

**UNIVERSITY OF THE WESTERN CAPE**



**UNIVERSITY *of the*  
WESTERN CAPE**

**FACULTY OF LAW**

DEVELOPMENT ASSISTANCE APPROACHES IN CAMEROON: A  
COMPARISON OF THE HEAVILY INDEBTED POOR COUNTRIES  
INITIATIVE AND CHINA'S WHITE PAPER ON FOREIGN AID.

A mini-thesis submitted in partial fulfilment of the requirements for the award  
of the LLM Degree in the Faculty of Law of the University of the Western  
Cape.

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Date of submission: May 2014

**DECLARATION**

I hereby declare that ‘**Development Assistance Approaches in Cameroon: a Comparison of the Heavily Indebted Poor Countries Initiative and China’s White Paper on Foreign Aid**’ is my original work, and that it has never been submitted before for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged as complete references.

**Signed by:**

**Student:** .....**Signature:** .....**Date:** .....

**Supervisor:** .....**Signature:**.....**Date**.....



## **DEDICATIONS**

This work is dedicated to my beloved father, Victor Kenfack, and my adorable mother, Noelle Guedia.

Also, to my precious brothers and sister: Romeo Kenfack, Rostand Kenfack, Mireille and Yannick Kenfack.

Furthermore, it is dedicated to my adorable fiancé, Walter Edang.

Finally, to all my friends and all the people who believed in me.



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## **KEYWORDS**

- Cameroon
- China's White Paper on Foreign Aid
- Development Assistance Approaches
- Economic Development
- Heavily Indebted Poor Countries (HIPC) Initiative
- International Monetary Fund (IMF)
- Poverty Reduction
- World Bank



## ACRONYMS

<b>ADS</b>	Approved Destination Status
<b>AfDF</b>	African Development Fund
<b>AFRODAD</b>	African Forum Network on Debt and Development
<b>BEAC</b>	Bank of Central African States
<b>CAMAIR-CO</b>	Cameroon Airlines Corporation
<b>CAMTEL</b>	Cameroon Telecommunications Company
<b>CCS</b>	Centre for Chinese Studies at the University of Stellenbosch
<b>CDB</b>	China Development Bank
<b>CEMAC</b>	Economic and Monetary Community of Central Africa
<b>CESIFO</b>	Centre for Economic Studies at the University of Munich
<b>CIDSE</b>	International Co-operation for Development and Solidarity
<b>DAC</b>	Development Assistance Committee
<b>ECA</b>	Export Credit Agency
<b>ESAF</b>	Enhanced Structural Adjustment Facility
<b>EXIMBANK</b>	Export-Import Bank of China
<b>FCFA</b>	Central African Franc
<b>FDI</b>	Foreign Direct Investment
<b>FOCAC</b>	Forum on China-Africa Co-operation
<b>FONDAD</b>	Forum on Debt and Development
<b>G7</b>	Group of the USA, UK, France, Germany, Italy, Canada and Japan
<b>G77</b>	Group of 77
<b>GDP</b>	Gross Domestic Product
<b>GESP</b>	Growth and Employment Strategy Paper
<b>HIPC</b>	Heavily Indebted Poor Countries
<b>IADB</b>	Inter-American Development Bank
<b>ICCPR</b>	International Covenant on Civil and Political Rights
<b>ICESCR</b>	International Covenant on Economic social and Cultural Rights
<b>IDA</b>	International Development Assistance
<b>IMF</b>	International Monetary Fund
<b>LDCs</b>	Least Developed Countries

<b>LICs</b>	Low Income Countries
<b>MATGENIE</b>	Cameroon Road Construction Equipment Pool
<b>MDGs</b>	Millennium Development Goals
<b>MDRI</b>	Multilateral Debt Relief Initiative
<b>MOFA</b>	China Ministry of Foreign Affairs
<b>MOFCOM</b>	China Ministry of Commerce
<b>NPV</b>	Net Present Value
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OPEC</b>	Organisation of Petroleum Exporting Countries
<b>OXFAM</b>	International Confederation of 17 organisations working in approximately 90 countries worldwide to find solutions to poverty
<b>PNG</b>	National Governance Program
<b>PRGF</b>	Poverty Reduction and Growth Facility
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>SAC III</b>	Third Structural Adjustment Credit
<b>SAPs</b>	Structural Adjustment Programs
<b>SNEC</b>	Cameroon National Water Company
<b>TICPI</b>	Transparency International Corruption Perception Index
<b>UDHR</b>	Universal Declaration of Human Rights
<b>UN</b>	United Nations
<b>USA</b>	United States of America
<b>WIPO</b>	World International Property Organisation
<b>WTO</b>	World Trade Organisation

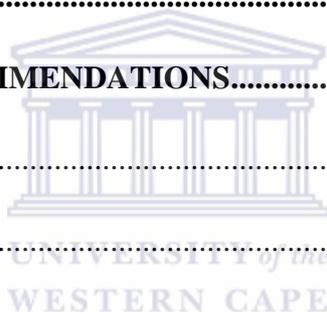
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# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

Cameroon is a developing country located in Central Africa. It has consecutively been colonised by Germany, France and Great Britain.<sup>1</sup> In 1960, Cameroon became an independent state, thereafter a federation in 1961, then a unitary state in 1972, and finally the Republic of Cameroon since 1983.<sup>2</sup>

According to African Forum on Debt and Development (AFRODAD), Cameroon is an influential member of the Economic and Monetary Community of Central Africa (CEMAC), and plays an important role in the affairs of the Central African sub-region.<sup>3</sup> Moreover, Cameroon is unquestionably one of the countries which have the most to gain from the creation of an integrated market in the context of the regional Economic Partnership Agreement with the European Union.<sup>4</sup> Its geographic location, economic weight and relative diversification of productive equipment (compared to the economic fabric of the other regional countries) represent many growth potentials in a context where regional trade is bound to witness significant development.<sup>5</sup> It is bordered by six countries similarly rich in natural and mineral resources, namely, Central African Republic, Chad, Equatorial Guinea, Gabon, Nigeria, and Republic of the Congo.<sup>6</sup>

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<sup>1</sup> Awasom NF 'Towards Historicizing the Ossification of Colonial Identities in Africa: The Anglophone/Francophone divide in Postcolonial Cameroon' in Zewde B (eds) *Society, State and Identity in African History* (2008) 49.

<sup>2</sup> Awasom NF 'The Reunification Question in Cameroon History: Was the Bride an Enthusiastic or a Reluctant One?' (2000) 47 *Indiana University Press* 90-119, 91.

<sup>3</sup> AFRODAD *A critical Assessment of Aid Management and Donors Harmonization: the Case of Cameroon* (2007) Report of the African Forum and Network on Debt and Development, 15.

<sup>4</sup> AFRODAD *A critical Assessment of Aid Management and Donors Harmonization: the Case of Cameroon* (2007) Report of the African Forum and Network on Debt and Development, 15.

<sup>5</sup> Tangwa GB 'Cameroon' in *Handbook of Global Bioethics* (2014) 1-942.

<sup>6</sup> See information on Cameroon available at <http://www.camhicom.co.za/cameroon.php> (accessed 19 March 2014).

From 1960 to 1985 the country was amongst the most prosperous in Africa.<sup>7</sup> However, during the fiscal year 1986/1987, Cameroon experienced a drop in commodity prices for its principal exports, namely, oil, cocoa, coffee and cotton.<sup>8</sup> In the mid-1980s, this combined with an overvalued currency and economic mismanagement led to a decade long recession.<sup>9</sup> Cameroon, like almost all African countries, is characterised by extreme poverty,<sup>10</sup> underdevelopment, lack of infrastructure, maladministration, corruption, bad governance, low growth rate, high unemployment rate, high rate of HIV/AIDS, violations of human rights, non-respect for human dignity, non-respect for democracy, lack of transparency in the election process, and ineffective separation of powers.<sup>11</sup>

As Cameroon is signatory to various international human rights instruments, such as, the UDHR, the ICCPR, the Declaration on the Right to Development, the Agreement Establishing the World Trade Organisation (WTO), and the ICESCR it puts on the international community the international obligation to assist Cameroon to resolve its development challenges.<sup>12</sup>



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<sup>7</sup> Atyi ER 'Cameroon's Logging Industry: Structure, Economic Importance and Effects of Devaluation' 1998 Center for International Forestry Research's occasional Paper No 14, 15.

<sup>8</sup> Hussain NM & Gunter BG 'External Shocks and the HIPC Initiative Impacts on Growth and Poverty in Africa' (2005) 17 *African Development Review* 461-492, 463.

<sup>9</sup> AFRODAD *A critical Assessment of Aid Management and Donors Harmonization: the Case of Cameroon* (2007) Report of the African Forum and Network on Debt and Development, 15.

<sup>10</sup> Forty percent of the population are still living below the poverty line, that is, less than one dollar a day, which is unacceptable, having regard to the myriad of international instruments ratified by Cameroon to promote the dignity and the development of its population such as, the *Universal Declaration on Human Rights (UDHR)* (1948), the *International Covenant on Civil and Political Rights (ICCPR)* (1966), the *International Covenant on Economic Social and Cultural Rights (ICESCR)*(1966) and the Declaration on the Right to Development (1986).

<sup>11</sup> Akoko RM 'New Pentecostalism in the Wake of the Economic Crisis in Cameroon' (2002)11 *Nordic Journal of African Studies* 359-376, 359-360. Also Shey P 'Cameroon: Challenges for Regional Economy' *Cameroon Tribune* 24 June 2008 available at <http://www.afrika.no/Detailed/16833.html> (accessed: 27 August 2012).

<sup>12</sup> See Cameroon treaty membership available at <http://www.wipo.int/wipolex/en/profile.jsp?code=CM#a6> (accessed 19 March 2014).

Under the existing international human right instruments, the international community in its totality has agreed upon the right of every single human being and state to economic development.<sup>13</sup> For instance Article 2(1) of the ICESCR states:

‘Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures.’

This means that development issues are no longer specific concerns of each state but rather international matters calling for both domestic and collective efforts. Likewise Article 3(3) of the Declaration to the Right to Development emphasises:

‘States have the duty to co-operate with each other in ensuring development and eliminating obstacles to development. States should realize their rights and fulfil their duties in such a manner as to promote a new international economic order based on sovereign equality, interdependence, mutual interest and co-operation among all States, as well as to encourage the observance and realization of human rights.’

Consequently, the international community under the international legislation has the full obligation and responsibility to assist developing countries as a whole with resolving their development challenges.<sup>14</sup> In this regard Western and European Countries that are members of the Organisation for Economic Co-operation and Development (OECD), mainly France and Germany, are delivering foreign development aid to Cameroon.<sup>15</sup> Similarly, Cameroon is receiving multilateral development assistance from the International Monetary Fund (IMF) and the World Bank under the Heavily Indebted Poor Countries (HIPC) Initiative.<sup>16</sup>

The OECD development assistance is always subject to the fulfilment of certain conditions, such as, the implementation of democratic institutions, good governance practice, structural adjustment, privatisation, and openness to globalisation, in order to achieve development

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<sup>13</sup> See the Preamble of the UDHR (10 December 1948). See also the Article 2 of the ICESCR (16 December 1966). Moreover, Article 3 & 4 of the Declaration on the Right to Development (4 December 1986),

<sup>14</sup> Article 4 of the Declaration on the Right to Development (4 December 1986).

<sup>15</sup> The OECD mission is to promote policies that will improve the economic and social wellbeing of people around the world.

<sup>16</sup> AFRODAD *A critical Assessment of Aid Management and Donors Harmonization: the Case of Cameroon* (2007) Report of the African Forum and Network on Debt and Development, 18.

objectives.<sup>17</sup> The achievement of these development objectives consists, first, in poverty tackling<sup>18</sup> and achieving economic growth; secondly, in achieving the Millennium Development Goals (MDGs) by 2015<sup>19</sup>; and, lastly, by improving market access and enhancing the participation of developing countries, particularly Developing Countries, in the Multilateral Trading System.<sup>20</sup> Following the repeated failures of the OECD development assistance approach, several international actions and summits have been held to improve aid transparency and mutual accountability of donors and recipients.<sup>21</sup> According to African Forum and Network on Debt and Development (AFRODAD), these efforts comprise the development of Poverty Reduction Strategies, followed in 2000 by the adoption of the MDGs, the Monterrey Consensus (March, 2002), the High-level Forum on Aid Harmonisation in Rome (February 2003), the Round Table on Aid Management centred on results in terms of development held in Marrakech (2004), the Paris Declaration on Aid Effectiveness of February 2005, the Third High Level Forum on Aid Effectiveness held in Accra in September 2008, and the Fourth High Level Forum on Aid Effectiveness held in Busan in Korea in November 2011.<sup>22</sup> All these international agreements define the goals and objectives for the agenda of aid effectiveness.

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<sup>17</sup> See generally Santiso C 'Good Governance and Aid Effectiveness: The World Bank and Conditionality' (2001) 7 *Journal of Paul H Nitze School of Advanced International Studies of John's Hopkins University* 1-22. See also Jubilee USA Network *Are IMF and World Bank Economic Policy Conditions undermining the Impacts of Debt Cancellation?* (2008) Jubilee USA Network Briefing Note.

<sup>18</sup> Poverty rate in Cameroon is still high as 40% of the population lived below the poverty line.

<sup>19</sup> There are eight MDGs recognised by the 192 United Nations members in order to end poverty by 2015. Amongst them are the reduction of extreme poverty, reduction of child mortality rates, fighting disease epidemics, such as HIV/AIDS, and creating a global partnership for development.

<sup>20</sup> The World Bank and the International Monetary Fund impose a series of reforms and conditionalities because they firmly believe, like Burnside: Dollar and Unicef (2009), that aid works better in a 'Good policy environment'. This argument is based upon the assumption that good governments are likely to use aid more appropriately and efficiently (pursuing the welfare of their populations rather than their own selfish and egoistic goals) than bad governments. See also *IMF and World Bank Support Cameroon's Completion Point under the Enhanced HIPC Initiative and the IMF Immediately Grants 100 Percent Debt Relief to Cameroon under the Multilateral Debt Relief Initiative* (2006) Press Release No. 06/85.

<sup>21</sup> AFRODAD *A Critical Assessment of Aid Management & Donor Harmonisation: the Case of Cameroon* (2007) A Report of the African Forum and Network on Debt and Development, 12.

<sup>22</sup> AFRODAD *A Critical Assessment of Aid Management & Donor Harmonisation: the Case of Cameroon* (2007) A Report of the African Forum and Network on Debt and Development, 12.

