Workshop Proceedings Report

Chinese Development Assistance

in Southern Africa

Regional Stakeholder Workshop

30 November 2009, Hotel Cardoso, Maputo, Mozambique
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The African Forum and Network on Debt and Development would like to thank Diakonia, Christian Aid and Norwegian Church Aid for supporting the China in Africa initiative, specifically the workshop that took place at Hotel Cardoso, Maputo, on 30 November 2009. AFRODAD is also grateful for the collaboration and contribution of the Southern African Peoples’ Solidarity Network, towards co-funding, as well as the design and implementation of the workshop.

The African Forum and Network on Debt and Development

AFRODAD is a pan African organisation whose aim is to facilitate dialogue between civil society and governments on issues related to debt and development, and to secure a paradigm shift in the international socio-economic and political world order to a development process that addresses the needs and aspirations of the majority of the people of the world.

Southern Africa Peoples’ Solidarity Network

SAPSN is a regional platform of southern African social movements advocating for social and economic justice. It is a network of civil society organizations from the Southern Africa region challenging globalization by promoting pro-people socio-economic policies at national, regional, continental and global levels. SAPSN was formed in 1999 and is currently housed by the Zimbabwe Coalition on Debt and Development (ZIMCODD)
The African Forum and Network on Debt and Development (AFRODAD) and the Southern African People’s Solidarity Network (SAPSN) held a regional stakeholders’ workshop in Maputo, Mozambique on 30 November 2009 to discuss Chinese Development Assistance in Southern Africa. The workshop participants comprised parliamentarians and senators, a former ambassador, researchers, representatives of non governmental organisations (NGOs) and civil society activists from eight countries in Southern Africa.

The past decade has seen an influx of Chinese into the Southern African Development Community (SADC) region and Africa generally. These are a wide range of players – Chinese state owned enterprises (SOEs), the Chinese government, a range of quasi independent Chinese business enterprises, medium scale economic interests and small traders. Their activities on the continent are supported by the Government of China and African governments have actively courted and facilitated their presence, including by offering tax concessions and waivers as well as through unequal application of the rules normally applicable to foreign investors and development partners, in favour of Chinese interests.

Although the workshop was primarily concerned with development assistance, it was noted that it is impossible to disaggregate this from other forms of Chinese economic engagement in the region because the two are often ‘bundled’ as combinations of grants and commercial loans, or commercial and soft loans. Where a country is not considered credit worthy by other lenders and has nowhere else to go, China imposes a commercial interest rate but if the borrower agrees to use Chinese companies and equipment they may be offered an interest free loan. Many participants and presenters were concerned that Chinese aid is ‘tied’ aid, meaning that the contracts for project work must be given to Chinese companies. Research has shown that tying aid in this way reduces its value by between 11 and 30 percent.

There are frequent claims in the local and western media, among the general populace and in statements of western governments and economic operators of a wave of Chinese imperialism and Chinese attempts to recolonise Africa. Such claims by western governments and media were largely dismissed as arising from a fear among these forces of the outright economic competition presented by China and other emerging economic powers. One presenter pointed out that the key difference between the current situation and the situation under the earlier phase of colonisation of Africa is that Africans are now contracting partners to negotiated agreements, as opposed to being colonial subjects with no rights over their own resources. This implies a responsibility for African governments to negotiate well, to protect the interests of and gain benefits for their people, as this is not the responsibility of either the Chinese or the European former colonial powers.

However, the participants expressed concern over the level of secrecy and non transparency in arrangements between Southern African states and China. This arouses suspicion that Chinese lending is not as ‘cheap’ as it seems, that there are potentially
those high level officials who do not wish to reveal the facts and figures of such arrangements may be implicated in this.

At the very least, it is certain that decisions regarding China’s engagement are being taken at the executive level, without any input from the citizens of African nations, either through civil society structures or through their elected parliaments. While civil society participants bemoaned the lack of information available on which to base analysis and advocacy work, one of the parliamentarians present pointed out that it is, nevertheless, within civil society that the bulk of the knowledge and understanding exists. Parliaments must engage in debate on this topic and they need to draw upon the knowledge resources of civil society to do so effectively. A need exists for a great deal more research and investigation to be carried out to strengthen the basis of this relationship.

Governments stand to strengthen their position in relation to China’s engagement in Africa through enhanced consultation with their people, through their parliaments, as well as by creating strong negotiating blocs at subregional level through regional economic and political groupings such as SADC, and at the continental level through the Pan African Parliament.

While there was potential for Africa and China to each use the alternative that the other presents, to leverage political and ideological space, the non consultative and non-transparent tendencies of both the Chinese and many African governments have meant that this potential has not been maximised. Rather than creating a new modus operandi, Chinese engagement in Africa has been heavily criticised both for directly and indirectly propping up dictatorial African governments, and for the introduction of substandard and damaging, environmental, labour and other practices.

Several speakers noted that, although China claims to be a ‘friend and development partner’ of Africa, its primary aim is to buttress its very rapid modernisation and economic growth for the benefit of its own people. Given that Africa, and in particular Southern Africa, are the major holders of the resources it needs to do this, there is no need to fear Chinese withdrawal or to offer Chinese investors extraordinary concessions. Africa’s current capital deficiency means that Chinese investment has been welcomed but investment, in itself, does not constitute development assistance and, even in commercial terms, is not automatically beneficial to the host country. Chinese investment, loans and even genuine development assistance need to be subject to the same rules and scrutiny as any other.
China is one of the fastest-growing countries in the world, and is expanding its presence in Africa. According to the Economist (26/10/2009) China’s economy has grown 9% per annum for the last 10 years, buttressed by huge amounts of raw material to support this phenomenal growth. A number of Africa countries are meeting this huge demand for commodities. In addition, China has been more than willing to play the role of key development aid partner and investor in Africa.

Development assistance continues to one of main instruments of international cooperation. In effect development assistance has become an important ingredient in financing national budgets in many African countries. Governments are increasingly allocating a big portion of development assistance towards key sectors of development. Some African countries, are increasingly following a more “look East” policy, hence China is steadily replacing the traditional western donors.

China has been extending assistance to countries like Mozambique and Zambia prior to and after the attainment of independence. The assistance has been in the main loans (under which economic and technical cooperation is included), and to a lesser extent, grants in the form of cash and materials. China has implemented several public projects financed by its China export–import bank. The development assistance and cooperation that is extended by Beijing to these governments as part of its overall commercial engagement is one of the reasons why China has increased its investment in Africa. This assistance is channelled through concessional loans and other types of funding to projects such as the construction of hospitals, schools, sport stadiums, government buildings, debt forgiveness, academic training and technical training. In essence China has invested in almost all the spheres of these countries.

There are mixed reactions and concerns that China’s involvement with Africa posses challenges to African governments with regards to issues of economic governance, upholding human rights, and promotion of transparency and accountability. China’s economic expansion to the continent has significant implications for Africa’s development and growth. To contribute to the debate, AFRODAD conducted four country studies (Mozambique, Zambia, Angola, Zimbabwe) over the role of China in Africa. A brief look into the studies suggests that Chinese involvement in Africa has severe implications for both poverty and income distribution, particularly for changing patterns of income due to employment loss. As China’s expansion continues and when other aspects are considered (FDI, governance, the environment), we can anticipate even greater impacts.

The discussion on Chinese engagement with African governments needs active involvement of civil society and the policy actors, to build an understanding on its implications, more so in light of the fears that the Chinese Diaspora is remitting nearly all of its money back to China rather than reinvesting it into local economies. There are some who see Chinese involvement in Africa as blessing and as an alternative to the stringent aid policies from the development world. They are also seen as investing in non traditional areas where western companies would otherwise not invest into. Others highlight that Chinese companies have failed to comply with calls for better transparency in the management of natural resources in Africa sparking fear of increased
Workers at Chinese factories continue to express concern over poor working conditions and meagre wages raising concerns that similar working conditions previously associated with China are now finding their ways into the continent.

The impact of Chinese development aid has begun showing discontent among civil society groups. There has been an influx of low-quality goods in the market, closure of domestic firms due to tough competition from Chinese firms and less transparency and accountability from governments. The public response is equally sharp. There have been a series of strikes and attacks on Chinese nationals by workers on Chinese owned industries in countries like Zambia, and discontent is equally being registered in Mozambique. At the core of public opinion is that China is responsible for the current worsening socio-economic conditions that the public find themselves. They are also seen to be contributing to continuing restriction of civic space for the benefits of a few political elite.

What is clearly missing from the scenario is a sound public understanding of the Chinese aid, particularly around its development assistance and the purposes for which the aid is given. Thus civil society organisations have yet to articulate a well thought out and reasoned answers to the impasse that exist between the Chinese involvement and development of their countries. As AFRODAD and SAPSN recognised the need to unpack the Chinese aid dynamics and to identify indicators for policy changes and participation, they convened the Regional Workshop to promote and channel the current public response into constructive engagement on national debate around Chinese involvement in some SADC countries in particular and Africa in general.

