

The Impact of China-Africa Aid Relations: The Case of Angola



Benguela, Complexo da Sr. da Graça being constructed through chinese assistance

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Problem Statement

Bilateral relations between China and African countries have intensified exponentially of late. Their cooperation has fuelled much contention over the potential ramifications of China's emerging economy for its African partners. While the respective parties insist their engagement is founded on a win-win model of mutual benefit, critics warn that the trend emulates a potential re-colonisation of Africa for its mineral resources.

Angola increasingly finds itself at the centre of debate surrounding Chinese activity on the African continent. Although Angola is the continent's second largest oil exporting country, poverty remains rampant. Its economic growth is dependent on oil exports, which have in turn made it China's largest African trade partner and the second largest source of China's oil imports after Saudi Arabia. Adjacent to this is China's emerging role as a development partner in the reconstruction and development of post-conflict Angola.

The primary purpose of this research project is to undertake a comprehensive analysis of the key features and patterns of the past, current and future evolution of the economic relations between China and African countries. The study allows a more comprehensive understanding of the impact of China-Angola aid relations, the associated opportunities and challenges for Angola's development prospects, as well as articulates the overall and sector-specific policy measures that Angola may wish to undertake in order to advance its national interests in light of the impact experienced and the challenges faced.

The objectives of this research include:

- Identifying and analysing key features, patterns and developments in the main channels through which the impacts of the growth of China are transmitted in Angola;
- Providing a qualitative and quantitative evaluation of the nature, dimensions and magnitudes of the sector-specific and overall incidence of the impacts transmitted to

Angola over specified time periods;

- Identifying and analysing the sector-specific opportunities and challenges faced by Angola as a result of the impacts generated through the growth of the economic relationship with China;
- Articulating and analysing Angola's national and sector-specific policy responses and overall development strategies for maximising the benefits and confronting the challenges emanating from the economic relationship with China.

Method of Analysis

This study makes use of both quantitative and qualitative methods of analysis, employing theories of international political economy and social studies to assess the impact of China-Angola aid relations on Angola's political system and its socio-economy. The paper utilises a holistic body of data sources comprising personal interviews, primary sources, official documentation, policy documents, theoretical literature, as well as critiques and discussion papers from the media.

The author conducted field research in Luanda between March 2 – 13, 2009, during which she interviewed representatives from various entities including the Angolan ministries of Planning, of Agriculture and Rural Development, and of External Relations, the National Private Investment Agency, the National Institute for Scholarships, the Chinese Embassy, the Chinese Economic Counsel's Office, China Railway 20, and CITIC Construction. Field research was also performed in Beijing between April 22 – May 2, 2009 where the author met various

stakeholders, including the Africa Department of the Chinese Ministry of Foreign Affairs (MOFA), the Chinese Academy of International Trade and Economic Cooperation (CAITEC) in the Department of Aid Studies of the Ministry of Commerce (MOFCOM), and the China-Africa Development Fund.

Key Findings

China-Angola aid relations have experienced unprecedented growth since the end of the civil war. Both parties have been able to secure their national interests using very strategic and opportune mechanisms of diplomacy. China has emerged in the new millennium as an economic force to be reckoned with, now assuming the positions of the world's third largest economy. Its own experience has prompted a paradigm shift in development theory, which has penetrated its foreign policy towards other developing countries and particularly those in Africa. China's diplomatic efforts in FOCAC and bilaterally with African countries demonstrate a new feature of the country, one that is of a development partner.

Once only considered an aid recipient, this report has demonstrated that China is also a significant aid donor. Its definitions, principles and mechanisms pertaining to aid differ slightly from those of the more established donor community in the OECD. However, its intention is the same. Since China's economy and its socio-political fabric differ greatly from the DAC countries, perhaps it should be expected that the country's policy towards aid would as well. Hence, China may be redefining the parameters of aid. There is limited research available on China-Angola aid relations and even less that assesses the impact of the cooperation. The literature review revealed a gap in existing knowledge, which this paper has sought to fill.

The first contribution made by this study is an empirical analysis of the impact of China-Angola aid relations. The paper acknowledges that the overwhelming bulk of China's aid is directed towards infrastructure development, but the disciplinary focus of Chinese aid to Angola is far more diversified. This paper examined the other sectors of cooperation, with particular emphasis on how both

parties could address human resource development in order to build capacity and encourage technology transfer.