Just like the OECD donors, the IMF and the World Bank through the HIPC Initiative have always attached conditionalities<sup>23</sup> because they strongly believe that the imposition of rules and regulations under which aid is disbursed ultimately influences its success or failure.<sup>24</sup> Regarding the conditionalities imposed by the World Bank and the IMF in order to receive foreign aid under the HIPC Initiative, it was required that Cameroon and the other poor countries that qualified for the HIPC Initiative achieve the following two steps: the decision point (phase after which a country may be granted interim debt relief) and the completion point phase (whereby the country benefits from full debt relief).<sup>25</sup>

However, the HIPC Initiative framework has been at the centre of several criticisms.<sup>26</sup> Some of these include the following: the HIPC Initiative did not provide long-term growth sustainability for many of the poorest countries, the HIPC Initiative framework is unlikely to achieve the MDGs by 2015 according to the United Nations (UN) projections, and its projections were ‘too optimistic’, its analysis of debt sustainability was inappropriate, and its country selection too narrow.<sup>27</sup>

On the other hand, being ‘the world’s second largest economy’<sup>28</sup> and the largest new investor, trader, buyer, and aid donor in African countries,<sup>29</sup> China is increasing its diplomatic and

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<sup>23</sup> Conditionalities are not a new phenomenon. In order to benefit from the Marshall Plan for the Reconstruction of Europe after the devastation of World War II, the USA government required European governments to draw up an economic revival plan.

<sup>24</sup> See generally *the Paris Declaration on Aid Effectiveness* (2005).

<sup>25</sup> Thirty-two countries including Cameroon successfully reached the completion point in 2006 and were eligible to receive full debt relief as from December 2011.

<sup>26</sup> Easterly W ‘How Did Heavily Indebted Poor Countries Become Heavily Indebted? Reviewing Two Decades of Debt Relief’ (2002) 30 *World Development* 1677-1696, 1677.

<sup>27</sup> See Gunter BG *Does the HIPC Initiative Achieve its Goal of Debt Sustainability?* (2001) Discussion paper of the World Institute for Development Economics Research No 2001/100, 1. See also Tiwari S & Lewis J *Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) Statistical Update* (2013) A publication Prepared by Staffs of the World Bank and the IMF, 14.

<sup>28</sup> Li X & Shaw TM ‘Same Bed, Different Dreams’ and ‘Riding Tiger’ Dilemmas: China’s Rise and International Relations/political Economy’ (2014) 19 *Journal of Chinese political science* 69-93, 70.

<sup>29</sup> See generally Ayenagbo K, Rongcheng W, et al ‘Sino-Africa economic and trade relation: Its Implications on the African Continent’ (2012) 6 *African Journal of Business Management* 6420-6427. See also generally Cheng JYS & Shi H ‘China Africa Policy in the post-Cold War Era’ (2009) 39 *Journal of Contemporary Asia* 87-115.

economic and trade relations with the African continent.<sup>30</sup> In January 1960 Cameroon established diplomatic relations with Taiwan and later established diplomatic relations with the People's Republic of China on March 1971.<sup>31</sup> Since then, Cameroon and China have both entered into various multilateral agreements, amongst which are:

- the 1972 General Trade Agreement
- the 1997 Agreement for the Reciprocal Protection and Promotion of Investment and
- the 2002 Agreement for Economic and Commercial Co-operation.<sup>32</sup>

According to the Chinese White Paper on Foreign Aid, China is delivering aid to African countries without political conditions attached<sup>33</sup> and sees its relationship with Africa more as a 'friendship' relationship than a 'donor-recipient' relationship.<sup>34</sup> Moreover, China claims that its development assistance approach is aligned with international legal instruments and featuring equality, mutual benefit and win-win co-operation.<sup>35</sup>

However, just like the HIPC Initiative, the Chinese White Paper was not exempt from criticisms.<sup>36</sup> For instance, China's development assistance approach has been heavily criticised for not imposing political conditionalities on African countries (well known as corrupt and badly governed states) as the OECD donors and the IMF and the World Bank do, which undermine their development efforts' effectiveness.<sup>37</sup> Moreover, China's development

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<sup>30</sup> Jansson J *The Forum on China-Africa Cooperation (FOCAC) (2009) A Briefing paper of the Centre for Chinese studies of the University of Stellenbosch*, 4.

<sup>31</sup> Taiwan is an island claiming independence from China as a distinct state. Unfortunately, the international community has never recognised Taiwan as such, but has only acknowledged China as the sole and unique official government of Taiwan as its territory.

<sup>32</sup> Jansson J *Patterns of Chinese Investment, Aid and Trade in Central Africa (Cameroon, DRC and Gabon) (2009) A Briefing paper of the Centre of Chinese Studies*, 4.

<sup>33</sup> In opposition to the IMF and the World Bank conditionalities earlier mentioned imposed on eligible HIPC countries under the HIPC Initiative in order to benefit from full debt relief assistance.

<sup>34</sup> *China White Paper on Foreign Aid (22 April 2011)*.

<sup>35</sup> *The Declaration on the Right to Development (1986) Article 3(3), the Beijing Declaration of the Forum on China-Africa Co-operation (FOCAC) (2004) Article 5, and China White Paper on Foreign Aid (22 April 2011)*.

<sup>36</sup> Condon M 'China in Africa: What the Policy of Non-intervention Adds to the Western Development Dilemma' (2012) 27 *PRAXIS the Fletcher Journal of Human Security* 5-25, 8.

<sup>37</sup> Dreher A & Fuchs A *Rogue Aid? The Determinants of China's Aid Allocation* (2011) Cesifo working paper, 11.

assistance approach has been criticised, inter alia, for the following reasons: not being transparent, not respecting human rights, supporting corrupt and undemocratic governments, tying aid to procurement, and targeting access to natural resources and markets for Chinese exports.<sup>38</sup>

## 1.2 Problem statement

Traditional donors from the Development Assistance Committee (DAC) of the OECD community have for more than 50 years invested billions of dollars in Africa in general and Cameroon in particular.<sup>39</sup> Despite this huge investment, not much has been achieved with regard to Cameroon's economic development to the point that questions have been posed as to where the money is going.<sup>40</sup> This situation has raised the concerns of the international community in general and in particular of the traditional donors, African countries about traditional donors' aid policy effectiveness on the African continent and international financial institutions as well.<sup>41</sup>

According to the IMF and the World Bank reports on Cameroon's HIPC Initiative Agreement, it is clear that the HIPC Initiative has brought incontestably some positive outcomes in Cameroon's economic development with regard to debt burden reduction, the fight against corruption, good governance, improvement of education, and macro-economic stability.<sup>42</sup> However, the HIPC Initiative has remained a limited framework given that it did

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<sup>38</sup> Dreher A & Fuchs A *Rogue Aid? The Determinants of China's Aid Allocation* (2011) Cesifo working paper, 11.

<sup>39</sup> Easterly W & Pfitze T 'Where Does the Money Go? Best and Worst Practices in Foreign Aid' (2008) 22 *Journal of Economic Perspectives* 29-52, 29. See also Delfin SGO & Page JM *Africa at a Turning Point: Growth, Aid and External Shocks* (2008) 2.

<sup>40</sup> Easterly W & Pfitze T 'Where Does the Money Go? Best and Worst Practices in Foreign Aid' (2008) 22 *Journal of Economic Perspectives* 29-52, 29.

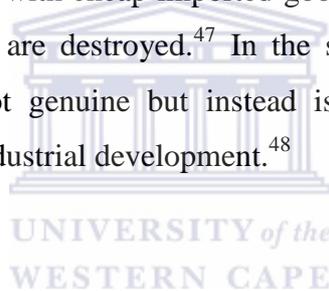
<sup>41</sup> Easterly W & Pfitze T 'Where Does the Money Go? Best and Worst Practices in Foreign Aid' (2008) 22 *Journal of Economic Perspectives* 29-52, 29.

<sup>42</sup> See Box on status of triggers for reaching the floating completion point sourced from *Cameroon: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative-Completion Point Document and Multilateral Debt Relief Initiative (MDRI)* (2006) IMF Country Report No 06/190, 6. See also IMF and World Bank Support Cameroon's Completion Point under the Enhanced HIPC Initiative and the IMF Immediately Grants 100 Per

not achieve all its projected and anticipated results with regard to Cameroon poverty reduction and debt sustainability.<sup>43</sup>

China's engagement with Africa generally has to some extent brought tangible, concrete, visible assets on the ground.<sup>44</sup> For example, China is building numerous infrastructures in Africa and in Cameroon, such as, hospitals, roads, schools, the Yaoundé Conference Centre, and the Cameroonian congress building which have improve the socio-economic life of the population.<sup>45</sup>

However, just like the HIPC Initiative Agreement, China's development assistance is still far away from perfection. Generally China's development assistance approach is criticised for undermining human rights issues, good governance, and democracy.<sup>46</sup> Cameroonians particularly perceive China's development assistance as an instrument of economic policy by which China invades the country with cheap imported goods of low quality to make its own profit while domestic industries are destroyed.<sup>47</sup> In the same vein, they also believe that China's aid in Cameroon is not genuine but instead is targeting a market for mineral resources which it lacks for its industrial development.<sup>48</sup>



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cent Debt Relief to Cameroon under the Multilateral Debt Relief Initiative (2006) Press Release No. 06/85 available at <http://www.imf.org/external/np/sec/pr/2006/pr0685.htm> (accessed 11 November 2013).

<sup>43</sup> See Gunter BG Does the HIPC Initiative Achieve its Goal of Debt Sustainability? (2001) Discussion Paper of the World Institute for Development Economics Research No 2001/100, 1.

<sup>44</sup> Jansson J *Patterns of Chinese Investment, Aid and Trade in Central Africa (Cameroon, DRC and Gabon)* (2009) Briefing Paper of the Centre of Chinese Studies, 7.

<sup>45</sup> Jansson J *Patterns of Chinese Investment, Aid and Trade in Central Africa (Cameroon, DRC and Gabon)* (2009) Briefing Paper of the Centre of Chinese Studies, 7.

<sup>46</sup> Brautigam D *China's African Aid: Transatlantic Challenges* (2008) Report to the German Marshall Fund of the United States, 5.

<sup>47</sup> Lundsgaard H *Western and Chinese Development Assistance in Tanzania: A Comparison of Approaches Followed by an Evaluation from Tanzanian Perspective* (Published LLM thesis of Berne University, 2010) 206, 3.

<sup>48</sup> Brautigam D *China's African Aid: Transatlantic Challenges* (2008) A Report to the German Marshall Fund, 5.

### **1.3 Research questions**

In line with the aforementioned this mini-thesis principally investigates the following research questions:

**Question 1:** What is the legal framework of the HIPC Initiative approach of the IMF-World Bank?

**Question 2** What is the normative framework of China's development assistance approach in Cameroon?

**Question 3:** Which development assistance regulatory framework is more aligned with international obligations pertaining to human rights and economic cooperation?

### **1.4 Aims of the research**

This research acknowledges that although literature abounds on development assistance in general, not much has been published yet on Cameroon specifically. Therefore, this mini-thesis seeks to contribute to fill this gap. Moreover, it aims to examine both development assistance legislative frameworks in Cameroon and above all to compare them in order to find out which development assistance approach is the most aligned in terms of international obligations relative to human rights and economic development.

### **1.5 Limitation of the research**

The IMF-World Bank's Comprehensive Approach to debt Reduction, (the HIPC Initiative), and China's White Paper on Foreign Aid have been specifically chosen for this research for two main reasons: first, these two international instruments are significantly impacting upon and reshaping Cameroon's political, social and economic development architecture since Cameroon economic crisis exists till today; and secondly, to enlighten the public, academicians, policy makers, on development assistance in Cameroon given that legal sources on the topic exist but mostly unpublished and inaccessible Therefore this research will be restricted to the period from Cameroon's economic crisis in 1980 up to 2014.

Given the limited availability of primary legal sources at both the international and domestic levels, this research will primarily look at *HIPC Initiative Agreement* and the *Chinese White Paper on Foreign Aid*. Moreover, this study will be conducted in form of the available HIPC documents and reports on Cameroon regularly published by the staff of IMF and the World Bank and specifically the *HIPC Decision Point Document* and the *HIPC Completion Point Document of Cameroon*. In addition, this study will rely on primary legal sources relative to states international obligations regarding human rights and economic cooperation such as, the *UDHR* (10 December 1948), the *ICCPR* (16 December 1966), the *ICESCR* (16 December 1966) and the *Declaration on the Right to Development* (4 December 1986). In the case of China's development assistance approach, given that neither China nor Cameroon release specific bilateral treaties or agreements related to their development co-operation and the fact that documents and publications relative to Cameroon's development assistance are mostly unpublished and inaccessible, this study will principally focus on *the Chinese White Paper on Foreign Aid*. It will also look, amongst others, at *the Beijing Declaration of the FOCAC* (2004), *the White Paper on China-Africa Economic and Trade Co-operation* (August 2013). Moreover this research will be complemented through secondary sources such as books, journals articles, report, working papers, press reviews, drafts, deliberation of international conferences and international summits, and internet sources.

## **1.6 Overview of chapters**

This thesis is structured into five chapters.

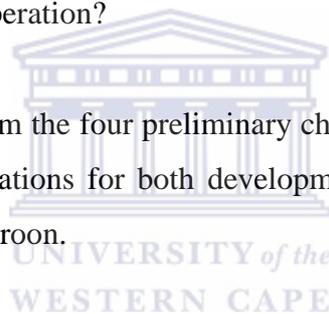
**Chapter 1** presents an introduction to this research.

**Chapter 2** first examines the legal framework of the HIPC Initiative Agreement with regard to states' international obligations regarding human rights and economic co-operation. It further investigates the eligibility criteria under the HIPC Initiative, its objectives, the conditionalities attached to the HIPC debt relief allocation, the criticisms encountered, and the challenges and achievements of the HIPC Initiative Agreement in general and in Cameroon in particular.

**Chapter 3** studies the legal framework of China's development assistance approach in Cameroon with regard to states' international obligations, the Chinese White Paper on Foreign Aid, the Beijing Declaration of the FOCAC, and the White Paper on China-Africa Economic and Trade Co-operation. It further discusses the motivation behind China's development aid; and the criteria of China's aid allocation, its objectives and features. Moreover, it examines the criticisms and the challenges and further assesses the impact of the Chinese development assistance approach in Cameroon.

**Chapter 4** first compares the HIPC Initiative Agreement with the Chinese White Paper on Foreign Aid in Cameroon; in terms of their differences and their similarities. Furthermore, it examines the benefits Cameroon is reaping from China's development assistance and the IMF-World Bank's approach to debt relief. At last, it investigates which development assistance regulatory framework is more aligned with international obligations pertaining to human rights and economic co-operation?

