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China in the Sustainable Development Agenda

Key Institutions for International Engagement

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Summary

China has a large and expansive network of actors working on Sustainable Development Goals (SDG) activities. This report maps the foremost key Chinese actors and institutions with an orientation towards international activities.

Ministries and affiliated agencies oversee specific policy areas, while the State Council and some select ministries have responsibility for overall planning and coordination. The Ministry of Foreign Affairs and the National Development and Reform Commission are among them, but in some areas, particularly concerning foreign aid, many other institutions are involved. Importantly, all major issues are discussed and decided within the leadership of the Chinese Communist Party.

Besides government and Party organs, academic and analytical institutions serve important functions regarding research and policy analysis. Chinese companies influence SDGs directly with their investment and commercial operations. While non-governmental organizations (NGOs) face many restrictions in China, some Chinese organizations are active in SDG work.

China has in recent years taken decisive steps in investing more resources into international organizations. This includes initiating new organizations and working to enhance its position in established, leading multilateral bodies.

Categorizing institutions

The People's Republic of China (PRC) is an active partner in the international Sustainable Development Agenda, as formally adopted by the UN General Assembly in 2015. This report maps the foremost key actors and institutions involved in activities clearly relatable to the Sustainable Development Goals (SDGs), the focus here being internationally oriented activities.¹ The mapping also includes international organizations that are important to China, including institutions it has helped initiate.²

The mapping is neither exhaustive nor complete, and the selection is based on which actors have special responsibilities that correspond with high activity levels relating to SDGs. Actors and institutions are organized into certain categories that indicate their division of labor and formal statuses. Policy areas, however, overlap, and some institutions have cross-cutting responsibilities. Coordination between actors working on similar issues is often weak.

The report distinguishes state and governmental institutions, academia, state-owned and private companies, and non-governmental organizations (NGO). China is an authoritarian country, and non-state actors are subject to more restrictions than their counterparts in liberal political systems. However, state and non-state distinctions matter, and many NGOs do operate with considerable practical autonomy.

¹ This report is part of a larger project on China and the international Sustainable Development Agenda funded by the Norwegian Ministry of Foreign Affairs (Framework Agreement No 14/9422).

² The mapping is based on key sources and the author's own observations and interviews, including government, academic, and international organization staff and experts in China and internationally throughout 2019 and January 2020.

Key domestic institutions

The overview starts with China's foremost leading political institutions responsible for overall domestic and foreign policy before moving into specific policy areas.

The Communist Party and overall national institutions

The **Chinese Communist Party** (CCP) is the foremost leading political institution. China is commonly referred to as a *one-party system*, since no other party may compete for governing power. Much CCP power is vested in informal rules and traditions, and all matters of importance are discussed within the CCP's leading institutions. Key decisions are reached within the top Party leadership, meaning the Politburo (25 members) and the seven highest-ranked officials who make up its Standing Committee.

Although China's governing system has separate administrative tracks for state and government, on the one hand, and Party institutions, on the other, in practice, these tracks overlap. Illustratively, Xi Jinping is both General Secretary of the CCP and the President of China, and Li Keqiang is both the second-highest-ranked official in the CCP and the Premier of China, in charge of the **State Council** (SC), which is the top executive organ in charge of all ministries and affiliated institutions. Notably, ministry-level institutions are not always called *ministries*. Some are called commissions, which indicates broader work areas and a somewhat higher-ranked position. **Province-level governments** (including municipalities and autonomous provinces) have considerable power and are ranked at the same level as ministries.

Important, complex policy areas are often overseen by **leadership groups** (and/or special commissions), typically comprising high-level officials from the CCP and key ministries. The leadership group for SDG activities is coordinated by the **Ministry of Foreign Affairs** (MFA).

Foreign policy and SDG

The MFA leads and coordinates foreign policy, but this does not mean its interests always get priority. Major issues are also handled by the SC and CCP institutions and leaders, and other ministries also weigh in. The 17 SDGs cover a very broad range of issues and involve many ministries and

institutions. However, the MFA is the top organ for coordination and is formally responsible for the national SDG implementation plan (2016) and related SDG assessment reports (2017 and 2019).³ However, the Center for International Knowledge on Development (CIKD), affiliated with the Development Research Center of the SC, contributes to research and organizes many relevant SDG activities. The **National Development and Reform Commission** (NDRC; ministry level) also has, as indicated by its names, a key role in overall development work, including Belt and Road Initiative (BRI) planning. The **Ministry of Science and Technology** (MOST), moreover, is vital for the implementation of many SDG activities, as much of the funding and programming for national research and development, science, and technology go through its departments and affiliated agencies.

