Poverty alleviation in Africa: The Impact of China's Aid

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Abstract: Foreign assistance is increasingly a catalyst for change, and it is helping to create conditions in which poor people are able to raise their incomes and to live longer, healthier, and more productive lives. One of the prominent features of Africa's economic development is its growing partnership with China. While the new partnership has had a positive impact on growth, this paper argues that more needs to be done by both China and African governments to enhance the impact of Chinese development finance in Africa. Against this backdrop, it identifies ways in which Chinese development finance could be used to foster trans-formative growth and development in Africa. The paper also stresses that the responsibility for Africa's development rests primarily with African governments and that China can only play a supporting role. In this context, it underscores the need for African countries to be proactive in their partnership with China to ensure that their development needs are effectively addressed. The paper is organized as follows: section one focuses on trends, patterns, and features of Chinese development finance in Africa, with emphasis on aid, FDI, and debt. Section 2 discusses fundamental differences between Chinese development finance and those of member states of the Organization for Economic Cooperation and Development (OECD). Section 3 examines and analyses the impact of Chinese development finance in Africa and also highlights some of the emerging challenges associated with the new partnerships. Section 4 focuses on how to make Chinese development finance work better for Africa and identifies policy measures that should be taken by both China and African countries to achieve this objective. The final section contains some concluding remarks

Keywords : China, Africa, Poverty reduction, Partnership, Economic development.

I. Introduction

Since The last two decades, foreign assistance from non-traditional donors has increased sharply—both in absolute terms and as a share of global development finance (Klein and Harford 2005; Manning 2006; IDA 2008; Woods 2008; Fengler and Kharas 2010; Severino and Ray 2010; Dreher et al. 2011; Walz and Ramachandran 2011; Fuchs and Vadlamannati 2013; Dreher et al. forthcoming). At the same time, aid from traditional donors has declined for both of the past two years (OECD 2013). This emerging "Aid 2.0" (The Economist 2011a) poses a challenge to the existing aid regime that is organized around the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD).[1] Increasing donors competition, gives developing countries the opportunity to make choice on the types of development finance that best suit their interests (Brainard and Chollet 2007). The continuous increase in aid from non-DAC donors has raised an intense argument for scholars and policymakers. How much funding do these non-DAC donors provide, to whom and on what terms? What impact do non-DAC sources of finance have on economic development, democratization, debt

[1] With the addition of Iceland in March 2013, the DAC now consists of the European Union and 24 member states of the OECD.

sustainability, and environmental outcomes in developing countries? China, Russia, Venezuela, and India are thought to provide billions of dollars in assistance every year (Walz and Ramachandran 2011), but most of these "new" suppliers of development finance have chosen not to participate in existing reporting systems, such as the OECD's Creditor Reporting System (CRS) or the International Aid Transparency Initiative (IATI).[2]At the 2011 High Level Forum on Aid Effectiveness in Busan, South Korea, negotiations quickly split along DAC and non-DAC lines. Member states of the DAC argued that new players, such as China, Brazil, and India, should adopt measurable, time-bound aid transparency and effectiveness commitments. Non-DAC suppliers of development finance bristled at this suggestion, arguing that their "South-South cooperation" activities are qualitatively different from Western aid and should not be governed by traditional aid principles (Fraeters 2011; Tran 2012). China, now a leading provider of global development finance, adopted a particularly strong position at Busan. Their negotiators argued that the "principle of transparency should apply to north-south cooperation, but … it should not be seen as a standard for south-south cooperation" (Tran 2011). Ultimately, Busan resulted in a rather tenuous agreement: The majority of DAC members reaffirmed the importance of complying with IATI standards as well as the aid effectiveness standards established at Paris (2005) and Accra (2008); many non-members of the DAC agreed to a set of voluntary standards, but doubled down on their position that South-South cooperation should not be subject to the same set of expectations as Western aid (Barder 2011). China is in the fore front of this kind of cooperation, not only with the UNDP, but also with other emerging economies, in formulating coordinated effort to help the Third World.

Section 2

China is of particular interest to researchers and practitioners because of the perceived scale and opaqueness of its activities in Africa. China's presence in Africa is, beyond dispute, large in both trade and what can be called official finance to Africa. China's development cooperation goes back to the 1955 Bandung Conference and earlier. The Bandung principles of mutual benefit, mutual learning and non-interference, were subsequently reflected in the eight principles of Chinese aid formulated in 1964 by former premier Zhou Enlai. This tradition remains an important part of China's present day pragmatism in development cooperation. Officially, China provides eight types of foreign aid: complete projects, goods and materials, technical cooperation, human resource development cooperation, medical assistance, emergency humanitarian aid, volunteer programs, and debt relief.[3] China's aid to Africa covers a wide array of fields, such as agriculture, education, transportation, energy, communications, and health. According to Chinese scholars, since 1956, China has provided almost 900 aid projects to African countries[4], including assistance supporting textile factories, hydropower stations, stadiums, hospitals, and schools. Chinese economic engagement in Africa, which came as a surprise to most economists and development analysts and is undoubtedly one of the factors that contributed to the high and robust

[2] There are widely varying levels of commitment to transparency among non-DAC suppliers of development finance. For example, Brazil, India, South Africa, and many of the new Eastern and Central European donors have demonstrated a higher level of interest in data disclosure and/or compliance with international reporting standards (Aufricht et al. 2012; Sinha and Hubbard 2012). Russia has started recently to provide bilateral aid data to the CRS.

