The Case of China's Development Co-operation in Infrastructural Development in Angola and Kenya

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Introduction and Background

At the first Forum on China-Africa Cooperation (FOCAC) meeting, held in 2000, China announced a number of measures to enhance African development. It pledged doubling assistance by 2009 through the provision of US$3 billion of preferential loans and US$2 billion of preferential buyers' credits, the creation of US$5 billion Africa-China development fund, and cancellation of debt owed by the heavily indebted least-developed countries. (FOCAC 2006)

At the 2015 FOCAC, China and African heads of state agreed to take concrete measures and give priority to encourage Chinese businesses and financial institutions to expand investment in Africa. It would do so through various means such as Public-Private Partnerships (PPP) and Build-Operate-Transfer (BOT) schemes to support African countries in their efforts to build railroads, highways, as well as other infrastructure projects. These include African flagship projects, in particular the Program for Infrastructure Development in Africa and the Presidential Infrastructure Championing Initiative. (FOCAC 2015)

China committed to offer African countries US$35 billion of concessional loans and export credit lines; to create new financing models, to optimize favorable credit terms and conditions, to expand credit scales, and to support infrastructure building in Africa among other things. It agreed to expand the China-Africa Development Fund from US$5 billion to US$10 billion. China has also established the Assistance Fund for South-South Cooperation to support African countries in implementing the 2030 Agenda for Sustainable Development.

Chinese South – South Development Co-operation in Context

China formulated its African Policy Paper on China-Africa bilateral cooperation in the context of its South-South Development Co-operation (SSDC). The policy paper is consistent with the "go abroad" policy of the Chinese government to promote an increase of Chinese investment in foreign countries, especially in Africa, as well as to strengthen collaboration between African countries and China. The policy paper sets out the following pillars:

- Political pillar covering high-level visits, exchanges between legislative bodies, political parties and local governments, and cooperation in international affairs;

- Economic pillar covering trade, investment, finance, agriculture, infrastructure, natural resources, tourism, debt relief, investment and multilateral cooperation;

- Human resource development with a focus on education, science, culture, health, technology, media, administration, consular services, environment, disaster mitigation, humanitarian cooperation and people-to-people exchange; and

- Peace and security with a focus on military affairs, conflict settlement/peacekeeping, judiciary and police. (FOCAC 2006)

Chinese instruments of development co-operation have thus been designed to support progress in the four pillars of development co-operation. Over the years, Beijing has restructured its development co-operation policy and imposed additional restrictions. Interest-free government loans have become discounted loans offered through Chinese banks and aid grants have been replaced by joint ventures and other forms of cooperation.

Chinese assistance, therefore, goes beyond the concept of concessional ODA flows as defined by the Development Assistance Commitee (DAC) of the Organization for Economic Cooperation and Development (OECD). It includes various types of economic and political cooperation, such as grants, loans, export credits, trade and investments – some of it equivalent to the DAC's ODA concept, while others not. It is therefore difficult to separate instruments of Chinese development co-operation from other types of economic cooperation.

Management of Chinese South - South Development Co-operation

China's State Council, which is the highest executive organ of the state administration, is the oversight body that oversees all SSDC programs of the Chinese state. It decides on the portion of the national budget that is designated to SSDC at the beginning of the budgetary year. The Ministry of Finance is responsible for drawing up the development co-operation budget in consultation with the Ministry of Commerce.

China has since created an aid agency called the State International Development Cooperation Agency, (SIDCA) to promote aid coordination and aid planning. The agency like those of the west will seek to incorporate aid in foreign diplomacy and maximize China's foreign interests, increasing its influence on the global scale. It plans to strengthen trilateral partnerships between China, OECD DAC, and southern countries as well as buttress the monitoring and evaluation of Chinese development cooperation impact.

The Ministry of Commerce, specifically the Department of Aid to Foreign Countries, coordinates China's foreign aid policy, including inter-governmental agreements, and reviews requests from the Ministry of Foreign Affairs on foreign aid. Other relevant institutions are the respective ministries and local embassies in Africa that are tasked with monitoring implementation of aid that falls under their jurisdiction and expertise (Davis, Edinger, Tay and Naidu: 2008). A number of different bodies also play a role in the management of the various projects once the implementation begins. In addition to the local embassies, EXIM[1] bank loans are closely monitored by the Bank itself.

