A HISTORY OF CIDA'S CHINA PROGRAM

Draft

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ABBREVIATIONS

CDPF  Country Development Policy Framework
CIDA  Canadian International Development Agency
CPC   Communist Party of China
CPF   Country Policy Framework
CPR   Country Program Review
DEA   Department of External Affairs
FY    Fiscal Year
GDP   Gross Domestic Product
GNP   Gross National Product
ICDS  Institutional Co-operation and Development Services
IDRC  International Development Research Council
IPF   Indicative Planning Figure
MOFTEC Ministry of Foreign Trade and Economic Co-operation
MOFERT Ministry of Foreign Economic Relations and Trade
MOU   Memoranda of Understanding
ODA   Overseas Development Assistance
PRC   People's Republic of China
PPOP  Public Policy Options Project
PSRP  Public Sector Reform Project
UN    United Nations
EXECUTIVE SUMMARY

After Canada re-established diplomatic relations with the People's Republic of China (PRC) in 1970, the official relationship between the two countries was a positive one, involving trade, several official level visits, Canada's support for China's entry into the U.N., and the establishment of a family reunification program. These first interactions between the two countries did not 'officially' involve developmental assistance until 1981, when the government of Canada decided to designate the PRC as an eligible recipient of development aid and the Canadian International Development Agency's China Program was born.

The program began with a food aid initiative through which $4 million in Canadian wheat was donated. However, the goal of the China Program was greater than this, due in part to the interests of the Canadian business community who had successfully lobbied the government to use aid funds to support China trade. In 1982, an Interim Strategy was produced, which suggested that the overall program goal should be to assist the Chinese government in implementing its policies of 'Readjustment' and 'Reform'. At the beginning, the China Program was based on one strategic concept - "the multiplication of contacts at the thinking level". This approach presumed that the most effective way to invest scarce resources in China was through human resource development activities and "technical assistance". Throughout the 1980's, the Program grew rapidly. With six sectors of concentration (education and training; agriculture; forestry; energy; transportation; and telecommunications), the original strategic objectives had been put to the test and proved to be both valid and feasible.

The ultimate challenge to the Program came as a result of China's actions on June 4, 1989 in and around Tiananmen Square. In the aftermath of those events many nations, including Canada, imposed sanctions against China, which had a direct impact on the CIDA's development assistance program. Several projects were cancelled, others were postponed and two special projects were set-up to assist Chinese students and scholars who were studying in Canada at the time of the incident. The policies and operational environment of the China Program also changed in an attempt to balance Canada's sanctions policy with measures designed to preserve pre-existing institutional links and people-to-people relationships between Canadians and Chinese. The fundamental purpose of these measures were to ensure that China would not be completely isolated from the international community.

The China Program was again very successful in meeting the challenges resulting from the incident. As the political sanctions were lifted and China's international relations improved, the program returned to proceeding in a measured and transparent manner much in the same way that it did prior to the incident. It was also recognized that the China Program was an important element of Canada's foreign policy on China.

The China Program has several areas of strategic focus which are influenced by six program priorities that were established by the Canadian government in 1995. The bilateral program co-manages the Canada-China program of development cooperation with its Chinese counterpart, the Ministry of Foreign Trade and Economic Development (MOFTEC). Most CIDA projects
tend to focus on the strengthening of China's public sector and hence, the program has developed a long and diverse list of public sector partners.

The first section of this paper relates the events that led up to the inception of the China program and provides details of the program's first activities. The second section summarizes the development and assessments of the various programming objectives and policies from 1982 to 1997. The third section takes an in-depth look at the direct impact that the events in Tiananmen Square in 1989, had on the China program. And the fourth section briefly describes the nature of the bilateral program.
SECTION 1: INTRODUCTION

Past experience, if not forgotten, is a guide to the future.

- Chinese proverb.

Since its inception in 1981, the China Program has grown and evolved in response to the challenges presented as a result of China's drive for modernization, while at the same time managing to maintain the interests of Canadian political and commercial interests. Part of the success of the program would appear to stem from the strategic concepts upon which the program was originally based - "the multiplication of contacts at the thinking level" and "human resources development as a principle activity." Over the past 20 years, the program's policies and objectives have been altered somewhat in order to address changes in CIDA policies, periods of explosive growth in the program budget, and hardline action by the Chinese government that led to political sanctions. Now, as the program is about to begin the preparation of a new Country Program Framework (CPF), it was decided that a historical overview would be useful to staff members wishing to gain an enhanced understanding of how the China Program began.

The objective of this paper is to provide historical information on the inception and evolution of the China Program, in an effort to assist the bilateral program in their reassessment and planning of a new China CPF. It is a compilation of historical documents, reports prepared by China program staff, as well as articles and books written by academics and scholars on China and/or CIDA development assistance program.
SECTION 2: INITIAL ENGAGEMENT 1970 - 1983

2.1 The Re-establishment of Canada-China Diplomatic Relations

After the People's Republic of China (PRC) was officially established on October 1, 1949, Canada closed its Nanjing embassy in 1951, and its Shanghai consulate in 1952. It was not until the late 1960's that the Department of External Affairs (DEA) began to initiate discussions with China regarding the possibility of re-establishing official relations. The impetus behind these discussions was based on DEA's "... interest in opening up a new and important channel of communication for the expansion and development of relations in every sphere. More specifically, there was an interest in setting up cultural and educational exchanges, expanding trade, reaching an understanding on consular matters and settling a small number of problems left over from an earlier period" (Alton, 1990).

However, a main obstacle to the renewal of official relations was Taiwan. At the time, Canada had relations with Taipei, but as discussions with Peking continued, it became clear that an official link with the PRC could not be established if Canada continued to recognize an independent Taiwan. In the end, Canada maintained the position that "... the Canadian Government did not consider it appropriate to either endorse challenge the Chinese Government's position on the status of Taiwan" (Alton, 1990). Subsequent to this decision, Canada severed its diplomatic relations with Taiwan and all official contacts ceased. On October 13, 1970, the Secretary of State for External Affairs, the Honourable Mitchell Sharp, made a statement in the House of Commons, which officially announced the re-establishment of diplomatic relations between Canada and China.

The Government of Canada and the Government of the People's Republic of China, in accordance with the principles of mutual respect for sovereignty and territorial integrity, non-interference in each other's internal affairs and equality and mutual benefit, have decided upon mutual recognition and the establishment of diplomatic relations, effective October 13, 1970.1

Canada was now one of the first Western countries to officially recognize the government in Peking after the Cultural Revolution. The positive relationship between the two countries continued to develop throughout the '70s, with Canada voting in the United Nations in 1971, for the seating of the People's Republic of China in the U.N., and an official visit to China by Prime Minister Pierre Trudeau in 1973. Sales of Canadian wheat to China were strong, educational and cultural exchanges were developing, and the two countries had agreed on a reunification of families programme that allowed PRC residents to emigrate to Canada, reuniting relatives that had been separated as a result of the Cold War.

1 Hrnsard, October 13, 1970
2.2 Trade and Development Assistance

Developmental Assistance activities were not an official part of the first interactions between Canada and the PRC. Instead, between 1974 and 1979 early forms of development assistance took the form of scientific and technical exchanges organized through official channels or participating institutions. Many of these exchanges took place in the areas of, "... geology, oceanography, remote sensing, metallurgy, coal mining, railways, ports, agriculture, forestry and fisheries. PRC missions came to Canada and learned about Canadian technology and often made commercial contracts at the same time" (Frolic, 1996).

The death of leader Mao Zedong in 1976 was a catalyst for change in China. In 1977, the government under leader Deng Xiaoping, "... launched a series of reforms that reversed the legacy of Mao's Cultural Revolution, which had left the economy in a closed, technologically backward and stagnant state. Deng's dictum "it does not matter white cat or black cat as long as it catches mice", epitomized the changes .... and opened China's economy to the West" (Alton, 1990). The Chinese government instituted the Four Modernizations (agriculture, industry, science and technology, and defence), and introduced a series of reforms to improve the performance of China's economy. The shift in investment from heavy industry to consumer goods, the decentralization of economic decision making, the opening up of the economy to trade, aid and technology transfer, the establishment of Special Economic Zones (areas developed specifically to encourage international investment and trade) and the Open Cities (14 coastal cities accorded economic rights similar to the SEZ, such as tax concessions and more liberal economic practices), resulted in the rapid expansion of commercial activities.

