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Emerging Donors in International Development Assistance:

The China Case

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One of five reports on the role played by emerging economies in funding
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Executive Summary

This report examines the motivations, operations, and collaboration methods of China's development assistance policy and programming. A central focus of the report is Chinese development assistance in what the International Development Research Centre calls research for development. *Research for development is the use of science and technology to reduce poverty in developing countries through practical, long-term solutions to social, economic, and environmental problems. In addition to support for research activities, development research also includes support directed toward developing research capacity within developing countries to introduce and sustain policies and technologies needed to build healthier, more equitable, and more prosperous societies.*

Research indicates that the landscape of official development assistance is changing, as emerging donors become significant actors in providing support to developing countries. Differences of opinion exist over whether or not aid from emerging donors undercuts the position of the traditional donor community and its emphasis on good governance, environmental assessment, and poverty reduction. China's international development assistance, in particular, has received increasing attention over the past three years.

Fresh evidence gathered from field studies suggests that the total amount of Chinese aid has increased significantly during the past three years and will likely increase further, barring major unforeseen changes in the Chinese economy. While China's foreign aid is directed primarily toward large-scale infrastructure projects, energy facilities, and commercial cooperation, new emphasis is being given to supporting institutional capacity building and human resource development.

Recent shifts in the country's policy environment appear conducive for foreign donors and aid organizations to build new strategic partnerships with China in development assistance and research for development. In fact, the Chinese government has made sizeable new aid commitments and it may experience challenges in meeting them unless changes are made to the country's current approach. Indeed, although the country's recent efforts to support research for development are viewed favourably by Chinese authorities, room exists to strengthen the institutional infrastructure that supports such international cooperation to ensure long-term sustainability and engagement.

This report begins by highlighting the evolution of China's foreign aid programming. In many respects, current programs stem from the "Eight Principles for China's Aid to Third World Countries" announced by former Premier Zhou Enlai in 1964. Chinese authorities have tended to focus on projects that achieve maximum impact both in terms of development and foreign policy.

China's foreign assistance programming continues to be dispersed across a number of government units, although the Ministry of Commerce is, in principle, responsible for managing China's assistance to foreign countries. With respect to China's support for research for development, the main administrative units continue to be the Ministry of Science and Technology (MOST) and the Chinese Academy of Sciences (CAS).

This report also draws attention to several new trends in Chinese development assistance:

- China has increased its assistance to projects that build institutional capacity and develop human resources. This shift may open doors to new partnership opportunities between China and international donors in providing assistance in research for development to developing countries.
- China is devoting greater support for projects based in Africa. In terms of regional disbursements, Africa is slated for the largest increases in Chinese foreign assistance over the next five years.

- Building on the country's experience in regional multilateral development cooperation in the Greater Mekong Sub-region and the Central Asian Region third, China is experimenting with new multi-donor development assistance partnerships via initiatives led by the United Nations Development Programme (UNDP).
- Chinese authorities are currently exploring new opportunities for international partnership in policy research and research for development around new multi-donor-supported south-south dialogue in Beijing.

On a more cautionary note, this report draws attention to the limitations in China's recent exploratory steps in donor coordination, and the constraints that may be inherent in the new institutional partnerships that are currently being supported by the major donors in Beijing.

This report consists of seven sections. The first section discusses the historical development of China's development-assistance programming since the mid-1950s and its guiding principles. The second outlines the basic decision-making and administrative structure of China's development-assistance programming. The third section highlights the key agencies, policy guidelines, and program elements related to China's support for international research for development, while the fourth draws on the most complete information available in the public domain and interviews with Chinese officials, to describe the patterns of China's development assistance programming and disbursement. The fifth section describes the main components and disbursement patterns in China's foreign assistance programming in research for development. Finally, the sixth and seventh sections analyze linkages and partnerships between China and international donors in development assistance in general, and in research for development more specifically.

1. A Tradition of Development Assistance

Chinese aid to developing countries started in the mid-1950s, increased in the 1960s and 1970s, and decreased in the 1980s when the country became both a recipient of development assistance and a donor. The label of emerging donor, therefore, is misleading in the case of China.

During most of the Maoist period (1949-1976), China's development assistance was managed by the Ministry of Economic Cooperation with Foreign Countries (now the Department of Aid to Foreign Countries within the Ministry of Commerce) and was guided by the "Eight Principles for China's Aid to Third World Countries":

1. Emphasize equality and mutual benefit
2. Respect sovereignty and never attach conditions
3. Provide interest-free or low-interest loans
4. Help recipient countries develop independence and self-reliance
5. Build projects that require little investment and can be accomplished quickly
6. Provide quality equipment and material at market prices
7. Ensure effective technical assistance
8. Pay experts according to local standards¹

Chinese foreign aid during the Maoist period can best be understood as operating at three levels:

First, China's development assistance was designed to help post-colonial regimes modernize and become self-reliant, and focused on agricultural aid, technical assistance, and projects that could be completed quickly. The central aim of this assistance was to help developing countries feed and clothe their people. Loans to support local projects were usually provided interest-free. The Chinese referred—and continue to refer—to their development assistance as "poor helping the poor".

A second level was China's desire to help advance communist internationalism and, later, the non-aligned position in the developing world. At the height of their assistance, the Chinese even sought to take a leadership role in the Third World anti-imperialist struggle and the international Communist movement by exporting the Maoist model of peasant-based socialist construction and offsetting Soviet influence.

And third, China used development assistance to mitigate the influence of Taiwan's Kuomintang government and counter its diplomatic efforts to maintain international recognition as the government of China.

