CHINA

MULTIYEAR INDICATIVE PROGRAMME (MIP)

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<td>Programming Service:</td>
<td>DG RELEX H/2</td>
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<tr>
<td>Head of Unit:</td>
<td>F. Jessen</td>
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<tr>
<td>Co-ordinator:</td>
<td>R. Wilkinson</td>
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SUMMARY OF THE MIP AND INDICATIVE BUDGET

The present Multiannual Indicative Programme (MIP) covers the first four years (2007-2010) of the seven-year period covered by the Strategy Paper, and has been prepared in line with the policy objectives set out in that document. These are:

(1) to provide support for China’s reform programme in areas covered by sectoral dialogues, where EU experience can provide added value;
(2) to assist China in her efforts to address global concerns over the environment, energy, and climate change; and
(3) to provide support for China’s human resources development.

<table>
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<tr>
<th>PRIORITY</th>
<th>% of MIP</th>
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<td>Priority 1: Support in areas covered by Sectoral Dialogues</td>
<td>50</td>
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<td>• Civil Aviation</td>
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<td>• Financial Services</td>
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<td>• Policy Dialogue Support programme</td>
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<td>Priority 3: Human Resources Development</td>
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<td>• Higher Education Programme</td>
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<tr>
<td>Total</td>
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Sector context, strategy, and justification for each proposed intervention is given in Annexes 4.1, 4.2, and 4.3.

1 PRIORITY 1: SUPPORT IN AREAS COVERED BY SECTORAL DIALOGUES

1.1 EU-China Trade Co-operation

1.1.1 EC Objectives

The overall objectives of a future programme in trade co-operation will be to provide continued support to China for the deepening of her process of economic and administrative reform in trade-related areas, not only at the level of the central Government but increasingly at the local and regional government levels with a view to supporting the more uniform application of laws, increased transparency, consumer confidence and facilitation of trade.

The programme will build on the experiences and results of the ongoing EU-China Trade Project (EUCTP), which will end in 2009, in order to further develop China’s legal and regulatory framework; to strengthen administrative structures and capacities; and to assist China in providing training, building awareness and disseminating information on trade-related issues.

1.1.2 Expected results

Co-operation in this area will result in a strong “rules for trade” framework. It should ensure the full implementation of China’s WTO and other relevant commitments, reinforce and extend dialogues and co-operation, and promote the use of unilateral instruments, thus supporting China
as an active and responsible global player and increasing the involvement of civil society. Newly-starting programmes such as the Managers Exchange and Training Programme (METP) and the new Business Management Training Programme (BMTP) will provide complementarities.

1.1.3 Activities
Co-operation activities will include technical assistance for the formulation of legislation and the drafting of policy recommendations, institutional strengthening, training, the presentation of EU and WTO practices, and the building of networks. Activities contributing to guaranteeing the safety of traded goods and services are among the priorities.

Assistance may take the form of seminars and conferences, the provision of expertise, study tours, the drafting and translation of key legal texts and other relevant documents, and other measures to help ensure the implementation of new policies and regulations at national level and in key pilot regions. It will cover a wide range of sectors and horizontal issues which are of importance for China’s economic development and for its trade and investment relations with its partners.

The programme will be based specific needs identified at the time of appraisal and on the experience gained during the implementation of the current EUCTP. It will be complementary to the EU-China Project on the Protection of Intellectual Property Rights (IPR II), for which implementation will begin in 2007, and will take into consideration developments under the EU-China Trade Policy Dialogue.

1.1.4 Implementation
Implementation of activities will be managed by the Commission’s Delegation in China.

1.1.5 Cross-cutting issues
Efforts will be made to address gender, social, and environment issues as well as elements of good governance in relation to the transparent and effective management of public affairs and in the tax area.

1.1.6 Risks & assumptions
The risks and assumptions associated with this programme are that the Chinese Government remains committed to implementing its WTO commitments, that the authorities and agencies targeted for support under the programme remain receptive to the proposed assistance, and that the appropriate inputs are provided in a timely and effective manner.

1.1.7 Main Indicators
Detailed programme indicators will be defined during the appraisal:
- China’s implementation of WTO commitments, in relation to WTO benchmarks;
- Implementation of regulations in areas such as investment, geographical indicators, SPS, maritime and air transport;
- Concrete results emanating from trade dialogues in relation to targets.

