

# **China's Foreign Aid**

**Information Office of the State Council**

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Preface

I. Foreign Aid Policy

II. Financial Resources for Foreign Aid

III. Forms of Foreign Aid

IV. Distribution of Foreign Aid

V. Management of Foreign Aid

VI. International Cooperation in Foreign Aid

Conclusion

Appendix I

Appendix II

Appendix III

Appendix IV

Appendix V

Appendix VI

## **Preface**

China is a developing country. Over the years, while focusing on its own development, China has been providing aid to the best of its ability to other developing countries with economic difficulties, and fulfilling its due international obligations.

In the 1950s, soon after the founding of the People's Republic of China, although it was short of funds and materials, China began to provide economic aid and technical assistance to other countries, and gradually expanded the scope of such aid. Since China adopted the reform and opening-up policies in the late 1970s, its economy has been developing rapidly, with the overall national strength growing notably. However, China remains a developing country with a low per-capita income and a large poverty-stricken population. In spite of this, China has been doing its best to provide foreign aid, to help recipient countries to strengthen their self-development capacity, enrich and improve their peoples' livelihood, and promote their economic growth and social progress. Through foreign aid, China has consolidated friendly relations and economic and trade cooperation with other developing countries, promoted South-South cooperation and contributed to the common development of mankind.

Adhering to equality and mutual benefit, stressing substantial results, and keeping pace with the times without imposing any political conditions on recipient countries, China's foreign aid has emerged as a model with its own characteristics.

## **I. Foreign Aid Policy**

### **Course of Development in Foreign Aid**

China's foreign aid began in 1950, when it provided material assistance to the Democratic People's Republic of Korea (DPRK) and Vietnam, two neighboring countries having friendly relations with China. Following the Asian-African Conference in Bandung, Indonesia in 1955, the scope of China's aid extended from socialist countries to other developing countries, along with the improvement of China's foreign relations. 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, hence the basic principle for China's foreign aid was formulated. In October 1971, with the support of other developing countries, China resumed its legal seat in the United Nations, 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 overcame its own difficulties, and provided maximum assistance it could afford to other developing countries in their efforts to win national independence and

to develop national economy, thus laying a solid foundation for its long-term friendly cooperation with developing countries.

After 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 in accordance with its actual conditions. It strengthened its foreign assistance to the least developed countries, paid more attention to the economic and long-term effects of aid projects, and provided aid in more diversified and flexible ways. 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. After adopting the aforesaid cooperation models, some already-completed productive projects accomplished more than traditional technical cooperation in improving enterprise management and production level. Through adjustment and consolidation, China's foreign aid embarked on a development road which suits better to China's actual conditions and the needs of recipient countries.

In the 1990s, in the course of the shift from the planned economy to the socialist market economy, 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 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, and it became an important platform for dialogue between China and friendly African countries and an effective mechanism for pragmatic cooperation in the new circumstances. Through reforms in this period, China further expanded its foreign aid with more notable effects.

In the 21st century, especially since 2004, on the basis of sustained and rapid economic growth and enhanced overall national strength, 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 summarize its experience of foreign aid work, and define the major tasks for strengthening and improving foreign aid in new circumstances. China's foreign aid thus entered a new stage.

### Foreign Aid Policy

China's foreign aid policy has distinct characteristics of the times. It is suited both to China's actual conditions and the needs of the recipient countries. China has been constantly enriching, improving and developing the Eight Principles for Economic Aid and Technical Assistance to Other Countries - the guiding principles of China's foreign aid put forward in the 1960s. China is the world's largest developing country, with a large population, a poor foundation and uneven economic development. As development remains an arduous and long-standing task, China's foreign aid falls into the category of South-South cooperation and is mutual help between developing countries.

### Basic features of China's foreign aid policy are as follows:

- Unremittingly helping recipient countries build up their self-development capacity. Practice has proved that a country's development depends mainly on its own strength. In providing foreign aid, China does its best to help recipient countries to foster local personnel and technical forces, build infrastructure, and develop and use domestic resources, so as to lay a foundation for future development and embarkation on the road of self-reliance and independent development.
- Imposing no political conditions. China upholds the Five Principles of Peaceful Coexistence, respects recipient countries' right to independently select their own path and model of development, and believes that every country should explore a development path suitable to its actual conditions. China never uses foreign aid as a means to interfere in recipient countries' internal affairs or seek political privileges for itself.
- Adhering to equality, mutual benefit and common development. China maintains that foreign aid is mutual help between developing countries, focuses on practical effects, accommodates recipient countries' interests, and strives to promote friendly bilateral relations and mutual benefit through economic and technical cooperation with other developing countries.
- Remaining realistic while striving for the best. China provides foreign aid within the reach of its abilities in accordance with its national conditions. Giving full play to its comparative advantages, China does its utmost to tailor its aid to the actual needs of recipient countries.
- Keeping pace with the times and paying attention to reform and innovation. China adapts its foreign aid to the development of both domestic and

international situations, pays attention to summarizing experiences, makes innovations in the field of foreign aid, and promptly adjusts and reforms the management mechanism, so as to constantly improve its foreign aid work.

## **II. Financial Resources for Foreign Aid**

Financial resources provided by China for foreign aid mainly fall into three types: 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 unified management of 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 in accordance with their respective jurisdictions. Each of these departments draws up a budget for foreign aid projects every year and submits it to the Ministry of Finance for examination, and then to the State Council and the National People's Congress for approval and implementation. 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.

### **Grants**

Grants are mainly used to help recipient countries to build hospitals, schools and low-cost houses, and support well-digging or water-supply projects, and other medium and small projects for social welfare. In addition, grants are used in projects in the fields of human resources development cooperation, technical cooperation, assistance in kind and emergency humanitarian aid.

