convergence between Northern and Chinese approaches to development finance complicate this narrative (see Hameiri and Jones 2025). Evidence suggests growing alignment in areas such as bureaucratic structures, financing methods and project delivery. For instance, some contend the establishment of China's International Development Cooperation Agency (CIDCA) in 2018 reflects a shift towards practices more characteristic of traditional donors, inter alia, as does China's more interventionist approach to loan conditionality (Cheng et al. 2023; Mawdsley 2019). At the same time, DAC donors have increasingly adopted South–South Cooperation-like practices, such as blended finance mechanisms and discourses emphasising 'mutual benefit' (Keijzer and Lundsgaarde 2018). Crucially, this growing convergence may narrow the ability of recipient countries to leverage differences between providers to expand their policy space. As Kragelund (2015, 428) argues:

> The revival of China's development finance does not fundamentally alter the power relations between African countries and their financiers, as the tendency now is towards convergence and cooperation between China and DAC donors, and not divergence and competition, which could have created policy space as it did prior to the end of the Cold War.

While broad notions of 'convergence' and 'divergence' offer useful heuristics for interpreting the financing landscape, they fail to capture the full complexity of change within the field. Convergence trends between Northern and Southern providers are distinctly 'uneven' (Dye 2022)—with changes in certain dimensions and policies but greater persistence of others. This complexity is further compounded by systemic geopolitical tensions, such as the escalating rivalry between the West and China which is characterised by 'network-based' competition (Schindler et al. 2022). These geopolitical dynamics not only influence the alignment of financing strategies but also reinforce fragmentation and contestation within the development financing landscape. Furthermore, despite claims of convergence, significant heterogeneity persists not only between Northern and Southern approaches but also within these categories, reflecting diverse priorities, practices and institutional models among providers of development finance (Fejerskov et al. 2017). Moreover, Swedlund (2017) argues that while traditional providers and China rarely engage in direct competition, neither are they converging towards a singular mode of development finance. On our reading, this coexistence of both alignment and contestation—shaped in large part by these geopolitical dynamics—creates a fragmented and incoherent financing environment, thereby challenging binary interpretations of convergence or divergence as overarching tendencies.

To better capture the complexity of the current financing landscape, we adopt Grabel's (2011) concept of 'productive incoherence' and consider its implications for the policy space of recipient countries. Though Grabel originally invoked the notion to describe the heterogeneous, multipolar and ideationally pluralist nature of global financial governance of the 21st century, we contend that this notion can likewise capture the nature and dynamics of the contemporary development financing field. Specifically, we are interested in how this notion reveals how heterogeneity, ambiguity and uneven alignment among Chinese/Northern providers create openings for incremental policy innovation by recipient countries. For Grabel, productive incoherence is 'incoherent' because the dominant neoliberal paradigm persists but in deeply fragmented and inconsistent forms. Since the 2008 global financial crisis, neoliberal orthodoxy has been eroded but not entirely displaced, creating an '"interregnum" that is pregnant with new development opportunities' and characterised by heightened policy experimentation across both the global North and South (Grabel 2011). Reflecting this trend, international financial institutions have, in recent years, become more accommodating of state interventionism, even as they retain elements of the 'old' neoliberal doctrine (Alami and Taggart 2024). Concurrently, China's rise as a key development finance provider has introduced not only alternative approaches to financing but also divergent macroeconomic ideas, further diversifying the landscape.

Despite its incoherence, this environment is also 'productive,' as the fragmentation of neoliberal norms creates potential openings for developing countries to experiment with alternative approaches and problem-solving. As Grabel (2011, 826) notes, these shifts, 'incoherent and uneven though they may be … [may] enhance developmental policy space and greater ideational pluralism'. Drawing on the ideas of Albert Hirschman, who emphasises the diminutive nature of socio-economic and political change, Grabel (2017, xii) highlights that the opportunities afforded under a condition of productive incoherence are typically incremental rather than transformative. They manifest through 'learning by doing,' pragmatic policy adjustments and collaborative experimentation. This framework illustrates how policy space evolves unpredictably, shaped by the interaction of external financing trends, domestic conditions and recipient agency.

Yet how recipient countries navigate the external financing environment depends not only on their agency but also on their distinct political economies and structural positions within the global political economy (Soulé-Kohndou 2018). As scholars of African agency remind us, policymakers across SSA are not passive recipients of external financing, nor are they uniformly affected by macro trends of convergence or divergence. Instead, recipient countries—each possessing distinct characteristics—must strategically engage with both Chinese and Northern donors to align funding with their development priorities. As Whitfield and Fraser (2010) note, recipient countries exhibit diverse preferences and strategies, yet these are shaped by their unique historical legacies, political economies, institutional capacities, and broader structural position (Links 2021). Thus, heterogeneity among recipient countries, as well as among development finance providers, influences both how the financing landscape is experienced and, in turn, such difference shapes policy space outcomes. For instance, countries with robust state capacities, advantageous geopolitical positioning, or adept negotiation skills can secure financing that expands their policy space. Conversely, those with weaker institutional frameworks may face greater challenges navigating the complexities of a fragmented financing environment. This dynamic between the incoherent financing landscape and the diverse political economies of recipient countries reveals the potentially unpredictable and fragmented outcomes that we regard as characteristic of productive incoherence.

Grabel's notion of 'productive incoherence' thus offers a compelling lens for understanding both the current development financing landscape and its prospective impact upon recipient countries. We now turn to explore how policymakers across SSA perceive CDF and its impact on policy space.

3 | Perceptions of CDF and African Policy Space: Results From an Exploratory Survey

To investigate perceptions of CDF and its impact on policy space, we conducted an exploratory survey between June and October 2022 with high-level policymakers from 20 Sub-Saharan African (SSA) countries.[2] Our respondents included Directors, Heads of Departments, Chief Economists and Senior Advisors to Ministers across ministries such as Finance, Trade and Foreign Affairs. Given their leadership positions, all respondents had experience with both Chinese and Northern development finance, providing informed perspectives on policy space.