The main debates over Chinese development assistance policy took place in the early 1970s. During this time, the goal of Chinese development assistance shifted from advancing international Communism and the Maoist model of peasant-based social construction to ensuring regime survival in China and aligning international assistance with national interests. In effect, Chinese leaders debated how the country could pursue rational developmental goals and still be a socialist state and a supporter of Third World interests. During this period, China also became interested in competing with other nations for natural resources in the developing world. As a result of these debates, by the mid-1980s, Chinese authorities shifted official policy toward development assistance projects that provided economic benefits both to China and recipient countries.

¹ Chinese Premier Zhou Enlai announced the Eight Principles in January 1964 during a speech in Mali.

The early years of Chinese international development assistance were influenced by Soviet thinking and communist/proletarian internationalism. As tensions with the Soviet Union grew in the late 1950s and China shifted to an increased interest in playing a leadership role in the non-aligned movement, the country increased its sponsorships of large-scale aid projects. In many projects, China handled all aspects of development, including sending construction workers. During this time, China took on its largest aid project ever—the 1,200-mile Tanzania-Zambia Railroad. Chinese development assistance also went into building large but less developmentally crucial structures such as sports stadiums, which were requested by African leaders.

In terms of policy continuity, through the entire Maoist period, the Chinese tended to be strategic about opportunity costs and attempted to focus the country's scarce resources where they could have maximum impact. By the 1960s, these calculations were driven by a desire to contrast China's behaviour from that of other foreign donors, especially the Soviet Union and the United States.

Although Chinese development assistance programming has evolved over the years, Chinese government officials interviewed for this study maintain that the Eight Principles first espoused in 1964 have continued to inform Chinese aid programming. Continuity with the Eight Principles can be seen in the principles that guide today's development assistance programming. According to these principles, development assistance should:

- promote international friendship, peaceful relations, and international cooperation;
- be based on, and support, relations of equality, and respect demands of partner countries;
- be based on mutual support in national and international affairs;
- offer assistance within China's capacity;
- be based on mutual respect; and
- result in win-win cooperation, and in doing so, China contributes to building the international community.

The Chinese government has not published a formal foreign aid or development assistance policy. Instead, China's history as a recipient of foreign assistance has influenced its development assistance programs and reinforced a belief in the continuing relevance of the country's guidelines for foreign assistance.

For instance, Chinese officials have amassed a series of lessons based on what they consider the poor behaviour of traditional donors. These lessons are presented as actions that run counter to the Eight Principles.

On the other hand, positive lessons have emerged on the importance of capacity building programs to sustainable development. These lessons have influenced China in increasing its support in this area.

2. The Four Administrative Pillars of Chinese Development Assistance

There is no stand-alone government unit responsible for China's development assistance programming. China's development assistance programming is scattered across a number of government units and operates under leadership of China's ruling Communist Party. Two high-level political bodies provide direction to the four organizations that administer foreign aid.

Atop the core structure that manages development assistance in China is the Chinese Communist Party (CCP) Leading Grouping for Foreign Affairs, chaired by CPP General Secretary and State President Hu Jintao. This group provides general policy direction and guidance to government organizations involved in development assistance. Beneath the Leading Grouping for Foreign Affairs is the State Council Leading Group for Foreign Affairs, chaired by Premier Wen Jiabao. This group regulates China's aid programming but is not involved in daily operations.

Four organizations manage the grant portion of China's development assistance programming:

- Ministry of Commerce, Department of Aid to Foreign Countries;
- the Ministry of Foreign Affairs (MFA);
- select line ministries, including MOST, the Ministry of Agriculture (MOA), the Ministry of Education (MOE), the Ministry of Health (MOH), and the Ministry of Communications (MOC); and
- the International Liaison Office of the CCP Central Committee.

These organizations report to the State Council Leading Group for Foreign Affairs via an inter-ministerial coordination group for foreign aid. See Figure 1 below.

Ministry of Commerce, Department of Aid to Foreign Countries

As the main agency for managing China's foreign aid programs, the Ministry of Commerce conducts initial feasibility analysis for proposed aid projects, coordinates the process of identifying Chinese implementing agencies, and conducts project reviews. MOFCOM is primarily responsible for grants, while the Export and Import Bank of China (EXIM Bank) manages concessional loans.²

