



South-South In Action

Promoting the Sustainable Development of Africa through South-South Investment

The China-Africa Development Fund

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Designed by Juan Pablo Ramos Valadez



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Abbreviations and Acronyms

AIDS	Acquired immunodeficiency syndrome
AWA	Africa World Airlines
CADFund	China-Africa Development Fund
CDB	China Development Bank
FAW	First Automotive Works
FOCAC	Forum on China-Africa Cooperation
FTZ	Free trade zone
HIV	Human immunodeficiency virus
IATA	International Air Transport Association
SDGs	Sustainable Development Goals
UNOSSC	United Nations Office for South-South Cooperation
WFP	World Food Programme

Foreword

Africa is a continent of hope and development, and its development is the shared wish of people around the world. With China being the world's largest developing country and Africa the home to the greatest number of developing countries, the two parties need each other for development, prosperity and stability. Especially in view of the current international dynamics featuring profound and complex changes, strengthened China-Africa cooperation not only is in line with the shared interests of both parties but also abides by the principles of South-South cooperation and contributes to the balanced development of the world economy.

Investment in Africa is an important component of China-Africa cooperation. At present, more than 3,700 Chinese enterprises have taken root in Africa. In 2018, China's direct investment flow to Africa was \$5.39 billion, accounting for 13.47 per cent of the world's total direct investment in Africa.¹ By the end of 2018, its investment stock in Africa exceeded \$46 billion, accounting for 5.14 per cent of the world's total investment in Africa.²

The China-Africa Development Fund (CADFund) is one of the important initiatives of the Forum on China-Africa Cooperation. In the 13 years since its establishment, the CADFund has been committed to serving China-Africa cooperation with a market-oriented approach, giving full play to its financial advantages and guiding role as a platform. It has introduced Chinese enterprises as well as Chinese capital, technologies, production capacity and management experience to Africa and vigorously helped Africa to improve its own development capacity, increase tax revenues and expand exports. In this process, the CADFund has worked to strengthen cooperation with African governments and multilateral organizations and other development partners to respond to Africa's needs and opportunities. In September 2018, the CADFund and the United Nations Office for South-South Cooperation (UNOSSC) signed a memorandum of understanding in which the two organizations committed to jointly promoting cooperation in poverty reduction, capacity development, joint research and project incubation in Africa.

Since the outbreak of COVID-19, countries have been seriously affected in areas including public health and safety, the economy and financial stability. According to the UN forecast, the world economy will shrink by 3.2 per cent this year due to the COVID-19 pandemic.³ Most African countries have weak health systems and face multiple threats such as locust



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Fund
(CADFund)

1 China, Ministry of Commerce, *Statistical Bulletin of China's Outward Foreign Direct Investment 2018*.

2 "China's direct investment in Africa exceeds 46 billion US dollars by the end of 2018", China Daily, 4 June 2019.

3 World Economic Situation and Prospects as of mid-2020, the United Nations, May 13, 2020.

<https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-as-of-mid-2020/>

plague, malaria and extreme climate conditions – which will pose even greater challenges to economic and social development in the future. However, we believe that new opportunities can be nurtured in times of crises. We are all citizens of the same global village and I am confident that as long as we work together, we will overcome all challenges. CADFund is invested in building a global community for the common good through discussion and collaboration, and will continue to support infrastructure projects in Africa, bolster the development of African processing and manufacturing industries and support local livelihood projects towards positive development results accessible to more Africans and actively carry out cooperation with third-party markets. It will do so by working together with international multilateral and bilateral organizations including UNOSSC to make a greater contribution to the development of Africa and the sustainable development of a community of shared future for humankind.

Foreword

In March 2019, representatives from over 160 countries adopted the outcome document of the second High-level United Nations Conference on South-South Cooperation (BAPA+40) in Buenos Aires, Argentina. Delegations of Member States, regional groups, United Nations agencies and civil society organizations shared their perspectives on the role and future of South-South and triangular cooperation.

The outcome document recognizes the significant contributions of South-South trade and investment in promoting sustainable development and calls for their expansion. However, this will require the promotion of capacity-building, strengthening of regional integration efforts and interregional linkages, infrastructure interconnectivity, and development of national productive capacities through policy coordination, exchanges of knowledge, technological innovations and technology transfer on mutually agreed terms. All those efforts will require the mobilization of innovative sources and mechanisms of additional financing, and countries to further explore new sources of innovative financing for funding the Sustainable Development Goals (SDGs).

Countries will need \$3.3 trillion to \$4.5 trillion annually to meet demands for basic infrastructure, health, education, food security, and climate change mitigation and adaptation. According to the United Nations Conference on Trade and Development (UNCTAD), the annual investment gap in key sustainable-development sectors for developing countries is about \$2.5 trillion. Bridging this investment gap is crucial and will require increased public- and private-sector contributions. Moreover, the COVID-19 pandemic has further posed unprecedented challenges on economics and societies globally. It is estimated that \$2.5 trillion will be needed to rescue the economies of developing countries and prevent global economic collapse. In sub-Saharan Africa alone, 23 million people will be pushed into poverty. Although it might be too early to gauge the exact scale and the extent of its implications, the pandemic will reshape the economic thinking and the development agendas worldwide as well as the progress towards achieving the SDGs.

In this regard, I would like to commend the Government of the People's Republic of China for introducing instruments that further promote South-South investment. The China-Africa Development Fund (CADFund) inaugurated in 2006 at the Forum on China-Africa Cooperation is one of the most important China-Africa cooperation mechanisms aimed at advancing sustainable development and boosting industrialization in Africa through South-South investment. Its foundation, philosophy, guiding principles and impact have reflected strong South-South solidarity and concrete South-South actions.



Jorge Chediek
Director of the
United Nations
Office for South-
South Cooperation
and
Envoy of the
Secretary-General
on South-South
Cooperation

From the informative seven case studies presented in this publication, I am greatly impressed by the great impact made by the CADFund on the ground in advancing the achievement of the SDGs. This has been demonstrated through the creation of employment opportunities, the increase in tax revenues and the enhancement of productive capacities through vocational training of local communities as well as through the way in which the Fund has innovatively drawn on public-private partnerships in its investment projects.

Through the South-South in Action series, the United Nations Office for South-South Cooperation (UNOSSC) provides a platform for development partners to share their best practices in South-South and triangular cooperation initiatives while providing a window for Southern partners to learn and recognize the opportunities for collaboration that exist in the South. I hope that this report will offer an opportunity for the international community to better understand China-Africa cooperation and investment as well as the mutual benefits to be gained by optimizing their strengths and comparative advantages.

I look forward to expanding the scope of collaboration between UNOSSC and the CADFund and continue to offer our services and global platforms, including South-South Galaxy and the Global South-South Development Expo, to promote the good practices and experiences of the CADFund and partners alike and advocate for South-South cooperation for sustainable development.





Chapter I. Introduction to the China-Africa Development Fund (CADFund)

Introduction to the China-Africa Development Fund (CADFund)

A. Overview

1. Background

The establishment of the China-Africa Development Fund (CADFund) is one of the important measures announced by the Government of China at the Beijing Summit of the Forum on China-Africa Cooperation (FOCAC) in 2006. It is also China's first equity fund focusing on investment in Africa, with the aim of boosting Africa's industrialization process and enhancing its capacity for sustainable development through investment. The CADFund was officially launched in June 2007 and is administered by the China Development Bank (CDB), with a total capital amount of US\$5 billion. As of 2020, the Fund's capital is \$10 billion. Headquartered in Beijing, the Fund also has offices in Ethiopia, Ghana, Kenya, South Africa and Zambia.



Opening ceremony of the representative office in Kenya, Sep 22, 2016.

The CADFund also manages the China-Portugal Cooperation Development Fund, totalling \$1 billion, which aims to promote economic and trade cooperation between China and Portuguese-speaking countries through investment.



Opening ceremony of the representative office in South Africa, March 16, 2009

2. Investment Vision

The CADFund seeks to promote the economic development and industrialization of Africa, reduce poverty, improve peoples' livelihoods, enhance the capacity of Africa for sustainable development and build a tightly knit community of shared future for humankind through market-oriented investment.