While our sample consisted of 27 detailed responses (a 10% response rate), we acknowledge the limitations of this sample size in representing the entire SSA region. The respondents, however, come from diverse countries, including those with varying degrees of engagement with China, offering a range of perspectives on CDF. Although not exhaustive and not intended to establish causal relationships between CDF and changes in policy space, these responses offer key insights into how CDF is perceived at the policy level, especially by officials involved in or adjacent to the negotiations and implementation of CDF projects.

Importantly, all respondents were directly involved in shaping or advising on policies related to development finance. Many had first-hand experience negotiating or implementing Chinese development projects in their respective countries. Their responses therefore reflect informed assessments of how CDF has influenced policy space and shaped development strategies. In terms of country alignment with China, we recognise that political stances may influence perspectives, and while our survey does not comprehensively address every nation's stance, it provides insights from countries with varying relationships with China.

While the survey was conducted anonymously to ensure candid responses, participants were selected based on their decision-making authority or advisory roles relevant to development finance. Although not fully representative of all SSA policymakers, this sample provides valuable and informed insights into how CDF affects policy space, as observed by those directly involved in the decision-making process. The questionnaire featured Likert scale questions (ranging from '1' for *Strongly Disagree* to '5' for *Strongly Agree*) and open-ended queries for more detailed feedback. See Table 1 for an overview of responses.

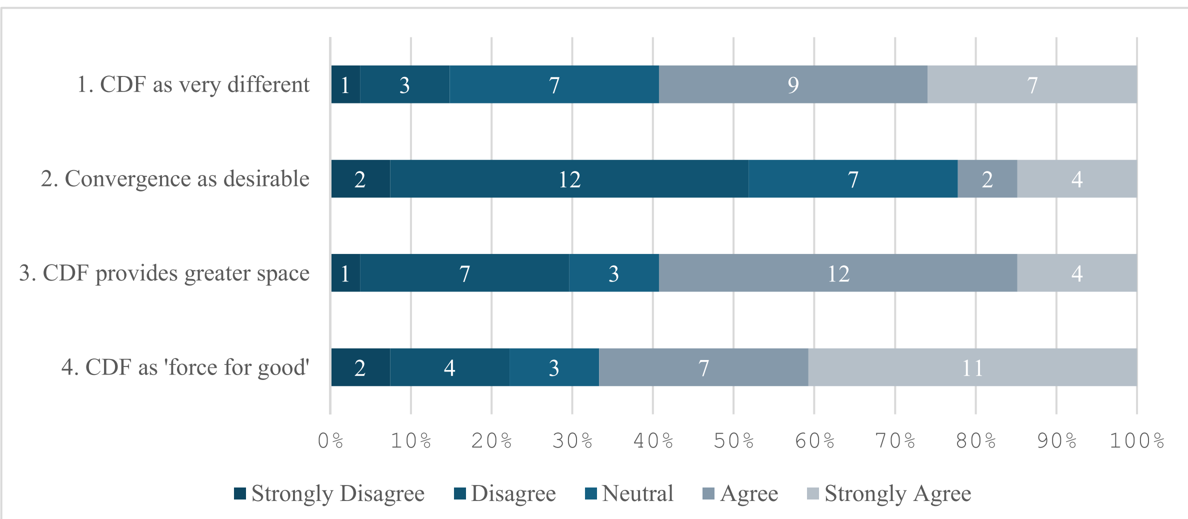
3.1 | Perceptions on the Difference Between Chinese and Northern Development Finance

The first question of our survey asked respondents to evaluate the statement: 'CDF is very different from public development finance provided by Northern/Western donors'. Most respondents (60% Strongly Agree/Agree [hereafter, 'agreed']) perceived CDF as markedly different from Northern development finance, while 15% Strongly Disagreed/Disagreed (hereafter, 'disagreed'), and 26% held a neutral stance, indicating a diverse range of views. A respondent who saw no difference between the two models commented:

> Both Chinese Development Finance and Public Finance Provided by Northern/Western Development Donors are the same. What Chinese is doing today is what it learnt from the Northern/Western development donors. They all use their public finance or export of capital to promote their national interests in the form of trade, industry, jobs …

Respondents who took a neutral view on this question provided mixed perspectives on the similarities and differences between Northern and CDF. Several highlighted the lack of conditionality that CDF places on 'issues of governance and sustainability,' while others noted that 'costs … for the construction of infrastructure are lower, yet China does not interfere much in the internal management of projects'. Others noted that Northern donors channel funds through country systems, whereas 'China

TABLE 1 | Overview of survey responses.



limits procurement to Chinese companies,' and pointed out the perceived poor quality and value for money of CDF-funded projects compared with those provided by the North.

Respondents affirming a stark difference cited CDF's fewer conditionalities and its focus on infrastructure, efficiency, flexibility and alignment with the specific needs of recipient countries. However, they also critiqued CDF for inadequate skills transfer, occasionally subpar project execution, and a lack of thorough project appraisal, monitoring and lack of adherence to environmental, social, and governance (ESG) standards. Some respondents criticised the profit-oriented approach of Chinese contractors, emphasising their focus on quick project completion rather than on governance improvements or policy changes—areas usually targeted by traditional donors. Concerns were also raised about the restrictive terms set by China, particularly regarding procurement practices, which often mandate the use of Chinese services and supplies. Despite the variety in responses, the majority view affirmed a significant perceived difference between CDF and Northern development finance, complicating the convergence thesis and indicating a prevailing recognition among those surveyed of distinct approaches in development finance.

3.2 | Perceptions on Whether Greater Similarity Is Desirable

We then asked respondents the extent to which they agreed that: 'Greater similarity between Northern/Western and Chinese approaches to development finance is in my country's self-interest'. Most respondents (52%) disagreed or strongly disagreed, expressing a preference against greater alignment. Only 22% agreed or strongly agreed, while 26% remained neutral.

Respondents who did not favour greater similarity particularly opposed the incorporation of Northern-style conditionality into CDF. While noting some complementarity and functional differentiation between Chinese financing of 'hard' infrastructure and the Northern focus on 'soft' sectors, respondents preferred a clear distinction between CDF and Northern finance, despite practical overlaps. They expressed concerns about aspects of CDF they hoped Northern donors would not emulate, like a lack of transparency and a narrow focus on short-term projects, contrasting with Northern donors' emphasis on institution building. Additionally, respondents highlighted the significance of maintaining recipient ownership, with Northern Development Finance regarded as less committed in this regard.