Figure 1: Key institutions for internationally oriented SDG activity



Source: Author's compilation and analysis

Many **academic and policy analysis institutions** are actively involved in SDG activities, including universities and academies, as well as research institutes and think tanks situated within or closely affiliated to ministries. Academic and policy institutions do much research and assessment that feed into policy-making processes at many levels.

Foreign aid and development assistance

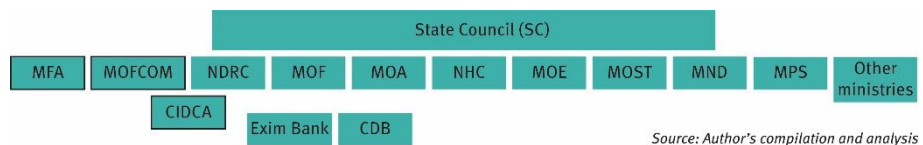
The PRC's aid and development assistance governance are complex and include several actors. Moreover, it is difficult to distinguish between Chinese aid, other forms of development assistance, and what are essentially commercial activities. This is, in part, because China applies its own definitions and does not commit to the standards of the Organization for Economic Cooperation and Development (OECD), of

³ "China's National Plan on the Implementation of the 2030 Agenda for Sustainable Development," "China's Progress Report on the Implementation of the 2030 Agenda for Sustainable Development 2017," and "China's Progress Report on the Implementation of the 2030 Agenda for Sustainable Development (2019)."

which China is not a member. Much information about Chinese aid, moreover, is not publicly available.⁴

In 2018, China established the new and specialized **China International Development Cooperation Agency (CIDCA)** to better coordinate and streamline the aid components within China’s overall development- and assistance-related activities. CIDCA is placed under the SC but is not a ministry-level institution and has limited resources (less than 100 staff at the end of 2019). It will largely work as a coordination, planning, and policy formulating organ with other institutions, maintaining most responsibilities to deliver aid. CIDCA leads the work on the new white paper on Chinese aid, which is expected to be released in 2020. CIDCA is supposed to play a role in assessing aid projects and results, but it is not clear how effective this role may be.

Figure 2: Chinese aid governance institutions



Some key institutions are particularly important in Chinese aid governance. Being responsible for overall foreign policy, as well as Chinese embassies and delegations to many international organizations, the MFA plays a key role. The overall aid budget, as well as large projects and grants, must also run through the SC. Regarding assembling and overseeing aid packages, the **Ministry of Commerce (MOFCOM)** has a principal role. It issues aid grants and zero-interest loans. Significantly, most grants are given as goods and services and may involve little transaction of money. Furthermore, MOFCOM works with the **Export–Import Bank of China (Exim Bank)**, considered a policy bank, on the provision of concessional loans, which generally do qualify as aid, according to OECD definitions.

Within MOFCOM, most aid work has been handled by its Department of Foreign Aid, which is still functioning, although some responsibilities have moved to CIDCA. The **Ministry of Finance (MOF)** manages debt relief agreements and allocates funds to international organizations.

⁴ For a good discussion of the development of Chinese aid governance before the establishment of CIDCA, see Deborah Brautigam (2009): *The Dragon’s Gift: The Real Story of China in Africa*, Oxford University Press.

Traditionally, MFA and MOFCOM have drafted annual aid plans together and obtained approval on these plans from MOF. Now that CIDCA is established and the aid governance is in transition, it is unclear how this division of labor—and power—will evolve in the next few years.

Concerning substantive cooperation, it is usually the ministry working within the relevant policy area that leads, but they do not typically have officials stationed at embassies, like the MFA, obviously, and MOFCOM always do, with their commercial attachés. This bodes for cooperation, tension, and coordination problems between the institutions involved.

Given China's aid traditions and priorities, some ministries are particularly active, including the **Ministry of Agriculture** (MOA), the ministry-level **National Health Commission** (NHC), and the **Ministry of Education** (MOE). In many Chinese embassies, the attaché working on education-related issues is from the MOE. The MOE-affiliated China Scholarship Council handles many aid-based university scholarships, while MOFCOM manages many shorter-term training programs. MOST also has a large portfolio of aid activities. NDRC is also active in many projects. The **Ministry of National Defense** (MND) and the **Ministry of Public Security** (MPS) are both involved in providing Chinese contributions to peacekeeping operations. MPS, moreover, needs to approve many activities involving international participation in China. Many other ministries are active in aid activities, so this list is not extensive.

Although **NGOs** face considerable restrictions in China and many of the largest and most dynamic organizations have close affiliations to the government, many Chinese NGOs are involved in SDG activities. Often called *people-to-people exchanges*, civil society and specialized NGOs are highlighted as prioritized focuses in many international cooperation plans.

