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## China and Africa: An Emerging Partnership for Development? – An overview of issues

Richard Schiere



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AFRICAN DEVELOPMENT BANK GROUP

## **China and Africa: An Emerging Partnership for Development? – An overview of issues**

*Richard Schiere<sup>1</sup>*

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## **Abstract**

**China's phenomenal growth offers an opportunity to boost development in African countries. Moreover, China's loans and concessional assistance financed a wide range of development projects. China also is reaping significant benefits from this relationship, through access to raw materials, expanded markets for exports of manufactures, the establishment of investment relationships which could generate significant profits over time and diplomatic influence. But leadership from African governments, particularly to**

**strengthen domestic policies and governance and to harmonize regional policies so as to improve the continent's bargaining position with China, are required to ensure that the China-Africa relationship contributes to sustainable growth and poverty reduction. The twin goals of this paper are to summarize the analysis on the economic exchange between China and Africa, and to outline policy recommendations to improve the benefits to both parties.**

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## **1. Introduction**

China's phenomenal growth offers an opportunity to boost development in African countries. In 2008, trade between Africa and China reached \$100 billion and FDI flows from China to Africa amounted to \$5.4 billion. Moreover, China's loans and concessional assistance financed a wide range of development projects. China also is reaping significant benefits from this relationship, through access to raw materials, expanded markets for exports of manufactures, the establishment of investment relationships which could generate significant profits over time and diplomatic influence. But leadership from African governments, particularly to strengthen domestic policies and governance and to harmonize regional policies so as to improve the continent's bargaining position with China, are required to ensure that the China-Africa relationship contributes to sustainable growth and poverty reduction. The twin goals of this book are to analyze the economic exchange between China and Africa, and to outline policy recommendations to improve the benefits to both parties.

This overview summarizes the book's key messages and policy recommendations. The first section describes the changing nature of China's development role in Africa over the last six decades, while the second provides a snapshot of relations today. The third section analyzes the impact of trade with China on Africa's trade, and the fourth reviews China's investment in African infrastructure. The fifth section highlights the complementary between China and traditional development partners, while the sixth underlines the need to improve governance to ensure that Africa derives the maximum benefit from the development opportunity provided by China. The final section provides a range of recommendations for African countries and China, and considers how the African Development Bank Group can be instrumental in supporting the deepening of China-Africa relationships.

## **2. An Evolving Partnership**

China's history of engagement with Africa can be traced back to the 15<sup>th</sup> Century when Chinese traders visited East Africa. But the foundation for modern day Sino-African relationships was built in the post colonial period, when China enlarged its cooperation framework with Africa as part of its efforts to demonstrate solidarity with developing countries. The classic example of Chinese support was the \$400 million, interest-free loan provided over 1970-75 for the landmark 1,800 km Tanzania-Zambia railways. This was a large sum for China, which was poorer than

most African countries in the 1970s. China also financed several showcase projects, such as football stadiums and public buildings.

Beginning with China's opening to the world under the leadership of Deng Xiaoping in 1978, the Sino-African engagement became less driven by ideological interests and more by commercial viability. Rising living standards and industrialization dramatically increased the consumption of energy and raw materials, raising China's dependence on imports of oil and minerals, in part from Africa. China's trade with African economies boomed, reaching almost 10 percent of Africa's trade in 2008.

Chinese outward FDI is supported by the government's "Going global strategy", which assists Chinese enterprises in becoming global multinationals through providing soft loans and other assistance to foreign investment projects, in particular in emerging markets. Chinese investments in foreign countries are often driven by enterprises with majority ownership by central, provincial or municipal governments. Although these enterprises are officially in the hands of the public sector, they operate frequently as private sector entities and typically seek to maximize profits and set wages of managers and workers at a competitive level.

