ECONOMIC TRANSFORMATION AND POVERTY REDUCTION - HOW IT HAPPENED IN CHINA, HELPING IT HAPPEN IN AFRICA

The China-DAC Study Group

Since 2009, the China-DAC Study Group has organised a series of conferences to exchange experiences among participants from China, Africa and the donor community on four important topics related to promoting growth and reducing poverty. Summaries of these discussions have been released on OLIS with the following references: i) Development Partnerships–DCD(2011)1; ii) Agriculture, Food Security and Rural Development–DCD(2010)9; iii) Infrastructure–DCD(2011)3; and iv) The Enabling Environment for Enterprise Development–DCD(2011)2.

This report (which is only available to download in pdf format) summarises the main lessons distilled from these conferences. The essential findings, which were discussed at a policy symposium in Beijing on 8 June 2011, are:

i) China’s experience shows, again, that rapid economic and social development in poor countries can happen, in a context of globalisation, when strong development–oriented leadership emerges, focused on development performance rather than on entrenched policies and interests. In such a context, the articulation of a national project for economic transformation within a generation, motivates and activates people across the country in a new national consensus.

ii) As in the case of China’s economic transformation, international assistance can support and speed up Africa’s transformation and poverty reduction process, when conceived and designed in this transformation framework.

China-DAC Study Group information is available at: www.iprcc.org or www.oecd.org/dac/cds

Contact: Michael Laird - Tel: + 33 (0)1 45 24 90 33 - E-mail: michael.laird@oecd.org
China-DAC Study Group

Economic Transformation and Poverty Reduction

How it happened in China, helping it happen in Africa
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August 2011

The China-DAC Study Group
Overview

The experiences and lessons from China’s economic transformation and poverty reduction have been attracting much interest from both African countries and the international development community. To respond to this interest for the exchange of perspectives and experience, the China-DAC Study Group was jointly set up by the International Poverty Reduction Center in China (IPRCC) and OECD’s Development Assistance Committee (DAC). The Study Group is supported by leading Chinese development research institutions, several DAC members and observers and African experts and institutions.

Through a series of international conferences involving over 500 participants from China, Africa and the donor community, the China-DAC Study Group has, since 2009, focused this exchange and learning on four important topics related to promoting growth and reducing poverty: i) development partnerships; ii) agriculture, food security and rural development; iii) infrastructure; and iv) the enabling environment for enterprise development. Specifically, these events focussed on two themes:

- China’s experience of economic growth and poverty reduction, including the contribution of international assistance, and its relevance for other developing countries, particularly in Africa.
- China’s economic co-operation with Africa and the lessons that China and DAC Members can share with each other to increase the collective impact of foreign aid on reducing poverty in Africa.

This note summarises the main lessons learnt through this dialogue on each of these themes. The essential findings are:

- China’s experience shows, again, that rapid economic and social development in poor countries can happen, in a context of globalisation, when strong development-oriented leadership emerges, focused on development performance rather than on entrenched policies and interests. In such a context, the articulation of a national project for economic transformation within a generation, motivates and activates people across the country in a new national consensus.

- As in the case of China’s economic transformation, international assistance can support and speed up Africa’s transformation and poverty reduction process, when conceived and designed in this transformation framework.

1 For further information on the China-DAC Study Group and its activities, see: www.iprcc.org or www.oecd.org/dac/cds
Economic Transformation and Poverty Reduction

Economic transformation is the process in which a poor, rural-based country becomes a middle-income country with a rising share of industry and services in gross domestic product (GDP) and employment. Productivity and income per capita and job creation grow fast. In this process, agricultural productivity rises, while labour moves from farms to towns and cities, and there is a demographic transition as birth rates fall. The economy becomes involved in global supply chains in ways that generate continuous learning by doing and up-grading of enterprise-level capacities (i.e. dynamic capacity development). A supportive, developmental state provides vision, planning, budgeting, co-ordination and the means for participatory national engagement. Infrastructure investment and institutional development are dynamic elements of economic transformation.