**Chapter 5** draws conclusions from the four preliminary chapters. Moreover, the chapter puts stress on a series of recommendations for both development assistance approaches for the sustainable development of Cameroon.



## CHAPTER 2

### THE HEAVILY INDEBTED POOR COUNTRIES DEBT RELIEF INITIATIVE AGREEMENT

#### 2.1 Introduction

The existence of an excessive external debt burden has increasingly been acknowledged by the international community as an obstruction to the ability of poor countries to pursue sustainable development and poverty reduction.<sup>49</sup> In response, the International Monetary Fund (IMF) and the World Bank together launched the Heavily Indebted Poor Countries (HIPC) Initiative Agreement in 1996.<sup>50</sup> This legal document marked an outstanding shift in the development finance regime because its supporting agenda aimed at resolving the long-lasting debt crisis in a sustainable way by associating ‘debt relief with the policy environment, conditionality with ownership, and social impacts of macroeconomic policy reforms with public expenditure prioritisation.’<sup>51</sup> The HIPC Initiative Agreement was supported by about 180 governments mobilised at the World Bank and the IMF and regarded by them as a satisfactory and valuable instrument capable of providing poor countries with the ultimate solution to their unremitting debt rescheduling.<sup>52</sup> Since then, the international financial community, as well as multilateral organisations and governments, have worked jointly to reduce to acceptable levels the external debt burdens of the most heavily indebted poor countries.<sup>53</sup>

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<sup>49</sup> Trotsenburg A & MacArthur A *The HIPC Initiative: delivering Debt to the Poor countries* (1999) International Monetary Fund Publication, 1.

<sup>50</sup> ‘Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative’ International Monetary Fund Factsheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012). Also Gautam M *Debt Relief for the Poorest: An OED Review of the HIPC Initiative* (2003) 1.

<sup>51</sup> Gilman M & Mitchells W ‘Achievements to Date and Challenges Ahead: A view from the IMF’ in Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of Forum on Debt and Development (FONDAD), 73.

<sup>52</sup> Trotsenburg A & MacArthur A *The HIPC Initiative: delivering Debt to the Poor Countries* (1999) International Monetary Fund Publication, 1.

<sup>53</sup> According to the IMF Factsheet *Debt Relief under the Heavily Indebted Poor Countries* of 10 January 2013, out of the 36 countries approved under the HIPC debt reduction packages, 30 are African countries.

According to the HIPC Initiative Agreement framework, it was designed to successfully deliver on all its promises.<sup>54</sup> But on the ground it brought mitigated outcomes.<sup>55</sup> Notwithstanding the IMF and World Bank statements of the HIPC Initiative's successes, it is widely recognised that the HIPC Initiative Agreement as well as Structural Adjustment Programs (SAPs) have only partially achieve their stated objectives.<sup>56</sup> Till today they have not effectively reduced poverty neither did they achieve debt sustainability as stated in both agreements.<sup>57</sup> As a matter of fact, the HIPC Initiative Agreement did not achieve long-term debt sustainability in poor countries, of which Cameroon has not been an exception.<sup>58</sup> Thus, the question arises as to what could be the reasons behind the HIPC Initiative Agreement's moderate results in most HIPCs in general and in Cameroon particularly? Moreover, what are some of the achievements of the HIPC Initiative Agreement in Cameroon? What are the remaining challenges? What should be recommended for the way forward?

A proper understanding of this chapter first requires paying particular attention to a critical appraisal of the role of the IMF and the World Bank in the world before homing in on the HIPC Initiative Agreement in terms of its historical development. Then, the second section will look at the main objectives and the key features of the HIPC Initiative Agreement. The third section will examine the eligibility criteria of countries under the HIPC Initiative Agreement while the fourth section will deal with the HIPC Initiative Agreement phases. The last section will legally assess the implementation of the HIPC Initiative Agreement against its background and with regard to states' obligations pertaining to international co-operation and human rights as enshrined in international legal instruments. Thus, this section will look

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<sup>54</sup> The HIPC Initiative: Progress and Prospects (2003) *Précis* World Bank Operations Evaluation Department, No. 230, 2.

<sup>55</sup> Gautam M *Debt Relief for the Poorest: An OED Review of the HIPC Initiative* (2003) 1.

<sup>56</sup> Structural adjustment programs were the earliest solutions proposed by the World Bank and the IMF in 1980 to poor indebted countries to tackle their debt problem, alleviate poverty and facilitate their sustainable development. See also Gunter BG *Does the HIPC Initiative Achieve its Goal of Debt Sustainability?* (2001) Discussion paper of the World Development Economic Research No 2001/100, 1. See also Peet R *Unholy Trinity: the IMF, the World Bank and the WTO* (2003) 100.

<sup>57</sup> Cohen D 'The HIPC Initiative: True and False Promises' (2001) 4 *International Finance* 363-380, 380.

<sup>58</sup> Gunter BG *Does the HIPC Initiative Achieve its Goal of Debt Sustainability?* (2001) Discussion paper of the World Development Economic Research No 2001/100, 1.

at the criticisms encounters by the HIPC Initiative Agreement, its positive outcomes and its remaining challenges.

## **2.2 The role of the World Bank and the IMF in the world: a critical appraisal**

Also known as the Bretton Woods Institutions, the World Bank and the IMF were created on 22 July 1944 at the Bretton Woods Conference, formally known as the United Nations Monetary and Financial Conference, which gathered 730 delegates from all 44 Allied nations at the Mount Washington Hotel, situated in Bretton Woods, New Hampshire, United States, to regulate the international monetary and financial order after the conclusion of World War II.<sup>59</sup> According to the Bretton Woods Committee, the IMF is '[a]n international organization working to maintain global financial stability through technical assistance, training, and loans to member states.'<sup>60</sup> Furthermore, it defines the World Bank as '[a]n international organization ... which provides vital financial and technical assistance to developing countries around the world to reduce global poverty.'<sup>61</sup> The IMF factsheet on the IMF and the World Bank states that they share 'the same goal of raising living standards in their member countries. Their approaches to this goal are complementary, with the IMF focusing on macroeconomic issues and the World Bank concentrating on long-term economic development and poverty reduction.'<sup>62</sup> It further mentions that both institutions collaborate on a range of issues, such as: debt burden reduction, poverty reduction, the monitoring of Millennium Development Goals (MDGs) progress and financial stability assessment.<sup>63</sup>

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<sup>59</sup> See generally Proceedings and Documents of the United Nations Monetary and Financial Conference Bretton woods, New Hampshire July 1-22, 1944 vol. i.

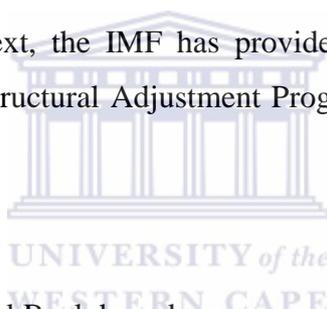
<sup>60</sup> See the 'Bretton Woods Institutions' available at <http://www.brettonwoods.org/page/about-the-bretton-woods-institutions> (accessed 11 April 2014).

<sup>61</sup> See the 'Bretton Woods Institutions' available at <http://www.brettonwoods.org/page/about-the-bretton-woods-institutions> (accessed 11 April 2014).

<sup>62</sup> See the 'IMF Factsheet on the IMF and World Bank' available at <https://www.imf.org/external/np/exr/facts/imfwb.htm> (accessed 10 April 2014).

<sup>63</sup> See the 'IMF Factsheet on the IMF and the World Bank' available at <https://www.imf.org/external/np/exr/facts/imfwb.htm> (accessed 10 April 2014).

According to Calomiris these multilateral financial institutions have the following five objectives in developing countries: improving global capital market liquidity; alleviating poverty in the poorest nations; promoting effective institutional reforms in the legal and financial systems of developing countries that favour development; providing effective global public health, for instance, the IMF and the World Bank put in place programs dealing with malaria and AIDS and environmental risks in developing countries; and collecting and disseminating valuable economic data in a uniform and timely manner.<sup>64</sup> Moreover the IMF factsheet states that the purpose of the IMF is to promote ‘international monetary co-operation and provides policy advice and technical assistance to help countries build and maintain strong economies’. It further mentions that ‘the Fund also makes loans and helps countries design policy programs to solve balance of payments problems when sufficient financing on affordable terms cannot be obtained to meet net international payments.’<sup>65</sup> For instance, in the Cameroon context, the IMF has provided loans to Cameroon during the economic crisis of 1986 under Structural Adjustment Programs (SAPs) and under the HIPC Initiative.<sup>66</sup>



Nowadays, the IMF and the World Bank have become more powerful than its founders could have ever imagined.<sup>67</sup> Both institutions account for more than 170 member countries whose voting power is dictated by the amount of their subscriptions.<sup>68</sup> This operating system of ‘one dollar -one vote’ implies that the rich developed countries lead these institutions, while poor countries which account for the great majority in these institutions are totally excluded from

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<sup>64</sup> Calomiris C W ‘When will Economics guide IMF and World Bank Reforms’ (2000) 20 *Cato Journal* 85-103, 86.

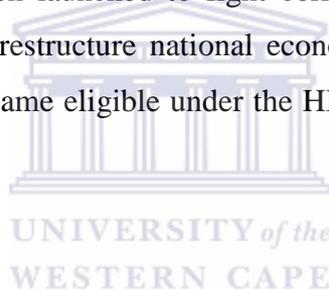
<sup>65</sup> See the ‘IMF Factsheet on the IMF and the World Bank’ available at <https://www.imf.org/external/np/exr/facts/imfwb.htm> (accessed 10 April 2014).

<sup>66</sup> AFRODAD A *Critical Assessment of Aid Management and Donor Harmonisation: the Case of Cameroon* (2007) A publication of AFRODAD, 16.

<sup>67</sup> Khor M *Globalization and the South: Some Critical Issues* (2000) United Nations Conference on Trade and Development discussion paper No 147, 9.

<sup>68</sup> Leech D & Leech R ‘Voting Power in the Bretton Woods Institutions’ in Paloni A & Zanardi M(eds) *The IMF, World Bank and Policy Reform* (2006) 27.

the decision making process.<sup>69</sup> Consequently, the IMF and the World Bank have been generally described in the available literature as ‘anti-democratic’, ‘anti-poor,’ and that their policies are shaped by their principal stakeholders, the powerful developed countries.<sup>70</sup> Today, the IMF and the World Bank have the power to restructure national economic policy frameworks in many countries.<sup>71</sup> In the Cameroon context, during the economic crisis the World Bank and the IMF first imposed on Cameroon a Structural Adjustment Programme in the period 1987-1997.<sup>72</sup> According to African Forum on Debt and Development (AFRODAD), despite these interventions the burden of the external debt remained unsustainable, with debt stock totalling US\$7802 million in nominal terms by end of June 1999.<sup>73</sup> The Cameroonian government had to design a Poverty Reduction Strategy Paper (PRSP), implementation of which started in 1997 after validation by the Bretton Woods Institutions, within the framework of the HIPC Initiative.<sup>74</sup> The PRSP was reconsidered and reframed as the Growth and Employment Strategy Paper (GESP) in June 2008. Besides this, an extensive programme has been launched to fight corruption.<sup>75</sup> Since, the IMF and the World Bank have the power to restructure national economic policy frameworks in many countries,<sup>76</sup> when Cameroon became eligible under the HIPC, the IMF and the World Bank



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<sup>69</sup> Khor M ‘The globalisation process’ in *Globalization and the South: Some Critical Issues* United Nations Conference on Trade and Development discussion Paper No 147, 3-9.

<sup>70</sup> Petchesky RP *Global Prescriptions: Gendering Health and Human Rights* (2003) 144.

<sup>71</sup> *Kicking the Habit: How the World Bank and the IMF are still addicted to attaching Economic Policy Conditions to Aid* (2006) Oxfam Briefing paper.

<sup>72</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) A report of African Forum Network on Debt and Development, 13.

<sup>73</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) A report of African Forum Network on Debt and Development, 13.

<sup>74</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) A report of African Forum Network on Debt and Development, 13.

<sup>75</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) A report of African Forum Network on Debt and Development, 13.

<sup>76</sup> *Kicking the Habit: How the World Bank and the IMF are still addicted to attaching Economic Policy Conditions to Aid* (2006) Oxfam Briefing paper.

imposed on Cameroon a series of economic reforms which had to be satisfactorily implemented before Cameroon could receive full assistance.<sup>77</sup>

Furthermore, the IMF and the World Bank fundamentally regulate countries' macro-economic policies; they draw central bank policies and public expenditure through the so-called 'Public Expenditure Review'.<sup>78</sup> Under its 'Public Investment Program' the IMF even chooses what type of infrastructure should be built, while an imposed system of international tender ensures that public works projects are executed by international construction and engineering firms.<sup>79</sup> The incapacity of many poor countries to pay back their debt has made them dependent on new loans.<sup>80</sup> In the Cameroon context, this consequently generated the economic crisis and the government embarked upon a series of economic reforms initiated by the World Bank and IMF in the late 1980s.<sup>81</sup>

Besides, the IMF has the power to proclaim whether a country is creditworthy or not.<sup>82</sup> This means that in order to acquire a loan approval, countries ought to accept the conditions of SAPs.<sup>83</sup> Additionally, Khor argues that countries have to reform their economies in line with the IMF/World Bank guidelines, if they do not, they will have practically no chance to acquire loans from private or public creditors anywhere.<sup>84</sup>

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<sup>77</sup> See the status of steps for reaching the floating completion point, in *Cameroon: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative-Completion Point Document and Multilateral Debt Relief Initiative (MDRI)* (2006) IMF Country Report No 06/190, 6.

<sup>78</sup> Khor M 'The globalisation process' in *Globalisation and the South: Some Critical Issues* United Nations Conference on Trade and Development discussion Paper No 147, 5.

<sup>79</sup> Chan C, Forwood D, Rooper H et al *Public Infrastructure Financing: an International Perspective* (2009) An Australian Government Productivity Commission Staff Working Paper, 11.

<sup>80</sup> See generally Easterly W 'Was Development Assistance a Mistake?' (2007) 97 *The American Economic Review*, 328-332.

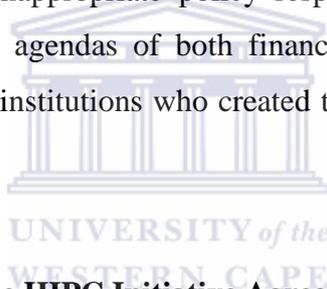
<sup>81</sup> AFRODAD *Mapping Chinese Development assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) A report of Forum Network on Debt and Development, 13.