### **Interest-free Loans**

Interest-free loans are mainly used to help recipient countries to construct public facilities and launch projects to improve people's livelihood. The tenure of such loans is usually 20 years, including five years of use, five years of grace and ten years of repayment. Currently, interest-free loans are mainly provided to developing countries with relatively good economic conditions.

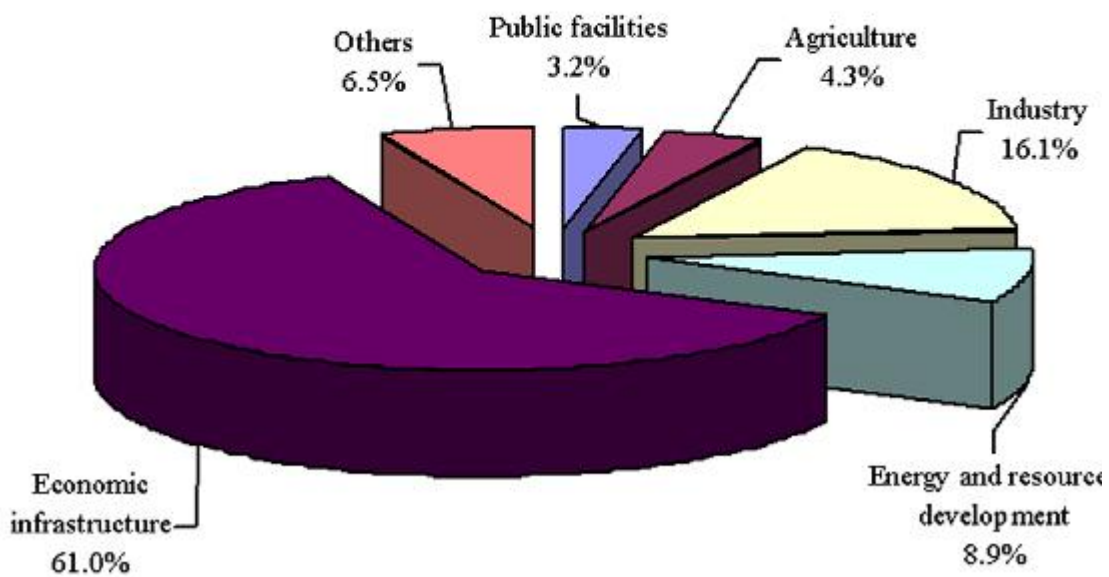
### **Concessional Loans**

Concessional loans are mainly used to help recipient countries to undertake productive projects generating both economic and social benefits and large and medium-sized infrastructure projects, or to provide complete plant, mechanical and electrical products, technical services and other materials.

Concessional loans are raised by the Export-Import Bank of China on the market, and since the loan interest is lower than the benchmark interest of the People's Bank of China, the difference is made up by the State as financial subsidies. At present, the annual interest rate of China's concessional loans is between 2% and 3%, and the period of repayment is usually 15 to 20 years (including five to seven years of grace). By the end of 2009, China had provided concessional loans to 76 foreign countries, supporting 325 projects, of which 142 had been completed. Of China's concessional loans, 61% are used to help developing countries to construct transportation, communications and electricity infrastructure, and 8.9% are used to support the development of energy and resources such as oil and minerals.

[Figure 1 Sectorial Distribution of Concessional Loans from China (by the end of 2009)]

**Figure 1 Sectorial Distribution of Concessional Loans from China (by the end of 2009)**



Graphics shows the figures of sectorial distribution of concessional loans from China to other developing countries by the end of 2009, according to a white paper on China's foreign aid issued by China's Information Office of the State Council on April 21, 2011. (Xinhua/China's Information Office of the State Council)

### III. Forms of Foreign Aid

China offers foreign aid in eight forms: complete 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.

## Complete Projects

Complete projects refer to productive or civil projects constructed in recipient countries with the help of financial resources provided by China as grants or interest-free loans. The Chinese side is responsible for the whole or part of the process, from study, survey, to design and construction, provides all or part of the equipment and building materials, and sends engineers and technical personnel to organize and guide the construction, installation and trial production of these projects. After a project is completed, China hands it over to the recipient country.

Complete projects are a major form of China's foreign aid. From 1954, China had helped Vietnam and DPRK repair war-damaged railways, roads, ports, bridges and urban transport facilities, and assisted them in building a number of basic industrial projects, thus making great contributions to their post-war reconstruction and economic development. Later, foreign aid in complete projects expanded in scale and scope, and accounted for a bigger proportion among China's foreign aid expenditure. At present, they account for 40% of China's foreign aid expenditure.

By the end of 2009, China had helped developing countries construct and complete over 2,000 complete projects closely linked to local people's life and production, covering industry, agriculture, culture and education, health care, communication, power supply, energy, transportation and others.

[Table 1 Sectorial Distribution of Complete Projects Completed with the Help of China (by the end of 2009)]

**Table 1 Sectoral Distribution of Complete Projects Overseas Completed with the Help of China (by the end of 2009)**

<b>Sector</b>	<b>Number of Projects</b>
<b>Agriculture</b>	<b>215</b>
Farming, animal husbandry and fisheries	168
Water conservancy	47
<b>Public Facilities</b>	<b>670</b>
Conference buildings	85
Sports facilities	85
Theaters & Cinemas	12
Civil buildings	143
Municipal facilities	37
Wells and water supply	72
Science, education and health care	236
<b>Economic Infrastructure</b>	<b>390</b>
Transport	201
Power supply	97
Broadcasting and telecommunications	92
<b>Industry</b>	<b>635</b>
Light industry	320
Textiles	74
Radio and electronics	15
Machinery industry	66
Chemical industry	48
Timber processing	10
Building materials processing	42
Metallurgical industry	22
Coal industry	7
Oil industry	19
Geological prospecting and mineral exploration	12
<b>Others</b>	<b>115</b>
<b>Total</b>	<b>2,025</b>

Note: Data in this table exclude projects undertaken with concessional loans.

