



APRIL
2011



Poverty and environment

CHINA - AFRICA

Facilitating dialogue and engagement for sustainable trade and investment

CHINA AFRICA RELATIONS

China is a significant economic and development partner for Africa. Over the past decade there has been a substantial increase in cooperation and political dialogue between the two, accompanied by an increase in levels of investment, trade and aid. In 2009 China was Africa's largest trading partner. Trade reached US\$91 billion, a tenfold increase from US\$9 billion in 2000. China's investments in Africa have gone up from US\$220 million in 2000 to US\$1.44 billion in 2009¹.

The importance of natural resources

Trade and investment in natural resources is a key component of this relationship. China has insufficient natural resources (forests, minerals, oil, gas, agricultural land etc.) to support its rapid economic development and its huge manufacturing sector. Africa is rich in natural resources and is becoming an important global supplier of these resources – not only to China, but also to other international investors. To date, the majority of exports from Africa to China have been unprocessed natural resources. These have included minerals, oil and timber. Investments from China have concentrated in infrastructure, mining, oil and gas, timber and agriculture. This demand from China and other emerging economies for natural resources contributed to economic growth in Africa between 2003 and 2008 and lessened the impact of the global financial crisis. Despite this growth and increasing investment, the vast majority of

© Press Association



“Africa's growth is underpinned by Chinese demand, and China's growth will be more dependent on Africa's resources.”

Jacob Zuma, President of South Africa, 2009

Africans have yet to benefit from the economic success of recent years, and poverty remains widespread². Concerns also remain that this growth is not always being underwritten by the environmental standards that are necessary to ensure this growth will be sustainable.

China's increasing demands for natural resources and the market opportunities, beyond just the provision of raw materials, it presents to Africa represent both an opportunity and a threat for sustainable development and poverty reduction in Africa. The sectors in which the trade and investment are most concentrated are environmentally sensitive and can limit or even undermine development progress if not managed well. This is particularly true if they're carried out in a manner that doesn't promote environmental sustainability or protect the key ecosystems on which the livelihoods of the rural poor depend. And if the benefits are not fairly distributed.

Equally, it's widely acknowledged that there is weak governance of natural resources and limited capacity within African governments to develop, apply and enforce appropriate contracts and agreements³ and the necessary environmental and social standards within them that such investments require. Without good governance of natural resources there is no guarantee that the opportunities being presented by Chinese trade and investment will bring long-term development benefits to African partners. They may even impair the potential of these countries to attain the UN's Millennium Development Goals (MDGs).

A key challenge in relations between China and Africa is to ensure trade and investment agreements serve long-term development goals and are built on environmental management principles and prudent use of resources. Achieving this requires approaches that will secure a sustainable resource base into the future that can i) meet China's resource needs without widespread environmental degradation and ii) support Africa's growth and development needs and allow for value-addition that will maximise the economic benefits to Africa.

WWF's response to the challenge

In April 2009, we established a two-year programme to 'facilitate dialogue and engagement for sustainable trade and investment between China and east Africa. DFID's China programme provided £250,000 of funding which was matched by us. Through the programme we sought to build on our strong position in both China and Africa. WWF is respected for our scientific know-how and our ability to convene and facilitate dialogue between government, business and civil society. Our approach was not to encourage criticism but to promote the opportunities for South-South investment and innovation in Africa. We also aimed to safeguard a sustained supply of African natural resources for export and trade.