1.1.8 Co-ordination with MS and other donors
Co-ordination with Member States and the donor community will be assured by the Commission Delegation in Beijing, and at Headquarters level.

1.1.9 Indicative time frame
Funds for the programme will be committed in 2008 or 2009.
1.2 Civil Aviation

1.2.1 EC Objectives

The overall objective is to support the Chinese Government to meet the civil aviation sector challenges that it faces in terms of matching the rapid growth in demand for air transport with a satisfactory level of safety and security.

The specific objectives are to provide support for the development of general civil aviation policy in China and for training and regulatory reform in the areas of aviation security and safety, air traffic management, and competition.

1.2.2 Expected results

Aviation security will be improved through the establishment of security audit programmes, the improvement of security equipment standards, and the development of regulations and standards on aviation security and air cargo. In the areas of competition law and economic regulation, civil aviation regulation will be developed and enforced, and information exchange between competition authorities will be developed.

In air traffic management (ATM), co-operation on Air Traffic Controllers training and ATM modernisation will be promoted, and the development and implementation of Safety Management Systems in air traffic management will be supported.

Aviation safety will be promoted through the improvement of airworthiness, flight operation and maintenance. Safety Management Systems (SMS) will be established and certification practices (including environmental/noise issues) and safety oversight will be improved.

1.2.3 Activities

Activities will take account of previous experienced gained in the sector and could include:

- Training for trainers on technical issues related to air safety and security, and ATM
- Senior-level management training in sector policy
- Technical assistance for the improvement of standards and economic regulation
- Seminars and exchanges on best practice, and professional placements
- The promotion of co-operation between EU aeronautical teaching institutions and the Ministries of Education and Transport, the CAAC, and the Civil Aviation University of China.

1.2.4 Implementation

Implementation of activities will be managed by the Commission Delegation in China.

1.2.5 Cross-cutting issues

Environmental issues associated with the sector will be addressed through training activities and the exchange of information on regulation and best practice. Good governance will be promoted.

1.2.6 Risks & assumptions

It is assumed that growth in the civil aviation sector in China will be maintained, and that the need for further reform and interaction with the EU on related sector issues will be continued. The main risk concerns the pace at which China’s civil aviation sector China is expanding, and the need for the programme to respond to changing needs that may arise. This will be mitigated by flexibility incorporated into programme design implementation procedures.

1.2.7 Main Indicators

- Training provided in aviation security airworthiness, flight operation and maintenance, flight inspection, and accident investigation
• Improved aviation security equipment standards and use of aviation security audit programmes
• Quality and enforcement of civil aviation competition law enhanced
• Co-operation on Air Traffic Controllers training and ATM modernisation ensured
• Improvements made to inspection procedures and Safety Management Systems (SMS)
• Training provided on certification practices (including environmental/noise issues) and safety oversight.

1.2.8 Co-ordination with MS and other donors
Implementation will be followed closely by, and will feed into the EU-China Civil Aviation Dialogue, and will be the subject of exchanges of information in the context of the regular meetings of the EU Development Counsellors in Beijing.

1.2.9 Indicative time frame
The financing decision will be taken in 2008.

1.3 Financial Services

1.3.1 EC Objectives
To facilitate the creation of a sound, well-regulated Chinese financial services sector.

1.3.2 Expected results
Professionalism and competence of the financial services sector operators will be improved. Stakeholders, including the general public, will be better informed about the financial services sector. The current development thrust of regulatory bodies will be maintained with the required level of competence as markets become more sophisticated.

1.3.3 Activities
Activities will take account of previous experience gained in the sector and could include:
• policy dialogue support, study tours and internships;
• the provision of technical assistance to promote cross-border activities;
• strengthening Chinese intermediaries by skill-set transfers via training and placements;
• training activities linked with regulatory capacity-building initiatives.

1.3.4 Implementation
Implementation of activities will be managed by the Commission’s Delegation in China.

1.3.5 Cross-cutting issues
Gender and environment issues will be addressed as well as good governance in relation to the transparent and effective management of public affairs and in the tax area.

1.3.6 Risks & assumptions
• that the Chinese Government remains committed to implementing its WTO commitments and further opening of the financial services market;
• that the authorities and agencies targeted for support under the programme (in particular the financial services regulatory bodies) are receptive to the proposed assistance; and
• that the support inputs are of high quality and are provided in a timely and effective manner.