When moving beyond aid, as defined by the OECD, and including other forms of Chinese development assistance, many more actors get involved. The **China Development Bank** (CDB), a policy bank, is a very significant contributor of Chinese outbound development finance. Although CDB loans may be attractive, this is not aid, as lending is generally based on market rates and conditions. Both the CDB and the Exim Bank have financial instruments to support Chinese companies' international operations. Although some of their financial instruments overlap, the CDB mainly provides project funding, export credits, and loans for Chinese companies' investments, while the Exim Bank mainly provides credit lines, export seller's credit (for Chinese companies), and export buyer's credit (to those importing Chinese goods and services).

Some of the Exim Bank's credit is offered on preferential terms, but this is not aid, as defined by the OECD, if it is paid back with interest. Both policy banks have special lending schemes for BRI-related projects.

Environment

Environmental issues are a major focus in China's domestic SDG agenda and spill over into many international engagements. China's environmental governance has been substantially reformed in recent years. The main ministry-level body for environmental policy is the **Ministry of Ecology and Environment (MOEE)**, which is handling many international activities, including organizing the China Council for International Cooperation on the Environment and Development, which involves several hundred international experts. MOEE is also coordinating the international greening coalition formed for the BRI, as elaborated in another section below.

Another key actor is the **Ministry of Natural Resources (MNR)**, which oversees all leading national resource agencies. The NDRC also remains important here, though some of its responsibilities for environmental issues have been moved to other ministries and agencies. The two policy banks, CDB and Exim Bank, pose considerable environmental impact by deciding or incentivizing standards for financial support. Last, the National Natural Science Foundation of China, administratively affiliated with MOST, manages the funds and programs that finance a large bulk of Chinese research, not least within the disciplines dominating environmental research.

Business and finance

Individual businesses, **business and industry associations**, and the government institutions that issue relevant regulations and incentives have considerable practical influence over SDGs. Many Chinese **state-owned enterprises (SOE)** and large **private companies** have increased their foreign investments exponentially over the last two decades, not the least within infrastructure and telecom.

MOFCOM has a leading role in policymaking regarding trade and investment, and NDRC is involved in much overall planning and strategy work. The Chinese government produces lists of types of investments that are encouraged, for which related loans and credits are often available in the CDB and/or the Exim Bank.

With its increasing portfolio of international investments, the **China Investment Corporation** (CIC), a national sovereign wealth fund, wields both financial and normative influence by deciding where and in what to invest.

The **People's Bank of China** (PBOC) (the central bank) plays a limited role in direct project financing, but it is, among other tasks, in charge of overseeing the exchange rate. PBOC can arrange swap lines, which are credit lines offered in the Chinese currency (Renminbi) to the central banks in other countries, which they can use for paying Chinese imports or to increase their foreign exchange reserves.⁵

⁵ For details, see Kevin P. Gallagher (2016): *The China Triangle*, Oxford University Press (New York).

International institutions initiated by China

The PRC has in the last two decades initiated several international organizations. Many of them are relevant for SDGs.

Among the internationally most profiled institutions is the **Asian Infrastructure Investment Bank (AIIB)**, which is headquartered in Beijing. It has just surpassed 100 approved members and is far as China comes to having initiated, and hosting, a truly multilateral institution. China has suggested establishing a multilateral cooperation center for development finance with a secretariat located within the AIIB. The semi-formalized **BRICS-association**, which has held annual summits since 2009, has been actively promoted by China, leading to the establishment of the **New Development Bank**, which is headquartered in Shanghai. It is not as dynamic as AIIB and remains concentrated around the BRICS countries, but it has ambitions to expand.⁶ Discussion- and the adaption of standards within these institutions have direct impact on many SDGs. China has, moreover, established a multitude of investment- and development funds, ranging from market-based institutions, like the Silk Road Fund, to aid- and development-oriented funds, like the South-South Cooperation Fund managed by CIDCA.

The **Belt and Road Forum**, which has been arranged twice in Beijing, is a major event for China. The forums have been attended by the leaders of several of the world's foremost leading international organizations. Many state leaders have attended too, largely reflecting the divide in countries that have, and have not, signed BRI-related agreements with China. In relation to BRI, China has also initiated the **BRI International Greening Development Coalition**, which membership include countries, governmental organizations and NGOs. This is coordinated by MOEE.

⁶ For more on China's initiation of- and position within international development banks, see Hans Jørgen Gåsemyr (2018): "China and the Multilateral Development Banks: Positions, Motivations, Ambitions", NUPI Report 8/2018.

The **Shanghai Cooperation Organization** was established in the early 2000s and has been active since, incorporating more members and work areas. It remains regional in nature and is primarily focused on economic and security issues. Despite its name, it is headquartered in Beijing.

In terms of regional forums, China was very active in establishing the **Forum on China-Africa Cooperation** (FOCAC). The African Union plays a vital role in overall China-Africa relations and has opened a representative mission office in Beijing. China has worked to establish more regional and sub-regional forums in other parts of the world, including in Europe, Latin America and in the Arab world, but FOCAC remains the most substantial and dynamic.