The programme was designed to work with key stakeholders both in China and east Africa (Tanzania and Mozambique) and to support dialogue between the two. In China, we focused on working with



© Susetta Bozzi / WWF-Canon



© Julie Thomas / WWF-UK



© Susetta Bozzi / WWF-Canon

BOX 1. Initial programme outputs

- 1) Civil Society Organisations (CSOs) monitoring for transparency and accountability: civil-society reporting on the nature and quality of foreign investments and trade in the natural resource sector in target countries, in particular those to/with China.
- 2) Government technical cooperation and exchange: Technical assistance, cooperation and exchanges between Chinese and African government departments, leading to increased dialogue and improved practice in environmental and social standards.
- 3) Business engagement and training: supply chain businesses – producers, exporters and processors – identified, engaged, supported and given incentives to follow social and environmental standards, providing more value for Africa.
- 4) Scenario planning for sustainable trade and investment policy: multi-stakeholder groups explore and develop mutually beneficial 2020 policy strategies for pro-poor and sustainable natural resource-based growth, trade and investment.

government and business to support the greater awareness and development of the environmental standards, policies, procedures and practices necessary as part of China's environmentally and socially responsible outward investment activities. In east Africa, we focused on working with governments, private sector and civil society to support greater awareness, development and implementation of the environmental standards, policies, procedures and practices that are a necessary part of environmentally and socially responsible investment and trade frameworks.

The programme was based on four broad inter-related outputs that provide its strategic framework. Each uses a key stakeholder group in China-Africa relations as its entry point (see [Box 1](#)).

At the start of the programme both DFID and WWF recognised that relations between China and Africa were evolving fast and it was, and still remains, a dynamic policy environment to engage with. To be successful, WWF and DFID recognised we needed a flexible approach which was responsive to strategic opportunities arising and the needs of the key stakeholders. Together, we acknowledged that during the two years the emphasis and resource allocation to the various outputs might change.

In the first six months of the programme, three key opportunities arose which became the primary focus of the programme. These were:

1) Promoting sustainable investment in Africa

Prior to 2009, we'd been working in partnership with the People's Bank of China (the Central Bank) to prepare the first published report on the state of sustainable banking in China⁴ and with the Export Import Bank of China (EXIM) on a study on best practice in environmental screening. Building on this work, and at the request of EXIM, we were asked if we could develop a study tour to show key decision makers from China's financial institutions⁵ and regulatory authorities⁶ the impact of their investment decisions and policies. The tour also exposed them to current thinking and best practice. Given the importance of the financial sector to China's investment in Africa, supporting this request became the focus of output 3.

2) Promoting a more sustainable timber trade

Between 2002 and 2009 China became a key destination for timber from east Africa. Over 70% of exports were destined for China⁷ and much of this was illegally harvested. Given the importance of China to east Africa's timber trade, Tanzania's Forest and Beekeeping Department – part of the Ministry of Natural Resources and Tourism – asked us to support it to begin a dialogue with China's State Forestry Administration to explore how they could work together to ensure the sustainability of this trade. Enabling this request became the focus of output 2.

3) Encouraging environmentally and socially responsible investments in east Africa

To support outputs 1 and 4, we recruited a responsible trade and investment adviser, based in Tanzania. The adviser's prime role was to work with east African governments, advisory bodies, businesses and civil society to support the development and/or implementation of policies and guidelines that would encourage a more strategic influence on investments in the natural resource sector. This was to be achieved by enabling these stakeholders to develop a better understanding of the costs and benefits of natural resource-related investments and the potential long-term benefits of applying stricter sustainability standards to such investments.

PROGRAMME RESULTS

1. Promoting sustainable investment in Africa

China's financial sector is central to implementing China's Africa strategy, as part of China's 'go global' strategy⁸. Over the past decade it has become a key investor in Africa's development, providing concessional loans to African governments, overseeing the China Africa Development Fund and providing preferential loans for Chinese companies seeking to invest in Africa (Box 2).

In 2006, the EXIM bank's new loans to Africa were more than double those of the World Bank's. Much of this investment was in infrastructure. By 2007, China provided an estimated US\$4bn-worth of infrastructure in Africa – as much as all the G8 countries added together. This trend is set to continue with an increasing interest in investing in minerals, oil and gas and agriculture.

Global concerns about the potential negative environmental and social impacts of these investments and perceived weak investment screening procedures led the Chinese government and financial institutions to begin developing guidelines for overseas lending and investments.