<sup>82</sup> Peet R *Unholy Trinity: the IMF, the World Bank and the WTO* (2003) 101.

<sup>83</sup> Peet R *Unholy Trinity: the IMF, the World Bank and the WTO* (2003) 101.

<sup>84</sup> Khor M *Globalisation and the South: Some Critical Issues* (2000) United Nations Conference on Trade and Development discussion Paper N0 147, 3-9.

According to Stiglitz, these powerful multilateral financial institutions have sometimes failed to meet some of their goals, such as, poverty reduction, and the implementation of lending conditions in developing countries in general as has also been acknowledged by various studies and reports conducted by the IMF and the World Bank themselves.<sup>85</sup> In the same vein Calomiris declared that the IMF and the World Bank have in some instances ‘...failed to achieve their goals even by their own internal measures. Studies of the extent to which the IMF succeeds in enforcing its lending conditions show a poor track record.’<sup>86</sup> Therefore, the question arises as to what could be the possible reasons impeding the complete success of the IMF and the World Bank programmes in developing countries? According to some scholars and experts, some of the deficiencies of the IMF and the World Bank programmes come from the fact that the IMF and the World Bank’s objectives are evolving with time and create at the end a multiplicity of obligations which cannot be handled properly by these institutions in a short time frame.<sup>87</sup> Others believe that the IMF and the World Bank programmes failed at times because they implement inappropriate policy responses to contemporary problems combined with the fact that the agendas of both financial institutions are drawn by the powerful member states of these institutions who created them and are principally financing them.<sup>88</sup>



### **2.3 Historical development of the HIPC Initiative Agreement**

The Latin America crisis of the 1980s, combined with the politico-socio-economic instability it engendered by the mid-1990s, made clear that the developing countries, mostly located in Africa, were facing an unbearable external debt burden.<sup>89</sup> Teunissen was amongst the first

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<sup>85</sup> Stiglitz J ‘Democratizing the International Monetary Fund and the World Bank: Governance and Accountability’ (2003) 16 *Governance: an International Journal of Policy, Administration, and Institution* 111-139, 113.

<sup>86</sup> Calomiris CW ‘When will Economics guide IMF and World Bank Reforms’ (2000) 20 *Cato Journal* 85-103, 87.

<sup>87</sup> Stiglitz J ‘Democratizing the International Monetary Fund and the World Bank: Governance and Accountability’ (2003) 16 *Governance: an International Journal of Policy, Administration, and Institution* 111-139, 113. See also Woods N *The Globalizers: the IMF, the World Bank and their Borrowers* (2006) 1.

<sup>88</sup> Woods N *The Globalizers: the IMF, the World Bank and their Borrowers* (2006) 3.

<sup>89</sup> Njoroge KJN *The Conditionalities Pre-requisite for Admission into the World Bank/IMF HIPC Initiative: Suggestions for a Paradigm Shift* (published LLM thesis, Harvard Law School Cambridge Massachusetts,

experts to observe at its early stage that many African countries were encountering debt servicing obligations beyond their servicing capacity because of a ‘collapse in commodity prices, high international rates and protectionism’.<sup>90</sup>

This debt crisis started in the early 1970s when oil producing countries of the Organisation of Petroleum Exporting Countries (OPEC) increased the oil price to gain additional revenue.<sup>91</sup> Most of these profits were invested with banks in developed countries.<sup>92</sup> These banks, in turn, were keen to lend this money to developing countries so that they could buy products from the rich developed countries.<sup>93</sup> In this manner the loans given to developing countries assisted to stimulate production in the North.<sup>94</sup> At that time, both private and public institutions encouraged the South to borrow.<sup>95</sup> Even the World Bank preached the doctrine of debt as the way towards an accelerated development.<sup>96</sup> As a result, huge amounts were borrowed by the political authorities, frequently misused on luxurious projects or embezzled by corrupt officials specifically selected by the recent colonial powers to rule these failed African states.<sup>97</sup> Very little was invested productively with a view to achieving sustainable economic growth.<sup>98</sup> As a result, since 1980 the World Bank and the IMF through the Washington

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2002/2003)111, 17. See also Daseking C & Powell R *From Toronto Terms to the HIPC Initiative: a Brief History of Debt Relief for Low Income Countries* (1999) A Working paper of the International Monetary Fund WP/99/142, 4.

<sup>90</sup> Teunissen JJ in Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A publication of Forum on Debt and Development (FONDAD), 4.

<sup>91</sup> Daseking C & Powell R *From Toronto Terms to the HIPC Initiative: a Brief History of Debt Relief for Low Income Countries* (1999) A Working paper of the International Monetary Fund WP/99/142, 4.

<sup>92</sup> Ismi A *Impoverishing a Continent: The World Bank and the IMF in Africa* (2004) A report of Halifax Initiative Coalition, 8.

<sup>93</sup> Husain I & Diwan I *Dealing with Debt Crisis: A world Bank Symposium* (1989) 15.

<sup>94</sup> Husain I & Diwan I *Dealing with Debt Crisis: A World Bank Symposium* (1989) 10.

<sup>95</sup> Daseking C & Powell R *From Toronto Terms to the HIPC Initiative: a Brief History of Debt Relief for Low Income Countries* (1999) A Working paper of the International Monetary Fund WP/99/142, 4.

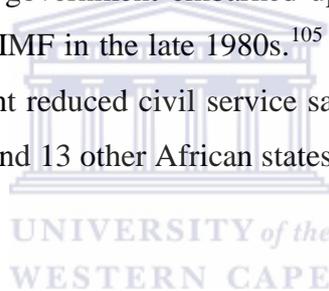
<sup>96</sup> Easterly W *How did Highly Indebted Poor Countries become Highly Indebted: Reviewing Two decades of Debt Relief* (1999) Policy Research Working Paper No 2225, 4.

<sup>97</sup> Easterly W ‘How did Highly Indebted Poor Countries become Highly Indebted: Reviewing Two decades of Debt Relief (2002) 30 *World Development* 1677-1696, 1677.

<sup>98</sup> Bjerkholt O *New Approaches to Debt relief and Debt Sustainability in LDCs* (2004) Economic and Social Affairs CDP Background Paper No 5, 9.

Consensus<sup>99</sup> have imposed in many developing countries a series of SAPs which were to be implemented as a pre-condition for receiving further loans.<sup>100</sup> In fact the previous SAPs required governments to carry out the following far-reaching measures: to cut public spending which ended food subsidies, medical care, and education; secondly, to raise interest rates in such a way as to reduce access to credit; thirdly, to privatise states enterprises;<sup>101</sup> fourthly, to increase exports; and, lastly, to reduce of barriers to trade and Foreign Direct Investment (FDI), such as, tariffs and imports duties.<sup>102</sup> The overall aim of these measures was to generate export led growth that would attract FDI and could be used to reduce debt and poverty.<sup>103</sup>

In the Cameroon context, the economy dropped in 1986 with the fall in the prices for oil, cocoa, coffee, and cotton, combined with the devaluation of the Central African Franc (CFA), which led to the erosion of the Cameroon Gross Domestic Product (GDP) by more than 60%.<sup>104</sup> As a matter of fact, the government embarked upon a series of economic reforms initiated by the World Bank and IMF in the late 1980s.<sup>105</sup> These measures have been drastic given the fact that the government reduced civil service salaries by 65% in 1993. The CFA, common currency of Cameroon and 13 other African states, was devalued by 50% in January



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<sup>99</sup> The term Washington Consensus was created in 1989 by the economist John Williamson to describe the economic reforms package imposed by the IMF and the World Bank to resolve the economic crisis in developing countries.

<sup>100</sup> Ismi A *Impoverishing a Continent: The World Bank and the IMF in Africa* (2004) A report of Halifax Initiative Coalition, 8.

<sup>101</sup> Since 1980, state owned enterprises have been privatised in Cameroon including the telecommunications company (CAMTEL), the water company (SNEC), and the Cameroon Airlines Corporation (CAMAIR-Co) .In a similar vein, a comprehensive package of measures aimed at improving governance was adopted, such as, the National Governance Program (PNG).

<sup>102</sup> Ismi A *Impoverishing a Continent: The World Bank and the IMF in Africa* (2004) A report of Halifax Initiative Coalition, 5.

<sup>103</sup> Ismi A *Impoverishing a Continent: The World Bank and the IMF in Africa* (2004) A report of Halifax Initiative Coalition, 5.

<sup>104</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) A report of African Forum Network on Debt and Development, 13.

<sup>105</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) A report of Forum Network on Debt and Development, 13.

1994.<sup>106</sup> Instead of resolving the economic crisis, the devaluation of the CFA rather contributed to increase debt stocks and debt burden ratios for the poorest indebted countries.<sup>107</sup> In addition, the economic reforms initiated by the IMF and the World Bank in Cameroon did not achieve a sustained growth.<sup>108</sup> Cameroon's economic growth increased for almost 15 years.<sup>109</sup> In fact, the growth rate averaged 4% between 1994 and 2003, dropped down in 2004 and 2005 (2% in 2005) and increased again in 2006 to just 3.8%.<sup>110</sup> Unfortunately, this did not have a positive impact on poverty reduction.<sup>111</sup> The poverty rate of 40% in 1994 has remained unchanged till today. In response to this failure, new rescheduling terms were negotiated in 1988 at the G7 meeting in Toronto, Canada,<sup>112</sup> which resulted in that up to one-third of the poorest countries' debts might be cancelled either by forgiving the debt partially or by granting concessional interest rates.<sup>113</sup> Later on, the Toronto terms were amended during the G7 meeting in London, which provided that up to 50 per cent of the Low Income Countries' (LICs) debts may possibly be cancelled.<sup>114</sup> Thereafter, in 1994 the Naples terms once more reviewed the portion of the relievable debt to be cancelled and offered up to 67 per cent of debt cancellation to those countries having good economic records.<sup>115</sup> The

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<sup>106</sup> AFRODAD *A Critical Assessment of Aid Management and Donors Harmonization: The case of Cameroon* (2007) A report of the African Forum and Network on Debt and Development, 16.

<sup>107</sup> Masaya LB 'Asking the Iceberg to save the Titanic: the HIPC Initiative as a Locus of the International Financial Regimes underlying Rationale' (2005) 2 *Undercurrent* 45-54, 47.

<sup>108</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) A report of African Forum Network on Debt and Development, 14.

<sup>109</sup> AFRODAD *A Critical Assessment of Aid Management and Donors Harmonization: The case of Cameroon* (2007) A report of the African Forum and Network on Debt and Development, 16.

<sup>110</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) A report of African Forum Network on Debt and Development, 14.

<sup>111</sup> *Country Strategy Paper 2010- 2014: Cameroon* (2009) A report of African Development Bank and African Development Fund, Executive Summary iii.

<sup>112</sup> Daseking C & Powell R *From Toronto Terms to the HIPC Initiative: a Brief History of Debt Relief for Low Income Countries* (1999) A Working paper of the International Monetary Fund WP/99/142, 3.

<sup>113</sup> Masaya LB 'Asking the Iceberg to save the Titanic: the HIPC Initiative as a Locus of the International Financial Regimes underlying Rationale' (2005) 2 *Undercurrent* 45-54, 47.

<sup>114</sup> Masaya LB 'Asking the Iceberg to save the Titanic: the HIPC Initiative as a Locus of the International Financial Regimes underlying Rationale' (2005) 2 *Undercurrent* 45-54, 47.

<sup>115</sup> Masaya LB 'Asking the Iceberg to save the Titanic: the HIPC Initiative as a Locus of the International Financial Regimes underlying Rationale' (2005) 2 *Undercurrent* 45-54, 47.

Naples terms' purpose was to cancel the debt burden of the poorest countries in such a way that they would be able to pay the remaining debt without further relief.<sup>116</sup>

Following these meetings, in 1996, as ultimate solution, the IMF and the World Bank adopted the HIPC Debt Relief Initiative Agreement at the G7 summit in Lyon in France.<sup>117</sup> According to the HIPC Initiative Agreement : '[T]he HIPC Initiative was launched in 1996 by the IMF and World Bank, with the aim of ensuring that no poor country faces a debt burden it cannot manage.'<sup>118</sup> Therefore, the HIPC Initiative Agreement was considered as a significant 'building block in the broader development architecture of policies, programs and institutional development in support of sustainable growth and poverty reduction.'<sup>119</sup> It represented an improvement with regards to the traditional debt relief mechanism because it acknowledged that the problem of the HIPCs was not illiquidity but insolvency, and needed a more comprehensive and radical approach.<sup>120</sup> For the first time, the HIPC Initiative Agreement involves both multilateral and bilateral creditors and consists of several remedies, such as, debt relief, debt cancellation and structural and social policy reform specifically focused on the provision of health and education.<sup>121</sup>

In 1999, following the G7 summit in Cologne, Germany, the HIPC Initiative Agreement was reviewed and strengthened and became known as the 'Enhanced HIPC Debt Relief Initiative' Agreement.<sup>122</sup> The revision of the HIPC Initiative Agreement aimed to provide the following three principal innovations: first, a 'deeper' and 'broader relief', meaning a greater

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<sup>116</sup> Daseking C & Powell R *From Toronto Terms to the HIPC Initiative: a Brief History of Debt Relief for Low Income Countries* (1999) A Working paper of the International Monetary Fund WP/99/142, 3.

<sup>117</sup> Abrego L & Ross DC *Debt Relief under the HIPC Initiative: Context and Outlook for Debt Sustainability and Resource Flow* (2001) A Working paper of the International Monetary Fund WP/01/144, Introduction and Summary.

<sup>118</sup> 'Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative' International Monetary Fund Fact sheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

<sup>119</sup> Gautam M *Debt Relief for the Poorest: an OED Review of the HIPC Initiative* (2003) 1.

<sup>120</sup> Bjerkholt O *New Approaches to Debt Relief and Debt Sustainability in LDCs* (2004) Economic and Social Affairs CDP Background Paper No 5, 4.

<sup>121</sup> Bjerkholt O *New Approaches to Debt Relief and Debt Sustainability in LDCs* (2004) Economic and Social Affairs CDP Background Paper No 5, 4.