Interestingly, some who maintained a neutral perspective highlighted that 'though the two approaches are different, as long as they address country challenges with respect to country priorities, the differences don't matter that much'. This perspective suggests a more pragmatic view where the suitability of the finance model to meet national objectives is more important than the model's origin or typical characteristics. In sum, the strong views against conditionality in CDF and the emphasis on aid effectiveness in the survey responses affirm the importance that recipients place on controlling their own development agendas. African governments have faced significant challenges in realising ownership as they have been heavily influenced by conditionalities from Northern donors, limiting their policy space. The question is whether the presence of CDF can shift the deep-rooted development financing gaps or the structural dynamics within these countries; something we will return to later.

3.3 | Impact of CDF on Recipient Country Policy Space

Our third question asked respondents the extent to which they agreed that: 'CDF provides my country with greater policy space compared to Northern/Western Development Finance'. Most respondents (59%) either agreed or strongly agreed that CDF does enhance their policy space, while 11% remained neutral, and 30% disagreed or strongly disagreed.

Respondents critical of CDF's impact argued that it constrains national autonomy in project design and implementation: 'Tied project finance leads to poor value for money (overpriced projects) and reduced fiscal space. Northern Development Finance tends to have stricter appraisal criteria for projects and pushes higher standards'. Others highlighted that the project-based nature of CDF is not necessarily conducive to 'building trade competitiveness [as the] focus is on public services such as parliament [buildings], hospitals' and other infrastructure projects. Critiques were also posed against CDF in that 'the Chinese mostly talk directly with top government officials and there is no transparency' and that this has deleterious consequences for 'conditioning the government to adhere to principles of good governance'.

Those who remained neutral provided nuanced perspectives, with all respondents highlighting that CDF responds to demands from the recipient government for infrastructure projects. One respondent noted that CDF both limits and enhances the policy space of their country: limitations include the fact that CDF 'does not come in the form of actual funding that is channelled through [their countries'] systems' based on the rationale that 'it is simpler for China to deliver on the project than just transfer funds. [But] this in effect gives China control over the tendering process', while procurement is limited to Chinese companies. Enabling factors, however, derive from the fact that it is the recipient country that submits a proposal to the Chinese government via the embassy, and that a compromise on procurement has been reached in their country. Rather than China unilaterally determining which Chinese company will work on a project, the 'Chinese government will provide a list of companies from which the [recipient country's] side will shortlist their preferences', while the appointed company 'is able to subcontract locally where possible'.

Those who perceived CDF as enhancing the policy space of their country noted several factors. Overwhelmingly, respondents highlighted that this policy space derives from the lack of conditions or 'restrictions on how the country should be governed'—or in cases where there were conditions—that these were 'limited conditions that can be easily met by the government'. Respondents also highlighted the demand-driven nature of CDF; that China 'will finance the projects that are submitted to them by the recipients, whilst the Western donors tend to have their own perspective of what the recipient needs'. In contrast to 'Western facilities [that] allow for very little or no manoeuvre ... Chinese financing allows for greater flexibility on issues that a government may deem vital for its development'. Respondents nevertheless highlighted that CDF 'usually lacks knowledge and skill transfer because it is strongly tied ... [and] transparency of transactions is also a challenge. The good thing is that the Chinese don't interfere in regulatory and policy frameworks of governments'. Hence, the demand-driven nature of CDF, alongside China's non-interference, means that many respondents view CDF as enabling their countries to pursue projects that would have otherwise not been possible, in line with their self-determined development priorities. While recognising the strong support for CDF, we treat these views with caution because the large, quick, cheap and condition-free CDF can be more vulnerable to political capture. Although most respondents saw CDF as offering greater policy space, the practical realities of this perception warrant further empirical investigation.

3.4 | CDF as a 'Force for Good'

In our survey's final question, we asked participants to assess whether 'overall, CDF has been a force for good towards my country's development'. The majority (66.7%) agreed, affirming that CDF has positively impacted their country's development, while 22.2% disagreed, and 11% remained neutral.

Those who disagreed argued that CDF has not produced commendable development outcomes, with one critic pointing out, 'there is no single development initiative in the country that could be applauded which has been delivered through [CDF]', while another suggested that while the intentions might be positive, the outcomes often 'fall short of expectations'. Those neutral again provided nuanced perspectives: namely, that 'both Chinese and Northern assistance have been helpful and play a significant role in national development', with China contributing towards 'infrastructure-related support while the Northern financiers cut across sectors from governance to social to infrastructure'. There is, therefore, a recognition of functional differentiation between the contributions of Chinese and Northern providers.

Overwhelmingly, however, respondents viewed CDF as a force for good. Respondents noted the role of CDF in financing 'huge infrastructure projects that may not have been funded by Northern Partners'. All those who regard CDF as positive highlighted its contributions to visible infrastructure projects, thereby addressing gaps in infrastructure provision, and aligning with the development visions of developing countries themselves. Respondents particularly valued specific Chinese-funded infrastructure projects that would have been unfeasible otherwise, noting contributions to tangible, visible projects, rather than broad systemic changes.

Across the responses, participants recognised the differing strengths of donors: China excels in infrastructure, whereas Northern donors are focused on and more effective in 'soft lending' towards governance and social sectors. Hence, while acknowledging the greater policy space provided by CDF compared with Northern finance, respondents did not favour greater convergence between these approaches. Rather, the survey data highlights the distinct characteristics, relative strengths and weaknesses of each model. The collective view of the respondents suggests neither a conflicting nor necessarily convergent dynamic: but rather one of complementarity, or what might be termed a 'productive incoherence' resulting from diverse Chinese and Northern approaches. Below we use three country case studies (Ethiopia, Malawi and Mozambique) to analyse in more detail the impacts of the 'new development finance landscape' on recipient country policy space, moving beyond binary views of wholesale policy space expansion or contraction.

4 | CDF and Policy Space: Insights From Three Country Case Studies

This combination of complementarity and incoherence between the two types of finance poses both challenges and opportunities for African policy space, particularly given the ongoing reliance of African countries on Northern donors' traditional focus on budgetary and 'soft sector' interventions. Despite China introducing alternative financing and infrastructure projects, the region's policy space remains influenced by these diverse sources. While our survey responses represent a limited cross-section of policy elites in SSA, they nonetheless affirm the uneven and varied impact of CDF on policy space across different SSA countries.