Ministry of Foreign Affairs

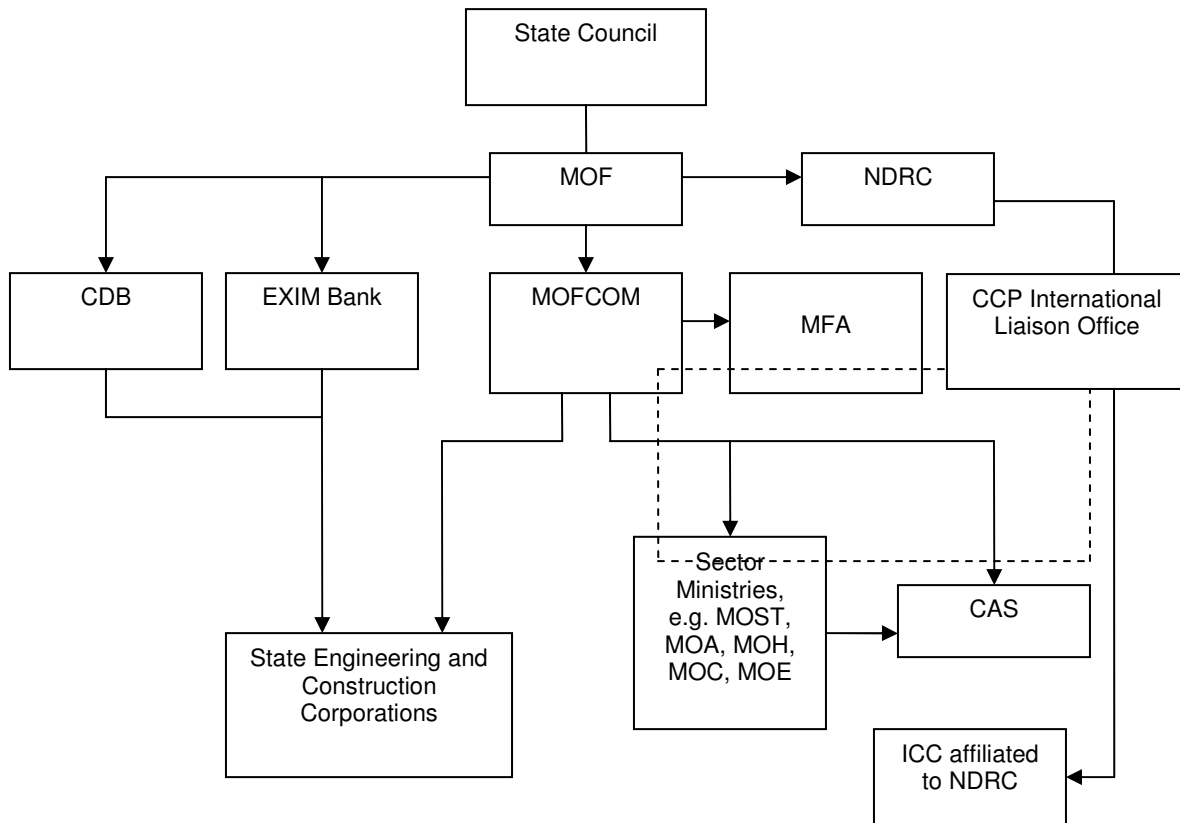
The exact mandate and role of the Ministry of Foreign Affairs in the provision of China's foreign aid is not clear. The MFA apparently strives to ensure that foreign aid programming conforms with Chinese foreign policy by advising MOFCOM. In practice, it seems that China's foreign aid policies differ in terms of objectives and priorities in relation to respective world regions and in response to the government's Africa policy, Asia policy, and Latin and Central American policy. Foreign policy is preconditioned by the CPP's grand strategy for foreign affairs.

The MFA, however, does appear to play a strong role in negotiating and managing the delivery of China's emergency humanitarian assistance, although MOFCOM takes over most responsibilities for aid delivery once agreements are in place. Evidence suggests that officials in the Department for Policy Planning—the MFA's internal think tank—also participate in strategic planning of foreign aid programming.³

² The China Import Export Bank's Department of Concessional Loans manages the state's concessional financing loans related to China's international economic cooperation. The China Development Bank, one of China's four main policy banks, has also taken an interest in helping Chinese enterprises invest in developing countries. Chinese officials from the Ministry of Commerce and the Ministry of Foreign Affairs were far more willing to discuss the grant portion of Chinese aid and less willing to discuss China's development assistance lending.

³ Interview with director of the Ministry of Finance's Department for Policy Planning, April 17, 2007.

Figure 1: Central Government Management Structure for China's Foreign Aid



Select line ministries

MOFCOM recruits sector-specific line ministries (the ministries of science and technology, agriculture, education, health, and communications) as needed to deliver development assistance. These line ministries also receive requests for foreign assistance from their counterpart agencies in developing countries, and forward these requests to the formal review process in Beijing. As such, these ministries take on a lobbying function inside the structure of Chinese foreign aid programming in addition to playing their role in the delivery of assistance implementation.

International Liaison Office of the CCP Central Committee

The main role of this office is to ensure that the CCP maintains diplomatic channels with established and non-hostile political parties around the world. In terms of development assistance, the office gives the CCP a mechanism to monitor, oversee, and steer foreign assistance projects to ensure that they conform to CCP diplomatic objectives.

Four other government units are also involved in China's aid delivery:

- The Ministry of Finance (MOF) sets foreign aid budgets and appropriates funds.⁴
- Government-affiliated service organizations such as the International Cooperation Centre provide training programs and workshops to foreign officials and researchers on China's economic reform and international integration strategies and best practices in foreign capital utilization.⁵
- The National Development Reform Commission reviews large-scale economic development proposals to ensure that they conform with China's annual and five-year macroeconomic plans.⁶
- The Ministry of National Defense (MND), specifically its Foreign Affairs Office, coordinates the foreign aid work of China's armed forces—the People's Liberation Army. The MND also takes on specific tasks, agreed to with MOFCOM, in areas of international humanitarian assistance. A recent case was its contributions in the post-tsunami relief effort.

Executive responsibility lies with Chinese premier

The Chinese premier is responsible for administering foreign aid programming. Authority for China's foreign aid policy and programming, however, lies at the top of the political hierarchy with the CCP General Secretary and China's State President. Direct responsibility for oversight of foreign aid is delegated to a vice-premier.

Within MOFCOM, Wei Jianguo is the vice-minister responsible for China's foreign aid programming and is the official to whom the Department for Aid to Foreign Countries reports.⁷ A vice-minister has also been assigned responsibility for development assistance within the line ministries involved in managing China's development assistance.

Main characteristics of financing process

No Chinese officials were willing to discuss how the country finances development assistance in detail, but they did describe the financing process as having the following characteristics:

- Officials decide which projects to fund, and the required funding is allocated from the national budget.
- MOFCOM administers 90 percent of all grant aid, while MOST controls 10 percent.
- The EXIM Bank—and more recently, the China Development Bank (CDB)—extends concessional loans to foreign and Chinese partners involved in economic cooperation initiatives.

