

« FICHE CONTRADICTOIRE »
EVALUATION OF THE EUROPEAN COMMISSION'S CO-OPERATION AND PARTNERSHIP WITH
THE PEOPLE'S REPUBLIC OF CHINA

(*For details on the recommendations please refer to the main report)

Recommendations	Response of Commission services	Follow-up (one year later)
<p>Continue development cooperation with China</p> <p>Use of these instruments should continue. However the trend towards decreased reliance on development cooperation tools should continue and, as noted in the final recommendation, the EC and its Chinese partners should start to plan explicitly for the eventual phasing out of development cooperation altogether.</p>	<p>The argument that is usually brought forward for not continuing development cooperation is that China is growing at a fast rate and will continue to grow at 10% per year in the foreseeable future. One should keep in mind that many regions in China are developing at a high pace in economic terms and that China is already at world level in several high-tech areas. Therefore, China should not be considered as a pure developing country, but rather as an emerging country.</p> <p>Eventhough, China is, and still will be after 2010, eligible for official development assistance. It has the second highest absolute number of poor people in the world (after India and before Nigeria) and it is impossible to achieve the millennium development goals by 2015 without China.</p> <p>This does not mean that China is in the same position as some African states, which need assistance to fund the needed investments, e.g. to build primary schools or health centres. China has adequate resources and is directing major resources to achieve this. Nevertheless in the short term, it is still important to provide a limited scale of resources to achieve these objectives in two senses:</p> <p>Firstly, many of the policy areas where China is devoting</p>	

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	<p>resources in order to achieve these objectives are areas where there is rich, continuing European experience. (social security, regional policy, corporate social responsibility, health and safety at work and last, but not least, environmental technologies and regulation). By making the lessons of the European experience more easily available to China, we can help it set up more adequate systems in all these areas, which will thus help China be more effective in its own work to reduce and eliminate poverty.</p> <p>Secondly, continuing moves to reduce poverty in China will only succeed if China succeeds in consolidating its move towards being a properly regulated market economy, well-integrated into the world economy. Here again, making available European expertise in areas such as trade, financial services and intellectual property rights should make an important contribution.</p> <p>In both the above two areas, the task for Europe is not to provide the investment resources needed. China is perfectly capable of doing this for itself. The task is rather to support cooperation in the field of know-how in the broadest sense in areas of priority interest and benefit for China, whilst safeguarding EU interests and competitiveness. The main instrument for this is technical cooperation (experts, studies, study tours, conferences, exchanges and apprenticeships, twinning arrangements); pilot projects can also be useful to emulate know how, technologies and institutional arrangements.</p> <p>Going beyond 2010, it has to be recognised that China has emerged as an economic powerhouse, and that current assistance</p>	

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	<p>mechanisms are less well adapted to keep up with the pace and complexity of developments in China. For example, the fact that the DCI does not allow for mutual or EC-interest cooperation projects weakens the relevance and effectiveness of the instrument for working with China. Considerations on how to better focus (e.g. on policy cooperation) or, alternatively, to phase out development cooperation therefore need to take place now in order to avoid unrealistic commitments/expectations beyond 2010. In parallel to these considerations, the work on creating alternative mutual and EC- interest funding mechanisms for EC-China cooperation must be intensified.</p>	
<p>Insist on equal partnership</p> <p>The EC should stress the continuing move away from traditional development cooperation towards equal partnership. This means maintaining the EC's position that it provides expertise, not infrastructure or project operating expenses.</p>	<p>Agree completely, while noting that pilot projects are sometimes a good way to demonstrate the potential usefulness of technologies and of improving institutional arrangements.</p>	
<p>Improve knowledge flow from cooperation programme to sector dialogues</p> <p>Greater effort needs to be made to ensure that knowledge generated in cooperation projects is also taken up at the level of sector dialogue and EC policy formulation.</p>	<p>Agreed. In some areas (notably the Trade project) this already works well; in others it doesn't. Delegation should encourage such projects as 'Energy and Environment Project' to emulate the effective systems of the trade project, to make a wider EC audience aware of its activities and results.</p>	