Graphics shows the sectoral distribution of complete projects overseas completed with the help of China by the end of 2009, according to a white paper on China's foreign aid issued by China's Information Office of the State Council on April 21, 2011. (Xinhua/China's Information Office of the State Council)



## Goods and Materials

They include materials for production and living, technical products or single-item equipment, and necessary technical services covered by foreign aid financial resources provided by China.

China started foreign aid by providing goods and materials. In the 1950s and 1960s, China was short of goods and materials at home. But to help Asian and African countries win national independence and develop their economies, it provided these countries with a large amount of goods and materials. In addition, China provided supporting equipment and materials for complete projects. China always uses products of the highest quality for foreign aid, and the materials it provides include machinery, equipment, medical devices, testing equipment, transport vehicles, office equipment, food and medicine. These supplies meet recipient countries' urgent needs in life and production; and some equipment, such as civil airplanes, locomotives and container-testing equipment, have helped recipient countries improve their equipment capacity and develop their industries.

## Technical Cooperation

Technical cooperation means that China dispatches experts to give technical guidance on production, operation or maintenance of complete projects after they are completed, and train local people as managerial and technical personnel; to help developing countries grow crops, raise animals and process products on a trial basis, and teach local people China's agricultural technologies and traditional handicraft skills; and to help developing countries in inspection, survey, planning, research and consultation work of some industries.

Technical cooperation is an important means by which China helps recipient countries to strengthen their self-development capacity. It covers a wide range of fields, including industrial production and management, farming and poultry raising, handicrafts such as weaving and embroidery, culture and education, sports and physical training, medical and health care, clean energy development such as bio-gas and small hydropower generation, geological survey and prospecting, and economic planning. Technical cooperation projects usually last one to two years, and can be extended at the recipient country's request.

## Human Resource Development Cooperation

Human resource development cooperation means that China, through multilateral or bilateral channels, runs different kinds of research and training programs for government officials, education programs, technical training programs, and other personnel exchange programs for developing countries.

China started to run such programs in 1953. From then until 1979, China hosted a large number of trainees from the DPRK, Vietnam, Albania, Cuba, Egypt and some other countries, covering over 20 sectors including agriculture and forestry, water conservancy, light industry, textiles, transportation and health care. Since 1981, China has worked with the United Nations

Development Program and hosted training courses in practical techniques in different fields for developing countries. In 1998, the Chinese government began to run seminars for officials. The departments involved and the scale and scope of such training programs have expanded rapidly. By the end of 2009, China had run over 4,000 training sessions of different types for developing countries, attended by some 120,000 people, including interns, managerial and technical personnel and officials. These trainees were from over 20 fields, including economy, diplomacy, agriculture, medical and health care, and environmental protection. At present, roughly 10,000 people from developing countries receive training in China every year. Moreover, China has trained a large number of managerial and technical personnel for recipient countries by means of technical cooperation and other ways.

### Chinese Medical Teams Working Abroad

China sends medical teams to recipient countries and provide free medical devices and medicines. These medical teams then provide location-based or touring medical services in those countries.

In 1963, China dispatched the first medical team to Algeria. So far, China has sent medical teams to 69 countries in Asia, Africa, Europe, Latin America, the Caribbean and Oceania. These teams usually work in underdeveloped areas where conditions are harsh and people lack medical services and medicines. These teams have cured many patients with common and frequently occurring diseases, and treated some complicated and serious diseases with acupuncture and moxibustion, medical massage and integrated use of traditional Chinese and Western medicine, saving many critically ill patients. They have also passed on their skills to local medical staff, helping improve local medical and health services. With sound medical skills, lofty medical ethics and a high sense of responsibility and mission, they have worked hard to serve the people of the recipient countries, and thus won respect and praise from the governments and peoples of these countries. By the end of 2009, China had altogether sent over 21,000 medical workers to other countries, and they have treated 260 million patients in the recipient countries. In 2009, 60 Chinese medical teams composed of 1,324 members provided medical services at 130 medical institutions in 57 developing countries.

### Emergency Humanitarian Aid

Emergency humanitarian aid is provided when a country or region suffers a severe natural or humanitarian disaster. In such cases, China provides materials or cash for emergency relief or dispatches relief personnel of its own accord or at the victim country's request, so as to reduce losses of life and property in disaster-stricken areas and help the victim country tackle difficulties caused by the disaster.

Over the years, China has taken an active part in emergency relief operations in foreign countries, and has been playing a more and more important role in international emergency humanitarian relief. To make relief actions quicker and more effective, the Chinese government formally established a response mechanism for emergency humanitarian relief and aid in foreign countries in

September 2004. In December 2004, when a tsunami hit countries by the Indian Ocean, China launched the largest ever emergency relief operation in its history, providing 700 million yuan worth of aid to the disaster-stricken countries. In the past five years, the Chinese government has provided on nearly 200 occasions emergency aid to foreign countries, including offering emergency technical aid to Southeast Asian countries for the prevention and treatment of bird flu; providing emergency aid in materials and cash to Guinea-Bissau hit by a locust plague and cholera, to Ecuador to fight dengue fever and to Mexico to fight influenza A (H1N1). It also assisted Iran, Pakistan, Haiti and Chile following severe earthquakes, Madagascar after a hurricane, Burma and Cuba following tropical storms, and Pakistan following a flood. In addition, it sent emergency food aid to DPRK, Bangladesh, Nepal, Afghanistan, Burundi, Lesotho, Zimbabwe, Mozambique and other countries.

### Overseas Volunteer Programs

China selects volunteers and sends them to other developing countries to serve the local people in education, medical and health care and some other social sectors. The volunteers now China sends mainly include young volunteers and Chinese-language teachers.