MOST finances research for development projects undertaken by developing countries either out of the department's share of the foreign aid budget or from its overall operational budget.⁸ As for the CAS, it funds research for development projects mainly out of the organization's annual budget.⁹ Moreover, CAS officials noted that MOFCOM will occasionally ask the CAS to undertake scientific research-related projects, and that these projects are usually funded by MOFCOM. The International Cooperation Bureau of the Chinese Academy of Sciences (CAS/ICB) facilitates delivery of these projects.

⁴ These actions are usually done on an annual basis and in consultation with the main ministries responsible for foreign aid; some actors attempt to lobby the ministries for additional funds.

⁵ These quasi-governmental organizations have greater flexibility to work with donors and other sponsoring agencies on international programs. The International Cooperation Centre has an established track record of working with international donors on innovative development projects, starting from its incarnation in the early 1990s as the Foreign Affairs Office of the Special Economic Zones Office. In the late 1990s, the organization was known as the Foreign Affairs Office of China's State Commission Office for Restructuring the Economic System.

⁶ National Development and Reform Commission reviews project proposals sent by the Ministry of Foreign Affairs. The Commission then sends them, with comments, to the International Economic Cooperation Office, a special international economic coordination office inside the Ministry of Foreign Affairs.

⁷ Listed on the Ministry of Commerce website.

⁸ Interview with the director of the Ministry of Science and Technology's International Cooperation Bureau, April 18, 2007.

⁹ Interview with officials from the Chinese Academy of Sciences Bureau of International Cooperation, April 16, 2007.

3. Support for Research for Development

China's development assistance for research for development conforms to the same set of guidelines that govern its foreign assistance. According to the statement prepared by the Ministry of Finance's Department of Policy Planning on south-south cooperation:

China is ready to conduct extensive and in-depth cooperation with the countries of the South in the areas of economy, science and technology, education, and culture on the basis of the principles of equality and mutual benefit, stressing practical results, diversity in forms, and common development. China is ready to provide assistance to some developing countries having difficulties within its capabilities. Though China's assistance is limited, it is dispensed with sincerity and with no conditions attached.¹⁰

Other government departments and agencies have issued similar statements on China's cooperation with developing countries. In terms of development assistance in research for development, the Ministry of Science and Technology is guided by its policy positioning on south-south cooperation, as articulated by the MOST director general of international cooperation, who stated:

Since its implementation of "reform and opening" policy, China has witnessed fast growth of its economic and S&T activities, turning out numerous technologies applicable to the needs of developing nations and attracting their attention. I'm confident that the diffusions and applications of these Chinese proven technologies in developing nations will benefit the economic development of recipients and the improvement of their technological levels. The Chinese Government has always paid great attention to S&T exchanges and cooperation among developing nations.¹¹

The primary agencies and institutions involved in research for development are:

Ministry of Science and Technology:

MOST is the government ministry responsible for providing and managing China's development assistance in science and technology research cooperation with developing countries. MOST's Bureau for International Cooperation promotes and manages China's cooperation in science and technology research, drawing on MOST's operational budget. It also collaborates with other line ministries and research institutes as required.

Chinese Academy of Sciences:

CAS research cooperation concentrates on research projects related to agriculture, geology, the environment, natural resources, and ecological systems. More recently, there has been a stronger emphasis on capacity building, specifically the capacity of scientific researchers. To carry out capacity building, the CAS provides specialized training to professional scientists and leaders of scientific institutions. This shift in development assistance mirrors MOFCOM's emphasis on capacity building. CAS units most involved in research for development cooperation are the International Cooperation Bureau and the Division of International Organization Programs.

Ministry of Education:

The MOE manages China's large-scale academic research grants. The department also works with MOFCOM to identify experts to participate in scientific research for development.

Natural Science Foundation China, Chinese Academy of Engineers and China Association for Science and Technology:

¹⁰ Ministry of Foreign Affairs website (<http://www.fmprc.gov.cn/eng/wjb/zzjg/zcyjs/xgxw/t24932.htm>).

¹¹ Source: Ministry of Science and Technology website.

The NSFC and the CAE are core institutions in China's science and technology policy network, and are involved in south-south cooperation. The programming of these two institutions is not organized in terms of development assistance or development cooperation, and they have yet to receive a clear signal from the CCP and government leaders to add development assistance to their core agendas. As such, no funds have been allocated to these institutions for development assistance activities.

These organizations cooperate with scientific foundations and associations in countries throughout Asia and Central America. In fact, the NSFC has formalized relations with natural science foundations in Vietnam, India, Russia, Thailand, and Mexico, while the CAE has formalized relations with its counterparts in India and Russia¹² and sent delegations to international conferences in Malaysia, Thailand, Indonesia, and Vietnam in 2006. Recently, the CAE also established an African Relations Division in its International Cooperation Bureau. The work of this organization, however, is just beginning; the main regional priority for the CAE remains Asia.

Another institution worth mentioning is the China Association for Science and Technology, which plays a role in China's science and technology policy, and participates in international policy conferences and seminars.

China Executive Leadership Academy Pudong:

CELAP is a national research institute for comparative development that hosts visiting researchers from developing countries and countries in transition to examine different paths to develop market economies and integrate into the international economy. The purpose of such research is to foster more nuanced development policy options and to improve understanding of the strengths and limits of the Chinese model, including the conditions under which China's experience is applicable. CELAP research also informs national policy thinking and Chinese development assistance.