<sup>122</sup> 'The World Bank *Economic policy and Debt - HIPC History*' available at <http://go.worldbank.org/ZQ79VCHC00> (accessed 23 September 2012).

cancellation of debt burden so as to enable many poor countries to qualify and enjoy greater debt relief under the HIPC Initiative Agreement; secondly, a ‘faster relief’, implying that all the creditors begin to grant interim debt relief immediately at the decision point (this aspect will be further explained in this chapter); and thirdly, a ‘stronger link between debt relief and poverty reduction’, meaning that resources are freed up to be used to support poverty reduction strategies through ‘Poverty Reduction Strategy Papers’ which are developed by national governments in discussion with civil society.<sup>123</sup>

Originally the HIPC Initiative Agreement was designed for two years, but has now been expanded four times: in 1998, 2000, 2002 and 2004; the reason was to enable more developing countries to qualify under the HIPC Initiative Agreement and enjoy the subsequent benefits.<sup>124</sup> According to the IMF factsheet on the HIPC, in 2005, the HIPC Initiative Agreement was complemented by the Multilateral Debt Relief Initiative (MDRI) ‘in order to accelerate progress toward the United Nations Millennium Development Goals’ (MDGs).<sup>125</sup> Furthermore, ‘[t]he MDRI allows for 100 percent relief of eligible debts by three multilateral institutions the IMF, the World Bank, and the African Development Fund (AfDF) for countries completing the HIPC Initiative process’.<sup>126</sup> Moreover, according to the IMF factsheet on the HIPC, ‘[i]n 2007, the Inter-American Development Bank (IaDB) also decided to provide additional (‘beyond HIPC’) debt relief to the five HIPCs in the Western Hemisphere.’<sup>127</sup> However, what are the main objectives and features of the HIPC Initiative Agreement?

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<sup>123</sup> ‘The World Bank Economic *policy and Debt- HIPC History*’ available at <http://go.worldbank.org/ZO79VCHC00> (accessed 23 September 2012).

<sup>124</sup> The HIPC Initiative: Progress and Prospects *Précis* World Bank Operations Evaluation Department, winter 2003, No. 230.

<sup>125</sup> ‘Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative’ International Monetary Fund Fact sheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

<sup>126</sup> ‘Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative’ International Monetary Fund Fact sheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

<sup>127</sup> ‘Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative’ International Monetary Fund Fact sheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

## 2.4. Main objectives and key features of the HIPC Initiative Agreement

The HIPC Initiative Agreement is an innovative legal document with specific objectives and features. These two aspects will be further discussed in the next sections.

### 2.4.1 Main objectives of the HIPC Initiative Agreement

According to the HIPC Initiative Agreement, '[t]he Joint IMF-World Bank's comprehensive approach to debt reduction is designed to ensure that no poor country faces a debt burden it cannot manage.'<sup>128</sup> Thus, the aim of the HIPC Initiative Agreement is not to cancel the whole debt of poor countries but rather to ensure that 'no poor country faces a debt burden it cannot manage.'<sup>129</sup> Its objectives have evolved over the years.<sup>130</sup>

Originally, according to the HIPC Initiative Agreement, the HIPC Initiative was designed 'to reduce to sustainable levels the external debt burdens of the most heavily indebted poor countries' by ending the vicious cycle of debt rescheduling.<sup>131</sup> Thereafter, the HIPC Initiative Agreement aimed at raising long-term growth rates by removing the debt surplus.<sup>132</sup> Later on it focuses on poverty reduction by freeing up resources from debt service payments for greater

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<sup>128</sup> 'Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative' International Monetary Fund Fact sheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

<sup>129</sup> 'Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative' International Monetary Fund Fact sheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012). Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of Forum on Debt and Development (FONDAD), 74.

<sup>130</sup> 'The HIPC Initiative: Progress and Prospects' *Précis* World Bank Operations Evaluation Department report, winter 2003, No. 230.

<sup>131</sup> Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative' International Monetary Fund Fact sheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

<sup>132</sup> Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative' International Monetary Fund Fact sheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

social spending, such as, education, health and other social services. Yet it is very important to highlight the key features of the HIPC Initiative Agreement.<sup>133</sup>

#### **2.4.2 Key Features of the HIPC Initiative Agreement**

The conception of the HIPC Initiative provides an innovative way to effectively use the resources made available from lower debt service payments for poverty reduction expenditure.<sup>134</sup> Given the fact that the targeted countries are amongst the poorest in the world, the Initiative has taken into account the ability to make a significant input to poverty reduction.<sup>135</sup> In this environment it is noteworthy to point out that recent historical gross resource flows to HIPC countries were three and half times the level of debt service payments made.<sup>136</sup> Though the contribution of the HIPC Initiative Agreement is essential for these countries' forthcoming resource needs, much more international support is needed to fund their poverty reduction strategies.<sup>137</sup> The HIPC Initiative Agreement represents an important shift with specific eligibility criteria attached.

#### **2.5 Eligibly criteria under the HIPC Initiative Agreement**

The HIPC Initiative Agreement is intended to help those countries which cannot reach a sustainable debt burden only through traditional mechanisms of rescheduling and debt reduction.<sup>138</sup> These countries ought to carry out IMF and World Bank supported adjustment programmes and must implement a poverty reduction strategy so as to ensure that the benefits achieved by the special assistance rewarded through the HIPC Initiative are used to advance their development.<sup>139</sup> Subsequent to the effective implementation of its three year economic and

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<sup>133</sup> Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative' International Monetary Fund Fact sheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

<sup>134</sup> Gautam M *Debt Relief for the Poorest: an OED Review of HIPC Initiative* (2003) 16.

<sup>135</sup> Gautam M *Debt Relief for the Poorest: an OED Review of HIPC Initiative* (2003) 16.

<sup>136</sup> Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of FONDAD, 74.

<sup>137</sup> Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of FONDAD, 74.

<sup>138</sup> The list of HIPC countries is available at <https://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 5 May 2014).

<sup>139</sup> Trotsenburg A & MacArthur A *The HIPC Initiative: delivering Debt to the Poor countries* (1999) International Monetary Fund Publication, 2.

financial program from 1997 to 2000, Cameroon benefitted from the enhanced HIPC Initiative to reach the decision point in October 2000.<sup>140</sup> Additional to these eligibility criteria, the HIPC Initiative is run in two phases.

## 2.6 The HIPC Initiative Agreement phases

According to the IMF factsheet on the HIPC, there are two major phases to the HIPC Initiative Agreement: the decision point and the completion point.<sup>141</sup> During the first phase, countries have to implement certain specific measures in order to be granted interim debt service relief. Thereafter, they should additionally implement certain policies and meet certain requirements in order to qualify for full assistance.<sup>142</sup>

### 2.6.1 The decision point phase

According to the HIPC Initiative Agreement, four conditionalities need to be fulfilled or satisfactorily implemented by the debtor countries in order to receive interim debt relief.<sup>143</sup> These conditionalities are as follow:

- first, the debtor country should ‘be eligible to borrow from the World Bank’s International Development Agency, which provides interest-free loans and grants to the world’s poorest countries, and from the IMF’s Poverty Reduction and Growth Trust, which provides loans to low-income countries at subsidized rates.’

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<sup>140</sup> *Cameroon: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative-Completion Point Document and Multilateral Debt Relief Initiative (MDRI)* (2006) IMF Country Report No. 06/190, Executive summary, 3.

<sup>141</sup> *Decision Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative* (2000) A Report Prepared by the Staffs of the World Bank and the International Monetary Fund, 7.

<sup>142</sup> ‘Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative’ International Monetary Fund Factsheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

<sup>143</sup> ‘Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative’ International Monetary Fund Factsheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012). See also Trotsenburg A & MacArthur A *The HIPC Initiative: delivering Debt to the Poor countries* (1999) International Monetary Fund Publication.

- Secondly, ‘the debtor country should ‘[f]ace an unsustainable debt burden that cannot be addressed through traditional debt relief mechanisms.’
- Thirdly, the debtor country must ‘have established a track record of reform and sound policies through IMF-and World Bank supported programs’.<sup>144</sup>
- Fourthly, the debtor country must have ‘developed a Poverty Reduction Strategy Paper (PRSP) through a broad-based participatory process in the country.’<sup>145</sup>

Once a country has achieved or satisfactorily implemented these four criteria, the Executive Boards of the IMF and World Bank officially make a decision concerning its eligibility for debt relief, and the international community engages to reduce debt to a level which is deemed to be sustainable.<sup>146</sup> Consequently, Cameroon reached its decision point on 16 October 2000, after successful completion of the abovementioned requirements, and the Boards of the IMF and World Bank approved US\$ 1.260 billion worth of debt relief at end-June 1999 Net Present Value (NPV) terms under the enhanced HIPC Framework.<sup>147</sup> This US\$ 1.260 billion worth of debt relief assistance amounts to a 26.9 per cent reduction in the country’s outstanding stock of debt at end-June 1999 after full use of traditional debt relief mechanisms.<sup>148</sup> According to the HIPC Initiative timeframes, Cameroon was expected to reach its completion point by 2003.<sup>149</sup>

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<sup>144</sup> ‘Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative’ International Monetary Fund Factsheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

<sup>145</sup> ‘Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative’ International Monetary Fund Factsheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

<sup>146</sup> ‘Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative’ International Monetary Fund Factsheet available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

<sup>147</sup> ‘HIPC approval document for Cameroon: Decision Point under the Enhanced Framework’ available at <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Financial-Information/Cameroon%20-%20Decision%20Point%20Document%20HIPC%20Framework.pdf> (accessed 31 October 2012).

<sup>148</sup> ‘HIPC Approval Document for Cameroon: Decision Point under the Enhanced Framework’ available at <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Financial-Information/Cameroon%20-%20Decision%20Point%20Document%20HIPC%20Framework.pdf> (accessed 31 October 2012).

<sup>149</sup> ‘HIPC Approval Document for Cameroon: Decision Point under the Enhanced Framework’ available at <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Financial-Information/Cameroon%20-%20Decision%20Point%20Document%20HIPC%20Framework.pdf> (accessed 31 October 2012).

However, the question arises: what were the specific requirements imposed on Cameroon by the IMF and the World Bank to meet the completion point phase?

### 2.6.2 The completion point phase

In the light of the HIPC Initiative Agreement, as is the case with the decision point, specific conditionalities must be fulfilled in order to benefit from full and irrevocable assistance under the HIPC Initiative.<sup>150</sup> According to the Cameroon HIPC Approval Document Completion Point under the Enhanced Framework, in order to meet its completion point, Cameroon was required to implement the following six conditions decided at the decision point:

- ‘Preparation of a full PRSP;
- Implementation of the I-PRSP for at least one year;
- Consolidation of macroeconomic reforms, based on progress under an IMF-supervised Poverty Reduction and Growth Facility (PRGF) program;
- Satisfactory implementation of policy reforms articulated in the Third Structural Adjustment Credit (SAC III);
- Satisfactory implementation of the priority strategy and action plan for improving governance and combating corruption;
- Ensuring that regulatory agencies for key sectors, including water, electricity, and telecommunications) are autonomous and are operating in an efficient and professional manner;
- Satisfactory and timely implementation of sector strategies in education and health;
- Concrete progress in prioritizing the fight against HIV/AIDS.’<sup>151</sup>

Unfortunately Cameroon did not meet its completion point as planned by 2003 but only three years later on 1 May 2006, for two main reasons: the repetitive bad performance observed in the

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<sup>150</sup> Cameroon Decision Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative (2000) A report Prepared by the Staffs of the World Bank and the International Monetary Fund, 25.

<sup>151</sup> ‘Cameroon: HIPC Approval Document Completion Point under the Enhanced Framework’ available at <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Financial-Information/ADB-BD-WP-2006-78-EN-CAMEROON-HIPC-CP-WB-IMF.PDF> (accessed on 31 October 2012), 1.

fiscal arena,<sup>152</sup> and the fact that the government program supported by the PRGF was not satisfactorily implemented.<sup>153</sup> Later on, on 1 May 2006, after Cameroon's successful implementation of its completion point triggers, the IMF and the World Bank decided that Cameroon had made satisfactory progress in the implementation of the abovementioned requirements, and subsequently proclaimed it as the 19th country to reach the completion point under the HIPC Initiative.<sup>154</sup> Following Cameroon's completion point achievement, the IMF granted 100 per cent debt relief on all debt incurred by Cameroon to the IMF before 1 January 2005, which was not yet repaid.<sup>155</sup> Additionally, Cameroon also qualified for supplementary debt relief from the International Development Assistance (IDA), the IMF and the AfDF under the MDRI.<sup>156</sup> Although the HIPC Initiative' objectives have expanded and generated high expectations among stakeholders and development partners, the HIPC Initiative has remained a limited instrument.

## **2.7 Critical legal analysis of HIPC Initiative Agreement in line with states international obligations**



This section critically assess the implementation of the HIPC Initiative Agreement against its background and with regard to states' obligations pertaining to international co-operation and

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<sup>152</sup> 'Cameroon: HIPC Approval Document Completion Point under the Enhanced Framework' available at <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Financial-Information/ADB-BD-WP-2006-78-EN-CAMEROON-HIPC-CP-WB-IMF.PDF> (accessed on 31 October 2012), 1.

<sup>153</sup> AFRODAD *A Critical Assessment of Aid Management and Donor Harmonisation: the Case of Cameroon* (2007) A publication of AFRODAD, 15.

<sup>154</sup> See the status of steps for reaching the floating completion point, in *Cameroon: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative-Completion Point Document and Multilateral Debt Relief Initiative (MDRI)* (2006) IMF Country Report No 06/190, 6.

<sup>155</sup> 'IMF and World Bank Support Cameroon's Completion Point under the Enhanced HIPC Initiative and the IMF Immediately Grants 100 Percent Debt Relief to Cameroon under the Multilateral Debt Relief Initiative' Press Release No 06/85 1st May 2006.

<sup>156</sup> 'Cameroon Enhanced Heavily Indebted Poor Countries (HIPC) Initiative Completion Point Document and Multilateral Debt Relief Initiative (MDRI)' available at <http://siteresources.worldbank.org/INTDEBTDEPT/CompletionPointDocuments/2096657/cr06190.pdf> (accessed 28 February 2013).

human rights as enshrined in international legal instruments. Thus, the HIPC Initiative Agreement has been subject to certain criticisms from a number of experts and organisations across the globe even before its implementation by poor countries, including Cameroon. The reason for this is that, like its predecessors, the SAPs, the HIPC Initiative retained some of the components of their weakened results.<sup>157</sup> (This argument will be further illustrated under section 2.7.1). Consequently, the forecast of the HIPC Initiative Agreement's mitigated outcomes was not a surprise at all.<sup>158</sup> The next subsection examines the conditionalities as one of the most grievous criticisms encountered by the HIPC Initiative Agreement.