3. Investment Philosophy

Operated as an international equity investment fund, the CADFund aligns itself with the principles of mutual benefit and win-win cooperation, following market rules and leveraging market instruments. Independently operated and managed, it assumes sole responsibility for its profits and losses and takes on risks by itself according to market principles.

The CADFund strives to prevent risks through a standardized, rigorous procedure of evaluation and risk control. It guides and supports Chinese enterprises in their direct investment in Africa by providing investment and consulting services in line with the economic and industrial development agenda of both China and Africa.

4. Investment Services

The CADFund adheres to the philosophy of “being true, sincere, friendly and honest” in its cooperation with Africa. In response to Africa’s development needs, the Fund, through direct investment, addresses the local bottleneck of lack of capital and provides technologies, expertise and management experience to enhance Africa’s self-development capacity and help it to industrialize.

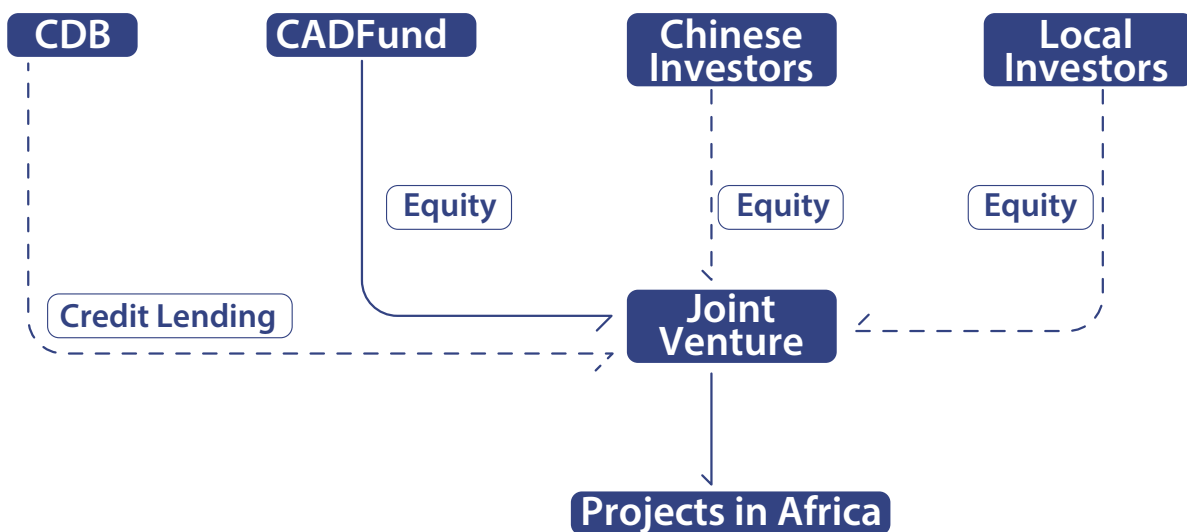
Through equity and quasi-equity investments, fund investments, investment management and consulting services, and other methods, the CADFund has been:

- helping Chinese enterprises to obtain the capital needed for investment in Africa and share their risks in investing there;
- providing value-added services and helping enterprises to solve problems and address difficulties in investing in Africa, using the Fund’s rich knowledge about African national conditions and investment environments; and
- serving as a bridge as the Fund looks for sustainable projects in Africa in which Chinese enterprises can invest and for

Chinese partners for African enterprises and projects.

5. Operation

With the CADFund providing the investment and CDB the loan, a total investment of more than \$5.4 billion had been earmarked for projects in 37 African countries by the end of September 2019, strongly promoting Africa’s industrialization and sustainable development. Those projects, which cover important thematic areas such as international cooperation on production capacity, infrastructure, energy and mineral resources, agriculture and people’s livelihoods, are expected to drive an investment in Africa of more than \$26 billion from Chinese enterprises. While providing investment and financing support, the CADFund has drawn on its advantages of experience and human-capital resources accumulated over the past 13 years. During this time, it has provided planning, consulting and other knowledge-based services for the industrial development of Africa, continuously promoted the upgrading of China-Africa cooperation, and helped to build a more consolidated community of shared future for China and Africa.



Investment models of CADFund

B. Social Responsibility

The CADFund investment in Africa aims to meet the development needs of African countries. The investment projects are meant to effectively enhance the capacity of African countries to develop the economy and improve local people's livelihoods while promoting African economic integration and accelerating the industrialization process of Africa. Preliminary statistics show that once all the projects in which the CADFund has invested have been completed, approximately 68,500 medium- and heavy-duty trucks, 390,000 televisions, 540,000 refrigerators, 300,000 air conditioners and 1.6 million tons of cement will be manufactured in Africa every year. These projects have created employment opportunities, expanded exports, increased tax revenues and benefited 8.7 million Africans in their respective countries.

In the process of promoting China-Africa economic and trade cooperation through investment, the CADFund upholds the principles of justice and benefits and guides its partners in complying with the local laws of the host country, respecting local traditions, enhancing community cooperation and actively engaging in the performance of social responsibilities. For



A CADFund visit to local schools to which it provided assistance.



A CADFund visit to local schools to which it provided assistance.



Donation ceremony in the fight against Ebola in 2014.

instance, in March 2019, Mozambique was hit by Cyclone Idai,⁴ which caused heavy casualties and property losses. The Agricultural Park project (Mozambique) in which the CADFund had invested immediately provided 100 tons of rice as aid to the Government of Mozambique and 1,652 tons of emergency food relief through the World Food Programme (WFP). In addition, the Fund, on behalf of CDB, made a special contribution to fight the 2014 Ebola epidemic; cooperated with the International Poverty Reduction Centre in China to promote poverty reduction in Africa; engaged young African students studying in China in the “Joining Hands with China, Africa and Everyone” campaign; co-launched the Increasing Love for Decreasing AIDS (ILDA) Fund,⁵ a public welfare fund; and organized an Open Day of the Africa World Airlines (AWA) aviation project (a CADFund investment project) for local primary school students. These initiatives demonstrate the corporate social responsibility of the CADFund, benefiting local people, improving the livelihoods of communities, and promoting poverty alleviation and reduction in Africa.

C. Contribution to Sustainable Development

Investment is an important approach for China-Africa economic and trade cooperation. The CADFund operates in a market-based manner. After a comprehensive evaluation of a project for its commercial feasibility, financial balance, risk controllability and social benefits, the Fund selects projects that meet the local development needs and are profitable and thus sustainable. Only a commercially feasible investment approach can channel more social-capital investment without increasing the host country's debt, address the local bottleneck of lack of capital, enable the project to operate sustainably and create jobs, and increase exports and tax revenues.

With no debt increase for the African partner Governments, the CADFund has channelled about \$26 billion in investments to Africa using the 90+ projects in which it has already invested, effectively helping 37 African countries to improve their capacities for self-development. For example, in Ghana, the CADFund and CDB supported the construction of the first and second phases of the Asogli gas-fired power plant, with a total installed capacity of 560MW, through a combination of investment and loans. The power plant provides 20 per cent of Ghana's electricity supply, effectively relieving the long-standing power shortage plaguing West Africa. At the same time, the power plant, using gas-fired power-generation technology, significantly reduces carbon emissions compared with traditional coal-fired power plants and serves as a good example of achieving green and sustainable development in Africa.

The goal of the CADFund is not to pursue maximized profits but rather to take into consideration Africa's stage of development and regional characteristics; give full play to the advantages and guiding role of large, medium and long-term funds; and draw upon China's industrial technologies and management experience to promote Africa's endogenous economic growth and industrialization through investment. In this process, the CADFund stays committed to the goal of breaking even and making only modest profits, takes its due share of returns created by Africa's economic growth, and stands steadfastly with African investment partners for mutual benefits and common development.

The CADFund believes in “teaching people to fish rather than offering them fish directly”. It offers continuous skills training for local employees, who then can master more practical skills, enjoy more employment opportunities and assist in

4 See <http://www.fao.org/emergencies/crisis/cycloneidai/en/>.

5 <http://en.cabc.org.cn/?c=networks&a=index>

training other employees. As a result, more and more products “Made in China” will be “Made in Africa” in the future, and Africa’s manufacturing industry and industrial development in general will be improved.