Criteria of Chinese aid

The Government of the People's Republic of China's basic criteria for funding a project through concessional loans is as follows:

- The project should be approved by both the Chinese Government and the Government of the borrowing country;
- The project should be technically feasible and able to generate favourable economic returns;
- The project should be of good social benefit;
- Chinese enterprises should be selected as contractors/suppliers ahead of other countries;
- Equipment, materials, technology or services needed for the project should be procured from the People's Republic of China ahead of other countries; and
- In principle, no less than 50% of the procurements should come from the People's Republic of China.

Concessional loans availed by the Government of the People's Republic of China have the following terms:

- The management fee is calculated on the basis of the total amount of the loan and paid in one lump sum before the first loan is drawn down;
- The commitment fee is calculated on the basis of the withdrawn amount of the loan and paid on interest collection dates; and
- Repayments are made semi-annually on 21 March and 21 September of every year after the grace period.

The buyer's credit Loans for developing countries have the following terms and conditions:

- The borrower should be a foreign importer, or the importer's bank, or Ministry of Finance or other authorized government institutions of the importing country, and should be acknowledged by Exim Bank of China. The borrower should have a reliable credit standing, and should be capable of paying all the principals, the accrued interests and related fees and charges of the loan as prescribed in the agreed repayment schedule.

- In the event that the borrower is not the Ministry of Finance, a government guarantee may be required if the balance sheet of the borrowing institution is not satisfactory.

Country Cases

Angola

Angola is Sub-Saharan Africa's second largest oil producer and the world's fourth largest producer of diamonds (6.3 million carats in 2003). Despite these riches, there has been, limited progress towards social and economic normalization. As well, much remains to be done to improve the transparency, accountability, and efficiency of the government; to increase effective social spending (especially in health and education); to rehabilitate destroyed infrastructure; and to rebuild national capacities devastated by decades of conflict. Corruption and mismanagement of public resources remains an obstacle to people's empowerment.

Nevertheless, strong economic growth, supported by political stability, stable inflation, financial security and rapid improvements in infrastructure that have been realized over the last decade has distinguished Angola as one of the most vibrant economies on the continent (see table 1).

Table 1: Angola's Economic Outlook

Public Finances (percentage of GDP)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Total revenue and grants	43.5	48.8	45.8	42.5	38.4	36.2
Tax revenue	6.7	6.1	5.6	5.7	5.9	6
Oil revenue	36	40.2	38.5	35	30.8	28.5
Total expenditure and net lending (a)	34.9	38.6	37.1	40.1	43.4	43.1
Current expenditure	29.5	29.9	25.8	28	30.5	30.3
Excluding interest	27.3	29	24.9	26.5	29.6	29.6
Wages and salaries	10	9	8.5	8.4	8.1	7.7
Interest	2.2	1	1	1.5	0.8	0.7
Capital expenditure	5.5	8.6	11.2	12.1	13	12.8
Primary balance	11.4	11.2	9.7	3.9	-4.2	-6.2
Overall balance	9.2	10.2	8.7	2.4	-5	-6.9

Source: *Government of Angola 2016*

Angola is among the largest recipients of Chinese investment in Africa. The country is strategically important to China for a number of reasons. First, its vast oil deposits make it attractive to China's national oil corporations, supporting China's search for energy security and China is aggressively pursuing oil assets. Secondly, as an African west coast economy, Angola has great potential as a gateway to the region, especially to Central Africa, particularly the DRC. Angola is also one of the most fertile agricultural regions in Africa, offering great potential for commercial agricultural development. Angola is currently China's largest African trading partner, with bilateral trade amounting to US$ 25.3 billion in 2008, dwarfing even China's trade with South Africa at US$ 17.8 billion. Such strong trade figures are primarily on the back of previously high oil prices. Currently more than 30% of Angola's crude exports go to China. China has pledged to increase its oil imports from Angola, and it is hoped that an uptake in Chinese demand will mitigate flagging exports to other countries amid the global financial crisis.

Relations between the Peoples Republic of China and Angola date back to the fight for national independence and its first financial assistance and military training support during the 1960s and '70s. From the year 2000, the two countries renewed their relations, with Angola seeking to rebuild its economy and the infrastructure destroyed by 27-years of civil war and with China seeking oil and investment opportunities for its private and state-owned enterprises.