The major objective of this workshop was to critically evaluate the growing role and the developmental impacts of Chinese Aid with particular reference to the Southern Africa region. The specific objectives were:

1. To interrogate the extent to which Chinese Aid and investments enhances or undermines development on the continent.
2. To demystify Chinese development assistance to the general population and oversight institutions such as parliaments and Civil Society Organisations.
3. To provide the basis on which to promote national, regional and international multi-stakeholder dialogue forum on the role of China in Africa’s development.
4. To recommend policy shifts and strengthen the identified positive aspects of China’s role in Africa.
OPENING SESSION

WELCOME AND BACKGROUND

Jennifer Chiriga, Executive Director of the African Forum and Network on Debt and Development (AFRODAD), welcomed the participants to Maputo on behalf of the organisers – AFRODAD and the Southern African People’s Solidarity Network (SAPSN). She noted that the purpose of the workshop was to discuss China’s development assistance to and cooperation with Africa, with a focus on Southern Africa. The workshop was a policy dialogue to facilitate the exchange of information and consensus building on issues of China’s development assistance to Africa. A further aim of the meeting was to contribute to building alliances, coalitions and networks, and to ensure continual learning on development. The workshop was a culmination of research studies commissioned by AFRODAD in Angola, Mozambique, Zambia and Zimbabwe which had revealed mixed reactions to China’s development assistance and pointed to the need for a robust and balanced debate towards an understanding of the advantages and challenges of Africa’s engagement with China.

THE CONTEXT OF AFRICA-CHINA ENGAGEMENT

The workshop facilitator stressed the need for the ‘talk’ of the workshop to lead to action in the future, through the drafting of an action plan in the final session. He indicated that the workshop came at an opportune moment on the back of a number of key international events, namely the Forum for China-Africa Cooperation (FOCAC) Conference in Sharm el-Sheikh, Egypt from 6 to 9 November; the visit by US President, Barak Obama to China in mid November 2009; the visit of the IMF President to China in mid November 2009; and the Asia-Pacific Economic Cooperation (APEC) Summit of 12 to 14 November. He noted that nine of the G20 countries and two of the three biggest economies in the world are members of APEC. China is one of these and is also ranked among the top ten fastest growing economies in the world in the next 50 years.

Presentations were made in this session by Dot Keet, a teacher, researcher and commentator, described as a ‘citizen of Southern Africa’ because of her deep commitment to and knowledge of the Southern African Development Community (SADC) region, and Ambassador Chris Mutsvangwa, Zimbabwe’s former Ambassador to China who oversaw the initiation of growth in trade and development cooperation between Zimbabwe and China.

PERSPECTIVES ON AFRICAN ENGAGEMENT WITH CHINA

Dot Keet stated that talk of ‘African engagement’ with China is essentially concerned with engagement by African governments in individual bilateral arrangements with China, both political and economic. There is to a far lesser extent an African collective position and engagement, suggesting a need for the active contribution of African civil society, which in turn requires fuller information and insights and broader public information and campaigning, to establish such a position.
Similarly, the 'China' that Africa is engaging with is more than just the official policies and practices of the Chinese government. It is made up of a complex of agencies, including powerful Chinese state-owned enterprises (SOEs); the government itself; a range of quasi-independent Chinese business enterprises, which are the main drivers of economic interests and some of which have budgets bigger than those of some African countries; some medium-scale economic interests; and individual operators, especially small traders.

These in turn have linkages with a number of African entities in a number of ways, as illustrated in Figure 1, below.

**Figure 1 the Complexity of China-Africa Interactions**

![Diagram of China-Africa Interactions](image)

**Notes to Figure 1**

1. The Chinese government is inseparable from the ruling party and SOEs are run by leading party members
2. For example, Chinese investment of US$ 800 billion in Anglo American
3. For example, South African Breweries in a joint venture with Chinese private companies and parastatals
4. For example, Standard Bank (a South African based multinational) now has 20 percent ownership by a Chinese commercial bank, ICBC for the specific purpose of facilitating Chinese operations in Africa

What is seen as 'Chinese people and interests' in African countries are not just mainland Chinese but may come from Hong Kong, Taiwan, Singapore, or Malaysia, or may in fact be Korean or Japanese. This is what the population on the ground sees as 'Chinese' but for effective policy formulation, it is important to know what one is dealing with in terms of: when and where this is official Chinese policy and public entities; when and where it
It is essential that Africans resist being overwhelmed by the view of the western media and governments concerning China’s ‘neoliberal’ or ‘neo-imperial’ project in Africa. Such views are motivated by western fear of the competitive threat of China to western control and ‘ownership’ of Africa’s resources and the opportunities to undertake huge public projects. At the same time, African governments, civil society and analysts must assess critically official Chinese political pronouncements about the aims of Chinese activity on the continent and its ‘concern’ for and ‘commitment to’ the needs of Africa, and the same must be done for relations with other emerging powers of the south such as India and Brazil.

The analytical response

In assessing the current opportunities for and actual engagement, African analysts should draw upon the insights and experience gained from western colonial, post-colonial and neocolonial ‘partnership’ with the continent. As a comparative context it is necessary to keep in mind and highlight the continuing position and role of western companies across all sectors and countries in Africa. For example, in the oil sector, which China is widely seen as appropriating, of the 24 major oil companies in Africa, only three are Chinese.

In the face of a great deal of anecdotal evidence, it is vitally important that the analysis of African governments, NGOs and researchers be underpinned by concrete evidence, and that there is an empirically based, comprehensive and balanced assessment of the challenges and opportunities presented by China’s relations to the continent.

This intensive and extensive analysis must go beyond the aid dimension and its implications because such an approach assumes that development assistance is the main aim of Chinese activities in Africa. A more comprehensive assessment of the other aims, activities and effects is needed and this must be applied even to the assessment of the relative weight and significance of the aid component.

An analysis of western aid over decades and particularly in the era of the EU’s economic partnership agreements (EPAs), shows the western counties inverting reality to present economic activities as representing assistance in themselves, thereby answering to their responsibility to provide assistance (although not effectively as their activities are based upon their own self serving analysis of Africa’s needs and the model best suited to meet these) at the same time as meeting their own economic aims. The warning raised was that Chinese actors are beginning to use same argument – that any economic project constitutes ‘development’ – with no assessment of whether any particular project or the overall approach is appropriate to Africa. African governments and civil society must take responsibility for prioritising the needs of Africa and assessing whether the projects offered advance Africa’s greater self sufficiency, or whether they are a diversion from the organic creation of such facilities, capacities and self sustaining dynamics in Africa.
There are a number of aims that African civil society organisations (CSOs) should promote to, with and through their governments. Firstly this involves a series of clarifications, unpacking and definition of:

- **AID** used as a generic term but which includes technical, scientific and educational assistance. It is necessary to investigate whether it includes financial transfers to Africa and whether debt relief is being counted into this category (as is done by western governments).

- **GRANTS** One form of interest free financial aid but they are tied to specific projects and packages and often take the form of project inputs (equipment and materials) from China. The question is to what extent this undermines African suppliers.

- **LOANS** Often through the Chinese Export-Import (EXIM) Bank, at commercial interest rates, but these are also often linked to specific projects or packages. It is necessary to examine the forms of repayment – in resources, in cash or in equity shares.

- **DEBTS** Although the bilateral debts of African least developed countries (LDCs) to China have been cancelled (a total of US$1.38 billion) the terms are not clear, i.e. whether this is straight cancellation or is being counted as Chinese overseas development assistance (ODA) to Africa. In the meantime, there has been further Chinese lending to the LDCs, creating the risk of the debts accumulating again. The situation of the non LDC countries, in terms of who they are indebted to (government or banks) and to whom they are still making repayments.

- **INVESTMENT** In a number of forms, all of which are state backed. The term is used to refer to those projects that include equity holdings. It is important to determine how many ‘investments’ are joint ventures with private firms, the scale of private acquisitions, whether these include financial transfer rights and on what scale, and the overall effects of all these factors.

- **TRADE** Is expanding very rapidly. It now stands at US$107 billion per annum, with zero tariff being applied on 95 percent of the products of the LDCs. Within this, it is important to know what Africa exports to China, i.e. what the trade balance is, how the imports are being paid for and the extent to which the current situation creates further debt.

