

## **Summary:**

### **Consultation on Development Partnerships**

**China and Africa, October 20, 2009**

#### **I Introduction**

1. The African Center for Economic Transformation (ACET), in partnership with the World Bank, carried out a consultation with African stakeholders on their development partnerships with China to support the work of the China-DAC Study Group. The objective of the Study Group is to contribute to building a stronger partnership between China and DAC members in the field of development cooperation, focusing in particular on Africa. The Study Group and the International Poverty Reduction Center of China (IPRCC) will organize a first conference, on Development Partnerships, on October 27-29 in Beijing. In order to widen African policymaker into the Study Group process, ACET organized consultations with stakeholders in Africa. These findings will be presented at the conference in Beijing.
2. This report summarizes the consultation. A brief executive summary is provided, along with a more detailed summary. The consultation included representatives from China, Ghana, Liberia, Uganda, the World Bank, and the DAC. It was held on October 20, 2009 through video-conference links with each of the countries. ACET appreciates the time and thoughtfulness that participants gave to the consultation. ACET appreciates the support of the World Bank and the IPRCC in the preparation of the consultation. The agenda and list of participants is attached.

#### **II Executive Summary of the Consultation**

3. Participants focused on the following issues during the discussion:
  - Participants were strongly positive about China's deepening engagement in Africa. They noted that China's approach of trade and investment was helping to support growth in Africa, especially during the global economic downturn. Participants felt that other multilateral and bilateral donors should be complementing China's activities in the continent. In cases where debt management issues arose it may be useful to have a "tripartite" dialogue with the IFIs.
  - Participants generally agreed that there had been a shift in the relationship with China; from "stand-alone" projects to an approach that is more closely integrated with the country's own national development strategy. Many participants felt that

China should also consider investments at the regional and sub-regional level.

- Participants welcomed China's focus on infrastructure and investment, and that this was helping to build longer-term growth in Africa. Participants welcomed continued exchanges of knowledge and learning between Africa and China, in particular, in the areas of technology transfer.
- Participants noted that the move from project agreement to implementation was not always smooth, as agreements did not cover all of the aspects of implementation. The use of tied aid and separate financial management procedures had resulted in some inefficiency in implementation, and more flexibility as well as better coordination with other partners or adoption of harmonized practices in these areas would be desirable.
- Participants raised concerns related to the quality of goods and services from China. They recognized that their own countries needed to make improvements in their oversight, including in engineering and supervision of construction standards. They also noted that it was important to differentiate between those services provided through Chinese companies that operated internationally and smaller private groups that were operating as small-scale investors and/or traders, where better and more effective 'due diligence' would be beneficial.
- Participants noted that there was scope for more participation by African partners in China's investments, through value addition at the local level, local employment generation and technology transfers.
- Participants highlighted the importance of China continuing to open its market to processed and semi-processed agricultural products and manufactured goods from Africa through tariff reform. At the same time, participants recognized that Africans would need to develop more efficient production and trade logistics management to take advantage of market opportunities in China.
- Participants noted that increasing local employment in Chinese investments would require better cultural understanding, given the difference in Chinese and African employment conditions and legal frameworks. They recognized that language barriers and the need to balance local employment objectives with the imperative to finish contracts on time and within budget were real difficulties that needed to be surmounted.
- Participants concluded by underscoring the importance of the China-Africa relationship. They felt that this was a key strategic relationship for Africa, and that

there was much to learn through exchanges of knowledge. They welcomed China's continuing support for Africa's development, noting that its approach through trade and investment had significantly contributed to Africa's growth.

### **III Detailed Summary of the Consultation**

#### *Consultation Opening:*

4. Dr. Edward Brown, ACET, opened the meeting and provided opening remarks to set the stage for the consultation.
  - He noted that China's role in Africa's growth and development has assumed greater importance, commensurate with its increased importance as a global power. With its global expansion, China has become a key economic partner for many countries in Asia, Latin America, and Africa. Its role in Africa has in particular been the subject of discussion. China has become the most important economic partner for many African countries. China's trade reached US\$100 billion last year, and China relies almost exclusively on African suppliers for key minerals such as chromium, cobalt copper and iron. African suppliers provided almost 30% of China's oil needs in 2001-2006. And China provided loans of more than US\$13 billion for infrastructure alone from 2000 to 2007.
  - These engagements are boosting exports and economic growth, and providing promising economic opportunities for countries neglected by other investors and financiers. With Chinese finance, African countries are addressing infrastructure deficits, lowering their costs of doing business and facilitating trade.
  - At the same time, there are potentially detrimental impacts from the Chinese push into Africa that Africans need to consider, such as the effect on debt sustainability, risk sharing of finance and project risk, terms for cost-recovery. The tying of loans, distortions from access to official Chinese credit facilities or Government subsidies may have the effect of crowding out African firms. And African stakeholders have sometimes criticized approaches to environmental quality control and labor standards.
  - In looking at the opportunities and challenges that Africans see in the engagement with China we need to be realistic, working within the current dynamic of trade and business, and think about how Africa can draw additional benefit from China's investment. He asked for participants to share views in an open and candid way.