The Canadian business community saw these changes as an opportunity to expand the trade relationship with China, which had been slow to develop since the establishment of diplomatic relations in 1970. In an attempt to obtain a comparative advantage over Canada's Western economic competitors, the Department of External Affairs proposed an exchange of Foreign Ministers in 1977, as a way to initiate more dialogue between Canada and China. That same year the Chinese Foreign Minister Huang Hua, made an official visit to Canada. It was reciprocated in 1978, by Don Jamieson, the Canadian Secretary of State for External Affairs, who, throughout his official visit, explored a range of issues with Chinese officials with a focus on economic development and trade. In 1978 and 1979 there were more official visits, this time between Canadian and Chinese Ministers of Trade, Jack Horner and Li Qiang.

In 1979, the Canadian Government signed a Protocol on Economic Cooperation, an agreement to establish a joint committee to review bilateral trade issues, and promote trade in high technology goods and services. Canada also extended $2 billion in credit to the PRC, in order to support Canadian exporters in their efforts to penetrate the opening Chinese market. In spite of all of this, it soon became apparent that the line of credit was not enough. Canadians continued to encounter difficulties participating in the emerging Chinese market, as they could not compete with countries such as Japan, who had extended a $6 billion line of credit to China at a lower concessional level of interest, and were willing to extend even more funds in the form of development aid.
Lobbying efforts began in earnest, as the Canadian business community urged the Government to consider using development aid funds to support China trade. In the end, their efforts were successful, and in the latter part of 1979 the Canadian Government began to explore the possibilities of establishing an aid program with China. One that could provide financial support to Canadian companies facing heavy competition in the newly emerging Chinese market.

Throughout this period, unofficial development assistance in the form of exchanges continued. In 1979, Canada and the PRC negotiated an arrangement for the placement of up to 500 Chinese students in Canada, who were provided with training in Canadian universities, laboratories and government organizations. Around the same time, another exchange involved the transfer of technology to the PRC through the International Development Research Council (IDRC). This particular exchange is considered to be the first formal entry by any country into a bilateral development assistance relationship with China.

As Canada and the PRC embarked on serious discussions regarding the set up of a major development assistance program, by 1980 the Chinese government had begun to accept multilateral and bilateral aid from other international donors. In response to China's new open door policy aid programs were established by the World Bank, several U.N. agencies and bilateral donors such as Japan, West Germany, the U.K., Belgium and Australia. Not wanting to be too far behind its Western competitors, the Government of Canada added China to the list of countries deemed eligible for development assistance in 1981, and CIDA's China Program was born.

On July 16, 1981, a Cabinet Decision on China and Canadian Aid Policy was issued by the Privy Council Office containing the following:

The Committee agreed -
1. that the People's Republic of China be designated as an eligible recipient of Canadian development assistance in Category I within the current proposed Eligibility framework (that is, as a 'Priority Country' in which the use of all aid instruments is authorized);

2. to authorize an indicative planning figure of $80 million for the period 1981/87, as referenced in the CIDA Strategic Overview, with disbursements to begin as early as 1981/82;

3. the Canadian International Development Agency in consultation with the Department of External Affairs and the Department of Industry, Trade and Commerce, engage in preliminary discussions with Chinese officials on the shape and scope of a Canadian aid program in China, bearing in mind:

1) that the sectors of a Canadian aid program in China should fall within the areas set out in the 1979 Protocol on Economic Cooperation with China, and

2) the importance of a carefully selective approach; and finally,
4. that the Treasury Board be requested to consider a proposal for 2 person years as the initial requirement for program development and planning purposes for the China program.\

In August, CIDA's China Program was officially announced in Beijing by the Canadian Secretary of State for External Affairs, Mark MacGuigan and by the Fall of 1981, the program was launched.

2.3 The Beginnings of CIDA’s China Program

The CIDA China Program began with a food aid program through which $4 million in Canadian wheat was donated to relieve the flood and drought-stricken areas of the Hebei and Hunan provinces. In December of 1981, a small preplanning CIDA delegation visited Beijing in order to inform "... the Chinese on how CIDA functioned and to get a sense of how China would operate as an aid recipient" (Frolie, 1996). Upon their return to Canada, the China Country Program Team produced an Interim Strategy for a China Program, which suggested that the overall program goal, "... should be to assist the government in implementing its policies of 'Readjustment' and 'Reform'" (Interim Strategy, 1982). The document also provided recommendations on the focus of the bilateral program, which was felt should be on technical rather than capital assistance.

In his essay 'Everybody Benefits: Canada’s Decision to Establish a CIDA China Aid Programme,' Bernard Frolie chronicles the senior level discussions that occurred prior to the interim strategy's approval on March 31, 1982. The president of CIDA at that time was Mr. Marcel Massé, and according to Frolie, the overall feeling once discussions were completed was that Mr. Massé had made two contributions that were key to the approved strategy. They were, "the multiplication of contacts," and "human resources development as principle activity." In the end, the Interim Strategy for a China Program, established that, CIDA would:

i. choose activities on the basis of strong Canadian capabilities and the potential for a substantial multiplier effect;
ii. concentrate in a few well-defined areas; and
iii. direct its attention toward the most critical constraints on the Chinese economy and pursue the following three objectives:

1) To promote agricultural development, including forestry, by projects designed to increase productivity.
2) To help upgrade human resource capacities, particularly in the management field.
3) To assist China in overcoming the shortfall in energy availability.


\[3\] Interim Strategy for a China Program by CIDA; March, 1982.
It was decided that this approach should be "... taken in recognition of the cultural and institutional differences between China and Canada and the newness of the experience in development cooperation with China" (Alton, 1990).

In April of 1982, a major CIDA programming mission went to China under the direction of Nobel Power, CIDA's Vice President for Bilateral Programmes. Information gathered during the preplanning visit to Beijing in December, was utilized by CIDA in the preparation and planning for this mission. Once in China, CIDA was met and worked closely with the Ministry of Foreign Economic Relations and Trade (MOFERT). Four sectors were represented by CIDA (human resources/management, agriculture, forestry and energy), and as Bernard Frolic explains:

The four component groups of the mission went their separate ways for consultations and meetings with relevant Chinese government departments, enterprises and institutions. It was a full-scale planning mission investigating a number of possible projects in several sectors, ascertaining the extent to which they were feasible, in terms of funding and of the Chinese capability to implement them. Each of the four groups ... returned from China with recommendations for early project implementation.4

The bilateral consultations continued, with CIDA organizing a study tour of Canada in April of 1983 for senior MOFERT officers. The tour was designed to provide MOFERT with opportunities "... to gain firsthand knowledge of how the Canadian system works, and how CIDA conducts its business, working with other Federal and Provincial government agencies, NGO's and the private sector" (Alton, 1990). Finally, on October 5, 1993, a General Agreement Between the Government of Canada and the Government of the People's Republic of China on Development Cooperation was signed, establishing a formal and official link between CIDA and MOFERT. The signing of this agreement is a milestone in the history of CIDA's China Program, because, as Bernard Frolic explains in the following passage, this had been a difficult point to reach due in part to the economic slowdowns of the early 80's.

In China, the economic reforms dramatically slowed down, raising some questions about the viability of the Chinese market and the sustainability of China's reforms. The Canadian economy, too, was in its doldrums, and there appeared to be no "new money" for a potentially expensive aid program with China. Discussion of a Canadian aid initiative lost some of its initial trade focus, and instead was broadened to include strategic, political and humanitarian considerations. Eventually, a debate emerged within ... the Government over the size and feasibility of a proposed China development aid programme. The agreement (of 1981), with the PRC was a statement of intentions, with a

4 Everybody Benefits: Canada's Decision to Establish a CIDA China Aid Program in 1981 by B. Michael Frolic, York University; June 1996.
significant dollar commitment, but it took two more years before the program finally emerged in 1983. Both (the Canadians and the Chinese) needed more time to sort out their long term aid strategies and priorities. Still the long process was worth it. The Canadian International Development Assistance [sic] (CIDA) China program that was finally put in place became a showcase of successful bilateral cooperation. It was innovative, effective, and after almost fifteen years of operation, has remained one of the key links between the two countries.\footnote{\textit{Everybody Benefits: Canada's Decision to Establish a CIDA China Aid Programme in 1981} by B. Michael Frolic, York University; June 1996.}
SECTION 3: DEVELOPMENT OF COUNTRY STRATEGIES

As the China Program evolved, so too did its programming objectives and policies. In fact, one could say that to review the evolution of the program's strategic policies, is to read the history of the China Program. Over the years, the program's policy frameworks have maintained the delicate balance between China's emerging developmental needs and Canada's political and commercial interests. For the most part, the balancing act has been successful, withstanding the rigorous tests brought on by changes in Agency policies, periods of explosive growth within the program, and hard line action by the Chinese government that resulted in political sanctions. As 2001 winds its way towards conclusion, the development of a new China Country Program Framework (CPF) is on the horizon and the new program policies are bound to be seriously tested as the bilateral relationship between Canada and China evolves in the millennium.