¹² Interviews with directors of the International Cooperation Bureaus of the Chinese Academy of Engineers and the National Natural Science Foundation China, April 17 and 19, 2007.

4. Development Assistance Programming and Disbursement Patterns

Data available on Chinese development assistance are insufficient to accurately determine the amount of Chinese grant and loan aid or the precise breakdown of this aid in terms of recipients and sector concentrations. What is known is that the official data fall far short of the pledges mentioned in press reports from both inside and outside China.

Public sources such as press reports describe many projects that receive Chinese assistance and report aggregate totals for Chinese bilateral assistance. Chinese press reports, however, tend to lack details on the nature and form of Chinese assistance. In particular, the reports do not specify percentages of Chinese support and do not differentiate between commercial investments and development assistance.¹³

Tracking the volume of Chinese aid in aggregate, or broken down by geographical and sector disbursements, is further inhibited by the fact that China does not follow rules set down by the Development Assistance Committee of the Organisation for Economic Development and Co-operation, whose members count and report aid levels according to Official Development Assistance classifications. Data provided in this report are the most recent tabulations that have been carried out and published for public access by Chinese sources and international analysts.

Disbursement amounts over time

MOFCOM officials were unwilling to provide aggregate disbursement amounts over time.¹⁴ The officials also note that China lacks a unified administrative structure to manage its foreign assistance, making it difficult to calculate how much funding each line ministry contributes to development assistance. Ministries are prohibited from sharing these data with foreigners.¹⁵ In fact, information on Chinese foreign aid is considered a state secret. In recent years, though, Chinese officials have become increasingly willing to discuss these matters with foreign analysts and stakeholders, and China now publishes figures for a portion of its spending on development assistance.

As a significant recipient of international assistance, Chinese officials have downplayed the country's role as a donor of development assistance. The most complete aggregate data on Chinese donor assistance is US\$602.77 million for 2002, US\$630.36 million for 2003, and US\$731.20 million for 2004.¹⁶

These figures likely do not include loans for development assistance, although the Chinese government also provides development assistance in concessional loans. These are mainly loans for industrial and infrastructure projects, and are usually financed through the EXIM Bank. Tied financing requires that most financing be used to buy Chinese materials and labour for the project. The EXIM Bank's annual report does not provide a breakdown of financing that identifies the total amount spent on concessional loans.¹⁷

In fact, China's development assistance totals increase substantially when loans are included. The EXIM Bank reportedly received US\$5 billion in July 2005 from China's State Administration of Foreign Exchange to finance its policy lending operations. Speculation among Western and Chinese analysts is that the EXIM Bank's operations, including its lending for development assistance, will expand significantly over the next five years—in part to fulfil pledges from China's

¹³ News reports from recipient countries often provide greater detail on Chinese assistance projects.

¹⁴ Interview with official of the Department of Aid to Foreign Countries, April 16, 2007.

¹⁵ Interview with China Institute for Contemporary International Relations researchers, April 18, 2007.

¹⁶ Derived from entries in "Main items of budgetary expenditure of central and local governments" table, China Statistical Yearbook, 2003-2005 editions. Converted to \$US at rate of 8.3 yuan to one dollar.

¹⁷ The Export and Import Bank of China Annual Report can be viewed on the bank's website.

top leaders to increase the country's development assistance to Africa and other parts of the developing world.¹⁸

Analysis of public sources suggests that Chinese grant and loan development assistance in 2004 totalled approximately US\$10 billion. As such, there appears to be a huge discrepancy between international estimates and official Chinese figures for foreign assistance. The discrepancy can be accounted for, in part, by the lack of clarity on where Chinese development assistance ends and where commercial cooperation begins. Furthermore, the difference between the modest figures for development assistance that have been reported and the multibillion-dollar commitments made by Chinese leaders indicates that the official figures for development assistance are underreported and that unreported channels are likely used to approve and convey development assistance. The only fact that can be stated with certainty is that the total amount of Chinese aid has increased significantly during the past three years.¹⁹

Sector and geographical distribution of disbursements and types of projects

In interviews, Chinese officials were unwilling to provide details on sectoral distribution of disbursements. Statements, however, indicate that a large percentage of Chinese support goes to infrastructure and energy facilities such as railroads, power plants, and power lines, and that numerous large grants and loans go to oil-producing states such as Angola, Sudan, and Nigeria. Comments from Chinese officials also indicate that significant resources have been channelled into sports stadiums, while other projects include debt relief and financing to purchase Chinese goods.

More recently, assistance has also been directed toward manufacturing projects that generate income and employment, promoting health and social development, human resource development, and management training. In fact, substantial development assistance has been directed to the medical and health-care sectors; assistance in basic medical care has had a great impact in Africa.

Chinese officials were also unwilling to discuss the geographical specifics of disbursements. According to a comprehensive data-collection program, which combined public sources and official Chinese data, China's current disbursement pattern for foreign assistance is 40 percent for Asia, 25 percent for Africa, 13 percent for Latin and Central America, and 10 percent for other countries.

Of note, China provided more than US\$5 billion in assistance to Thailand and Indonesia through the International Monetary Fund in 1998 during the Asian financial crisis. Public reports indicate that Iran, Pakistan, and North Korea were the largest beneficiaries of Chinese development assistance in 2004. Chinese assistance to Pakistan reportedly increased dramatically in 2003-2004, with press reports citing more than US\$6.8 billion for projects such as a nuclear reactor, power plants, railroad improvements, and for general development.