The second contribution is a quantitative estimation of the impact of China-Angola aid relations. There is a lot of approximate figures and 'guess-timations' in the media on Angola's accumulated debt to China and the size of its credit line. Some articles report exaggerated amounts, bundling the aid from the Chinese government with that from CIF. Others insubstantially report dichotomous figures between US\$ 4 – 10 billion. This paper has provided a narrative account of Chinese aid to Angola, as well as discussed the terms of the financial agreements.

The third contribution of the study is the critical observation of what China-Angola aid relations implies for the global financial system and in the international donor community. It seems that 'China Mode' has had an influence on other countries, who are now more inclined to extending self-serving credit lines instead of just signing fixed loan agreements.

The disciplinary focus of Chinese aid to Angola is varied. Infrastructure development is the main component, consisting of projects in energy and water, transport, social communication and other public works. Chinese companies have been contracted to build school facilities and medical centres. Cooperation includes the dispatching of Chinese medical doctors and the provision of scholarships for tertiary studies at universities in China. With the construction sector experiencing a major boost, it would be opportune for employment creation. However, the import of Chinese services also includes a major Chinese expatriate labour force. Concerns have been raised over the sustainability of this model and the impediment it causes on skills development and technology transfer.

The agricultural sector has been indentified as a prime target for future cooperation, especially since Angola plans to attain food

security by 2012. There are prospects for using China's experience of involving the subsistence farmers into the formal sector. Angola has been importing agricultural tools and machinery through the credit line, but the recent pledge of US\$ 1 billion for agricultural development offers much potential in the area of human resource development.

The credit lines made available to Angola by China (the PRC) and other actors (namely CIF) have certainly increased Angola's debt. However, as long as Angola is borrowing funds, the country's debt would increase accordingly irrespective of the source. While traditional donors perceived corruption as a deterrent to aid and loans, China has short-circuited the disbursement of funds and the credit line acts much like a current account. The funds do not go through Angola, but are actually channelled directly to the Chinese firms contracted on projects.

Policy Implications

The concept of aid/ODA is itself a product of constructivism from the OECD. Now that a significant new player has emerged into the donor community with its own preconceived ideas and mechanisms of disbursing funds, China is challenging the parameters of aid. The OECD players use aid to relieve poverty and promote development, but also to induce good governance. China seemingly imposes no conditionalities, which they believe undermines their efforts. This is especially contentious because up until now the effectiveness of aid has come under question, yet China's efforts appear to be popular and successful.

The emergence of Angola Mode set a precedent, both in development



The Kilamba Kiaxi social housing in Luanda is being built by the Chinese.

theory and in the international donor community. The exchange of resources for services is an ingenious model to fast-track infrastructural development in African countries. The mechanisms used to disburse the funds also lower the risk of financial mismanagement and the misappropriation of capital. As a post-conflict country, the motivation for aid to Angola is obvious. Socio-economic conditions are dire, institutions are broken, the rule of law is frail and the political system has long been riddled with corruption. Nevertheless, Angola has made remarkable strides in the last seven years. In addition to the contributions of the traditional players, China's role as a development partner in Angola has really come to light.

The report presents policy recommendations that aim to ensure that China-Angola aid relations are not based on or determined by China's own resource-seeking agenda, but rather by partnership that is indeed mutually beneficial and also reflective of Angola's development agenda. The policy recommendations are as follows:

Stimulate the manufacturing industry

Angola needs a manufacturing sector that will promote value-add production, create professional employment and develop industries. Considering the paradigm shift on models of development, it not clear whether ODA can have any role to play in developing a country's manufacturing sector since investment has immemorally been considered the preferred strategy. However, China may have created a loop-hole in this regard with its CAD Fund. The Fund was intentionally set up to assist Chinese enterprises and entrepreneurs invest in Africa. Angola could use FDI in its industrial development zones to stimulate the manufacturing sector. Angola has seven designated industrial development zones across the country, which could be an opportunity to decentralising manufacturing activity. However, Angolans will still need capital investment to jump-start new ventures and feasible business plans that will produce self-sustaining and income-generating businesses.

Learning from China's agricultural practices

Since agriculture sustains the livelihoods of 85% of Angola's labour force, any disregard for these farmers or state-orchestrated substitution of subsistence farming for commercial farming will have a devastating effect on more than six million people. Angola could learn from China's experience in this sector. Chinese agriculture is built from some 200 million small farmers, who each cultivate on just about half a hectare of land. The effectiveness of Chinese agricultural aid programmes remains questionable. However, the onus actually rests with the Ministry of Agricultural and Rural Development (Ministério da Agricultura e Desenvolvimento Rural – MINADER) to strategically co-opt Chinese aid in a manner that will efficiently maximise and sustain agricultural productivity. Using the TVE model, subsistence farmers should be empowered with new skills and technology. All Chinese sponsored tools and programmes must be adapted to meet the requirements and satisfy the needs of each local community. Produce must be suitable for each region's climate, soil and market demand.