What is so striking in the last sixty years is that the transformation process can change poor developing countries into prosperous countries in only a few decades, with a dramatic fall in poverty rates. China stands out as a notable and recent example.

China’s growth and poverty reduction process over the last thirty years

Agricultural reform and development initiated China’s growth path and provided the foundation for a wider urbanisation/export-oriented growth process. A village-based experiment with changing land tenure arrangements for families provided a critical new incentive for production, and when quickly replicated across China, generated a major increase in food supplies and incomes. Backed up by public investment in rural infrastructure, enterprise and technological improvements, the rural surpluses generated by small farms became the basis for a whole system of national economic development through the transfer of capital and labour to towns and cities from an increasingly diversified and productive agricultural sector.

An early experiment with a special economic zone (SEZ) in Shenzen opened the way for a supply chain-based model of industrial learning, which was also replicated in other SEZs and various other industrial clusters and networks. Progressive liberalisation of the domestic market with extensive privatisation, created a highly competitive enterprise-based economy with extensive regional and national transport linkages. The Chinese authorities actively sought international aid and investment as a supplement to national resources, not as a major on-going financing stream. They saw and managed foreign aid and investment as a means to acquire know-how and management skills to speed up the modernisation of Chinese agriculture, industry and infrastructure. China joined the WTO through a process that generated wide discussion and learning in China about engagement in the global economy. Bilateral and multilateral donors have provided considerable expertise, knowledge and training, bringing in world-class analytical methods for public management and economic development, including poverty reduction.

The state and provincial and city authorities have been active supporters of enterprise development through the provision of infrastructure, often on a cost-recovery basis, and the expansion of the science and technology base. The institutional infrastructures for higher education,
including management training, were developed at scale. **The enterprise sector has flourished in this context, with fast learning processes** from engagement in international supply chains and joint ventures with foreign investors as well as major programmes for Chinese graduate scholarships abroad and schemes to attract back Chinese expatriates and engage eminent international experts. **Close and forward-looking interaction between state authorities and enterprises has been an integral part of the growth model.**

**The private sector has been substantially developed and has become now the dominant source of employment (over 90%) and income (over 70% of GDP).** Although there are still a significant number of large state enterprises and the financial sector is dominated by state banks and other institutions, they are market oriented often with extensive external business linkages, including in Africa. (The Industrial and Commercial Bank of China - the ICBC - owns 20% of the Standard Bank in South Africa).

**The immense transformation process over the last 30 years has not been accomplished without serious economic, social and environmental costs:** structural economic imbalances, a rural-urban divide, land rights issues, internal migration stresses, natural resource degradation associated with intensive farming and social disparities across China, with a high degree of income inequality, including the persistence of extreme poverty which still affects over 170 million people. As described below, these challenges are now the focus of attention of the Chinese authorities.

**Dynamic capacity development**

China’s experience shows again, that rapid economic and social development in poor countries can happen, in a context of globalisation, **when strong development–oriented leadership emerges, focused on development performance rather than on entrenched policies and interests.** In such a context the articulation of a national project for economic transformation within a generation, motivates and activates people across the nation in a new national consensus.

Interacting with the rich sources of ideas and global knowledge available through flows of trade, investment, aid and people, such a project releases human energy and productivity, generating dynamic and diversified capacities, and creating a modern, enterprise economy that integrates the nation and links into regional and global economic dynamics.

**Transformation experiences are not uniform.** They are highly contextual and diverse. **But they all consist of a dynamic learning process,** starting from the initial conditions of each country and then progressively and pragmatically building on existing strengths. The on-going process of learning and dynamic capacity development soon begins to change the economic and life possibilities for millions of citizens, with multiplying centres of initiative and enterprise. The growing range of emerging economies today, including China, India and Brazil, each provide different variations of this basic underlying process.