[3] China's Foreign Aid," Xinhua News Agency, April 21, 2011, http://news.xinhuanet.com/english2010/china/2011-04/21/c_13839683_6.htm

[4] Yun Sun (2014). China's Aid to Africa: Monster or Messiah? Brookings. Retrieved from: https://www.brookings.edu opinions/chinas-aid-to-africa-monster-or-messiah/

growth experienced by the continent in the past decade. China is certainly not new to Africa. It has a history of partnerships with African countries dating back to the late 1950s although at that time the focus was largely on political rather than economic cooperation. Since 2000, the focus of the relationship has been increasingly on economic cooperation as evidenced by the growing trade, aid, and foreign direct investment (FDI) flows between China and the continent.

Over the past decade, there has been an enormous increase in the number of studies on China's burgeoning relationship with Africa. Yet, not much is known about the precise magnitude of Chinese development finance in Africa apart from the fact that it has grown rapidly over the years. In addition, there are no comprehensive studies on the impact of these flows and on how to enhance their development effectiveness. It is against this backdrop that the present chapter attempts to shed some light on China's growing partnership with Africa with particular emphasis on how to enhance the impact of its development finance for sustained poverty reduction in the continent.

It is now widely understood that China's development finance ranges well beyond its traditional official aid programme.[5] As described and quantified in its two recent White Papers on Foreign Aid, this traditional aid programme includes grant aid, interest-free loans, and the concessional loans channelled through the ExIm Bank with interest rate subsidies funded from the budget for the Ministry of Commerce (MofCom), which has the role of convener of the inter-ministerial aid coordination system and country level supervisor (State Council 2011, 2014). This traditional Chinese foreign aid involves fiscal transfers allocated in its annual budget and corresponds more or less with the Development Assistance Committee (DAC) definition of Official development assistance (ODA). On the basis of the MofCom budget allocation and adding in multi-lateral aid, China's traditional aid programme amounted in 2013 to some USD3bn.[6] Adding in aid programmes of ministries that are not funded via MofCom and who do not report their aid via MofCom, may increase this number to as much as USD7bn (Kitano and Harada 2014). The traditional programme has been growing fast, and capacity limits in terms of both modalities and staff are clear to those working inside the system. However, much greater in scale is the lending to developing countries from two key state-owned'policy banks' established in 1994, the China ExIm Bank and the China Development Bank (CDB), funded on Chinese and global financial markets and enjoying sovereign status. They both support large resource-backed loans and associated project financing and also help to finance China's 'going out' policy by assisting Chinese companies to develop off-shore business and foreign subsidiaries, and capture market share in strategic global industries (Brautigam 2009; Sanderson and Forsythe 2013; Dreher et al. 2015). As elaborated further below, analysis of ExIm annual reports suggests that preferential export buyer's credit loans to developing countries may have amounted to USD7bn in 2013, up from USD1bn in 2008 (Kitano and Harada 2014). Meanwhile the foreign currency loans outstanding from the CDB, which are not concessional, have risen from USD64.5bn in 2008 to USD225bn in 2012 and USD251bn in 2013, with an average rate of increase of more than 30 per cent over this period; probably a reasonable proxy for the CDB's growing international development role (OECD 2015a). Thus the'beyond ODA' development finance from these two Chinese policy banks looks to be some four to five times greater than the high estimate of the ODA-like flows described above, and ten times larger than

5 Tracking China's aid and other development finance is a difficult and contested field of research particularly at country and project level (Dreher et al. 2015; Brautigam 2009, 2010, 2015; China-Africa Research Initiative 2015). In this paper, we use published statistics at the aggregate level from Chinese institutions.

6 China does not participate in the DAC reporting systems and the calculation of the grant element of its subsidized loans under the revised definition of ODA agreed at the end of 2014 (DAC 2014) would require country allocation data from the Chinese authorities, which is not available in the public domain.