3.1 Interim Strategy For a China Program, 1982

Immediately after CIDA officials returned from their pre-planning mission to Beijing in December of 1981, work began on the development of a document that would give some measure of interim cohesion to the program during its start-up period. The Interim Strategy for a China Program was designed to provide a strategic focus that would allow the program to be both manageable and meaningful, and yet flexible enough to facilitate change as its relationship with China developed.

By this time CIDA realized that Canada, as a relatively small player in China, would be unlikely to establish a development aid program that would yield any dramatic growth in immediate markets for Canadians. Instead, the hope was that the activities generated by China Program could be used to lay the groundwork from which commercial opportunities for Canada could grow or be catalysed. CIDA also recognized that Canada's long-term interests in China, both political and commercial, were dependent upon China's socio-economic development. With this in mind, the strategy recommended that the China Program would best serve this interest by resisting the short-term expedient in favour of a long-term perspective that looked at developmental criteria first. Because China, unlike many other developing countries, was not looking for assistance in meeting basic human needs, the strategy also recommended that the overall goal of the programme should be to assist the Chinese government in implementing its policies of 'Readjustment' and 'Reform.'

As the probability of the program having a widespread impact in even a single Chinese sector was small, the strategy proposed that all activities should be chosen in strategic terms on the basis of strong Canadian capabilities and the potential for a substantial multiplier effect. Program objectives were to be chosen in tactical terms, and during the initial phase of the program focus on three areas:

1. To promote agricultural development, including forestry, by projects designed to increase productivity;

2. To help upgrade human resource capacities, particularly in the management field; and,
3. To assist China in overcoming its shortfall in the availability of energy.

Within the context of the overall goal of the program, the interim strategy suggested that a broad field of activities should be explored to translate these three tactical objectives into a viable co-operation program. Agriculture, forestry, management training and energy were the four sectors put forward within which development activities were to be pursued. It was recommended that:

i) In Agriculture, CIDA should concentrate on development of the northern plain, as an area with climate and conditions similar to those in Canada, and an area where two Canadian provinces had already developed Chinese contacts. It was also noted that the poor agricultural techniques being used by farmers in the north of China could be significantly improved with the assistance of Canadian technologies;

ii) Co-operation in China's Forestry sector should be considered because of the similarities with Canadian species and conditions. It was noted that activities in this sector could be started quickly and their growth easily controlled;

iii) Management training, as an area of basic concern for China's development, should be given equal status in the focus of CIDA's China programme; and finally,

iv) In Energy, CIDA should concentrate its efforts in two major areas - energy conservation, which was identified as a high priority for the Chinese government; and increasing the availability of energy supplies, with hydro-power being an area in which Canadian expertise could be utilized.

Based on these recommendations, the Agency decided that during the initial phase of its development, the China Program's would be guided by principles of selectivity and concentration in order to maximize the impact of CIDA's aid effort in China. In recognition of the operational need for managerial focus, the proposed objectives were changed to:

CIDA's China Program, through the transfer of technology, will -

1. Assist China to develop its human resources in key areas of development, with agriculture, forestry and energy as the major sectors of concentration;

2. Provide assistance in areas where Canada has strong capabilities and where there could be multiplier effects in China (i.e. where assistance provided by Canada could be replicated); and

3. Build up maximum human and institutional contacts between Canadians and Chinese in key areas of the Chinese economy.

These objectives were agreed to by MOFERT and received support from the relevant Canadian ministries. Other Canadian constituencies, (provincial governments, NGOs, academia and the
private sector) who had been widely consulted on the validity of these objectives also gave their endorsements and CIDA approved the Interim Strategy in March of 1982.

3.2 CHINA - Country Program Review 1985 - 90 (December 1984)

When the Interim Strategy was approved in the spring of 1982, it was with the understanding that it would be reviewed after some measure of operational experience had been acquired by the China Program. By the fall of 1984, the Agency believed that a sufficient amount of time had passed, and a review exercise of the program and its objectives was began.

In outlining the challenges experienced by the program during its first years, the China - Country Program Review (CPR) document, an output of the review exercise, provided ample proof that the goals established by the interim strategy remained valid and feasible. The CPR recommended that if the size of the program was to be maintained, (with the IPF growing in tandem with the real growth of the Canadian GNP and ODA),:

- the strategic program objectives and the three sectors of concentration (agriculture, forestry and energy) should remain unchanged;
- CIDA should adopt a program strategy which embraces sectoral concentration, but allows for sufficient flexibility to respond to broad developmental priorities;
- an annual allocation of $3 million should be earmarked within the bilateral IPF for institutional programming for China; and
- new initiatives should be explored jointly with the Industrial Cooperation Division which could support Canadian commercial interests in China should they overlap with developmental priorities.

However, if the IPF for China was to be significantly increased, the CPR proposed that in addition to these initial recommendations:

- consideration should be given to financing technical services on major capital projects of the IBRD, EDC and other IFIs; and
- authority should be given to establish a program that could provide support in the form of technical assistance and training for the Canadian private sector initiatives in China.

In December of 1984, the President's review committee agreed to all of the recommendations put forward in the CPR. The committee also took the opportunity to commend the China Program for the excellent developmental progress and success of the Canadian contribution in China.

3.3 Policy Challenges 1986 - 1991

The strategic objectives of the program were severely tested throughout the remainder of the 1980's and early 1990's. On May 9, 1986, during an official visit to China, Prime Minister Brian Mulroney announced to the Chinese government that CIDA's IPF for China would be doubled to
$200 million. This marked the beginning of a period of explosive growth and activity in the program, as annual disbursements went from $4.0 million in FY 1981/82 to $350.0 million in FY 1988/89.

During the first phase of the program (1982 - 1986), projects had been relatively small with numerous country focus transfers and a large Institutional Cooperation and Development Services (ICDS) programme. By 1986, in response to both the rapid IPF growth and an increasing demand from diverse Canadian stakeholders, the program moved towards larger umbrella human resource development projects in management education and institutional linkages. New activities in agriculture, forestry, energy, transportation and telecommunications, (two new sectors of concentration added to the program’s in 1986) adopted a similar approach where fewer, larger projects emphasized greater CEA autonomy and delegated responsibility.

In 1987, the program was affected by Cabinet’s approval of a new China policy advocating a stronger commercial focus and close interdepartmental co-operation for all Canadian activities in China. As a result, CIDA co-operated closely with External Affairs, International Trade, and Industry, Science and Technology particularly with regard to the operation of a newly created $350.0 million concessional mixed credit facility for China, administered by the Export Development Cooperation (EDC).

Throughout this period of evolution, the China Program also served as a catalyst for Canadians wishing to learn about China, and acquire valuable knowledge concerning the realities of operating in an extremely complex, previously closed society in the midst of accelerated economic change and growth. Indeed, it can be said that due to the program’s broad exposure in China and the wide exposure it afforded Canadian stakeholders, the CIDA China Program contributed substantially to Canada’s understanding of China in transition.

Further validation of the 1984 CPR framework’s versatility came in the aftermath of the June 4, 1989 Tiananmen crackdown. The China Program played a key role in terms of sanctions imposed against the Chinese leadership, and served as an important foreign policy instrument. The strong program emphasis on human resource development through training in Canada and institutional linkages, was used to demonstrate that people-to-people relationships and the preservation of existing linkages between Canada and China could be sustained through the program, especially in times of crisis.