Civil society needs to demand of governments:

- **TRANSPARENCY** on the terms and conditions, amounts, areas and countries involved so that it can engage on the basis of a correct understanding;
- **REGULATORY FRAMEWORKS** falling within regional, continental and other multilateral agreements;
MONITORING of the outcomes and effects in Africa, and

- **ACCOUNTABILITY PROVISIONS** and official compensatory principles for harmful effects, e.g. to the environment, along the lines of those that existed in all African countries prior to the intervention of the World Bank and International Monitoring Fund (IMF) in the 1980s;

- **REVISION OR REVERSAL OF AGREEMENTS** where these are found to be detrimental to African countries and people, socially, economically or environmentally;

- **CANCELLATION OF ALL DEBTS** of all African countries, rather than just the LDCs;

- **REDUCTION OR REMOVAL OF TARIFFS** on all African exports of all products to China, noting that the amount and value of goods African countries are capable of exporting to China cannot possibly threaten Chinese domestic production;

- **QUOTAS ON CHINESE EXPORTS TO AFRICA** if ‘dumping’ effects can be discerned or predicted, through voluntary export constraints, which must be a right, not something that individual African countries have to beg for (if China is a ‘friend and development partner’ of Africa, as it claims); and

- **AWARENESS OF TRADE PATTERNS** to avoid dangerous trade deficits and debt build up.

**Proactive strategic positioning and engagement**

In Africa’s relations with China and in the world system generally, it is necessary to challenge China’s assertions about its aims in Africa by putting in place a clear set of development requirements to be applied to all Chinese state, parastatal and private operations in Africa.

Alongside engagement with China, African countries need to take a number of protective measures, including:

- Adopting preferential positions towards consortiums of local companies in public tendering;

- Cooperating to avoid self defeating competition between African governments and to avoid situations where they may be played off against each other;

- Negotiating equitable gains for Africans from state and private joint ventures;

- Taking precautions to avoid the possible negative burdens of engagement falling on African governments; and

- Taking precautions in terms of the direct acquisition of African companies by Chinese companies.

In order to achieve this effectively, African governments in unison will need to:

- Concretise and act through African unity, both sub-regional and continental;

- Engage in alliances of developing countries, including those that encompass China itself and the other ‘emerging’ economies, for example in the United Nations Framework Convention on Climate Change (UNFCCC);

- Use overlapping issue based alliances, e.g. in the World Trade Organisation (WTO), to engage with and in relation to China;
Utilise the bargaining space or leverage created by the existence of China and other emerging economies in the new multi-polar world order;

- Counter the current cooption of selected ‘southern’ powers into the inner conclaves of global government, e.g. of China, India and others into the G20; and
- Have foresight concerning the probable directions of engagement with China, noting its current movement from export orientation towards its own domestic needs, which implies that the current form of its relations with Africa and other regions will probably not last.

Whatever China promises and actually brings to Africa, African governments have to be encouraged to resist falling into a new position of dependency, instead of depending on their own resources and capacities. This is the responsibility of civil society, given that most African governments have shown themselves too afraid to change such dependency relationships.

DEVELOPMENT AID AND INVESTMENT IN AFRICA

Chris Mutsvangwa became Zimbabwe’s Ambassador to China at a time when there was little private sector economic engagement between the two countries. Trade and investment were valued at US$2 billion at that time but have since risen to over US$ 100 billion. He suggested that this fast pace of economic engagement with China could be replicated with any of the emerging economies although this has not occurred yet. The speaker contended that the Southern African region represents the future of Africa because of the unity that exists, arising from a common experience of colonialism and liberation, combined with abundant resources, and modern societies and infrastructure. In this regard, it is a major threat to the EU.

Two important lessons learnt through Africa’s engagement with China were outlined. The first is that China has become the ‘power of a good example’ in the manner in which it has uplifted itself from an indigent post colonial state to a modern state. The changes that have taken place, e.g. the rapid and ongoing building of a large modern city in Beijing, are clearly visible and provide a lesson for Africa in what can be achieved. But Africans cannot expect anyone else (including the Chinese) to do this for them; African nations have a duty to do for their own people what China has done for the Chinese people. Secondly, the engagement with China has taught Africans that they can be contracting partners to negotiated agreements. In the past, as colonial subjects with no rights over their own resources, they were not able to do this. Although agreements may still be reached that are unfair to Africa’s interests, it is up to African negotiators themselves to guard against this on their own behalf.

Ambassador Mutsvangwa was involved in the drafting of documents that resulted in the FOCAC. He noted that, as this process unfolded, it was the Africans who had the international experience, while China’s experience was entirely at the domestic level. The Chinese initially did not feel it was their duty to have an economic presence in Africa and were later convinced by their African partners that this was necessary. In light of this the accusations of western countries that China is ‘predatory’ in its relations with Africa reflects jealously and fear of competition on the part of the west, rather that the
African countries had undergone indoctrination by the IMF and World Bank that only private capital provides incentives for production and economic growth but China presents an alternative at the very time that the negative outcomes of the IMF/World Bank model are most evident. Economic actors in China act on behalf of the Chinese government and Chinese SOEs have developed the biggest economy in the world, with US$2 trillion in reserves. This serves as a reminder that many African countries, and Zimbabwe in particular, were doing well with state enterprises up to the time that they were encouraged by the World Bank and IMF to do away with these in favour of private enterprise and market based approaches. Unless Africans support their own state agents, they will not be able to recover from their current position as it is not the private sector that takes services to the people.

When China builds infrastructure in Africa this is not being done out of charity, but for the same reasons that Europe did so in the past, i.e. to reach and exploit Africa's resources. The difference now is that Africans are the contracting partners to these arrangements and this implies a responsibility for them to make sound choices. There has been a tectonic shift in the global power balance with the emergence of China, India, Brazil and other strong members of the G20. This offers advantages that Africa must maximise. The sanctions applied to Zimbabwe, for example, were only possible because of the lopsided relationship the country has with the EU and US. The only way to fight this is to use an alternative economic partner as a bargaining chip.

Much has been said in the press about the China-Zimbabwe relationship. In fact, the Zimbabwean private sector has less economic engagement with China than any other African country. The speaker felt that this reflects a failure of Zimbabwean businesses to see the direction business is taking globally because they were born of economic colonialism and have retained a neocolonial mentality.

In conclusion, Ambassador Mutsvangwa expressed admiration for China in terms of making people actors in their own development. In the same vein, he saluted Angola, in respect of use of its oil reserves to benefit the country, and the business community of South Africa for breaking out of the imperialist assumption that others must accumulate on behalf of Africans, and for enabling the development of an African middle class.

PLENARY DISCUSSION OF THE CONTEXT OF AFRICA-CHINA ENGAGEMENT

The discussion was led by Dakarayi Matanga, the Secretary General of SAPSN and Executive Director of the Zimbabwe Coalition on Debt and Development (ZIMCODD). The following section records his comments as well as responses by the previous speakers to questions from the floor. Dakarayi noted that, although China is one of the fastest growing economies in the world, this is buttressed by the acquisition of raw materials from Africa. One outcome has been the formation of FOCAC, on the basis of a paper prepared in 2006, to structure this relationship.
Investment

World Bank figures show a capital deficiency in Africa and even the African Development Bank (AfDB) points to a need for foreign direct investment (FDI) in the face of a fall in both development assistance and remittances. China has been seen as an alternative source of income and is now the second largest trade partner in Africa (after the US), taking over from the UK and France. At the centre of this is the desire of the Chinese to control the commodities it needs at source, thereby avoiding international markets.

China provides academic and technical training, grant aid, interest free loans, concessionary loans through the China EXIM Bank, and debt forgiveness which is important. However, the speaker noted that China as source of income has also been knocked by global recession.

Development assistance

China has extended assistance, including political and ideological support, to Africa since before independence but Chinese aid at the moment is ‘tied’ aid, meaning that to gain access to it, and the contracts for project work must be given to Chinese companies. Research has shown that tying aid in this way reduces its value by between 11 and 30 percent.

Debt forgiveness is a good thing but there is a danger that it may be cancelled out by the cost of new loans through the China EXIM Bank. As it is African governments that guarantee these loans, this creates further risk for their citizens. Again, the agreements with the China EXIM Bank state that no less than 50 percent of the investment must go to Chinese companies. Aside from the reduction in positive economic impact for Africa that this causes, there are also implications for sovereignty.

Some differences between tied aid through the China EXIM Bank and that received previously from European countries were examined. There is an understanding that Chinese aid goes to projects and this means that the outcomes are generally visible on the ground and the funds cannot be swallowed up in other government activities. Nevertheless, African governments do need to deal with the fact that the aid is still tied to the use of Chinese equipment, personnel and so on. This is slightly different to the European situation in which the money doesn’t even leave Europe. Another difference is that the objective of Europe is to liberalise African economies (thus recolonising), while China does not demand the opening up of government procurement and other more general economic changes.

It was pointed out that the China EXIM Bank operates like any other export-import bank. Africa needs equipment but doesn’t have capital, therefore, if African countries seek to impose conditions on the loans, this will have a bearing on the cost of the capital. China manufactures 60 percent of the world’s earth moving equipment. Therefore, it is the cheapest source of some of the technology that Africa needs and both the China EXIM Bank and major funders such as the World Bank have to take this into consideration.
There are issues of concern being raised even as the levels of cooperation are increasing. Studies suggest that Chinese involvement in Africa creates poverty and employment loss, due to company closures caused by tough competition from Chinese firms.