The China-DAC Study Group found that economic transformation and its dramatic impact in reducing poverty became a recurring theme in each of its events. Dynamic capacity development was an explicit topic in the event on Enterprise Development. The implications of this approach are reflected in the lessons detailed below.
Economic transformation is possible in Africa
within a generation

A consensus is building, in both private and official appraisals, and in OECD as well as emerging market countries, that Africa will be the next big emerging region. It is well-placed to benefit from the new sources of demand, investment and technology in the multipolar global economy; poverty is declining on the whole; the HIV/AIDS challenge is now being kept in check in most countries; the trajectory of progress towards the Millennium Development Goals (MDGs) has been striking on some fronts, and there is still the possibility of reaching the targets by 2015 in many countries.

Governance trends have been positive, though not universally. Breaking out of recurring situations of fragility remains a frontier for those countries where the transition from a patrimonial state to a capable state is still work in progress. A national economic transformation project may in fact provide the way forward in such cases as a rallying point for a new national consensus.

Overall, this last decade has been the best for Africa since independence, and Africa is enjoying one of the highest economic growth rates in the world, projected to reach 5% in 2011, up from 4.7% in 2010 after a quick rebound from the global recession of 2009. Recent debt relief initiatives have markedly reduced debt burdens and improved creditworthiness.

Employment growth remains constrained by a still narrow export and production base. But with population in sub-Saharan Africa projected to rise to 963 million in 2015, up from 517 million in 1990, there is a promising market with dynamic human capital. A new middle class is rising. The potential for fast growth and structural transformation is thus enormous and in a world where ideas and organisation are the key drivers of growth, Africa could see very fast progress towards middle-income status and large-scale poverty reduction in the coming decades.

The transformation process in Africa could even be faster than elsewhere, given the possibilities for global economic structural change and technological leapfrogging. Affordable tablet devices for web connection coupled with the undersea fibre-optic cables now in place, small-scale solar technologies, and nanotechnologies for, inter alia, plant breeding; such technological advances are of huge relevance to the particular geography of the African continent and can transform development prospects on many fronts, economic, social and political. Another new 21st century phenomenon is the scope for interaction with the range of newly emerging countries, including China, India, Brazil and others, that are creating the new, multipolar world economy of today, further enriching the flow of ideas and knowledge from which African countries can draw.

Thinking in terms of a transformation paradigm itself changes the way in which a country sees itself, and is perceived.

The China-DAC Study Group, with strong involvement of African officials and experts, has been assessing how economic transformation in Africa can happen, against the background of the Chinese experience, and how collective aid efforts can help in the wider transformation process.
What makes rapid transformation processes possible? Development as a learning process.

The common features of the transformation process are deeply connected to the fundamental sources of economic growth – ideas, innovation and organisation. This is what is replicable with development-oriented leadership. And these sources of growth are becoming more powerful than ever as knowledge accumulates and disseminates faster than ever before in history, as China’s record shows.

A dynamic learning process takes hold in a country via interactions with new ideas, products and organisational models that are increasingly abundant in the multipolar, connected, global economy of the 21st century. Business models that are found to work locally, become widely replicated and then progressively improved, in an endogenous process of continual upgrading, across the economy - agriculture, industry, infrastructure and services.

The state shapes the overall economic policy framework and the human and institutional incentives and capacities to absorb and spread ideas and organisational processes. That generates an expanding, entrepreneurial enterprise sector, in the formal economy, able to participate in competitive local, regional and global value chains. The state plays an active role in supplying "hard" and "soft" infrastructure at each stage, generating large externalities which are essential to the growth process. Rising employment and incomes stimulate the local economy and create new jobs. Poverty rates begin to fall dramatically. Intensive feedback mechanisms between the state and the enterprise sector identify what is working and what needs corrective action. Performance, rather than established interests, becomes the reference point for policymaking. The state invests attention and resources in entrepreneurship and innovation, which are undersupplied in a poor economy. Economic and social change becomes transformational rather than incremental.