Since 2004, this has included development of environment policies by the banks, the adoption of the Equator principles by the Industrial Bank of China in 2008 (China's first bank to do so), and the development by the government of environmental and corporate social responsibility guidelines for Chinese companies operating overseas – including specific guidelines for the forestry sector.

To build on the above, in response to a request from EXIM, we developed study tours to Europe (November 2009) and Mozambique (May 2010) for 20 senior operational staff from China's financial sector⁹ that have direct responsibilities for environmental and social aspects of investment and credit risks.

BOX 2. The role of China's financial sector in China's Africa strategy

The Export Import Bank of China (EXIM) – the world's largest export credit agency, EXIM plays a strategic role in strengthening economic relations between China and Africa. It provides preferential loans for Chinese companies, primarily state-owned enterprises, that operate abroad (export sellers' credits). And it supports importers of Chinese goods through buyers' credits. Between 2009 and 2012 it will provide US\$10 billion in concessional loans to African governments. To date, EXIM has largely funded the infrastructure required for the extraction and transport of energy and mineral resources often in return for those natural resources.

China Development Bank (CDB) – the CDB established the China Africa Development fund, the total value of which will reach US\$5 billion, to support Chinese companies to invest in Africa. Key priority areas for investment are agriculture and manufacturing industries, infrastructure, natural resources such as oil, gas and minerals, and Chinese economic development zones.

Industrial and Commercial Bank of China (ICBC) – China's largest bank and in 2010 the world's sixth largest bank by capital assets. The ICBC has begun to extend its presence and market in Africa through the acquisition of a 20% stake in Africa's largest bank, Standard Bank, in 2008. This included the launch of a US\$1 billion global resources fund which invests in entities or projects which are focused on natural resources – such as metals, petroleum and natural gas.



Inspiring change

“The passion and inspiration for the wildlife you all share with us will everlastingly motivate us to pursue a better world in terms of environment and ecosystem by advancing sustainable finance/green credit in China. This trip has given us a new and big momentum for our future work. It's a new start! We now more than ever believe that with cooperation and exchange with prestigious organisations like WWF, we can do a better job for a greener world.”

Yanfei Ye, Head of Study Tour Delegation, Deputy Director-General, Statistics Department, China Banking Regulatory Commission

“The Equator Principles are a marvellous benchmark during the 21st century. Not only have they brought out the methods and tools for risk management but also the concept in its nature. Sustainable finance has become a key factor for financial institutions to improve competitiveness.”

Study tour participant

During the Europe study tour, participants had the opportunity to meet their peers and influential experts to openly discuss how best to deliver sustainable foreign direct investment (FDI). While in Mozambique, participants engaged in a series of cutting edge discussions, presentations, meetings and site visits with key private sector actors¹⁰, financial institutions¹¹, government ministries¹², development partners¹³, and civil society¹⁴. The focus of these discussions was the challenge of supporting sustainable economic development in Mozambique.

Lessons learned and outcomes

The study tours provided an invaluable opportunity to expand participants' understanding of the challenges of investing in Africa, and what it means both personally and as an organisation to be a responsible investor. By experiencing the potential positive and negative impacts of FDI first hand, and hearing directly from a range of stakeholders, participants were able to truly appreciate how decisions made in Beijing have an impact on the environment and people's livelihoods in faraway places. The experience was inspiring and renewed their commitment to work both within their organisations and together as a group to realise green financing by China's financial sector.