The restoration of the high quality working-level relationship that CIDA had cultivated with MOFERT prior to the Tiananmen crackdown was a gradual process throughout 1990. In March of 1991, the first post-Tiananmen Program Consultations took place, and were seen to validate the joint CIDA-MOFERT approach to the current China Program framework. At this point, MOFERT had adopted a constructive approach, and accepted all post-Tiananmen project cancellations, suspensions and postponements with equanimity. At the same time, it was agreed that the remaining program pipeline would proceed despite the delays. From MOFERT’s perspective, each project in the pipeline represented a substantial investment of Chinese
resources, and as such, MOFERT did not wish to see any further unilateral Canadian decisions to cancel or withdraw from mutually agreed project initiatives. From the Canadian perspective, the ODA program had become an important element in Canada's post-Tiananmen China policy. The program's sensitivity to overall bilateral relations had been heightened in this role, and it was felt that the existing pipeline commitments had to be respected. This left little room for any short-term program reorientation, and CIDA decided that the 1984 CPR objectives should remain in place until such time as a new Country Policy Framework (CPF) could be completed.

An interim CIDA program strategy dated November 1991, recognized that the 1984 CPR objectives did not provide sufficient direction for the imminent challenges facing China and Canada in the 1990's and beyond. The program saw a need to move towards strategically targeted interventions and proposed that all new programming activities should adopt a more strategic approach. With this in mind, three new programming opportunities were pursued that had the potential to establish new precedents and direction for the China Program:

- two projects (strategic energy planning and applied economic research institute linkages) with an aim to greater influence at the policy level; and
- CIDA's major role in establishing the China Council for International Cooperation on Environment and Development.

The interim strategy also called for a strong emphasis on economic reforms and the environment, as well as on linkages intended to develop long-term, viable and mutually-beneficial relations between Canada and China.

3.5 Country Development Policy Framework - November 1994

By 1993, CIDA felt that it was time to create a new development policy framework for China. Under normal circumstances the production of a new CPR would have taken place in 1989, but the political fallout from the Tiananmen incident prevented this. At this time, the 1984 Country Program Review framework was based on analytical constructs and an understanding of both China and Canada that were considered dated and incomplete. Since its inception, the China Program had assisted a wide range of Canadian and Chinese institutions and firms to establish various forms of relationships, which resulted in the creation of a significant network of contacts. This network was considered to be the culmination of the program's initial underlying philosophy, 'the multiplication of contacts at the thinking level,' and had provided the program and its stakeholders an understanding of the inner workings of what was once one of the world's most closed societies. However, by the early 1990's, it was felt that if the China program was to move in the direction of achieving a greater program focus through the promotion of carefully targeted long-term interests and policy interventions, the multiplication of contacts philosophy had outlived its usefulness and significant changes to the program's policy framework were required.

It was agreed that a new framework would need to: provide a new strategic vision for the program throughout the 1990's and beyond; enable CIDA and Canada to play an important role in fostering development in China in the post-Tiananmen period; and, help to strengthen Canada's
ability to achieve its overall foreign policy objectives in China. By October 1993, the China Program had identified three strategic policy objectives for a new Country Development Policy Framework (CDPF):

1. To promote China's continuing economic reform in areas critical to the development of a socialist market economy and to promote economic linkages and partnerships between Canada and China;

2. To promote environmentally sustainable development in China by enhancing its capacity to manage its environment;

3. To increase China's capacity to improve governance, respect for human rights and democratic development processes.

In addition, CIDA's long-standing commitment to women in development and gender equity was to be integrated through each of the three policy elements, and would also be addressed through a strong emphasis on the promotion of women's rights in China. Poverty reduction was another objective that was to be treated as a crosscutting theme in the CDPF, and activities were to be pursued through programming initiatives aimed at benefiting the people of the poorer interior provinces of China. The CDPF analysed three broad program themes for programming focus, economic co-operation, environmental sustainability, and human rights, democracy and good governance; all of which are tied to the process of economic reform in China.

The CDPF is a corporate document which encompasses bilateral, multilateral and partnership channels. It has also consciously moved away from sectoral programming to a thematic oriented approach, and is guided by results-based programming wherein results and indicators are identified for each policy objective. This means that projects are identified, planned and implemented with the results clearly in mind at all times. Essentially, the overall strategy of the CDPF, is to locate catalytic opportunities where individual project ideas will be assessed against the policy framework, areas of strategic focus, and expected results. The strategy was also structured to encourage the seeking out of opportunities which incorporate more than one policy element in their design, as such interaction among policy elements could lead to greater impacts.

After two years of extensive consultations with Canadian stakeholders and negotiations with the Chinese government, the China CDPF was adopted. It was officially approved by Canada's Minister of Foreign Affairs, Mr. André Ouellet, and China's Minister of Foreign Trade and Economic Cooperation, Mme. Wu Yi, in July of 1994.  

The 1994 framework document was the first bilateral results-based CDPF in the agency and reflected a new approach to the traditional Country Policy Frameworks, which were typically narrative documents outlining country conditions and programming priorities. Since its

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7 The Ministry of Foreign Trade and Economic Cooperation (MOFTEC) replaced MOFERT in March of 1993 as part of the Chinese State Council's efforts at structural streamlining, becoming CIDA's official counterpart in China.
approval, the CDPF document has cemented itself as the cornerstone of the CIDA program in China.

3.6 China Program Self-Assessment - 1997

In 1997, staff of the China Program began to explore the idea of undertaking a program level assessment. The aim of this pilot exercise was to assess the progress they had made towards achieving the objectives stated in the 1994 CDPF, and to examine some key success factors for the overall program. With two years of experience at capturing project level results (through the Agency-wide reporting exercise), and with well established Asia Branch and Agency ODA priorities now in place, it was felt that the time was right to clearly articulate achievements at the country program level. By this time, several projects had been planned and operationalized under the CDPF and had produced some early results that were available for assessment at the project and program levels.

The pilot assessment consisted of an internal program stocktaking exercise and a round of participatory discussions with program partners at the June, 1997 meetings for Canadian Executing Agencies and Stakeholders in Canmore, Alberta. Based on the information gathered from both activities, the assessment concluded that the program was on track, and the CDPF objectives remained both valid and effective.

3.7 Country Development Policy Framework 1994 - 1999 Assessment

In 1997, the China Program and CIDA’s Performance Review Division (PRD) discussed the possibility of conducting a joint programme level performance assessment. The program was interested in assessing: the progress made in meeting the objectives of the jointly agreed CDPF; the developmental results that had been achieved; and, the relevance and coherence of project investments to both the Agency ODA priorities and China's current and future development challenges. The PRD was looking for an opportunity to develop a program assessment methodology.

At the Program Consultations of July, 1998 CIDA informed MOFTEC of its intentions to carry out an internal programme assessment. MOFTEC noted that 1999 would represent the fifth anniversary of the Ministerial agreement on the CDPF and expressed its interest in the findings and conclusions of CIDA's efforts. It was agreed that CIDA and MOFTEC would review the assessment report and exchange views on the experiences gained and lessons-learned, as a means to guiding consultations on future development programming.

The assessment made the observation that the 1994 CDPF was unique in a number of ways. Because CIDA had invested heavily in stakeholder consultations across Canada and with MOFTEC in China, the assessment recognized that the thematic priorities of the CDPF reflected a consensus on which developmental challenges would be tackled in future years. This type of highly participatory dialogue had been continued by the program, evolving into regular consultations with Canadian and Chinese project partners and a wide network of stakeholders. The result of this, was evident in the strong public support for the program, especially among
informed stakeholders. In China, the participatory nature of CIDA’s program had made it highly valued among the Chinese leadership, as well as the ministries, state commissions and other governmental agencies. The assessment concluded that this had contributed to the maintaining of excellent bilateral relations between Canada and the PRC, as sensitive political, trade and investment discussions were undertaken in an atmosphere of friendship and mutual respect.

A second important observation of the CDPF were the program level "results statements" for each thematic priority. These statements were an early attempt to ensure that future project and programme assessments could be undertaken and reported upon. The CDPF established a foundation on which to monitor and report the expected and actual results of project and program investments that are now mandatory. The assessment also made note of the fact that MOFTEC and Chinese partner organizations were committed to RBM principles and have sought further information and training on how to ensure the sustainability of their projects.

The 1997 Performance Assessment concluded that:

1. The CDPF thematic priorities remain relevant and appropriate, and the thematic parameters of the policy framework provide an important guide to future programming;

2. The China Program is well-positioned to contribute further to China’s critical developmental challenges in the next three to five year period;

3. Significant progress had been achieved in aligning project investments with common development priorities.

CIDA provided an informal copy of the assessment report to MOFTEC in advance of the Programme Consultations held in Beijing on October 18, 1999. All the general recommendations were agreed to by both parties.