the official Chinese figures for foreign aid (and the corresponding OECD estimate of Chinese bi- and multi-lateral aid). there are three overarching points that are fundamental to understanding Chinese development finance and related global economic governance issues (Xu and Carey 2014, 2015a, 2015b).[7] first , China's development co-operation model remains based on the non-interference and mutual benefit principles established in the 1950s and 1960s, and is regarded by the Chinese authorities as part of the South South co-operation framework initiated at Bandung in 1955. Aid, trade, and investment are seen as interconnected in a mutual benefit framework. Meanwhile, the concept of Official Development Assistance (ODA) formulated by the OECD Development Assistance Committee in 1972 and reinforced in 2014 (DAC 2014) has at its heart a one-way transfer of wealth from rich countries to poor countries, with any commercial or financial benefits rigorously excluded by accounting rules and policy regimes. At the same time, national interests and foreign policy objectives are part of the scenery of all development co-operation and changing contexts are bringing significant departures from established principles on all sides. Second , Officially supported market-based loans from DAC countries are excluded from ODA and regulated by OECD export credit rules and IMF/World Bank debt sustainability assessment processes. Meanwhile, as outlined above, China has established a wide range of such financing, funded from financial markets with implicit and explicit Chinese government guarantees, with the CDB and the ExIm Bank playing a 'public entrepreneurship' role, supplying vision, action and innovation at a scale and speed that has outstripped OECD and Bretton Woods development institutions. third, While OECD statistical systems, rules, and policy review mechanism processes require and facilitate transparency in development finance flows at least among finance-providers, the transparency of China's aid and broader development finance is limited, with recent progress confined to the provision of aggregate information in the first two White Papers on China's Foreign Aid published in 2011 and 2014. Little progress has been made with the establishment of a Chinese government foreign aid statistical system envisaged in a draft set 'Measures for the Management of Foreign Aid' issued in 2014 (MofCom 2014). Hence the ongoing difficulties in understanding and quantifying China's external development financing, concessional and non-concessional (China-Africa Research Initiative 2015).

Chapter 3

Over the recent decades, poverty eradication and economic development has become a prominent policy consideration for many countries, especially for developing countries. In the case of Sub Saharan Africa, more than 70% of their population lives on less than $2 a day thereby placing significant welfare demands on government and NGOs to lobby for development aids. This eventually prompted the UN general assembly in 1970 to agree that, the Global North should make allocation of 0.7 percent of their Gross National Income (GNI) to Official Development Assistance (ODA). However, most of these Global North countries could not attain that 0.7 percent. Though, over decades now, the Global North has continued to affirm their commitment, there is a growing concern over the lack of compliance on their

[7] .In the papers on the governance of development finance cited above (Xu and Carey 2014, 2015a, 2015b), we have suggested that existing global governance systems will need to adjust to the new realities of more ambitious and entrepreneurial development finance with China at the forefront. At the same time, China now has very strong reasons to become more transparent as it seeks to engage others in its wide-ranging initiatives, as it becomes heavily dependent on the existence of effective states and markets for the functioning of its commodity supply chains, and for the success of burgeoning global investments by innovative Chinese firms in advanced sectors backed by market-based official finance from policy banks with sovereign status.

part to fulfil their commitment as regard the allocation of 0.7 percent of their Gross National Income (GNI) to Official Development Assistance (ODA). Today, with the ongoing global economic crisis, many countries in the Global North are now focused on their domestic economies, with their contributions toward international cooperation shrinking as the days goes by. With the proliferation of ODA from the Global North, the outcome has lead to unsuccessful financing for development trend in the Global South, which has greatly affected africa (Afrodad, 2011). On the potential impact of china's involvement in Africa In the last two decades, Africa has grown robustly—performance that lies in stark contrast to the "growth tragedy" of 1980s. according to World Bank report 2013, the statistics of data suggest that life standard of African people has becoming better and poverty in Africa has been reduced. In the past decades, poverty rate of Africa has been on the decline. The proportion of people living on less than $1.25 a day in Southern, East, Central and West Africa decreased from 56.5 percent in 1990 to 48.5 percent in 2010. In the same period, the population in Africa increased by 65.08 percent from 0.63 billion to 1.04 billion. Despite the drop-in poverty rate, the total number of African people (excluding North Africa) living below the poverty line ($1.25 per day) increased from 290 million in 1990 to 376 million (1999) and 414 million (2010). On the other hand, over the past few decades, China has experienced a fundamental transformation of aid policy from a net donor to a net recipient and to an emerging donor again. From 2000 to 2011, Chinese total financial commitments to Africa reached $73 billion, significantly higher than the official figure of foreign aid of $15 billion (Strange et al. 2013). Since the beginning of the 21st century, China's trade and investment to Africa have also grown exponentially. FDI inflows surged from $75 million in 2000 to $3.2 billion in 2014 (MOFCOM 2015). With an average of 30% of annual trade growth between China and Africa in the last 15 years, China has become Africa's largest trading partner and stood at $180 billion in 2015 (UN Comtrade 2016). Despite the growing importance of China as a major source of FDI and a provider of foreign aid in Africa, China's foreign aid policy is still not widely understood and its impact on African development is controversial. Rather than join the established aid regime under the framework of official development assistance (ODA), China has been promoting the integration of aid and investment, often through bilateral partnership agreements with African countries.[8] Like established donors, China also justifies its overseas economic activities with development objectives that it helps developing countries to promote sustainable economic development and poverty reduction, but such development objectives have often been subordinated to strategic, diplomatic, or commercial considerations, (Omoruyi et al ,2017). China's aid is closely related to China's foreign direct investment. When one reads through the China's White Paper which is a collation of information about China's aid policy, one will realize that China has a cross sectional forms of aids. China classifies its aid activities into eight activities which includes complete projects, goods and materials, technical cooperation, human resources development cooperation, medical teams sent abroad, emergency humanitarian aid, volunteer programs in foreign countries and debt relief. Some of these activities are inherently link with China's foreign direct investment thus making it very difficult to single out precisely China's aid (Dopgima,2013). In 2000, the Forum for China-Africa Cooperation (FOCAC) was founded, where aid, trade, financial credits, and private equity have been drawn together. FOCAC is a triennial process at Heads of State level, bolstered by systematic annual visits to African countries by top Chinese leadership. In this framework, China-Africa trade soared, with China's growth trajectory generating a global commodities boom and China's globalization policies gaining African markets. Chinese foreign investment in Africa began to increase