China's assistance to Africa is slated for major increases in the immediate future. Chinese President Hu Jintao stated that China would take five specific steps between 2005 and 2008 to increase its assistance to the developing world:

1. Accord zero tariff treatment to a number of products from all 39 least-developed countries having diplomatic relations with China.
2. Further expand aid programs to heavily indebted poor countries and least-developed countries, and forgive overdue loans.

¹⁸ Interviews with Western and Chinese analysts, including officials of the Organisation for Economic Co-operation and Development's Development and Co-operation Co-ordination Group, February through April 2006.

¹⁹ This point was verified in interviews with officials of the ministries of Commerce, Foreign Affairs, and Science and Technology, and China Institute for Contemporary International Relations researchers, April 2007.

3. Provide \$10 billion in concessional loans and preferential export buyer's credit to developing countries to improve infrastructure and promote cooperation.
4. Increase assistance to developing countries, especially African countries, by providing anti-malarial drugs and other medicines, and helping establish and improve medical facilities and train staff.
5. Help train 30,000 personnel of various professions from developing countries within the next three years.

At the Forum for China-Africa Cooperation in November 2006, President Hu Jintao pledged that China would double its aid to Africa from its 2006 level by 2009.²⁰ In particular, China would:

- Offer US\$3 billion in preferential loans and US\$2 billion in export credits over the next three years.
- More than double the number of goods that will not be taxed when exported from Africa to China.
- Train 15,000 African professionals.
- Establish a development fund to help build schools and hospitals.

By 2007, the total value of Chinese loans and grants to African countries has already reached nearly US\$3 billion. It is difficult, however, to predict whether or not China's current focus on Africa will be maintained into the future. In fact, Asian officials have already started to woo Chinese authorities to increase assistance to their home region after bearing witness to China's massive new pledges to Africa.

Furthermore, development assistance in Latin and Central America, and the Caribbean has concentrated on infrastructure, energy and natural resources development. It is being used to counter a political trend toward recognizing Taiwan diplomatically.²¹ Of the 24 countries in the world that recognize Taiwan, half are located in this region.

Types of institutions supported and tying

Chinese officials were unwilling to provide details regarding disbursement channels for Chinese aid. Comments from Ministry of Commerce and Ministry of Science and Technology officials, however, indicate that the overwhelming majority of China's aid disbursements are made bilaterally.

China, however, has some experience disbursing through multilateral channels, although the amounts have been rather limited. The Chinese definition of foreign assistance is much broader than conventional Western definitions. In China, foreign assistance encompasses not only grants and loans, but also commercial investments, trade-related concessional financing, and educational and cultural exchange programs. This broad definition means that the Chinese government may be able to disburse a significant amount of development assistance funds through multilateral commercial initiatives such as the UNDP-sponsored China-Africa Business Council.²²

In terms of bilateral assistance, China supports foreign government institutions, public-welfare institutions, research institutes, commercial and business enterprises, and educational and culture institutions. Chinese multilateral assistance tends to go to projects run and supported by the United Nations, the Asian Development Bank, the African Development Bank, and the Association of Southeast Asian Nations.

²⁰ "China has pledged to double its aid to Africa and provide \$5 bn in loans and credits over the next three years", *BBC News*, November 4, 2006.

²¹ This point was highlighted by a China Institute for Contemporary International Relations researcher, April 18, 2007.

²² The specifics of the Chinese contribution are currently under discussion.

All bilateral assistance is tied aid. This tied aid includes research and development assistance grants, technical assistance, and loans. Chinese aid is delivered by Chinese implementing agencies, which call on a range of Chinese experts and groups, including scientists, professionals, technical experts, corporations, government representatives, and quasi-governmental intermediary organizations.

Chinese aid officials did not identify specific program priorities. Instead, they indicated that the previous focus of Chinese foreign assistance—infrastructure, energy facilities, and sports stadiums—has been complemented with a greater focus on capacity building and social development. Chinese officials also noted that development assistance responds to requests from recipient countries.

5. Research for Development Programming and Disbursement Patterns

Chinese officials were unwilling to provide details on disbursements for research for development. Chinese Academy of Sciences officials, however, note that the organization's involvement in development assistance has increased since the China-Africa Forum in November 2006. MOST officials indicate that, for 2006, the department provided research exchange opportunities for approximately 200 scientific research teams in activities ranging from collaborative research to workshops and seminars. MOST officials also stated that the department and MOFCOM fund Chinese scientists and managerial personnel of research institutes who travel to developing countries to provide technical assistance and engage in research exchanges and scientific seminars, workshops, and conferences. To fund these activities, MOST draws on its 10-percent share of the country's development assistance funds.

A conservative estimate of MOST's aggregate funding for research for development, paid for out of its own operational budget, is US\$61 million for 2002, US\$63 million for 2003, and US\$73 million for 2004. MOST officials note that the department draws from other parts of its budget to cover additional science and technology research activities not included in the department's regular development assistance programming.

CAS officials noted that the organization usually draws on its normal operating budget to fund research projects with developing countries. The organization also receives funding from MOFCOM for certain research projects. In addition, the CAS relies on the scientists in the two countries to raise the funds necessary for their research cooperation.

MOST's priority topics for science and technology research and development are energy, environment, health, water, and education. These priorities also extend to the department's cooperation activities with developing countries.

The CAS assists MOFCOM in helping developing countries build their capacities in scientific research and professional managerial skills for scientific institutions. It focuses on agriculture, geology, environment, natural resources management, and ecological systems.

Since 2006, however, CAS research for development has increasingly focused on helping personnel in developing countries build capacity to undertake research through scientific cooperation in technology transfer, basic science, and high-technology cooperation, including biotechnology. In 2007, the CAS established seven courses for some 1,000 African scientists and scientific experts. In fact, since the China-Africa Forum in 2006, the amount of research for development to Africa has increased substantially.