Chinese banks have been increasingly involved in providing financial services to facilitate trade and investment projects in Africa. Most prominently, the China-Africa Development Fund (CADF) was established in 2007 by the China Development Bank (CDB) as a \$5 billion equity investment fund to assist Chinese companies in expanding into Africa. Beneficiaries have included Sinosteel Corporation, China National Building Material and Hainan Airlines. The CADF also supports companies in the Chinese Economic Processing Zones in Zambia and Mauritius (future zones are currently being discussed in Nigeria, Tanzania, Liberia and Cape Verde.) These investments contribute to African development while helping China to diversify its \$2 trillion external assets, currently mainly invested in foreign Treasury bonds with relatively low yields.

The expansion of Chinese commercial activities in Africa has led to a shift in public policy from a narrow focus on trade and investment relations to a broad range of development issues. China has pledged to expand its zero tariff treatment to 95 percent of the products of African least developed countries, and to provide \$1 billion in loans to small and medium size enterprises. At the 2009 Forum on China-Africa Cooperation (FOCAC), China pledged \$10 billion in

concessional loans to Africa and emphasized the need to support Africa's efforts to attain the Millennium Development Goals, address climate change, and overcome challenges in the areas of food security, energy security and epidemic diseases. China provides Africa about \$1.5-2 billion a year in aid (as defined by DAC's criteria for ODA), mainly allocated to countries with longstanding political ties to China (e.g. Egypt, Ethiopia, Mali and Tanzania) and resource-rich countries (e.g. Algeria, Angola, Congo, the Democratic Republic of the Congo, Nigeria, Sudan, and Zambia).

China is also going through a "development cooperation" learning curve with regard to its various aid, preferential trade access, soft loans and investment instruments. The evolution of Chinese assistance will not mean simply copying the aid modalities of traditional development partners, such as untied aid, conditionality, and budget support. However, it is likely that aid coordination with traditional donors will increase, and that China will pay increasing attention to the implications of its assistance for governance and the environment. It is important for Africa to engage China in its consideration of development cooperation policies, to ensure that China's aid is effective and complements, rather than competes with, aid from traditional donors.

### **3. An Unbalanced Exchange**

China's burgeoning trade and investment relationship with Africa does not benefit all sectors or countries equally. About 70 percent of Africa's exports to China come from Angola, South Africa, Sudan, and the DRC, and are heavily dominated by raw materials (e.g. oil, copper, cobalt, and cotton). And 60 percent of imports from China, largely manufactures, are destined to South Africa, Egypt, Nigeria, Algeria and Morocco. Most other African economies have only a limited trade relationship with China. Chinese outward FDI to Africa shows a similar pattern of concentration, with 50 percent flowing to the mining sectors of just a handful of resource-rich countries (Nigeria, South Africa and Sudan).

The trade and investment relationship between China and Africa is unbalanced, in the sense that Africa is less important to China than other trading partners. China is closely integrated with Asia, in particular through the trade in components, a key element of the export manufacturing sector of this country (whereby components of manufacturing goods are first imported to China from another Asian country, then assembled, and subsequently re-exported to consumer markets in Europe, North America and Japan). Thus Asia accounts for more than 50 percent of China's



trade, compared to only 4 percent for Africa. Fundamentally, however, African exports are limited by domestic constraints, including inadequate infrastructure, burdensome regulatory requirements, and a lack of skilled labor.

Africa also faces substantial competition from other regions in the commodity sector. China has diverse sources for raw materials, including from Africa, Australia (where China has also devoted large minerals-related investment), the Commonwealth of Independent States, and Latin America. China's trade with Latin America reached \$144 billion in 2008 (compared to \$104 billion for Africa), supported by Latin America's abundant raw material and agricultural products, as well its large consumer market. Thus Africa is in competition with regions which are equally endowed with natural resources and with more stable business and political environments and lower investment risks. This interregional competition emphasizes the importance of strengthening competitiveness and addressing structural challenges in Africa.

Taking into consideration trade, investment, and aid, China obviously plays an important role in increasing Africa's development opportunities, but not to the extent of Africa's traditional donors. The European Union and the United States are still the largest trade and investment partners for many African economies. The EU accounts for over 30 percent of Africa's exports, and donors in the Organisation for Economic Co-operation and Development's Development Assistance Committee (DAC) provide \$36 billion in Official Development Assistance (ODA) to Africa (and finance the bulk of the additional \$18 billion from multilateral donors). By comparison, China accounts for about 10 percent of Africa's exports while China's aid to Africa (defined according to DAC criteria) is about \$1.5-2 billion.