[8].International Relations, Institute of African Studies, Zhejiang Normal University International Affairs and Global Strategy www.iiste.orgISSN 2224-574X (Paper) ISSN 2224-8951 (Online) Vol.59, 2017

dynamically. A China Africa Development Fund (CADF) was established, as a subsidiary of the CDB, to inject equity capital into Chinese ventures in Africa. The most recent FOCAC outcome documents and action plans have extended the agenda to embrace support for regional integration and regional infrastructure, industrialization, and peace building, including financial assistance for the African Standby Force, which is to be operational from 1 January 2016.This agenda was amplified by Prime Minister Li Keqiang in a speech to the African Union in May 2014, linking the Chinese Dream with the African Dream (the AU Africa 2063 agenda), via major investments in connectivity, embracing high speed rail, regional aviation, and ICT infrastructure and systems, urbanization, industrialization, and peace and stability, thus bringing together the 'modernization of two continents' (Li 2014). It was backed up the following month at the African Development Bank Annual Conference with an 'Africa Growing Together' Fund of USD2bn co-financing money over 10 years, financed by the People's Bank of China and open to procurement and participation of all African Development Bank members. At the same time, the USD20bn credit line extended in FOCAC V, which ends in 2015, was increased to USD30bn and the China Africa Development Fund (providing private equity capital) was boosted from USD3bn to USD5bn (Li and Carey 2014). The Johannesburg Action Plan for 2016-2018 emerging from FOCAC VI in December 2015, boosted the credit line to USD35bn for the new triennial, increased the China Africa Development Fund to USD10bn, the special loans for SMEs from USD1bn to USD6bn, and created a new China-Africa Production Capacity Fund with an initial amount of USD10bn (FOCAC 2015).

The conceptual analysis of foreign aid by the members DAC which consists of 23 member namely, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, the United States of America and the Commission of the European Communities, reflects their personal principles and notion of socio-economic development, the DAC members pride themselves as being the "venue and voice" of the world's donor community addressing issues surrounding aid, development and poverty reduction in developing countries. This school of thought is in line with the ideologies of the Bretton Woods institutions. But as China is gradually becoming a viable aid donor to Africa, the aid paradigm appears to be going through a make-over (Dopgima,2013). Not being a member of DAC, China's principles on aid donation is very different from that of DAC. Perhaps and in many intriguing ways, Brautigam (2008) was right to promulgate on how China's definition of aid greatly depicts China's principles towards achieving poverty alleviation, as well as China's approach of administering aid which differs from the traditional donors approach. China's definition of aid entails tied aid loans, export credits and tied export credits which contravene the OECD definition of aid. When merged together with other China's principles such as their principle of non-interference as well as the continuous lack of plausible political conditions China's definition of aid has prompted much controversy. One key criticism against China's aid policy is its strong selfish motivation that puts its own political and economic interests ahead of recipients' priorities of economic development, and is thus characterized as "rogue aid" (Naim 2007). Although this exaggerated or even fraudulent claim cannot be justified (Dreher and Fuchs 2015), how to characterize the emerging Chinese model of development cooperation is still a challenging task. Could it evolve to be a viable alternative to the existing ODA model? Comparing two project-level aid and investment data sets, this paper shows that while both Chinese aid and investment flows increased steadily over time, their correlation is not as strong as expected, in terms of both geographical and sectoral distribution. It suggests that China has not developed a consistent and coherent strategy of integrating aid and investment. Instead, it is profit-driven firms that use various aid schemes as a launching pad to implement their investment projects. While large SOEs still dominate large infrastructure projects, smaller and heterogeneous firms are increasingly involved in the aid-investment-trade trinity in Africa. China's extensive use of aid for trade and investment has challenged the established ODA norm on tied aid. Despite the concern on aid effectiveness, improving and facilitating synergy between aid and investment has advantages that may lead to a more effective partnership between donor and recipient countries. With their rising role as infrastructure investors in Africa, Chinese firms are more exposed to structural vulnerability than are investors in other sectors. The success of their projects is particularly sensitive to the stability of the recipient country's institutional and regulatory environment. While China continues to emphasize the "no-strings attached" principle in its aid policy, it has to pay more attention to domestic affairs in the recipient countries, though there is no evidence that Chinese aid is tied with the regime type in recipient countries (Strange et al 2015). This paper admits , however, that there are competing actors, interests, and agendas that influence China's aid policy. In particular, Chinese companies, regardless of their ownership structure, can use aid schemes to advance their commercial interests, which may create unintended consequences on foreign policy objectives.