To this day, CDPF has continued to prove itself to be a flexible programming tool, one which continues to serve the needs of both the Canadian and PRC governments. In 1999, CIDA decided it would be useful to add more precision to its programming in the Human Rights/Democratic Development/Good Governance area and this led to the drafting of a separate Program Strategy Framework for Human Rights, Democratic Development and Good Governance.
SECTION 4: IMPACT OF TIANANMEN SQUARE

4.1 Context and Events

By the mid-eighties China had made considerable progress in its modernization drive. Ten years after Deng Xiaoping had formally initiated a program of economic and social reforms in 1979, China's GDP growth rate averaged close to 10% annually and its GNP had more than doubled. Prior to these reforms the standard of living in China had been kept at a subsistence level by the government, with wages frozen and all staples strictly rationed. In the first 5 years after the implementation of the open door policies and economic reforms, China's people were better fed, better dressed, better housed, and had more consumer and leisure choices open to them than ever before. According to World Bank statistics, China made more progress in raising per capita incomes during this period than any other country in the world.

But, by the spring of 1988 the progress of China's modernization ran into difficulties. Inflation was rampant, and as it grew, so did the resentment of consumers towards the economic systems, the political party, and China's privileged class. The open door policies had been devised to attract foreign capital and technology in order to expedite China's modernization, but in doing so they had also raised the awareness and expectations of the Chinese people to western capitalistic standards and values. The increasing standards of living in China highlighted differences in income differentials and gave rise to feelings of envy between workers and entrepreneurs, and inland and coastal provinces. This in turn planted a seed of distrust among the people towards the socialist and communist systems, and ultimately the Communist Party of China (CPC). It was also widely believed that members of the privileged class were engaging in corrupt activities and taking advantage of the new policies established by reform. Policies, which had spawned a number of instant millionaires, most of whom were government officials, retired government employees and the relatives of the men in power. Stories of their corruption spread among the people like wildfire and these rumours, whether accurate or exaggerated, were believed. Outrage over the abuse of official position began to undermine the people's faith in two of China's pillars of legitimacy: material equality among the people and the party's moral authority to govern.

With modernization, China's citizens had become increasingly vocal in their complaints about government. Criticism of the top leaders was widespread and it was a common belief that those in power were preoccupied with private privilege and position, and had no blueprint for China’s future. This unrest and discontent towards the leadership were particularly strong among China's student and intellectual population who were feeling squeezed by tight educational budgets, crowded housing, and limited opportunities. Added to this was the fact that many Chinese intellectuals had access to insider information about the government, and as such were among those most aware of and alienated by rumours of official corruption. The popular belief among intellectuals and students was that if China's economic reforms were to succeed political reform was imperative, and throughout the mid 80's they protested against official injustices by staging several small demonstrations.

The instability of the Chinese economy worsened, and in May 1988, the State Council announced that they were implementing substantial price reforms in order to halt inflation. However, by
August fears among Chinese consumers over the state of the economy led to panic buying sprees, which in turn caused the inflation rate to go as high as 25%. Stores were empty, there were runs on many banks in southern China, and the fear of impending widespread social disorder pervaded the entire country. In September, the CPC announced the establishment of a major austerity program to stabilize the country's economy. The program was designed to re-centralize trade and investment decisions through tight credit, wage controls and cuts to social spending. It didn't work. Inflation continued to rise, reaching levels of 20-40% in the cities and as real income diminished, the feelings of unrest among the students, workers and urban dwellers grew.

By this time both the open door and economic reform policies had been firmly discredited by the conservatives within the leadership of the CPC. Despite China's drive towards modernization, the conservative one party totalitarian system was still firmly in place, even though Deng Xiaoping had managed to place several key economic reformers such as Hu Yaobang and Zhao Ziyang into senior leadership positions. Now, as the economic situation grew worse, tensions increased between the reformers and conservatives in the party. The reformers wanted the reforms to continue at a more vigorous pace, and they argued that all of China's current social and economic problems stemmed from the state ownership of industries and the one party system. As a solution, they proposed privatization and democratization. Meanwhile, the conservatives held the opposite perspective, as they blamed the reform policies for China's problems, and argued that what the country needed was stability and unity, not democracy. Their solution was to set up an authority that would deal with what they saw as total economic failure and political chaos. Throughout the remainder of 1988 and into the spring of 1989, China's inflation rates remained high, public unrest kept spreading and the debates between reformers and conservatives within the CPC grew more heated.

The death of CPC reformer Hu Yaobang on April 15, 1989, is considered by many to have been the catalyst for the first of the large-scale demonstrations that occurred in the spring of that year. On April 18th, university students marched on Tiananmen Square to commemorate Hu, a former Communist Party General Secretary who had been forced to step down in 1987 because of his reformist views. After this, many more peaceful student demonstrations took place throughout April. Some of the students were protesting against corruption and China's lack of direction, while others called for deeper and more rapid reforms, and still others sought the early advent of democracy. On April 27th the workers of China joined the students, and over 1/2 million people gathered to protest in Tiananmen Square. It was obvious that what had been dismissed by the government as simply a few student radicals, was actually a mass movement that touched almost every segment of Chinese society. The demonstrations continued, and on May 4th, an estimated 300,000 students from all over China were joined in the Square by elderly intellectuals, journalists, party members, workers and ordinary Beijing residents, whose protest banners called for modernization, democracy, and free speech. On May 13th, the student's hunger strike began with an initial group of 60 that soon swelled to 3,000. The hunger strikers vowed not to eat until high-level leaders met to discuss student concerns with representatives of a newly formed independent student union.
On May 14th, 1989, China was at the centre of world attention as Soviet leader Mikhail Gorbachev, arrived for a historic state visit to Beijing. Over 1,200 international journalists came to Beijing to cover the Sino-Soviet summit, but their attention was soon fixated on the students and civilian demonstrators in Tiananmen Square. Almost immediately, the protest movement against the Chinese government made international headlines.

It is speculated that this turn of events caused the leadership of the CPC to declare martial law on May 20th, ordering the People's Liberation Army (PLA) to encircle the city. In response to this, the people rallied together and for over a week, students and ordinary citizens managed to block the army from the Square in open displays of defiance. The declaration of martial law served to focus even more popular support on the demonstrators and people used buses, trucks, garbage cans, traffic barriers and even their own bodies to stop the PLA. At 2 am on the morning of June 4, 1989, the military crackdown began, as the PLA finally broke through all barriers and advanced on Tiananmen Square from the east, west and south ends of the city. Upon reaching the Square, the army began an assault on the protesters, soldiers apparently were shot people at random, while policemen armed with truncheons beat and chased people from the Square. The carnage spilled onto the streets of Beijing, as army tanks moved through the city, some firing indiscriminately. The violence continued throughout the early morning hours until it was officially announced that the PLA had successfully cleared Tiananmen Square. While the true number of casualties from the crackdown may never be known, unofficial estimates have the number of deaths ranging between several hundreds to several thousands of students and civilians.

The world was shocked and outraged as the hard-liners in the Chinese government launched a major ‘disinformation’ campaign and unleashed a wave of repression throughout the country. Many student leaders, labour activists, and prominent intellectuals fled China, while the government arrested others. Several executions soon followed.

4.2 Canada Reacts

The Government of Canada's response to the Tiananmen crackdown was swift. It began with a call to the Chinese Ambassador to lodge a formal protest, followed by the evacuation of all but the most essential Canadian personnel from China. The concern and outrage of the average Canadian citizen over the incident dominated news media coverage. In mid-June, the Secretary of State for External Affairs, Joe Clark, convened a National Round Table, and brought together academics, business leaders and Chinese-Canadian community leaders for their advice. On June 15th, the Canadian Ambassador to Beijing was recalled to Canada, and on June 30th, Mr. Clark made an official comprehensive policy statement on Canada-China relations.

In his statement, Mr. Clark articulated Canada's outrage at China's blatant disregard for the human rights of its citizens and outlined a series of policy measures that were to govern Canada's relations with China. These measures outlined several areas of sanction, but more importantly, they set out clear guidelines for the future, or interim Canada-China relationship, with the fundamental purpose of ensuring that China would not be isolated from the international
community. Ultimately, Canada would continue those aspects of the relationship that encouraged: the preservation of existing links forged by the government, industry and academics over the past decade to the fullest extent possible; and, new initiatives in the relationship that focus on people to people relationships. However, all programs that would benefit or lend prestige to the (then) current hard-line policies of the Chinese government most particularly the military or state propaganda apparatus, were to be avoided.