The CADFund has committed to “green development”. In the process of undertaking investment cooperation in Africa, it has been improving the capacity of local resources and the environment as an important constraint boundary. It has been conducting a rigorous evaluation of investment projects, exercising strict control over the environmental risks of those projects, pursuing win-win cooperation among all parties, and promoting green, sustainable development and win-win results for both China and Africa through investment.

The CADFund has been actively engaged in investment in clean and renewable energy in Africa, helping the continent to develop green energy and protect its ecological environment.



GCL-Poly Energy Holdings Ltd. solar power project in South Africa

During investment, the CADFund adheres to the principle of sustainable development and actively advocates for the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). Through project implementation, it endeavours to release the full potential of enterprises in China and Africa, African

governments, and other multilateral/bilateral organizations to make positive contributions to the achievement of the 17 SDGs.

• **SDG 1: No Poverty**

Each project in which the CADFund invests employs a large number of local people, which contributes to job creation in the host country, sustainable income for the employed, and increases in tax revenues, exports and foreign exchange for the local governments.

• **SDG 2: Zero Hunger**

The CADFund has cumulatively invested in 10 agricultural projects covering various products such as rice, cotton, forestry products, rubber, and grain storage equipment and processing in 13 African countries including Côte d'Ivoire, Mozambique, the United Republic of Tanzania and Zambia.

The projects in which the CADFund has invested have not only ensured food security through the supply of local food and products but have also brought China’s mature agricultural production technologies to Africa to improve local agricultural productivity.

• **SDG 3: Good Health and Well-being**

Humanwell Pharma Mali S.A., a joint venture between the CADFund and Wuhan Humanwell Pharmaceutical Co., Ltd., has an annual output of 30 million to 40 million bottles of infusion medicines, such as antibiotics, painkillers and other basic medicines. It is currently the most modernized pharmaceutical factory in West Africa, greatly alleviating the shortage of medicine there.

In 2014, the CADFund, on behalf of CDB, provided a financial assistance package totalling \$450,000 to Guinea, Liberia and Sierra Leone to support their fight against the Ebola epidemic.

In March 2015, the CADFund, together with school students and nine professionals from the China-Africa Business Council, the Joint United Nations Programme on HIV/AIDS (UNAIDS), the United Nations Development Programme (UNDP) and other relevant domestic and international organizations that are dedicated to promoting African public welfare, China-Africa friendship, and AIDS prevention and control, launched the Increasing Love for Decreasing AIDS Fund (ILDA Fund). The aim of the ILDA Fund is to help African women and children affected by AIDS and poverty and to support measures relating to HIV prevention such as HIV/AIDS detection, care, prevention of mother-to-child transmission, and education so as to improve public health and medical and educational conditions in key African partner countries.

• **SDG 4: Quality Education**

Projects in which the CADFund invests have actively benefited local communities, supporting community primary schools and children's welfare centres through financial contributions. For example, the Agricultural Park project has aided the construction of Mozambican primary schools; the China First Automotive Works (FAW) joint venture in South Africa made financial contributions to six local primary schools; the office of the Fund in South Africa made donations to the local children's welfare centres; and the office of the Fund in Ghana donated school supplies to local primary schools.

• **SDG 5: Gender Equality**

Projects in which the CADFund has invested have greatly promoted the employment of African women. A number of the projects have employed and trained a large number of African women, including the AWA aviation project in Ghana, the Tanzanian sisal project, the Malawian cotton picking and planting project, the Mauritian

spinning factory and the Mali pharmaceutical factory, not only increasing the incomes of local African women but also improving their social status.

• **SDG 6. Clean Water and Sanitation**

During investment, the CADFund pays attention to the protection of water resources and the surrounding environment. The projects in which it invests are required to recycle the industrial wastewater and carry out production in an economical manner. For example, the Ghana power plant, adopting the gas-steam combined cycle, consumes only one third of the water normally consumed by coal-fired thermal power plants. In addition, the hydrogen in methane and the oxygen in air are combusted and reduced to carbon dioxide and water, which is enough to meet the water demand of the power plant itself.

• **SDG 7. Affordable and Clean Energy**

The CADFund also pays attention to the development and use of new sources of energy. For instance, the GCL-Poly Energy Holdings Ltd. solar power plant in which the CADFund and GCL-Poly Energy Holdings Ltd. have invested has been providing low-cost, clean and sustainable renewable energy for South Africa. The average investment cost of the solar power project reached about \$3.7 million per megawatt. The basic investment cost is close to that of local coal power projects with similar installation capacity and built in the same period; however, taking into consideration the variable coal costs in the follow-up operation, the generation cost of the GCL-Poly Energy Holdings Ltd. project is much lower than that of coal power projects, representing a cost saving of about 30 per cent, and, most importantly, the generation is environmentally friendly.

- **SDG 8. Decent Work and Economic Growth**

Projects in which the CADFund has invested have created 90,000 jobs in the local communities and provided the employees with training to improve their technical capacity and increase income. Projects such as the cotton project in Malawi have carried out vocational and on-the-job training to develop thousands of African skilled workers. By adopting the “company plus households” model, thousands of households in Malawi have been trained by Chinese experts. Also, the cotton yields have increased year by year, which has had a positive impact on the government tax revenues as well as on each household.

- **SDG 9. Industry, Innovation and Infrastructure**

Industry is the foundation of development. The CADFund helps to improve Africa’s industrialization as well as the foundation of economic development by investing in new or expanded infrastructure such as ports and power stations and the opening of shipping routes. In cooperation with China Merchant Group, the CADFund invested to renew and expand the Tinian Island Container Terminal port in Nigeria, whose throughput after expansion reaches 473,000 20-foot equivalent units (TEUs) per year. It will effectively improve the local infrastructure and ease the strain on cross-border transportation.

- **SDG 10. Reduced Inequalities**

The CADFund focuses on investment in infrastructure. By developing the local infrastructure in Africa, such as the Tinian Island Container Terminal port project in Nigeria and the container project at the port of Lomé in Togo, the Fund helps to improve the self-development capacity of the host countries and promote economic globalization and its complementary advantages as well as the development of balance among countries.

- **SDG 11. Sustainable Cities and Communities**

The Fund actively invests in industrial parks. The Lekki Free Trade Zone (FTZ) in Nigeria and the Suez Economic and Trade Cooperation Zone in Egypt are designed according to modern planning concepts, with a layout of the land, high-standard supporting infrastructure and strong disaster-resistance capacity.

- **SDG 13. Climate Action**

Projects in which the CADFund invests value environmental protection and strictly manage carbon emissions. For example, the GCL-PolyEnergy Holdings Ltd. solar power plant in South Africa has reduced carbon dioxide emissions through solar-power generation. At the same time, the Fund closely follows and actively promotes renewable energy projects such as solar energy, wind energy and geothermal energy, hoping to harness Africa’s advantages in renewable resources, promote the use of clean energy on the continent and protect the atmosphere.

- **SDG 14. Life below Water**

The projects in which the CADFund invests pay a great deal of attention to recycling water resources and strictly supervise sewage treatment and discharge so as to prevent seawater from being polluted by the projects and maintain the sustainability of marine resources. In addition, the Fund actively provides consultations for fishery projects to maintain the sustainable development of marine resources.

- **SDG 15. Life on Land**

Projects in which the Fund invests strictly implement relevant regulations pertaining to the renewable management of forest resources. For example, the forestry project in Gabon has been commended by the local government on many occasions for its environmental protection

and sustainable forest maintenance and has been recommended by the local government as a demonstration project of strict environmental protection.