To explore the impact of CDF on policy space in greater depth, we present a thematic analysis of three case studies: Ethiopia, Malawi and Mozambique. The cases have been chosen because they reflect the important—yet varying—prevalence of CDF in their contexts, and together they provide a geographically representative coverage. Our analysis benefits from the detailed, context-sensitive contributions of a diverse team of researchers based in China and the United Kingdom, specialising in international political economy, development studies and China–Africa relations.

Each case study is structured around a 'Structured Focused Comparison' approach, which involves examining: (i) each country's relationship with traditional, Northern donors and constraints upon policy space; (ii) perceptions of CDF, and (iii) impact of 'age of choice' upon policy space. We now explore these themes and present our findings for each of the three case studies.

4.1 | Policy Space Under the Traditional Development Context

4.1.1 | Ethiopia

Ethiopia has long been able to maintain considerable policy space, partly due to its exemption from colonial subjugation. As one European diplomat observes, 'Ethiopia is fortunate in not having to get the green light for major policy decisions, and that it can make them [decisions] without having to consider the reaction of former colonial masters' (in Oqubay 2015, 287). Meanwhile, positioned between Sudan and Somalia, Ethiopia has been long perceived by the United States and the West as a bastion of relative stability in a volatile region, countering regional geopolitical threats (Mesfin 2012). Consequently, Ethiopia has leveraged its geostrategic importance to secure policy space and 'negotiating capital' with traditional donors (Whitfield and Fraser 2010).

Ethiopia has been a 'donor darling' due to its consistent economic growth, poverty reduction and strong performance in aid effectiveness metrics, becoming one of the largest recipients of international development aid since 1991 (Esteban and Olivié 2022; OECD 2023). Yet the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) withstood pressure from donors and International Financial Institutions (IFIs) to implement neoliberal reforms. Leveraging its position, the Ethiopian ruling coalition pursued a 'transformative Ethiopian national project that does not subscribe to the dominant neoliberal dogma of the Washington Consensus' while securing additional funding from traditional organisations (Cheru 2016, 595). As observed by Whitfield and Fraser (2010, 352), the 'EPRDF government's negotiating strategy … has been to adapt those policy prescriptions of the WB and IMF that it finds acceptable to its own development agenda and to reject others … insist[ing] on the sovereignty of pre-existing political and administrative systems'.

This hybrid approach has resulted in impressive macroeconomic performance, featuring sustained economic growth supported by successive five-year 'Growth and Transformation Plans' (GTP 1/2) aimed at enhancing agricultural productivity, improving industrial and manufacturing capacities, and diversifying exports. Though likely to fall short of the overarching ambition to make Ethiopia a lower middle-income country by 2025, the country reported annual GDP growth of 9% between 2011 and 2016, and a national poverty rate decrease of 30% to 24% in the same period (World Bank 2020). Ethiopian elites assert that Ethiopia's dirigiste industrial policy underpins the economy's robust performance, emphasising the government's efforts to 'maintain policy independence, since the policies pursued often represented a direct challenge to Bretton Woods prescriptions' (Oqubay 2015, 245). As Ethiopia has not been a WTO member, it remains unencumbered by the constraints on policy and 'development' space associated with WTO membership (Khan 2007; Wade 2003).

4.1.2 | Malawi

Malawi began receiving foreign aid since its independence in 1964 and remains heavily dependent on external actors (Banik and Chinsinga 2016; Said and Singini 2014). Northern donors such as the United States, the United Kingdom and the European Union, as well as IFIs including the World Bank, the IMF and the African Development Bank, make substantial contributions to Malawi's national budget, nearly as much as 40% according to some estimates (Khomba and Trew 2022). Donors also provide support at project and programme levels, at times financing close to 90% of the national spending in certain sectors like health and gender (Page 2019; Siachiwena 2023). As a result of the high-level aid dependency, Western donors and IFIs exercise enormous influence on Malawi's economy and politics, which has led to limited policy space of the Government of Malawi (GoM), preventing it from identifying and pursuing development priorities as it sees fit. Consequently, as Sahely et al. (2005, 17) suggest, 'it is unclear whether the GoM or its donor partners are in charge of the policy-making process. To the extent that the policy follows the money, the twists and turns of policy formulation mirror the ebb and flow of resources as well as international donor trends'.

Furthermore, GoM's policy space has been undermined by aid volatility as expressed in the withdrawal or suspension of Western aid due to disagreements and confrontations around allegations of financial mismanagement, poor political and economic governance, and violation of human rights (Dasandi and Erez 2019; Molenaers et al. 2015; Resnick 2012). Budget support was introduced in Malawi in 2000 but suspended on numerous occasions, including in 2001/2002, 2010 and 2011, due to concerns over abuse of resources, increasing levels of cronyism, patrimonialism and political oppression, and other issues (Amundsen 2017). Following a major corruption scandal in 2013, dubbed 'Cashgate', where GoM public officials were accused of syphoning off more than US$30 million, supposedly on President Joyce Banda's watch, major donors suspended their budget support which financed more than 15% of Malawi's budget at that time (Orth et al. 2018). While budget support was frozen, donors provided project-based or otherwise targeted development aid, including for social services, humanitarian needs, and infrastructure and public institutional development. More recently, there have been some signs of improvement in donor confidence and resumption of budget support, although conditional to public sector reforms such as public finance management (Chimjeka 2023).

4.1.3 | Mozambique

Following the signing of the General Peace Accord (GPA) in 1992, Mozambique faced very significant post-war challenges around rehabilitation and reconstruction and increasingly turned to the international development community in search of support. At this time dependence on foreign aid was very high with Mozambique receiving US$1.4 billion in 1992 alone, which constituted 70% of its GDP at the time (Killick et al. 2005). In terms of policy space, the bargaining position of the government vis-à-vis its development partners was thus highly unequal and the development priorities of external partners became increasingly dominant in, for example, poverty reduction strategy papers, creating a 'donor-dominated hegemony that did not leave much space for alternatives' and leaving Mozambique with an extremely 'weak capacity to set the terms of the aid relationship' (De Renzio and Hanlon 2007, 7).