In May 2002, China dispatched, for the first time, five volunteers to Laos to provide services in education and medical and health care for half a year. By the end of 2009, China had dispatched to 19 developing countries, including Thailand, Ethiopia, Laos, Myanmar, Seychelles, Liberia and Guyana, 405 young volunteers who provide services in the fields of Chinese-language teaching, traditional Chinese medicine treatment, agricultural technology, sports and physical training, computer skills, international relief and so on. China has sent regular teams of volunteers to Ethiopia, Guyana and a few other countries. In 2003, China started to dispatch volunteer Chinese-language teachers to other countries. By the end of 2009, China had dispatched 7,590 Chinese-language teachers to over 70 countries around the world.

### Debt Relief

Debt relief means that China cancels the mature governmental debts of some developing countries that they owe China. China never urges indebted countries to pay back governmental debts. 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 which have diplomatic ties with China. 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 the end of 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 2 Statistics on Debts Owned to China That Have Been Canceled by the Chinese Government (by the end of 2009)]

**Table 2 Statistics on Debts Owed to China That Have Been Canceled by the Chinese Government (by the end of 2009)**

<b>Region</b>	<b>Number of Countries</b>	<b>Number of Debts Canceled</b>	<b>Amount Canceled (Unit: 100 million yuan)</b>
Africa	35	312	189.6
Asia	10	41	59.9
Latin America and the Caribbean	2	14	4.0
Oceania	3	13	2.3
<b>Total</b>	<b>50</b>	<b>380</b>	<b>255.8</b>

Graphics shows the figures of debts owed to China that have been canceled by the Chinese government by the end of 2009, according to a white paper on China's foreign aid issued by China's Information Office of the State Council on April 21, 2011. (Xinhua/China's Information Office of the State Council)

#### **IV. Distribution of Foreign Aid**

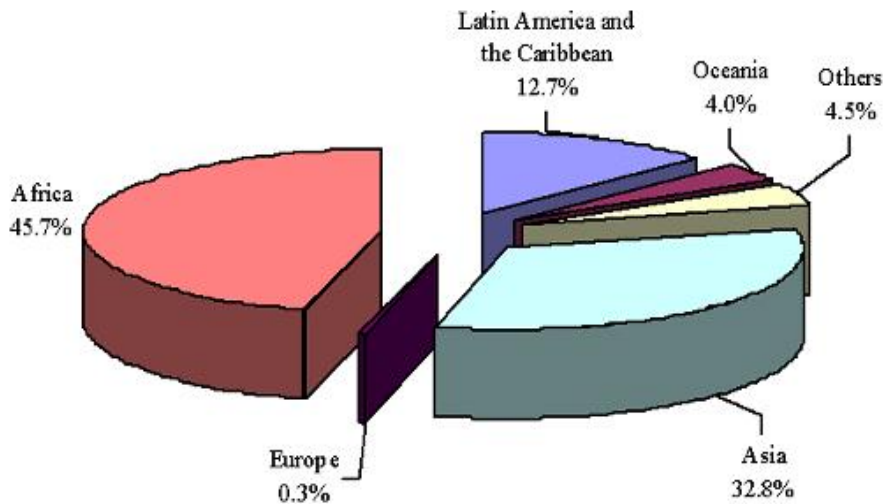
The recipients of China's foreign aid are mainly low-income developing countries. Regarding the distribution of its foreign aid, China sets great store by people's living conditions and economic development of recipient countries, making great efforts to ensure its aid benefits as many needy people as possible.

##### **Geographical Distribution**

The geographical distribution of China's foreign aid shows a comparatively even coverage. The recipients cover most developing countries in Asia, Africa, Latin America, the Caribbean, Oceania and Eastern Europe. About two-thirds of China's aid always 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.

[Figure 2 Geographical Distribution of China's Foreign Aid Funds in 2009]

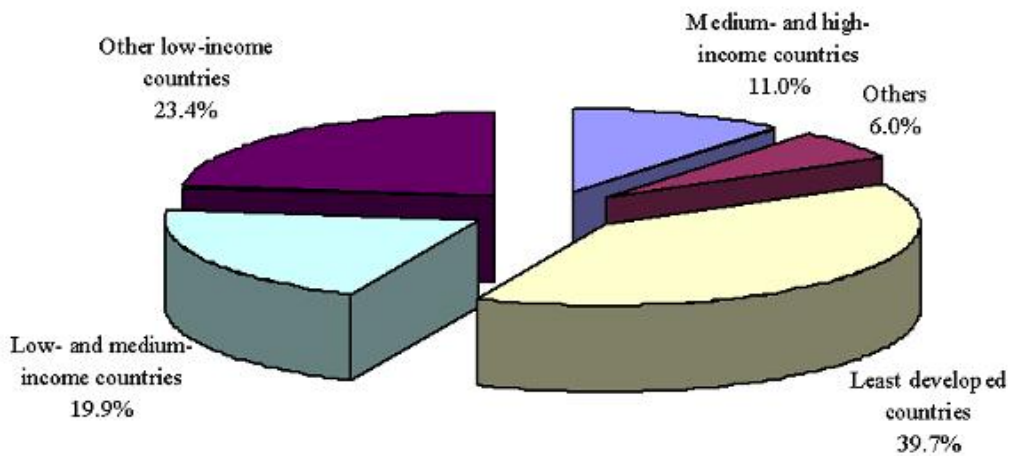
**Figure 2 Geographical Distribution of China's Foreign Aid Funds in 2009**



Graphics shows the figures of geographical distribution of China's foreign aid funds in 2009, according to a white paper on China's foreign aid issued by China's Information Office of the State Council on April 21, 2011. (Xinhua/China's Information Office of the State Council)

[Figure 3 Distribution of China's Foreign Aid According to the Income Level of Recipient Countries in 2009]

**Figure 3 Distribution of China's Foreign Aid According to the Income Level of Recipient Countries in 2009**



Graphics shows the distribution of China's foreign aid according to the income level of recipient countries in 2009, according to a white paper on China's foreign aid issued by China's Information Office of the State Council on April 21, 2011. (Xinhua/China's Information Office of the State Council)

## Major Fields

China's foreign aid projects are oriented 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.

