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AFRICA & CHINA

COOPERATION FOR SUSTAINABILITY

Briefing note from WWF to competent authorities in
African countries and China in the context of FOCAC

9 March 2012

A COMMON GOAL OF SUSTAINABLE DEVELOPMENT FOR AFRICA AND CHINA

Investing in sustainable development is fundamental for both Africa and China's long-term prosperity, and the Forum on China-Africa Cooperation (FOCAC) is a significant platform for catalysing such investment. Building economies that manage natural capital wisely is necessary as forecasts suggest that by 2050 the world's population will exceed 9 billion (WEF, 2011) and already now humanity uses 50% more than the earth can regenerate every year (WWF, 2010).

China's 12th Five-Year Plan approved in March 2011 states the goal of “green development” for China and the aim to strengthen the “Going Global Strategy” which encourages Chinese companies to invest overseas. Taken together, these otherwise separate priorities offer an **opportunity to work collaboratively towards the common goal of sustainable development** – a goal also stated in the 2009 FOCAC declaration.

Building on such opportunity, this Briefing Note puts forward proposals intended as a contribution to the preparations by the competent authorities in African countries and China for the 5th FOCAC Ministerial Conference. The aim is to help to upscale previous FOCAC commitments and ensure that environmental considerations underline the development opportunities carried by China-Africa cooperation.

The proposals cover the following areas:

❖ Extraction and use of natural resources

- Strengthening corporate social and environmental responsibility of Chinese companies operating overseas in mineral extraction, especially in oil and gas, and growing investments in renewables and low carbon industries.
- Collaborating to halt illegal and unsustainable extraction and trade of natural resources such as timber, fish, medicinal plants, wildlife species and their parts.
- Fostering a business framework where commodities are sourced and traded in a responsible way for both the environment and local communities.

❖ Investments and financial cooperation

- Implementing green lending standards for investment overseas.
- Contributing to Conservation Trust Funds for environmental protection and sustainable development.
- Promoting sustainable tourism.

❖ Clean energy

- Investing in Africa's enormous potential for renewable energy and in clean energy projects that can increase energy access and reduce energy poverty.

EXTRACTION OF NATURAL RESOURCES

Africa is endowed with vast natural wealth which can deliver economic growth and benefits to local people across the continent. As Africa's largest trading partner, China has an important role to play in Africa's sustainable development. To ensure Africa's long-term development as well as China's return on investment, it is key that natural resources are managed within sound regulatory frameworks, as poor management can lead to depletion of stocks, reduced access to food and safe water, conflicts, costly pollution and adverse health impacts.

❖ **Corporate social and environmental responsibility**

In 2008, 82% of Africa's official exports to China were in mineral products – including oil and gas (Hurst, 2010). Mineral extraction is socially and environmentally sensitive: in 2008 at the global level, the environmental externalities of the mining sector alone, especially in terms of water pollution, were said to amount to over US\$200 billion, a cost usually borne the hardest by local populations (UNEP FI and PRI, 2011).

China has already begun addressing the sustainability of its overseas investment. In 2009, for example, the Ministry of Commerce and the State Forestry Administration issued voluntary guidelines for Chinese companies operating abroad in the forestry sector, as a first step towards international certification. The **development and dissemination of similar guidelines for other environmentally sensitive sectors, such as oil and gas, mining, infrastructure development (especially dams), agriculture and fisheries**, will enhance performance and reduce investment risk.

At the same time, WWF encourages further steps towards investment in and development of low carbon and renewable alternatives to oil and gas.

Encouraging Chinese investors to adopt strong social and environmental responsibility and the best international standards would contribute to Africa's sustainable development aspirations and facilitate social and political acceptance of China's industries.¹ Compliance to national laws and international conventions such as those pertaining to protected areas are a given, but where national legislation is weak, Chinese companies should comply at least with Chinese domestic standards. It is also in China's interest to provide

¹ Reference standards for environmental and social performance are those by the World Bank's International Finance Corporation (IFC) and the Extractive Industries Transparency Initiative (EITI). The EITI has been adopted by 6 African countries (EITI, 2011) and supported by China in UN General Assembly resolutions and in the G20 Pittsburgh Declaration. In another sector, the Kimberly Process ensures that diamonds are supplied responsibly and do not come from conflict zones.

assistance for strengthened durability of investment as well as to promote China as a responsible international actor.