China is exporting to Africa some of its worst practices, notably corruption, bad lending and poor economic governance. In addition, there are concerns over labour standards and environmental issues in African countries where these are not subject to strong legislation and enforcement and given that Chinese domestic labour relations follow a very authoritarian model and there has been complete neglect of China’s own environment. Human rights are also an issue and Chinese practices could well exacerbate a situation in Africa where in many countries foreign policy is the preserve of the executive and any domestic opposition to Chinese engagement and interests is immediately silenced. In addition it was noted that 60 percent of the Chinese ‘miracle’ production is not achieved by Chinese companies so China itself is also being colonised and is accepting certain modalities that should not be transferred to Africa.

China’s demand for continued recognition of the ‘One China’ policy squeezes out other potential relations with independent emerging economies, such as Taiwan. Aside from the reinvestment in Chinese firms brought about by tied aid agreements, basically all of the profits of commercial arrangements are remitted to China. This is a particular problem for a country such as Zambia which has liberalised its capital account. At the same time there is little technology transfer and Africans are seldom employed in senior positions in the Chinese companies. Chinese companies can produce quality goods but these are not necessarily what is exported to Africa, while on the local market, the enforcement of quality standards is weak.

Southern African approaches

There is conflict between collective African and individual African interests. Individual countries or civil society groups could engage directly with the African Union (AU) but the AU is only as strong as its membership so what is needed is to engage with and, where necessary, change the stance of African governments. At SADC level not all members have exactly the same problems and interests but, in a hostile and difficult global environment, there is no country that will gain from going it alone. Within SADC each country’s national interests are affected by what happens in the neighbouring countries, e.g. the presence of 3 million Zimbabweans in South Africa is not good for the Zimbabweans, for South Africans, or for relations between the countries. Therefore, cooperation is the only way to resolve the inherited and emerging problems.

At the level of ongoing engagement, it was suggested that Southern African countries groom their own business people to go to China so that they are able to take over the trading role. There are also opportunities for opening up to Chinese companies to manufacture goods within the region. It is impossible not to acknowledge China’s importance in global terms and one can’t talk about Africa’s future without considering
China. Africa wants south-south cooperation but this must be positive. Global economic relations have been unequal in the past and it is important not to perpetuate this by simply changing the players but not the structure of the global economy. Africans look to the day when, through the mechanism of fair trade they no longer have a need for aid.

There is a lack of understanding about Chinese engagement in any of its forms among the citizens of Africa. Therefore, there is a need for further information and policy dialogue to curb the outbreaks of violent protest that have taken place. The information should be based upon a rigorous and incisive analysis of each element of cooperation with China and China itself should be rated on a ‘commitment to development index’ as it has become a major player in this. To strengthen this process, African CSOs need to have a role in the FOCAC.

CIVIL SOCIETY ENGAGEMENT WITH PAN AFRICAN INTERGOVERNMENTAL INSTITUTIONS

Jennifer Chiriga, the Executive Director of AFRODAD, made a presentation on this theme, noting by way of context that the policies developed by governments are most likely to succeed if they have social, political and economic dimensions, and involve all stakeholders – public sector, private sector and civil society. Civil society advocacy should itself be legitimised by connections with the grassroots, and there is a need for institutionalised mechanisms to link CSOs with the pan African institutions that exist to drive and direct Africa’s development agenda.

There is limited participation by CSOs in the process of the Pan African Parliament (PAP), due to the limited interaction between the parliamentarians and civil society and the inadequacy of PAP efforts to market the participation mechanisms that exist. Civil societies have limited capacity to participate effectively in policy dialogue and analysis and there is a lack of coordinated civil society effort to spearhead well informed and researched policy advice that could be fed into the parliamentary committees.

Nevertheless, some competitive advantage exists. Civil Society Organisations in the region have engaged in policy advocacy around:

- Human rights, democracy and governance, socioeconomic policies (especially regarding structural adjustment programmes), gender equality and debt and trade issues;
- Current development assistance frameworks, e.g. poverty reduction strategies and HIV, that require the participation of civil society in formulating national plans; and
- International campaigns on the international financial institutions with regard to debt, the WTO regarding trade, and the UN regarding the Millennium Development Goals (MDGs).

At national level, CSOs have advocated around HIV policies, electoral issues, poverty reduction strategies, the preparation and monitoring of national development plans, budgets and public expenditure tracking, environmental protection, gender rights, and the privatisation of essential services such as water and electricity.
Regional and International Issues

The New Partnership for Africa’s Development (NEPAD) has never really engaged civil society because it is unwilling to deal with a multitude of organisations with no common platform. At the moment, NEPAD is undergoing institutional changes which make it difficult to tell what their real focus is and how civil society could engage.

The AU has institutional opportunities for civil engagement and the AU-CSO pre-Summit forums are gaining importance as a space for CSO engagement on current issues. The PAP offers some space for dialogue with CSOs. Civil society can address the PAP through the committee, the regional caucus or the bureau (through the office of the Vice President). The Institute of Security Studies in Pretoria offers a good practice example through its engagement with the Committee on Peace and Security to which it has provided deeply analysed research input.

The constraints to CSO policy influence

The policy influence of CSOs is currently limited by:

- The absence of a critical mass of organisations with a united voice, which can result in ad hoc and unorganised work and conflicting messages;
- Domination of the space by international NGOs, without any meaningful capacity development for local counterparts;
- The opportunistic response to donor priorities instead of an adherence to internally driven agendas;
- A competitive funding environment which prevents the development of common approaches among CSOs;
- Poorly integrated expertise and weak networking, which lead to overlap instead of consolidation of efforts; and
- Uneven and unequal capacity and resourcing between organisations, which presents challenges for networking and coalition building.

Specifically, CSO analysis and positions have had little influence on the decision making process within the PAP of the complicated and poorly publicised participation procedures. Only a few organisations produce materials such as policy briefs and fact sheets that find their way to PAP officials for use in their deliberations and positioning. The lack of an institutionalised framework for CSOs to relate to the PAP undermines the principle of popular participation in issues of governance and development.

Current practice and provisions for PAP-CSO interaction

The objectives of the PAP, as articulated in its various founding documents, show a desire to interact with civil society but, until now, interaction between the PAP and CSOs has been a matter of pronouncements rather than practice. The PAP needs to be proactive in making information on its activities available to CSOs, possibly through a calendar of events, and it should invite CSOs to parliamentary and committee sessions.
Civil society organisations should:

- Actively seek information on committees and make submissions on prevailing debt and aid advocacy issues;
- Increase coordination among various groups for dialogue with the PAP (e.g. regional apex organisations); and
- Make use of independent spaces to interact with the PAP, i.e. create an interface support facility to connect, coordinate and drive civil society engagement with the PAP.

The opportunities for engagement include enhanced CSO understanding of the processes and programmes of the PAP, alongside an increased understanding by the PAP of the concerns, operation and mandates of civil society. There are also opportunities for effective and inclusive policy formulation and agenda setting based on mutual collaboration between the PAP and CSOs, based upon the promotion of CSO-institutional relations. Finally there are opportunities for greater policy influence by CSOs to lead to the formulation of improved government policies.

Intergovernmental institutions such as the PAP are ideally suited to influence and help to transform the democracy and governance landscape in Africa. Therefore, CSOs should engage with this institution in the following ways:

- Form strong coalitions and jointly claim their space and issues of concern through the parliamentary committees, i.e. to help African governments to understand the need for joint strategies, in particular in approaching international partners such as China from a united front;
- Provide analysis that will help governments to challenge unfavourable terms and conditions of development aid and channel it through intergovernmental institutions; and
- Pressure governments to impose their own conditions on countries providing development assistance.

PLENARY DISCUSSION OF THE PAN AFRICAN PARLIAMENT AND CIVIL SOCIETY ENGAGEMENT

The discussion was led by Andrew Kumbatira, Executive Director of the Malawi Economic Justice Network. Looking at specific issues from the presentation, he asked whether opportunities for civil society engagement should be built into national constitutions, e.g. by requiring that the Minister of Finance ‘shall’ consult with civil society in the formulation of the national budget. He also noted that, in instances in which civil society has been coordinated, e.g. in advocacy around the Poverty Reduction Strategy Paper (PRSP) process, it does achieve results. Civil society has a specific responsibility vis-à-vis parliaments and the issue of Africa-China engagement as it is within civil society that most of the expertise and understanding exists. Therefore, civil society must carry out analysis and provide its findings to parliaments across the region. Although some governments are receptive, the rights of civil society are not given, but must be claimed.
operations of the PAP are important to the continent but there is a missing link in that, unlike the other subregions, SADC as a region does not have a structure for feeding into the PAP. A SADC parliament needs to be in place before the PAP can move ahead. Furthermore, the challenges to this seem to be related to individual national systems so it is necessary to begin by looking at this level.