- Participants had been provided with an agenda and suggested questions that should guide their interventions during each segment of the meeting. The main areas provided for discussion in the agenda included:
  - Discussion on how China's aid and investment is integrated into national development strategies and long-term development plans, related to an agenda for economic transformation.
  - How do Chinese firms create value chain linkages and promote competitiveness of African firms?
  - How does China-Africa cooperation promote use of local content in trade and investment agreements, local employment and skills development?
  - How do China-Africa partnerships align with local and international practices related to environmental and social practices?
  - What are some of the emerging directions in the China-Africa relationship?
- 5. Mr. Phillip Karp, the World Bank's representative on the China-DAC Study Group also thanked the organizers of the meeting and participants for joining. He noted that this consultation prior to the Beijing meeting took on heightened importance. It is only possible to have a small number of African policymakers at the meeting in Beijing, and therefore this consultation will enable the conference to benefit from a wider set of inputs from African countries.

*Discussion:*

- 6. Five main themes emerged from the consultation:
  - The China-Africa relationship has been very positive. It is a deepening relationship that is dynamic and more integrated into country strategy, and has supported Africa's growth and development especially during the current period of severe economic recession:
    - a. Participants welcomed China's engagement with Africa and believed that it was making a very significant contribution to growth and development. China's focus on infrastructure, investment and trade was supporting long-term economic efficiency. China is willing to undertake challenging projects that traditional donors have been reluctant to tackle. And, this was especially important during the current severe economic downturn.

- b. Participants highlighted the importance of China's focus on trade and investment. On the investment side, participants considered that projects financed by China had moved from a "stand-alone" approach, to one that is more closely tied to national development strategies.
  - c. Participants also discussed the suggestions to promote Special Economic Zones (SEZ's) and asked about the differences between export processing zones with requisite infrastructure and tariff incentives, and SEZ's. In China, SEZs had been created to provide both infrastructure platforms and different regulations to encourage investment. The experience of the SEZs was analyzed and provided lessons for China to use in making broader national policy reforms. China's approach to policy reform through "gradual learning from experience" had been very positive, and it was suggested that Africa needed to do more to develop this approach.
  - d. Participants felt that multilateral donors should do more to complement what China is doing. They noted the importance of moving forward with investments in infrastructure, and that this needed to be accommodated in debt management strategies. They suggested that more "tripartite" discussions with IMF and WB may help to make this approach more feasible.
- Participants considered that there is further scope for African firms to benefit from China's investment. In particular, they would like to see more African firms providing services, value addition to exports, and domestic job creation through associations with Chinese investments or investors.
- e. China's investment provides opportunities for African firms to benefit through provision of services by local companies to investments. This could be done either through sub-contracting for value addition or through direct services to Chinese companies, including in areas where unskilled labor may be needed and higher-level services.
  - f. Participants noted that training centers had been established in a number of investments, including in the telecom, manufacturing and mining sectors. There is scope to create more opportunities for Africa's private sector through local joint ventures, training, and local outsourcing. Participants suggested that more open procurement policies, including local competition, could help to build local firm participation in Chinese investments.
  - g. Participants also wanted to learn more about China's own experience with

technology transfer, and to see what lessons might be applied to Africa. In particular, participants felt that local enterprises could improve their value added through technology transfer.

- h. Participants thought that there is additional scope to use local labor directly in Chinese investments, and considered that there is scope to limit the number of Chinese casual workers that come to work on projects. They recognized that there are a number of factors that need to be reviewed and overcome to make this a reality. They noted that differences in Chinese and local employment practices and regulations may make it challenging to complete projects on time with higher levels of local employment. They also pointed to language barriers, and the need to be able to improve communications between local labor and Chinese managers. They suggested that efforts to overcome these barriers were already underway through educational exchanges, and that they should be expanded.
- China's expanding market also provides opportunities for African agricultural exports and manufactured goods. They believe that this would be one avenue to address the very high trade imbalance between China and Africa. Some Chinese policy obstacles inhibit Africa's participation including relatively higher tariffs on processed and semi-processed agricultural goods.
  - i. Participants discussed the need for additional tariff concessions from China on processed and semi-processed agricultural exports, so that more domestic value added could be provided. They understood that there is some work already undertaken in this regard, and China is considering increasing the number of commodities with a zero tariff. This would help to increase incentives for African exporters. Participants noted that this is an issue that should be taken up at the regional level in trade discussions.
  - j. Participants also recognized that there are other problems that need to be addressed, and that tariff incentives would be one part of what is needed. They stressed the importance for African firms to better understand the Chinese market and to define strategic entry points where they would be competitive. This would mean meeting requirements of Chinese consumers, adaptation of product quality and marketing, and reliability of supply to be able to compete more effectively. They felt it would be important to take this agenda forward in a much more concrete and specific way that is integrated with national strategies.
- Participants engaged in a wide-ranging discussion on the experience with product