• **SDG 17. Partnerships for the Goals**

The CADFund mechanisms are aimed at advancing sustainable development and boosting industrialization in Africa through South-South cooperation and South-South investment. The philosophy, guiding principles and impact of the CADFund have reflected strong South-South solidarity and concrete South-South actions. This has been demonstrated through the creation of employment opportunities, increases in tax revenues, and the enhancement of productive capacities through vocational training of local communities as well as how the Fund innovatively has drawn on public-private partnerships (PPPs) in its investment projects.

and achieve sustainable development. It cooperates with local African governments and the private sector as well as the World Bank and other United Nations entities such as the United Nations Office for South-South Cooperation (UNOSSC), WFP and the United Nations Industrial Development Organization (UNIDO) as well as the Department for International Development (DFID) of the United Kingdom of Great Britain and Northern Ireland to promote African economic development through multi-party collaboration. In addition to strengthening local productive capacity and supporting technology transfer through its investments, the CADFund team also actively shares its knowledge with partners from other developing countries through platforms such as the Global South-South Development Expo.

The CADFund actively explores cooperation with various parties to give full play to their advantages







Chapter II. CADFund Investment Portfolio

CADFund Investment Portfolio

A. Ghana: Africa World Airlines Aviation Project

1. Overview

The level of connectivity in the West Africa region urgently needs to be improved since most of the road infrastructure in that region is underdeveloped and land transportation remains inconvenient. On the other hand, regional aviation has proven to be effective in improving convenience and efficiency in the short run.

In 2012, Hainan Airlines, the CADFund and Strategic African Securities Ltd. jointly invested approximately \$31 million to establish Africa World Airlines Ltd. (AWA), which provides safe, convenient and high-quality air transportation services to passengers in Ghana and other countries in West Africa. At present, the company has eight ERJ145 planes offering services on three domestic routes – Ghana-Accra-Kumasi, Accra-Tamale and Accra-Takoradi – and five international routes: Accra-Lagos, Accra-Abuja, Accra-Monrovia, Accra-Freetown and Lagos-Monrovia. It also operates charter flights.

At the initial stage, the CADFund and the China conglomerate Hainan Airlines Group opened routes in Africa by bringing Chinese pilots, flight attendants and management personnel to Africa. Within a short period, the company rapidly established brand effect and significantly improved punctuality, the safety level and the

passenger-load factor. After that, the company started hiring local staff and providing them with training courses in China before they became involved in the daily operation in Ghana.



Africa World Airlines maiden flight



The flight attendants of AWA

2. Operation

The African civil aviation market remains to be developed. African airlines suffer from great difficulties in operation, such as incomplete supporting infrastructure and high maintenance and operation costs. According to the market situation, the project team has constantly adjusted its operation models and strategies and steadily expanded its business scope. At the beginning, there was only one airplane flying four flights a day. At present, the fleet has expanded to eight airplanes flying eight routes in Ghana and other West African countries and operating charter flights.

To address local challenges including a shortage of local aviation technicians, the project first brought professionals from China to Africa, including pilots, flight attendants and operation management personnel, laying a solid foundation of human resources for the launch of the project. In line with the localization strategy and through staff training, the project team currently boasts more than 200 employees of whom 196 are local people.

Thanks to the joint efforts of all shareholders, AWA has gradually improved its market position, increasing its market share in Ghana from 7 per cent at the beginning to 80 per cent at present.



Training of AWA flight attendants

3. Impact

In terms of civil aviation services, AWA conducted 15,701 flights carrying 597,248 passengers in 2019, with a total of more than 1 million passengers since it opened for business. At present, AWA takes up more than 80 per cent of the domestic service market as a major provider of civil aviation service in Ghana, having greatly facilitated the domestic and regional business travel needs of residents. At the same time, AWA has successively signed agreements on transfer cooperation with South African Airways and Emirates to undertake transfer services for them in Ghana and other countries in West Africa, providing direct transfer services to international flights from the Middle East, Asia, Australia and other countries, further promoting economic and trade exchanges between West Africa and the Middle East and Far East.

In terms of social responsibility, the project company set up a charity fund in 2016 and organized activities such as charitable donations, charity races to fulfil its social responsibilities. In early 2016, the company was reviewed, approved and issued a certificate by the International Air Transport Association (IATA) Operational Safety Audit. In 2016, AWA won the Airline of the Year Award, the Safety/Efficiency/Environmental Protection of the Year Award, the Service of the Year Award and the Best Brand in Africa Award. In October 2017, it was officially approved as a member of IATA, the only full member of IATA in Ghana.

4. Replicability

The demand for civil aviation in Africa still needs to be satisfied since many African national airlines either have already closed or are closing owing to poor management. AWA, with sustainable operating capacity and successful operating experience in the African market, can participate

in the expansion and operation of civil airlines in other African countries through joint ventures and management replication to build a pan-African regional aviation network that further improves the connectivity within the continent.



Africa World Airlines' plane

B. Ghana: Power Plant Project

1. Overview

Most African countries are troubled with power shortages. In Ghana, the power shortage has already severely restricted its economic development. Frequent power cuts have caused a series of problems such as production stagnation, product deterioration and equipment damage, which have resulted in inconvenience to people's lives and negatively affected industrial production.

Against that backdrop, the CADFund and the Shenzhen Energy Group Company Ltd. jointly invested in the construction of a gas combined-cycle power generation project in Ghana in 2008. The investment totalled approximately \$800 million and the funding was offered by CDB.

The Sunon Asogli Power (Ghana) Limited combined-cycle power plant project is the first power production project in Africa fully owned by China; it is also a key project for Ghana's power development. The power plant, which covers an

area of 200,000 m², is in the city of Tema, about 29 km from Accra, the capital of Ghana. The gas-steam combined-cycle generator has a total planned capacity of 560 MW and represents a total investment of \$790 million. Both phases of the project have been completed and put into operation. The power plant generates 3 billion kilowatt-hours (kWh) of electricity each year, thus providing 20 per cent of the electricity needed by Ghana, greatly liberating West Africa from the burden of power shortages.



Panorama of Ghana power plant

2. Operation

The gas-turbine combined-cycle generator unit is a cycle system comprising a gas turbine, a generator, a waste-heat boiler and a steam turbine. It recycles and converts high-temperature flue gas discharged from the working gas turbine into steam through the heat-recovery boiler and sends it to the steam turbine for power generation. The gas-turbine combined-cycle generator unit offers the following advantages:

- a. efficiency in high power generation. Using Brown and Rankine cycles, the gas turbine features advanced working principles and structure and little heat consumption;
- b. good environmental protection. The heat-recovery boiler of the power plant emits no dust, little sulfur dioxide and low levels of nitrogen oxides. The

use of natural gas, a world-recognized clean energy for power generation, offers great advantages for environmental protection;

c. a flexible operation mode. The gas turbine power plant can serve as a baseload power plant and a peaking power plant. When the gas turbine uses both oil and natural gas, it can provide peak savings for natural gas;

d. less water consumption. The steam turbine of a gas-steam combined-cycle power plant accounts for only one third of the total capacity, so the water consumption is generally one third of that of coal-fired thermal power plants. In addition, hydrogen in methane and oxygen in the air are combusted and reduced to carbon dioxide and water, which is enough to meet the water demand of the power plant itself;

e. less floor space. Since there is no stacking of coal and ashes and the air-cooling system is used, the power plant occupies only 10% ~ 30% of the space required by a coal-fired power plant, thus saving a large amount of land resources; and

f. a short construction period. It takes 8 to 10 months to build a gas turbine power generation system, 16 to 20 months to build a combined-cycle power generation system, and 24 to 36 months to build a coal-fired power plant.



Gas regulator station



Exterior view of power island of Ghana power plant (2 gas turbines + 4 boilers + 4 gas engines)

3. Impact

The first phase of the power plant project was highly praised by Ghana's two presidents and became a model project in the African power industry. Relevant government departments from Benin, Nigeria, South Africa, Togo and other countries made on-site visits to learn the good practices of the project. When the second phase was completed, the total installed capacity accounted for more than 20 per cent of Ghana's total electricity generation, becoming a model for electricity projects in the country and even the entire West Africa region. In 2019, Ghana's power plant generated more than 2,701 million kilowatt-hours (kWh) of electricity and sold more than 2,622 million kWh, which represented an increase of 33 per cent compared with 2018 and generated accumulatively \$43.93 million in tax revenue.