Development co-operation between China and Angola grew in late 2003, when a "framework agreement" for new economic and commercial cooperation was signed by the Angolan Ministry of Finance and the Chinese Ministry of Trade. The following year, the first $2-billion financing package in concessional loans for public investment projects was approved, payable over 12 years. At the time, project proposals, identified as priorities by Angolan ministries, were presented to the *Grupo de Trabalho Conjunto,* a joint committee of the Angolan Ministry of Finance and the Chinese Ministry for Foreign and Commercial Affairs, for review and funding.

In Angola the coordination of Chinese development co-operation functions under a special office under the Angolan Presidency. In 2005, the President formed Angola's Reconstruction Office, *Gabinete de Reconstrução Nacional*(GRN). This office, which is exclusively accountable to him, manages large investment projects and ensures rapid infrastructure reconstruction. According to Campos and Vines (2008) and Corkin (2007), the GRN was also created on the assumption that the ministries would not have the organizational and technical capacity to manage the large inflows of money for reconstruction.

The bulk of Chinese financial assistance is reserved for key public investment projects in infrastructure, telecommunications, and agro-businesses under the Angolan government's National Reconstruction Program. The China Construction Bank (CCB) and China's Exim Bank provided the first funding for infrastructure development in 2002. Since the CCB and Exim Bank funding was provided directly to Chinese firms, the Angolan Ministry of Finance had little input in these arrangements (Campos and Vines 2008). The main Chinese development assistance instrument to Angola is in the form of commodity-secured loans. The guarantor of the loans is the National Bank of Angola. The guarantee is strengthened by a commitment to adjust the quantities in the oil supplied to China. The credits are directed to public investment projects. Intermediate goods are imported from the relevant companies in China.

China in Angola's Infrastructure

China's growing need for raw material resources has made it one of the most important partners for development co-operation in the South. The Chinese government has succeeded in securing the supply of oil from Angola through a number of agreements, including partnerships in infrastructure rehabilitation and development financed through oil-backed loans. China ensures that the Angolan government employs a number of Chinese construction firms to do the job required by the signed agreements. After making the selection of the companies required for a given infrastructure project, the Chinese government provides this list to the Angolan government. The Angolan government is expected to use the Chinese loans to fund construction projects, with the understanding that around 70% of the construction companies involved in these projects must be Chinese.

The initial funding for infrastructure development in Angola was provided by the China Construction Bank (CCB) and China's Exim Bank in 2002. Chinese investment in the rehabilitation of infrastructure rose to more than US$4.5 billion by 2003. Sino-Angolan cooperation has led to the rebuilding of national roads, the building of a new airport on the outskirts of Luanda and other major infrastructure projects throughout the country. These infrastructural projects are implemented by Chinese companies. One of the largest upcoming projects is the US$59.4 million upgrade of a road in Lunda Sul Province, which will be handled by the China National Machinery Industry Corporation Group. Other key projects include rebuilding the roads from Caconda to Chicomba and Caconda to Rion Ngalo. These are being carried out by the China Railway 20 Bureau Group Corporation, with the work costing an estimated US$58.8 million.

In 2004 Angola signed nine new cooperation agreements with China following a visit to Angola by the Chinese Vice Premier, ZengPeiyang (Corkin and Burke, 2006). These agreements, which were meant to support projects in the fields of agriculture, energy, water, education, mass media and infrastructure, were signed by the Angolan Ministry of Finance and the China EXIM Bank (Corkin and Burke, 2006). In January 2005, the China Exim Bank extended an oil-backed US$1 billion credit line to the Angolan government, later doubling it and then further increasing it to US$ 3 billion in March 2006. This made China the biggest player in Angola's post-war reconstruction process (Corkin and Burke, 2006).

The loan – payable at 1.7 percent over 17 years – was intended to assist in the rebuilding of vital infrastructure. In exchange, Angola provided China with 10,000 barrels of oil per day. This agreement was significant, particularly because Angola had, at the time of the agreement's conclusion, been experiencing difficulties in securing capital from international financial institutions such as the Paris Club, IMF and the World Bank.