## Agriculture

China makes agriculture, rural development and poverty reduction in developing countries priorities of its foreign aid. The agricultural aid mainly covers building farms, agro-technology demonstration centers, and experiment and promotion stations of agro-technology; constructing farmland irrigation and water-conservancy projects; supplying agricultural machinery and implements, farm produce processing equipment and related agricultural materials; dispatching agro-technicians and senior agricultural experts to pass on agricultural production technologies and provide consultations on rural development, and training agricultural personnel for recipient countries. Agricultural projects aided by China have promoted agricultural development in recipient countries, increased their output of grain and cash crops, and provided raw materials for the development of their light industry. In Guinea-Bissau, Chinese agricultural experts helped build 11 demonstration areas for paddy rice, with a total growing area of 2,000 ha. They bred 530 tonnes of fine strains of rice, which were planted in areas totaling 3,530 ha. Several of the rice strains produced an output three times or more than the original output. In 2008, the Chinese agricultural experts were awarded first prize for scientific and technological progress by the Agricultural Department of Guinea-Bissau. Chinese experts assisted in the operation of a hybrid rice development and demonstration center in Madagascar, where 34 strains of Chinese hybrid paddy rice were grown, with average per-ha. output of eight tonnes, about two to three times the average output of local paddy rice. In the 1960s and 1970s, after succeeding in helping Mali grow sugarcane, China went on to help the country establish sugarcane farm and sugar mills, enabling Mali to grow and process sugar by itself for the first time ever. This sugar-making corporation is playing an important role in Mali's economy. In the 1980s, China helped Tunisia construct the Medzerdah-Cap Bon Canal, which enabled the transfer of water from west to east for farmland irrigation, laying a solid foundation for agricultural development in Tunisia.

China has been increasing its aid for agriculture and grain production in particular. In recent years, food security has become a global issue, and China has adopted a series of measures to address this problem in its foreign aid. For instance, at the UN High-Level Meeting on the Millennium Development Goals in 2010, China pledged to establish 30 demonstration centers for agricultural technologies in other developing countries, dispatch 3,000 agricultural experts and technicians to these countries, and invite 5,000 agricultural personnel from these countries to China for training.

By the end of 2009, China had aided 221 agricultural projects in other developing countries -- 35 farms, 47 agro-technology experiment and promotion stations, 11 animal husbandry projects, 15 fisheries projects, 47 farmland irrigation and water-conservancy projects, and 66 other types of agricultural projects. On top of that, China had provided a large amount of agricultural equipment and materials to them.

## Industry

Industrial aid was an important part of China's foreign aid in its early stage. From the 1950s to the 1970s, China helped many newly-independent Asian and African countries undertake a number of industrial projects. These projects, many of them first ever of their kind in these countries, laid the foundation for their industrial development. Industrial aid increased rapidly in the 1970s, constituting an important part of China's complete projects aid to other countries at that time. Since the mid-1980s, China gradually reduced its aid in this regard, as many developing countries stepped up privatization in the industrial sector. The industrial projects established with China's help have played an active role in promoting production and economic development, creating jobs, increasing tax revenues and invigorating markets in the recipient countries. By the end of 2009, China had helped developing countries construct 688 industrial production projects, covering light, textile, machinery, chemical, metallurgical, electronic, construction materials, and energy industries. Of these, the Hama Textile Mill in Syria, the Cement Factory in Rwanda, the Rioja Cement Factory in Peru, the Agriculture Machinery Factory in Myanmar and the Loutete Cement Factory in the Republic of Congo are always profitable. They employ a large number of local people and yield sound economic and social benefits.

## Economic Infrastructure

Economic infrastructure construction is always an important part of China's foreign aid. Despite its limited foreign aid funds, China has made full use of the mature technologies and relative low cost of manpower to help other developing countries construct a host of infrastructure projects in transportation, communication, power supply, etc. By the end of 2009, China had helped other developing countries build 442 economic infrastructure projects, such as the Sana'a-Hodeida Highway in Yemen, the Karakoram Highway and Gwadar Port in Pakistan, the Tanzania-Zambia Railway, the Belet Uen-Burao Highway in Somalia, the Dry Dock in Malta, the Lagdo Hydropower Station in Cameroon, Nouakchott's Friendship Port in Mauritania, railway improvement in Botswana, six bridges in Bangladesh, one section of the Kunming-Bangkok Highway in Laos, the Greater Mekong Sub-region Information Highway in Myanmar, the Shar-Shar Tunnel in Tajikistan, the No.7 Highway in Cambodia, and the Gotera Interchange in Addis Ababa of Ethiopia. These projects have helped improve the environment of life and production for the local people, and create better conditions for the development of the local economy and society.

## Public Facilities

Public facilities built with aid from China in other developing countries mainly include municipal utilities, civilian buildings, wells for water supply, conference centers, sports venues, culture venues, and facilities for scientific, educational and medical care purposes. By the end of 2009, China had helped other developing countries build 687 public facilities of various kinds. The major ones include the Bandaranaike Memorial International Conference Hall in Sri Lanka, the Friendship Hall in Sudan, the National Theater of Ghana, the Cairo International Convention and Exhibition Center in Egypt, the Radio and Television Broadcast Center in Comoros, the International Convention Center in Myanmar, the Moi International Sports Center in Kenya, the Multi-Functional Sports Stadium in Fiji and the Tanzania National Stadium. They have all become centers for social, political and cultural activities as well as landmark buildings. Some public welfare facilities, including the Capital Water Supply Project in Nouakchott, Mauritania, the Well-Drilling Project in Cambodia, the Water Supply Project in Chalinze, Tanzania, and the Water Supply Project in Zinder, Niger, low-cost housing projects in Angola and Surinam, have played an active role in improving the living conditions of local poor people.