The project directly created 300 jobs. During the first phase of construction, as many as 1,000 workers were employed. After the project became operational, nearly 100 local workers were hired through local human-resource organizations. The power plant spared no effort in training local talent; it has trained hundreds of local technical personnel through such means as teaching-by-doing apprenticeship, regular professional and technical training, and irregular safety drills. Thanks to the rigorous training system and the patience of Chinese teachers, the Ghanaian employees of the power plant have grown into skillful power engineers with excellent capacity. Nowadays, "Staff of Shenzhen Energy" is a golden

brand in Ghana's electricity industry. Technical talent trained there is sought after in the marketplace.

Eli, a local employee of the Ghana power plant, believes that Sunon Asogli Power (GH) has brought beneficial changes to the local economy and social life. Among the first group of local employees of Sunon Asogli Power (GH), he witnessed the development of the power plant and experienced the changes that the project brought about in his own life – he advanced from a grass-roots employee to an enterprise manager – and in Ghanaian society.

Michael Opan, former Chairman of the Ghana Energy Commission, once said: "The construction speed of this power plant is unbelievable. To me, Sunon Asogli Power (GH) is like the ace energy company in Ghana's electricity market, which sets an example for other investors. Whenever people talk about investment in the electricity market, I always take Sunon Asogli Power (GH) as an example to illustrate it."

Local tribal chief Asamany said: "Before the power plant came, this area was a tidal flat. No one could have imagined that it could become what it is now.

Now you see Kpone village (near the power plant) has undergone tremendous changes. The roads in the village have been renovated. 450 Ghanaians were employed by the power plant, and many people's lives have changed as a result. The rent in the village has gone up but the housing here is still much sought after. Everyone is proud of having such a modern power plant nearby."

4. Replicability

The CADFund and CDB financed the construction of phases I and II of the Sunon Asogli Power (GH) Ltd. combined-cycle power plant project through investment and loans. At present, the two phases have been put into operation smoothly and have substantially eased the local power shortage. Compared with traditional coal-fired power plants, the

gas-fired powergeneration technology used by this power plant significantly lowers the carbonemission level. It can be introduced to other African countries where there are ample natural gas resources.

C. South Africa: Hisense Appliance Industrial Park Project

1. Overview

In March 2013, the CADFund and Hisense Group Co., Ltd. signed an investment cooperation agreement to jointly invest in the construction of the Hisense South Africa Appliance Industrial Park (Hisense South Africa) in order to improve the local manufacturing level and meet South Africa's manufacturing demands. Mr. Xi Jinping, President of China, and Mr. Jacob Zuma, then-President of South Africa, witnessed the signing. The project was put into operation in that same year, with a total investment of \$150 million and an annual output of 540,000 refrigerators and 390,000 televisions. The Hisense South Africa won South Africa's Best Product Award in 2017.⁶

The home appliances that Hisense South Africa produces enjoy the largest sales volume in the local market and are exported to more than 10 African countries. The implementation of the project has not only promoted South Africa's employment and exports but has also improved the country's manufacturing and technical capacity. Through "Made in Africa", it has also improved the local management, logistics and post-sales service, promoted the development of related industries, won the praise of South African leaders and people, and become a well-known brand in South Africa. Ebrahim Patel, Minister of Economic Development of South Africa, commented on the project: "South Africa will not only become a global supplier of industrial raw materials but also become a production centre in the future. Hisense South Africa Appliance Industrial Park will make this dream come true as soon as possible."

⁶ <https://www.pcworld.idg.com.au/article/630082/hisense-full-hd-tv-refrigerator-top-list-2017-productreview-awards/>



Production safety standards workshop at Hisense South Africa

2. Operation

Hisense South Africa uses advanced technologies to enhance market recognition of the brand. It produces mainly high-end green products such as energy-saving and environmentally friendly refrigerators and intelligent 3D high-definition televisions, which effectively meet the growing needs of local families. In addition, it promotes energy conservation, environmental protection and upgrading of capacity. Hisense South Africa strictly abides by the principles of energy conservation and environmental protection in all stages from the selection of raw materials and production to processing. It has responded to the call of the Government of South Africa to “save electricity and solve the imbalance between energy supply and demand” and has become the first homeappliance enterprise in South Africa to produce energy-saving products with low power consumption.

The project took measures that were suitable in the local context and in line with the local development plans. It made plans for phased development covering various dimensions such as brand, operation, manufacturing, research and development, logistics, after-sales and channels to eventually establish a household-appliance industry platform able to provide overall solutions, driving investment by trade, expanding beyond trade to include factory-building and production, and

helping with the optimization and upgrading of African productivity.

3. Impact

Hisense Group Co., Ltd. provided capital to (a) set up factories in Africa, (b) implement localized management, (c) increase job opportunities, (d) bring foreign exchange and tax revenues to the local region, (e) provide support based on its technical and management experience, (f) effectively improve the local manufacturing industry, and (g) promote sustainable development of the African manufacturing industry without increasing government expenditure.

Provision of employment opportunities and eradication of poverty

Before the construction of the Park, the unemployment rate in the Atlantis community where the Park is located was as high as 40 per cent, and many working-age people were unemployed. Hisense South Africa has employed 700 local people, accounting for 90 per cent of its total employees. Through driving upstream and downstream products and services, it has indirectly created 2,000 jobs. In 2019, Hisense South Africa systematically trained approximately 1,000 unemployed youth ages 18 to 25 in rural areas.



Final assembly line at Hisense South Africa

Helping South Africa to improve self-development capacity and achieve sustainable development

Hisense South Africa has trained a group of local employees in the country through “mentoring and passing on experience”; those employees have now been hired for 40 per cent of the management positions. Hisense South Africa not only improves the local manufacturing capacity and technical level but also nurtures “talents in production, technology and management” to help South Africa to enhance its capacity for sustainable economic development. It has also cooperated with the Atlantis Secondary School to build the Hisense South Africa Technology Research and Development Training Base, which carries out personnel training on products, technology research and development, and techniques, enabling the students to master the skills needed for electronic technology, electronic software and electrical equipment control, which has been warmly welcomed by the local society.

Promotion of the harmonious development of the community and social fairness

After Hisense South Africa entered the Atlantis community, the local employment problem was solved and the community security environment improved. The number of female employees in the factory has reached 197, accounting for more than 25 per cent of its total employees. Hisense South Africa has been supporting orphanages, welfare institutions for the disabled, community schools, youth education centres and other public welfare undertakings and actively serving local communities. Around 500 Hisense South Africa employees participate in more than 100 public-welfare activities each year, with a cumulative donation of more than \$1 million. In the past five years, Hisense South Africa, as the largest enterprise in the community, has greatly improved the environment and outlook of the community and helped with the elimination of unstable social factors, benefiting 69,000 community residents.



Hisense Pink Drive donation, 2019



Hisense and CADFund make a donation to Leratong Joy For One orphanage, South Africa, 2018

Continuous increase in the contribution of Hisense South Africa Appliance Industrial Park to the local community

Hisense South Africa has created 700 jobs directly and more than 2,000 jobs indirectly for the local area, paying a total of \$93 million in taxes and bringing in \$58 million in foreign exchange. In addition, while the home appliance plant remains the core of the Park, approximately 200 service providers have been attracted to operate in the Park.

4. Replicability

The approach adopted by the project, namely, to drive investment by trade, expanding beyond trade to include factory-building and production, and help with the optimization and upgrading of regional productivity, as well as the project's innovative value-chain model that combines "industry and park" can be replicated in African countries with adequate infrastructure and a relatively large market scale.

D. South Africa: FAW Production Base Project

1. Overview

Africa's car market has a huge potential for further expansion. South Africa, as the continent's largest automobile market, boasts a mature, stable business environment and favourable investment policies. First Automotive Works (FAW) South Africa Co., Ltd. was incorporated in South Africa in 1994 to import and sell trucks and accessories and replacement parts. In 2012, FAW China and the CADFund fully realized South Africa's demand for cooperation on capacity development and development of manufacturing and their support for the establishment of the automobile industry in South Africa and jointly invested in the construction of a truck assembly plant with an annual output of 5,000

trucks in the Coega Industrial Development Zone in Nelson Mandela Bay. The plant covers 87,000 m² and includes an assembly workshop, a modification workshop and a training centre.