Although there appeared to be a consensus on the need to engage with the PAP but the participants were warned not to assume that this will be simple. At the last session of the PAP, civil society representatives had presented an environmental synthesis report which caused lot of consternation and was very difficult to manage because some countries felt they were being criticised directly.

PERSPECTIVES ON CHINESE LENDING IN SOUTHERN AFRICA

Presentations in this session were a parliamentary perspective from the Honourable Given Lubinda, an opposition member of the Zambian Parliament for the past eight years, a civil society perspective from Collins Magalasi, a Malawian researcher and activist, and a labour perspective, presented by Alberto Nhampossa of the Independent Trade Union of Mozambique, a trade unionist with well over thirty years’ experience.

Each of the presenters has considerable experience in their field but each also pointed out that, within their sector, they were presenting their own experiences and impressions.

...Perspectives from a Parliamentarian

The Honourable Given Lubinda prefaced his remarks with an acknowledgement that his party has generally been critical of Chinese investment and engagement in Zambia. He noted that civil society is ahead of Parliaments in interrogating the phenomenon of Chinese lending and development assistance in the region. There is no true ‘parliamentary perspective’ because this issue is not being debated in parliaments.

China’s engagement with Southern Africa dates back to pre-independence days and the Chinese relationship with the independence movements, comprising the provision of arms, military training and ideological support. After the attainment of independence, China’s engagement continued in the form of economic and technical cooperation, through which loans and some grants were provided to recently independent countries. The quid pro quo was the support of Southern African countries for China in global politics, such as at the UN, including a motion by Tanzania and Zambia for China’s admission to the UN Security Council during the 1960s. This coincided with China’s first major loan to these two countries for the construction of the TAZARA railway and it is the case that most of China’s loans were for such infrastructure development, and towards human capital development in the form of scholarships. China also provided FDI, principally in the establishment of joint parastatal ventures.

China’s more recent engagement with Southern Africa has grown most rapidly in the area of commodity trade, given that its rapidly growing economy is hungry for the commodities available in Africa, primarily oil, forest products and minerals. For example,
Honourable Lubinda highlighted the following challenges of China’s lending and ODA to Southern African countries:

- **SECRECY** Most ODA and loan agreements between Southern African countries and China are confidential. Thus public scrutiny is impossible and conspiracy theories abound in a context of governments that are seen to be secretive and conspiratorial anyway.

- **DONOR DRIVEN LOANS** Often the loans to Southern African countries are initiated by the Chinese, as has been the case in Zambia with the construction of stadiums under a ‘grant’ which later seemed to become a loan and which the Zambian people will now pay for.

- **LINKS TO EXTRACTION OF RAW MATERIALS** China’s aid is carefully targeted to complement its commercial interests and both ODA and loans are linked to the investment of Chinese companies in the extractive industries, through which the region’s resources are exported in raw form. There is no mechanism for retaining and maintaining the related infrastructure if the Chinese interest in the resources comes to an end.

- **CHINESE GOVERNMENT INFLUENCE ON SOUTHERN AFRICAN ECONOMIES** The bulk of FDI from China is government investment via its parastatals.

- **CHINESE INFLUENCE ON LOCAL TRADE REGIMES** As a result of growing FDI and ODA, China is rapidly acquiring influence on the trade and tax regimes of host countries. This has invoked rapid reversals in policy and legislation, as was the case with a ‘windfall tax’ in Zambia which was revoked after eight months under the perceived need to hang on to and increase FDI at any cost.

- **FRAGMENTATION OF ODA** China is not among the bilateral partners cooperating in Zambia’s Harmonisation in Practice programme and stays aside from such programmes in all host countries.

- **PROJECT BASED SUPPORT** China does not offer the sort of broader budget support that enables systems development and capacity building.

- **IMPORTATION OF CHINESE CONDITIONS OF SERVICE** Chinese investors offer poor conditions of service, a lack of adherence to safety regulations and labour laws and a disregard of environmental considerations.

- **CREATION OF EMPLOYMENT FOR CHINESE** This has led to an influx of Chinese to the region who do not offer skills or experience that could not be found among the (underemployed) local labour force.
In response to the challenges outlined, Honourable Lubinda made the following recommendations:

1. All loans and grants must be open to at least parliamentary scrutiny, and preferably, parliamentary approval;
2. Chinese ODA should be subjected to the requirements of the Paris Declaration and Accra Agenda for Action, and all internationally agreed standards for effectiveness, noting that China cannot at the same time present itself as a development partner and a developing nation to which concessions should be applied;
3. Southern African countries must deal with China as a regional grouping, rather than individually;
4. African countries need to develop and then adhere to national plans and implementation strategies;
5. Development assistance agreements and disbursement of ODA and loans must be published periodically;
6. Countries should enforce their local laws without bias in favour of China;
7. Demand fair global trade; and
8. Provide a platform for Africans to demand good, accountable and transparent governance.

There seems to be a fear among governments in the region that Chinese investors will leave Africa but there is a hunger for the resources that will make this impossible. Southern Africans are not beggars and a paradigm shift that recognises this is needed. To a large extent African negotiating skills have been weak because those who have been put forward have reduced their own position through their self serving, exterior motives, including sometimes holding shares in the Chinese companies.

Civil society ought to provide a platform for the citizens of Southern Africa and the continent to demand accountable governance. Without this it will continue to seem that China as giving assistance without the Southern African region giving anything. Thus in another two decades people will say that China was ‘built on Africa resources’ as they now say about Europe, and Africa will not have negotiated its way out of needing ODA.

...Perspectives of a civil society practitioner

Collins Magalasi noted in opening that, despite the many issues of concern at the time, the topic that generated the most heat at the 7th World Social Forum (WSF) in Nairobi was China’s relations with Africa.

China now accounts for 60 percent of oil exports from Sudan and 35 percent of those from Angola. Chinese firms mine copper in Zambia and Congo-Brazzaville, cobalt in the Congo, gold in South Africa and uranium in Zimbabwe. In terms of its own needs, China gets 57 percent of petroleum from Angola and 13 percent from the DRC; 26 percent of copper ore from South Africa and 22 percent from Tanzania; 91 percent of chromium
Chinese lending is generally loved by the leaders of Africa. China offers probably the cheapest loans, without obvious conditions. China is also prepared to finance large infrastructure and other projects that African countries need, but which are not supported by traditional financiers. However, most of the recipients of Chinese lending already have (or used to have before they were cancelled) large outstanding debts.

The problem is not the lending per se, but the lack of transparency in the loan processes. Loan contracts between China and African countries are not open to public scrutiny and this leaves an undue amount of power in the hands of a few African leaders. Loan contracts are often made at the highest political level, and because of the lack of transparency, the agreements are not available to Parliament, civil society or the media. This lack of transparency makes it difficult to assess how much debt is being contracted and on what terms. It also increases the risk that funds will not be used for the intended purposes and might turn into cases of illegitimate debt in the future.

Three major institutions facilitate Chinese lending to other countries but the one relevant to Southern Africa is the China EXIM Bank,¹ which is the official export credit agency, providing financing predominantly for overseas investment and construction projects to facilitate Chinese private investment. Where western lending is sometimes seen as meant to create consumptive demand (market), Chinese lending goes beyond this to facilitate investment by Chinese production interests.

The China EXIM Bank was founded in 1994 and is one of three institutional banks in China chartered to implement state policies in industry, foreign trade, diplomacy, economy and finance that seek to promote the export of Chinese products and services. Its main activities are export credit, international guarantees, loans for overseas construction and investment, and official lines of credit. The Bank’s portfolio has grown dramatically, with annual disbursements more than tripling in five years to $15 billion. It facilitates investment through public-private partnerships, joint ventures, and build-operate-transfer and build-own-transfer arrangements.

China is not a member of the Organisation for Economic Cooperation and Development (OECD) and operates outside the export credit rules agreed by other countries. By 2007, China EXIM Bank had loaned at least $7.5 billion to African governments, primarily for infrastructure projects and, by June 2009, it had granted more than twice as many new loans to Africa as had been pledged at the previous FOCAC summit. China is now committed to providing Africa with US$10 billion worth of low priced loans and commercial rate credits over the next three years.

Although the reports are often not reliable, the reported projects in the past two years alone include:

¹ This is different from the Export-Import Bank of China of Taipei (Taiwan) which primarily offers credit insurance for foreign investment originating in Taiwan.
New loans to Ghana valued at US$1.2 billion, including $600 million for the construction of the Bui dam;

- Total financing of $2.3 billion to Mozambique for the Mepanda Nkua dam and hydroelectric plant, plus another $300 million for the Moamba-Major dam;
- A loan of US$1.6 billion for a Chinese oil project in Nigeria, and $200 million in preferential buyers credit for Nigeria’s first communications satellite;
- A US$2 billion line of credit to Angola, with a pledge of another US$9 to 10 billion; and
- Reported loans and export credits for other projects in Congo-Brazzaville, Sudan and Zimbabwe.