The most popular construction projects in Angola are road and bridge infrastructure, water infrastructure and railway rehabilitation (Corkin and Burke, 2006). For example, the rebuilding of the road that was destroyed in the 1975-2002 civil war was undertaken by the China Road and Bridge Corporation (CRBC). The project, which was funded from a US$211 million loan, required the building of

10 new bridges as well as the repair and construction of 200 aqueducts. It employed 3,000 Angolan and Chinese workers for over two years.

Most Chinese SSDC projects have been, and are continuing to be implemented through state-owned or state-invested enterprises of the Chinese state. The Chinese state-owned enterprises (SOEs) receive considerable assistance from their government in terms of information on the market tenders in Angola as well as capital. The projects are supported by Chinese oil-backed loans that are included in the cooperation agreement between the Chinese and Angolan government. Chinese companies are able to overcome barriers to entry faced by other companies due to the capital provided by China as well as the lower interest rate provided by the EXIM bank.

The Angolan government also has had to create enabling conditions for the co-operation to take effect. The government of Angola has allowed Chinese companies to pay their laborers lower wages while their competitors must follow the country's labor policies. The government has also given Chinese companies tax allowances to import the raw materials they need for construction from China.

In their evaluation of the implementation of these projects, Chinese companies cite local barriers, such as the poor quality of local labour and construction materials. They maintain that the shortage of African skilled employees as well as Chinese employers' lack of trust in their abilities has meant that only 8% of the labour requirements are sourced locally. The rest, over 90%, is imported from China. The language barrier may also be one of the reasons Chinese companies prefer to hire Chinese workers. However, the institutional distance between the construction firms and the community poses a challenge for democratic ownership of the various development projects initiated by Chinese state-owned firms.

Kenya

Since 1996, Kenya has attracted considerable public and private investments into the country's economic infrastructure sectors. Kenya's Vision 2030, the country's development blueprint, aspires to transform Kenya into a newly industrialized middle-income country, with high quality services and facilities. It gives high priority to investments in all the infrastructure sectors.

Kenya's Africa Infrastructure Country Diagnostic (AICD) report estimated that the country's infrastructure deficit would require sustained expenditures of approximately $4 billion per year (around 20% of GDP) over the next decade. As of 2006, Kenya needed an additional $2.1 billion per year (11%of GDP) to meet that funding goal. The estimated requirements shot up because of the desire to meet the Vision 2030 goals and for Kenya to be the regional hub for East Africa and beyond.

The provision of adequate and high quality infrastructure services remains the biggest challenge to the development of Kenya. Currently, the Government of Kenya faces a growing gap between public investment needs and available resources to finance them. Over the years the Government and traditional development partners have been the main financiers of public infrastructure and services, but this role has been limited by the level of resources available.

In order to export produce from Kenya, the country needs effective transportation infrastructure. Current transport infrastructure in Kenya amounts to 177,500 KMs of roads, with 63,000 KMs making up classified (read major) roads and 114,500 KMs of unclassified (read rural) roads. Major investment is required for the approximately 40% of Kenya's roads that need maintenance, mainly in the rural areas. Connecting these areas is clearly the key infrastructure task at hand for the Kenyan government. To its credit, it has actively tried to encourage such development, promoting itself as a stable and geographical "gateway" to Africa.

National Development Framework

Kenya's Vision 2030 sets forth the national objective of transforming Kenya into a globally competitive, middle-income country through substantially higher growth rates and more balanced development. Its Vision 2030 recognizes the importance of developing infrastructure for socio-economic transformation. The infrastructure sector aspires for a country that has modern metropolitan cities, municipalities and towns, whose facilities meet international standards, making Kenya globally competitive and prosperous. The strategies and measures to be pursued in the medium term include: 1) supporting the development of infrastructure initiatives around flagship projects; 2) strengthening the institutional framework for infrastructure development; 3) raising the efficiency and quality of infrastructure and 4) increasing the pace of infrastructure development.

Vision 2030 seeks to realize average annual GDP growth rates of 10%, through investments in priority infrastructure sectors including national flagship development projects. These are to be financed and implemented through 3-year medium-term plans. Kenya is currently implementing the MTP II, which ran up to 2017.