### 2.7.1 Conditionalities

The first criticism targets the conditionalities requirement. The HIPC Initiative Agreement was criticised on the ground that it did not bring much relief in reality because the current conditionalities attached are also the same as those which engendered the problems of poorest countries in the first place.<sup>159</sup> Like the SAPs, the HIPC Initiative Agreement is based upon the neoliberal agenda characterised by the following four targets: liberalisation; privatisation of public services and companies; deregulations of labour relations and cutting social safety nets; and improvement of competitiveness. As regards the recipient country, these measures imply the reduction of the government deficit through cuts in public spending (cost recovery programmes); higher interest rates; liberalisation of foreign exchange rules and trade (deregulation); rationalisation and privatisation of public and parastatal companies; and deregulation of the economy.<sup>160</sup> This means that the HIPC Initiative Agreement conditionalities are major obstacles to the attainment of sustainability and growth by the HIPC. In January 1998, even Stiglitz described the structural adjustment policy of the HIPC Initiative Agreement as 'misguided', and

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<sup>157</sup> Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of (FONDAD), 6.

<sup>158</sup> Gunter BG *Does the HIPC Initiative Achieve its Goal of Debt Sustainability?* (2001) Discussion Paper of the World Institute for Development Economics Research No 2001/100, 1.

<sup>159</sup> Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of (FONDAD), 6.

<sup>160</sup> *Cameroon Decision Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative* (2000) A report of the World Bank and the International Monetary Fund.

called for a more humble approach to macro-economics and an undertaking to maintain promises made in the social sectors.<sup>161</sup> Following this same argument Gunter mentioned that both the original HIPC Agreement framework and the Enhanced HIPC Agreement Framework were inappropriate to provide debt sustainability and that adequate revision and adjustments need to be made in order to enable the HIPC Initiative Agreement to achieve effectively its goals of poverty reduction and debt sustainability.<sup>162</sup>

Furthermore, the imposition of political conditionalities are contrary both to the United Nations Declaration on the Inadmissibility of Intervention and Interference in the Internal Affairs of States and the Resolution on the Respect for the Principles of National Sovereignty and Non-Interference in the Internal Affairs of States in their Electoral Processes.<sup>163</sup> According to Article 1 of the Declaration on the Inadmissibility of Intervention and Interference in the Internal Affairs of States ‘[n]o State or group of States has the right to intervene or interfere in any form or for any reason whatsoever in the internal and external affairs of other States’.<sup>164</sup> Furthermore, in light of the Declaration on the Right to Development the conditionalities requirement is contrary to Article 3(3) which provides that ‘States should realize their rights and fulfil their duties in such a manner as to promote a new international economic order based on sovereign equality...’.<sup>165</sup> Thus, by imposing conditionalities upon HIPC countries as a prerequisite for development assistance the HIPC Initiative Agreement has contravened states’ international obligations to work toward the realisation of ‘a new international economic order based on

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<sup>161</sup> Stiglitz J at that time was the World Bank's Chief Economist and Vice-President.

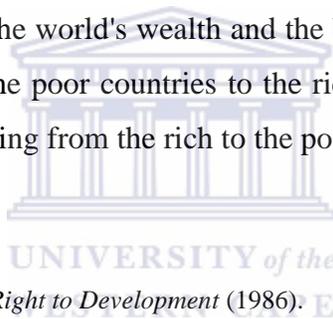
<sup>162</sup> Gunter BG ‘What’s Wrong with the HIPC and what’s next?’ (2002) 20 *Development policy Review* 5-24, 7.

<sup>163</sup> Declaration on the Inadmissibility of Intervention and Interference in the Internal Affairs of States, 1981 United Nations General Assembly Resolution A/RES/36/103 (1981), Respect for the Principles of National Sovereignty and Non-Interference in the Internal Affairs of States in their Electoral Processes, 1990 United Nation General Assembly resolution A/RES/45/151(1990).

<sup>164</sup> Declaration on the Inadmissibility of Intervention and Interference in the Internal Affairs of States, 1981 United Nations General Assembly Resolution A/RES/36/103 (1981), Respect for the Principles of National Sovereignty and Non-Interference in the Internal Affairs of States in their Electoral Processes, 1990 United Nation General Assembly resolution A/RES/45/151(1990).

<sup>165</sup> Article 3(3) of the *Declaration on the Right to Development* (1986).

sovereign equality'.<sup>166</sup> In the same vein, Oxfam (2006) added that the conditionalities are contrary to democracy throughout the world since they are perceived as a political instrument by which the World Bank and the IMF imposed their will upon poor countries by reshaping their economies according to their norms and values without consulting the concerned countries.<sup>167</sup> As a result, they end up undermining national policy making, delay aid flows, and sometimes fail to deliver for poor people.<sup>168</sup> For all these reasons the abundant literature relating to the IMF and the World Bank describes these international financial institutions as 'secretive', 'unaccountable' and 'ineffective'.<sup>169</sup> According to Danaher, in the early 1990s, while the IMF and the World Bank claimed to facilitate the development of third world countries, and to get them out of debt, most of their clients have not only remained underdeveloped and poor but have fallen deeper into debt.<sup>170</sup> He further observed that by the mid-1990s, the global gap between the rich and poor countries had roughly doubled since 1960.<sup>171</sup> Today the top 20 per cent of the world's population controls more than 80 per cent of the world's wealth and the bottom 20 per cent controls about 1 per cent.<sup>172</sup> Debt payments from the poor countries to the rich usually amount to far more than new aid or foreign investment flowing from the rich to the poor countries.<sup>173</sup>



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<sup>166</sup> Article 3(3) of the *Declaration on the Right to Development* (1986).

<sup>167</sup> Woods N 'Making the IMF and the World Bank more Accountable' (2001) 77 *International Affairs* 83-100, 83.

<sup>168</sup> *Kicking the Habit: How the World Bank and the IMF are still addicted to attaching Economic Policy Conditions to Aid* (2006) Oxfam Briefing paper.

<sup>169</sup> Woods N 'Making the IMF and the World Bank more Accountable' (2001) 77 *International Affairs* 83-100, 83.

Stiglitz J 'Democratizing the International Monetary Fund and the World Bank: Governance and Accountability' (2003) 16 *Governance: An International Journal of Policy, Administration, and Institution* 111-139, 113. See also Woods N *The Globalizers: the IMF, the World Bank and their Borrowers* (2006) 1.

<sup>169</sup> Woods N *The Globalizers: the IMF, the World Bank and their Borrowers* (2006) 3.

<sup>170</sup> Danaher K (eds) *50 Years is Enough: The Case Against the World Bank and the International Monetary Fund* (1994) 3.

<sup>171</sup> Khor M *Globalisation and the South: Some Critical Issues* (2000) United Nations Conference on Trade and Development discussion Paper N0 147, 3-9.

<sup>172</sup> Khor M *Globalisation and the South: Some Critical Issues* (2000) United Nations Conference on Trade and Development discussion Paper N0 147, 3-9.

<sup>173</sup> Khor M *Globalisation and the South: Some Critical Issues* (2000) United Nations Conference on Trade and Development discussion Paper N0 147, 3-9.

Responding to the above-mentioned criticisms, the IMF stated:

‘Even if the international community were prepared to cancel all HIPC debt, it needs to be understood that the HIPC Initiative is not a panacea, and debt is only one of many problems these countries face...Unconditional debt relief is not the right tool for promoting the ultimate goals of sustainable development and poverty reduction. These goals are best attained by providing debt relief in a process, such as under the HIPC Initiative, which encourages the adoption of appropriate policies by the recipient country designed to stimulate private sector-led growth and focuses on an improvement in social indicators...unconditional debt cancellation risks debt relief being squandered on corruption, military expenditure, or grandiose projects with little if any benefit in terms of sustainable growth or poverty reduction.’<sup>174</sup>

As a result, it appears that conditionalities are not always negative. Although the IMF conditionalities are contrary to the sacrosanct principle of state sovereignty and non-interference in a state’s international affairs, as indicated above, it is submitted that the IMF conditionalities could be an appropriate tool for promoting sustainable development and reduce poverty since the IMF clearly stated that it encourages the adoption of appropriate macro-economic policies by the recipient countries which are well-known as being mostly corrupt and badly governed.

### **2.7.2 Insufficient additional financing for social spending**

According to the HIPC Initiative Agreement, it was meant to provide a ‘faster, deeper, and broader debt relief’ but on the ground the resources released appear limited.<sup>175</sup> According to Gautam the current requirement to spend all savings from debt servicing solely on social expenditures is seen by most debtor countries as highly inflexible.<sup>176</sup> Their programs have been heavily criticised for many years for resulting in poverty.<sup>177</sup> Moreover, Schabbel emphasised that

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<sup>174</sup> ‘HIPC Initiative: The IMF’s Response to Critics’ A publication of the IMF available at <http://www.imf.org/external/np/hipc/res.htm> (accessed 26 march 2014).

<sup>175</sup> Cohen D, Phamtan M et al *Beyond the HIPC Initiative* (2004) A report of Investment Development Consultancy, 30. Also *PRSP: Are the World Bank And the IMF Delivering on Promises* (2004) A CIDSE Caritas Internationalis Background Paper, 3.

<sup>176</sup> Gautam M *Debt Relief for the Poorest: An OED Review of the HIPC Initiative* (2003) 17. See also Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of (FONDAD), 6.

<sup>177</sup> Danaher K( eds) *50 Years is Enough: The Case Against the World Bank and the International Monetary Fund* (1994) 3.

despite the claims of the IMF and the World Bank regarding poverty reduction, there has been an increased dependency of developing countries on the richer nations.<sup>178</sup> The previous SAPs<sup>179</sup> have been imposed to ensure debt repayment and economic restructuring.<sup>180</sup> But, Schabbel declared that the way it has happened has required poor countries to reduce spending on things like health, education and development, while debt repayment and other economic policies have been made the priority.<sup>181</sup> In effect, the IMF and World Bank have demanded that poor nations lower the standard of living of their people.<sup>182</sup>

Teunissen criticised the HIPC Initiative Agreement for providing unrealistic growth assumptions and projections for HIPC.<sup>183</sup> The projections linked to growth in revenues had been overestimated, and the debt servicing is more likely to absorb larger shares of government revenue than the World Bank projections stated.<sup>184</sup> Thus, Gunter argued that in many instances, even after receiving debt relief, HIPCs are still going to spend larger sums of money on debt payments than on social services.<sup>185</sup>

In addition, the European Network on Debt and Development, for instance, strongly pointed out that the HIPC Initiative is not likely to free up resources to embark upon poverty reduction.<sup>186</sup>

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<sup>178</sup> Schabbel C *The Value chain of Foreign Aid: Development, Poverty Reduction and Regional Conditions* (2007) 140.

<sup>179</sup> See 2.7.1 Supra.

<sup>180</sup> Schabbel C *The Value chain of Foreign Aid: Development, Poverty Reduction and Regional Conditions* (2007) 140.

<sup>181</sup> Schabbel C *The Value chain of Foreign Aid: Development, Poverty Reduction and Regional Conditions* (2007) 140. Unfortunately specific data related to this situation in the Cameroon context are almost unpublished and inaccessible.

<sup>182</sup> Bakker I & Silvey R (eds) *Beyond States and Markets: the Challenges of Social Reproduction* (2008) 24.

<sup>183</sup> Teunissen JJ 'Introduction' in Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of (FONDAD), 6.

<sup>184</sup> Teunissen JJ 'Introduction' in Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of (FONDAD), 6.

<sup>185</sup> Gunter BG *Does the HIPC Initiative Achieve its Goal of Debt Sustainability?* (2001) Discussion Paper of the World Institute for Development Economics Research No 2001/100, 2.

<sup>186</sup> Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of (FONDAD), 26.

Furthermore, Bhattacharya and Dijkstra argued that because the resources generated by the HIPC Initiative Agreement remained low, many HIPCs did not embody the attainment of the MDGs in their PRSPs.<sup>187</sup> For this reason, Bhattacharya (of the World Bank) concluded that the MDGs can only be met if the rich countries give more aid.<sup>188</sup> Furthermore, Cammack emphasised that the only way for the IMF and the World Bank to achieve effective poverty reduction is to include the poor in their poverty reduction programs.<sup>189</sup>

Regarding the criticism that the HIPC Initiative freed up insufficient resources for social spending, the IMF provided the following argument:

‘It is simplistic and misleading to compare scheduled debt service in HIPCs with neither their level of social spending, as this recognizes the debt relief provided to these countries nor the offsetting inflows of foreign aid. A closer look at a sample of 27 HIPCs, for which recent data are available, shows that, on average, actual debt service paid even prior to HIPC assistance is considerably below scheduled debt service; for most HIPCs, debt-service payments are actually lower than government budgetary expenditures on health and education.’<sup>190</sup>

Therefore, it is submitted that this point of view held by the IMF could be a valid one since it is a multilateral financial institution of a great authority in terms of the qualified experts it is working with and the quality of reports it frequently releases to inform the public.

### 2.7.3 The eligibility criteria

According to the European Network on Debt and Development ‘threshold levels to measure debt sustainability are arbitrary and still too high’.<sup>191</sup> Moreover the word ‘sustainability’ was defined in terms of human and social development instead of economic terms resulting in many Least Developed Countries with heavy debt burdens being excluded from the HIPC Initiative.<sup>192</sup>

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<sup>187</sup> Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of (FONDAD), 6.

<sup>188</sup> Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of (FONDAD), 6.

<sup>189</sup> Cammack P ‘What the World Bank means by Poverty Reduction and why it matters’ (2007) 9 *New Political Economy* 189-211, 189.

<sup>190</sup> ‘HIPC Initiative: The IMF’s Response to Critics’ A publication of the IMF available at <http://www.imf.org/external/np/hipc/res.htm> (accessed 26 march 2014).

<sup>191</sup> Cherunilam F *International Economics* 4 ed (2006) 539.

<sup>192</sup> Cherunilam F *International Economics* 4 ed (2006) 539.

On this criticism the argument of the IMF is:

‘The eligibility criteria under the HIPC Initiative reflect a broad-based consensus of member governments that the poorest countries should have the highest priority in concessional debt relief. The IDA-only and ESAF-eligibility requirements ensure this by linking eligibility for HIPC assistance to the poverty status of a country.’<sup>193</sup>

This study also supports the view held by the IMF because with regard to the list of 39 eligible HIPCs<sup>194</sup>, it can be said that the HIPC Initiative framework has included all the poorest countries of the world.

#### **2.7.4 The HIPC Initiative Agreement failed to achieve its objectives of growth and long-term debt sustainability**

The HIPC Initiative Agreement was designed to achieve growth and long-term sustainability.<sup>195</sup> However, Kwadwo stated that the HIPC Initiative framework was ineffective in providing poverty reduction and long-term debt sustainability to African countries.<sup>196</sup> He further mentioned that the HIPC Initiative Agreement is far from being an instrument of poverty reduction or human development enhancement but rather ‘an instrument of power and control of the North over Africa and the rest of the South’.<sup>197</sup> As a result, people have become disappointed with the

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<sup>193</sup> The acronym ESAF refers to Enhanced Structural Adjustment Facility. It replaces the Poverty Reduction and Growth Facility (PRGF) as the appropriate framework able to make PRSP work more effectively.