African institutions are paying much attention now to how to foster the developmental state in Africa. This was the central theme of the Annual Joint AU/UNECA Meeting of African Ministers of Finance, which produced a set of recommendations for fostering the developmental state in Africa. The latest joint Annual Report of the African Union and the UN Economic Commission for Africa provides a comprehensive prospectus for how developmental states could lead the economic transformation process in Africa. The African Centre for Economic Transformation, based in Accra, is conducting case studies of African countries using the transformation lens and will publish an annual African Transformation Report from 2012.

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The China-DAC Study Group
Key Elements of China’s Experience

The following are the fundamental elements in China’s success in massively reducing poverty and creating a middle-income country and will continue to underlie China’s on-going efforts to address the many remaining challenges that China has identified for its development, adjustment and social well-being.

The responsible development-oriented state

Making economic transformation the central guiding objective of government, as China did in the late 1970s, with its reform and opening up policies:

- Provides a basis for wide consensus and participation across society in a national project.
- Drives pragmatic, evidence-based policy making and close on-going review of performance.
- Makes performance in terms of growth and poverty reduction the test for policies and resource allocation.
- Strengthens learning and innovation.
- Exercises discipline on the efficiency and effectiveness of both government and enterprises.
- Puts a high priority on policymaking capacity and investment in research and extension capacities in universities and institutes and linking them to ministries and the decision and implementation processes.
- Encourages the emergence of a well-educated professional middle class and attracts talented people to return home to work for their countries.

Self-reliance and ownership

Self-reliance has been a fundamental principle of Chinese strategy. This principle is imbedded deeply in China’s strong ownership of its own development path while absorbing knowledge from a wide range of external actors, including investors and experts, and engaging with bilateral and multilateral policy processes:

- China has been developing its medium and long-term development strategies in relation to on-going changes in the national and global context and uses its Five-Year Plan instrument to implement those strategies with adjusted policy interventions.
- External support, such as foreign investment and aid, is incorporated within those strategies and policies, which makes this external support more effective.
- Policy development and technical capacities have always been central policy concerns, providing a basis for monitoring and accountability systems at both the central and local government levels.
Performance-based public management and decentralisation

Development-oriented leadership required a high quality public management corps for policy formation and implementation at central and local levels:

- Selection procedures for civil service and political office were reformed to require educational attainment, hands-on experience and proven individual performance.
- The central planning system was replaced by a market oriented planning system.
- Significant decentralisation generated bottom-up initiatives that were widely replicated.
- Development competition between cities and towns fostered increased growth and poverty reduction.
- Taxation system reform reinforced local revenues and budgets.

Policy research capacities and innovation systems

The transformation process is intensive in on-going policy testing and adaptation based on evidence. China has created an extensive set of institutional capacities in the hard and soft sciences to enable the analysis of performance, problems and solutions. The experiment-evaluate-scale up success principle is widely applied and rapidly implemented. This has demanded the expansion of higher education and the development of research institutions linked to policy decision making and implementation. World expertise has been sought and attracted through incentive schemes, international partnerships and often via aid programmes.

Feedback mechanisms for identifying and addressing challenges

China’s impressive transformation has also generated stresses and imbalances both internally and externally, as noted above. These major challenges are identified and addressed in the new five-year plan which includes policy actions aimed at:

- Focussing more on the quality of growth and improving the functioning of accountability systems.
- Tackling income and regional disparities, including rural/urban income and equity issues.
- Raising domestic consumption and reducing reliance on external demand.
- Repairing environmental damage, including farmland degradation, and managing urbanisation.
- Eliminating extreme poverty through targeted measures for the still large numbers of very poor people.
Responsible development-oriented government remains essential in a more diverse and complex economy and society:

- With the challenges of becoming a high-income country and an active part of the global governance system, China’s policy review and adjustment processes, informed by feedback mechanisms and global change, are more important than ever, both domestically and internationally.
Development Strategies and Development Co-operation in Africa

Economic performance and the state in Africa

Responsible development-oriented states with a national project for economic transformation are the key to Africa’s progress and the reduction of poverty.

