



South-South Cooperation in China

Contents

| | |
|---|---|
| 1. Introduction | 2 |
| 2. Evolution of Chinese foreign aid policy..... | 2 |
| 3. Resources for Chinese foreign aid | 3 |
| 4. Forms of Chinese foreign aid and debt relief..... | 3 |
| 5. Geographical distribution of Chinese foreign aid | 4 |
| 6. Sectoral distribution of Chinese foreign aid | 4 |
| 7. Administration of Chinese foreign aid | 5 |
| 8. International cooperation in foreign aid..... | 6 |

1. Introduction

Through a white paper, China described its foreign aid activities in terms of the evolution of Chinese foreign aid policy, funding, forms, geographical and sectoral distributions, administration and international cooperation¹.

2. Evolution of Chinese foreign aid policy

China's foreign aid began in 1950 by providing material assistance to the Democratic People's Republic of Korea and Vietnam. Following the Asian-African Conference in Bandung, Indonesia in 1955, the scope of China's aid expanded from socialist countries to other developing countries. In 1956, China began to aid African countries.

In 1964, the Chinese government declared the Eight Principles for Economic Aid and Technical Assistance to Other Countries, the core content of which featured equality, mutual benefit and no strings attached, which served as the basic principle for China's foreign aid.

In the 1970s, China established relations of economic and technical cooperation with more developing countries, and funded the Tanzania-Zambia Railway (TAZARA) and other major infrastructure projects. In this period, China helped other developing countries in their efforts to win national independence and to develop national economy. Following the adoption of the policies of reform and opening up in 1978, China's economic cooperation with other developing countries extended from economic aid to multi-form and mutually-beneficial cooperation. China adjusted the scale, arrangement, structure and sectors of its foreign aid, strengthened its foreign assistance to the least developed countries, and paid more attention to the economic and long-term effects of aid projects. To consolidate the achievements of existing productive projects, China conducted multi-form technical and managerial cooperation with recipient countries, such as managing aid projects on behalf of recipient countries, lease management and joint ventures.

In the 1990s, China took a series of measures to reform its foreign aid mechanism, focusing on diversifying the sources and means of funding. In 1993, the Chinese government set up the Foreign Aid Fund for Joint Ventures and Cooperative Projects with parts of the interest-free loans repaid to China by developing countries. The fund was mainly used to support Chinese small and medium-sized enterprises to build joint ventures or conduct cooperation with the recipient countries in the production and operation spheres. In 1995, China, via the Export-Import Bank of China, began to provide medium- and long-term low-interest loans to other developing countries, effectively expanding funding sources of its foreign aid. Meanwhile, it attached greater importance to supporting the capacity building of recipient countries, and kept enlarging the scale of technical training. Officials from recipient countries receiving

¹ China (2011). China Foreign Aid 2011, Press Office of the State Council, April 2011, available: http://news.xinhuanet.com/english2010/china/2011-04/21/c_13839683.htm

training in China became an important part in the cooperation of human resources development between China and those countries. In 2000, the Forum on China-Africa Cooperation (FOCAC) was initiated.

Since 2004, China's financial resource for foreign aid has increased rapidly, averaging 29.4% from 2004 to 2009. In addition to deciding aid projects arranged through traditional bilateral channels, group consultations were held by China with recipient countries at the international and regional levels. The Chinese government announced a series of well-targeted foreign aid policies at many international and regional conferences, such as the UN High-Level Meeting on Financing for Development, UN High-Level Meeting on the Millennium Development Goals, Forum on China-Africa Cooperation, Shanghai Cooperation Organization, China-ASEAN Leaders Meeting, China-Caribbean Economic & Trade Cooperation Forum, China-Pacific Island Countries Economic Development & Cooperation Forum, and Forum on Economic and Trade Cooperation between China and Portuguese-Speaking Countries, to strengthen foreign aid in the fields of agriculture, infrastructure, education, health care, human resources, and clean energy. In August 2010, the Chinese government held the National Conference on Foreign Aid to review its experience of foreign aid, and define the major tasks for strengthening and improving foreign aid.

3. Resources for Chinese foreign aid

There are three types of foreign aid: grants (aid gratis), interest-free loans and concessional loans. The first two come from China's state finances, while concessional loans are provided by the Export-Import Bank of China as designated by the Chinese government. By the end of 2009, China had provided a total of 256.29 billion Yuan in aid to foreign countries, including 106.2 billion Yuan in grants, 76.54 billion Yuan in interest-free loans and 73.55 billion Yuan in concessional loans.