<sup>194</sup> According to the IMF Factsheet on the HIPC Initiative, as of March 2014, the 39 countries which have qualified under the HIPC Initiative are the following: Afghanistan, the Gambia, Mozambique, Benin, Ghana, Nicaragua, Bolivia, Guinea, Niger, Burkina Faso, Guinea-Bissau, Rwanda, Burundi, Guyana, São Tomé & Príncipe, Cameroon, Haiti, Senegal, Central African Republic, Honduras, Sierra Leone, Comoros, Liberia, Tanzania, Madagascar, Togo, Democratic Republic of Congo, Malawi, Uganda, Côte d’Ivoire, Mali, Zambia, Ethiopia, Mauritania, Chad, Eritrea, Somalia, Sudan

<sup>195</sup> Gunter BG *Does the HIPC Initiative Achieve its Goal of Debt Sustainability?* (2001) Discussion Paper of the World Institute for Development Economics Research No 2001/100, 2.

<sup>196</sup> Kwadwo POE *Against Global Capitalism: African Social Movements Confront Neoliberal Globalisation* (2006) 157.

<sup>197</sup> Kwadwo POE *Against Global Capitalism: African Social Movements Confront Neoliberal Globalisation* (2006) 157.

Initiative on the basis that it has been protecting creditors' interests rather than those of debtors.<sup>198</sup>

On the one hand, responding to the criticism that the HIPC Initiative framework has been ineffective in properly addressing poverty reduction, the IMF pointed out:

'The HIPC Initiative has always emphasized the need to link debt reduction with effective long-term policies for economic and social development, including poverty alleviation. For this reason, social development criteria are developed jointly with country authorities and explicitly incorporated into HIPC conditionality. However, poverty reduction is not a simple task, and governments' abilities to absorb the financial resources provided to them are often a constraint when they seek to implement social programs expeditiously and efficiently. Moreover, when considering the resources available for social development, it should be recognized that most HIPCs are already receiving large positive net transfers from creditors and donors that enable them to pursue their development agenda. Debt relief should not be seen as a substitute for continued inflows of development finance.'<sup>199</sup>

On the other hand, with regard to the criticism that the HIPC Initiative Agreement did not provide debt sustainability, the IMF declared, amongst others:

'The Initiative has always focused on the achievement of external debt sustainability. Certain categories of debt are omitted from its definition of external debt sustainability for practical reasons (debt owed by private citizens, for example, cannot be practically subsumed under rescheduling agreements. Nevertheless, high levels of external private debt or a large domestic debt-service burden for the government are potential vulnerability factors that play a role in setting the country-specific debt sustainability targets.'<sup>200</sup>

It is submitted that growth and long term debt sustainability are complex issues which can not be achieved by external donors' policies or the HIPC Initiative alone but also and mostly required

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<sup>198</sup> Gautam M *Debt Relief for the Poorest: An OED review of the HIPC Initiative* (2003) 25. See also Isar S 'Was the Highly Indebted Poor Countries Initiative (HIPC) a Success?' (2012) 9 *Consilience: the Journal of Sustainable Development* 107-122, 115.

<sup>199</sup> 'HIPC Initiative: The IMF's Response to Critics' A publication of the IMF available at <http://www.imf.org/external/np/hipc/res.htm> (accessed 26 march 2014).

<sup>200</sup> 'HIPC Initiative: The IMF's Response to Critics' A publication of the IMF available at <http://www.imf.org/external/np/hipc/res.htm> (accessed 26 march 2014).

the active contribution of recipient countries through the adoption of ‘effective long-term policies for economic and social development, including poverty alleviation.’<sup>201</sup>

### **2.7.5 The HIPC Initiative Agreement did not protect against exogenous shocks**

The HIPC Initiative is reproached for having done too little ‘to protect countries against exogenous shocks such as volatility in commodity prices and thus failed to address the impact of these shocks on debt sustainability’.<sup>202</sup> Isar pointed out that throughout history, the world has observed a number of economic crises provoked by exogenous factors which severely impacted on several poor countries’ economies beyond their control.<sup>203</sup> According to Martin exogenous shocks refer to ‘unexpected factors beyond the control of the government which undermine economic prospects’.<sup>204</sup> Berensmann believes that the most common of these factors in LICs are ‘commodity price shocks, natural disasters and exchange-rate shocks.’<sup>205</sup>

Furthermore, Isar mentioned that ‘the global fall of prices of commodities has harmfully affected the debt sustainability measurement in Africa, particularly in Uganda, despite being the first and the best performer of the HIPC.’<sup>206</sup> According to Isar the IMF itself admitted the failure of the HIPC Initiative Agreement to protect many poor African countries against exogenous shocks and

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<sup>201</sup> <sup>201</sup> ‘HIPC Initiative: The IMF’s Response to Critics’ A publication of the IMF available at <http://www.imf.org/external/np/hipc/res.htm> (accessed 26 march 2014).

<sup>202</sup> Hussain NM & Gunter BG ‘*External Shocks and the HIPC Initiative Impacts on Growth and Poverty in Africa*’ (2005) 17 *African Development Review* 461-492, 463. See also Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of FONDAD, 7.

<sup>203</sup> Isar S ‘Was the Highly Indebted Poor Countries Initiative a Success?’ (2012) 9 *Consilience: the Journal of Sustainable Development* 107-122, 115.

<sup>204</sup> Martin M ‘Assessing the HIPC: the Key HIPC Debates in Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of (FONDAD), 22.

<sup>205</sup> Berensmann K ‘New Way of Achieving Debt Sustainability beyond the Enhanced HIPC Initiative’ (2004) 39 *Intereconomics* 321-330, 325.

<sup>206</sup> Isar S ‘Was the Highly Indebted Poor Countries Initiative (HIPC) a Success?’ (2012) 9 *Consilience: the Journal of Sustainable Development* 107-122, 115

more particularly exports volatility.<sup>207</sup> For instance, about 60 per cent of the cocoa in the world which is produced by the following 3 African HIPC's Cameroon, Cote d'Ivoire, and Ghana are constantly fluctuating.<sup>208</sup> Hussain pointed out that the prices of these commodities are particularly volatile.<sup>209</sup> For instance, between 1983 and 1997, cocoa prices fluctuated between 60 per cent and 170 per cent of the average price over this period, and robusta coffee from 40 per cent to 195.<sup>210</sup>

Responding on the criticism that the HIPC Initiative Agreement failed to protect against exogenous shocks, the IMF argues:

'The HIPC Initiative has tried to balance the various theoretical considerations in a workable approach that centers on exports as a reliable and comparable measure across countries, but focuses on fiscal revenues in highly open economies where the use of exports may exaggerate the country's payment capacity. To address moral hazard, this fiscal/openness criterion is only applied in countries with sufficiently strong revenue performance (i.e., a revenue-to-GDP ratio of at least 20 percent).'<sup>211</sup>

Exogenous shocks are very difficult to prevent given that the market is always unpredictable and inflexible. Therefore, if the IMF failed to protect HIPC's against exogenous shocks, it is important to recognise that it has made all the efforts to address the situation. In spite of some of the criticisms faced by the HIPC Initiative in Cameroon and in Africa, what are its main achievements and what are its remaining challenges?

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<sup>207</sup> Isar S 'Was the Highly Indebted Poor Countries Initiative a Success?' (2012) 9 *Consilience: the Journal of Sustainable Development* 107-122, 116.

<sup>208</sup> Hussain NM & Gunter BG 'External Shocks and the HIPC Initiative Impacts on Growth and Poverty in Africa' (2005) 17 *African Development Review* 461-492, 463.

<sup>209</sup> Hussain NM & Gunter BG 'External Shocks and the HIPC Initiative Impacts on Growth and Poverty in Africa' (2005) 17 *African Development Review* 461-492, 463.

<sup>210</sup> Hussain NM & Gunter BG 'External Shocks and the HIPC Initiative Impacts on Growth and Poverty in Africa' (2005) 17 *African Development Review* 461-492, 463.

<sup>211</sup> 'HIPC Initiative: The IMF's Response to Critics' A publication of the IMF available at <http://www.imf.org/external/np/hipc/res.htm> (accessed 26 march 2014).

## 2.8 The HIPC Initiative's achievements in Cameroon and the remaining challenges

The HIPC Initiative Agreement has brought mitigated results to HIPCs in general.<sup>212</sup> It has considerably alleviated debt burdens in recipient countries generally and in Cameroon in particular.<sup>213</sup> Although debt has been considerably decreased after the Enhanced HIPC Initiative Agreement, debt sustainability has not been reached for the long term.<sup>214</sup> According to Dhaneshwar, although Cameroon has made remarkable progress in the maintenance of macroeconomic stability, the main challenge remains to enhance investment and economic growth rates so as to considerably reduce poverty.<sup>215</sup>

In addition, post-completion point HIPCs have made unbalanced progress towards meeting their MDGs.<sup>216</sup> Regardless of some improvements in primary education and ensuring gender equality, more than half of HIPCs that have achieved their post-completion point are unlikely to meet their MDGs.<sup>217</sup> Progress has been least in fragile states, which present hard political and governance challenges for effective delivery of development finance and services.<sup>218</sup> On the other hand, some positive results have been achieved regarding good governance, the fight against

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<sup>212</sup> Kosztowniak A 'Main Achievement of the HIPC Initiative in the Heavily Indebted Poor countries' in Bukwoski (eds) *The Dilemmas of Economic Policy Development and Regional Economic Integration* (2005)157.

<sup>213</sup> Kosztowniak A 'Main Achievement of the HIPC Initiative in the Heavily Indebted Poor countries' in Bukwoski (eds) *The Dilemmas of Economic Policy Development and Regional Economic Integration* (2005)157. See also *Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)—Status of Implementation* ((2009) A report Prepared by the Staffs of IDA and the IMF, 3.

<sup>214</sup> Berensmann K 'New Ways of Achieving Debt Sustainability beyond the Enhanced HIPC Initiative' (2004) 39 *Intereconomics* 321-330,324. Also Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of FONDAD 80-82.

<sup>215</sup> IMF and World Bank Support Cameroon's Completion Point under the Enhanced HIPC Initiative and the IMF Immediately Grants 100 Per cent Debt Relief to Cameroon under the Multilateral Debt Relief Initiative (2006) Press Release No. 06/85.

<sup>216</sup> Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of FONDAD 80-82.

<sup>217</sup> Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of FONDAD80-82.

<sup>218</sup> Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of FONDAD 80-82.

corruption, budgetary savings from debt relief, and in the education, health and HIV/AIDS sectors.<sup>219</sup>

## 2.9 Conclusion and Recommendations

The extreme debt burden faced by HIPC's provoked debt unsustainability, increased poverty levels and greatly impeded their economic growth. In response to these imbalances, the international community and the international financial community embark upon a range of solutions which resulted in the HIPC Initiative. Although the HIPC Initiative scheme seems to provide much needed assistance from high debt servicing, debt relief is neither a magic potion for all economic development problems, nor is a one-time debt reduction an assurance that upcoming debt will stay at sustainable levels.<sup>220</sup> Consequently, the HIPC Initiative is an essential but slight part of the whole development assistance framework. Maybe the utmost challenge facing the HIPC Initiative is the expectations of what it is likely to accomplish within financing limitations and policy and institutional limitations in the HIPC's.<sup>221</sup>

Reaching the HIPC Initiative three-fold objectives requires undertakings by HIPC's governments to adopt rigorous policy frameworks and a well-adjusted development strategy.<sup>222</sup> In addition, it requires actions by the international community to help countries to increase their exports and to support required capacity building efforts.<sup>223</sup> Moreover, donors encountered an additional challenge: to make appropriate resources available for funding the development priorities of

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<sup>219</sup> See the status of steps for reaching the floating completion point in *Cameroon: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative-Completion Point Document and Multilateral Debt Relief Initiative (MDRI)* (2006) IMF Country Report No 06/190, 6.

<sup>220</sup> The HIPC Initiative: Progress and Prospects *Précis* World Bank Operations Evaluation Department, winter 2003, No. 230.

<sup>221</sup> The HIPC Initiative: Progress and Prospects *Précis* World Bank Operations Evaluation Department, winter 2003, No. 230.

<sup>222</sup> The HIPC Initiative: Progress and Prospects *Précis* World Bank Operations Evaluation Department, winter 2003, No. 230.

<sup>223</sup> See The HIPC Initiative: Progress and Prospects *Précis* World Bank Operations Evaluation Department, winter 2003, No. 230.

HIPCs and other poor countries, and ensure that HIPC debt relief is really additional to other aid flows.<sup>224</sup> Additionally with regard to Cameroon's economic profile<sup>225</sup> characterised by high levels of corruption, maladministration, bad governance, and embezzlement, it is urgently recommended that the IMF and the World Bank rigorously evaluate and monitor the outcomes of the HIPC Initiative in each specific HIPC in order to make both debtor and creditor countries accountable.



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<sup>224</sup> The HIPC Initiative: Progress and Prospects *Précis* World Bank Operations Evaluation Department, winter 2003, No. 230.

<sup>225</sup> Chapter 1, 1.

## CHAPTER 3

### CHINA'S WHITE PAPER ON FOREIGN AID

#### 3.1 Introduction

The rise of China is one of the most outstanding features observed in the international arena in recent decades.<sup>226</sup> In 2005, the Organisation for Economic Co-operation and Development (OECD) reported that China's growth rate had increased by approximately 10% per annum over the past decades and that it was projected to become the world's fourth economy in the next five years.<sup>227</sup> Today China has significantly challenged that projection and is ranked as the second largest economic power in the world after the United States of America (USA) and it is expected to become the most powerful economic power in the world by 2016.<sup>228</sup> Stone added that 'China has become the largest new investor, trader, buyer, and aid donor in a raft of African countries, and a major new economic force in sub-Saharan Africa as a whole.'<sup>229</sup> Thus China's deepening integration into the global economy and emergence as an economic power have spread its vision<sup>230</sup> into Africa, reshaping political and economic relationships in such a way as to secure its access to the African market and raw materials.<sup>231</sup> In fact, China is rapidly expanding its

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<sup>226</sup> Khan SA and Baye MF *China-Africa Economic Relations: The Case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium, 1.

<sup>227</sup> Khan SA and Baye MF *China-Africa Economic Relations: The Case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium.