The key lessons learned and outcomes from these study tours were:

- Chinese institutions are already active and aware of many of the issues of sustainable financing. They have policies and processes in place. But, like with many other financial institutions, implementation is a challenge. Western financial institutions received a wake-up call: they were surprised at the level of awareness and activity by Chinese financial institutions on these issues.
- The China Banking Regulatory Commission (CBRC) is a global leader in setting sustainability guidelines. In 2007 it launched national environmental guidelines calling for banks to phase out their investments in highly polluting and energy-intensive industries in China.
- China's financial institutions are keen for the China Banking Regulatory Commission to set a level playing field by establishing environmental and social standards to which all Chinese Banks' overseas investment should adhere. CBRC asked us to jointly carry out a benchmarking study of Chinese and western banks, to inform the development of such standards.
- There was strong appreciation of the importance of international standards such as the Equator Principles and the IFC Performance Standards. In their action plans, participants recommended that Chinese banks consider when might be an appropriate time to join the UNEP finance initiative and/or adopt the Equator Principles.
- It became apparent to participants that in Africa there is often a gap both between the national regulatory requirements and laws and international standards and between legislative requirements and actual enforcement capacity in country. This reinforced to

participants the need to consider the adoption of international standards and to ensure that the Chinese companies they finance practice self regulation.

- There's interest in developing case studies and guidelines that draw on current best practice for the environmentally sensitive sectors the banks are investing in – such as mining and oil and gas. This could develop awareness and understanding across the sector. In response, we're currently working with the China Industrial Overseas Development and Planning Association (CIODPA), a think-tank under the National Development and Reform Commission (NDRC), to develop guidance material on environmental management in mining.
- The Industrial Commercial Bank of China committed to further developing and implementing its environmental and social screening policies for its investments. And it asked us to partner it in this process. Discussions are currently underway between ICBC and us as to the nature of this partnership.
- A network of champions has been established – both among the Chinese financial institutions that participated and the speakers that presented. To ensure that this network is maintained and to continue to catalyse new thinking on sustainable finance, participants agreed to join the Finance, Environment and Development Forum (FED). Established by WWF in 2009, the FED is a green finance network which brings together Chinese banks, academics, government and western financial institutions to share information and experience on sustainable finance on issues of mutual interest. Study tour participants have already played an active role in the FED, presenting and attending recent forums on responsible investment in Africa.

Future plans

Changing the way financial institutions invest is a long-term process (see [Box 3](#)). Over the next three years, we will build on the outcomes of the study tours with a specific focus on:

- Supporting the Chinese Banking Regulatory Commission to carry out a benchmarking study that will inform the development of voluntary environmental and social investment guidelines for the financial sector.
- Establishing a formal partnership between WWF and the Industrial Commercial Bank of China (ICBC) to support work on developing investment guidelines for sectors such as oil and gas, minerals and infrastructure.
- Building on the relationship we've developed with Standard Bank's sustainability team⁴⁵ (ICBC's African partner), working jointly with them to influence the environmental management practices of Chinese operators in Africa.
- Developing an annotated review of CSR (environmental standards) and various voluntary initiatives that set global standards for governments and the private sector in areas such as transparency, sustainability and human rights (Extractive Industries Transparency Initiative, Global Reporting Initiative and, Global

“I learned that Chinese banks are more and more aware of sustainable financing and of environmental and social issues. This is promising for the application of good practices by Chinese banks and for future collaboration.”

Study tour speaker from a western financial institution

BOX 3. Long-term impact and value for money

The main objective of our work is that by 2015, ICBC, CDB and the EXIM Bank formulate and implement green lending policies, with a generally-accepted benchmark and evaluation methodology, to govern their domestic and overseas investments.

Although there's already some commitment among both government and the financial sector to strengthen their green lending policies, WWF has a niche role to play in supporting this process. Through the unique and trusted relationship that we've developed with these banks there's the potential to speed up adoption of green lending policies by up to 2-3 years. We also play an important role in strengthening the quality of such policies in terms of how they address biodiversity and environmental sustainability issues.

A recent independent evaluation¹⁶ used cost benefit analysis to assess the magnitude of the likely benefits of this work, and whether this justified an innovative, risky approach. The analysis showed that if all goes according to plan the likely internal rate of return (IRR) is 200% and that even with very pessimistic assumptions the estimated IRR is above 37%, concluding that this work demonstrates good value for money.