This was the main message that African participants conveyed throughout the China-DAC Study Group’s four events.

Well-functioning states in Africa are also a common interest of Africa and its economic partners as more extensive economic linkages with Africa are created; and they are a common interest of the international community as a whole as it works on global public goods agendas, including peace and security, health, migration and climate change.

*Africa Grows Fast when Policy Syndromes are Avoided*

| African research on the growth record and prospects presented at the China-DAC Study Group’s events showed that in the period 1960-2000, four recurring problems had cost over 2% per annum in lost per capita income growth, accounting for almost all of Africa’s shortfall, relative to successful developing regions: i) counter-productive economic incentive structures; ii) “boom and bust” public finances; iii) elite and ethnically-based income and wealth capture, sometimes involving large-scale corruption by a few; and iv) state failure or breakdown. Where these problems had been avoided or overcome, African country growth rates were among the highest in the world. The research showed that constitutions providing for a constrained executive, particularly with term limits, would largely work in resolving these problems. |

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The basic ambition of the African Union, widely supported by the international community, including China and OECD/DAC members, is to ensure that African countries become responsible development-oriented states, enjoying peace and stability.

Economic governance and regional integration: The evolving framework for African development

The strategic importance of economic governance and regional integration was a major message from African participants in the China-DAC Study Group’s events.

Africa’s leaders have been creating the policies and structures for peace and stability and economic transformation across the continent. In the last decade, African countries have made very significant progress in improving economic policy, at both macroeconomic levels and at sectoral and
microeconomic levels. Progress has also been made in reducing civil and regional conflicts, but there are remaining challenges of elite and ethnic capture of resources, corruption and state breakdown.

For some decades following independence, most African countries relied on long-term external support for policy analysis and advice, whether from international organisations or professional consultants. And the small population size of many African countries means that the cost of creating their own policy analysis and research capacities is high.

Progressively, however, African institutions have created shared capacities for policy analysis and review, across a range of fields, including political development, regional integration, infrastructure, gender issues, agriculture, science and technology, and information and communications technologies.

The regional economic communities are working to enlarge and integrate the economic spaces in Africa. In conjunction with the African Union and other institutions and processes, they are developing plans and programmes to join up the vast continent, so that its human and natural wealth can be fully but sustainably turned into widespread prosperity for Africans.

Africa’s pathways ahead: Some key orientations

The prospects for economic transformation have never been better in Africa. The higher growth performance in the last decade in Africa reflects an underlying trend towards improved economic governance in Africa and the resolution of many, if not all, conflicts. The African Union and its structures and agreed policy frameworks on political and economic governance, supported by the UN Economic Commission for Africa (UNECA) and the African Development Bank (AfDB), have made a large contribution to this.

The new prospects also reflect the impact on natural resource demand of emerging economies. These prospects could speed up the resolution of remaining problems of fragility and conflict as the incentives to be part of the African growth story and regional infrastructure programmes become much stronger.

In the light of the discussions at the China-DAC Study Group’s events, some key orientations for African states and organisations and their development partners to share include:

- Make a green economic transformation within a generation to flourishing middle-income modern economies with low poverty rates, the key framework for thinking about Africa’s future.

- Support the emergence of responsible development-oriented states and address risks of state capture, conflict and breakdown, by ensuring, through transparency and national and international accountability systems, that income and natural wealth is harnessed for national projects of economic transformation.

- Exploit the opportunities at hand now for agricultural modernisation, both small and large scale, to generate a widespread growth dynamic with supply chains and economic linkages that integrates the national and regional economies and joins up with global markets. Small farmers, men and women, take on the character of entrepreneurs in this modern sector, generating incomes and helping to correct high malnutrition rates.
• Support the development of African regional knowledge platforms and centres of excellence as a means of speeding up the acquisition of technology in agriculture and in other areas.