#### **4. China's Impact on African Trade**

The impact of China varies according to the very diverse size, economic structures, and quality of governance and institutions in African economies. China's impact is probably greatest on resource-rich economies who benefit from China's demand for raw materials, and probably smallest on the more diverse African economies. One approach to measuring the costs and benefits of China's trade with African countries is to compare each country's comparative advantage (what goods the country exports to the world) with the commodity intensity of trade with China. Countries that export primarily oil (e.g. Angola, Gabon, Sudan and new oil producing countries such as Chad and Uganda) benefit from Chinese demand without facing

competition from Chinese exports in global markets. On the other hand, African countries that export manufactures, such as tobacco products (Benin), refined oil products (Algeria, Egypt and Kenya), manufactured wood products (Cameroon) and processed food (Mauritius) face Chinese competition on the global market but little demand from China.

China's intense competition in manufacturing and its rising demand for oil underlines the risk that Africa may remain specialized in raw materials and thus remain vulnerable to volatile commodity prices. However, Africa also reaps substantial benefits from its commodity revenues, and China's manufactured exports reduce the price of consumer goods and industrial inputs in Africa.

China is supporting export diversification in Africa through the establishment of Special Economic Zones located in Zambia and Mauritius, with future sites under consideration in North and East Africa. The Special Economic Zones should attract considerable investments in infrastructure (especially transport and power) and export-oriented production, which could provide some impetus to local manufacturing industries (see box 1). However, for these zones to promote industrialization effectively requires integrating Chinese investments in the national production chain through backward and forward linkages. Strong domestic policy frameworks, including strong governance, a competitive economic environment, and the availability of skilled workers, are essential to encourage such linkages and enable African economies to move up the value added chain. African governments also need to ensure effective coordination of donor activities to support such efforts.

### **Box 1: The Experience of China's Special Economic Zones in Africa**

There is a strong interest by African leaders to replicate the successful experience of China in planning, developing and implementing Special Economic Zones (SEZs) to attract foreign investments and enhance the competitiveness of the manufacturing sector. Consequently, Chinese investments in SEZs have been welcomed by many countries as a means of benefiting from Chinese capital as well as proven experience and expertise in SEZ development and management. Moreover, governments are hoping that the SEZs will generate spillovers in terms of skills and technology that will benefit domestic enterprises and enhance their competitiveness in regional and global markets.

Under the 2006 “going out (*zou chuqu*) policy”, China is actively supporting the establishment of SEZs abroad. The stated objectives are to improve domestic and regional markets for Chinese products and services, leverage trade and preferential market access arrangements, assist domestic industrial restructuring in China by relocating mature labor-intensive manufacturing to other countries, create economies of scale for foreign investments by supporting clusters of Chinese companies and create supply chains, and respond positively to the interest from foreign countries to learn from the Chinese experience with mutual benefits for China and the host countries.

However, Chinese-operated SEZs in Sub-saharan Africa thus far show low levels of investment and exports, and their job creation impacts and integration with the local economy have been limited. This disappointing performance is partly due to the slow pace of implementation of China’s SEZs in Africa. A recent study on Chinese-operated zones in Ethiopia, Mauritius, and Nigeria (World Bank, forthcoming) derives several recommendations in order to accelerate and improve the zone development efforts. African governments and zone developers should: (i) strengthen the coordination between political commitments and the business and financial planning of the developers; (ii) address financing gaps which delay the development of the zones; (iii) strengthen legal and regulatory arrangements, including social and environmental safeguards, to more effectively support zone development; (iv) ensure delivery of external infrastructure critical to zone success, such as access roads, energy, water, waste management, ICT and port facilities; (v) improve access of local companies and workers to the zones to ensure linkages to the local economy; (vi) foster integration of the zone master plans into regional urban development plans to enhance economic and social benefits; and (vii) improve communications and outreach strategies to garner public and investor support.