Although China appears to prefer bilateral cooperation, the country's scientists also participate in multilateral initiatives. For instance, Guangxi Zhuang Autonomous Region is the demonstration site for the Association of Southeast Asian Nations-China agriculture park, and China has supported research for development cooperation in two regional multilateral programs supported by the Asian Development Bank: the Great Mekong Sub-region (GMS) program and the Central Asian Regional Economic Cooperation (CAREC) program.

The CAS provides direct bilateral development assistance to scientific research institutes and to government offices of developing countries that support scientific research. The CAS also sponsors international academic conferences and enables Chinese scientists to participate in multilateral activities sponsored by international organizations. The CAS also cooperates with international organizations such as the Academy of Sciences for the Developing Countries (formerly called the Third World Academy of Sciences), the InterAcademy Council (IAC), and the InterAcademy Panel (IAP). Recently, the CAS contributed US\$50,000 to the IAP.

MOST and CAS officials claim that all research exchanges sponsored by their departments are organized at the request of recipient countries.²³ China does not force other countries to take on research projects with China or pressure other developing countries to accept Chinese manner or modes.

In terms of research exchanges hosted by China, Ministry of Finance regulations state that MOST cannot pay the costs of teams visiting China. This restriction prevents many scientific researchers from taking part in MOST research for development programs.

²³ Interview with official from the Ministry of Science and Technology, April 19, 2007.

6. Increasing International Linkages for Development Assistance

There are no SWAP-type donor groupings in China.²⁴ Donor groupings and donor coordination in general has been discouraged by the Chinese government, which prefers to direct donors' involvement in development assistance projects in China. Despite the country's reservations about donor coordination, China is involved—as a recipient and donor—in two development programs facilitated and supported by the Asian Development Bank: the GMS program and the CAREC program.

Started in 1992, the GMS program promotes development via economic linkages and regional cooperation.²⁵ It promotes economic and social development in the six Mekong countries: Cambodia, China, Laos, Myanmar, Thailand, and Vietnam. China participates in the program through sub-regional projects in Yunnan Province and the Guangxi Zhuang Autonomous Region.²⁶

The CAREC program promotes and facilitates trade and cooperation in the transportation and energy sectors, and in other key development areas among Central Asian and neighbouring countries, including Afghanistan, Azerbaijan, China (focusing on Xinjiang Autonomous Region), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan.²⁷ Started in 1997, the CAREC program is also an alliance of multilateral and other international agencies active in promoting economic cooperation in Central Asia, such as the Asian Development Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, the Islamic Development Bank, the UNDP, and the World Bank. The Chinese government contributed US\$500,000 to this initiative in 2006.²⁸ MOFCOM's Department for International Trade and Economic Affairs manages China's activities under the program.

One of the main reasons why China takes part in these programs is to facilitate coordinated development in regional infrastructure and logistics integration. For China, the CAREC program also provides an institutional mechanism that fosters a coordinated regional approach to energy development. In addition, the two programs encourage efficient economic flows within their respective regions, in which China has certain comparative advantages, and produce secondary benefits such as poverty reduction, social development, and environmental and natural resource management.

Two other notable donor-coordinated initiatives are the International Poverty Reduction Centre in China (IPRCC) and the China-Africa Business Council (CABC). Launched in 2006, the IPRCC is an international agency initiated and established by the Chinese government, the UNDP, and other international organizations. Devoted to training, exchanges, and research related to poverty reduction, the IPRCC is in the inception stage and relies on support from the World Bank, the Asian Development Bank, and two bilateral development agencies—the Department for International Development (United Kingdom) and the GTZ (Germany). The Department for International Development is leading their coordinated efforts to establish a program of “South-South dialogue” for the IPRCC focussing on China's experience in poverty alleviation.²⁹

²⁴ SWAP is the acronym for Sector-Wide Approach Programs, which pool the contributions of the major donors, and are developed in consultation with government representatives of the recipient country.

²⁵ Information from Asian Development Bank report, “Mekong Leaders: Building Capacity in the GMS Countries”, June 2006.

²⁶ Information from Asian Development Bank report, “The People's Republic of China in the Greater Mekong Sub-region” 2007.

²⁷ Information from Asian Development Bank report, “Comprehensive Action Plan: CAREC”, 2007.

²⁸ Interview with the Asian Development Bank official responsible for CAREC, April 24, 2007.

²⁹ International Poverty Reduction Centre in China, Annual Report 2006.

The UNDP has also taken the lead in working with the Chinese government to establish the CABC.³⁰ This multilateral initiative, with its clear link between commercial development and development assistance, reflects China's current approach to development cooperation. Launched in 2006, it coordinates feedback from African participants and input from the Asian Development Bank and Chinese businesses and sector associations.

Although China partners on development assistance projects primarily to provide expertise, financing, and information, political motivations such as the political preferences of recipient countries and pressure from international donors are becoming increasingly apparent in Chinese decisions. In 2003, several donors took notice of China's increased lending and development assistance and began lobbying the country to coordinate its efforts with the donor community.

As a result, China's aid programming appears to be evolving. In fact, the country's favourable experiences with ADB and UNDP partnerships appear to be encouraging Chinese authorities to experiment further with the IPRCC and international coordination of development assistance. These developments open the possibility for China to engage in further multilateral arrangements and may constitute a new trend in China's development assistance programming.

³⁰ Interview with United Nations Development Programme representative, April 23, 2007.