• Think and work in terms of increasing the momentum on regional integration and the creation of regional and continental economic dynamics and infrastructure.

• Adopt the dynamic capacity development approach to enterprise development, starting with current strengths/advantages, with on-going adaptation and interaction between the state and enterprises to promote fast learning and capacity building in both the public and private sectors.

• Take trade, investment and aid as opportunities to speed up learning processes, acquire technologies and management models and skills that can be adapted to the African context.

• Support the emergence of a creative middle class through upward mobility and attracting expatriate talent to return home in the context of the national economic project for economic transformation, to provide the entrepreneurial skills and the well-educated human resources needed to manage a more complex, more organised economy that engages in regional and global markets.

Dynamics of development co-operation in Africa

The rapidly evolving multidimensional role of China in African development was widely welcomed at all of the China-DAC Study Group’s events as providing new scope and new diversity in Africa’s external economic relations.

China and OECD/DAC countries all have long traditions of providing aid and wider economic co-operation to Africa. Their enterprises, both state and private, play large roles in African development.

While OECD/DAC countries have accounted for the major share of trade, investment and aid flows with Africa, the current dynamics of Chinese trade and investment and aid are making it a key driver in African development.

The Chinese government’s “Going out” policy encourages Chinese enterprises to invest abroad, partly to help diversify China’s large reserves of foreign exchange. Many Chinese aid projects are being structured on an enterprise basis to generate sustainability. And China, along with OECD and other countries, is investing to expand oil and mineral resource supplies.

There is major scope for China to increase further the scale of its trade, investment and aid to Africa. This will depend on the effectiveness and the sustainability of the growth trajectories of its African partners. It will also involve working with the larger agendas for regional integration and on the successful functioning of the architecture for peace and stability in Africa.

China’s institutions for planning and delivering aid and other official financial resources have evolved significantly since the mid-1990s, with the creation of special financial institutions and the development of co-ordination systems among Ministries. The financial institutions are capable of putting together large packages of financial support for infrastructure.

The China-DAC Study Group was impressed at the readiness of the Chinese authorities to be involved in transformative investment and infrastructure packages. The readiness of China to be involved in inter-regional infrastructure was also welcomed and encouraged, building on China’s
engagement in the co-operation on African infrastructure. How Chinese financing terms might affect the competitive position of African investors and construction companies was a question raised for consideration. And providing more opportunities for local companies by relaxing its tied aid practices would be a significant contribution by China to helping African enterprise development.

There are questions on sustainability and transparency, which are important for the full ownership and accountability of the developing countries concerned. In order for African countries to be fully in the driver’s seat in their relations with development partners, it will be important for them to have more complete information about levels and conditions of assistance and on the effective terms of various commercial deals that partners are bringing to the table.

**DAC countries are rebuilding their development support for Africa in the fields of agriculture and infrastructure, after two decades of decline in these areas.** They are also focusing in the context of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, in partnership with African countries and other development partners, on supporting strong developing country ownership, country public management systems, results-focussed approaches and local accountability. Providing more predictability in aid flows and working in longer time frames remain challenges in this context.

**Africa’s external economic linkages are also being enriched by the activity of other emerging market economies.** A new set of comparative advantages and complementarities is emerging in Africa’s foreign economic relationships and it is important that African countries are able to shape these interactions in terms of their own development frameworks and determine their own development paths.

**Assisting African countries to have independent development capacities is a basic, shared objective of China and OECD/DAC countries.** Current developments in Chinese and DAC co-operation policies which promise to improve the coherence and quality of the support for African development include:

- The publication by China of two government White Papers.
- The agreement that the African Union will now be a full member of the FOCAC.
- A public statement by the DAC welcoming the increasing role of emerging countries as providers of development assistance.
- The preparations for the Busan High-Level Forum on Aid Effectiveness.

