

Enhancing aid cooperation – the Australia-China Development Cooperation Memorandum of Understanding



Photo: DFAT

by Sam Byfield

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On 9 April, at the end of what most pundits have described as a successful visit, Foreign Minister Bob Carr and China's Minister for Commerce Gao Hucheng **signed an agreement** which lays the foundation for enhanced collaboration between Australia and China in the delivery of aid in the Asia Pacific. The Australia-China Development Cooperation Memorandum of Understanding (**highlighted recently** on the Lowy interpreter blog) is a practical and symbolic step forward in the evolving aid delivery of each country, and also represents an important broadening of the Sino-Australian relationship. It comes at a time when, following the Independent Review of Aid Effectiveness, the phasing out of Australia's aid program to China is expected to soon be finalised.

A brief overview of China's aid program highlights some of the differences and tensions between it and traditional aid donors. In recent years, China has emerged as a major aid donor, yet one whose aid program has been shrouded in secrecy and has often challenged international norms. In 2011, the Chinese Government released the first **White Paper on China's aid program**, which has helped increase transparency. The White Paper noted that from 2004-2009 China's aid program increased by roughly 30% each year. In 2009 China provided over 250 billion *yuan* (around \$AUD38 billion) in aid, consisting of approximately 41% in grants, 30% in interest free loans and 29% in concessional loans. The White Paper notes that China's aid focuses on agriculture, economic infrastructure, public facilities, education, health care and climate change.

China's aid program has at times been met with suspicion by traditional donor countries. In Australia, the Lowy Institute has been **critical of China's burgeoning aid program** in the Pacific, raising concerns regarding the absorptive capacity of **Pacific**

island nations and their ability to maintain infrastructure built with Chinese aid. The level of Chinese aid as a proportion of GDP and the related ability of Pacific countries to service their loans has also been questioned. In 2009, China's loans to Tonga were equivalent to 32% of GDP, while in Samoa and the Cook Islands the figure was 16%.

Similar, if more intense, debate has emerged about China's aid program in Africa. Some commentators have noted that China's aid program serves its own development needs, facilitating the export of raw materials, and requiring that 50% of project materials and services are sourced within China. China's aid program in Africa is widely seen as focusing on its objective of securing oil, minerals and broader trade opportunities for its growing economy. A 2011 article in **The Economist** outlined some of the ambiguities surrounding China's aid program in Africa, and noted the correlation between aid and trade and that 'China has become the continent's most important trading partner after America; trade between Africa and China has surged from just over \$6.5 billion in 1999 to \$107 billion in 2008.'

One of the criticisms of China's aid program has been its lack of engagement with traditional aid frameworks. In the Pacific, China is still not a member of the Cairns Compact, which was entered into in 2009 by Pacific leaders (including Australia) to enhance development cooperation and effectiveness. Signing the Cairns Compact would help enhance cooperation with China, and would also have an important symbolic effect in terms of some of the negative perceptions around China's aid program.

At the Busan Aid Effectiveness Forum in 2011, China demonstrated a reluctance to agree to the outcomes document, and the eventual language around China's involvement was vague and emphasised that China (and other emerging donors) would be held to a lower standard than traditional donors. Raising further questions, in March 2013 Brazil, Russia, India, China and South Africa **announced that they would establish a BRICS Development Bank**, with some commentators suggesting that this was a response to the World Bank's inadequate representation of the interests of the BRICS countries.

Despite criticisms of China's aid program, China has 'become the **'go-to donor'** for many recipient countries in the Asia-Pacific.' Indeed, one of the elements of Chinese aid sometimes criticised by developed countries is frequently seen in a more positive light by aid recipients. Chinese aid is often made available quickly and easily, without the social, political and environmental safeguards and bureaucratic procedures that major OECD donors and multilateral financial institutions typically impose. **US Embassy cables** recently published by The Guardian highlight that African governments prefer China's practical focus on infrastructure and tangible

projects, as opposed to the West's focus on capacity building, which Kenya's Ambassador to China described as 'frustrating' and which 'translated, in his eyes, into conferences and seminars.'

My own experiences working in public health in South Asia and the Pacific reflect this point, with staff from ministries and partners often speaking positively about the relative ease of working with the Chinese. Another point often made is that China's aid is delivered in the spirit of South-South cooperation and mutual benefit, with less of a focus on charity or altruism; more partnership, less bureaucracy and condescension.

Against this backdrop, what is the significance of the new China-Australia Development Cooperation MOU? Broadly, the MOU should be seen as a positive development. It provides opportunities for China to learn from what Australia has learned in decades of aid delivery in a genuine spirit of dialogue and collaboration. As the section on China's 'International Cooperation in Foreign Aid' in the White Paper recognises, 'China still has a long way to go in providing foreign aid'. It also provides a potential entry point for China to engage with multilateral development frameworks, like the Cairns Compact. For Australia, there are opportunities to learn from China, given the combination of China's own remarkable development achievements, its undeniable ongoing development challenges and its at times fundamentally different ways of delivering aid. As former-Foreign Minister Kevin Rudd has stated on several occasions, the Australian Government does not have a monopoly on wisdom when it comes to delivering aid – he could validly continue that nor does Australia as a whole – and that engaging with emerging donors is an important part of moving forward.

The MOU is also significant in the context of the broader bilateral relationship. At a time when some still define this relationship as consisting primarily of Australia providing resources for China's ongoing economic growth, it's imperative that both countries continue to explore other areas of mutual interest and benefit, and where understanding and trust can continue to be established. This MOU promises to contribute to not only facilitating aid engagement, but also to the broader development of political trust and understanding, thereby creating an environment where tensions (for instance concerning the stationing of US marines in Darwin) generate less angst.

It's also worth pointing out that the MOU comes on top of other favourable developments in the relationship. For instance, Australia's National Health and Medical Research Council funds the [Australia-China Exchange Fellowship scheme](#). This scheme allows for bilateral exchange of medical and health researchers. Another example is the [Australia China Youth Dialogue](#), established in 2010, which

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provides a valuable forum for emerging leaders with an interest in the bilateral relationship to sustainably learn, collaborate and build trust. It's noteworthy that in each of the three years of its existence, **Australian delegates** to ACYD have included those with an academic and professional interest in international development.

*Sam Byfield works at the University of Melbourne's **Nossal Institute for Global Health**, and was a delegate at the inaugural Australia China Youth Dialogue in 2010.*

Author/s:

Sam Byfield

Sam Byfield works as Executive Officer to ANU Chancellor Professor the Hon Gareth Evans. He is also an Honorary Senior Fellow and Lecturer at the University of Melbourne's Nossal Institute for Global Health, and consults in global health and aid policy.

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