Economic infrastructure programs: platforms for achieving broader social goals: take China in Africa as an example

Dr. He Wenping
Professor, Director of African Studies Section
Institute of West Asian & African Studies,
Chinese Academy of Social Sciences
Outline

• Overview the importance of Infrastructure in China’s African Policy
• Infrastructure: key area for Chinese involvement in Africa
• Opportunities and Challenges
Overview the importance of Infrastructure in China’s African Policy

  - In 2000
  - In 2003
  - In 2006
  - In 2009
- Highlighted in *China’s African Policy* in early 2006
- EU Africa strategy now focuses infrastructure and agriculture as the main two aid sectors
Infrastructure: key area for Chinese involvement in Africa

- Mutual needs:
  
  For Africa:
  African countries need to develop infrastructure for economic take-off and improving investment climate
  ---- underdeveloped infrastructure is a major bottleneck hindering Africa's economic development
  ---- funding gap of at least $20 billion a year
• According to an earlier assessment of Africa’s infrastructure requirement done in 2006 by the African Development Bank: less than a third of Sub-Saharan Africans have electricity, only 56% have access to clean water, barely a third of rural Africans live near a road, about 4% of Africa’s farmland is irrigated and the continent has less than a quarter of paved roads per km than other developing regions (Harry Broadman, *Africa’s Silk Road: China and India’s New Economic Frontier*, The World Bank 2006)
For China:
Chinese enterprises need to “going-out” and adapt themselves in the international market

----"Build roads and profits will come rolling in."

China’s own experience in reform & opening up

---- “going-out” strategy initiated in 1991 but only really got off the ground seriously in 2005 when 120 SOEs from strategic sectors—power generation, mining, construction, transport, auto, electronics, machinery, etc. were selected to spearhead the country’s overseas interests.
Mutual benefit

--- The infrastructure investment helped to boost the African economy and people can enjoy the better roads, railways and sports centres, etc.

--- Chinese enterprises got the commercial profit and enriched the experiences for doing business abroad
Promote Sino-African relations

---- the statistics given by the Chinese Ministry of Commerce (MoC)

---- research report conclusion given by the Centre for Chinese Studies at Stellenbosch University (CCS), South Africa in 2006

---- report by the World Bank titled “Building Bridges: China’s Growing Role as Infrastructure Financier for Sub-Saharan Africa” on July 2008
• **The key role of China’s involvement in Infrastructure area**

----becoming an important and influential player in Africa

(lots of projects in many African countries, strong competitors to the traditional contractors from Europe)

Chinese financial commitments is rising dramatically:

$1 billion (2001-03 )-- $1.5 billion(2004-05)-- $7 billion in 2006 -- $4.5 billion in 2007(the year that China provided finance for as much infrastructure in Africa as all the G8 countries added together)
• **Key players:**

---- the Chinese EXIM Bank (providing loan)
---- the China Development Bank
---- Multi-stakeholders: the SOEs (both state level and a growing number of provincial level) and private enterprises.

---- The China Road and Bridge Corporation
--- Chinese Overseas Engineering Corporation (COVEC)
--- China National Electronics ExIm Corporation (CEIEC)
--- Jiangsu International (Provincial, in Angola)
---- Hua Wei & ZTE Corporation (private)

---- Different funding forms including commercial and concessional loans, investment, credit lines and grants, and also “resources for infrastructure” arrangement.
A source of political and economic support to the relevant African countries (fit into their national development strategies as well as NEPAD priority)

Accounts for large leverage in whole Sino-African economic cooperation

(In 2006 alone, Chinese companies completed engineering and labour services valued US$ 9500 million)
• Competitive Advantages of Chinese construction industry entering into African market

----China’s economic Backbone
   (develop fast, precondition for getting rich)
----Strong government and bank support
   (preferential loans from Ex-im Bank)
----Low labor cost, their hard work and high discipline (the shift strategy)
----Low bidding price and high quality
----Low material procurement spending
Opportunities and Challenges

• **Opportunities:**

1) Demanding is still huge (peace and rebuilding) (political stability and economic development in Africa serving as a sound basis)

2) Further backup measures by Chinese government (China-Africa development Fund)

3) the impact of Financial crisis: a funding shift from resources industry to infrastructure?

4) One of the 5 priorities in 5\textsuperscript{th} FOCAC meeting
• **Challenges:**

1) employment of local labor and communicate with each other (language)

2) technical transfer

3) maintain and sustainable development of the infrastructure projects (handover or joint-management)

4) Security risk (killing and kidnapping)
5) The sustainability of infrastructure programs (related with local capacity building—Tazara railway; the effectiveness of the program itself, etc., and eventually the capacity of maintaining and building new roads by themselves) (the difference of China vs. Africa)

6) How to maximize the spill-over effect of economic infrastructure to other broader social goals such as generating employment, improving education and health situation, etc. (explore the business opportunities generated by the infrastructure programs)

7) Carefully handle the relations between infrastructure building and environmental protection
Thank you!