Finally, China is increasingly active in relation to the **Conference on Interaction and Confidence-Building Measures in Asia**. China, moreover, nurtures strong relations to the **Association of Southeast Asian Nations**, and participates in the **Asia-Europe Meeting**, but these institutions were not initiated by China.

International organizations of special importance for China

China is a permanent member in the **UN Security Council** and is becoming more active, both in the Council and in many other UN and other international organizations.

China has, since 2007, maintained the leadership position in the **UN Department of Economic and Social Affairs**, which coordinates many SDG activities. It has also become increasingly active in nominating candidates for top positions in other organizations, and Chinese nationals are currently leading the **UN Food and Agricultural Organization**, the **UN Industrial Development Organization** and the **International Civil Aviation Organization**. The former head of the **World Health Organization** (WHO) was a Chinese national (from Hong Kong), and a Chinese currently serves in the WHO leadership group. China has, moreover, increased its contributions to **UN peace keeping operations**, with a Chinese national serving, from 2019, as the special envoy for the Great Lakes Region.

The PRC has nominated a candidate for the top position in the **World Intellectual Property Organization**, to be decided in 2020, and the person nominated has served as deputy director general since 2008. China nominated but withdrew its candidate to lead the **UN Educational, Scientific and Cultural Organization** in 2017, but a Chinese is now serving as a deputy director general. China is active in furthering its cooperation within the **International Atomic Energy Agency**, where a Chinese national is also serving as a deputy director. Finally, Chinese nationals are serving in the senior management- or leadership groups of the **UN Environment Programme**, the **UN Development Programme** and the **International Fund for Agricultural Development**. To be noted, a Chinese was serving as president – a high level but not the top position – in the **International Criminal Police Organization** between 2016 and 2018. This list of leadership roles is a selection and is not complete.

China has been a recurring member of the **UN Human Rights Council** and has submitted three resolutions addressing development and human rights in the Council, which is notable since China had never done so before 2017.

Within the Bretton Woods Institutions, the PRC has worked to increase its voting powers and to secure more senior leadership positions, both in the **World Bank** and in the **International Monetary Fund**. China has increased its contributions to developing country programs in these institutions, including continuously scaling up its funding for the WB International Development Association. In general, China has steadily increased its interest for multilateral development banks (MDB) and is now member of all the **major regional MDBs** (Asian Development Bank, African Development Bank, European Bank of Reconstruction and Development, and Inter-American Development Bank).

Regarding the UN system, China is now the second largest contributor to the UN regular budget. Although its voluntary contributions remain relatively small, China has increased its funding to several institutions, including the (above-mentioned) organizations where Chinese nationals are in leadership positions, but also to other organizations, which include the initiation of many China-supported funds. Increased funding includes, but is not limited to, the **World Food Program, UN Children Fund, UN Population Fund**.⁷ China has for several years also supported a least developed countries support program within the **World Trade Organization**.

The PRC is an active promoter of the **G20** with several indications it wants it to further formalize and play a bigger role in global governance. China has for many years dispatched leading officials to attend the **World Economic Forum**. Although China is not member of the **OECD**, it is nurturing dynamic working-level relations and did set up a joint China-OECD Multilateral Tax Center in Yangzhou (China) in 2016. China remains skeptical about OECD efforts to coordinate donors and aid, but it has agreed to many OECD standards being applied to aid given to China.

China does not consider itself an official member of the **G77** but is an active and regular affiliate. Similarly, China is not member, but an active participant, in the **G24**, which deals with monetary affairs. Finally, China is a permanent observer in the **Arctic Council**.

⁷ Naohiro Kitano (2019) provides an overview and estimated figures in paper called "Estimating China's Foreign Aid: 2017-2018 Preliminary Figures". Note that estimates of Chinese aid vary considerably between sources and are subject to uncertainty. See also Mao, Ruipeng (2020): "China's Growing Engagement with UNDS as an Emerging Nation: Changing Rationales, Funding Preferences and Future Trends", Discussion Paper 2/2020, German Development Institute.

Not considering institutions that China has initiated itself, the only international organization currently headquartered in China is the **International Bamboo and Rattan Organization**.

Conclusion

China's sustainable development and international cooperation governance is complex and include multiple actors and institutions. By establishing CIDCA in 2018, China is signaling paying more attention to aid and development. Many other actors are involved, and SDG activities cut across multiple policy areas and fields. In addition to reforming its domestic governance apparatus, China has in recent years initiated new international organizations and enhanced its position in a range of traditional multilateral institutions. This is a trend more than likely to continue.



Norwegian Institute of International Affairs

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