Kenya - China Relations

Kenya-China relations date back to 14 December 1963, two days after the formal establishment of Kenyan independence. China became the fourth country to open an embassy in Nairobi. The Sino-Kenyan relationship was centered on promoting trade between the two countries. China has its largest African embassy in Nairobi. China currently gives both monetary and non-monetary aid to Kenya covering loans and grants for projects and concessional loans for construction of various roads in the country.

China's assistance to Kenya is exclusively project-based. It mainly supports investment in infrastructure, equipment and plants; academic training; technical training; humanitarian relief; and tariff exemptions. China has given Kenya grants and loans for infrastructure, plants and equipment. These are primarily in road construction projects; the modernization of power distribution; rural electrification; water; renovation of the international sports centre; medical centers and drugs for fighting malaria; and construction of a malaria research centre. For many years China has awarded scholarships to Kenyan students wishing to undertake their studies in China in a variety offields. *Table 2* shows the magnitude of China's support to Kenya's infrastructure.

Table 2. China Aid to Kenya on Infrastructure in Kenyan Shillings

2015/2016						2015/2016				
Draft Estimated (KES)						Draft Estimated (KES)				
	GoK	Grant		Loan		GoK	Grant		Loan	
	Amount	AIA	Revenue	AIA	Revenue	Amount	AIA	Revenue	AIA	Revenue
Ministry of Transport and Infrastructure										
Gambogi-Serem Road		0	0							
Nairobi Eastern and Northern Bypass Project	2 Billion									
Nairobi-Thika Highway Improvement Project (LOT 3)	2 Billion			500 Million	0					
Nairobi Southern Bypass Project	2.5 Billion			5.1 Billion	0				5.52 Billion	0
Standard Gauge Railway				3.88 Billion						

*100 Kes – 1 USD
Source: Compiled by the Author

In 2006, Kenya and China signed six agreements, which signaled closer economic and technical cooperation between the two countries. The signed agreements included the Economic and Technical Cooperation Agreement on the provision of concessional loans by China to Kenya and the Air Services Agreement that grants Kenya Airways landing rights in several cities in China. Also signed were agreements on radio cooperation between the State Administration of Radio, Film and Television of China and the Ministry of Information and Communications of Kenya as well as a collaborative agreement between the General Administration of Quality Supervision Inspection and Quarantine of China and Kenya's Bureau of Standards. This cordial relationship between the two governments has facilitated the award of a tender to Chinese contractors to improve various infrastructure. (Mugendi: 2011)

China on Kenya's Infrastructure

China has continued to develop major transport links to support its economic interests in Kenya as well as the Eastern Africa region covering Uganda, Rwanda and the DRC. There has been an increase in Chinese infrastructure investment in Kenya. Chinese companies have been involved in the construction of major road networks in Kenya, such as the Nairobi-Thika Highway, the Airport Road in Nairobi; the Kipsigak-Serem-Shamakhokho Road in Rift Valley; the Kima-Emusustwi Road and the Gambogi-Serem Road in western Kenya. Chinese investment in Kenyan roads, which began in 2006, has resulted in the rehabilitation or construction of approximately 905.4 kms of road at an estimated cost of U$379 million over a four-year period.

The Chinese strategy for infrastructure construction has been marked by the development of either extremely long stretches of motorway or concentrated networks within major cities. Chinese firms have, for example, sought to ease traffic congestion in Nairobi by completing by-passes in the north, east and south of the city, and by linking the Jomo Kenyatta International Airport to the city centre. Where motorways are concerned, the Chinese have invested approximately U$240 million in the rehabilitation of the Nairobi-Mombasa road.

Box 1: Kenya's Project Management Process

The Project Process

The Government has an operating framework for assigning roles and responsibilities of key public entities in the preparation and implementation of PPP projects during their life cycle.