In addition, the project team also cooperates with FAW Africa's sales division and sales agency network for localization and sustainable development in Africa. On 10 July 2014, the construction of the FAW South Africa Coega factory was officially completed. Then-President of South Africa Mr. Jacob Zuma was invited to attend the inauguration ceremony and cut the ribbon. The project was highly praised by the Government of South Africa and the local community and was considered "a model of cooperation between China and South Africa".



Truck made by FAW South Africa's Coega factory

2. Operation Employment of local personnel, standardized management

The FAW South Africa company employs 240 local employees in production, sales and service; only 3 managers, 1 technician and 2 salesmen, are dispatched from China. Thus, 97 per cent of the positions have been localized. In its operation, the company abides by local labour and tax laws and meets the requirements of environmental protection and safe production in South Africa.

Such efforts have been highly praised by the Government of South Africa and the people, and the company has been rated as a benchmark enterprise in the industrial park by the Coega Industrial Development Zone.



Local workers on the production line in FAW South Africa's Coega factory

“Introduced from China, Made in South Africa”

The Coega truck assembly plant takes the FAW independent technology as the core and local laws and regulations as the standard and makes full use of local human resources to produce high-quality products that meet the needs of the local market and the requirements of the users. Seventy per cent of the products sold by the company are manufactured locally, thus driving the development of related upstream and downstream industries such as those relating to raw-material supply and vehicle modification.

Integrated sales and service network, upgraded service guarantee system

The FAW South Africa project has integrated with the FAW marketing and service network in South Africa that consists of 4 self-run 4S stores, 23 franchise 3S stores and 3 franchise service providers, covering major cities and key transportation routes in South Africa and radiating to neighbouring countries such as Mozambique, Zambia and Zimbabwe. It can provide guaranteed service to customers 24 hours a day, 7 days a week, which minimizes the downtime and reassures users.

3. Impact

Social benefits

In 2014, FAW South Africa established an auto finance department and issued special loans to help South Africa's small and medium-sized enterprises. To date, it has issued car loans to more than 400 small and medium-sized enterprises, contributing to social development.

Also in 2014, FAW South Africa Co., Ltd. established the FAW South Africa Corporate Social Responsibility Fund to regularly invest part of the company's income in the Fund every year to support local education. To date, it has donated to six primary schools in the Coega Industrial Development Zone and has invited students to visit the factory from time to time. It has also actively participated in social welfare activities such as natural disaster relief, which promoted the harmonious relationship between the enterprise and the local community.



CADFund and FAW South Africa make a donation to Melisizwe Public Primary School, Coega Development Zone

Economic benefits

The FAW South Africa Coega factory has a total area of 87,000 m² and a construction area of 30,000 m², with a single-shift capacity of 5,000 vehicles and a two-shift capacity of 10,000 vehicles. Since the project became operational, FAW South Africa has paid a total of \$5.2 million in taxes to the local government. In 2015, for the first time, it exported products produced in its Coega factory to Kenya and the United Republic of Tanzania. At present,

its exports have reached Malawi, Mozambique, Zambia, Zimbabwe and other neighbouring countries as well as Australia and New Zealand. By the end of 2019, FAW South Africa had sold 9,241 vehicles and the South African assembly plant had produced 5,410 vehicles.

Capacity development

In addition to employing local people, FAW South Africa takes as its important responsibility the local employees' skills training and career development. It provides more than 5,000 hours of training for both internal and external personnel each year and high-quality talent for the local automobile industry, thus further improving the local employment rate and the sustainable development of the South African automobile industry.

4. Replicability

As an emerging market with potential, the African market enjoys the greatest advantage of growing consumer demand and increasing production capacity. The success of the FAW South Africa project fully demonstrates the broad prospect for China's automobile industry, which can take root in Africa and grow together with the African automobile industry. This project model can be replicated in countries with a potential automobile market, basic conditions and policy support for the establishment of a production base, certain industrial infrastructure and a relatively stable business environment.

E. Mozambique Agricultural Park Project

1. Overview

Most countries in Africa are challenged by food shortages and insufficient production to meet domestic demand. The gap between supply and demand is huge and highly dependent on

imports. According to surveys, Mozambique has about 900,000 hectares of fertile land available for rice cultivation, of which only 310,000 hectares have been developed. About 97 per cent of the developed land is cultivated by individual farmers. Compared with large rice-producing countries, Mozambique still has great potential to improve productivity. Therefore, the development and promotion of the local rice industry are crucial to ensure food security in the country. In addition, the natural conditions for the development of agriculture in Mozambique are relatively good, and the promotion of rice cultivation in that country is also of positive significance for Africa's food security.

The Mozambique Agricultural Park project in which the CADFund invested was founded in July 2011. It is China's largest rice-planting project in Africa and one of the 13 key projects for cooperation on capacity development between China and Mozambique. The project, located in the city of Xai-Xai and its surrounding area in Gaza Province, occupies 20,000 hectares, with plans to open up 13,000 hectares (200,000 mu) of farmland. It will be built as a comprehensive agricultural park project with rice cultivation as the main business and cultivation of a variety of grain and cash crops as the auxiliary business, incorporating farmland development, grain production, storage, processing and sales.

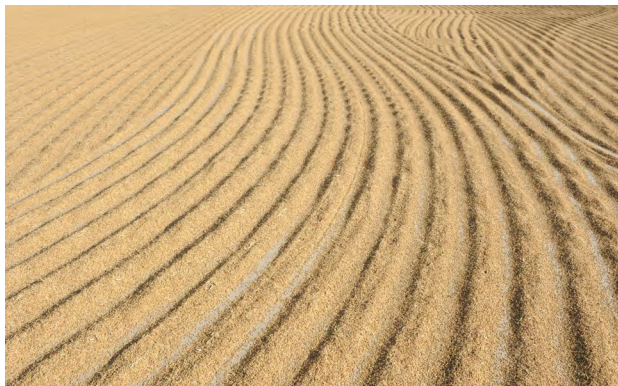


Bom Gosto rice, from Mozambique Agricultural Park

Former President of Mozambique Armando Guebuza named the rice produced under this project “Bom Gosto” (Good Taste), and the current President, Filipe Nyusi, also paid a field visit to the project base and spoke highly of it. With the goal of not increasing the debt of Mozambique, the project has introduced China’s good practices and the needed technologies of rice cultivation into Mozambique to improve the local people’s livelihoods and economic development.



Rice harvester, Mozambique Agricultural Park



Rice is baked in the sun

2. Operation

In order to explore the planting technology suitable for Mozambique, the project company has cooperated with several first-class farms in China to grow rice, employing different modes of farmland management and machine use. In terms of planting technology, various modes of rice-growing were compared, namely, direct sowing on dry paddy field, direct sowing in flooded paddy field, manual transplanting and

mechanical transplanting, etc. Eventually, a simple, practical rice planting technology was developed that is easy for local people to master, is suitable for Mozambique and can be popularized on other parts of the African continent. The current yield is close to the Chinese level.

Guidance and training of local farmers

The project team actively explored and innovated to carry out cooperative rice cultivation in Mozambique under the cooperative planting model of “company plus households” and paid efforts in guiding and training local farmers. Since 2012, a total of about 1,500 households, an equivalent of some 10,000 persons, have been guided and trained. The number of households trained per year increased from 40 in 2012 to 500 in 2019. The guidance and training have helped to increase the yield from 1.5 tons/hectare to 7 tons/hectare.

In addition, the project valued both theory and practice. It organized training programmes on agricultural technology in cooperation with Nanjing Agricultural University, Northwest Agriculture and Forestry University, the Confucius Institute and other institutions, introducing Chinese agricultural technologies to local farmers. It was highly praised by the Government, trainees and local people of Mozambique.



Local farmers harvest rice, Mozambique Agricultural Park



Rice being harvested, Mozambique Agricultural Park

Introducing technical support

The project team has improved the irrigation and water conservation infrastructure of some projects, ensuring the successful completion of planting plans. In order to guarantee the specialization and efficiency of planting and strengthen site management, the project team involved the China Railway Bureau No. 20, land reclamation enterprises and research institutions to bring new manpower, capital and management models to the project. As a result, project productivity increased year by year. Notably, the 2018/2019 planting season witnessed the best harvest record in history.