Donors were so inflexible in their specific policy prescriptions that the questioning of such was seen as a losing strategy for an aid-dependent country focused on inflows of foreign assistance. Further, there were Frelimo's (*Frente de Libertação de Moçambique*) internal political dynamics and the coexistence of a 'state capture' group which impacted its capacity to present a unified position vis-à-vis the donor community. The state's bureaucratic capacity to deal with a complex, ever increasing and fragmented set of aid interventions was stretched too, leaving state actors and agencies often devoting more time and attention to the process of managing aid, rather than to confronting its content. At the end of the war Mozambique was attracting significant FDI inflows, becoming something of a 'donor darling', and the need to maintain this narrative became part of a 'pathological equilibrium' (de Renzio and Hanlon 2007) between donors and state actors, that enabled the enrichment of Frelimo elites through privatisation and corruption. In this sense, deciphering policy space becomes complex since donor power is not an entirely separate and distinct external force acting upon the state but to an extent becomes entangled within it or even 'part of the state itself' (Harrison 2004, 22).

In 2016 Mozambique's development trajectory was upended following the discovery of previously undisclosed debts and the revelation of several state-backed 'hidden loans' which had been guaranteed without parliamentary approval. The loans breached both the terms of the IMF programme in place at the time and the International Development Association's non-concessional borrowing policy, resulting in the outright suspension of budget support not only by both institutions but also by a wide range of other development partners who quickly followed suit. The ensuing crisis and scandal plunged Mozambique into a protracted economic downturn and growth halved from 7.7% in 2000–2016 to 3.3% in 2016–2019. This was further compounded by falling commodity prices, the onset of COVID and the drying up of official aid flows. The fallout from the scandal is vital to understanding the relationship between emergent streams of CDF and their impact on the scope for policy space.

4.2 | Perceptions of CDF

4.2.1 | Ethiopia

Under Zenawi's and the EPRDF's emphasis on 'securing policy space suitable for alternative development,' Ethiopian-China relations experienced a surge in the 1990s (Abegunrin and Manyeruke 2020, 133). The Ethiopian state pragmatically uses its collaboration with China to strengthen and maintain its national policy space, aligning this partnership with Ethiopia's domestic and international priorities: consolidating political control, enabling a developmental state model and providing increased negotiation leverage with traditional donors (Cabestan 2012, 11).

As a cornerstone of the African BRI, Chinese financing for major industrial projects, such as Ethiopia's energy sector, is welcomed, as it lacks the conditions and restrictions associated with traditional development financing. Meles Zenawi, thus, acknowledged China's 'irreplaceable role in our economy … it has [an] unparalleled contribution towards funding infrastructure activities' (The Economist 2010, n.p). Tekeda Alamu, former state minister of foreign affairs, asserts that China has directly contributed to enhanced policy space by offering 'possibilities for consolidating sovereign choices and independently chosen paths of development' (Embassy of the PRC to Ethiopia 2010).

Two critical caveats, however, must be considered when understanding perceptions of CDF and policy space. First, Ethiopia has historically maintained policy space and independence compared with other African nations and this predates Chinese engagement. The Ethiopian state has demonstrated remarkable agency towards maintaining independence against incursions from traditional donors, from Haile Selassie's engagement with the United States under the Point Four Programme (Mcvety 2008) to the EPRDF's geopolitical leveraging in donor negotiations in the 1990s and 2000s (see above). Thus, CDF serves as a complement, rather than the exclusive driving force, behind Ethiopia's long-standing developmental and policy space. Second, policy elites do not perceive China's role as an external financing partner in zero-sum terms compared with traditional donors, particularly concerning the United States. While numerous cases show how the Ethiopian state has strategically leveraged its relationship with China during negotiations with European donors (Cheru 2016, 605), a senior Ministry of Foreign Affairs official asserted that 'close relations with China will not make relations with the West "redundant" (in Shinn 2014, 160).

4.2.2 | Malawi

Malawi switched its diplomatic relations from Taiwan to Beijing in 2007 under President Bingu wa Mutharika, following the 2006 Forum on China-Africa Cooperation (FOCAC) Beijing Summit. The change of diplomatic ties allowed Malawi to tap into alternative development financing opportunities from China while GoM was facing serious challenges in providing essential public services because of the withdrawal and suspension of Northern aid. Subsequently, the two rounds of China-Malawi negotiations held in 2008 and 2015 led to development assistance packages consisting of grants, concessional loans and contractor-investor deals respectively worth over US$1 billion and US$2 billion (Banik and Chasukwa 2016). After Malawi joined the BRI in 2022, China recently agreed to provide Malawi with a grant worth over US$2 billion for boosting the latter's rail network (Mkwanda 2023).

The growing importance of CDF has been acknowledged by the Malawian political leadership (Muheya 2014). It can be said that CDF has contributed to enhancing GoM's policy space, most notably in terms of promoting infrastructure development, a policy area that has received limited attention over the past decades. China's emphasis on hardware development had contributed to the intensification of Malawi's internal debate as to whether Western donors may be pursuing a development agenda misaligned with Malawi's actual needs (Banik and Chinsinga 2016). President Bingu wa Mutharika, for instance, argued in favour of China's 'unconditional' aid by suggesting that China did not demand democratic reforms, good governance and anti-corruption drives as a condition for aid and trade (Nyasa Times 2012, 2015).

That said, China's role in reshaping GoM's policy space should not be overstated. CDF alone cannot fully address Malawi's development finance gap, and it is not the only alternative source of funding in Malawi (for instance, India and Arab countries have been active). Meanwhile, China does not provide general budget support, nor does it participate in pooled funds—a financing arrangement where multiple donors make grants to a single entity managed by one of the participating donors or by the respective line ministries with the aim to generate greater and more coordinated impact. Rather, CDF is primarily project-based, which despite delivering much-needed concrete projects allegedly aligned with Malawi's development priorities, contributes to aid fragmentation and has had limited impact on the structural conditions that constrain GoM's policy space (Banik and Bull 2018). In addition, while local elites may have a stronger sense of 'ownership' because typically they make a list of desired projects from which the Chinese choose to fund, in practice, their Chinese counterpart tends to exercise considerably more influence in decisions over funding priorities, out of considerations such as political visibility and commercial interests (Li et al. 2014).

