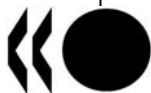


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DAC Network on Poverty Reduction

THE CHINA-DAC STUDY GROUP: FINDINGS FROM THE FIRST EVENT ON DEVELOPMENT PARTNERSHIPS AND FUTURE PLANS

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THE CHINA-DAC STUDY GROUP: FINDINGS FROM THE FIRST EVENT ON DEVELOPMENT PARTNERSHIPS AND FUTURE PLANS

I. Background

1. A DAC/POVNET workshop organised with the Chinese took place at the OECD on 21 February 2008 on *Reducing Poverty and Promoting Pro-Poor Growth: China's Experience in Rural Poverty Reduction at Home and in Africa*. A key finding from this workshop was that while China's performance in reducing poverty at home "had been nothing short of spectacular, ... Chinese approaches may not be very replicable in Africa because of differences in political economy, demographics and state and institutional quality. Nevertheless, Africa can learn about the centrality of both the pace and pattern of growth, and in particular about the importance of agricultural productivity and rural development for poverty reduction."¹

2. Participants at this workshop, from both China and DAC members, agreed it would be beneficial to build on this initial collaboration to promote greater mutual learning and more collective action aimed at tackling Africa's development and poverty problems more effectively.

3. Following a proposal subsequently made by the International Poverty Reduction Centre in China (IPRCC), the China-DAC Study Group was established in January 2009 with the aim of providing an international platform for synthesising available information and exchanging experiences about promoting growth and reducing poverty in China and African countries. Given their substantial impact on growth and poverty reduction in China, as well as the needs in many African countries today, the Study Group decided to focus on three topics on which POVNET has developed policy guidance, namely: i) agriculture, food security and rural development; ii) infrastructure; and iii) the enabling environment for enterprise development. In addition, due to the interest in knowing more about the experience and lessons learnt from the partnerships that China developed with its donors, the Study Group decided to start its work programme with an event on development partnerships (see Section III).

4. China's experience is interesting from a POVNET perspective as it demonstrates how a rapid pace and an inclusive pattern of growth can support long-term and sustainable poverty reduction. In particular, the China-DAC Study Group's planned events on agriculture, food security and rural development and on infrastructure will provide useful opportunities to compare and contrast China's approach in recent decades with the DAC's policy guidance for donors.

II. The Study Group's work programme

5. The Study Group is focusing on two themes:

- China's experience of 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 in Africa and its impact on poverty reduction.

1. See: DCD/DAC/POVNET/M(2008)2 for the summary of this workshop.

6. Each of these themes is being explored from different perspectives during a series of two-day events being organised during 2009-10. This approach enables a larger number of key stakeholders to be associated with the Study Group's work. In addition, the Study Group will distil from its activities a set of main findings and policy lessons which will be presented and discussed at a final high-level event in Beijing in early 2011.²

III. Findings from the first event on development partnerships

7. The China-DAC Study Group's first event took place in Beijing on 27-28 October 2009. Discussions at the event evolved the way that had been intended and feedback from the more than 100 Chinese, African and donor representatives who participated was generally positive.

8. The first day on the experience in China bore out the crucial importance of ownership, capacity development and learning processes. Chinese officials and experts strongly emphasised how much they had learnt through their partnerships with donors; while China would have taken off without them, the process would have taken considerably longer. The corollary of this was the strong ownership and clear strategies and policies set by the Chinese state. While capacity was comparatively low at the beginning of the reform process some 30 years ago (much of the university system had been dismantled by the cultural revolution), it strengthened quickly at both national and local levels. Aid co-ordination happened through active management of the process by the Chinese state; there was no donor group in China. Growth had flowed from an agricultural revolution, powering a fast, large-scale urbanisation process and employment generated by infrastructure construction, exports and services, facilitated by an open world economy.

9. The second day on the experience in Africa was a counterpoint. In African countries, in the absence of clear strategies and policies and ubiquitous low implementation capacity, the donor co-ordination issue is typically addressed through donor groups, which has consequences for local ownership. Agricultural productivity had lagged and agricultural development projects had been difficult, for Chinese and DAC donors alike. In Africa, the lack of capacity had driven many donors to make wide-spread use of Project Implementation Units (PIUs), with high salaries for foreign experts and local hires, often diverting qualified talent from the civil service and leading donors to top up selected civil service salaries. In Africa, PIUs had undermined the national public administrative systems whereas in China, similar practices could not develop because PIUs were part of the Chinese government system (implementation was handled by Chinese public officials at ordinary salary rates, using national systems). Underlying this difference is the major difference in historical and geographical realities – China has a strong and single state tracing through 2,000 years of history, with most of the population concentrated in relatively few areas, compared to Africa, a continent with over 50 states, low population densities and marked by low post-colonial human and institutional capital as well as civil and interstate conflict.

10. The event provided a rare opportunity for Chinese participants to reflect on the application of the Chinese development experience to the design of their own development co-operation in Africa, and for the African participants to see the importance of ownership and strategic policies to development success and aid co-ordination. The Minister of Finance from Uganda, Mr Fred Omach, provided an upbeat account of what happens when a country does take charge of its own agenda (including recognising that poverty reduction could not be achieved without addressing child malnutrition which had stunted 40% of the population). Rural development policy was targeting small farmers with assistance via financial intermediaries in villages all over the country (although this system had been tainted by corruption which had required remedial action). The Ugandan economy was now growing by 7% annually despite the global

2. Further information on the China-DAC Study Group and its activities is available on the IPRCC's Internet site: www.iprcc.org

recession, with growth coming from rural areas and from regional trade and integration, notably via the East African Community.

11. The issue of what strategies Africa should adopt towards China's economic objectives and activities in Africa was a major topic in the discussions. There was recognition of the important role the emergence of the enterprise sector had played in China and that Chinese enterprises were beginning to play a significant role in Africa as well. There was a consensus among participants that a dynamic presence of China in Africa was welcome and presented new horizons. However, there was more debate about whether African countries should encourage or discourage China's participation in development co-operation dialogue and co-ordination/collective action. In any event, it is clear that China is providing Africans with new leverage on other donors and sparking renewed interest in the continent as well.

12. As a first product from this event, the Director of the Study Group produced a briefing note for the attention of Chinese authorities ahead of the Forum on China-Africa Co-operation (FOCAC) meeting hosted by Egypt in November 2009.³

IV. Further events being organised in 2010

13. The China-DAC Study Group is now preparing three events to take place in 2010:

- An event on the role of **agriculture, food security and rural development** in promoting growth and reducing poverty will take on 27 and 28 March 2010. The Government of Mali has agreed to host this event on behalf of African countries. Around 100 senior-level people will take part in the event (ideally, there will be equal numbers of participants from China, African countries and the donor community). DAC Delegations have been asked to propose up to two participants each [see: DCD/DIR(2010)1].
- An event on **infrastructure** will take place in Beijing, possibly around September 2010.
- An event on the **enabling environment for enterprise development** will take place in late November/early December. The aim is to hold this event in an African country.

V. Looking towards 2011-12

14. The China-DAC Study Group's current work programme will come to an end in early 2011. A proposal has been made to extend the Study Group's activities as part of the DAC's 2011-12 Programme of Work and Budget. As a joint initiative, the Study Group's activities will need to be discussed and agreed with our Chinese counterparts. From a DAC perspective, priorities for future action include following up on the recommendations developed during the first phase of work (2009-10) and enhancing dialogue with Chinese policy makers on global issues, including through improved trilateral co-operation.

3. See: DCD(2010)1.