**Transparency and corporate social responsibilities**

Enterprises, African and foreign, will have a key role in shaping the future development path for African countries. Against this background, corporate social responsibilities and green growth challenges and opportunities are important areas for co-operation among all development partners. The China-DAC Study Group linked into relationships between Chinese and African employers, enterprises and experts in the area of labour standards and supply chain management. An African platform for discussing corporate social responsibility issues could play a role in this context.

**China, OECD and other countries whose enterprises are active in Africa have a major interest in contributing actively to the development of African economic governance arrangements in these areas.**
Lessons for Development Co-operation

What China can learn

China has devoted much high-level attention to African development over the decades, with regular visits by top leaders and, in the last decade, has created the FOCAC and associated processes for articulating and implementing its assistance to Africa. A new China-Africa Research Centre has been set up. China participates in UN peacekeeping missions in Africa. It has also created financial institutions and instruments for official development financing. The special advantages of Chinese aid in speed and cost, especially in infrastructure and construction, and its responsiveness to local requests are appreciated in Africa. In the last few months, China has published two significant White Papers:

- **On trade and economic co-operation with Africa** which expressed China’s desire to work with others to jointly promote peace, development and progress in Africa.
- **On foreign aid**, which provided an overview of China’s aid efforts and policies over the past decades and announced a new interministerial co-ordination system for managing its foreign aid and plans to increase aid quality and to work and learn with international development partners in this respect.

The China-DAC Study Group found that China could contribute further to African development by:

- Bringing more of its transformational thinking into its policy dialogue with Africa.
- Helping to show how the learning model of development can work to build the capacity for diversified participation in the global economy, including through learning from foreign aid and investment.
- Supporting African Union structures and policy frameworks and working more at the regional and subregional levels, including to develop interregional infrastructure and knowledge platforms.
- Helping African countries to learn from the ways China successfully managed aid and foreign investment, particularly through integration of aid project management into regular ministry structures.
- Being more transparent in its aid programming and the terms of its financing, and assisting African countries in the assessment of financial sustainability issues.
- Helping to implement African and international codes on corruption, resource revenues and corporate social responsibility.
- Strengthening knowledge about African conditions among aid staff working on and in Africa.
- Working on its aid quality agenda and introducing a systematic approach to its aid management systems, including planning, monitoring and evaluation systems.
What OECD/DAC members can learn

OECD/DAC members provide a wide range of support to African countries, including project, sector and budget support. They have been working with African countries in a variety of forums to improve aid effectiveness, and the DAC hosts the Paris Declaration follow-up process, which now has a developing country co-chair, and a Task Team on South-South Co-operation. There is now an explicit effort, focused on developing countries’ own concerns, to correct the excess costs and perverse incentives of an extensive aid system with multiple delivery channels and conditions and complex processes. Large declines in aid to agriculture and infrastructure in the 1990s, as aid levels fell and social development and governance assistance rose, are now being reversed as the growth, agriculture and aid-for-trade agendas receive new attention. Aid to Africa has grown significantly over recent years, though remaining some distance from the announced target of doubling aid by 2015. A number of other important OECD work areas are also generating co-operation with Africa, notably on taxation administration and international tax integrity, investment and public expenditure management. And the OECD helps support the African Partnership Forum which maintains a dialogue process associated with the G8. The DAC has recently issued a statement welcoming the special contribution of development experience and co-operation capacities from emerging countries and a new openness to their participation in DAC activities.

The China-DAC Study Group found that OECD/DAC members could contribute further to African development by:

- Framing their co-operation in terms of the economic transformation process, going beyond aid effectiveness to a wider development effectiveness concept applied to Africa.
- Doing more to help build science and technology capacities, higher education systems and knowledge platforms, with the potential for creating regional and continental networks kept in view, drawing on their experience in these fields with China and other emerging countries.
- Supporting African Union structures and policy frameworks.
- Helping to implement African and international codes on corruption, resource revenues and corporate social responsibility.
- Maintaining the recent momentum of support for agriculture and infrastructure development, working in relevant forums with emerging countries with special knowledge and expertise.
- Examining how aid reporting can better capture the technical co-operation activities of emerging countries in terms their impact, and not just their monetary cost.
- Reviewing how comparative advantage, cost structures and complementarities may be shifting among assistance providers as emerging partners build up their aid activities.
- Exploring how trade, investment and aid linkages and financing packages can mobilise additional actors and capital for economic transformation processes in Africa.
What African countries can learn