By comparison, US EXIM supported transactions in all of sub-Saharan Africa totalled less than US$500 million.

The growth of Chinese export credit in Africa provides African governments with an alternative source of finance and helps to diversify trading partners for countries that have tended to remain stuck in old colonial patterns. Chinese lending does not come with the political, environmental or human rights conditions often attached to western agency funds, however the beneficiaries are required to support the ‘one China’ principle (thereby rejecting the legitimacy of Taiwan as a country) and to spend the funds on Chinese-made goods or on projects built by Chinese companies.

For governments such as those of like Sudan or Zimbabwe that have no other support, these credits can be a lifeline, while for countries such as Mozambique that are heavily dependent on foreign aid, Chinese loans can offer another source of capital and potentially be used as leverage against donor demands.

Chinese loans also target sectors in which western private or official capital is often scarce, e.g. in physical infrastructure, a sector with high demand that most donors have neglected in Africa in favour of education and health. Chinese firms, with official financial backing from banks like EXIM, have also entered markets generally shunned by the western private sector because of risk, lack of information, or concerns about corruption. However, Chinese firms often import their own labour, which limits the economic spillover effects, and due to the political muscle that China has on African leaders, many labour or environmental standards are subverted.

Chinese loans are increasing at a time when many highly indebted countries in Africa have had their existing debts written off by Western governments and donor agencies. This causes a negative reaction from the west. According to the President of the European Investment Bank (EIB), Philippe Maystadt (quoted in the Financial Times) Chinese banks “apply lower ethical and environmental standards” to their investments in Africa, and are effectively undermining good governance and undercutting competitors.

In November 2007, Maystadt suggested that the EIB lower its environmental and social standards on lending to Africa in order to better compete with the Chinese. As the IMF and World Bank shunned Angola and Chad citing transparency concerns, China stepped in with a loan for the same amount as was being negotiated with the IMF and the World Bank, without the transparency conditions. This helped in the consolidation of Angola-China ties and secured China’s access to the country’s oil reserves.
Chinese diplomats portray Beijing’s involvement on the continent as a classic ‘win-win’ relationship but African exports to Asia make up only 1.6 percent of Asia’s total imports, (although they are 27 percent of Africa’s total exports), while China and India’s purchases from Africa amount to only 13 percent of Africa’s total exports. Chinese demand for commodities such as iron, copper, gold, aluminium and oil has soared as the country’s economy booms. Meanwhile, Africa’s imports of Chinese manufactured goods, machines and textiles have also increased, as Chinese companies have sought new markets for their products around the world.

The World Bank and the China EXIM bank signed a Memorandum of Understanding in 2007 to collaborate on projects in Africa. The joint investments were to focus primarily on infrastructure lending, i.e. in the transportation and energy sectors, and their efforts were to be concentrated initially on ‘sustained growth’ performers such as Mozambique. The rapidly expanding economies like China, South Korea, Mexico and Turkey have received higher voting rights in the IMF, with China increasing from a 2.94 percent to a 3.65 percent voice in the Fund’s decision making processes to set economic policies, while the AfDB held its 2007 and 2008 annual meetings in Shanghai.

African civil society finds itself in a corner as the west, in reaction to the strength of China, has appropriated civil society’s terminology to describe the situation, for example:

- **CHINA IGNORES STANDARDS** China’s aid is propping up oppressive regimes, e.g. in Sudan and Zimbabwe.
- **DEBT SUSTAINABILITY** China is saddling poor countries with debts they will be unable to pay, fresh on the heels of a decade-long initiative by the old donors to write off (or in many cases to ‘reschedule’ or ‘rebundle’) billions of dollars of bad loans they made in the past.
- **ENVIRONMENTAL AND SOCIAL STANDARDS** China is winning contracts for large projects against well known companies from the old donor countries by ignoring internationally recognised environmental and labour standards but it must be noted that the EIB previously financed mining projects in Zambia that led to serious environmental and social consequences for local communities, without delivering many tangible benefits.
- **TRANSPARENCY AND GOVERNANCE** There is tolerance of human rights violations and lack of transparency around social and environmental safeguards, e.g. in the case of the controversial Merowe Dam in northern Sudan.
- **COMPETITIVENESS** The use of EXIM and the other official agencies effectively to subsidise China’s firms has an undoubted impact upon competitors.

While the non-interference policy might have a positive effect by opening up policy space, it also has negative consequences. China seems to be less concerned with human rights standards and environmental safeguards than other creditors. China’s presence in states that oppress the population is also very controversial, and China has been criticised for playing the role of a bystander in contexts in which the international community has urged China to use its leverage to influence oppressive regimes to improve their conduct.
Chinese investment will affect governance and the environment on the continent adversely, and may lead to African governments, once again, building up unsustainable levels of new debt. Western donors now have a competitor. The offer of no conditions on loans provides the ‘policy space’ much campaigned for by civil society but China’s support to unaccountable and oppressive leader’s defeats the essence of having policy space. Parliaments are the next hope because constitutionally they hold the executive to account.

Civil society needs to become stronger, in order to monitor, expose and highlight the issues of Chinese lending and to do so it must strengthen its ties and technical relationship with parliaments. China is offering much needed resources and is doing so with the least conditions. But with or without China, the domestic transparency and accountability of leaders to the people who loaned them the power is paramount.

Civil society needs to:

- Get the information right, i.e. details of loans, conditions, implementation practice, etc;
- Build its own capacity to engage decision makers, particularly Parliament, proactively in loan contraction processes;
- Monitor compliance to loan contraction processes; and
- Strengthen south-south and south-north relations to increase knowledge and influence.

...Perspectives from the labour sector

Alberto Nhampossa spoke from the point of view of one of the two trade union bodies in Mozambique, noting that his was also a civil society perspective. The existence of any analysis available. Over the past few years, the Chinese presence in the country has grown in a wide range of economic activities. This raises questions about how Mozambicans relate to the Chinese, as well as the operation and performance of the Chinese themselves and, from a labour perspective, the way in which they deal with workers in their host country.

As Chinese capitalists have entered the country they have generated new experiences in the relations between workers and employers in the industrial sector. The Chinese certainly bring something, particularly in terms of skills and methods. For example, in the construction sectors, they are observed to work more quickly and to be more serious in their approach than Mozambicans or other foreign workers. There have been no delays in the work carried out by Chinese companies with Chinese workers and this is positive. Mozambicans have traditionally worked an eight hour day but the Chinese workers work longer hours. The Chinese companies do not oblige Mozambicans to work longer but this naturally makes them less desirable than their Chinese counterparts. It is necessary to find a common approach and possibly reach a compromise on this matter.

The trade unions have identified issues with respect to the non disclosure of the nature of contracts and modalities of engagement in any sector. Conflict has arisen around the entry of Chinese labourers to occupations that could be done by Mozambican nationals, in a context in which labour unions are fighting to gain jobs for Mozambicans. In the
Chinese companies are rapidly gaining precedence over Mozambican companies and they are largely employing Chinese workers, with attendant loss of Mozambican jobs.

Beyond this, there is also a notable presence of Chinese in the commercial sector. As such, they influence the local market. Although the quality of some of the goods is not high, the price is very competitive. Most of the Mozambican population lives on low incomes so the Chinese products have become products for everyone.

During 2009 there was an opportunity to exchange experiences of Chinese presence in the different provinces of Mozambique. Serious concerns emerged from this process over the destruction of forest in some provinces and this led participants in the process to wonder what the arrangements or contracts were between the Chinese firms and the Government of Mozambique. They noted that if forest products, especially timber, are to be exploited, it is necessary to at least replant at same rate.

Some Mozambicans claim that they have problems in communicating with the Chinese living in the country and there have been conflicts arising from the different social and cultural habits that each has. The business and work relationship between Chinese and Mozambicans has not been accompanied by other forms of interaction and essentially the two communities remain separate.

In some sectors the Mozambican government has particular problems controlling and monitoring Chinese activities. This is the case, for example, in the coastal fisheries sector, while unofficial information suggests that the government should have far greater control with respect to the quantity and quality of fish caught and marketed.

The speaker felt that Chinese engagement with Mozambique is welcome but that there needs to be far greater investigation by trade unions and civil society to establish what activities are taking place, what compensatory mechanisms are in place, e.g. for replanting of forests, and what is available in terms of employment for Mozambicans. The situation remains unclear. The Independent Trade Union of Mozambique carried out a survey but it is necessary to follow up and deepen this, e.g. by sharing experiences of the cultural differences between Chinese and Mozambicans.