The Chinese aid policy is often contested by diplomatic and commercial agendas. The diplomatic agenda regards aid as an instrument for exercising diplomatic influence on the international stage and deepening cooperation with selected countries whereas the commercial agenda views aid as a useful way of assisting domestic businesses to 'go international' and expand exports and investments. The dual agendas, though not necessarily conflictual, indicate an underlying competition for influence by different government agencies, particularly between the Ministry of Commerce (MOFCOM) and Ministry of Foreign Affairs (MFA). Recent research suggests, however, that Chinese aid is not strongly correlated with recipients' endowments of natural resources and institutional characteristics (Dreher and Fuchs 2015). Strange et al. (2015) find that the allocation of Chinese ODA is driven primarily by foreign policy considerations whereas economic interests better explain the distribution of less concessional forms of Chinese official finance. While all these perspectives differ in their focuses on the objectives of China's development cooperation strategy, they all note a distinct feature of China's aid pattern. According to friends of interdependent relationship, China – Africa relation is a reciprocal relationship where both actors are dependent on each other. Though the scope of the relationship is not similar i.e. China seeking raw material and market for its product and Africa seeking development assistance, both actors are simultaneously dependent on each other. Both actors can affect each other through their own resources i.e. China has the financial resources needed by Africa while Africa on the other had has the natural resources and the market needed by China. This perception greatly captures Enuka (2011, p 44, 53) depiction of the China –Africa relations. He aptly portray this relation as Interdependent whereby he depicts Africa as a poor and underdeveloped actor in search for financial resources and China as a relatively better off actor who is in dire need of raw materials, market and support. Thereby, implying that if China provides the financial and infrastructure resources needed by Africa, the spillover effect with eventually lead to increase employment creation and technology transfer which are all capacity building indicators, that depicts growth. However, it is important to be mindful of the fact that, this reciprocal relationship must not necessarily be symmetrical. Though depicted as mutually dependent on each other, one should be careful not to assume that Interdependence is an evenly balanced relationship. Robert Keohane & Joseph Nye (1977) used a very comprehensible example whereby actor Amaybe dependent on actor B with respect to oil and actor B maybe dependent on actor A with respect to food. Though both actors are depending on each other, it is wrong to describe such a situation in which the control of actor A over actor B with respect to food is "balanced" by actor B control of actor A with respect to oil. On the other-hand, the Political Realist view foreign aid as the reflection of donor's state national interest. It assumes that all nation-states are motivated by national interests or at best, national interests disguised as moral concerns. In essence, they reduce the political ethical principle that "might" is "right". According to Robert Keohane & Joseph Nye (1977), Political Realist view foreign aid as national interest, since Realist uphold that international politics is a struggle about power and influence (qtd. in Greber: 2012: p 12). Furthermore, McKinley and Little (2006: p 237) re-affirmed this stance by depicting foreign aid as an instrument of foreign policy, which is designed to promote their interest of the donors, rather than that of the recipient. This greatly captures the framework of the formulation of OECD working definition of foreign aid as explained above.

Section 4

The poverty trends in Africa stand in stark contradiction to those in China. One analysis, looking at the number of millions lifted out of poverty in China, somewhat provocatively asks "which G8 country can point to such success for its aid programme?"[9] Chinese scholars stress that China and African countries share similar experiences and challenges as developing countries. Chinese scholar Yang Lihua points out that China and Africa, apart from economic cooperation could also share experiences on common challenges such as rural development, labour migration, urbanization and population growth, regional imbalances in development, the development of the domestic market and integration with the international market, to safeguard national interest in the globalisation of markets and to promote the interests of developing countries in world affairs.[10] On another level, it has been said that China's development model offers an alternative to African countries to the structural adjustment policies prescribed by the World Bank and the IMF, a view for instance expressed in a speech by the Chinese ambassador to South Africa.[11] China has not followed the standardized policy prescription of these institutions. Whether the China model will play out differently remains to be seen. Economist Jeffrey Sachs, Director of the Millennium Review Project and special advisor to the UN Secretary General, has commented that "the advice that the African leaders received from their Chinese counterparts was sound, and much more practical than what they typically get from the World Bank".[12] His point is that the Chinese model is a lesson to the World Bank, not just to Africa. However, it has also been stated that there is not much evidence yet that China could provide an alternative to the market reforms promoted by the Bretton Woods institutions.[13]When asked what lessons China could share with Africa, The State Council Leading Group Office of Poverty Alleviation and Development (LGOP)stressed the importance of formulating policies that are context specific, as opposed to a fixed model. As the factors causing poverty vary, different approaches are needed in different regions in China. Gradual reform is also seen as key, to introduce pilot projects on a small scale to test different development ideas on a local level. This, together with a multidimensional approach to poverty reduction, with a focus on capacity building of farmers, and a long term focus where growth is coupled with poverty reduction, were said to be key lessons. Also, to

[9] Hilsum in Wild and Mepham, 2006, p.6.