7. International Linkages for Research for Development

To date, China has formed no major donor groupings for research for development except the loose network of donors that has emerged to support the IPRCC. In fact, the IPRCC is the only major donor-to-donor linkage in research for development that involves China. Discussions are underway to establish the applied research operation for the IPRCC, which would focus on research cooperation for poverty alleviation.

The country's motivation for allowing a donor group to emerge in this case has much to do with the financial support offered by the international donor organizations, which are promoting the IPRCC as a test case to launch a new phase of donor coordination with China. The donors have agreed to provide the majority of IPRCC financing for the first three years of operation, after which the organization is expected to be self-sustaining.

Political considerations also appear to be motivating the Chinese government. The State Council's Leading Group Office for Poverty Alleviation (LGOPA), which is the lead Chinese agency for this initiative, enjoys a proven track record of successfully managing cooperation projects in sensitive areas such as poverty and social inequities. After extended deliberations and considerable encouragement, the LGOPA agreed to build a China-focused poverty-reduction research centre, which will enable foreign groups to use the Chinese experience to draw lessons and best practices for other developing countries.³¹

In developing countries, China also creates collaborative research partnerships with local scientists that involve management training and research exchange agreements with local research centres and policy think tanks. MOST has a substantial research cooperation program that covers activities in energy, environment, health, water, and education. The CAS coordinates research for development through its CAS-Third World Academy of Sciences Fellowship Research Program for postgraduate, postdoctoral, and senior scientific researchers.³² TWAS is an autonomous international organization founded in Trieste, Italy in 1983.³³ The program, which has run since 2000, pays for 50 accomplished researchers from developing countries to spend a year working at a CAS institute in China.

³¹ Interview with Department for International Development (United Kingdom) official, April 23, 2007.

³² The former Chinese Academy of Sciences president was the Third World Academy of Sciences vice-president; a current Chinese Academy of Sciences vice-president is a senior leader of the Third World Academy of Sciences. Interview with official from the Chinese Academy of Sciences Bureau of International Cooperation, April 16, 2007.

³³ Since 1986, the Third World Academy of Sciences has supported scientific research and capacity building projects in more than 100 countries.

8. Conclusion

Data available on Chinese development assistance are insufficient to accurately determine the amount of Chinese grant and loan aid or the precise breakdown of this aid in terms of recipients and sector concentrations. The total amount of Chinese aid has increased significantly in the last three years, and will likely increase further in the future, barring an unforeseen major downturn in China's economic situation.

In examining the various dimensions of China's development assistance programs, including research for development, it appears that China's apparent reluctance to coordinate development assistance programming with the "traditional donors" is diminishing, in particular as regards multilateral donors. In fact, the country's favourable experiences with ADB and UNDP partnerships appear to be encouraging Chinese authorities to experiment further with the IPRCC and international coordination of development assistance. These developments open the possibility for China to engage in further multilateral arrangements and may constitute a new trend in China's development assistance programming. Chinese authorities appear to be keeping the IPRCC under close scrutiny, and will likely draw lessons from this experience to inform further multi-donor collaborative efforts.

Specific program priorities were not identified. However, it was indicated that the previous focus of Chinese foreign assistance—infrastructure, energy facilities, and sports stadiums—is being complemented by a greater focus on capacity building and social development. Chinese officials also noted that development assistance responds to requests from recipient countries. It would therefore appear that China's aid programming is evolving.

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Abbreviations and Acronyms

ADB – Asian Development Bank
ASEAN – Association of Southeast Asian Nations
CAAP – Chinese Academy of Agricultural Policy
CABC – China-African Business Council
CAE – Chinese Academy of Engineers
CAREC Program – Central Asian Regional Economic Cooperation Program
CAS – Chinese Academy of Sciences
CAS/ICB – International Cooperation Bureau of the Chinese Academy of Sciences
CASS – Chinese Academy of Social Sciences
CCP – Chinese Communist Party
CDB – China Development Bank
CELAP – China Executive Leadership Academy Pudong (Shanghai)
CICIR – China Institute for Contemporary International Relations
DfID – Department for International Development (United Kingdom)
DAFC – Department of Aid to Foreign Countries in the Ministry of Commerce
DITEA – Department of International Trade and Economic Affairs in the Ministry of Commerce
EXIM Bank – Export & Import Bank of China
GMS Program – Greater Mekong Subregion Program
IAC – InterAcademy Council
IAP – InterAcademy Panel
ICC – International Cooperation Center affiliated to the National Development and Reform Commission
IPRCC – International Poverty Reduction Centre in China
IMF – International Monetary Fund
LGOPA – Leading Group Office for Poverty Alleviation of the State Council
MFA – Ministry of Foreign Affairs
MOA – Ministry of Agriculture
MOC – Ministry of Communications
MOE – Ministry of Education
MOF – Ministry of Finance
MOFCOM – Ministry of Commerce
MOH – Ministry of Health
MOST – Ministry of Science and Technology
MND – Ministry of National Defense
NDRC – National Development and Reform Commission
NGO – Non-governmental organization
NSFC – National Natural Science Foundation China
ODA – Official Development Assistance
OECD – Organizations for Economic Cooperation and Development
OECD/DAC – Development Assistance Committee of the Organization for Economic Development and Cooperation
Party LG – Chinese Communist Party Leading Group
PLA – People’s Liberation Army
RMB – *Renminbi* (Chinese currency)
SCOPSR – State Council Office for Public Sector Reform
SIDA – Swedish International Development Agency
SWAP – Sector-wide approach
TWAS – Third World Academy of Sciences
UNDP – United Nations Development Program
UNIDO – United Nations Industrial Development Organization
USAID – United States Agency for International Development
WB – The World Bank