❖ **Collaboration to halt illegal and unsustainable extraction and trade of natural resources**

In 2009, illegal logging is said to have cost governments globally US\$7 billion in lost revenue (Haken, 2011) – the equivalent of Zimbabwe's GDP (World Bank, 2011). For Tanzania alone, the amount of lost tax due to illegal timber operations in 2004 was estimated at between US\$24 and 58 million (Mercer *et. al.*, 2011), not to mention the foregone income for communities and the damage to critical watershed services such as soil retention, water filtration and water provisioning for drinking, irrigation or hydropower. Fish is another crucial commodity for local livelihood, and the cost of illegal fisheries operations for governments in West Africa has been estimated at US\$107 million since the 1990s (Agnew *et. al.*, 2010).

FOCAC offers the platform to **enhance international cooperation to eliminate illegal and unsustainable harvesting, processing and trading of endangered species of flora and fauna, including their parts and products, such as elephant ivory**. This could be achieved through joint increased support to law enforcement, good governance, and monitoring of key impact indicators. In addition, China could enhance its international commitments to wildlife protection by strengthening and enforcing regulatory controls for its consumer market, as well as encouraging its African diplomatic branches to inform Chinese nationals of the risks associated with illegal wildlife trafficking. On-the-ground capacity building will increase awareness of national laws, international agreements such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), implementation measures of the Convention on Biological Diversity (CBD) and of the Regional Fisheries Management Organisations (RFMOs).

❖ **Sustainable commodities**

Even when extraction is legal, over-exploitation of natural resources, food and medicinal products from forest, marine and freshwater ecosystems can cause insecurity of supply and adverse impacts. FOCAC has the opportunity to foster an environment in which **investors engaged in trade of food and fibre commodities (e.g. timber and cotton) from Africa to China are accountable** for ensuring that these are sourced and traded in an environmentally and socially responsible way. **Incentives to trade in sustainably sourced, certified commodities** meeting high social, economic and environmental standards can improve supply chain responsibility, contribute to developing markets for sustainable goods, and

ultimately benefit communities, producers and consumers. Examples of rigorous, multi-stakeholder certification schemes for commodities include:

- The Forest Stewardship Council (FSC) for sustainable timber and forest products
- The Marine Stewardship Council (MSC) for wild-caught fisheries
- The Aquaculture Stewardship Council (ASC) for farmed fisheries
- The Roundtable on Sustainable Palm Oil (RSPO)
- The Roundtable on Sustainable Biofuels (RSB)
- The Better Cotton Initiative (BCI)
- The FairWild Standard, for medicinal and aromatic plants from the wild.

INVESTMENTS AND FINANCIAL COOPERATION

It is fundamental that consultation, coupled with environmental and social considerations underpin all stages of project development, as Africa's long-term development depends on efficient land use, water and food security as well as resilience to climate change.

❖ **Green lending**

At the 2009 FOCAC Ministerial Conference, China committed US\$10 billion in the form of preferential loans for developing much needed infrastructures in African countries (FOCAC, 2009). The financial sector is central in implementing these commitments, as this amount will be channelled through China's policy banks and will be added to other public and private investment in extraction and manufacturing projects. These are long-term investments that influence development opportunities for generations ahead.

A commitment to implement the green lending guidelines issued by the China Banking Regulatory Commission in February 2012 for investment supported by China in Africa would significantly reduce financial risks by reducing associated environmental and social risks, while at the same time bring benefits to the environment and local economies. Based on such guidelines, banks will publicly commit to adopt international best practices or standards for overseas projects, effectively identify, assess, monitor, control and mitigate environmental and social risks, and disclose information as required by laws and regulations.

In addition, African countries and China could cooperate on **exchange of qualified professionals** to ensure that adequate environmental expertise is available to undertake

Environmental Impact Assessments (EIAs) and Strategic Environmental Assessments (SEAs) based on sound and transparent stakeholder consultation.

❖ **Conservation Trust Funds**

China has the opportunity to make direct contributions to nature conservation and sustainable development in Africa through Conservation Trust Funds. As the poorest local communities are the most dependent on natural resources, good stewardship of the environment has most direct impacts on their lives and investment in environmental protection can be a pillar of a strong poverty reduction strategy. Trust funds are financial mechanisms capitalized by bilateral debt swaps² and multilateral donations, as well as by grants from governments, foundations, non-profit organisations, individuals and revenue-generating activities.