The Canadian response was in unanimity with that of the international community who were outraged by the violence of the Tiananmen crackdown. In addition to the suspension of trade credits, bilateral aid and multilateral financing, China also faced the loss of high-level political contacts in both the bilateral and international arena. Canada joined in with multilateral organizations such as the United Nations, the World Bank and the Asian Development Bank in expressing their sentiments, and as a result, the substantial new lending programs of the World Bank and the ADB were put on hold. Unlike the bilateral positions of many other Western countries, Mr. Clark made it very clear that those activities, which reinforced the preservation of existing links and the promotion of people-to-people relationships, would go forward. He cited as an example CIDA's College Linkage Program, a $7.5 million umbrella arrangement, under which 12 linkages between Canadian Community Colleges and the equivalent type of institution in China were funded to the benefit of Chinese students.

Another area of concern was the fate of Chinese students currently studying in Canada particularly those who feared for their safety should they return to China. Mr. Clark announced that no Chinese student would be forced to return to China and that special measures would be put in place by immigration authorities to consider their situation. Simultaneously with Mr. Clark's statement, the Minister for External Relations and International Development, Monique Landry, announced that CIDA would fund, on an exceptional basis, a hot-line counselling service and two special projects to assist Chinese students/scholars in the aftermath of the Tiananmen incident. The first project was a $1.5 million National Emergency Support Program designed to ensure that Chinese students who felt they could not return safely to China, had the time and information needed to make difficult personal decisions. This involved the establishment of a National Advisory Panel to counsel Minister Landry on the situation of Chinese students in Canada. It also included the extension of scholarship funding until the end of September for up to 160 CIDA trainees scheduled to leave Canada between June 4th and September 30th, 1989. The second project was the Emergency Tuition Support Program for the 1989/90 academic year, under which tuition support was provided on a case-by-case basis for CIDA mid-program trainees who had received approval-in-principle from the Canada Employment and Immigration Commission for permanent residency. Both of these special projects were completed as of the end of FY 1989/90 (March 1990).

4.3 CIDA in the Aftermath of Tiananmen

In the years immediately following the Tiananmen incident, CIDA attempted to balance Canada's sanctions policies with measures designed to preserve pre-existing institutional links and points of contact between Canadians and Chinese, thereby helping to prevent China's isolation from the
international community. Changes were quickly made to the CIDA program in the aftermath of the Tiananmen incident. During this period, the policy and operational environment of the development co-operation program with China evolved through three distinct phases.

The first phase lasted throughout the summer of 1989, and saw the cancellation of five projects, the indefinite suspension of a fourth, the postponement of the signature of three memoranda of understanding (MOU), a halt on approvals of new Industrial Cooperation Program (INC) projects, and the overall reduction of the bilateral program budget. The cancelled projects were: Lanzhou Lubricating Oil Evaluation Centre ($2.23 million), Auditors Training Project Phase II ($4.0 million), and the Urban Traffic Management Project ($4.82 million). The rationale for these cancellations was that they failed to meet the new criteria - preserving links, people-to-people exchanges and no support for the military and propaganda apparatus. The postponed projects were: Oil and Gas Technology Transfer, and Canada-China Linkage Program (both later signed on January 19, 1990); Tanggu Animal Quarantine Upgrading Phase II (later signed on February 14, 1990); Comprehensive Transport Management (later signed on May 3, 1990); and Gangzhou Air Traffic Control (later cancelled.) Again, the rationale for these postponements was that the affected projects failed to meet the new criteria.

The second phase is said to have started in the late summer of 1989, lasting until December. This period has been characterized as one of great sensitivity for the program due to the high level of public and media attention focused on China. In the summer of 1989, the Export Development Corporation announced the approval of two large concessional loans to China, which was met with a barrage of media criticism. In response to this, the Prime Minister's Office and Privy Council Office requested that the mandate of a pre-existing interdepartmental committee be expanded to include the review of all Canadian-financed projects or loans with China against the three criteria established by the post-Tiananmen Canada-China policy. As a result, one CIDA bilateral project was cancelled because of concerns raised by the committee, and throughout this period, no CIDA bilateral agreements were signed with the Chinese government.

The third and final phase began in January of 1990, and essentially continues to this day. This period marked the return of the China Program to proceeding in both a measured and transparent fashion with new bilateral project agreements, much in the same way that it did prior to the events of June 4th. It was decided that the policies established by Mr. Clark should be more fully implemented, and that measures needed to be taken to avoid increasing the isolation of China from the international community. After a full of several months in the signing of new project MOU's, Minister Landry agreed to proceed with new projects that were to be considered on a case-by-case basis and in accordance with the June 30th criteria. All CIDA projects were then reviewed against the new criteria, and it was on this basis that all the postponed MOU's were approved for signature, with the exception of one. As of June 1990, six MOU's had been signed, making Canada the first bilateral donor to sign new project agreements with China after Tiananmen.

It was also during this phase that the gradual restoration of a working-level relationship with the Program's Chinese counterpart, MOFERT, culminated in the first post-Tiananmen Program
Consultations in March of 1991. These consultations provided confirmation of a joint CIDA-MOFERT approach to the current China program framework. MOFERT had adopted a constructive approach and all post-Tiananmen project cancellations, suspensions and postponements were accepted with equanimity. At the same time, it was agreed that the remaining program pipeline would proceed despite the delays. From MOFERT's perspective, each project in the pipeline represented a substantial investment of Chinese resources, and they did not wish to see any further unilateral Canadian decisions to cancel or withdraw from mutually agreed project initiatives. From the Canadian perspective, the ODA program had become an important element in Canada's current China policy. The China Program's sensitivity to overall bilateral relations had been heightened and it was felt that the existing pipeline commitments had to be respected.
SECTION 5: NATURE OF THE PROGRAM

*** Note: Much of the text of section 5 is lifted from a September 2000 CIDA presentation to the CCMD Roundtable on China, written by Kent Smith, Chief of Operations China Desk.

5.1 Sectors and Program Priorities

Currently the China Program has projects active in 9 areas of strategic focus. They are:

- Economic Development and Reform;
- Environment;
- Human Rights, Good Governance and Democratic Development;
- Poverty Reduction and Basic Human Needs;
- Agriculture;
- Energy;
- Transportation;
- Education and Institutional Development;
- Information Technology and Telecommunications.

These are in line with the six program priorities established by the Canadian government in 1995, which are:

- Basic Human Needs;
- Women in Development;
- Infrastructure Services;
- Human Rights, Democracy and Good Governance;
- Private Sector Development; and
- Environment.

5.2 How CIDA's Bilateral Program Operates in China

As was mentioned previously, the China's program's counterpart in China is the Ministry of Foreign Trade & Economic Cooperation (MOFTEC). In a sense, CIDA and MOFTEC co-manage the Canada-China program of development cooperation which is why China's Minister of Foreign Trade and Economic Cooperation approved the CDPF on behalf of China in July 1994. MOFTEC and CIDA staff, in particular the CIDA officers based in the Canadian embassy in Beijing, meet on a regular basis to discuss both operational issues and future programming.

Co-management of the Canada-China Development Cooperation Program includes stakeholder management and just as CIDA must manage pressures exerted by Canadian stakeholders, MOFTEC is equally busy managing demands on the program generated by the Chinese public sector. One of the key functions of MOFTEC from the CIDA perspective is this control of demand from within China. Hence, line Chinese ministries are strongly discouraged from approaching CIDA directly for assistance. All requests are to be directed to MOFTEC and only
proposals that MOFTEC feels are top priority and consistent with the CDPF are forwarded to CIDA for further consideration. MOFTEC and CIDA review each short-listed proposal through the lens of the CDPF and when both sides agree on a particular concept, CIDA then moves the concept through the various stages leading to CIDA project approval.

It is standard practice for CIDA and MOFTEC to sign a project memorandum of understanding (MOU) prior to the launch of each CIDA bilateral project. Of course, an MOU is only signed after CIDA and MOFTEC have secured project funding from their respective governments, given that it is normal for projects to receive contributions, either in cash or in kind, from both governments.