PLENARY DISCUSSION OF THE PERSPECTIVES ON CHINESE LENDING

Transparency

A number of speakers from the floor reiterated concerns about the secretiveness of Chinese arrangements and operations in the region. The parliaments of Southern African countries do not seem to know what is going on, while civil society groups have no opportunity to influence the situation and, in some countries, they are labelled as ‘unpatriotic’ for even trying to initiate a discussion of the issue. Although on the face of it Chinese loans represent a justifiable business decision because they are cheap, there is anecdotal evidence of various hidden charges such as ‘signing fees’ and some estimates of 10 percent of the value of the loans being lost during the negotiation
These are difficult to prove either way because of the lack of transparency. This inevitably gives rise to the belief that regional governments and their Chinese partners are hiding something.

China could have used its leverage in the current global situation to create accountability but it has not done so. In fact, the 2009 Transparency International report states that Chinese companies are the most willing to pay bribes.

Collins Magalasi added that he had undertaken a study of the aid and trade regime for the governments of Malawi and Mozambique during which he had access to many of the figures and was able to carry out a cost-benefit-analysis. One finding was that the habit is to build the 'transaction' costs into the overall value of the loan so that the borrower is offered more than they have originally asked for. The loan packages vary and are mixed, e.g. there are commercial loans, grants bundled with commercial loans, and combinations of commercial and soft loans. If the borrower agrees to use Chinese companies and equipment they may be offered an interest free loan but in cases where a country is not considered credit worthy by other lenders and, therefore, has nowhere else to go, China imposes a commercial interest rate. It was noted that Chinese banks are backed by their government and their objective is to lend as much as possible.

The responses

Some failures on the part of the region’s leaders were identified. Firstly, it was felt that they have failed by not following the correct procedures for contracts, e.g. the person who signed contracts with the Chinese on behalf of the DRC was not even a government minister and this happens in a number of other countries as well. Secondly, both China and the west are competing for southern African markets but leaders and governments have failed to define the entry points. If this is not done, Southern African countries and their citizens will become victims of both forces. Thirdly, the leadership has made no attempt to explain to the populace what is going on or what the objectives are, while at the same time the people witness their own conditions of life deteriorating even as state protection is expended on Chinese citizens. It was pointed out that when there is a meeting to discuss China, all African leaders attend but they are much less likely to attend a state parties meeting on corruption.

Parliaments and civil society

It was acknowledged that protection of the rights of Southern Africans is not the responsibility of the Chinese who have specific objectives in respect of their own citizens. The responsibility falls on the governments and, given their low levels of will and capacity, the people of the region. Civil society has a vital role to play and must create platforms for engagement, e.g. with national parliaments (to buttress their currently weak engagement with the process) and with the Pan African Parliament. Over the years civil society has engaged with intergovernmental institutions to demand fair trade and good governance but the level of impact was questioned. It is necessary now to look at how to add value to the processes that already exist in region, e.g. the space officially opened for civil society by the SADC Heads of States Summit and the Pan African Parliament. A representative of SAPSN urged the participants to take part in the
Civil society has a particular role to play in strengthening the capacity and political will of parliaments, which are being excluded in this and many other areas such as foreign policy, given that it has access to more information than the parliaments do. It was asked, for example, whether the Parliament of Zimbabwe has the capacity to do the necessary research or whether the country’s Government of National Unity is likely to allocate the funds to build the capacity to do this.

**Issues of quality**

Those who have travelled to China are aware that its companies produce the same product in three different standards – the high end for the wealthy international market; an average quality for the domestic market; and the lowest quality for the poorest markets (currently primarily in Africa). African governments have taken the position that the poor in their countries must not be deprived of the (often basic) products available from China but, at the same time, they have undermined their own industries, notably in the textiles sector with long term disadvantages for African economies and African consumers.

**COUNTRY EXPERIENCES OF ENGAGEMENT WITH CHINA**

Humberto Zaqueu of the Mozambique Debt Group and Chilufya Chileshe of the Jesuit Centre for Theological Reflection in Zambia presented their respective country experiences.

**Mozambique Country Experience**

Humberto Zaqueu outlined Mozambique’s history of collaboration with China, which began before the 1980s, i.e. well before Mozambique was liberated. China effectively supported the Mozambique liberation movement through support to FRELIMO in the form of military equipment and training which assisted FRELIMO to remove the Portuguese colonial government. China was still present at the time of Mozambique’s independence and two days later, became the first country to open an embassy in independent Mozambique.

It is true (as mentioned by earlier presenters) that China is a developing country that has built itself up from nothing. Mozambique’s experience is similar and at the time of its independence it was better developed than China, although China’s rapid growth since that time has caused divergence in the opposite direction.

During the 1980s the relationship between China and Mozambique transformed into one based on economics, largely in the form of services and donations from China, with the relationship being maintained in support of the maintenance of political systems. Thus in this period the money flows changed, creating deficits on the Mozambican side as it was importing more than it exported, and eventually creating a Mozambican need for aid.
By 2003 Mozambique’s debt to China stood at US$40 million, which was then cancelled by the Chinese President. In 2006 China granted zero tariff terms on 400 categories of Mozambican products into the Chinese market. However, China continues to dominate the financial flows, even given the essentially free access of Mozambican goods to Chinese markets, and large new debts have been incurred. A 2007 study found that the Mozambique government had requested US$3 billion from China alone in that year, when the total outstanding debt at the time of Mozambique’s greatest crisis had been US$6 billion. The loans were requested for projects in rehabilitation and building of infrastructure, e.g. current work on the Maputo International Airport. These loans represent debts that will have to be paid back at some stage and as such, they create the risk of a new debt crisis and a threat to the country’s sovereignty.

The rationale of the Mozambican and other governments’ continued interest in relations with China was questioned. The Government of Mozambique seems to be very optimistic about this relationship, seeing the main advantages as low costs and less restrictive conditions to the Chinese loans. It is true that borrowing from China does have low transaction costs compared to borrowing from the country’s other leading partners – Portugal and South Africa. The Government also says that it cannot afford to lose the opportunity to engage the Chinese in a project for six months that would take a local company or one from another partner nation two years to complete. It is acknowledged that Mozambique has little capacity to transfer its resources into the global market and the Government sees China as assisting with this. The Government also expects to gain in terms of technology transfer but this is not evident on the ground at the moment. The other side of these government claims is that the leadership is being maintained in power through money coming from China, including as direct support for the ruling party.

Mozambique is a country with a high rate of poverty, including ‘extreme poverty’, and salaries are often not high enough to buy food for a family. In such a situation, consumers have tended to welcome cheap Chinese products of substandard quality. This reaction is not a Chinese problem but a Mozambican and Southern African problem. However, the Government backs this by saying that if these imports are cut, Mozambicans will suffer, rather than taking responsibility for the bigger picture and avoiding a situation in which the local economy suffers long lasting damage from the cheap imports.

Some of the challenges are that:

- The procurement mechanisms are unclear and non transparent, and local construction companies in particular are being left behind, a situation that is quite likely to worsen in the coming years;
- Mozambique has weak monitoring and control mechanisms over natural resources such as timber and prawns, and even where resources could be replaced (e.g. through replanting of trees), this is not taking place;
- The central bank appears to have no record of Chinese accounts and no control of flows in and out; and
Chinese entities have purchased large areas of land in Mozambique, raising questions about China’s commitment to development vis-à-vis its imperial tendencies.

Chinese interests have been welcomed into Mozambique and they have been helpful, e.g. in construction, but it is necessary to make a balanced assessment. There is a lack of vision on the part of Government, underscored by a lack of will to protect the Mozambican people, as well as the likelihood that some individuals are benefiting directly from the Chinese presence. People do not have access to information, which appears simply not to exist with regard to agreements with the Chinese (noting that ministries are generally prepared to make public information available to the public).

To avoid Mozambique becoming a poverty stricken desert in the next few years, it is essential that control and monitoring mechanisms — fiscal, environmental etc. — be operationalised and that issues such as export credits, as well as the many other issues that have an impact on the lives of the people, become matters of national debate. This would be strengthened if the regulating principles for Southern Africa-China engagement were dealt with on regional platforms.

Zambia Country Experience

Chilufya Chileshe began by pointing out that, as is the case in other countries in the region, there is no detail publicly available on Zambia’s relations with China. China is engaged in Zambia in the agriculture, mining, manufacturing, transport and health sectors and has recently been strongest in the mining sector for which it has acquired huge areas of land for special economic zones. In theory, this is supposed to create thousands of jobs but questions must be raised about what kind of jobs. In fact, Zambia’s experience has been that such zones offer nothing to the host country in the short term and there is a grave risk that the investors will simply pull out at some later stage if the resources dry up or the enterprises cease to be profitable for any other reason. There has been little evidence of technology transfer and Chinese companies tend to employ local labour in only the most junior positions. In the agriculture sector, although there is some Chinese involvement in food production, the emphasis has been on growing jatropha as a biofuel, thereby displacing food crops. The Chinese gain many benefits from the multi-facility special economic zones, including tax exemptions on almost everything but these zones facilitate capital flight and the exploitation of labour. It is clear that China wants to be in Africa and needs its resources, therefore, it is not necessary to offer these concessions.