1.3.7 Main Indicators
Programme indicators will include:
• The extent of China’s implementation of WTO commitments in the financial services sector;
• The degree of implementation of regulations in the financial services sector;
• Results of dialogues in the financial services sector as supported by the programme.

1.3.8 Co-ordination with MS and other donors

Co-ordination with Member States and the donor community will be assured by the Commission Delegation in Beijing.

1.3.9 Indicative time frame

A financing decision will be taken in 2008.

1.4 Social Protection

1.4.1 EC Objectives

To assist China in its efforts to strengthen social provision in order to minimise the social side-effects of economic reform, and to contribute to poverty alleviation, through:

- The development of a sustainable health and safety-related insurance system and upgrading of health and safety regulations and implementation;
- The improvement of related regional policy and fiscal transfers to less favoured regions;
- The institutional strengthening of the agencies charged with managing social provision systems and delivering benefits;
- The extension of coverage of pension and unemployment insurance to the urban private and informal sector.

1.4.2 Expected results

- Strengthened Government capacity to manage social provision at national/regional level.
- Contribution to the development of sustainable and effective systems of social provision in China, thereby increasing social welfare and contributing to social stability.
- Recommendations to extend the coverage of social provision to the private and informal urban sector, to migrant workers and to the countryside, to reduce poverty.
- Financial sustainability in the sector, and adaptation to labour markets and social factors.

1.4.3 Activities

- Mainstreaming of lessons from existing pilot projects in other provinces.
- Further pilot projects in the different policy areas, to help develop models to move towards the unified social security system targeted for 2025.
- Capacity-building in the ministries and institutions concerned.
- Support for related research and its dissemination.
- Exchanges with EU Member States on specific policy areas to draw on EU experience.

1.4.4 Implementation

The implementation of activities will be managed by the Commission’s Delegation in China.

1.4.5 Cross-cutting issues

These relate primarily to the areas of gender and governance.

1.4.6 Risks & assumptions

- That the Chinese Government remains committed to implementing its policies relating to improved social protection.
- That the authorities and agencies targeted for support under the programme at both national and provincial level are receptive to the proposed assistance;
- That the support inputs are provided in a timely, responsive and effective way.

1.4.7 Main Indicators

These will be defined in detail during project appraisal, but will include:
- The depth of engagement of the provinces engaged in the social security reform process;
- The areas of social contingencies covered;
- Ratification of ILO conventions on social security;
- Overall coverage of social welfare systems (% contributing, % eligible for benefits)
- Implementation of regulations in the social provision sectors

1.4.8 Co-ordination with MS and other donors
Co-ordination with Member States and the donor community, including possible joint activities, will be assured by the Commission Delegation in Beijing.

1.4.9 Indicative time frame
A financing decision will be taken in 2009.

1.5 Policy Dialogue Support Programme

1.5.1 EC Objectives
The objective of the programme’s projects will be to facilitate and support the implementation of Policy Dialogues between the EU and China and to improve governance.

1.5.2 Expected results
- Increased understanding of sectoral issues
- Best practice, know-how, lessons and expertise exchanged, and good governance promoted
- Chinese social and economic policy improved in line with the Five Year Plan
- Improved efficiency in public administration delivery
- EU-China dialogues facilitated and enhanced
- Improved knowledge of EU governance for leading Chinese policymakers.

1.5.3 Activities
These will consist of the exchange of best practice and expertise in priority areas of co-operation. This will be done through short to medium-term studies; logistical support for meetings, conferences and seminars; internships for dialogue partners; external expertise; translation and interpretation; and training. The involvement of provincial-level actors will be promoted, and sectoral experience gained under the co-operation programme will be fed systematically into the dialogues where possible.

An annual forum on public administration will be organised, and related study visits, training, and other activities will be carried out.

Senior Chinese policymakers will be provided with training in and exposure to EU governance.

1.5.4 Implementation
The implementation of activities will be managed by the Commission Delegation in China.

1.5.5 Cross-cutting issues
Cross-cutting issues, including environmentally and socially sustainable economic growth and gender issues, will be addressed where appropriate. The environment is the subject of a specific dialogue in its own right. Other dialogues are related to the promotion of good governance.