Compact etc) that will be translated into Mandarin for advocacy to Chinese companies operating in Africa. A distance learning tool may be included in this. Collaboration with the World Bank on such a tool is being explored.

- Working with EXIM and China Development Bank to demonstrate that sustainability is an essential component of their business strategies and operations.
- Continuing to support the Finance Environment and Development Forum. Themes to be covered over the next 12 months include: a joint forum between UNEP Finance Initiative and China Banking Association during which participants will share their views on sustainable investment practices with their peers in Australia, Japan and Korea; an update on the International Finance Corporation's (IFC) Environmental, Social and Governance Performance Standard, hosted by IFC and WWF; and a joint forum between the China-Association of South East Asian Nations (ASEAN), the Environmental Cooperation Centre of China's Ministry of Environmental Protection, and WWF's Greater Mekong Programme to talk about sustainable investment in ASEAN countries.

2. Promoting a more sustainable timber trade

Over the past 15 years, China has become a dominant player in the global timber market. Today it is the world's largest wood workshop, importing 28,059,700 cubic metres of logs in 2009 – an increase of 177% compared with 1999. This rise in imports is a result of a combination of increasing domestic consumption, in a country which has limited forest resources, combined with an ever-increasing demand in the US, Europe and elsewhere for low-cost wood products manufactured in China. In many of the countries from which China sources this timber, there is weak forest governance. Consequently, China's timber trade has become associated with unsustainable harvesting, illegal logging and the abuse of forest communities' rights. There's been growing pressure by the international community and within China by the government to look at how it can make such trade sustainable.

Currently east Africa only supplies China with 5.49% of its timber needs. However, for both Tanzania and Mozambique, China is an important export destination: more than 80% of timber from these two countries is exported to China, with Mozambique being the larger exporter of the two. Around 85% of this wood is exported as logs, limiting the opportunities for Mozambique and Tanzania to produce value added timber products and additional livelihood benefits to forest communities. However, much of this timber is illegally harvested.

In Tanzania alone, it's estimated that in 2005, 94% of timber was illegally harvested. Trade statistics show that China imported 10 times more timber products from Tanzania than appear on Tanzania's export records, suggesting Tanzania collected only 10% of the revenue that was due to it. This is due in part to the limited capability of

© John E. Newby / WWF-Canon



© Brent Stirton / Getty Images / WWF-IJK



Tanzania's government (local and national) to implement and enforce forest law. This has come at a cost to Tanzania: in 2005 the loss in revenue due to illegal logging was estimated at US\$58 million – the equivalent of 10,000 secondary school classrooms or the provision of mosquito nets to 11 million people – a quarter of the population¹⁷.

Given the importance of China, Tanzania's Forest and Beekeeping Department (FBD), part of its Ministry of Natural Resources and Tourism, asked us to support it to begin a dialogue with China's State Forestry Administration (SFA), to discuss the challenges Tanzania's forests were facing and identify how through cooperation it could move towards a more sustainable timber trade. In responding to this request, we've supported a series of director-level exchanges between Tanzania's FBD and China's SFA. And in China, we've worked, as part of a coalition of environmental NGOs, with the SFA to establish a regulatory framework for overseas timber operators (see [Box 4](#)).

This work culminated in April 2010 with a study tour to Mozambique, Tanzania and Cameroon by six SFA directors from areas such as planning, international cooperation, and investment. The visit aimed to support the SFA in disseminating its guidelines to both an African audience and Chinese operators, enhancing understanding of the nature and extent of Chinese companies' involvement in the timber trade and the challenges they face, developing mutual understanding between the SFA and African governments, and discussing potential areas for cooperation.