Foreign aid expenditure is part of the state expenditure, under the Ministry of Finance in its budgets and final accounts system. The Ministry of Commerce and other departments under the State Council that are responsible for the management of foreign aid handle financial resources for foreign aid in their own departments. Each of these departments draws up a budget for foreign aid projects every year and submits it to the Ministry of Finance for review, and then to the State Council and the National People's Congress for approval. Each department controls and manages its own funds for foreign aid projects in its budget. The Ministry of Finance and the National Audit Office supervise and audit the implementation of foreign aid budget funds of these departments based on relevant state laws, regulations and financial rules.

4. Forms of Chinese foreign aid and debt relief

China offers foreign aid in eight forms: full projects, goods and materials, technical cooperation, human resource development cooperation, medical teams sent abroad, emergency humanitarian aid, volunteer programs in foreign countries, and debt relief.

When recipient countries encounter difficulties in repaying due interest-free loans, the Chinese government usually adopts flexible ways and extends the period of repayment through bilateral

discussions. To reduce the debt burden on financially troubled countries, China has, on six occasions, declared that it would cancel debts incurred by mature interest-free loans owed to China by those heavily indebted poor countries and least developed countries. Those occasions were the FOCAC First Ministerial Conference in 2000, UN High-Level Meeting on Financing for Development in 2005, Beijing Summit of the FOCAC in 2006, UN High-Level Meeting on the Millennium Development Goals in 2008, the FOCAC Fourth Ministerial Conference in 2009 and UN High-Level Meeting on the Millennium Development Goals in 2010. By 2009, China had signed debt relief protocols with 50 countries from Africa, Asia, Latin America, the Caribbean and Oceania, canceling 380 mature debts totaling 25.58 billion Yuan.

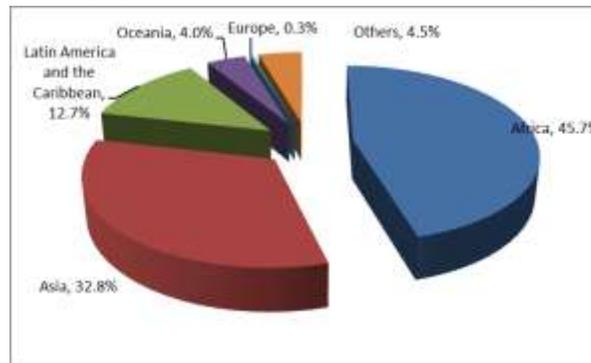
Table 1. Statistics on debts owed to China that have been canceled by the Chinese Government (by 2009)

| Region | No. of countries | No. of debts canceled | Amounts canceled (billion Yuan) |
|---------------------------------|------------------|-----------------------|---------------------------------|
| Africa | 35 | 312 | 18.96 |
| Asia | 10 | 41 | 5.99 |
| Latin America and the Caribbean | 2 | 14 | 0.4 |
| Oceania | 3 | 13 | 0.23 |
| Total | 50 | 380 | 25.58 |

5. Geographical distribution of Chinese foreign aid

China's foreign aid recipients cover most developing countries in Asia, Africa, Latin America, the Caribbean, Oceania and Eastern Europe. About two-thirds of China's aid go to the least developed countries and other low-income countries. By the end of 2009, China had aided 161 countries and more than 30 international and regional organizations, including 123 developing countries that receive aid from China regularly. Of them, 30 are in Asia, 51 in Africa, 18 in Latin America and the Caribbean, 12 in Oceania and 12 in Eastern Europe. Asia and Africa, home to the largest poor population, have got about 80% of China's foreign aid (see Figure 1).

Figure 1. Geographical distribution of China's foreign aid in 2009



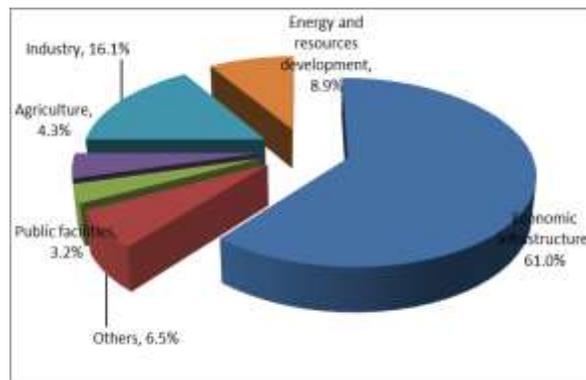
6. Sectoral distribution of Chinese foreign aid

China's foreign aid projects are directed to agriculture, industry, economic infrastructure, public facilities, education, and medical and health care, with the focus on improving recipient countries' industrial and agricultural productivity, laying a solid foundation for their economic and social development, and

improving basic education and health care. In recent years, coping with climate change has become a new area in China's foreign aid (see Figure 2).