- quality and environmental standards. They focused on the linkages between national policy for environment, construction and engineering standards, and product quality of imports. In some cases, participants noted that their own countries were looking at ‘going green’ policies that were aimed to be comprehensive, including in the management of solid wastes.
- k. Participants noted that there are a variety of Chinese firms active in the continent. Larger, multinational firms that are implementing large-scale operations are more visible and subject to oversight, both through domestic regulatory authorities and advocacy by bilateral and local NGOs. Smaller operators operating in selected sectors are less subject to oversight.
  - l. Participants noted that environmental risks could be aggravated if standards are not maintained. For example, sub-standard road quality that subsequently requires more heavy maintenance and/or rehabilitation can cause additional environmental degradation. Participants also shared concerns about electronic waste management, and noted that low quality electronic products wore out quickly and added to waste management problems.
  - m. Participants also felt that countries have the responsibility to provide adequate supervision and control over investment and construction activities, and that this needed attention. Regulation is needed at country level as firms register to determine activity and ensure compliance with local regulations (e.g. companies that register as investments but carry out trading activity). Participants also noted that traders bringing in electronic and other consumer goods are responding to market demand, based on the purchasing power of consumers.
  - n. Concerns over quality standards are also being discussed in China, and there is still a process of developing labor, environmental and quality standards there.
  - o. Participants also noted China’s success in afforestation, and suggested that this would be an area for further knowledge exchanges.
- Participants consider that China-Africa cooperation is one of the key strategic relationships for the continent. They believe that China is supporting growth and development and look forward to deepening the relationship in the future.

- p. They recognize that there are significant differences between Africa and China that cannot be overlooked. African leaders need to consider which issues that would be of benefit to development and growth should be considered at a region-wide level. For example, addressing trade and tariff issues goes beyond national boundaries, as do the mobilization of financing for large regional investments.
- q. China is continuing to look for ways to increase investment in Africa, including through the use of SEZ's as a way to get more Chinese companies to operate from the continent. China is also examining ways to increase African access to the Chinese market.
- r. Countries need to address these issues with more specific strategies and approaches that can be put to the Chinese—identify market opportunities for commodity or processed goods and then address the constraints to expanding exports to China. Strategies cannot be overly general.

*Conclusion:*

- 7. Mr. Nils Tcheyan, Senior Advisor, ACET provided a summary of the discussion for the participants. He noted that participants considered the China-Africa engagement to be very positive. Participants had provided constructive input on important issues in the relationship that would be useful for the upcoming partnership meeting. He also indicated that a summary of the consultation would be provided for the Beijing meeting.
- 8. Dr. Edward Brown concluded the meeting with thanks to all the participants and organizers for their efforts and contributions.



**Agenda for  
Consultation on Development Partnerships**

**China and Africa**

**October 20, 2009**

**DATE OF VIDEO CONFERENCE:**

October 20, 2009

**CONFERENCE MODERATOR:**

- Dr. Edward Brown, Director of Advisory Services, ACET (Conference Moderator)
- Mr. Nils Tcheyan, Senior Advisor, ACET
- Ms. Sarah Jane Danchie, ACET

**PARTICIPANTS:**

*Accra, Ghana: 9am – 12pm*

- Hon. Mr. Joseph Mettle-Nunoo, Deputy Minister, Ministry of Roads and Highways (speaking from Sichuan, China)
- Dr. Fritz Gockel, Technical Advisor to the Minister of Trade and Industry
- Dr. Peter Ankrah, Ag. Director, New Business Division, Ghana Investment Promotion Council (GIPC)
- Dr. Peter Quartey, Research Fellow, Institute of Statistical Social and Economic Research, (ISSER)
- Mr. Bright Simons, Development Director, IMANI-Ghana

*Beijing, China: 5pm – 8pm*

- Ms. Yan Wang, World Bank
- Dr. He Wenping, Academy of Social Sciences, China



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- Prof Li Xiaoyun, Director, China DAC Study Group/Dean of School of Humanities, China Agricultural University

*Kampala, Uganda: 12pm – 3pm*

- Hon. Fred Mandir Jachan-Omach, Minister of State in Charge of General Duties Ministry of Finance, Planning and Economic Development
- Mr. Joseph Enyimu  
Economist, Ministry of Finance, Planning and Economic Development