1.5.6 Risks & assumptions
- That the dialogues and exchanges continue;
- That the dialogues and exchanges need further support to enhance their impact; and
- That the technical expertise and input can be identified and support provided effectively.
1.5.7 Main Indicators
Results and indicators will be defined for each of the activities under the programme. The main indicators by which impact and effectiveness may be assessed are:
- The activities undertaken and their sectoral spread;
- The objectives achieved under policy dialogues;
- The quality of support provided for exchanges, studies, conferences and seminars under mandates for dialogues and exchanges; and
- The integration of lessons learned from activities into public administration management.

1.5.8 Co-ordination with MS and other donors
The Commission Delegation in Beijing shall co-ordinate all activities. The preparation of activities will be the subject of exchanges between the Delegation and the Chinese authorities, and between the Commission’s headquarter services and their Chinese counterparts. The Member States will be consulted in the framework of established co-ordination mechanisms.

1.5.9 Indicative time frame
The time frame for the programme will be dependent on the rate of disbursement of the funds (€6 million) committed for Policy Dialogue Support under the 2005-2006 NIP. Other components will be financed from 2008.

2 PRIORITY 2: ENVIRONMENT, ENERGY AND CLIMATE CHANGE

2.1 Environment, Energy and Climate Change Programme

2.1.1 EC Objectives
The objective of the programme is to support China in protecting the environment, saving energy and combating climate change.

2.1.2 Expected results
Subject to detailed programme formulation in general terms, the following results are expected:

- strengthened policy dialogues to show the positive impact of sound environmental policies
- more integrated environmental and energy policy and legislation
- integration of climate change concerns (mitigation and adaptation) in relevant policy areas
- measures taken to improve the implementation of energy and environmental legislation
- use of economic instruments for environmental protection and resource conservation, and to promote energy efficiency and energy savings
- improved environmental governance
- increased use of renewable energy
- practical steps to implement near-zero emissions power generation through the use of carbon dioxide capture and storage
- closer EU-China co-operation in discussions under the UNFCCC

2.1.3 Activities
The programme will consist of various components. Firstly, it will support established EU-China policy dialogues on environment, energy and climate change. It will facilitate the sharing of experience, for example through conferences and workshops, training programmes, exchange of staff and studies. Co-financing of relevant actions under the China Council for International Cooperation on Environment and Development (CCICED), a high-level advisory body to the Chinese Government, could be envisaged as part of the policy dialogues. Secondly, the
programme will provide technical assistance to address the challenge of climate change, to promote energy sector reforms, enhance energy security, energy efficiency, energy savings and the use of renewable and clean energy and energy technologies, in particular clean coal and carbon capture and storage (CCS). It will assist with the design and implementation of policies and plans at the central, provincial and local levels in China.

Thirdly, the programme will facilitate and promote private-sector industrial and technology co-operation on environment and energy and, possibly co-finance pilot demonstration projects.

Fourthly, the programme will co-finance actions in the area of environmental governance, for example by creating partnerships between EU and Chinese environment organisations. Some of the issues to be addressed under this component are public access to environmental information, public participation in decision-making and public rights of appeal.

2.1.4 Implementation

The implementation of activities will be managed by the Commission Delegation in China.

2.1.5 Cross-cutting issues

Environmental issues and good (environmental) governance, including the rule of law, will be directly addressed by this programme. Due consideration will be given to gender issues.

2.1.6 Risks & assumptions

The assumption is that China continues to place environmental protection, resource conservation, energy and climate change high on the political agenda and provides adequate resources and co-ordination for follow-up.

2.1.7 Main Indicators

- number of policy dialogue activities supported and their results
- number of new initiatives related to environment, energy, and climate change
- studies and reports on vulnerability and adaptation to climate change, and the integration of adaptation concerns in relevant policy
- number and quality of joint activities by EU and Chinese environmental organisations

2.1.8 Co-ordination with MS and other donors

In June 2005, the Environment Counsellors Group (ECG) in Beijing was established to improve co-ordination and co-operation on environment and climate change between the EU and China. The ECG has been a forum for the exchange of information on projects and policy initiatives and for the co-ordination of actions, for example under the EU-China Climate Change Partnership.

Furthermore, co-ordination with EU Member States and other donors takes place in a number of informal round tables related to environment and energy. During the preparation of this programme, options for joint actions with EU Member States and other donors will be explored.