Funds are used to establish new protected areas, build park management capacity, promote sustainable use of natural resources, and involve local communities in their management. As of 2008, there were 22 Conservation Trust Funds in 16 countries in Africa (Botswana, Cameroon, Central African Republic, Cote d'Ivoire, Gabon, Ghana, Madagascar, Malawi, Mauritania, Mozambique, Republic of Congo, Seychelles, Sierra Leone, South Africa, Tanzania and Uganda). By contributing to these, China would address basic poverty factors, help to deliver global conservation targets, increase its profile as a responsible international actor and open new opportunities for professional exchanges (e.g. through secondments) and capacity building for environmental conservation in both Africa and China.

❖ **Sustainable tourism**

In 2009, FOCAC recognised that developing tourism is an effective way to promote economic growth and cultural exchanges. The South Africa tourism industry, based to a large extent on wildlife attraction, was estimated to be worth US\$8 billion in 2010 (Department of Tourism, Republic of South Africa, 2011) and the total economic output of activities associated with the Okavango Delta is estimated at more than US\$145 million, or some 2.6% of Botswana's GDP (SCBD, 2010). As China pledged to support investment in the tourism sector in Africa, it is crucial that these **investments focus on sustainability principles and ecotourism approaches** in order to promote development for local communities and protect Africa's long term natural capital and tourism industry.

² A debt-for-nature swap is an arrangement by which an indebted developing country undertakes, in exchange for cancellation of a portion of its foreign debt, to establish local currency funds to be used to finance a conservation programme (OECD, 2011).

CLEAN ENERGY

To date, African economies are hampered by rolling blackouts due to poor energy infrastructure that limit their potential, and about 60% of Africans have little or no access to electricity (OFID, 2008). Access to clean, affordable and reliable energy services is essential for human and economic development, and this can be provided in Africa through clean energy (wind, solar, geothermal, marine power, small hydropower and sustainable forms of biomass). China can share its positive experience of providing renewable energy to rural communities and rapidly becoming a leader in manufacturing of renewable energy equipment.³

❖ Investment in reducing energy poverty through clean energy projects

Building upon the 4th FOCAC Ministerial Conference in 2009, when China committed to carry out 100 projects for water supply and clean energy in African countries (FOCAC, 2009), Africa and China have the opportunity to take the partnership to the next level. A commitment to **reduce energy poverty through affordable and clean off-grid facilities** will support economic growth and job creation, save millions of lives, while also contributing to protection of the natural forests and important watersheds in Africa.

Today, 65% Africans rely upon traditional biomass from wood and animal residuals burning (OFID, 2008). Most traditional biomass is inefficient and highly polluting and 1.6 million lives are claimed every year worldwide due to its indoor pollution (more than double the victims of malaria; WHO, 2011; 2010). Use of traditional biomass is also a significant contributor to deforestation and degradation of forests, and black carbon particles released in the atmosphere contribute to air pollution and climate change.

The solution could be found in cooperation and increased investment for production and dissemination of highly efficient cookstoves, solar water heaters, community biogas digesters combined with multi-purpose agroforestry products. Inspired by China's development in the 1980-1990s, when foreign aid and investment was used to acquire know-how and technology, **joint ventures for renewable energy manufacturing facilities could also be set up by Chinese companies in Africa** contributing both to energy access and job creation.

Today, the renewable sector employs 3.5 million people worldwide (UNEP, 2008), of which half a million are in China (UNEP, 2009), compared to a falling employment rate in fossil fuel industries (UNEP, 2008). China has been successful in providing renewable energy to many of its rural communities and today, as a world leader in manufacturing renewable energy components,

³The WWF Energy Report advocates the aspiration of reaching 100% renewable energy by 2050 globally.

it could share technological and industrial knowledge to achieve a low-carbon development and climate resilient future in Africa.

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*“To strengthen China-Africa cooperation on environmental protection will not only provide a sound opportunity for both sides to learn from and complement each other but also accumulate helpful experiences for **closer cooperation on environmental protection among developing countries**”, Chinese Vice-Premier Zeng Peiyan, 2005.*

*“Africa’s growth is underpinned by Chinese demand, and **China’s growth will be ever more dependant on Africa’s resources**”, Jacob Zuma, President of South Africa, 2009.*

WWF (World Wide Fund for Nature)

2015

Our goal: by 2015 China's trade, aid investment policies integrate solid environmental principles.

1980

WWF has been working in China since 1980. WWF China is headquartered in Beijing and has 9 field offices across the country.

1961

WWF was founded in 1961.

+100

WWF is in over 100 countries, on 5 continents. 16 offices are in Africa.



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Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

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