4.2.3 | Mozambique

China's foreign policy relations with Mozambique can be traced to the early 1960s and its support for subaltern nationalism and anti-colonial nationalism in Africa. Over the following decades, relations fluctuated but China provided aid and technical assistance along with interest free loans. From the mid-1980s, China began assisting with both economic reforms and in exploring the possibilities for exploiting natural resources through joint ventures. China's own reforms and opening-up and consequent transformations were often offered as an important reference point for Mozambique. In recent years, the discovery of natural resources—such as coal and particularly gas—has significantly shifted the dynamics of Mozambique's foreign relations, including those with China. With total investment now above US$10 billion, China is among Mozambique's top 10 foreign investors (its third largest bilateral partner) and it has been estimated that 70% of Chinese FDI in the country is now allocated to natural resources, including gas and oil (Garcia 2020).

Since 2000 there have been 20 loans from China totalling just under US$2.5 billion, with infrastructure projects front and centre. The emergence of these streams of CDF has enabled Mozambique to diversify its sources of external support and came at a time when dependence on ODA inflows has, for various reasons, been declining. This reduced reliance on traditional donors has, together with natural resource discoveries and a commodities boom, allowed Mozambique to more quickly pursue a strategy of 'mega-project developmentalism' (Cezne and Wethal 2022) in the extractive, energy and transport sectors. However, this does not amount to a fundamental transformation of policy space. Mozambican debt to China has been steadily increasing during this time and rose as high as 27% of all debt service in 2020 (Brautigam et al. 2020). Further, the flow of CDF has been subject to some notable fluctuations—the rescheduling of Mozambique's debt to China in 2017 led to a period of several years where there were no new loans coming online (ibid.).

Looking beyond the official bilateral state-to-state flows and relations, it is informative to observe how non-state actors perceive China's presence, loans and assistance. Baker's (2019) survey of 'non-government elites' (those who are socially mobile, educated and working in government-adjacent organisations and private industry and who have had some exposure to Chinese firms) found quite negative attitudes towards China but argued that in forming their views of China's presence in Mozambique, these elites are 'projecting' how they feel about their own government onto China (which becomes tainted by association to Mozambican corruption). These elites do not ascribe neocolonial or 'debt-trap' motives to Chinese aid flows and infrastructure projects, Baker argues, but they are aware of the prevalence of state capture and are speculating about Chinese interests that might be intersecting with this. The point that CDF is perceived in ways shaped by Mozambique's political economy is a critical one. Lagerkvist's (2014) research on how Mozambique's farmers and peasants perceive Chinese investors similarly argues that these perceptions are being refracted through an already very tense dynamic between civil society and the state. Some of the reservations about China and its assistance are more a commentary on the party-state's accrual of power and wealth than they are about the direct impacts of Chinese economic activity on African social life.

4.3 | Impact of the 'Age of Choice'

4.3.1 | Ethiopia

While CDF generally receives positive perceptions regarding policy space in Ethiopia, some concerns arise, particularly regarding political space. Some critical observers argue that while CDF increases policy space in Ethiopia, it also limits political space surrounding civic or democratic engagement. The former Chair of Oromo's People's Congress suggested that 'Meles wants [to emulate] the Chinese model … as far back as 1994/5, Meles sent a delegation to China to look very closely at the way China is developing, and especially how to deal with diversity the "Chinese way"' (in Fourie 2015, 299). Ethiopia has experienced intermittent protests and unrest—and civil war (2020–2022) noted below—with violent government crackdowns in response (see Freedom House 2022; Ibrahim 2018). Such has led to what donors euphemistically describe as a 'narrowing of the political space', partly enabling the centralization of power while strengthening the appeal of China's model that emphasises centralised political control and economic growth (Feyissa 2011, 802).

This narrowing has occurred through laws curtailing the rights of civil society, broad definitions of 'terrorist groups' that include nonviolent opponents, and laws limiting media expression and political funding (ECI 2017). Government authorities have also curtailed the role of NGOs, imposing limitations on funding, and stifling civic activism through targeted repression in the name of counterterrorism efforts. There is also extensive evidence of the government using emergency powers to suppress rural dissent (Brechenmacher 2017, 2). China has contributed to the narrowing of political space, for instance, by providing technical assistance, finance, and equipment to help Ethiopia's Information Security Network repress anti-government radio signals and monitor citizen data traffic: it is, however, important to note that the United States has also provided access to high-tech surveillance equipment (Meester 2021; Shinn 2014, 160). Yet Chinese support for Ethiopian industrial expansion, particularly the expansion of industrial zones, has also directly led to violent protests by local communities over issues such as ill-compensated land expropriation and population relocation (Nicolas 2017, 37).

During the conflict and—currently unfolding—aftermath of the Ethiopian-Tigray civil war (2020–2022), China also played a supportive role by providing CDF and arms to the Ethiopian National Defence Forces (ENDF) (Bryen 2021; Kenyette 2023). Despite a brief pivot towards Western donors under Ahmed, and in contrast to strengthening Chinese support, the United States and allies have threatened and enacted various sanctions against Ethiopia, including the EU's termination of foreign aid that has suspended nearly €90 million of aid, while the US Millennium Challenge Corporation has terminated cooperation with Ethiopia due to its human rights record and role in the conflict (Marks 2020; MCC 2022). Towards post-conflict reconstruction and its future economic prosperity, China nevertheless persists a *sine qua non* partner towards the realisation of Ethiopia's policy space and development vision.

4.3.2 | Malawi

Like many African governments, GoM identifies general budget support, including pooled funds, as its preferred aid modality, in which case non-earmarked funds go directly into its public financial system and the government can exercise more control over spending priorities (Resnick 2012). This approach is also in line with the international 'aid effectiveness' agenda that emphasises, among other instruments, the involvement of recipient-country domestic institutions and procedures to improve the quality of aid delivery and development impact. Despite this, many Western donors continue to bypass recipient-country national and local governments when implementing development projects on grounds of widespread corruption, political interference, inadequate capacity and so on. In their study of Malawi's Local Development Fund, Chasukwa and Banik (2019) show that Western donors used mechanisms such as earmarked funding, specialised procurement arrangements, and the proliferation of Project Management Units, to circumvent the involvement of GoM's public administration. The tendency to bypass the Malawian government machinery strengthened following the Cashgate scandal as Western donors increasingly channelled aid through multilateral institutions and civil society organisations instead of GoM (Banik and Chasukwa 2016).