## Education

The Chinese government always attaches great importance to aid in education for other developing countries. Most of China's foreign aid for education is spent in building schools, providing teaching equipment and materials, dispatching teachers, training teachers and interns from other developing countries and offering government scholarships to students from other developing countries to study in China.

In the 1950s, China began to provide financial support to students from other developing countries coming to China to study, and aid Asian and African countries to build their own colleges and technical schools, providing them with teaching instruments and laboratory equipment. Since the 1960s, China has dispatched Chinese teachers to other developing countries. In the 1970s and 1980s, at the request of some countries, China began to train middle- and high-level technicians and managerial personnel from these countries, who would work for complete projects undertaken with Chinese aid, including the Tanzania-Zambia Railway, the Friendship Port in Mauritania, a coal mine in Tanzania and a textile factory in Guyana. In recent years, China has strengthened its aid for education in other developing countries, helping them build nearly 100 rural primary schools, increasing government scholarships and the number of teachers who come to receive training in China, dispatching more Chinese teachers abroad to help build up the weak academic disciplines, and enhancing cooperation with other developing countries in vocational, technical education and distance education. Educational aid from China has helped recipient countries train a large number of qualified personnel in the fields of education, management, and science and technology, and rendered intellectual support for their social and economic development.

By the end of 2009, China had helped other developing countries build more than 130 schools, and funded 70,627 students from 119 developing countries



to study in China. In 2009 alone, it extended scholarships to 11,185 foreign students who study in China. Furthermore, China has dispatched nearly 10,000 Chinese teachers to other developing countries, and trained more than 10,000 principals and teachers for them.

### Medicine and Public Health

Medical aid plays an important role in China's foreign aid. It mainly covers building hospitals and medical care centers, and establishing malaria prevention and treatment centers; dispatching medical teams; training medical workers; and providing medicines and other medical materials. By the end of 2009, China had aided other developing countries to build more than 100 hospitals and medical care centers, and provided them with a large amount of medical equipment and medicines. At present, over 30 hospitals are under construction with the help of China.

Many hospitals built with aid from China, such as the Ta'izz Revolution Comprehensive Hospital in Yemen, and hospitals in the Central African Republic, Guinea-Bissau, Zimbabwe, Chad and Laos, have contributed much to solving local people's difficulties in getting medical service. In recent years, China has strengthened exchanges and cooperation with developing countries, especially African countries, in the prevention and treatment of infectious diseases like AIDS and malaria, and in the research and application of traditional medicines. China has also trained a large number of medical workers for other developing countries. In the last three years, China has built 30 malaria prevention and treatment centers in African countries, and provided artemisinin anti-malaria medicines worth 190 million yuan. China's aid has made a positive contribution to the development of medical undertakings, improvement of the medical care infrastructure and advance of medical treatment technologies in the recipient countries.

### Clean Energy and Coping with Climate Change

China was one of the first countries which have developed clean energy sources such as bio-gas and small hydropower stations. Thus, it has advantages in this regard when it comes to foreign aid. At the beginning of its foreign aid efforts, China helped developing countries in Asia and Africa in utilizing local water resources to build small- and medium-sized hydropower stations and projects of power transmission to meet the needs for electricity by local people as well as by agricultural and industrial production. In the 1980s, by working with relevant agencies of the United Nations, China imparted bio-gas technologies to many developing countries. Meanwhile, China passed on bio-gas technologies to Guyana and Uganda by way of bilateral aid. China's efforts achieved the expected results and helped the recipient countries reduce their dependence on imported fuels.

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.

## **V. Management of Foreign Aid**

The decision-making power in China regarding foreign aid lies with the central government. Ever 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 of the People's Republic of China 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 complete 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 related 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.

## **VI. 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 like 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.

Since 2005, China has carried out exchanges in development assistance with many international multilateral organizations and countries. It has sent delegations to participate in conferences and dialogues on international development and cooperation such as the UN High-Level Meeting on Financing for Development, UN High-Level Meeting on the Millennium Development Goals, UN Development Cooperation Forum, High-Level Forum on Aid Effectiveness, Heiligendamm Process Dialogue between G8 and the five most important emerging economies, and WTO Global Review on Aid for Trade, to strengthen its communication and exchanges with other aid providers and promote South-South cooperation.

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 that give full play to the advantages of all participants. Positive results have been achieved. In 1981, China worked with the UNDP (United Nations Development Program) to implement the Technical Cooperation among Developing Countries (TCDC) program in China, it has trained more than 6,000 technicians for other developing countries in more than 20 years. Since 1996, China has cooperated with UNFAO (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. At present, China, Thailand, Laos and the Asian Development Bank are working together to build a bridge over the Mekong River for the Kunming-Bangkok Highway.

At present, the scope of international aid for development is being gradually expanded. 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 the process of global poverty alleviation.

## Conclusion

Currently, the environment for global development is not favorable. With the repercussions of the international financial crisis continuing to linger, global concerns such as climate change, food crisis, energy and resource security, and epidemic of diseases have brought new challenges to developing countries, aggravating the imbalance in the development of the global economy, and widening the gap between North and South, rich and poor. The international community should strengthen cooperation and jointly rise to the challenges facing development.