i) Project identification, selection and prioritization: *As the first step in determining the technical profile, operations, service delivery targets, and future income and costs of the project, the Ministry, Department and Agency (MDAs) shall perform a needs analysis through a survey. For PPP projects that require the collection of user fees directly from consumers, the policy proposes that there be a survey to confirm whether revenues paid by customers will be sufficient to make the project financially viable;*

ii) Project preparation and appraisal: *This includes the conducting of a social cost benefit analysis which will entail a full investment appraisal that determines the commercial sustainability of the project, the project description, and any requirements for land acquisition or other Government support, the affordability of the project's proposed tariff path for users, the bankability of the project based on optimal risk sharing and consultations with stakeholders to ensure their interests are considered;*

iii) Project tendering: *This shall be consistent with the PPP Act. As a general principle, projects should be tendered with a maximum of information provided to the potential bidders, including the level of Government support to be extended to the undertaking;*

iv) Project negotiation: *Guidelines shall be developed to include guidance in preparing and organizing the negotiations with first ranked bidders, and the approval procedures required from oversight state* *departments such as the state department responsible for treasury and/or the state department responsible for fiscal management;*

Project approvals: *The approval of PPP projects shall be done in accordance with the PPP Act*[2].

vi) Project monitoring and evaluation: *This step will involve the development of a monitoring and evaluation plan aimed at reviewing PPP project performance to ensure compliance with the project agreement during the implementation and operation period and to ensure that the transfer of assets at the expiration of the project agreement is consistent with the terms and conditions in the project agreement.*

While the Kenyan and Chinese governments deal bilaterally on infrastructure development, Chinese firms carryout the work. Kenya's role is limited to the identification of the project and the its processing for co-operation, including providing an enabling environment and the facilitation of project implementation,[3]as outlined in *Box 1*above.

Box 2: Thika Highway and Standard Gauge Railway

The Nairobi - Thika Highway Improvement Project

The Government of Kenya (GOK) solicited the financial assistance of the Chinese EXIM Bank for the rehabilitation and upgrading of the Nairobi-Thika highway. The Nairobi-Thika road is part of the classified international trunk road A2 that originates in downtown Nairobi and extends to Moyale at the Ethiopian border. The road operated beyond its capacity, accommodating more than 30,000 vehicles per day. Its condition had deteriorated and required rehabilitation. Three Chinese companies were involved in the substantial improvements needed to increase the road's capacity, including the construction of additional lanes and six interchanges. Firms involved in this project were China Wu Yi (Kenya) Corporation, Sheng Li Construction Company and Sinohydro Company.

The Improvement Project in Kenya was intended to achieve the following three objectives: 1) to improve road transport services along the Nairobi-Thika corridor and reduce traffic congestion; 2) to develop a sustainable urban public transit system for the Nairobi Metropolitan Area; and 3) to boost private sector participation in the development of road infrastructures. The Government has noted the following benefits from the project: 1) improved traffic flow in and out of the city; and 2) reduction in fuel consumption, which translates into economic savings for vehicle owners. The benefits in the economic evaluation include vehicle operating cost savings, travel time savings for passenger and cargo, and road maintenance savings.

The Standard Gauge Railway

The Standard Gauge Railway (SGR) is a flagship project identified by the Government of Kenya as a transport component aimed at delivering Vision 2030.The SGR project is proposed to connect Mombasa to Malaba on the border with Uganda and to continue to Kampala, Uganda's capital city. It will then run to Kigali in Rwanda with a branch line to Juba in South Sudan. Branch lines along the route will extend to Kisumu, Kasese and Pakwach. It seeks to simplify transport operations across borders and to reduce travel costs, thus benefiting the economies of both Kenya and neighbouring countries. Construction of the 609km-long line began in October 2013 and is scheduled to be completed by December 2017. The Mombasa-Nairobi phase of the project cost KES327bn ($3.8bn). China Exim Bank provided 90% of the financing while the remaining 10% was contributed by the Kenyan Government. (KRC Website)

Analysis of the Country Case Findings from HRBA Perspectives

It is important to note that Chinese co-operation with both Angola and Kenya is largely driven by the funding instruments and support given by the Government of China. Unfortunately, most of these instruments are marked by a desire on the part of China to pursue economic interests on the one hand, and the demand for infrastructure by Angola and Kenya on the other. Issues relating to human rights or people's empowerment remain aspirations that are alluded to, but are not tackled directly by either side of the co-operation.