At the level of individual projects, CIDA and MOFTEC convene Joint Project Steering Committee (JPSC) meetings at least once per year to manage project activities and make key decisions (such as the approval of annual project workplans).

To facilitate overall program management, CIDA and MOFTEC also hold Annual Consultations both to review operational issues and to confirm which project concepts should proceed to the project approval stage in the coming year.

On the CIDA side of the equation, each project once approved is then implemented on CIDA's behalf by a Canadian Executing Agency (CEA) normally selected through a competitive process. Each CEA signs a contract with CIDA and thereafter is responsible for its share of project implementation duties. As a result of this approach, implementation is done on a project-by-project basis, and CIDA occasionally has found it difficult to achieve synergy across projects even when the projects clearly have related mandates and objectives.

Not surprisingly, given the fact that China's non-state sector is still relatively small, most CIDA projects have tended to focus on strengthening China's public sector in one way or another. The list of CIDA's Chinese public sector partners is long and diverse.

In the area of environment, CIDA for example works to assist the State Economic and Trade Commission, the State Environmental Protection Administration, the Ministry of Water Resources, and the Ministry of Construction.

In the area of human rights, good governance and democratic development, CIDA supports, among others, the National Judges College, the Ministry of Justice, the National People's Congress, the National Bureau of Statistics, and the State Council Office for Restructuring the Economic System.

In the area of economic cooperation, CIDA supports, particularly through two responsive projects, the Public Policy Options Project (PPOP) and the Public Sector Reform Project (PSRP), a wide array of Chinese public sector organizations such as the Shanghai Municipal People's Government, the Shanghai People's Congress, the State Commission for Public Service Structure and Establishment Administration, the State Administration of Taxation, the Development Research Centre of the State Council, the Chinese National Committee for Man and Biosphere,
the Ministry of Information Industry, the Ministry of Labour and Social Security, the Ministry of Land and Resources, the Ministry of Finance, the State Development Planning Commission, the Nanjing Institute of Environmental Sciences, the Chinese Academy of Social Sciences, the China Securities and Regulatory Commission of the State Council, the Ministry of Communications, the China Population Information and Research Centre, the People's Bank of China, the China National Petroleum Corporation, the State Power Corporation, the Ministry of Education, and the Chinese Research Academy of Environmental Sciences.

Similarly, in the area of poverty reduction, CIDA has provided significant support over the years to the Ministry of Agriculture, and also supports organizations with a focus in western China such as the Yunnan Provincial Health Bureau.

Of course in many cases, even though the Chinese partner is a government entity, CIDA is able to implement its project objectives in support of China's public sector by harnessing Canadian private sector expertise. Nevertheless, certain projects by their nature will require the services of the Canadian public sector in order to succeed.

CIDA occasionally secures the services of a Canadian federal organization to serve as Canadian Executing Agency for a project, e.g. the Statistical Information Management Project (being implemented for CIDA by Statistics Canada), the Hebei Dryland Project (being implemented by Agriculture and Agri-Food Canada), and the Sustainable Agriculture Development in Inner Mongolia Project (being implemented by the Prairie Farm Rehabilitation Administration of AAFC). In these cases, the Canadian government CEA, by virtue of agreeing to implement the project for CIDA, indicates that it has the capacity and willingness to provide the resources needed to ensure successful project implementation.

The two public sector responsive projects mentioned earlier are most likely to create future demand for Canadian federal public sector services. The first of these, the Public Policy Options Project, is implemented for CIDA by the Conference Board of Canada in cooperation with the Institute of Public Administration of Canada. The primary purpose of PPOP is to enhance the quality of policy advice provided by Chinese policy makers on subjects deemed by the Chinese government to be high priority; hence, the project consists of a series of sub-projects each producing concrete policy recommendations in a priority field.

The second project of this type, the Public Sector Reform Project, is implemented for CIDA by Agriteam Canada Consulting Ltd. PSRP operates in a very similar fashion to PPOP except that, unlike PPOP, it can undertake targeted non-formal training initiatives for Chinese policy makers both in Canada and in China.

Given that PPOP and PSRP are responsive and dependent on demand from China, it is very difficult to forecast future sub-projects and hence to anticipate where the sub-projects will seek Canadian federal public sector resources.
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APPENDIX A


AMBASSADORS - BEIJING

1971 - 1972  Ralph Collins
1973 - 1975  John Small
1976 - 1980  Arthur Menzies
1980 - 1983  Michel Gauvin
1984 - 1987  Richard Gorham
1987 - 1990  Earl Drake
1990 - 1994  Fred Bild
1994 - 1995  John Pavnter
1995 - 1996  Ken Sunquist ** Chargé d'Affaires **
1996 - 2001  Howard Balloch
2001 -       Joseph Caron

HEADS OF AID - BEIJING

1981 - 1984  Ian Thompson
1984 - 1985  Pierre Racicot
1985 - 1986  Alex Volkoff
1986 - 1988  Scott Wade
1988 - 1991  Hau Sing Tse
1991 - 1994  Y C Pan
1994 - 1996  Hau Sing Tse (dual role as Country Program Director)
1996 - 1998  Bob Hamilton
1998 -       Henri Paul Normandin

COUNTRY PROGRAM DIRECTORS - CANADA

1982 - 1987  Donald McMaster
1987 - 1989  Allan Smith
1989 - 1994  Elizabeth McAllister
1994 - 1996  Hau Sing Tse (in the field)
1996 - 2000  Ian Wright
2000 -       David Spring
APPENDIX B

Presidents of CIDA 1980 - 2001

Marcel Massé
President of CIDA
April 1980 - October 1982

William McWhinney
Acting President of CIDA
October 1982 - September 1983

Margaret Catley-Carlson
President of CIDA
September 1983 - July 1989

Douglas Lindores
Acting President of CIDA
July 1989 - August 1989

Marcel Massé
President of CIDA
September 1989 - March 1993

Jocelyne Bourgon
President of CIDA
March 1993 - June 1993

Huette Labelle
President of CIDA
June 1993 - October 1999

Len Good
October 1999 - present
INTRODUCTION

Development Context

China is an important developing country. Its huge size, economic growth, and increasing international integration have helped to make it an emerging economic and political power and a key participant in international systems. Despite these steps forward, China still faces enormous challenges, many of which are significant from a global perspective. It contains close to 20% of the world’s poor and some of the earth’s most severe environmental problems. Significant issues also remain related to human rights and the country’s system of governance.

Economic reform has contributed to an extraordinary reduction in the number of poor in China over the last two decades, but increasing regional and rural-urban inequity is threatening continued progress. Rural western areas are the most disadvantaged, with women and ethnic minorities being disproportionately affected. Targeted measures are needed to address these imbalances. Better skills training systems (agricultural extension and vocational training) and land resource management systems stand out as potential solutions to inequity and land degradation, key issues that are contributing to poverty.

China’s political reforms lag behind the pace of its economic reforms, but WTO accession and economic openness are producing changes. The Chinese government increasingly sees rule of law as vital to retaining economic growth and social stability and is beginning to reform its legal, judicial, and legislative institutions. It has also ratified a growing number of international agreements. While many challenges remain, these commitments are opening up new opportunities for progress on equity, environment, and human rights issues that would have been difficult to tackle in the past.

China has clear strategies to address its development challenges. It has a 10th Five Year Plan outlining further economic and political reforms, a new Western Development Strategy to tackle regional inequity, a Rural Poverty Reduction and Development Program to help poor women and men, and a Sustainable Development Strategy to encourage effective resource management. The Chinese government has invested substantial financial and political capital in its new priorities but is facing significant implementation problems. It recognizes that systemic changes are required and is seeking outside expertise and experience to increase the effectiveness of its programs.

Canada’s Role

There are strong Canadian interests in helping China to overcome systemic issues and stay on the path to reform. China is Canada’s third largest trading partner and largest source of immigrants. Strengthening our level of engagement with China is a key foreign-policy priority for Canada. Environmental problems in China can impact on Canada directly, and Canadian values argue for a sustained effort to help China tackle human rights and other governance issues. China’s size, profile, and commitment to reform also make it an important player in achieving global poverty reduction targets and demonstrating the principles of Strengthening Aid Effectiveness. Beyond
these issues, Canada has an interest in ensuring that China remains stable and becomes increasingly integrated into the global community.

