New actors in Africa:

How is their entry affecting the continent's relations with the EU?

A policy dialogue organised by the South African Institute of International Affairs and The European Centre for Development Policy Management With the support of the Konrad Adenauer Foundation

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Report

Background

The South African Institute of International Affairs (SAIIA) and the European Centre for Development Policy Management (ECDPM), with the support of the Konrad Adenauer Foundation (KAS) organised a high level policy dialogue meeting to address how emerging powers – China, India and Brazil (CIB) - in Africa are affecting the continent's relations with Europe and other traditional players. Based on the proposed priority themes of the first dialogue in Brussels (see report at http://www.saiia.org.za/saiia-spotlight/emerging-players-in-africa-what-s-in-it-for-africa-europe-relations.html and www.ecdpm.org/ciba), the event was the second in a series of dialogues. The Johannesburg meeting brought together diverse stakeholders from government, academia, think tanks, private sector and civil society of various continents.

Key objectives of the meeting were:

- To facilitate, through dialogue, better understanding of different interpretations about the role of 'new actors' in Africa and how this is affecting the continent's relations with the EU;
- To create space for African voices' perspectives on the continent's relationship with the EU and CIB as well as related policy processes;
- To find agreement on appropriate platforms for dialogue and mutual learning among diverse stakeholders;
- To identify priority areas where traditional and new actors can jointly work more effectively to support African-owned development efforts.

Issues Discussed

The dialogue was divided into four thematic areas: African perspectives and strategies for development and the role of external players in this process; the role of triangular dialogue and cooperation; natural resource management; and regional integration and infrastructure.

1. African perspectives on strategies for development and the role for emerging and established powers

Participants examined the meaning of 'emerging powers', a contested term considering that none of the various definitions stand scientific enquiry. Emerging powers are not new in the strict sense. Perhaps it is their change in interest that makes them 'new'. For example India and China, both had political and military relations with Africa well before their recent economic expansion. Moreover, emerging powers are not monolithic entities: it is difficult to identify not only a common approach in their relations with African countries, but often also diverse approaches by different institutions within the same country.

Traditional and emerging powers see their roles differently in Africa. The European Union (EU) emphasises values such as democracy and good governance, human rights and freedoms; China in particular regards sovereignty and non-interference as the cornerstones of its engagement. These respective values also filter into the focus of aid provision, where the EU emphasises softer aspects (governance, human rights and social welfare policies) while China, India and Brazil (CIB) emphasise harder aspects (equipment and infrastructure).

Participants postulated on how long it would take before emerging powers start to promote softer issues such as governance. It was agreed that focusing on one aspect of development alone is inadequate, given the need to approach the numerous challenges in Africa's development needs holistically.

In spite of recent difficulties in the relationship between African countries and the EU (e.g. EPA negotiations), participants were unanimous that the role of traditional partners in Africa is not redundant. They hold unrivalled strengths in areas such as governance promotion, support to civil society, health and education and other social services, which were important for African countries' developmental trajectories.

Moreover, given that emerging powers have no clear frameworks for engagement, Africa's relationship experience with established partners bears useful best practise lessons in: legal frameworks; government level transparency; inclusiveness; drive for local ownership.

Africa's huge developmental backlogs are bigger than any one African institution or external player can tackle. For example, Africa requires US$93 billion per annum to meet its infrastructure needs. This target remains unrealised with an annual short fall of US$43 billion. To meet the deficit, a larger pool of actors would be required including the BRICS, traditional partners, the Gulf States, South Korea and Turkey. This larger pool allows Africa to leverage a greater comparative advantage. To this end, the Development Bank of Southern Africa (DBSA) is currently undertaking some 20 international projects on behalf of regional and continental partners, with the help of entities such as the Export-Import Bank of South

Korea and the BRICS' interbank financing mechanism.

Indeed, it was pointed out that a false dichotomy is sometimes created by juxtaposing old and new powers. For instance, on trade relations, Africa's international trade needs to grow, not simply shift from one partner to another.

Some participants noted that in the global context, with a new multipolar world emerging from the financial crisis, Africa has yet to find its place. The challenge is to fast-track Africa's integration, but a coordinated and coherent African engagement policy vis-à-vis the 'emerging players' is yet to be developed, including in the context of new important groupings such as the BRICS and G20. Without such a drive, the concern is that the new wave of interest and partnership approaches could lead to just a new scramble for Africa by external actors.

Participants thus emphasised the value of coordination. They observed that Rwanda has become efficient in directing various external actors to become involved in specific sectors to avoid overlap. They agreed Africa's development objectives can only materialise with multiple partners for key mutual benefits because there were different types of resources for financing development – from bilateral to multilateral, from tied to untied. Skills transfer, empowerment of local communities and enhanced information sharing among both donors and recipient countries were important. However, this requires all players (including the private sector) to get involved, and African actors to take ownership to realise any desired benefits. Fragmentation of the African business community was a challenge in this context, however.