African participants in the China-DAC Study Group’s events were determined that their countries should define their own futures. They stressed that political and economic fragmentation made regional integration essential. And they looked to African leaders to take up the task of creating a responsible development-oriented state able to bring together ethnically complex societies and ensure peace and progress in their neighbourhoods. In fact, African institutions and policy analysis and review processes have been getting stronger over the last decade. Policy frameworks and economic management are clearly improving. Regional economic communities are complex and overlapping and regional economic linkages are growing only slowly, but there are new impulses. Agricultural development has become a high priority with an active, continental agenda. Communication technologies and business models have been found that work with great success in Africa. But competitive elites and ethnicities are still a major problem in a number of countries. The African Union has the difficult task of facilitating solutions to such problems. It has to be recalled, however, that many emerging economies of today began their success stories from situations of conflict and turmoil, which transformational leadership was able to resolve. There are clear examples of this in Africa which can serve as an inspiration for sustainable political settlements in the remaining troubled parts of the continent.

The China-DAC Study Group found that African countries could contribute further to development at home by:

- Fostering the emergence of a responsible, development-oriented state with a political consensus that reaches across competitive elites and ethnicities.
- Taking the economic transformation paradigm, working through dynamic capacity processes as the framework for development strategies, nationally and regionally. Bringing development partners to think in these terms also, and presenting strategies and operational programmes and projects in this context.
- Pushing ahead with the regional integration agenda and finding creative solutions to the development of inter-regional infrastructure.
- Reinforcing the priority for agricultural modernisation and its role in creating a broadly based growth dynamic, nationally and regionally.
- Leveraging the communications revolution in Africa to exploit its potential for leapfrogging in knowledge acquisition and enterprise creation and global economic linkages.
- Developing further the policy analysis and review capacities and processes now in place in Africa for pragmatic policy making and performance review. Ensuring that the civil service is performance oriented.
- Creating close interactions between the state and market enterprises in a forward-looking performance-based mode and promoting learning and technology acquisition capacities.
- Taking inspiration from successful emerging countries, including securing the maximum benefit from international assistance by strengthening ownership, capacity development and mutual learning.
Taking the Work of the China-DAC Study Group Forward

Achieving the United Nations Millennium Development Goals is a common objective for China and DAC members. There is also agreement that the international community should strengthen co-operation and jointly rise to the challenges facing development, including the new challenges of climate change, food security, energy security and epidemic diseases which have aggravated existing imbalances in the global economy and widened the gap between rich and poor people.

For its part, the China-DAC Study Group will take further its innovative role of forging a mutual learning relationship between China and DAC Members to promote growth and reduce poverty in developing countries. During 2011-12, the Study Group’s main modality will change from large-format thematic conferences to a limited number of action-oriented Roundtables. These could take the form of platforms for sharing existing knowledge and experience; focal points for joint studies and field work at the country or regional level; or joint assessments/evaluation workshops. The Roundtables will continue to be open processes bringing together national and international officials, experts, private sector and civil society participants on a flexible basis to generate mutual learning on topics of common interest. This can help inform policy making in a multipolar world where prosperity, sustainability and peace are both possible and necessary for many more people than ever before and essential for harmonious world development.

The work of the China-DAC Study Group can also facilitate policy dialogue between China and the DAC on international development co-operation.
Economic Transformation and Poverty Reduction

How it happened in China, helping it happen in Africa

For further information on the China-DAC Study Group and its activities, see: www.iprcc.org or www.oecd.org/doc/cdsq