[10] Yang, 2004, p.8.

[11] Liu, Guijin, 2006, p.5.

[12] Sachs, May 24, 2007.

[13] Financial Times, May 18 2007. (a)

have a special government body in charge of the poverty reduction program is seen as a key to be able to target the poor.[14] it is interesting also to note that there are ideas from the Chinese side of what could be shared with Africa, building on the Chinese model. Initiatives are also underway for experience sharing. A concrete example is that in 2004, at the Global Conference on Scaling Up Poverty Reduction in Shanghai, China in collaboration with the UNDP took the initiative to establish the International Poverty Reduction Center in China (IPRCC) to facilitate knowledge sharing and mutual learning between developing countries. Under its auspice workshops and trainings have been held in China for African government officials including field visits to share Chinese experiences of poverty reduction, and further exchanges are planned.[15] The LGOP has at one of the workshops outlined three steps by which China will offer to help other developing countries: First, support capacity building with poverty reduction in developing countries; second, provide effective platforms for exchange and collaboration between developing countries; third, help with design and execution of poverty reduction projects in developing countries.[16] Clearly China is prepared to take on an active role in sharing experiences related to poverty reduction. Some of the key areas of poverty reduction in china are stated bellow.

the growth of the agricultural sector in China between 1981 and 2004 Have been estimated to have four times more impact on reducing poverty rates than growth in either the manufacturing or services sectors (Ravallion, 2008). Since most of those below the poverty line in China live in rural areas, the development of these areas has predictably lifted hundreds of millions of people out of extreme poverty. The relatively fair distribution of land has also helped to reduce the proportion of people below the poverty line. Furthermore, the development of agriculture laid the basis for the huge growth of the manufacturing sector which China has experienced, since it freed up large numbers of surplus rural laborers who could find employment in factories and industries. China has also put much effort and investment into agricultural R&D (research and development), which has helped to develop new technologies and foster technical innovations. In contrast, the agricultural sector in many African countries is still relatively underdeveloped with many outdated practices still found. The vast majority of Africa's population lives in rural areas. Proportionately, even more people live in rural areas of Africa today than was the case in China at the beginning of its reform period. It is consequently clear that agriculture and rural development is key to reducing poverty rates in Africa as well. Developing a strong agricultural sector may also be a good basis for subsequently creating a strong manufacturing sector, as it has proved to be in China. At the same time, it must be recognized that Africa's demographic, climactic and political conditions are very different from those in China when it commenced reforms. Africa is far less densely populated than China, with a relatively abundant supply of land. Furthermore, state institutions in Africa are often less strong and stable than those in China, thus their capacity to implement policies in the countryside will have to be built up. However, Africa do not necessarily need to adopt in total the chinese rural reform models as Africa does not have the same farming system with china , but the message is Africa need to design its own model in accordance with its demography, climatic and political condition so that it can improve and raise productivity in rural areas and also establish policies to protect them.

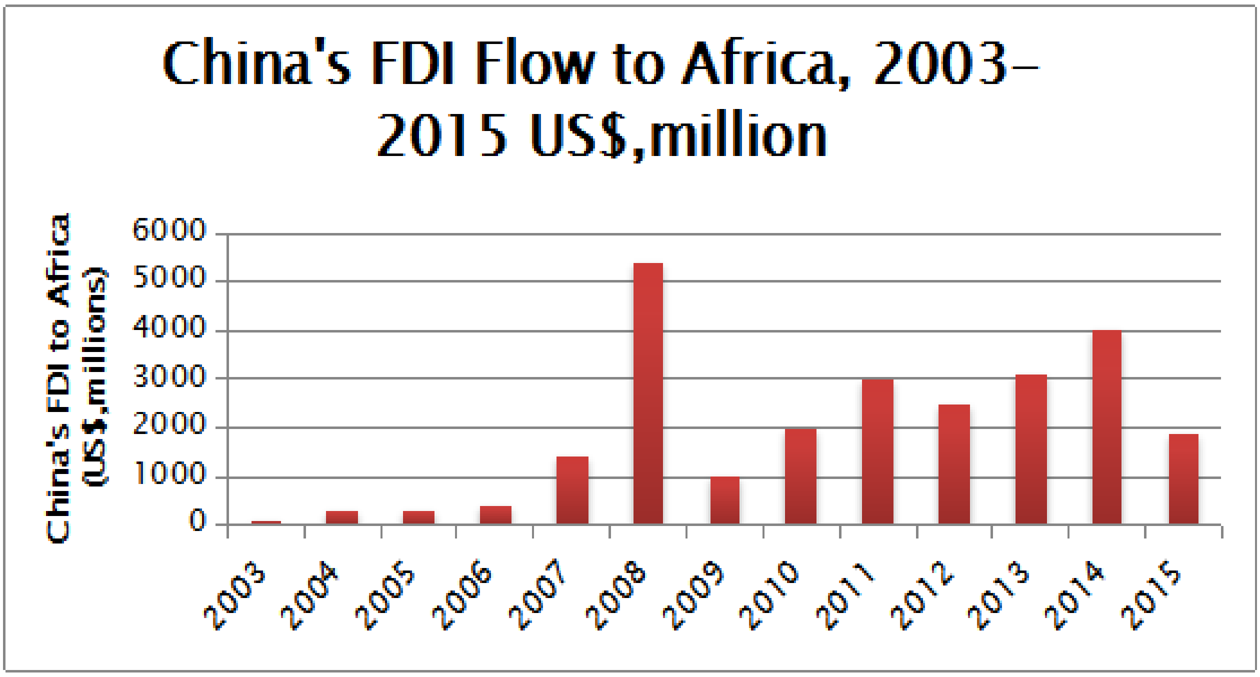
[14] Interview with LGOP, 2 April, 2007 and 15 June, 2006.