China has steadily increased aid in coping with climate change. In recent years, as the problem of global warming has been getting worse, China has expanded the scope of relevant aid to other countries. China has carried out cooperation with Tunisia, Guinea, Vanuatu and Cuba in utilizing bio-gas, assisted in the building of hydropower stations in Cameroon, Burundi and Guinea, and cooperated with Mongolia, Lebanon, Morocco and Papua New Guinea in exploring solar energy and building wind-power stations. In addition, China has held training courses on clean energy sources and climate change for other developing countries. From 2000 to 2009, China held 50 training workshops attended by more than 1,400 people from other developing countries on the development and use of renewable resources such as bio-gas, solar energy, and small hydropower stations, as well as forestry management, and desertification treatment and prevention.

Figure 2. Sectoral distribution of concessional loans from China (by 2009)



7. Administration of Chinese foreign aid

The decision-making power in China regarding foreign aid lies with the central government. Since the 1950s, with the development of foreign relations and foreign aid, agencies at various levels of the Chinese government responsible for the management of foreign aid have been gradually established and improved, and management of projects has been gradually strengthened.

The Ministry of Commerce is the administrative department authorized by the State Council to oversee foreign aid. It is responsible for the formulation of foreign aid policies, regulations, overall and annual plans, examination and approval of foreign aid projects and management of the project execution. The Executive Bureau of International Economic Cooperation, China International Center for Economic and Technical Exchanges, and Academy of International Business Officials affiliated to the Ministry of Commerce are entrusted with tasks of managing the implementation of full projects and technical cooperation projects, material aid projects and training programs connected with China's foreign aid. The Export-Import Bank of China is responsible for the assessment of projects with concessional loans, and the allocation and recovery of loans. Chinese embassies or consulates abroad are in charge of the direct coordination and management of foreign aid projects in the relevant countries. The local

commercial administration departments are required to cooperate with the Ministry of Commerce to deal with affairs related to foreign aid within its jurisdiction.

In providing foreign aid, the relevant departments of the Chinese government keep in close contact and cooperate with each other. In drafting foreign aid programs and foreign aid funds plans for each country, the Ministry of Commerce communicates regularly with the Ministry of Foreign Affairs, Ministry of Finance and the Export-Import Bank of China to seek their suggestions. Some other departments of the State Council are responsible for or participate in the management of foreign aid programs that require better professional expertise. In order to strengthen the coordination of the departments concerned, the ministries of commerce, foreign affairs and finance officially established the country's foreign aid inter-agency liaison mechanism in 2008. In February 2011, this liaison mechanism was upgraded into an inter-agency coordination mechanism.

8. International cooperation in foreign aid

China's foreign aid is provided mainly through bilateral channels. At the same time, China also has done its best to support and participate in aid programs initiated by organizations such as the United Nations, and has actively conducted exchanges and explored practical cooperation with multilateral organizations and other countries in the field of development assistance with an open-minded attitude.

In addition to developing bilateral aid, China gets involved in trilateral and regional cooperation with some multilateral organizations and countries in capacity building, training and infrastructure construction. In 1981, China worked with the United Nations Development Program to implement the Technical Cooperation among Developing Countries (TCDC) program in China, and has trained more than 6,000 technicians for other developing countries in more than 20 years. Since 1996, China has cooperated with United Nations Food and Agriculture Organization for sending Chinese agricultural experts to developing countries. By the end of 2009, China had sent more than 700 agricultural experts and technicians to Africa, the Caribbean and the Asia-Pacific area. In the field of training, China has conducted effective cooperation with multilateral organizations such as the World Bank, the UN Conference on Trade and Development, the UN Industrial Development Organization and Singapore. Within the framework of the Greater Mekong Sub-regional cooperation, China, together with Thailand and the Asian Development Bank, raised funds to build the Laos section of the Kunming-Bangkok Highway, which was opened to traffic in March 2008. China, Thailand, Laos and the Asian Development Bank are working together to build a bridge over the Mekong River for the Kunming-Bangkok Highway.

South-South cooperation is developing rapidly, becoming an effective and beneficial supplement to South-North cooperation. Under the framework of South-South cooperation, China will work with all parties concerned to conduct complementary and fruitful trilateral and regional cooperation on the basis of respecting the needs of recipient countries and jointly promote global poverty alleviation.