Lessons learned and outcomes

- The African governments that were visited during the study tour felt that the SFA's guidelines were a positive starting point, which provided them with a framework within which they could begin to discuss sustainability issues with Chinese operators. However, there's a need to make these guidelines more accessible by translating them into French and Portuguese and disseminating them to forest officers at both the national and local level. In response to this need, SFA and WWF are preparing bilingual copies in Mandarin and either French or Portuguese. From April 2011, these will be available on SFA's website and 3,000 printed copies will be distributed to Chinese Embassies and companies and forestry departments in east and central Africa.
- Through their discussions, both the SFA and FBD recognised that achieving a more sustainable timber trade is a shared responsibility and requires that they jointly tackle the issue in two ways. The first is to promote better management practices by Chinese companies. The SFA guidelines provide a good starting point for this but in the long term an aspiration would be to move towards adoption of certification schemes such as Forest Stewardship Council (FSC). The second approach is to support technical collaboration between the SFA and FBD to strengthen national and local capacity in law enforcement, sustainable forest management and improving the efficiency of forest product processing. To further this collaboration, SFA agreed to back a proposal being developed by

Box 4. China's guidelines for overseas forest operators

In 2007 and 2009, China's State Forestry Administration and the Ministry of Commerce issued the National Guidelines on Sustainable Overseas Silviculture and the National Guidelines on Sustainable Overseas Forestry Development and Utilisation for Chinese Enterprises. These guidelines ask that Chinese companies operating overseas adhere to a number of principles including respecting local laws, promoting local economic development, valuing the ecological benefits of forest resources, and promoting sustainable forest management in their operations. Although these guidelines are not mandatory, they give a clear signal to the international community and Chinese companies that the Chinese government is taking seriously allegations from around the world regarding its role in illegal logging and is taking steps to regulate Chinese forestry companies that operate overseas.



© John Hobbs / WWF Tanzania



the FBD for such technical collaboration. The FBD is currently exploring how this proposal can be formally included as part of Tanzania's bi-lateral agreement with China.

- The SFA representatives recognised that among the Chinese companies operating in Africa, there are good ones with a long-term strategy and bad ones whose main concern is short-term profits. For example in east Africa, many of the Chinese operators are sole traders, with no background in forestry and are often not registered with the Chinese Embassy. Even with the SFA guidelines in place, regulating the actions of these companies poses a challenge to the Chinese government. This suggests a need for criteria to determine which Chinese companies are given approval to invest overseas. This is currently being discussed within government.

Future plans

This work has set the foundations for greater technical collaboration on sustainable forest management between China and east Africa. In the long run this will ensure that trade in timber resources are long term, environmentally sustainable and bring added value to east African economies. Over the next two years, we'll help to support the achievement of this by:

- Working with the SFA and African governments to pilot the implementation of SFA's guidelines. This work will draw on the joint work between the SFA and WWF in Russia to pilot these guidelines.
- Encourage role models in China's forestry sector. As part of our Forest & Trade Network we'll support one Chinese timber company operating in central Africa through the FSC certification process.
- Support the Tanzanian government to formalise its partnership with the SFA, and ensure that technical collaboration in the forestry sector is part of its bi-lateral agreement with China.

3. Encouraging environmentally and socially responsible investments in east Africa

The purpose of this area of work is to support international initiatives and their translation into practical action through capacity development, and to support the African governments hosting Chinese investments. Recruitment of the trade and investment adviser in Tanzania, who is leading on this work, took longer than anticipated; the staff member has only been in place since May 2010. Consequently, progress has been slow. However, significant foundations have now been laid with key stakeholders. As a result, we're engaging and strengthening relationships at a more strategic and consequently influential level with government, business, civil society and advisory bodies who'll be essential in driving the implementation of this agenda.