[15] Interview with IPRCC, 18 April, 2007 and interview with LGOP, 2 April, 2007.

[16] Liu, Jian, 2006.

Another factor which has been crucially important for China's recent development is investment in infrastructure, from both domestic and international resources. Throughout the country, unreliable, inefficient and poorly maintained infrastructure – especially for transport, energy, water and sanitation and irrigation - was a major bottleneck. Over the last 30 years, there has been substantial support for infrastructure in rural areas, for example for irrigation systems, agricultural market development and processing techniques. This has made it possible to improve agricultural production despite extremely scarce arable land per capita. Railways, roads and other transport infrastructure has also been rapidly developed, which has made a substantial contribution to reaping the comparative advantage from crossing domestic regions and facilitated entry into global markets. The pertinence of the expression "if you want to be rich, first build a road" has been demonstrated numerous times across all parts of China. The key experience of China's infrastructure development is not just the investment, but the policies that enabled fruitful use of resources and the capacity to maintain them. Policies were developed so as to promote economic growth and poverty reduction within a well-defined institutional and financial framework. This included decentralized financial investments and revenue redistribution. It also included a division of responsibilities between the central and local authorities, between the state and private markets and between public and private actors, all of which was based on a cross-regional approach. Many countries in sub-Saharan Africa suffer from a huge backlog of needed infrastructure. In sub-Saharan Africa, annual infrastructure needs have been costed at USD 17-22 billion while annual spending (domestic and foreign, public and private) is about USD 10 billion. The region's infrastructure financing gap is thus USD 7-12 billion per year, or an estimated 4.7% of GDP. China is helping to fill this financing gap and is now the largest external source of infrastructure projects in Africa.

For the past four decades , one of the greatest achievements of China's development policy has been the promotion of labour-intensive enterprises and the attraction of foreign investment, which has helped to make China's growth pro-poor. China was recently the fourth largest exporter of merchandise in the world (Dicken, 2007), and trade accounted for 64% of the country's gross domestic product (GDP) (Naughton, 2007). The growth of China's industrial sector has made a great contribution to reducing poverty, since it has provided livelihoods for millions of Chinese, including many migrants escaping from poverty in rural areas. Many of these migrants send remittances back to their families in the countryside, thus increasing incomes in rural areas. It is estimated that around one fourth of China's workforce is currently employed in the industrial sector. The most important measures China has taken to foster industrial development over the last 30 years were improving the enabling environment through increasing liberalization and the setting up of various types of Special Economic Zones and Development Zones which has attracted foreign investment. On contrary In most of sub-Saharan Africa, the industrial sector is still extremely small, with the partial exception of South Africa. The enabling environment is often not considered to be particularly attractive for foreign investment due to political instability, lack of infrastructure, human and institutional capacity constraints and a large informal economy. Attempts to encourage the creation of local businesses have often been hindered by a lack of training, investment and technology. Currently, the economies of most African countries rely mainly on the export of primary produce, which is exported for refining and manufacturing elsewhere. However, this cannot create as many jobs for local people as a strong manufacturing sector would, and it leaves African countries vulnerable to the highly volatile world prices for many commodities. Dependence on the export of natural resources can also foster corruption and mismanagement. Some experts propose abandoning the path of forced industrialization in Africa so it can concentrate more on agriculture, which they see as the continent's natural advantage, while others think that creating a strong manufacturing and industrial sector will be necessary if African countries are to achieve sustained economic growth and poverty reduction. If the later view is correct, China could assist both by providing the necessary training and experience as well as by investing directly in the sector. Of course, it will be necessary to work in partnership with African governments and international donors, in order to address some of the structural problems which have prevented industrial development from taking place in most of Africa. China Rise provides natural resources investment in Africa . A dramatic spike in the foreign direct investment (FDI) in 2008 was mainly attributed to a single transaction, the US$5.6 billion purchase of a 20% share in South Africa's Standard Bank by the Industrial and Commercial Bank of China (ICBC) (The New York Times 2007).



Source: UNCTAD 2014; MOFCOM 2015 and Pigato & Tang (2015), MOFCOM 2016.