Canada has an effective development cooperation partnership with China that provides a solid base on which to address shared interests. Since the early 1980s, the cooperation program has been intrinsically linked to China’s development priorities and has achieved meaningful results supportive of China’s reform process and Canadian interests. Given the enormous size of China, the focus of our cooperation has been about the sharing of Canadian expertise rather than the provision of financial support. The cooperation program involves many Chinese and Canadian partners including government agencies from central, provincial, and local levels, public and private sector enterprises, academic institutions, as well as community-based and civil society organizations.

Over the last two years, CIDA and China’s Ministry of Commerce have been working with Canadian, Chinese, and international partners to update the priorities for CIDA’s China program. Extensive consultations have taken place within China and Canada, including consultations in seven cities across Canada. The views of Canadian stakeholders have been incorporated in this document, and there is strong ownership of the priorities by Chinese government and civil society organizations. Other international donor agencies are supportive of the new directions and have indicated an interest in working with CIDA to help achieve the expected results. As is the case with other bilateral donors, CIDA’s China Country Development Programming Framework (CDPF) is an agreed working document between Canada and China on which joint programming in the next five years will be based.

GOAL

To contribute to sustainable development and poverty reduction in China through support for equitable growth, environmental sustainability, and human rights, democratic development, and good governance, in accordance with Chinese government development strategies and the Millennium Development Goals.

Equitable growth has been chosen as a new priority based on the increasing priority that China is placing on economic development and poverty reduction in rural western regions of the country. The continued priority given to environmental sustainability and human rights, democratic development and good governance builds on ongoing Chinese needs and efforts and existing CIDA programming in these areas. In keeping with the priority being given to equitable growth, poverty reduction has been elevated to part of the overall goal of the CDPF. Gender equality as a cross-cutting theme will continue as a strategic programming approach that will be emphasized in all initiatives. Other strategic programming approaches are outlined below.

OBJECTIVES

Equitable Growth:
To contribute to more equitable growth in China through support for Chinese efforts to enhance the economic opportunities of the rural poor in western regions of China by improving the effectiveness of China's Rural Poverty Reduction and Development Program and skills training systems.

CIDA programming under this objective will support Chinese efforts to help poor women and men from rural areas of western China to benefit more fully from China's economic growth and reforms. An emphasis will be placed on helping China to increase the effectiveness of its Rural Poverty Reduction and Development Program and skills training systems (agricultural extension and vocational training) through improved targeting of fiscal resources, enhanced access to poverty programs and training for poor women and men, and increased relevance to the needs of the poor. Potential areas of Canadian expertise that could be of value to China in improving the effectiveness of these systems include fiscal equalization, labour mobility, the design and management of skills training systems, program management, monitoring, and evaluation, and participatory planning and decision-making. It is anticipated that the provision of this expertise will help China to enhance the employment seeking skills and entrepreneurial capacity of the poor and will be supportive of aspects of China's Western Development Strategy including the facilitation of increased agricultural productivity and income, off-farm employment, and rural small town development.

Environmental Sustainability

To promote environmental sustainability in China through support for Chinese efforts to manage environmental issues linked to rural poverty in western regions of China by enhancing the capacity of China's land resource management systems.

CIDA programming under this objective will support Chinese efforts to reform land resource management systems as a means to enhance environmental sustainability and ecological protection as well as help reduce rural poverty in western regions of the country. To this end, an emphasis will be placed on helping China to enhance its land resource management systems through enhanced management capacity, improved coordination, and increased participation of women and men at the community level. Potential areas of Canadian expertise that could be of value to China include land-use planning models, interdepartmental and intergovernmental coordination, agricultural extension systems, program management, monitoring, and evaluation, and participatory watershed management planning and decision-making processes. It is anticipated that this expertise will help China to improve and rehabilitate its agricultural land, address issues of desertification and erosion, and enhance the sustainability of some water related aspects of land resource management (e.g. agricultural water consumption, non-point source pollution, and river basin management processes).

Human Rights, Democratic Development, and Good Governance

To contribute to human rights, democratic development, and good governance in China through cooperation focusing on the rule of law, including legal, judicial, governmental,
and legislative institutions, and standards and requirements of international instruments to which China and Canada are party.

CIDA programming under this objective will support exchange and cooperation on the rule of law as a means to uphold the rights of women and men, achieve economic, environmental, and social objectives, and facilitate integration with global systems. An emphasis will be placed on cooperation regarding the role of, level of access to, and professional capacity of legal, judicial, and legislative institutions and the capacity of institutions to respond to standards and requirements of international instruments to which Canada and China are parties. Potential areas for sharing of experience include the management of judicial institutions, legal aid systems, the role of bar associations, legislative consultation processes, and the implementation of international trade arrangements (WTO), environmental conventions as they relate to land resource management, and other international covenants related to human rights, democratic development and good governance, to which Canada and China are parties.

STRATEGIC PROGRAMMING APPROACHES

Strategic programming approaches will be incorporated to increase the aid effectiveness of projects in achieving the goal and objectives of the China CDPF. The approaches outlined below will serve as criteria for the design of directed projects and the selection of unsolicited proposals that are supportive of the China CDPF objectives. They build on lessons learned from CIDA and other donor programming in China and are designed to reinforce the principles of Strengthening Aid Effectiveness and Key Agency Enabling Results related to local ownership, collaborative partnerships, donor coordination, policy-based programming, and geographic focus.

- **Local ownership**: Strong and clear Chinese ownership, as demonstrated by existing Chinese policies, programs, and funding, will be a key basis for programming decisions.

- **Policy-based programming**: Emphasis will be given to providing input on policy and management issues (e.g. China Council for International Co-operation on Environment and Development) as a means to introduce new approaches and increase the effectiveness of existing Chinese initiatives.

- **Geographic focus**: Beyond policy interventions at the central level, CIDA pilot projects related to equitable growth and environmental sustainability will focus on the impoverished rural areas of western China.

- **Macro-micro linkages**: Connections between macro-level policies and programs in China and micro-level pilot project initiatives will be emphasized in all activities as a way to leverage Chinese support and ensure sustainability and replication.

- **Cross-linkages**: Priority will be given to designing and selecting projects that support cross-linkages between CDPF objectives.

- **Gender equality** as a cross-cutting theme will be emphasized in all programming, and specific measures (e.g. gender related projects and analysis) will be supported to ensure gender
equality results are achieved related to the CDPF objectives. The China bilateral program's Gender Equality Strategy will be updated to help guide CIDA programming.

- **Ethnic minorities**: Consideration will be given to the particular challenges faced by minority women and men in China, and specific programming mechanisms will be incorporated within CIDA projects. A new ethnic minorities strategy will be developed to help guide CIDA programming in this field.

- **Participatory approaches**: Opportunities to employ gender-sensitive participatory approaches will be sought to enhance the effectiveness and ownership of policy and program measures arising from project activities and to demonstrate the relevance of public participation in decision-making for sound development management.

- **Partnerships**: Integrated stakeholder involvement including national, provincial, and local levels of government, public and private sector enterprises, and civil society organizations in China (including women's organizations) will be pursued in each project as appropriate.

- **Donor coordination**: Collaboration with other donors will be emphasized through shared research, planning, and evaluation as well as coordinated project implementation.

**SPECIAL CONSIDERATIONS**

CIDA will work with China, other donors, the Department of Foreign Affairs and International Trade, and other Canadian government agencies to keep a watching brief on the emerging issues that could require an adjustment in CIDA's future programming. For example, given the potential threat and perceived severity (by the international community) of the HIV/AIDS situation in China, resources could be allocated for programming to support Chinese efforts to address systemic problems related to this situation when Chinese agencies are ready to do so.

Other issues could benefit from Agency-wide program resources from thematic funding mechanisms within CIDA not specifically focused on China. For example, China is already benefiting from program resources under a broader Canadian government initiative through CIDA's allocation under the Climate Change Development Fund and could benefit further should the present Fund be replenished.

**PERFORMANCE MEASUREMENT STRATEGY**

CIDA's performance in achieving the China CDPF objectives will be measured against the following expected results. Some outcome-level results appear under more than one objective, a reflection of the inter-connectedness of the CDPF objectives that have been chosen. While CIDA is well placed to contribute to the expected results, large-scale achievement of the outcomes and impacts will depend on the follow-up actions of the Chinese government, public and private sector enterprises, and civil society. Although this statement could be made for any country in which CIDA is active, it is particularly the case in China where the scale of issues is so large compared to donor resources. Hence, the importance of Chinese ownership and the need