The project-focused nature of CDF could further entrench such bypassing, potentially weakening Malawi's state capacity for formulating and implementing national development policy. The Chinese financed and built projects—such as roads, stadiums and campuses—benefit Malawi's local political incumbent who allege to have delivered tangible social welfare. Meanwhile, the fact that these projects are negotiated between governments allows Malawian elites to promote activities that strengthen their political and social legitimacy. However, the impact of CDF on Malawi's long-term state capacity is less clear. Most Chinese projects avoid Malawi's public structures, and contracts are often directly awarded to Chinese companies without going through Malawi's domestic procurement procedures to ensure the speedy and timely delivery of projects. Under these arrangements, the Chinese counterpart retains control over most decisions on how a project is built, which reduces the involvement, and curtails the power, of Malawi's national and local institutions. Although China funds scholarships, training workshops, and other capacity-building activities, the impact of these activities is likely to be short-term, sporadic, and highly selective, while the bypassing of national and local institutions has longer-term effects including a general weakening of domestic governance and fragmentation of state capacity.

Therefore, in the case of Malawi, there are observable efforts to diversify funding sources yet with limited success in devising systemic change regarding development policy, governance and institutional structure. These endeavours, while characterised by their constrained scope, represent a significant, qualitative departure from long-standing, extensive reliance on traditional donors. However, noteworthy is the absence of transformative outcomes in Malawi's policy space and political landscape. Despite the various initiatives associated with CDF, there is a discernible lack of substantial change in domestic political dynamics, and Malawi's policy space remains fundamentally unaltered. Productive incoherence, in this case, captures the varied and potentially disjointed nature of these endeavours, suggesting an uneven landscape of development strategies that, as of now, falls short of inducing significant political or policy shifts.

4.3.3 | Mozambique

The flow of CDF in recent decades has enabled Mozambique to pursue an agenda of mega-project developmentalism, one which is reminiscent of the modernization plans pursued by the colonial state or in the early post-colonial state-building era (Cezne and Wethal 2022). CDF is not the only or decisive financial flow enabling this—Brazilian (and other South–South) transfers have been significant too, along with the income from commodities and natural resources. Western donors have also enabled earlier generations of mega-projects in Mozambique (such as the Mozal aluminium smelter) so this trend is by no means new or unique to flows of CDF.

In this context, there is productive incoherence in the sense that CDF has productively diversified flows of development assistance and reduced dependence on ODA, but it is not the case that Mozambique is now pursuing a distinctively 'alternative' policy agenda to that advocated by DAC donors or the IFIs. Reduced reliance on traditional donors has created a productive dynamic for the state in enabling a further generation of mega-project developmentalism, but this certainly does not amount to a fundamental transformation of political context nor the conditions around developmental policy space. Moving forward, imaginaries of a coming gas bonanza, where Chinese actors are increasingly central (Garcia 2020) is likely to bring a further round of mega 'development' projects. But to better understand the dynamics here further research on the interstices between South–South flows, national political economies and everyday interactions and encounters is much needed (Cezne and Wethal 2022).

4.4 | Discussion

The three country studies and cross-cutting themes enable us to engage with the theoretical literature on the issues of geopolitics, agency, and negotiation discussed earlier. Firstly, we explore how the intensification of contemporary geopolitical rivalry has shaped the development finance landscape in recent years, particularly influencing the empowerment or disempowerment of specific actors within African policy spaces. In this context, we provide a more nuanced account than the popular linear narrative, which suggests that African governments, courted by both Western and Chinese players, are able to secure greater benefits from external assistance while enhancing their autonomy. However, the so-called 'age of choice' has become increasingly uncertain. Despite grand promises, Western nations have yet to fulfil their commitments to development financing and infrastructure investment, having ignored UN calls for an 'SDG stimulus' and dismissed African-led demands for greater 'equity' in pandemic treaty negotiations. Simultaneously, China has significantly reduced its development financing, shifting towards emerging lending strategies that ensure repayment, while delaying debt restructuring discussions, thus prolonging the economic hardships of distressed debtors (Hameiri and Jones 2024). Moreover, at least rhetorically, there is a rising risk of an 'age of confrontation', with some predicting a 'new Cold War' (Howes 2024). A notable example was USAID's establishment of a 'Countering Chinese Influence Fund … which will invest a total of $300 million in programmes that will advance national-security goals in governance, cybersecurity, commercial engagement, and stabilisation/resilience in the Asia, Western Hemisphere, Africa, Eastern Europe, and Middle East regions, to build more resilient partners capable of withstanding pressure from the CCP [Chinese Communist Party] and other malign actors' (USAID 2022, n.p.). Despite the suspension of aid projects and disbanding of USAID by the Trump administration in early 2025, this initiative points to how development finance has become operationalised as a key vector through which US-Chinese competition will take place, albeit in a fiscally retrenched context on both sides.

Second, our analysis affirms the agency exercised by African governments and other actors, illustrating that Western or Chinese development and infrastructure finance initiatives are not merely hegemonic impositions but are inherently shaped by, and co-produced with, African actors seeking to expand their policy space. By hedging their relationships with Chinese and Western development partners, African governments have been able to capitalise on alternative financing opportunities and pursue their own long-standing policy objectives, many of which were once unimaginable in the post-Cold War unipolar world order (Schindler et al. 2022). Broader insights from Cold War historiographies have provided valuable perspectives on agency in the contemporary context. As Lüthi (2020, 2) explains: 'The great powers might have believed that they were puppet masters pulling strings across the world, but the puppets had their own agendas and frequently pulled at their end of the strings to make the self-declared puppeteers dance'. By employing hedging strategies, African governments bolster their legitimacy by maximising rewards and pursuing development interventions aimed at reducing poverty and promoting sustainable growth. At the same time, they navigate the economic and political pressures exerted by powerful nation-states amidst the fraught politics of the new or 'Second' Cold War (Schindler and DiCarlo 2022). As Thierry Pairault puts it, 'African countries are now realising that they can put everyone into competition' and many are skilfully playing on the China-West rivalry (quoted in Galtier 2024, n.p.).