*Source: World Bank, “Chinese Investments in Special Economic Zones in Africa: Progress, Challenges and Lessons Learned”, Washington DC, forthcoming.*

## **5. African Integration and Infrastructure**

African integration has over time become a priority for policy makers on the African continent. This aspiration was strengthened in the wake of the 2008 financial crisis, when regions that were more integrated in Africa, such as Eastern Africa, suffered a less severe economic downturn compared to other regions. Some of the main challenges for further African integration, and for efficient production, include inadequate transport, telecommunication, and power. The Africa Infrastructure Country Diagnostic (AICD) estimates that infrastructure financing of \$93 billion a

year over the next decade, divided equally between investment and maintenance, is required to achieve national development targets.

Total commitments for infrastructure in Africa in 2009 were \$38.4 billion, slightly up by 5.0%, from \$36.6 billion in 2008. The total commitments made by Infrastructure Consortium for Africa (ICA) members for infrastructure in Africa in 2008 were \$19.5 billion, half of the total volume and a significant increase, by 42.5% (\$5.8 billion) compared to the previous year. Private sector support has decreased again, by around 23.7% to about \$11.4 billion, indicating a difficult investment climate and the impact of the financial crisis. Examples of private sector infrastructure investments include the Dakar Container Terminal and the Main One Cable system. The latter will increase internet access at lower cost to West Africa. China typically supports critical sectors that are underfunded by traditional donors.

Chinese investments are mainly channeled through the Export-Import Bank of China (China EXIM Bank), which is the lending arm of the Chinese government. These investments include the 2008 multi-billion dollars resources-for-infrastructure package, which finances much-needed infrastructure (including railway tracks, roads, hydroelectric dams, airports, schools and clinics) in exchange for copper and cobalt concessions in the Democratic Republic of Congo. The China Exim Bank has extended loans and grants for commercial projects in over 35 African countries, in particular in Nigeria, Angola, Sudan and Ethiopia. The Bank also finances investment projects and partners in Public-Private Partnership (PPP) in the power sector (a key element of regional integration due to economies of scale), including large-scale projects such as the 400MW Bui Dam in Ghana, the 360MW Kariba North Bank hydro project in Zambia, and the 1,250 MW Merowe Dam project in the Sudan. Overall, some 30 African countries have received Chinese funding towards hydropower and power stations.

Moreover, China offers highly competitive prices on goods and services for investment projects, due to lower wages than their Western counterparts and low interest rate loans from public sector banks. Chinese firms also have a good record for on-time completion, compared to projects undertaken by other countries. Africa can thus benefit from Chinese participation through low prices and efficient work.

Similar to many projects from traditional donors, China's investments have at times emphasized the construction of new facilities, while not necessarily addressing long term sustainability issues

such as maintenance and capacity building. If this is not addressed it is likely that new investments will not be adequately maintained. For example, the Tanzania-Zambia railway project, which was completed ahead of schedule, was a spectacular engineering achievement, laying over 1800 kilometers of tracks (in part through mountainous terrain) and building 320 bridges. However, due to mismanagement and underinvestment over the last three decades, the railway company fell into financial difficulties and the facilities have been under-utilized.

China's infrastructure investments could be more supportive of African integration. China typically works on a bilateral basis in support of national infrastructure plans that may not adequately take into account potential benefits from regional cooperation. In exceptional cases, China has supported major regional infrastructure ventures such as the electricity transmission lines between southern African countries. On occasions, China has provided a framework for regional projects, including in the power generation projects, power interconnection, road projects, port projects, railways and ICT networks. However, often regional projects are overlooked.