Practical and political expediency has sometimes dictated that this work has not been exclusively aimed at Chinese investors and traders in the region. We aim in the long term to include them in general

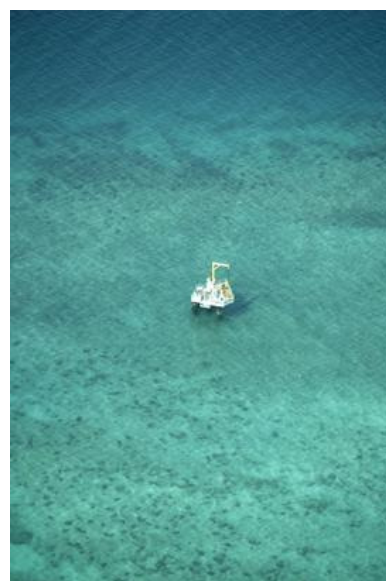
measures to raise environmental and social performance standards and ensure these underwrite development processes.

Progress to date and future plans

- Initial discussions with the Investment Climate Facility for Africa (ICF) to explore how we can work together to ensure that environmental criteria are included in its work supporting African governments to develop more investor-friendly environments. The ICF is also interested in working with us to develop a better understanding of Chinese investors' needs and culture.
- An MOU is being developed between WWF and the World Bank to explore areas of collaboration in improving governance of natural resources – principally oil, gas and mineral wealth. This is resulting in collaboration to help progress the EITI's validation process in Tanzania. For example, we're extending our current work to map Chinese investment activities in Tanzania to all extractive industries investors and their revenues. Discussions are also under way between the World Bank, TRAFFIC (the wildlife trade monitoring network) and WWF to promote the extension of EITI in Tanzania and Mozambique to cover forest derived revenues as well as minerals.
- We're participating in the Tanzanian EITI stakeholder group, which has an objective of building CSO capacity to be able to hold the government and investors to account for revenues derived from natural resource exploitation – and the use of sustainable practices.
- We're bringing an environmental perspective to the Africa-China Joint Scholars, Researchers and Think Tank Leaders Conference, which will be held in Nairobi from 28-30 March 2011. The purpose of this meeting is to begin to develop a pan-African strategy and response to agreements made at 2009 Forum on China-Africa Co-operation (FOCAC) meeting. This response will be presented to the African Union, African governments and the Chinese FOCAC secretariat.
- We attended the Organisation for Economic Co-operation and Development (OECD) International Conference of the Great Lakes and contributed to the development and awareness of supply chain due diligence framework for the extraction of minerals from conflict-affected and fragile regions. This system, which has now been adopted, aims to remove from official international trade minerals whose exploitation and trade have generated revenues that contribute to the perpetuation of conflicts. This includes minerals transiting through east Africa en route to Asia – and for which Chinese buyers will be accountable in terms of exercising their own due diligence.
- We supported a review of NGOs engaged in the forestry sector in northern Mozambique, to assess their ability to engage in monitoring timber trade. An important next stage is to link this work with work of the EITI in Mozambique working on a parallel programme.
- We've established tri-sector forums – which are now being led by the Tanzanian government and include oil and gas companies operating in the east African region, and CSOs. A potential outcome



© Brent Stirton / Getty Images / WWF-UK



© Brent Stirton / Getty Images / WWF-UK

of this forum is the production of guidance (policy and practice) to better manage the environmental impacts of oil and gas extraction in Tanzania. This will be translated in to Mandarin¹⁸.

- We've undertaken a pilot study (and associated capacity development) aimed at encouraging the use of strategic decision-making tools (such as Strategic Environmental Assessment) by the Kenyan government. One objective of this is to ensure environmental considerations are included alongside financial and socio-political factors in a transparent decision-making process. This pilot case study includes the proposal for infrastructure development and associated investments in the Tana-Lamu region. Central to this development is a new port near the World Heritage Site of Lamu. The Kenyan government is currently discussing the funding of this with China¹⁹.

Final thoughts

Over the past two years, strong foundations have been laid for collaborative working between our partners in China and Africa to develop appropriate policies and business practices that in the long term will ensure that China's is able to meet its resource needs without widespread environmental degradation. And does this in such a way that supports Africa's growth and development needs. Our approach of responding to strategic opportunities and partners interests has meant that we have further strengthened our trust and credibility amongst key decision makers in government and the financial and forestry sector. An outcome of this is that we have been able to discuss openly with them sensitive issues around the environmental and social impacts of trade and investment agreements between China and Africa.