2.1.9 Indicative time frame

It is foreseen that a financing decision or decisions will be taken from 2008 onwards.

3 PRIORITY 3: HUMAN RESOURCES DEVELOPMENT

3.1 Higher Education

3.1.1 EC Objectives

The overall objective is to contribute towards China’s human resource development and to strengthen people-to-people links between the EU and China.
3.1.2 Expected results

The main result will be the participation of Chinese students in higher education courses in selected European academic institutions. It is also expected that this will have a multiplier effect on future demand from China for European higher education, and, via personal links that will be created between Chinese students and their European counterparts, can be expected to foster future co-operation across the board.

3.1.3 Activities

Scholarships will be provided for Chinese students to undertake higher education courses in EU universities. The programme will be promoted by information activities to maximise the number of participants within the limits of the funding available.

3.1.4 Implementation

Implementation mechanisms will be defined during programme formulation.

3.1.5 Cross-cutting issues

An effort will be made to ensure that wide publicity for the programme is given in the poorer provinces of China to encourage the participation of students from those regions. Due attention will equally be paid to ensuring the required gender balance among participants.

3.1.6 Risks & assumptions

The risks and assumptions related to the programme are that information on opportunities under the programme reaches the targeted students; that EU universities remain competitive with other higher education providers; that there is support for the programme from the Chinese authorities; and that students who receive scholarships will return to China and contribute towards the country’s development.

3.1.7 Main Indicators

The main indicators will be the number of Chinese students participating in the programme, the quality of their performance and the number and level of degrees awarded to them.

3.1.8 Co-ordination with MS and other donors

In order to ensure coherence between the activities of the programme and activities undertaken by other donors in the sector, regular meetings will take place with all interested parties, and in particular with EU Members States’ representatives in China, to ensure an open exchange of information, to avoid overlapping of activities and/or financing, and to incorporate the lessons learnt by others into the work of the programme.

3.1.9 Indicative time frame

It is proposed that the first student intake under the programme will take place in 2008.
4.1 Priority 1 Strategies, contexts and justifications
Support in areas covered by Sectoral Dialogues

4.1.1 EU-China Trade Co-operation

China plays a pivotal role in the world economy and will continue to do so for decades to come. China’s WTO membership has been a significant step and the country is generally on track with regard to meeting its commitments of membership. While the Chinese market is generally open, many trade obstacles remain: from non-tariff barriers to insufficient protection of intellectual property, from closed government procurement to subsidies and privileged access to banking for national companies, from incomplete opening of the services sector to restrictions for investment in the manufacturing sector. Since China’s economic growth and social development is largely dependent on exports and foreign investment, it will be important for the country to be and to be perceived as an open market. This implies that China must proactively open her market to outside goods, services and investment; strengthen legal protection for foreign companies, in particular in the areas of intellectual property and technology; and avoid adopting anti-competitive trade practices and regulations. This creates opportunities for continued EU-China co-operation.

4.1.2 Civil Aviation

Growth in China’s civil aviation sector is presently estimated at around 30% to 40% annually. This represents a challenge and a potential risk for safety if China is not able to increase its safety surveillance capacities in order to ensure continued safe operation. China does not yet have the training capacity to provide the number of pilots and engineers that will be needed to ensure safe operation of the rapidly increasing fleet.

Civil aviation is a sector where EU experience can provide support, not only in the specific area of safety, but throughout the sector.

The main focus of previous EU-China co-operation in civil aviation (1999 to 2006 - EC contribution €12.5 million) has been to promote aviation safety through co-operation in the areas of airworthiness and flight standards, production management, customer support, air traffic management (ATM), and training for pilot inspectors, airline management and industry management. This has created strong sector links between the EU and China, symbolised by the joint organisation of the first EU-China Aviation Summit in Beijing in 2005.

4.1.3 Financial Services

The EU–China Financial Services co-operation project which ended in December 2006 assisted the Chinese government in its effort to reform and re-structure the financial services sector (banking, insurance and securities). The project pursued this objective through policy advice for the sector’s regulators and supervisors and through training. A new project will build directly on these achievements by selecting high-impact activities in line with the Chinese government’s needs. Close co-ordination will be ensured between the new project and the EU-China Trade Co-operation Programme.