## **6. China's Impact on the Global Aid Architecture**

China is often called an "emerging donor", although it has had an aid program since the 1950s. Analyzing the impact of China on the global aid architecture is difficult because several government institutions are involved in concessional finance and China does not report aid according to the definitions adopted by the DAC (which requires for classification as ODA, among other conditions, that the loan or grant is intended for development and has a minimum grant element). Using the OECD-DAC criteria, China's aid program is estimated at between \$1.5 and \$2 billion. Other flows of development finance, such as preferential export credits, or government subsidies for foreign direct investment, may look similar to ODA, but would be classified as "Other Official Flows (OOF)" under the OECD-DAC definition.

There are important differences between OECD-DAC and China development cooperation. China's "ODA" as well as "OOF" are often provided as tied aid, while about 90 percent of ODA from traditional development partners is provided in an untied manner. Within OECD-DAC, only Korea, which only became member of the DAC in November 2009, provides nearly all its assistance in a tied manner. Although Chinese goods and services are highly competitive compared to those from OECD/DAC members' countries, in some cases the tying of aid could

reduce value for money and undermine the recipient countries' ownership of development projects. Also, China does not provide assistance in the form of budget support, which by reducing administrative costs, is highly appreciated by the recipient government, as it can be an effective instrument for aid delivery. In 2008 traditional development partners provided \$5.4 billion in general budget support. More broadly, many traditional development partners tend to be more sensitive to the overall policy framework when determining aid levels. China's focus, by contrast, is to support individual investment projects, while policies to encourage long-term development are viewed as the responsibility of the recipient country.

These differences have become important in the donors' approach to debt sustainability. The Enhanced Heavily-Indebted Poor Countries (HIPC) initiative and Multilateral Debt Relief Initiative (MDRI) have achieved substantial reductions in the debt burden facing poor countries, while supporting policy reform. China has a separate initiative to write off 168 loans owed by 33 African countries, but at the same time continues to provide relatively hard terms on some loans. Some traditional donors are concerned that China's project lending could raise debt levels again, which would be contrary to the debt sustainability objective of the Enhanced HIPC Initiative. The case of the DRC, which had to amend the terms of its financing agreement with China to qualify for debt relief, has been the most publicized. There is something to be said for both perspectives. Traditional donors are understandably unwilling to make financial sacrifices to reduce poor countries' debt burden in the interest of increasing resources to the social sectors, if recipient countries then rebuild their debt levels in order to finance infrastructure investments. On the other hand, countries like the DRC could benefit from higher investment, even on commercial terms, as long as the return on the project is adequate. Greater coordination between China and traditional donors could help to resolve such issues. Possibilities include China's participation in forums such as the Paris and London Club, in the Debt Management Facility (which coordinates debt sustainability analysis among multinational development institutions), and in consultative group meetings. The China-DAC forum also provides a platform for exchange of best practices in development cooperation.

## **7. Governance and African Civil Society Engagement**

The ability of African economies to translate the opportunities offered by China into sustainable development and poverty reduction depends critically on strengthening African governance and the business environment. Progress will require not only leadership by African governments, but

also participation and oversight by the African private sector and civil society organizations (see box 2). The policy framework that would maximize the benefits from foreign investment will differ, according to the individual circumstances and institutions of each African country. Whatever policies are adopted to improve the development impact of foreign investment should be applied to all foreign investors, not just Chinese.

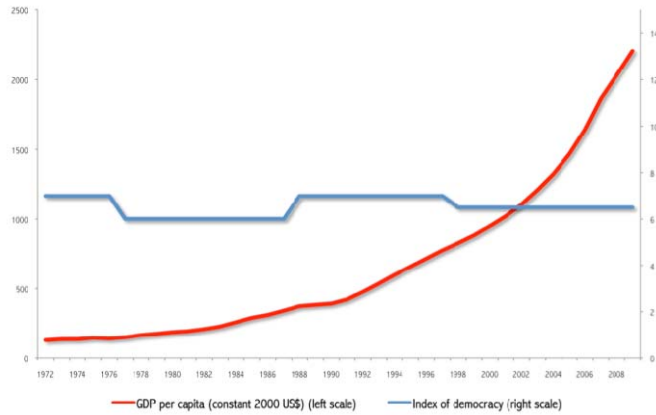
Some African countries have implemented policies to increase the local benefits of foreign investment (including from China). For example, Tanzania insisted on the employment of unskilled Tanzanian workers on projects receiving foreign finance, Angola required the use of local construction material, and Senegal emphasized that investors should partner with local firms when submitting bids. However, such requirements need to be accompanied by transparent procurement and effective project management to ensure value for money.