Africa's interest in international partnerships is not limited to aid but also in productive sectors such as extractive industries, infrastructure development, tourism and agribusiness sectors. The related trade and investment flows are possibly more important than public aid, and Asian economies markets provide a growing opportunity for Africa - thus the need to move from aid effectiveness to development effectiveness. It was also pointed out that there are softer exchanges with emerging powers. For example, the UNDP is currently, facilitating dialogue between the BRIC and South Africa on social protection, and are considering extending this to the rest of the continent.

Overall, the panel emphasised the following points:

- A framework of rules and regulations to help set and uphold standards relating to the way in which various actors operate, is necessary;
- Values such as human rights are important and should not be underestimated; human rights protection formed part of the condition of empowerment of people;
- transparency among all partners – not just recipients – is essential, a point that needs to be recognised also by emerging powers;
- actors such as the private sector need to form part of the development discourse and forums should be encouraged for this type of interaction; emerging countries are yet to consider sectoral policies in the countries they engage in, following for instance the approach taken by traditional donors in Rwanda;
- a recognition of the complementary nature of Africa's interaction with traditional and emerging partners.

A major challenge is that Africa itself is not monolithic but made of 54 different countries. Yet, its negotiating strength can only come from greater intra-African coordination.

2. The role for triangular cooperation and dialogue

The discussion focused on the emerging lessons from concrete experiences of both triangular cooperation[1] and triangular dialogue; the obstacles to progress in joint activities in Africa; and the most appropriate forums for triangular discussions in the future.

Participants noted that triangular cooperation is now fashionable because middle-income countries are playing a greater role as donors; there is also some soul-searching among traditional donors about how to deliver aid more effectively. Some of the benefits of triangular cooperation may be the provision of more efficient assistance to beneficiary countries because of shared experiences in some instances with the pivotal country; and helping to overcome the North-South divide. However, it was also remarked that such triangular partnerships take time to be streamlined and tend to have high establishment and transaction costs. The OEDC-DAC estimates that approximately 16 DAC countries engage in triangular cooperation, with India, Malaysia, Vietnam and Sri Lanka as pivotal countries in Asia.

Motivated by the benefits of triangular cooperation, in 2002 Japan initiated, in partnership with Malaysia, technical cooperation activities in Africa and Asia. From 1997 to 2001 Japan and Brazil had a cooperation mechanism whereby Japan Intenrational Cooperation Agency (JICA) provided financing for agricultural development projects in the Serado region of Brazil to increase its production of soya beans. The Serado project was so successful that Brazil and Japan built on this experience with a triangular cooperation project in northern Mozambique. Further soil improvement studies are underway and the project may be expanded to other regions if successful. To this end, Japan has been sharing its experience with other OECD countries for possibilities of furthering gains made on such cooperation, arguing that triangular cooperation is beneficial where there is equal partnership.

Another triangular cooperation initiative is the dialogue that has been initiated among the Republic of Korea, Japan and China on their Africa policies. Germany also runs a Trilateral Cooperation Fund (Trico) with South Africa: two projects have been completed successfully, another two were cancelled due to high implementation costs among other constraints, while the remaining four projects are under implementation.[2]

Although China advocates South-South cooperation, it does have triangular cooperation with the World Bank and the Food and Agriculture Organisation (FAO); Chinese institutions and stakeholders have held seminars with American and African partners on health issues;

[1] Trilateral cooperation as defined by the Organisation for Economic Co-operation and Development (OECD), is development cooperation among three partners (the beneficiary, donor and pivotal country) which is largely project based. It became popular due to the search for aid effectiveness from traditional donors, and the rising role of middle income countries that are both recipients and donors.

[2] GIZ South Africa.

China works with the UK's Department for International Development (DFID) in Africa on agriculture; and there are discussions among China, the chambers and the Nigerian government on their contribution to development. This implies that there is some convergence between China and EU on engaging Africa.

A number of lessons from concrete trilateral cooperation experiences were shared during this session, including from Germany and South Africa in the Democratic Republic of Congo:

- Beneficiary countries only benefit when they get involved from the outset. There tends to be greater cooperation between the 'donor' and the pivotal state and less with the beneficiary, in some of these engagements. Beneficiary countries should be involved at all levels of decision-making and throughout the entire partnership and not only be brought into discussions after the initial phase. As far as ownership by beneficiaries is concerned – a major point raised by donors – some participants noted that where Africans has a vision, this is not always to the donors' liking. The case of Rwanda was cited.
- On factors that make triangular cooperation more effective, participants also observed the need for equal partnership and sharing of resources to implement the cooperation.
- It is important to understand how South-South Cooperation is different from North-South cooperation, identify what are fundamental standards, and then have a separate discussion on South-South cooperation standards.
- Partners should build cooperation from past experiences.
- African states need to be able to identify the greater value in trilateral cooperation. Many Africans prefer bilateral partnerships, a point that China has also raised when discussing its potential involvement in trilateral initiatives.
- Exit strategies need to be in place, especially when trilateral projects are unsuccessful, to minimise implementation cost, as experienced by Germany in two trilateral cooperation projects with South Africa.
- Regional economic Communities (RECs) should take a more active role in their member's engagement with both traditional and new actors.