Cross-sector initiatives will be pursued if possible, such as the development of the debt markets as a means of providing opportunities for insurance companies’ investments, developing capital markets and new revenue streams, thus helping companies to reduce the cost of capital, and providing investment options for the state’s social security funds.
4.1.4 Social Protection

Building on the achievements of the current ‘social security’ project and in the framework of the sector background outlined in the Strategy Paper the new project will contribute to the further development of social protection. It will (a) cover further social security areas (such as, for example, maternal health care and work injuries; (b) cover further areas of social provision, notably health and safety, and regional policy implications; and (c) provide continuing sector support after the current social security project ends in 2010.

4.1.5 Policy Dialogue Support Programme

The dialogues and exchanges between the Commission’s services and the Chinese Government cover a broad area. Details are provided in the 2007-2013 Strategy Paper. All are governance-related and are supportive of China’s development. In some areas they are linked to projects and programmes financed under the co-operation programme. They form an important element of the overall EU-China relationship, and a programme to support them - the Policy Dialogue Support Facility (PDSF) - is being implemented under the 2005-2006 NIP with an EC contribution of €6 million\(^1\). While the implementation period of the Facility is five years, the mechanism is demand-driven, and it is possible that this financing will be fully disbursed in a shorter period. Further support under the 2007-2010 MIP is therefore proposed.

The Chinese Government has shown strong interest in intensifying and expanding the dialogues, and in backing them up with concrete activities, using EU models as examples for the country’s own development and reform. The Commission responds by providing regular contacts and exchanges with its Chinese counterparts.

When preparing interventions under the 2007-2010 MIP it may be possible to include support for dialogues under some individual programmes. In some areas such as the information society, environment, and trade this approach has previously proved successful. However, it is not always possible to include new topics or to involve new counterparts when not foreseen in the original project design. It is therefore proposed to provide additional support where programmes and projects are unable to respond to the specific requirements of the dialogue or exchange.

Further governance-related support will be provided for public administration co-operation to build on the highly successful China-Europe Public Administration Programme (CEPA) which ends in 2007, and for the short-term training of senior Chinese officials and others engaged in policy-making in focal areas of the co-operation programme. Training for the latter could be provided at specialised high-level European training institutions.

4.2 Priority 2 Strategy, context, and justification

Environment, Energy and Climate Change

4.2.1 Environment, Energy and Climate Change Programme

Over the last decade, the Commission and China have co-operated closely on environmental and energy issues through established ministerial-level dialogues, high-level working groups, joint workshops/conferences, and through the EU-China co-operation programme. The 2005 EU-China Summit in Beijing established a partnership for co-operation on climate change.

China’s rapid economic growth and relative energy inefficiency impacts directly on climate change, energy security, air pollution and the environment in general, both locally and globally.

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\(^1\) Of which €1.4 million is earmarked for the training of Chinese interpreters under the renewed EU-China Interpreter Training Programme (EUCIPT)
EU-China co-operation under this MIP will further support China in addressing the environment and energy-related challenges as outlined in the 11th Five Year Plan (2006-10) and beyond. China's ability to reach targets such as reducing energy intensity by 20% by 2010 will have a direct impact on the environment, energy consumption and climate change.

The programme will strengthen co-operation in the areas of the environment, energy (including energy security and efficiency, cleaner energy resources and technologies) and climate change (the programme will support the implementation of the Rolling Work Programme under the EU-China Partnership on Climate Change, covering both mitigation and adaptation): firstly, by facilitating the related policy dialogues; secondly, by providing medium to long-term technical assistance in one or more priority sectors; thirdly, by promoting private sector co-operation; and fourthly by promoting partnerships between EU and Chinese civil society organisations.

Components and actions under this programme will be developed in close collaboration with Member States which are active in these fields in China. Options for parallel implementation and joint financing with Member States’ programmes, and possibly with other donors, will be explored systematically during programme preparation.

4.3 Priority 3 Strategy, context, and justification

4.3.1 Human Resources Development

The development of human resources and improvement of the quality of higher education is an important element of the country’s new Five Year Plan. China is making its education sector more internationally diverse and more competitive through improved co-operation with numerous European academic centres of excellence. This point was highlighted at the ninth EU-China Summit in Helsinki in September 2006, when the Chinese expressed strong interest in the future conclusion of an EU-China Education Co-operation and Exchanges Agreement. In support of this interest, and as a reciprocal measure, the Chinese side announced the launching of a five-year "EU Window" in the Government Scholarship Programme to provide scholarships and opportunities for EU students to study Chinese.