Angola

Civil Society Organizations (CSOs) have a crucial role to play in ensuring that the boom in Angola's new trade with China is managed in a manner that contributes to the eradication of poverty as well as sustainable economic growth and development. However, the relationship between CSOs and the state is problematic and does not facilitate this role. The institutional and legislative framework governing CSOs as well as the state's enforcement measures are designed to deter CSO input. CSOs are dismissed as placing 'democracy' ahead of 'development' and as being agents of the West. Some CSOs face blanket condemnation as being anti-development and against the exploitation of natural resources by foreign companies. The Angolan government sees CSOs as a hindrance in its attempts to encourage China's contributions to Angola's development. Neither the Chinese nor the Angolan government supports the growth and development of CSOs that are promoting accountability. In practice this greatly limits accountability to the people in the practices and initiatives of China-Angola cooperation.

There are also concerns regarding limited transparency in the use of Chinese funds. There is insufficient information available to the public concerning the process and magnitude of Chinese investments, especially from the government arm that manages many of the larger Chinese infrastructure projects. There are fundamental questions on the procurement procedures governing Chinese construction tenders in Angola and the over-riding authority of the Executive in aid management (Corkin, 2007; 3). Furthermore, Chinese companies flout local labor regulations especially for the Chinese expatriates working for their companies. Chinese companies are yet to establish social projects as part of their corporate social responsibility to support local communities where their projects are located.

Chinese projects do not expressly prioritize reduced unemployment as a development goal. Though public investment projects are aimed at improving infrastructure, which will eventually stimulate domestic and foreign direct investment, Chinese contracts are not in themselves employment-generating. CSOs cite lack of evidence of technology transfer, with most sub-contracted firms being Chinese. Most of projects' skilled labor are Chinese and foreign expatriates.

Only specific Government sectors are engaged in Chinese co-operation. Citizen participation in these sectors is very limited or non-existent. The sectors are capital-intensive and heavy equipment-related. Furthermore, few government officials are aware of the details of Chinese co-operation as these are managed from the President's office. Civil society has minimal, if any, awareness of Chinese co-operation and related issues. The few with an interest and understanding of the issues are most often influenced by the emerging discussion at the international level.

There is no involvement of citizens in any activities related to Chinese development co-operation or projects in the country. Some analysts maintain that Chinese investments in Angola have been implicated in environmental protection offenses as well as workers' rights violations. Generally, there is the feeling that there is weak surveillance within government institutions of Chinese's projects in Angola, particularly in regard to their development and empowering aspects.

Kenya

While the Kenyan government exercised leadership in the identification and approval infrastructural projects, a study done by RoA Africa in 2014[4]has revealed that citizen participation in the identification of priority projects was essentially non-existent. It appears that outside the government, the exercise was closed to most stakeholders, including the domestic private sector. This could be attributed to the technical nature of the process to identify projects as well as the lack of a clear framework and structure within which to facilitate public participation in the process.

This lack of public and stakeholder participation has led to challenges during implementation as most of the projects have required large tracks of land that were occupied by the population. Citizen involvement is paramount in such a process as they are not only the beneficiaries of infrastructural projects but also active players in their success. It must be noted, however, that the involvement of the cabinet in the approval of projects indicates strong political buy-in from the government.

Projects appear to be supply-driven with little community participation and ownership of the construction of large installations. Government involvement also seems to be limited, focusing primarily on providing guarantees and creating an enabling environment for the investment to take place.

There is no support to community and civil society initiatives based in areas where projects have been initiated through the Community Development Trust Fund. There is no Community Environment Facility for NGOs/CBOs to facilitate the awareness and advocacy campaigns on land rights and access to land for pasture.

China EXIM bank has remained true to its objective of profit-making, and the project requirements reflect this goal with their emphasis on the technical soundness of the investment in terms of returns. In Kenya, where the demand for infrastructure is needed for development purposes as opposed to merely securing profit, there is a need to address tradeoffs rather than to just stick to an unrealistic win- win rhetoric.

Project requirements put emphasis on benefiting Chinese economic interests and Chinese companies rather than people's empowerment. This was seen in the development impact of the two projects described above. Both are heavily driven by the need to supply Chinese capital, companies and technology, with no evidence of backward linkages to local companies and supply chains or partnerships with local companies and communities.

The Chinese support requirements are weak on social and environmental impact assessment. Instead they focus on the delivery of the project in a timely manner and at a cost-effective rate. An example of the consequences has been the endangering of fishermen's livelihoods during the construction of the Standard Gauge Railway, which has been raised as a critical issue. The project is going down 150mtrs into the ocean– the same level as the fish landing sites. The access routes for fishermen to have their nets, boats, launch into the ocean have been closed. This has significantly affected their livelihoods and has caused untold suffering.