Zambia’s Vision 2030 is very ambitious (aiming higher than the MDG targets) but the expectation is that it will be financed by foreign aid, including aid from China. Foreign aid is supposed to be coordinated through the Ministry of Finance but, in reality, it is fragmented. For example an aid deal with the Chinese for the provision of mobile hospitals (initiated by the Chinese) created conflict with traditional donors to the health sector who then pulled out. In another example, China provided 145 hearses to Zambia but the country does not have sufficient ambulances. There are reports that there were many ongoing project contracts put in place by the late, President Mwanawasa, and it was observed that the bulk of these are with Chinese companies.
In 2007, China cancelled Zambia’s bilateral debt but this was quickly followed up by US$96 million in new loans from China, then another US$50 million shortly thereafter. There are claims that China will reschedule and eventually cancel these loans but it is not safe to rely on this, given that even in the 2007 cancellation, China excluded one debt for the construction of a textile plant which remains up to this day.

The influx of Chinese business people and individuals has been viewed with suspicion and this may be justified on the grounds of instances of Chinese producers competing with small scale local producers, e.g. in the provision of desks for local schools and removal of scrap from mines. There has been a marked influence on Zambia’s political economy and the previous two elections revolved primarily around competing positions on engagement with China, with the ruling party wanting their presence while the opposition would like them out of the country.

As with other countries in the region, Zambia has weak regulatory and monitoring systems but the Zambian authorities have been forced to wake up to some extent, leading to some Chinese businesses being closed down. There is an increasing effort, driven by pressure from the people, towards the establishment of some standards although the mechanisms are not working well yet.

Challenges have been encountered around:

- Poor coordination of ODA, which should be done by the Zambian Development Agency within the Ministry of Finance, but other ministries – trade, health, etc. – have their own relations with funding partners;
- China as a donor doesn’t coordinate with other donors and is treated by the Government as though their funding is somehow special and different to the funds provided by other donors;
- Weak governmental monitoring and regulatory systems;
- The secrecy that surrounds dealings with the Chinese; and
- The harsh labour conditions in Chinese enterprises.

The finding in Zambia is that the private sector favours strong engagement with China, but with clear rules of engagement that have been difficult to establish in light of the challenges discussed. The Chinese do not engage in direct budget support and this has led to some other donors, who have been providing this type of support, also wanting to withdraw. What is important is that the country’s laws are applied evenly and Zambia needs to be more assertive in terms of what its own capacities and rights are, and to enforce these.

**PLENARY DISCUSSION OF THE COUNTRY EXPERIENCES**

**Empowering Southern African partners**

The participants identified a serious deficit of information regarding Chinese engagement in the region and highlighted their need as civil society representatives to
There was general agreement that while development aid has the potential to bring some benefits, it has also had adverse effects on the economies of the region. In the current situation there is insufficient understanding of the processes and terms of loans or how the borrowing countries will repay them. In terms of trade, there is fear within the region among business people and a great need to transform Southern Africa’s largely informalised economies into national level formal sectors that can compete with Chinese enterprise.

**Western models and standards**

It was noted that the whole issue of privatisation was foisted on Africa by the international financial institutions and this has weakened the economic position of African governments and (perhaps inadvertently) facilitated the entry of Chinese players who are taking advantage of the opportunity and vastly increasing the negative impacts of the privatisation process.

It is necessary for African governments to develop their own terms and positions for Chinese engagement which may be different to and stricter than western dictated standards. While China doesn’t belong to the international bodies that regulate lending and grant making – the OECD, Paris Club, etc. – Africans have been sceptical about these bodies anyway and need to be more demanding in the terms they set. This should include ensuring that Chinese investors comply with the standards already set at national level under joint assistance strategies. A note was made that, once formulated, regulations must also be applied to local operators as well, given that in a number of cases, e.g the exportation of timber products from Tanzania, it is nationals who are overseeing the exports.

It was considered dangerous to pick up allegations from the west that China is propping up African governments, when the west itself has been quite prepared to use its aid to overthrow African (and other) governments. It is not acceptable for either the west or China to intervene in Africa in this way using the tool of ODA; if African governments are to be changed, they must be changed by African people.

**THE WAY FORWARD**

The results of small group discussions on different aspects of the way forward are recorded below.

**Collaborative Regional Civil Society Efforts**

**Short term**

It is necessary to put the issue of China-Southern Africa engagement before the civil society network, to open the way for the longer term strategies outlined below.
It is necessary to ask for China-Southern Africa engagement to be added to the agenda of the SADC Heads of State meetings, and for a civil society process to run parallel to the FOCAC.

Civil society must demand:

- Transparency, openness and inclusiveness;
- Adherence to the regulatory frameworks of African governments;
- That African countries work as a bloc through subregional and pan African approaches; and
- Formulation of a SADC-China strategy.

It was noted that there are people’s organisations in China (linked to the ruling party) that are part of the decision making process and, to work with these organisations would be to influence Chinese policy from where it starts.

**Actions for African Parliaments and Governments**

An action plan was presented for the coming three years which involved:

1. Parliamentarians collaborating with civil society with regard to China-Africa cooperation;
2. Demanding accountability from the executive through government portfolio committees;
3. Parliamentarians consulting effectively with civil society, to take advice from and inform them on loan contraction and debt management issues;
4. Members of Parliament consulting their constituencies;
5. Through Parliaments, strengthening laws between government departments and ministries;
6. Strengthening the standards for monitoring and enforcement, including incentives for local production;
7. Presenting a common position as Africa on the issue of tied aid; and
8. Regional coordination.

**Specific Areas for Research, Documentation and Information Sharing**

The areas and approaches identified for research support were as follows:

1. Instead of prioritising FDIs, African governments should mobilise all possible development resources within the continent for greater self reliance;
2. Research is needed around the debt relief provided by China in order to identify the similarities and differences with that provided by the World Bank and IMF;
3. Civil society organisations should ensure that Chinese engagement in Africa does not contribute to another debt trap;
4. While accepting that there is much to learn from the Chinese model, African governments must develop state led strategies that reflect the African condition...
A paradigm shift to more bottom-up and consultative approaches is needed. There is a need for diverse channels of cooperation, including through the existing networks and platforms that civil society engages in; and more research is needed on issues of good governance, transparency and accountability.

CONCLUSION

It was stated that the people and civil society of the region need more information on the outcomes of the China-Africa Summit held in Egypt, i.e. beyond what was reported in media. This should cease to be a grey area and citizens should be able to make up their own minds about all issues of China-Africa engagement.
# Chinese Development Assistance in Southern Africa

**Regional stakeholder workshop**  
30 November, Maputo, Mozambique

## PROGRAMME

<table>
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<tr>
<th>Time</th>
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<td>08h30</td>
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| 09h00  | Welcome and background  
Jennifer Chiriga, Executive Director, AFRODAD                          |
| 09h15 – 10h00 | Perspectives for African Engagement with China  
Dot Keet, Researcher                                                  |
| 10h00 – 10h30 | Development Aid and Investment in Africa: Highlights of China-Africa Summit  
Chris Mutsvangwa, Zimbabwe’s former Ambassador to China       |
| 10h30 – 11h15 | Plenary discussion                                                      |
| 11h15 – 11h30 | Tea                                                                     |
| 11h30 – 12h00 | Chinese lending in Southern Africa: A parliamentary perspective  
Hon Given Lubinda, Member of Parliament, Zambia                     |
| 12h00 – 12h30 | Chinese lending in Southern Africa: a civil society perspective  
Collins Magalasi, Researcher/Activist, Malawi                       |
| 12h30 – 1300 | Plenary discussion                                                      |
| 13h00 – 14h00 | Lunch                                                                   |
| 14h00 – 14h30 | Chinese lending in Southern Africa: A Labour perspective  
Alberto Nhampoosa, Independent Trade Union of Mozambique            |
| 14h30 – 15h00 | Civil society advocacy on debt and aid: prospects for engagement with Pan African Inter Governmental Institutions  
Jennifer Chiriga, Executive Director, AFRODAD                      |
15h15 – 15h30  Zambia Country Experiences
Chilufya Chileshe, Jesuits Centre for Theological Reflections

Discussant
Andrew Kumbatira, Executive Director, Malawi Economic Justice Network

15h30 – 16h30  Plenary discussion

16h30 – 16h45  Tea

16h45 – 17h30  Way forward and closure
Dakarayi Matanga, Secretary General, SAPSN

17h30 – 17h45  Vote of Thanks
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