Against this background, China has a long way to go in providing foreign aid. The Chinese government will make efforts to optimize the country's foreign aid structure, improve the quality of foreign aid, further increase recipient countries' capacity in independent development, and improve the pertinence and effectiveness of foreign aid. As an important member of the international community, China will continue to promote South-South cooperation, as it always has done, gradually increase its foreign aid input on the basis of the continuous development of its economy, promote the realization of the UN Millennium Development Goals, and make unremitting efforts to build, together with other countries, a prosperous and harmonious world with lasting peace.

## Appendix I

### China's Eight Principles for Economic Aid and Technical Assistance to Other Countries (January 1964)

1. The Chinese government always bases itself on the principle of equality and mutual benefit in providing aid to other countries. It never regards such aid as a kind of unilateral alms but as something mutual.
2. In providing aid to other countries, the Chinese government strictly respects the sovereignty of recipient countries, and never attaches any conditions or asks for any privileges.
3. China provides economic aid in the form of interest-free or low-interest loans, and extends the time limit for the repayment when necessary so as to lighten the burden on recipient countries as far as possible.
4. In providing aid to other countries, the purpose of the Chinese government is not to make recipient countries dependent on China but to help them embark step by step on the road of self-reliance and independent economic development.
5. The Chinese government does its best to help recipient countries complete projects which require less investment but yield quicker results, so that the latter may increase their income and accumulate capital.
6. The Chinese government provides the best-quality equipment and materials manufactured by China at international market prices. If the equipment and materials provided by the Chinese government are not up to the agreed specifications and quality, the Chinese government undertakes to replace them or refund the payment.
7. In giving any particular technical assistance, the Chinese government will see to it that the personnel of the recipient country fully master the technology.
8. The experts dispatched by China to help in construction in recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities.

## Appendix II

### Five Measures Announced by the Chinese Government at the UN High-Level Meeting on Financing for Development (September 2005)

1. China has decided to accord zero tariff treatment to some products from all the 39 least developed countries (LDCs) having diplomatic relations with China, which covers most of the China-bound exports from these countries.
2. China will further expand its aid programs to the heavily-indebted poor countries (HIPCs) and LDCs, and, through bilateral channels, write off or forgive in other ways, within the next two years, all the overdue parts as of the end of 2004 of the interest-free or low-interest governmental loans owed by all the HIPCs having diplomatic relations with China.
3. Within the next three years, China will provide US\$10 billion in concessional loans and preferential export buyer's credit to other developing countries to improve their infrastructure and cooperation between enterprises on both sides.
4. China will, in the next three years, increase its assistance to other developing countries, African countries in particular, by providing them with anti-malaria drugs and other medicines, helping them set up and improve medical facilities and training medical staff. Specific programs will be implemented through such mechanisms as the Forum on China-Africa Cooperation as well as bilateral channels.
5. China will train 30,000 personnel of various professions from other developing countries within the next three years so as to help them speed up their human resources development.

## Appendix III

### The Eight-Point Plan China Pledged at the FOCAC Beijing Summit (November 2006)

1. Increase assistance to African countries, and by 2009 double the size of its assistance to African countries in 2006.
2. Provide US\$3 billion in concessional loans and US\$2 billion in preferential export buyer's credit to African countries in the next three years.
3. Set up the China-Africa Development Fund, the total amount of which will gradually reach US\$5 billion, to give encouragement and support to Chinese companies investing in projects in Africa.
4. Help the African Union to build a convention center in order to support African countries in their efforts to strengthen themselves through unity and speed up African integration.
5. Cancel the repayment of interest-free government loans that had become due by the end of 2005 to China by Heavily Indebted Poor Countries (HIPC) and Least Developed Countries (LDC) in Africa that have diplomatic ties with China.
6. Further open the Chinese market to Africa, expand the scope of imports from African LDCs having diplomatic ties with China entitled to zero duty treatment from 190 tariff lines to over 440 tariff lines.
7. Set up three to five overseas economic and trade cooperation zones in African countries in the next three years.
8. Train 15,000 professionals for African countries in the next three years; send 100 senior agro-technology experts to Africa; set up in Africa 10 agro-technology demonstration centers with special features; assist African countries in building 30 hospitals and provide African countries with a grant of 300 million yuan that is used to supply anti-malaria drugs like artemisinin and build 30 centers for prevention and treatment of malaria; dispatch 300 youth volunteers to African countries; help African countries set up 100 rural schools; increase the number of Chinese government scholarships for African students from the current 2,000 per year to 4,000 per year by the end of 2008.

## Appendix IV

### Six Measures for Foreign Aid Pledged by the Chinese Government at the 2008 UN High-Level Meeting on the Millennium Development Goals (September 2008)

1. In the coming five years, China will double the number of agricultural technology demonstration centers it builds for other developing countries to 30, increase the number of agricultural experts and technicians it sends overseas by 1,000 to double the present figure, and provide agricultural training opportunities in China for 3,000 people from other developing countries.
2. China will contribute US\$30 million to the UN Food and Agriculture Organization to establish a trust fund for projects and activities designed to help other developing countries enhance agricultural productivity.
3. China will increase exports and aid to countries facing food shortages.
4. In the coming five years, China will give 10,000 more scholarships to other developing countries and offer training programs exclusively for 1,500 principals and teachers from African countries. China will ensure that the 30 hospitals it builds for African countries are properly staffed and equipped, and train 1,000 doctors, nurses and managers for the recipient countries.
5. China will cancel the outstanding interest-free loans extended to LDCs that mature before the end of 2008, and give zero-tariff treatment to 95% of products from the relevant LDCs.
6. In the coming five years, China will develop 100 small-scale clean energy projects for other developing countries, including small hydropower, solar power and bio-gas projects.