3. Impact

Increased economic benefits and improved living standards

After years of construction, the site of the project has now changed from a wasteland of brush to a large piece of fertile land. During the 2018/2019 planting season, 2,400 hectares (36,000 mu) of rice were planted, with an average yield of about 7 tons/hectare. That benefited 500 local farmer households, which saw their incomes increased up to \$3,000, and achieved historical highs in terms of “planting area, average yield per mu and the number of beneficiary households”. During the 2019/2020 planting season, 2,480 hectares (37,200 mu) of rice fields have been

planted, involving 500 farmer households. In the past, owing to the shortage of rice, local people had cassava as their staple food; that eating habit has gradually changed, however, as eating rice has gained in popularity. In the past, rice was mainly imported; now, however, the local people are having “Bom Gosto” (good taste) rice, named by former President Guebuza.

Significant improvement at the agro-technological level

As a “benchmark and model” project of China-Africa agricultural cooperation, the project meets the requirements of Mozambique’s agricultural development and helps the country to promote the production of key local agricultural products. At present, the project operator has completed the construction of canals, culverts, pumping stations and storage facilities that are needed to support agricultural production; renewed the seed resources of the project; and conducted experiments in planting technologies such as mechanical transplanting, ratooning rice and soaking seeds to accelerate germination so as to increase agricultural output. The project team has helped in improving local development and achieving resilient agriculture by training farmers to harness agricultural technologies and operate agricultural machinery.

Provision of employment opportunities for residents

Under the cooperation model of “company plus households”, the project planted 800 hectares (12,000 mu) of rice, benefiting 500 farming households. Having employed more than 900 local employees in rush seasons, it increased local farmers’ incomes, improved their lives and won their trust.

Social responsibilities shouldered



Primary school built by Mozambique Agricultural Park

The project has been devoted to undertaking corporate social responsibilities to benefit the local community by leveraging its resources and advantages. Over the years, it has built two primary schools and one police station and has often used its vehicles and equipment to serve local authorities, organizations and communities. The project has made a positive contribution to the improvement of public security and education in the community. It has been an active participant in charitable activities, donating rice year-round to local organizations and associations of youth, the disabled, women, and others. In March 2019, tropical Cyclone Idai landed on the northern central area of Mozambique, causing huge casualties and property losses. The CADFund, the China-Portuguese-speaking Countries Cooperation and Development Fund and the project company immediately donated 100 tons of rice to the disaster-hit area, which was the first food donation provided by companies operating in Mozambique. At the same time, they also cooperated with WFP and the Association of Chinese Businessmen in Mozambique to provide post-disaster aid.

4. Replicability

The project has actively promoted the localization of imported technologies while introducing advanced technologies from China.

The cooperative planting model of “company plus households” adopted by the project has enabled the local farmers to actively participate in learning about planting and technology without increasing the debt of the local government, thus reducing poverty and achieving a balance between economic and social benefits. The project model features “good replicability, easy management and quick returns” and can be rapidly popularized in other African regions suitable for rice cultivation.



Ditch excavation

F. China-Africa Cotton Project

1. Overview

African countries are all eager to develop their agriculture and planting industry but their agricultural infrastructure needs to be improved, as do their agricultural policies and output. Southern Africa and West Africa have unique climate conditions for cotton cultivation. In 2009, the CADFund, together with Qingdao Ruichang Cotton Industrial Co., Ltd. and Qingdao Huifu Textile Co., Ltd., jointly funded and established China-Africa Cotton Development Co., Ltd. to build and merge into the value chain the cotton ginning mills, oil extraction plants, spinning plants and seed companies in countries such as Malawi, Mozambique, Zambia and Zimbabwe. The project involves the whole value chain of

the industry from cotton breeding, acquisition, processing and sales to cottonseed oil extraction and the sale of edible cottonseed oil as well as the production of cotton by-products and the spinning of low-grade cotton, etc. The total investment was about \$64 million. Giving full play to the advantages of “investment plus loan”, CDB and the CADFund provided medium-to-long-term investment and financing support to the project, solved the financing difficulties regarding the investment in and production of cash crops, enhanced the vitality of the project, and promoted the sound and sustainable development of the company.



Cotton picking in Malawi

2. Project Management

Based on China’s cotton-processing standards, the company built ginning plants with advanced cotton processing equipment from China to produce cotton products meeting international standards for global sales. The introduction of Chinese cotton-seed processing equipment and the selection of seeds with a high germination rate, good disease and insect resistance, and high yield laid a foundation for local cotton farmers to increase production and incomes.

The company adopts the “company plus households” model in cotton production. Its specific practice is to “integrate six links” and “serve three levels”. The six links to be integrated are

seed supply, technical guidance, material supply, product purchasing, product processing and product sales. The three levels to be served are districts, counties and villages to which technical promotion personnel will be dispatched to manage farmer households in terms of signing planting contracts; distributing seeds, chemical fertilizers, pesticides, agricultural machinery and other agricultural materials; organizing farming; providing technical guidance; purchasing products; etc. Every year the farmers receive technical training from the company to adapt to changes in seasons and technologies.

3. Impact

The project has connected rural areas with factories. On the one hand, through effectively mobilizing the local farmers, it has ensured a stable supply of upstream products and has brought more jobs and income to local people. On the other hand, through building local factories, it has increased the efficiency of operations and has achieved a scale effect, which has helped the stable development of the project.

Promotion of economic development and employment opportunities

The project has not only promoted the development of the cotton industry in African countries but has also provided ample employment opportunities for the local people and promoted local economic development. It has been highly recognized by both the Government of China and the governments of host countries. The project employs more than 3,300 local people and has driven 40,000 to 50,000 households to grow cotton, benefiting more than 200,000 local households. While creating job opportunities, China-Africa Cotton Development Co., Ltd. has also provided cotton planting materials and technical training to farmers, helping

more farmers to expand their cotton planting area. In the past three years, the company has invested more than \$2.5 million to benefit 136,687 farmers.



Chinese agricultural experts in the cotton project in Malawi

Integration of existing resources to create industrial synergy

At present, the project has investments in Malawi, Mozambique and Zambia, covering seven cotton ginning plants, two oil extraction plants and two cotton-seed processing plants. Every year it purchases more than 100,000 tons of seed cotton, extracts more than 7,000 tons of oil and produces breed of more than 6,000 tons, using hundreds of thousands of hectares of land and benefiting more than 1 million people. In order to enhance the added value of products, the project started to actively develop downstream business. In the first half of 2018, a spinning factory was built in Malawi, which further promoted the development of the

cotton textile industry in eastern Zambia-Malawi. It made full use of the existing resources in the region to create industrial synergy.



Local workers work on the cotton gin

Empowerment of women to find jobs and improvement in employee welfare

The project organizes women to plant sunflowers by offering sunflower seeds free of charge and signing contracts to purchase sunflower seeds. At present, more than 1,300 local women have participated in the project, earning a total of more than \$100,000. Since 2010, the company has been providing funeral subsidies to every employee. Since 2014, it has been cooperating with insurance companies to provide funeral insurance for the company's contracted farmers. Now 6,260 people have been covered by funeral insurance, thus relieving people of that burden.

4. Replicability

Sub-Saharan Africa and West Africa are home to the high-quality cotton production of the continent. They share the same planting patterns. The production and operation model of the project can be promoted in other important cotton-production areas in Africa, such as the five cotton-producing countries in West Africa, to benefit more farmers. Based on the experience of the project, future similar projects should fully evaluate the local characteristics

and actual conditions in Africa at the research stage to understand the conditions necessary for the development of the cotton industry. In the stages of project planning and actual operation, it is necessary to follow closely the allocation and use of the working capital of the project.