Further financing for higher education under the 2007-2010 MIP would constitute a follow-up to the financing allocated for the same purpose under the Erasmus Mundus China Window (€9 million) in the framework of the 2002-2004 NIP. Continued co-operation in this sector is seen as a logical follow-up to previous and ongoing EU-China human resources development projects and programmes in basic and vocational training, public administration, management and European studies, and would constitute a complementary element to the high-level exchanges with China on education that are taking place.

4.4 Alignment and Harmonisation

4.4.1 Alignment to national policies

China’s policy guidelines for development are set out in the Government’s Five Year Plan covering the period from 2006 to 2010. They represent a concise response to the challenges described in the Country Strategy Paper, and have been prepared following detailed analysis, consultation and policy debate. The document provides an overview of current long-term policy thinking and an assessment of the changes that have accompanied the country’s recent economic development.
The Strategy Paper and present MIP have been developed while taking account of the objectives of the Plan, and in particular of three areas to which it relates: further economic reform and the governance issues that this implies; the protection of resources and preservation of the ecological environment; and the development of human resources.

Government has been consulted in the preparation of the new SP and MIP, notably in the framework of the regular meetings that take place in Beijing between Commission staff and the co-ordinating Ministry of Commerce (MOFCOM), with line Ministries and Agencies concerned, and in the context of the EC-China Economic and Trade Working Group.

4.4.2 Harmonisation and Co-ordination with Member States and other donors

Co-ordination and consultation between donors in China has in the past been limited for a number of reasons. The scale of the country and the limited impact of ODA in relation to China’s overall development needs and domestic resources have not provided the level of cohesion and alignment that is found in other developing countries where donor impact is more substantial. The new Five Year Plan may provide common ground to promote closer co-ordination in the absence of an overarching element such as a Consultative Group or a Poverty Reduction Strategy as found in many other developing countries.

Information exchange and operational co-ordination between the EU Member States and the Commission nevertheless takes place regularly in the context of the EU Development Counsellors Group and the EU Environment Counsellors Group. Further consultation takes place in the Informal Donor Group between the World Bank, the Asian Development Bank, UNDP, Australia, Japan, the principal EU Member State donors, and the European Commission.

Co-ordination between EU Member States on environmental issues is becoming closer, for example through the creation of the partnership on climate change at the 2005 EU-China Summit.

The Commission Delegation in Beijing has made proposals to the EU Development Counsellors Group in the framework of the European Consensus on Development in order to advance policy coherence in the prescribed areas of development co-operation. Analysis with regard to China would be aimed at identifying sectors where synergies may be developed. The first steps in this direction have been taken through the establishment of a joint table of ongoing co-operation activities. Further background on donor policy is given in Annex 4.5.

4.5 Donor Policy

As a consequence of her own commitment and effort, China is becoming increasingly prosperous and is making unprecedented progress towards the attainment of the Millennium Development Goals. This progress is largely due to political decisions that have been taken to direct resources towards poverty alleviation and has inevitably given rise to debate within the donor community as to how donors can continue to rationalise their co-operation programmes, given competing demands on development assistance resources from poorer, less developed countries. Further fuel for the debate is provided by the fact that China is herself emerging as a significant donor, with substantial aid programmes in Africa and Asia. China is furthermore becoming increasingly involved in peace-keeping missions, has the potential to become a major development player in trade negotiations, and participates in some World Bank Consultative Group meetings.

Donor reaction to these developments is varied. In general there is a move towards greater concentration of development assistance on policy-related areas that will help China to develop in a stable and globally responsible manner, while some donors are scaling down their co-operation
programmes in the belief that with more modest funding levels well-considered initiatives can assist China in important areas of her reform process, and in governance. The fact nevertheless remains that, under OECD-DAC criteria, China remains a lower middle income country that continues to be eligible for Official Development Assistance.

For many donors, poverty alleviation is becoming less of a central focus, the widely held view being that China will continue to make progress in this area regardless of donor intervention. Environmental and governance issues nevertheless continue to attract considerable donor attention, and will in all likelihood continue to do so in the foreseeable future.