Key to the success of this programme has been providing opportunities for senior policy makers in China to experience first hand the challenges of ensuring that China's trade and investment with Africa leads to sustainable outcomes. Study tours for senior policy makers have proved to be both informative and inspirational and have already contributed to improvements in Chinese policy. And Chinese regulators and financial institutions have both committed to work in partnership with WWF to further develop the legislative environment and guidance for strengthening the environmental and social outcomes of their investments.

Over the two years, given the sensitivity of the issues that this programme has addressed we have appreciated the role that DFID has played, providing strategic advice and support to the work as needed but not having a strong visible presence as the donor.

Achieving sustainable trade and investment between China and East Africa is a long term process. Having built improved understanding of the challenges and gained commitment by key decision makers to strengthen the policy framework needed to achieve this, the challenge over the next three years will be to support the development and implementation of appropriate policies.



© John Hobbs / WWF Tanzania

FOR MORE INFORMATION:

Please visit wwf.org.uk/china_africa

Endnotes

- ¹ China Africa Trade and Economic Relationship. Annual report 2010. Chinese Academy of International Trade and Economic Cooperation.
- ² Still Our Common Interest, Commission for Africa, September 2010.
- ³ Various papers by Paul Collier et al and the Natural Resources Charter (2010).
- ⁴ Towards Sustainable Development: The Role of China's Financial Sector. People's Bank of China and WWF, 2008.
- ⁵ Export Import Bank of China, China Development Bank, Industrial and Commercial Bank of China, Industrial Bank of China & Sinosure.
- ⁶ China Banking Regulatory Commission, Ministry of Environmental Protection
- ⁷ Forestry, Governance and National Development: Lessons Learned from a Logging Boom in Southern Tanzania (TRAFFIC, 2007) www.traffic.org/home/2008/4/10/ngo-alliance-to-tackle-illegal-logging.html & Forest Governance in Zambezia, Mozambique: Chinese Takeaway! C Mackenzie, 2006, www.illegal-logging.info/uploads/Mozambique_China.pdf
- ⁸ Formalised in China's tenth Five Year Plan (2001-2005), China's 'go global' strategy encourages Chinese companies to invest globally to gain access to needed resources, stimulate the export of goods, and grow China's multinational businesses and brands.
- ⁹ Export Import Bank of China, China Development Bank, Industrial and Commercial Bank of China, Sinosure, Industrial Bank of China, Ministry of Environmental Protection and China Banking Regulatory Commission.
- ¹⁰ Vale, Kenmare, Sasol & Riversdale Mining Ltd.
- ¹¹ Standard Bank, IFC.
- ¹² Ministries of Planning and Development, Mines and Mineral Resources, Environment and Conservation, and Tourism and the Mozambique Investment Centre.
- ¹³ DFID, AfD, IMF.
- ¹⁴ Care, WWF and Justice Ambientale.
- ¹⁵ Standard Bank's sustainability team presented at both the Europe and Mozambique study tour. WWF has recently supported training of their staff in Tanzania on international environmental and social standards.
- ¹⁶ Independent External Evaluation of WWF-UK's Partnership Programme Arrangement with DFID 2008-2011 (PPA), G Yaron and C Butcher, November 2010.
- ¹⁷ Forestry, Governance and National Development: Lessons Learned from a Logging Boom in Southern Tanzania (TRAFFIC, 2007) www.traffic.org/home/2008/4/10/ngo-alliance-to-tackle-illegal-logging.html
- ¹⁸ In the establishment of this forum WWF sought to involve the Chinese Embassy and companies. The Embassy expressed an interest in attending the inaugural meeting but was unable to.
- ¹⁹ Motivated, in part, by Chinese interests to export oil from Southern Sudan.