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<p>Improve replication and roll-out of EC-supported projects</p> <p>More attention should be paid to replication and roll-out during the project formulation and implementation phases, including canvassing potential candidates for replication so as to assess their level of interest while the project is being formulated.</p>	<p>Current and future projects do not include large-scale investments on the ground, of the style of earlier basic education or integrated development projects. So the question of replication is less sharp than it was previously, and does not always apply to projects which consist of pure technical assistance. It does still arise, however, in projects that contain pilot projects and in projects with follow-up phases. On practical problem is that replication can only be encouraged towards the end of a project (once there is already something on the ground to replicate), but by then time is generally running out, and it is hard to justify keeping a project running at a low level for replication purposes, once it is 95% complete. An extension of the project would be needed for replication, but openness to this kind of extension would run counter to the normal project management disciplines which require that projects not continue too long.</p>	
<p>Mainstream good governance</p> <p>The theme of governance needs to be mainstreamed into all sectors; in addition, governance should be broadly defined to include corporate governance issues, rule of law to the extent that it overlaps with governance (e.g., independent judiciary and corruption), and so on.</p>	<p>This is a very important recommendation, since more and more of our projects are about implementation, rather than, as was the case in an earlier phase, about helping develop policy and regulations. Policy is made in Beijing. Implementation of policy, however, is a more provincial or local matter. There is a centuries-old tradition of non-implementation of central edicts. The existing party and government power structures have difficulty in ensuring enforcement across a range of policy areas (IPRs, health and safety standards, environmental standards ...)</p> <p>Mainstreaming good governance could perhaps most</p>	

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	interestingly apply to the incorporation of these considerations in programmes on the environment, on IPRs (though these are less popular), on food standards.	
<p>Mainstream poverty and the theme of losers from reform more thoroughly in all sectors.</p> <p>Since the Delegation now has sector expertise in place in poverty-related areas such as the social sector, gender, regional disparities, labour markets, and so on, it should improve poverty mainstreaming, especially in trade and economic and social reform.</p>	<p>This is a point that was made strongly by the European Parliament and to a lesser extent by member states during the consultations on the 2007-2010 programme. The Commission gave assurances that it would be taken into account. Many of the necessary reforms produce losers as well as winners (though on a smaller scale). This should be analysed in the preparation of programmes, and where possible ways should be sought to mitigate these effects, whether from within the project in question or through complementary actions funded by government, other donors, or other EC projects.</p>	
<p>Plan for the phasing-out of traditional development cooperation and initiate discussions with the partners</p> <p>With GDP per capita in China continuing to grow at near-double-digit rates, bilateral development cooperation will soon cease to be an appropriate means of engagement. Urgent priorities are therefore (i) accelerating planning for this eventuality and (ii) starting a dialogue with the GoC (and other relevant partners) about the EC's longer term, post-development cooperation engagement with China.</p>	<p>See comments on first recommendation above..</p>	

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<p>Move from formal coordination to substantive coordination with EU, MS and major multinationals</p> <p>Donor coordination is a challenge everywhere, but especially in China because of the temptation to seek competitive advantage by not coordinating. The EC, Member States, and other actors should move beyond information sharing to explore joint programming</p>	<p>In some respects this is very important, and 2007 has seen some advance in this respect:</p> <ul style="list-style-type: none"> - practical coordination meetings have been held with member states to advance this in the area of energy and climate change - A donor group chaired by the EC has started meeting on governance <p>However, the Paris Declaration does not apply in the way it does in many countries. One of the main needs for coordination arises in aid-dependent countries, where it is important to ensure coordination between donors so that the overall approach is balanced between sectors. In countries like Malawi or Ghana where aid may represent 20% of the national budget and up to 100% of the public investment budget, it is vital to ensure that donors are not over-concentrated, for example, in education at the expense of health, or in one region of the country at the expense of the other region. In China no such considerations apply, since total aid is around 0.1% of the national budget, and as such irrelevant to questions of regional or sectoral balance of spending.</p> <p>Furthermore, one of the Paris Declaration purposes of coordination is to reduce the transactions costs for recipient governments, by coordinating missions and programmes so that government does not spend all its time dealing with different donors and their high-level missions and their procedures. But in China, there is no danger of donors overwhelming and blocking the operations of government in this way.</p>	

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	<p>Thirdly, in the above examples, it makes sense to say "since Japan is 'doing' basic education, the EC can leave it alone and concentrate on health." But in China, it doesn't make sense to say "Since the EC is 'doing' social security, Japan doesn't need to, because it is interesting for China to have access to both the EC and Japanese experiences of developing social security systems, when developing its own, so duplication is not a bad thing in the Chinese case.</p> <p>Part of the argument in favour of coordination is that it reduces transaction costs for recipient states. The difference in comparison with poorer countries with weaker Administration, is that China is perfectly capable of handling these, so there is no danger of overwhelming the Chinese government with too many missions, meetings and conferences.</p>	