China was a common case used. Some participants found China scarcely involved in much triangular cooperation – as it emphasises South-South cooperation. Although some noted that China has been cautious in this area, they were positive that the subject has stimulated domestic debate. It was agreed that it is necessary to further engage China in trilateral cooperation as well as having more regularly a Chinese voice represented in such policy discussions.

Though results of trilateral cooperation are mixed, it was agreed that mutual learning takes place, and that all sides require capacity for it to work. The risk of business-as-usual remains for triangular cooperation and dialogue, taking into account that often it is only government-to-government engagement, focused on the same government department, without proper involvement of line ministries responsible for final implementation. The private sector and civil society should also be involved (one participant mentioned "quadrangular dialogue" in this respect).

Discussion also focused on the type of discussion on trilateral cooperation that would be effective. Should it better be an extended DAC forum or rather one where the modes of engagement would be jointly defined by all players, not just DAC members? One participant posed the question whether China (for example) would adopt the OECD rules or would the OECD begin to adapt to China. Another observed that 'when two chemicals meet, both change'.

3. Natural Resource Management

Natural resources have long been a source of conflict in Africa. Participants noted that a broad range of natural resources such as water, fisheries, and forestry resources are important when discussing the role of emerging economies in Africa, and it is not just minerals that need consolidated efforts for sustainable and effective management.

The concern was that long-standing policy challenges of natural resource management in Africa remain unresolved. This includes how to promote the legal exploitation of natural resources, and how to make sure that multilateral policies are felt on the ground. It is necessary to consider multilateral agreements and processes as well: unilateral solutions are often not optimal; bilateral and multilateral solutions ought to be complementary. The International Conference on the Great Lakes Region (ICGLR) is a unique case of triangular cooperation, which brings together Northern and Southern partners. The ICGLR is supposed to monitor the implementation of various agreements among its members. The Conference has adopted the OECD due diligence guidelines as an instrument to manage multinational corporations' resource engagement in the Great lakes. The regional initiative has a set of tools against the Illegal Exploitation of Natural Resources (RINR) that include:

- A regional mineral tracking and certification scheme for conflict minerals;
- Harmonisation of mining legislation in the 11 member states;
- Creation of a database to track the trade in minerals in the region;
- Formalisation of artisanal and small-scale mining;
- Establishment of a whistleblower mechanism; and
- Promotion of the Extractive Industry Transparency Initiative within the region.

Incorporating transparency and accountability into the domestic environment in countries is a key challenge – taking the multilateral initiatives to the country level. On a practical level, panellists highlighted the need to link development to investment opportunities. This required active involvement of the private sector. It was acknowledge that some mining companies have adopted an enlightened self-interest approach that integrates beneficiation and focuses on building capacity in local institutions. Participants further emphasised project ownership among countries. Equally, it was suggested that project tendering in Africa by external actors needs to be accompanied by beneficial development packages, such as social community projects to facilitate fair competition in the tendering process among actors; for instance, Chinese companies attach development projects to tenders they bid for, giving them a competitive edge. It was noted however that traditional partners often influence procurement processes if and when they stand to benefit from a particular project.

Sustainable natural resources management should not only be driven by commercial interests but also by corporate social responsibility, environment protection, and health and safety considerations. A peer review platform for mining companies would be an ideal place for companies to monitor whether they are meeting required standards on mining transparency as well as exploring opportunities created by: the African Union mining vision; the World Bank's parliamentary oversight on mining resources initiative; establishing strategies to access raw materials though governments-private sector partnerships.

Participants were unanimous that there is still room for sharing best practices by both traditional partner and emerging powers on their engagement with Africa. For example, to promote transparency and accountability in natural resource exploitation, countries could be compelled to publish sources of their revenue. Regarding company behaviour, the Dodd-Frank Act in the US requires public disclosure of payments made to the US and foreign governments relating to the commercial development of oil, natural gas and minerals. Its shortcoming, noted one participant, is that it mentions only the Democratic Republic of Congo conflict minerals specifically.[3]

This type of action, participants observed, would promote traceability of raw materials extraction. Actors could also address the weakness of the Kimberley Process of certification to improve the selling of conflict diamonds, as well as ensure more effective implementation of the ICGLR Mineral Tracking and Certification Scheme that has four pillars, namely:

- Mineral Tracking from Mine Site to Exports – Mine Site Inspection and Certification; Chain of Custody Tracking; Certification of Mineral Exports
- Regional Mineral Tracking via an ICGLR Database
- Independent Third Party Audits and
- ICGLR Independent Mineral Chain Auditor

Other elements were also considered, such as the need for policy dialogues to discuss the role of artisanal miners and small and medium mining firms, which are often neglected. Also many challenges come regionally, if one considers for instance that much of the Democratic Republic of Congo's illegal logging is motivated by actors operating from neighbouring countries. Some participants noted however that before discussing common approaches by members of RECs to international partnerships, more clarity is needed on national approaches and interests. Similarly, the recently launched business Africa dialogue platform should be further explored. Transparency and accountability should be promoted at national level, taking into account that national interest will always be the guiding principle within government and that often the direct relationship between multinational companies (from both emerging economies and traditional partners) and African government has more influence on the decisions made than any international initiative.

4. Regional integration and infrastructure

Participants noted that regional integration (RI) is not always synonymous with infrastructure development, especially when the latter is based on bilateral ties rather than regional

[3] The Act requires those companies that 'use minerals originating in the Democratic Republic of Congo in manufacturing to disclose measures taken to exercise due diligence on the source and chain of custody of the materials and the products manufactured'; and also requires 'the State Department to submit a strategy to address the illicit minerals trade in the region and a map to address links between conflict minerals and armed groups and establish a baseline against which to judge effectiveness.'

development plans.

This led to the wider debate over regional *versus* national priorities. Some participants postulated that regional integration is necessary for Africa's economic development and global integration. As the case of the EU's model of integraiton, regionalism helped preserve peace. Moreover, often infrastructure development costs are minimised when done regionally.

Challenges to regional efforts at integration were recognised, including slow projects and agreements' implementation, as well as diverging African countries' economic development paths and national interests. There too, triangular initiatives could help promote regional integration, as witnessed in Botswana-Mozambique-Zimbabwe on infrastructure development to ship coal to China. The private sector is heavily involved in these projects, and should play a larger role in other regions for society-to-society development. Participants also stressed the necessity of domestic resource mobilisation.

Despite the challenges of regionalism and infrastructure development, further suggestions were made. Interregional trade could be increased though reliable transport networks, and joint initiatives. For effective implementation, participants observed the need for project preparation funds that could be used in the initial project phases. (SADC has such a project preparation facility which is managed by the DBSA.) Equally, energy efficiency and upgrading projects were suggested as another area of possible partnership. Participants also found it useful to consider regionalism unconventionally – such as the role of private sector consortiums operating in neighbouring countries, and other regional actors. The debate on common regional approaches to emerging players within African RECs is only at the beginning, and it was also mentioned that for any such regional approach to succeed a clearer mandate is needed from the member states of RECs; so far RECs have not received such a clear mandate.

Key Points for the Way Forward

This ECDPM-SAIIA-KAS policy dialogue provided an important platform that stimulated debate among African stakeholders of different backgrounds, and was successful in promoting better understanding on some of the sector-specific issues (natural resources, RI, etc) that were raised at the ECDPM-SAIIA Policy dialogue in Brussels on 28 March 2011. The dialogue also confirmed important points that emerged at the meeting in Brussels, such as the opportunities offered by having more players in Africa for promoting development initiatives ('the more the merrier'). Ownership, a key prerequisite, would be needed from Africa as well as sound coordination of all actors. This in turn requires a stronger and more regular voice of the private sector and civil society on the opportunities offered by multiple external partnerships; addressing the lack of capacity on the side of African institutions to analyse and strategise on the role of different partners in African development.

Throughout the discussions there were also recurring debates and themes that could be considered for future dialogues and analysis on Africa's engagement with international partners:

- Promoting inclusiveness in engaging Africa through a private-public sector partnership, such as the China-SADC business forum;

- Better complementarity, coherence and coordination of regional and national interests;
- Mechanisms to promote transparency, coordination and accountability among all actors;
- Domestic resource mobilisation as a catalyst for efficient natural resource management;
- Furthering budget support initiatives, to achieve desirable impact on citizens, firms and national economies; African RECs ought to effectively use support extended to them, in particular through the European Development Fund (EDF);
- Sound implementation of existing frameworks such as Project Preparation Fund in SADC and domestic resource mobilisation initiatives, which in most cases are slow;
- Understanding that each partner of Africa is unique in outlook and history; and that their domestic sectoral policies, provincial governments and private actors add to their internal intricacies.

For comments and further details about these topics and processes, please contact:
San Bilal, ECDPM, sb@ecdpm.org; Francesco Rampa, ECDPM, fr@ecdpm.org
Elizabeth Sidiropoulos, SAIIA, Elizabeth.Sidiropoulos@wits.ac.za