Third, based on the country case studies, we find that while CDF does not radically transform policy space, it does contribute to incremental and context-specific enhancements. However, we argue that the extent of policy space is more significantly shaped by the internal dynamics, historical legacies, and global economic positions of recipient countries, as well as their interrelations, than by changes in external financing. In this way, we align with Gonzalez-Vicente and Cheng's (2024) call for a political economy approach to geopolitics and geoeconomics, situating policy space within social power relations and political economy dynamics (see also Babić et al. 2022). A key way to achieve this is by unpacking the multiple scales of the state or 'state effects' (Mitchell 1991), and understanding the state as a social relation rather than a singular actor. A multiscalar perspective on policy space allows us to discern the downscaling and upscaling of development financial power beyond the national level. In doing so, it enables the examination of parallels between geopolitical and geoeconomic visions 'encased' at different scales (Slobodian 2018), such as those between Western and Chinese development finance—both of which aim to expand capitalist social relations into new market frontiers (Gonzalez-Vicente 2019). Consequently, viewing the state as a social relation reveals the geopolitical and geoeconomic agendas embedded in multiscalar policy spaces, treating them as the products of negotiations among diverse societal forces.

5 | Conclusion

Our research provides insights on the nature of policy space in SSA countries within the context of an evolving development finance landscape, significantly influenced by China's emergence as a major financial contributor. First, contrary to the common assertion that competition between traditional donors and China enhances policy space (cf., Walshe Roussel 2013), our findings, drawn from the exploratory survey and the case studies of Ethiopia, Malawi, and Mozambique, suggest that internal political economies predominantly shape policy space, rather than external financing influences per se. In Ethiopia, policy autonomy derives largely from historical negotiation capacities with traditional donors, leveraging its geopolitical significance, rather than direct impacts from CDF. In contrast, Malawi and Mozambique's struggles for policy independence are significantly influenced by conditionalities from Northern donors, limiting their policy space despite the presence of CDF. Thus, while CDF contributes to certain infrastructure projects, it does not fundamentally shift the deep-rooted development financing gaps or the structural dynamics within these countries.

Second, while we do not dispute vectors of macro-convergence between traditional donors and China, particularly given the increasing onus of the former on commercial motivates, such manifests differently across recipient countries. China's development finance, marked by non-conditional lending and principles of equality and non-interference, continues to influence its funding strategies and recipients' perceptions (cf. Kragelund 2015). In Mozambique, for instance, CDF supports 'mega-project developmentalism,' diverging from traditional models but still situating Mozambique as a peripheral node within the global neoliberal market. This scenario does not, therefore, represent a complete Chinese alternative to Northern development approaches.

Despite convergence, however, CDF in Ethiopia and Malawi enables state resistance against democratic or institutional reforms imposed by Northern donors, highlighting dynamics of convergence and divergence in development finance.

Third, and crucially, our analysis reveals an incoherent landscape in terms of policy space, influenced by CDF, which deviates from both competition and convergence assumptions. This landscape is marked by incremental progress in infrastructure development yet constrained by persistent financing limitations and divergent development models from Northern donors and China. The policy space thus shaped is limited and defined by traditional lending structures and conditions, with Ethiopia being a partial exception. Despite these constraints, CDF has enabled notable infrastructure developments, contributing to connectivity and growth in the recipient countries. In Ethiopia, CDF complements the existing developmental state model, particularly by boosting the textile and garment industries and supporting integration into regional and global supply chains. In Malawi, we observe incremental and disjointed use of CDF alongside traditional financing, addressing some neglected areas in infrastructure and productivity. Yet, Malawi continues to depend heavily on diminishing budget support from Northern donors, while China focuses its funding on projects that serve its commercial and political interests. This has led to some improvements in Malawi's infrastructure but within a context still dominated by traditional conditionalities and persistent challenges. While CDF extends support to projects overlooked by traditional donors, it does not significantly alter the overall policy direction or choices of these nations.

Our analysis and findings, therefore, echo Grabel's notion of 'productive incoherence' (2011) where the diverse approaches of traditional and emerging providers result in a varied landscape more open to unique, locally tailored initiatives. This development finance environment, marked by scarcity and divergent approaches, creates limited yet valuable opportunities through additional funding sources. Ultimately, however, the policy space in recipient countries is largely shaped by their internal political economies, historical legacies, their position in global economic networks, and the interplay of these factors. Our findings offer insights into the current global development conjuncture, which, as Grabel (2015) suggests, can be seen as an 'interregnum'—a period that retains elements of the traditional aid regime while also being open to new development possibilities. Notably, recipient countries continue to emphasise core principles of 'aid effectiveness', such as 'ownership' for realising self-determined development paths. Yet, recent studies indicate that these principles are increasingly neglected by traditional donors (Brown 2020). Simultaneously, the development cooperation landscape is evolving, marked by a diverse range of funding sources, including emerging development partners, the private sector, and large philanthropic organisations. This landscape offers potential for innovative policymaking, but often falls short of transforming power dynamics or expanding policy space significantly. Resistance from existing political systems, challenges in implementing transformative policies, and limitations in recipient countries' capacities to adapt are important factors in this regard. Therefore, while external financing, including CDF, introduces new elements into the development landscape, it alone cannot tackle the deeper systemic challenges in recipient countries, reaffirming the need for both research and strategies that engage more fundamentally with underlying political and economic structures.

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Conflicts of Interest

The authors declare no conflicts of interest.

Data Availability Statement

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

Endnotes

[1] There are important caveats to this, however. For instance, Mattlin and Nojonen (2015) highlight that while China does not impose explicit policy conditionalities, its loan contracts often exert strong influence, leading to 'consequential' rather than 'prior' conditionality, with implications for developing countries' de facto policy space. Further, the more long-term exception to China's political conditionality is the support for its One-China Policy, which prevents recognition of Taiwan as an independent sovereign state.

[2] The survey was administered in both French and English.

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