China's Rise expanded the markets for Africa exports ,It supports adequate prices for African commodity export and Bilateral trade between China and Africa increased from $10 billion in 2000 to $91 billion in 2009. (UN COMTRADE 2015, China Custom 2015, MOFCOM 2016). like other bilateral donors, china do pursue its own economic interests in its engagement with Africa. However, in recent years China's engagement with Africa has expanded to cover most countries in the continent and beyond natural resources to light manufacturing and services. Clear examples are China's projects in Mauritius and Botswana. the global financial crisis gives China an opportunity to consolidate its role in Africa as a major partner, and hence strengthen its diplomatic ties with a continent that will become in future decades an increasingly significant player in the global economy due to its demographic trends and its natural resource endowment. According to Jean- Claude (2011), Continued assistance to Africa will serve China's long term strategic and political interests. The Chinese government has been accelerating and intensifying their effort to make a substantial contribution towards the provision of hard infrastructure across Africa, ranging from distribution grids to pipelines, airports, ports, roads, refineries, railroads and power generation which is having a huge multiplier effect on African economies. For example, Djibouti is the gateway to landlocked Ethiopia, Africa's fastest growing economy. Already, over 90 percent of

Ethiopia's trade passes through Djibouti. Due to China's substantial contribution towards the provision of hard infrastructure, the trade that once took three days by road has been cut to nearly 12 hours. Also, East Africa's largest economy – Kenya has maintained a growth rate of approximately 6 percent as a result of the infrastructure boom across the continent. More so, Trade between China and Nigeria has increased from US$2 billion in 2005 to $6.5 billion in the first five months of 2017, an increase of 33 percent, over the same period in 2016. This represented 7.6 percent of the total trade volume between China and Africa and 36.4 percent of total trade volume between China and ECOWAS. Looking at previous China's economic growth in Africa between the year 1990 and 2013, Africa's economy grew speedily and remarkably well. It averaged more than 5 percent. In 2012, the average GDP growth of Africa was 6.6 percent, even though at that time developing nations were facing serious economic problems. China's infrastructures development model has helped African growth – underpinning the "Africa rising" narrative that has emerged in recent years. During the past four decades, China's large population has been the engine for its impressive growth rate. If African economies were to go through similar economic miracle as China, African leaders need to sufficiently invest in the development of Africa's greatest assets: its young population; because success without a successor is a failure. There is need to develop the high workforce needed to compete in the global knowledge-based economy. However, China-Africa knowledge sharing cooperation can become a new way of bolstering a mutually beneficial cooperation model, speed up Africa's industrialization and improve its independent development capacity, while bringing Chinese equipment, technologies, and products to African nations through industrial capacity cooperation. In the past decades, China has catapulted from being a relatively small investor in Africa to becoming Africa's largest economic partner. China's trade with African countries rose nearly one-fifth in the first quarter of 2017 from a year earlier, surging 19 percent. While its direct investment in the continent soared 64 percent, making it appears like the dragon is now the new king of the African jungle. There are estimated to be over 10, 000 Chinese companies in Africa that have created employment for numerous Africans. These Chinese companies have displayed remarkable prowess in sectors like infrastructure, agriculture, telecommunication, information communication technology, service, and manufacturing. This economic stimulus continues to have a significant economic impact in communities. In December 2015, China's president ushered in a new era of 'win-win co-operation' between China and Africa, a strategy formulated to create mutual prosperity[17]. "China has backed up this proposal with a USD60 billion investment in major capital projects, which are tied to developing local economic capacity. This is in the knowledge that for win-win co-operation to be sustainable, it is crucial to develop the local economy, by putting in place real knowledge transfer.

Conclusion

As Most African Countries endeavor to industrialize and diversify their economies, China, after nearly 40-year reform and opening-up, has accumulated rich experience in industrialization and modernization. The combination of the Chinese capital, technology, market, enterprises, talents, rich experience in development and African abundant resources, huge demographic dividend, the great market potential will have a great chance to make another miracle of development. China's impressive development trajectory offers an alternative development model for African economies where China's presence has

[17] . Michael Omoruyi. 2018.Building a community of common development and shared future prosperity, Available at:http://www.chinadaily.com.cn/a/201805/18/WS5afea430a3103f6866ee9505.html

grown immensely over the years. That is why if we have to connect China's four decades of reform and opening-up with the awakening of African economies we will discover that China has contributed enormously in transforming the continent's economic tale from "hopeless continent" to a "rising continent". during Foreign Minister Wang Yi visit to four West African nations, he said "in the past, China support African nations to attain political independence, but this time the Chinese people are willing to support African nations gain economic independence. The Belt and Road initiative can act as platform to attain the economic independence. The initiative aims to create the world's largest platform for promoting Policy Coordination, Facilities Connectivity, Unimpeded Trade, Financial Integration and People-to-People Bond. According to Agenda 2063, building world-class infrastructure together with trade facilitation should see intra-African trade growing from less than 12 percent currently to about 50 percent by 2045 as well as seeing African share of global trade soaring from 2 percent to 12 percent. To accomplish this, Africa needs to address the continent's infrastructure gaps in order to completely attain Goal 9 of the SDGs and Aspiration 2 of Agenda 2063.

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