## Appendix V

### The New Eight-Point Plan China Pledged at the Fourth FOCAC Ministerial Conference (November 2009)

1. China proposes the establishment of a China-Africa partnership in addressing climate change and the holding of senior official consultations on a non-regular basis, and strengthening of cooperation in satellite weather monitoring, development and use of new energy, prevention and control of desertification, and urban environmental protection. The Chinese government decides to assist African countries with 100 clean energy projects in the fields of solar energy, bio-gas and small hydropower stations.
2. To intensify cooperation in science and technology, China proposes to launch the China-Africa Science and Technology Partnership Plan, carry out 100 joint research demonstration projects, invite 100 African post-doctoral students to conduct scientific research in China and subsidize them when they return to their home countries to work.
3. In order to improve African countries' capacity in financing, the Chinese government will provide US\$10 billion in concessional loans to African countries. China supports the establishment by Chinese financial institutions of a special loan of US\$1 billion for the development of small and medium enterprises (SMEs) in Africa. The Chinese government will cancel debts of interest-free government loans that mature by the end of 2009 owed by all HIPC and the LDCs in Africa having diplomatic relations with China.
4. China will further open its market to African countries. It will gradually give zero-tariff treatment to 95% of exports from the LDCs in Africa having diplomatic relations with China. As the first step, China grants zero-tariff treatment to 60% of the exported commodities from those countries in 2010.
5. In order to further strengthen agricultural cooperation and improve African countries' capacity for food security, China will increase to 20 the total number of agro-technology demonstration centers built for African countries, send 50 agro-technology teams to Africa and help train 2,000 agro-technicians for African countries.
6. China will continue to deepen China-African cooperation in medical care and public health service. It will provide 500 million yuan worth of medical equipment and malaria-fighting materials to 30 hospitals and 30 malaria prevention and treatment centers which have been built with China's assistance, and help African countries train a total of 3,000 doctors and nurses.
7. In order to further enhance cooperation in human resource development and education, China will help African countries to build 50 China-Africa friendship schools and train 1,500 school principals and teachers; increase the number of Chinese government scholarships for African students to 5,500 by 2012; and train a total of 20,000 professionals in various sectors for African countries in the next three years.

8. To enlarge people-to-people exchanges, China proposes to implement a China-Africa Joint Research and Exchange Plan to strengthen cooperation and exchanges between scholars and think tanks, which will also provide intellectual support for better policy-making regarding cooperation between the two sides.

## Appendix VI

### Six Measures for Foreign Aid Pledged by the Chinese Government at the 2010 UN High-Level Meeting on the Millennium Development Goals (September 2010)

1. Helping improve the people's livelihood in developing countries is the primary objective of China's foreign aid. To date, China has built over 150 schools, nearly 100 hospitals, more than 70 drinking water facilities and 60-plus stadiums for other developing countries. China has sent more than 20,000 medical personnel to nearly 70 countries, offering treatment to hundreds of millions of patients. In the coming five years, China will take the following steps in support of a better livelihood for people in other developing countries: building 200 schools; dispatching 3,000 medical experts, training 5,000 local medical personnel, and providing medical equipment and medicines to 100 hospitals, with priority being given to women's and children's health, and the prevention and treatment of malaria, tuberculosis and AIDS; building 200 clean energy and environmental protection projects; and increasing assistance to small-island developing states in the fields of disaster prevention and mitigation to help build their capacity for countering climate change. China will, within the next three years, donate US\$14 million to the Global Fund to Fight AIDS, Tuberculosis and Malaria.

2. Reducing and canceling the debts of the LDCs. By the end of 2009, the Chinese government had canceled debts worth 25.6 billion yuan owed to it by 50 HIPC and LDCs. Moreover, China will cancel their debts associated with the outstanding governmental interest-free loans that mature in 2010.

3. Deepening financial cooperation with developing countries. To help other developing countries counter the adverse effects of the international financial crisis, China has provided US\$10 billion in concessional loans to African countries and US\$15 billion in credit support to ASEAN countries, including Vietnam, Cambodia, Laos and Indonesia. China has contributed an additional US\$50 billion to the IMF, with an explicit request that the fund should be used, first and foremost, to help LDCs. China will continue to extend financial support of a certain scale to developing countries in the form of concessional loans and preferential export buyer's credit.

4. Broadening economic and trade ties with developing countries. China has worked consistently to create conditions for developing countries to increase their exports to China through tariff relief and other measures. China has made a commitment to phasing in zero-tariff treatment to 95% of products from relevant LDCs. Since July 2010, China has given zero-tariff treatment to imported products from 33 LDCs covering more than 4,700 tariff lines, accounting for the overwhelming majority of the products from these countries. In the future, the Chinese government will give zero-tariff treatment to more products and let more countries benefit from this arrangement, while continuing to encourage Chinese companies to expand investment in developing countries.

5. Strengthening agricultural cooperation with developing countries. China has completed more than 200 agricultural cooperation projects in developing countries, and sent a large number of agro-technology experts to those countries, giving a strong boost to their agricultural development. In the next five years, China will dispatch 3,000 agricultural experts and technical staff abroad, provide 5,000 agriculture-related training opportunities in China, and give priority to cooperation with other developing countries in agricultural planning, hybrid rice cultivation, aquaculture, farmland water conservancy and agricultural machinery development.

6. Helping developing countries enhance their human resources. China has held over 4,000 training courses and trained 120,000 managerial and technical personnel in various professions for developing countries, helping recipient countries build human resources, which are their most valuable assets. In the next five years, China will train another 80,000 professionals in various fields for developing countries. It will also increase the number of scholarships and on-the-job master's degree programs for people from developing countries, and provide training opportunities in China to 3,000 school principals and teachers.

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**Fuente:**

[http://news.xinhuanet.com/english2010/china/2011-04/21/c\\_13839683\\_22.htm](http://news.xinhuanet.com/english2010/china/2011-04/21/c_13839683_22.htm)