Aquaculture and the fishing industry

Upgrading a fleet of vessels of artisan fishermen does not necessarily increase Angola's fishing capacity. What is actually required is to empower the people with efficient fishing practices, to maximise productivity and safeguard the environment. A fraction of the aid could be invested in setting up SMMEs. After all, once production levels start to rise there would be market opportunities for the processing and packaging of the marine products. Such a shift would reduce the risks of artisan fishing, stimulate industrial activity and create skilled employment. Also, there are many water pockets around the country that



Chinese workers paint lines onto a crosswalk outside the November 11 stadium

would be ideal for fish breeding. With the right skills, technology, financial support and strategy, there is a lot of potential for aquaculture in Angola. This would create professional employment and steer the artisan fishing industry into the formal economy.

Fine-tuning the infrastructure development agreements

A contentious subject of discussion is that China's current model for infrastructure development in Angola provides minimal employment opportunities for locals and does very little to alleviate the country's skills shortage. The Angolan government recognises the importance of employment equity, skills development and technology transfer. However, it will only enforce them in policy according to the roles that it envisages each actor to play. Even so, unless there is some indemnity clause for all the work done up until now, Angola would not want a situation in the future where it would need to recall Chinese companies on maintenance contracts. It is therefore only sensible to refine the terms of infrastructure development projects, in order to foster employment equity, skills development and technology transfer.

Rigorous fiscalização (surveillance and inspection) of infrastructure projects

The 'fiscalização' (process of due diligence) that is carried out on construction contracts in Angola has a patchy track record. While some contractors attest to the stringency of the process, it has been described by others as a rubber-stamp process that pays

lip-service to its function of auditing and overseeing the successful execution of the project. The employment of independent engineering contractors to oversee the projects is of vital importance to ensuring the standard of the work carried out. Where independent contractors have been employed in the past in Angola, the results have been highly successful. This process should thus be encouraged on projects contracted to Chinese companies as well.

Sustaining healthcare and empowering Angola with medicinal expertise

The dispatching of Chinese medical doctors to Angola is a positive initiative that enables mutual learning amongst the medical practitioners. Patients, especially, would benefit more from the exchange programme if the Angolan government encouraged the Chinese medical team to learn Portuguese (medical terms and casual conversation). The donation of anti-malaria medication is valuable programme for Angola, but it is unsustainable. Malaria is a tropical disease and until there is a vaccine it will remain an enduring one in Angola. To go beyond the anti-malaria treatment centre in Luanda's Central Hospital, Angola should guide China's cooperation

towards empowering its professionals with medicinal expertise. Therefore, instead of continual donations, there could be domestic manufacturing of the drugs and antiseptics.

Equipping education and medical facilities with human resources

Angola's education and medical sectors are receiving a major boost in new and renovated facilities that are co-funded by the state and loans from the Chinese government. With the physical infrastructure in place, Angola is a few steps closer to achieving its Millennium Development Goals. Civilians have greater access to medical care and the public health system. Also, scholars have a conducive environment for their studies. However, the key to sustaining the medical and education facilities is to invest in a dedicated team of professionals and educators. Considering the skills shortage in Angola and China's linguistic limitations, Angola will need to recruit the services of qualified Portuguese-speaking expatriates and personnel. Furthermore, skills development is an ongoing process – e.g. outreach programmes, teacher training courses and degrees, and exchange programme.

Capitalising on Chinese sponsored scholarships

China's contribution in education also involves the financing of university scholarships. Angola must review the management of the Chinese government-sponsored scholarships. It should lobby for the fields of study to project its national strategic plan. Upon completion of their studies, the graduates should return to Angola and be channelled into strategic positions where their newly-acquired professional expertise could be used but also their proficiency in Mandarin Chinese.

Angola faces many political, economic and social challenges at a national level that it is addressing, but the aid efforts of its partners must be synchronised with its own agenda. China-Angola aid relations appear to be benefiting the country, as the output is tangible and extremely visible around the country. However, the long-standing impact of China-Angola aid relations will only truly reveal itself in the long-term once the projects are complete and the Chinese contractors have left the country. Therefore, it is imperative to place a stronger emphasis on human resource development.



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