Recommendations

Based on the above findings, it would seem that the avowed principles of Horizontal SSC are not being implemented in these cases of SSDC. Saying that, there are some elements that have been reflected in terms of country leadership and country ownership. However, a lot more would have to be done to bring the concept of Horizontal SSC to bear in the current co-operation arrangements. The recommendations in this section therefore focus on elements that could be addressed to support a Horizontal SSC agenda for Kenya, Angola and China.

China's engagement with both Angola and Kenya should promote inclusive partnerships. The current partnerships in infrastructure development are not inclusive. They involve only governmental structures and the contracted Chinese private sector. Both governments would need to create structures that involve the participation of citizens who are impacted by projects. Furthermore, infrastructure investment projects should seek to include local investors who have been left out in the current framework, through deliberate financing instruments that currently only target international investors from China.

Make co-operation more transparent and accountable. Horizontal South-South co-operation is meant to empower and directly tackle poverty. Therefore, the use of Horizontal SSC resources in China, Angola and Kenya in infrastructure development must clearly show these linkages to poverty reduction. Combining concessional finances and investment funds to support Chinese private sector investments, as is the current form, fails the transparency and accountability of these resources in determining the direct impact of such investments.

Address the human/ project conflicts. The Standard Gauge Railway project described in this study shows conflict between the initiative and the communities surrounding the projects. The main problems involve people's rights/access to fishing grounds and the poor compensation mechanisms. Furthermore, there appears to be neither proper legal representation of the communities surrounded by such projects, nor are there CSO groups to facilitate them to claim their rights. CSOs and human rights defenders need to help secure the rights of communities surrounded and affected by these projects. There needs to be more analysis, information disclosure and transparency on Chinese development assistance in infrastructure and its impact on the countries involved.

Strengthen the South- South Co-operation units. South-South Co-operation, as exemplified in this research, shows that it is one of the most important instruments for financing development infrastructure in the countries under study. This is not only because of the level of finance this co-operation is attracting but also because of the complexity of instruments used for financing. The governments of Kenya and Angola should consider creating SSC units in all the ministries to facilitate the growth and development of these partnerships.

Create special standards pertaining to labour and employment conditions, tax regulations, environmental, and export standards. These measures require increased collaboration amongst inter-governmental agencies (i.e. finance, planning, standards, procurement) to reduce corruption and improve implementation modalities in Chinese's funded projects to better align them with Horizontal SSDC principles.

The governments of Angola and Kenya need to conduct research on China's engagement with their respective economies so that they can maximise their benefits. More information should be shared between these two governments on their relations with China to facilitate beneficial relations. If well implemented, SSC could result in greater development impact from China's involvement in the countries involved.

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[1]In 1994, Beijing established the China Eximbank, which set up a fund for concessional loans to support industrial, infrastructure, and social welfare projects by Chinese enterprises.

[2]The Public Private Partnership Act was enacted into law in 2012 and became effective in 2013. The main objective of the act is to facilitate the participation of the private sector in financing the construction, development, operation, or maintenance of public infrastructure or development projects through concession or contractual arrangements. It also paves the way for the private sector participation in provision of public services in the transport, water, sanitation, housing and environment sectors. Other areas the act seeks to affect include the following:

- The process of engagement between the private and public parties in order to deliver long term public facilities and services;
- The definition of a Public Private Partnership, the scope and type of PPP arrangement;
- The establishment of institutions and their roles in dealing with PPP projects;
- The process of PPP projects including identification, prioritization, conceptualization, preparation, tendering, negotiations, award, approval, implementation, monitoring and evaluation, and finally how they are handed over to the Government of Kenya where applicable;
- Financial security instruments such as political risk guarantees and letters of support;
- The key elements of project agreement; and
- Establishment of a Facilitation Fund to cover Viability Gap Fund, Government subsidies, contingent liabilities when they crystallize, project preparation funds. This is aimed at making the projects bankable and attractive to the private sector

[3] These include land acquisition, tax reliefs, guarantees as well as clearing various regulatory hurdles for the project.

[4] Private Sector and Development Finance in Kenya