Governance provides a good example of the different perspectives of China and traditional donors, referred to above. China considers intervention in aid recipients' domestic politics as an infringement of sovereignty, while traditional donors emphasize that aid is more effective in countries with good governance. Thus the majority of traditional development partners include good governance criteria, for example as shown in the World Bank's and African Development Bank's Country Policy and Institutional Assessment ratings, in their development cooperation policies. This is the most evident in budget support operations, which often focus on transparency, good governance and budget execution.

## Box 2: Development and Democracy

Few will dispute the tremendous growth performance that China has achieved since the 1970s. A

Income and democracy in China (1972-2009)



Source : adapted from World Development indicators and Freedom House dataset. Note : Index of democracy is the Freedom House average scores of Political Rights and Civil Liberties, negatively ranged from 1 (best) to 7 (worst)

look at official statistics reveals that China has sustained consistently high growth rates, allowing the country to multiply its GDP per capita income by 17 between 1972 and 2009. There is much less evidence, however, on whether democracy in China has improved correspondingly. Figure 1 shows that the Freedom House score of democracy has been stagnating around 6-7 for more than three decades.

The literature on the causal link between democracy, development and economic performance has not been conclusive. Competing theoretical and empirical studies have yielded few robust

conclusions supporting the different hypotheses: "democracy facilitate development/growth", "democracy hinders development/growth" and "there is no clear relationship between democracy and development outcomes".

The reverse linkage between democracy and development outcomes, that is the causal effect of the income level on democracy has also failed to operate in China so far. Modernization theory claims that countries will become more democratic as they become richer. The key elements of this hypothesis is that richer countries are more willing to promote democratic values and more receptive to democratic political tolerance norms. A number of studies have followed up this theory by recognizing that the level of income is an important background condition for democracy although the exact form of the relationship is still a matter of debate. This theory has however received mixed empirical support. While Barro and Helliwell find that improvements in the standard of living (or income level) favor democracy (as measured by a subjective indicator of electoral rights, political rights and civil liberties), Acemoglu highlights with postwar data, that when the factors that simultaneously affect income and democracy are controlled for, the strong cross-country correlation between democracy and a high level of income does not result in a causal effect on income on democracy.

Several institutional factors, which are not related to democracy, have supported China's rapid growth in the last three decades, including gradual economic liberalization, relative political stability since 1979, and the dismantling of the commune system in rural areas. Even though more and more research is focusing on the sustainability of the Chinese economy's success without sound governance-enhancing institutional reforms, China's experience stresses the importance of institutional reforms that are needed to initiate and sustain growth, particularly market reforms.

Source: Kangoye, T. (2008), Instability from trade and democracy: the long-run effect of aid. *Economics Bulletin*, Vol. 6, No. 41 pp. 1-16.



Tension is particularly evident in China's support for extractive industries, which are particularly prone to corruption because of the huge revenues involved and often centralized government control. The development impact of investments in the extractive sector could be enhanced through more transparency in the procurement and contracting process and more active engagement of African civil society organizations in oversight. In this regard, there is already a well established role for the Extractive Industries Transparency Initiative, which could be expanded to Chinese companies.

China's concern with the overall policy framework, and particularly the quality of the environment, may be increasing. While problematic relations between Chinese companies and African civil society organizations have involved violent strikes (as in Zambia), recently it appears that Chinese companies are becoming more sensitive to corporate social responsibility and are starting to focus on the "triple bottom line" (profit, social, environmental). Lenders such as China Exim-Bank are already aware of the importance of social responsibility and implementation of social and economic safeguards.