The project provides employment opportunities for local women

G. Nigeria: Lekki Free Trade Zone Project

1. Overview

Nigeria is the largest African country, with a population of about 190 million in 2018, and it is also one of the largest African economies, with a large population and huge market demand. However, its industrial structure is not balanced or diversified. The

oil industry dominates the market, far outstripping other industries. Given those conditions, the leaders of China and Nigeria exchanged views on China-Nigeria cooperation on the construction of the Lekki Free Trade Zone (FTZ) in Nigeria at the 2006 Beijing Summit of FOCAC, and both countries expressed support for that project. In March 2006, the CADFund, the China Railway Construction Corp., Ltd., China Civil Engineering Group and other enterprises set up the China-Africa Lekki Investment Co., Ltd. (hereinafter referred to as "Lekki Investment"). In May of the same year, Lekki Investment, the government of Lagos State and Lekki Global Investment Co., Ltd. (Lekki Global) jointly invested in the construction of the Lekki FTZ. The establishment of the FTZ provided a new development model for use by the Government of Nigeria to develop its economy. Many advanced enterprises have opened offices in the zone, which has helped to optimize local industrial structure and development of the regional economy, alleviate employment pressure, and increase fiscal and tax revenues, solving problems concerning the economic development of Nigeria.

The Lekki FTZ is located on the Lekki Peninsula southeast of Lagos, the capital of Nigeria. The peninsula is flat and scenic and is currently being constructed as a satellite city of Lagos. It is Nigeria's fastest growing zone. The Lekki FTZ covers an area of 30 km² and has 99 years of land tenure and 50 years of franchise. It is a development model of a "comprehensive industrial new town" and will be developed into a comprehensive special economic zone integrating industry, trade and logistics, bonded storage, residences, entertainment and tourism. Since 2008 when the construction started, the project has invested more than 13 million naira (approximately \$1.9 million) in community affairs and has created more than 1,000 jobs for local communities. In the future, the FTZ will focus on the development of processing and manufacturing industries as well as trade and logistics industries. It is expected to become a "large platform for

China-Nigeria cooperation in production capacity and equipment manufacturing”, with a total output value of nearly \$2 billion and local employment of about 50,000 people.

The Lekki FTZ adopted the public-private partnership (PPP) model, which enabled the Government of Nigeria to participate in the project through priced land concession. The project is jointly funded, constructed and operated by China and Nigeria without loans. The PPP investment model has greatly enhanced the capacity of Nigeria for sustainable development in building FTZs and developing capacity.



The building at the entrance of Nigeria Lekki Free Trade Zone



A factory at the Nigeria Lekki Free Trade Zone

2. Operation

The management model of the project is “government and enterprise”, with China and Nigeria jointly participating in the operation and management. The highest authority is the Board of the project, which has 10 members; China nominates 6 directors and Nigeria nominates 4. The Board of the project meets three times a year

to discuss Lekki Investment (the joint venture) major strategies and management issues. The selection of the Board chairman will be made by the Board of the project in consideration of the interests of all shareholders and in accordance with the principle of the best interests of the company. The management personnel of the company are also jointly appointed by China and Nigeria, with the General Manager and the Chief Financial Officer appointed by Lekki Investment and the Deputy General Manager appointed by the government of Lagos State.

3. Impact

Promotion of local productivity and level of economic development

By the end of December 2019, the Lekki FTZ had completed a total investment of \$171 million. A total of 84 enterprises had entered the zone and started operation or construction, bringing in an accumulated investment in the zone of \$200 million. In 2019, the Lekki FTZ achieved a total output value of \$74.75 million, which generated \$11.35 million of various taxes paid to the host country and 1041 job opportunities for Nigerians.

Prioritization of local communities and creation of local employment opportunities

The Lekki FTZ pays special attention to promoting the employment of villagers in local communities. The company itself not only gives priority to the employment of villagers but also requires enterprises entering the zone to give priority to the employment of local villagers. The enterprises are required to formulate training plans and carry out systematic skills training to enable local villagers to fit into their new positions better and faster. According to statistics, as of March 2017, the total number of local employees in the Lekki FTZ had reached more than 3,000. In addition, the Lekki FTZ actively

supports and encourages local college students to seek internship opportunities with companies based in the FTZ. By the end of 2016, 20 students had been offered internship positions, with accommodation and a monthly stipend provided.

Active integration of the local society

The Lekki FTZ has built the following projects for local communities: 6 toilets in four surrounding communities, a 30-metre-deep water well together with a water tank, two 50-metre-deep water wells with water tanks, a septic tank and a percolation well, a 700-metre-long and 6-metre-wide bauxite road, and an office building for the local police department.

In the case of the village children who have no money for school fees or who are in urgent need of medical treatment, the Lekki FTZ lends a helping hand and makes timely financial contributions to solve the difficulties of the villagers, such as providing mattresses for community hospitals, repairing community vehicles and sponsoring community elections. These measures have been well recognized by the local community and have improved the relationship between the zone and the villagers. The Lekki FTZ has also sponsored important activities such as the Lagos Expo and the boat racing festival, a traditional festival in Lagos, which have earned the Lekki FTZ a good reputation and wide recognition from the local government and residents.

4. Replicability

The operation model of the project is replicable in other African countries that are in urgent need of developing their manufacturing industry. The Lekki FTZ model can be applied in neighbouring countries to build and develop FTZs, expand

the influence of China-Africa cooperation to develop capacity, and promote the capacity and further develop the manufacturing industry in African countries.





Chapter III. Plan for Future Development

Plan for Future Development

At the 2018 Beijing Summit of FOCAC, Chinese President Xi Jinping announced that China and Africa would jointly implement the “eight major actions” of industrial promotion, facility connectivity, trade facilitation, green development, capacity building, public health and hygiene, people-to-people exchanges, and peace and security. They would coordinate the joint construction of the Belt and Road Initiative with the 2030 Agenda for Sustainable Development, the African Union Agenda 2063, and the development strategies of African countries, focusing on helping Africa to develop self-growth capacity and innovative cooperation concepts and methods and taking China-Africa cooperation to a higher level.

In the future, the CADFund will actively implement the spirit of the 2018 Beijing Summit of FOCAC and give full play to the advantages of development-focused financial institutions. It will continue leveraging the platform and resources offered by CDB; supporting Africa’s industrialization and modernization of the agricultural sector through its business model of “investment plus loans” with CDB; strengthening investment and development in infrastructure, agriculture, medical care, manufacturing and other industries; and actively exploring cooperation with other multilateral/bilateral institutions to play a greater role in building a community of shared future for humankind.

• Infrastructure

The CADFund will make more efforts to develop and promote infrastructure projects such as roads, railways, regional aviation networks and electricity projects. It will give full play to the

advantages of its joint venture: the China Overseas Infrastructure Development and Investment Co., Ltd. (hereinafter referred to as “COIDIC”). Through funding and resource integration, the CADFund will carry out preliminary development including engineering technology, legal relations, and investment and financing structure; promote the project from the concept and planning stages all the way to financing closure; and support Chinese enterprises to participate in Africa’s infrastructure construction in a manner that integrates investment, construction and operation.

• Livelihoods and agriculture

The CADFund will engage in cooperation in extending the industrial value chain of African agriculture from production to processing and facilitate local capacity-building. It will support the construction of local medical and health facilities to improve the medical service and public health.

• Cooperation to develop capacity

The CADFund will join governments, enterprises and financial institutions of both China and Africa at all levels in making efforts to promote industrial park construction and cooperation to develop capacity, achieve collective industrial development and help Africa’s industrialization.

• Financial cooperation

The CADFund will innovate the cooperation mode, exploring and promoting cooperation with financial institutions, especially those in Africa.

- **Energy and mineral resources**

The CADFund will coordinate and promote the development of resources, the smelting and processing industry, environmental protection, mining area construction, etc., to effectively transform Africa's resource advantages into advantages in comprehensive and sustainable development.

The CADFund is a demonstration of solidarity between China and African countries, reflecting the spirit of South-South cooperation. Through increasing investment and providing service, the CADFund has successfully enhanced productive capacities, created jobs, and helped to improve livelihoods in the communities and countries that host CADFund projects. Building on these achievements and in line with the future plan, the CADFund will strengthen its cooperation with the local partners of the hosting countries and further promote knowledge-sharing utilizing platforms offered by regional and global multilateral mechanisms, building on its broad partnership including with UNOSSC, WFP, the World Bank and the Africa Development Bank.