*Monrovia, Liberia: 9am – 12pm*

- Mr. Togba Tipoteh, Vice-Minister, Price Commission
- Mr. Richard Tolbert, Chairman, National Investment Commission

*Tokyo, Japan: 6pm - 9pm*

- Mr. Philip Karp, World Bank



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## CONFERENCE ORGANIZATION AND PROPOSED RUNNING ORDER:

### Conference Times in each country

*Accra, Ghana:* 9am – 12pm

*Beijing, China:* 5pm – 8pm

*Kampala, Uganda:* 12pm – 3pm

*Monrovia, Liberia:* 9am – 12pm

*Tokyo, Japan:* 6pm - 9pm

- The conference is expected to last a total of 3 hours, including 30 min preparation time for country participants.
- Each country delegation has been invited to open discussion themes with introductory comments, followed by general discussion. It is important to manage the time carefully.
- Following the 5 minute introductory comments, 15 minutes are provided for discussion of one specific theme and/or reaction to the comments

### Conference Running Order:

#### 0:00 – 30:00: INFORMAL MEETING:

Country participants meet in VC site and exchange ideas on themes to be discussed, and agree on opening remarks

#### 30:00: OPENING REMARKS (15 mins)

Dr. Edward Brown opens conference, welcomes participants and asks each to introduce themselves. Provides introductory comments and outlines agenda, running order and themes to be discussed. (10 mins)

Mr. Phil Karp brings participants up to date on agenda for DAC Partnership Group meeting in Beijing (5 mins)

#### 45:00 LIBERIA COMMENTS: (5 mins)

Comments on how Chinese aid and investment is integrated into national development strategies and long-term development plans, related to an agenda for economic transformation.

50:00 Discussion (15 mins)

1:05 UGANDA COMMENTS: (5 mins)

Comments on how Chinese and domestic firms create value chain linkages, and promotes competitiveness of African firms

1:10: Discussion (15 mins)

1:25 NILS TCHEYAN COMMENTS: (5 mins)

Comments on how China-Africa cooperation promotes use of local content in trade and investment agreements, local employment, and development of skills.

1:30 Discussion (15 mins)

1:45 GHANA COMMENTS (5 mins)

Comment on the alignment of Africa-China partnerships with local and international practices related to environmental and social practices.

1:50 Discussion (15 mins)

2:05 COMMENTS FROM Dr. He Wenping (5 mins) and Prof Li Xiaoyun, BEIJING (5 mins)

What are some of the emerging directions in the China-Africa relationship and comments on presentations

2:15 OPEN DISCUSSION (15mins)

2:55 CONCLUDING REMARKS AND APPRECIATION (5 mins)

Nils Tcheyan will provide a summary of the main themes of the discussion

Dr. Edward Brown makes concluding comments and thanks participants.

3:00 CONFERENCE ENDS

**Consultation on Development Partnerships China and Africa, October 20, 2009**  
**Final Participant's List**

**CHINA**

1. Ms. Yan Wang                                      World Bank
2. Dr. He Wenping                                      Academy of Social Sciences, China
3. Professor Li Xiaoyun                                      Director, China DAC Study Group/Dean of  
School of Humanities, China Agricultural University

**GHANA**

4. Hon. Mr. Joseph Mettle-Nunoo,                                      Deputy Minister, Ministry of Roads and  
Highways (from Sichuan, China)
5. Dr. Fritz Gockel                                      Technical Advisor to the Minister of Trade and  
Industry
6. Dr. Peter Ankrah,                                      Ag. Director, New Business Division, Ghana  
Investment Promotion Council (GIPC)
7. Dr. Peter Quartey                                      Research Fellow, Institute of Statistical Social  
and Economic Research, (ISSER)
8. Mr. Bright Simons                                      Development Director, IMANI-Ghana

**JAPAN**

9. Mr. Philip Karp                                      Regional Coordinator East Asia & Pacific /  
Global Development Learning Network (GDLN) Coordinator

**LIBERIA**

10. Mr. Togba Tipoteh                                      Vice-Minister, Price Commission
11. Mr. Richard Tolbert                                      Chairman, National Investment Commission

**UGANDA**

12. Hon. Fred Mandir Jachan-Omach                                      Minister of State in Charge of General Duties



Ministry of Finance, Planning and Economic Development

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| 13. Mr. Joseph Enyimu<br>Economic Development | Economist, Ministry of Finance, Planning and<br>Economic Development |
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**African Center for Economic Transformation (ACET)**

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|----------------------------|-----------------------|
| 1. Dr. Edward Brown        | Conference Moderator  |
| 2. Mr. Nils Tcheyan        | Senior Advisor        |
| 3. Miss Sarah Jane Danchie | Senior Policy Analyst |