Finally, it is important to strengthen national capacity in negotiating favorable natural resource deals with China. A few decades ago Botswana successfully used international consultants from highly regarded legal firms to negotiate favorable contracts for its natural resources with DeBeers, a South African mining giant. This approach could be emulated by African countries in negotiating long term deals with Chinese companies, in a particular if these include "mortgaging future revenues" for needed development projects.

## **8. Conclusion and Recommendations**

China is a valuable trading partner, a source of investment financing, and an important complement to traditional development partners. China is investing massively in infrastructure, which helps alleviate supply bottlenecks and improve competitiveness. For China, Africa is not only a source of critical commodities necessary to expand its domestic economy, but also a future investment destination for labor intensive manufacturing, especially given that wages are rising much faster in China than in African. The following recommendations for African countries, China and the African Development Bank Group are intended to improve the mutual gains from African-Chinese cooperation.

**African Countries should:**

- Improve coordination between aid and investments from China and from traditional development partners.
- Enhance technology transfer and maximize the positive spillover effects from foreign investment through local labor and content requirements, as is done in several African countries.
- Achieve greater export diversification by identifying niche markets for African manufacturing products in China, and by expanding preferential trade access to Chinese markets.
- Build negotiation capacity, for example by obtaining specialized legal services, to ensure that large, complex commodity deals with China can be negotiated with favourable terms for the exporting African country.
- Build backward and forward linkages between the domestic economy and the Special Economic Zones supported by Chinese investment.

**China should:**

- Prioritize the development challenges of Africa within the established FOCAC framework, including addressing issues such as food insecurity, climate change and adaptation technology and infrastructure.
- Integrate “best practices” of traditional development partners, notably through the China-DAC Group, which would share knowledge on development finance.
- Coordinate Chinese aid and investment flows more centrally instead of the current practice where over 20 Ministries, public banks and agencies provide support to Africa. A good example might be South Korea, which is also an emerging development partner, where aid is coordinated jointly by the Ministry of Foreign Affairs and Ministry of Strategy and Finance.
- Support additional investment in Africa in labor intensive manufacturing industries. Currently, as wages are rising in China, labor intensive manufacturing is “relocating” to other Asian countries such as Cambodia and Vietnam.

- Coordinate with multilateral and bilateral institutions on debt sustainability analyses and debt relief.
- Untie aid gradually and open bids to international tender. This approach would enhance transparency, development effectiveness and ownership by the recipient African country.
- Enhance communication between management of Chinese-owned enterprises in Africa and African civil society organizations, including labour unions. Often these tensions reflect different traditions in Africa and China concerning engagement with civil society organizations, as well as cultural and linguistic differences. One way to improve African understanding of Chinese policies is to expand scholarship opportunities for Africans to study in China.
- Expand the implementation of the “Equator principals”, a voluntary set of standards for determining, assessing and managing social and environmental risk in project financing, to Chinese investments. This approach could reduce tensions with local civil society groups as well as improve the sustainability of projects financed by China.
- Elevate China’s status in the Infrastructure Consortium for Africa (ICA) from an observer to full membership. This would enable better coordination between various infrastructure projects financed by China and traditional development partners.

**The African Development Bank Group should:**

- Support the deepening of the China-Africa development relationship within the FOCAC framework. This could include establishment of a core group of African countries, akin to the committee of ten (or C10) financial Ministers and central bank governors, to present regional views on key issues such as regional infrastructure projects, untying of aid, expansion of preferential trade access and coordination of debt relief.
- Leverage the Bank Group’s expertise and operational experience in key areas identified in the FOCAC, namely, food security, climate change and adaptation technology, African integration and infrastructure.
- Implement further the Memorandums of Understanding between the African Development Bank Group, and respectively, the China EXIM Bank and the China’s

Development Bank. These Memorandums of Understanding focus on issues such as: (i) exchange of information regarding each other's respective activities in Africa; (ii) sharing of development knowledge and experience; (iii) providing co-financing or guarantee of public and possibly private sector investment projects; (iv) exchange or secondment of professional staff; (v) joint regional, country, economic and sector studies; and (vi) aid harmonization, development policy and strategy coordination.

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