<sup>228</sup> Li X & Shaw TM 'Same Bed, Different Dreams' and 'Riding Tiger' Dilemmas: China's Rise and International Relations/political Economy' (2014) 19 *Journal of Chinese political science* 69-93, 75.

<sup>229</sup> Rotberg RI (eds) *China into Africa, Trade, Aid and Influence* (2008) 3.

<sup>230</sup> According to the Beijing Declaration of the Forum on China-Africa Cooperation, China and African countries met in Beijing from 10 to 12 October 2000 for the Forum on China-Africa Co-operation-Ministerial Conference 2000 during which they both agreed that 'the China-Africa Cooperation Forum is a framework for collective dialogue between China and African countries on the basis of equality and mutual benefit and to seek peace and development is our common objective.'

<sup>231</sup> Ayenagbo K et al 'Sino-Africa Economic and Trade Relations: its Impact and Implications on the African Continent' (2012) 6 *African Journal of Business Management* 6420-6427, 6420.

engagement in Africa in the fields of development cooperation, trade and investment in accordance with the Chinese White Paper on Foreign Aid.<sup>232</sup>

According to Ayenagbo, China is now performing a double function as the exclusive balancing power to the USA and as the ‘torchbearer’ for the Developing World.<sup>233</sup> In light of this growing international influence, and the Beijing Declaration of the Forum on China-Africa Cooperation (FOCAC) China has redefined its geo-strategic vision, calling for multi-polarity and a new economic and political international order, and has re-engaged African countries under a new partnership framework.<sup>234</sup> Thus, under the *Beijing Declaration of the Forum on China Africa Cooperation* (2004), China has criticised the current international economic order and proposed a new international framework for a more just and fair international system in the following terms :

‘We reaffirm that the injustice and inequality in the current international system are incompatible with the trend of the times towards world peace and development, hinder the development of the countries of the South and pose threats to international peace and security. We stress that the establishment of a just and equitable new international political and economic order is indispensable for the democratisation of international relations and for the effective participation of developing countries in the international process of decision-making.’<sup>235</sup>

During the 1990s, China originally developed its relations with African countries individually in the political, economic, trade and military arenas and later expanded them to cooperation and multilateral issues.<sup>236</sup>

Traditionally, China’s assistance has provided support for poverty reduction, has focused on sectors which have been relatively neglected and untouched by Africa’s traditional development

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<sup>232</sup> Asche H & Schüller M *China’s Engagement in Africa – Opportunities and Risks for Development* (2008) A Publication of the German Society for International Cooperation, 18.

<sup>233</sup> Ayenagbo K et al ‘Sino-Africa Economic and Trade Relations: its Impact and Implications on the African Continent’ (2012) 6 *African Journal of Business Management* 6420-6427, 6420.

<sup>234</sup> *Declaration of the FOCAC* (2004), Preamble.

<sup>235</sup> *Declaration of the FOCAC* (2004), Preamble.

<sup>236</sup> Ayenagbo K et al ‘Sino-Africa Economic and Trade Relations: its Impact and Implications on the African Continent’ (2012) 6 *African Journal of Business Management* 6420-6427, 6420.

partners<sup>237</sup>, and does not impact on debt sustainability.<sup>238</sup> This is, for instance, the case with regard to infrastructure, construction, supplying materials and commodities, and dispatching experts or free aid, interest-free loans, subsidised loans, technological assistance and training, expert advisors, personnel and technical training.<sup>239</sup>

However, China's development assistance has been at the centre of certain concerns such as China's development assistance is targeting primarily rich mineral and oil-producing countries, and for providing aid to recipient countries regardless of the quality of governance.<sup>240</sup> But these western criticisms of China's development assistance to Africa did not get much reaction and support in Africa.<sup>241</sup> Notwithstanding the controversy about China's development assistance approach, it is regarded nowadays by many African countries as the 'new African choice'.<sup>242</sup>

The present chapter first presents a historical overview of the China-Cameroon relationship. Secondly, it examines the Beijing Declaration of the FOCAC and the Chinese White Paper on Foreign Aid. Thirdly, it presents the role of the Chinese government with regard to development assistance. Furthermore, it emphasises the scope of, and undertakes a critical legal analysis of, China's development assistance in Cameroon in light of the White Paper on Foreign Aid, the Beijing Declaration on FOCAC and with regard to states' international obligations as enshrined in international legal instruments. Finally, the last section assesses the positive and negative impacts of China's development assistance approach in Cameroon.

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<sup>237</sup> 'Traditional donors' refer to Development Assistance Committee donors while 'emerging donors' refer to non-Development Assistance Committee (DAC) donors.

<sup>238</sup> Berthelemy JC *China's Engagement and Aid Effectiveness in Africa* (2011) Development Bank Group Working paper No 129, 6.

<sup>239</sup> Zhongxiang Z 'China's Model of aiding Africa and its Implications' (2008) *International RRview*, 41-54, 42.

<sup>240</sup> Berthelemy JC *China's Engagement and Aid Effectiveness in Africa* (May 2011) Development Bank Group Working paper No 129, 6.

<sup>241</sup> Zhongxiang Z 'China's Model of aiding Africa and its Implications' (2008) *International RRview*, 41-54, 42.

<sup>242</sup> Naidu S & Herman H 'Africa new development partners: China and India-challenging the status quo?' In Murithi T, Founou TB et al *Aid to Africa: Redeemer or Coloniser* (2009) 144. See also *African and growth opportunity Act: A five-year assessment, hearing before the subcommittee on Africa, global human rights and international relations House of Representatives* (2005) Serial number 109-95, 10.

### 3.2. Historical overview of the China-Cameroon relationship

This section basically examines the evolution of the China-Cameroon relationship from Cameroon's independence in 1960 till today. It includes the beginning of China-Cameroon cooperation and some of the multilateral and bilateral agreements<sup>243</sup> they have both concluded. Given the fact that these agreements are largely inaccessible and unpublished, the current section will be restricted to describing only some of them.

Cameroon established diplomatic ties with the People's Republic of China after ending its cooperation with Taiwan on 26 March 1971.<sup>244</sup> According to the 'one-China principle', states willing to establish diplomatic relations with China must cease any political alliance with Taiwan.<sup>245</sup>

Moreover, Sino-Cameroon relations are particularly strong because Cameroon is one of the African countries which enabled Mainland China to obtain the United Nations Security Council seat from Taiwan.<sup>246</sup> Since then, Sino-Cameroon relations have progressively developed with friendly economic and social cooperation.<sup>247</sup>

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<sup>243</sup> Unfortunately this study is unable to provide details on these various agreements given that agreements between China and Cameroon are largely unpublished and inaccessible.

<sup>244</sup> Zhongxiang Z 'China's Model of Aiding Africa and its Implications' (2008) *International RRview*, 41-54, 42.

<sup>245</sup> Lundsgaard H *Western and Chinese Development Assistance in Tanzania: A Comparison of Approaches Followed by an Evaluation from Tanzanian Perspective* (Published LLM Thesis of the University of Berne, 2010) 206, summary.

<sup>246</sup> AFRODAD *Mapping Chinese Development assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 17.

<sup>247</sup> *China White Paper on Foreign Aid* (22 April 2011).

After the independence of Cameroon and its reunification respectively in 1960 and 1961, Cameroon shifted from its previous non-aligned position<sup>248</sup> and decided to establish relationships with both capitalist and communist governments because all forms of colonialism and imperialism were officially and worldwide abolished.<sup>249</sup> In addition, it was time for Cameroon and all the former African colonies to build up their economies.<sup>250</sup> Grasping both development opportunities offered was actually the wisest choice Cameroon could have ever made, noting that, although specific and different both approaches complement each other.<sup>251</sup>

Officially, Cameroon and China have both entered into various multilateral agreements relative to economic and technical cooperation.<sup>252</sup> These agreements mostly define the modalities of China's concessional lending, but others pertain to cultural, technical and also diplomatic relations.<sup>253</sup> As previously indicated in Chapter I, the key agreements include:

- a general trade agreement in 1972<sup>254</sup>;
- an agreement for the reciprocal protection and promotion of investments in 1997<sup>255</sup>; and

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<sup>248</sup> The non-alignment movement was aimed at protecting the national independence, sovereignty, territorial integrity and the security of non-aligned countries in their struggle against imperialism, colonialism, neo-colonialism, racism and all forms of foreign aggression, occupation, domination, interference, and hegemony.

<sup>249</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 17.

<sup>250</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 17.

<sup>251</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 17.

<sup>252</sup> Khan SA and Baye MF *China-Africa Economic Relations: The Case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium, 3.

<sup>253</sup> Khan SA and Baye MF *China-Africa Economic Relations: The Case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium, 3.

<sup>254</sup> According to <http://www.china.org.cn/english/features/focac/183577.htm> (accessed 14 April 2014), the trade agreement between China and Cameroon was signed in 1972 in order to boost trade relations between the two economic partners.

<sup>255</sup> Unfortunately, details on this agreement are almost inaccessible and unpublished. However, according to the *White Paper on China-Africa Economic and Trade Cooperation* (2013), this accord is meant to improve investments between both countries. From 2009 to 2012, China's direct investment in Africa increased from US\$1.44 billion to US\$2.52 billion, with an annual growth rate of 20.5%. Over the same period, China's accumulative direct

- an agreement for economic and commercial cooperation in 2002.<sup>256</sup>

In addition, according to AFRODAD, Cameroon and China have also concluded several bilateral agreements in 2010, including: an agreement for a grant and an interest free loan for open technical cooperation projects to be specified by Cameroon; a convention for the equipment of the Cameroon Road Construction Equipment Pool (MATGENIE) with a preferential rate loan; a memorandum of understanding on global cooperation and the financing of future projects when they are designed; a framework convention to back an initiative for investment in unspecified areas of the agricultural sector; and a draft agreement for the provision of training by China in the area of new technology for the running of Cameroon's postal network.<sup>257</sup>

These accords have permitted Chinese enterprises to actively participate in Cameroon's socio-economic development, such as, road construction and other infrastructures.<sup>258</sup> Furthermore, China assisted Cameroon with roughly US\$100 million of economic development assistance in the two decades prior to 2005 and the bilateral trade volume that year exceeded US\$190 million.<sup>259</sup> The end of diplomatic relations between Cameroon and Taiwan has reinforced the collaboration between China and Cameroon.<sup>260</sup> In fact, China is expecting diplomatic support

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investment in Africa increased from US\$9.33 billion to US\$21.23 billion, which is 2.3 times the 2009 figure and also points to the mutually beneficial nature of China- Africa cooperation.

<sup>256</sup> According to <http://www.china.org.cn/english/features/focac/183577.htm> (accessed 14 April 2014), China and Cameroon signed an agreement for economic and commercial cooperation in 2002 to improve economic and commercial cooperation. The year 2002 saw the total trade value between China and Cameroon reach US\$ 158.628 million, a decrease of 25.5 per cent as compared with the corresponding period of the previous year, of which Chinese exports amounted to US\$ 43.971 million, an increase of 50 per cent over that of the previous year while imports amounted to US\$ 114.657 million, a reduction of 37.6 percent.

<sup>257</sup> Unfortunately details regarding those bilateral agreements signed between China and Cameroon are once more practically unpublished and inaccessible.

<sup>258</sup> Jansson J *Patterns of Chinese Investment, Aid and Trade in Central Africa (Cameroon, DRC and Gabon)* (2009) A Briefing paper of the Centre of Chinese Studies, 7.

<sup>259</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 17.

<sup>260</sup> See generally Khan SA & Baye MF *China-Africa Economic Relations: The case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium.

from Cameroon and the rest of Africa's countries as well at the international level, particularly with reference to activities associated with the United Nations (UN) and other international institutions, in terms of votes on global issues.<sup>261</sup> For instance, the activism of the 'Group of 77 (G77) and China' in the UN processes is a good illustration. In fact, African countries' support was critical throughout the 15 years it took for China to be officially granted membership of the World Trade Organisation, in November 2001.<sup>262</sup> After this overview of the historical relation between China and Cameroon, the next section examines the Beijing Declaration of the FOCAC and China's White Paper on Foreign Aid.

### **3.3 An overview of the Beijing Declaration of the Forum on China-Africa Cooperation and China's White Paper on Foreign Aid**

The current section examines only some of the provisions of the Beijing Declaration of the FOCAC and China's White Paper on Foreign Aid which are directly in connection to the research topic. The Beijing Declaration of the FOCAC and China's White Paper on Foreign Aid are of paramount importance for the purpose of this research because they constitute the legal framework upon which this study will principally focus to analyse and assess China's development assistance in Africa generally and in Cameroon in particular. (These legal documents will be further illustrated in Chapter 4).

According to the Beijing Declaration of the FOCAC, FOCAC is a legal '...framework for collective dialogue between China and African countries on the basis of equality and mutual benefit' whose common objective lies in seeking peace and development.<sup>263</sup> The FOCAC Declaration of the FOCAC emphasises that the FOCAC dialogue platform was initiated following

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<sup>261</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Example of Cameroon* (2011) An African Forum Network on Debt and Development Report, 18.

<sup>262</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 18.

<sup>263</sup> *Beijing Declaration of the FOCAC* (2004).

numerous imbalances that China and African countries have observed in the current international system, such as:

- the ‘...huge gap between the rich North and the poor South and that peace and development are far from being fully realised...’;
- injustice and inequality in the current international system are incompatible with the trend of the times towards world peace and development, hinder the development of the countries of the South and pose threats to international peace and security...;
- globalisation makes all economies more inter-dependent, but it benefits developed countries more while putting most developing countries, especially small and vulnerable economies and the least developed countries in Africa, at a disadvantage and subjecting their economic security or even state sovereignty to severe challenges...;
- African countries and the African continent as a whole are still faced with many difficulties and challenges in their process of development...;
- the heavy debt burden has impeded the development efforts of African countries and impoverished their economies.’<sup>264</sup>

According to Article 1 of the Beijing Declaration of FOCAC, China respects the principles of the United Nations Charter and other international law instruments in the following terms

‘The purposes and principles of the UN Charter and the Charter of the Organisation of African Unity(OAU), the Five Principles of Peaceful Coexistence and other universally recognised principles governing relations among states must be respected. All countries should have the right to participate in international affairs, on an equal footing. No country or group of countries has the right to impose its will on others, to interfere, under whatever pretext, in other countries’ internal affairs, or to impose unilateral coercive economic measures on others. The North and the South should strengthen their dialogue and co-operation on the basis of equality.’<sup>265</sup>

In addition, according to Article 4 of the Beijing Declaration of the FOCAC China advocates respect for human rights and fundamental freedoms in the following terms

‘The universality of human rights and fundamental freedoms should be respected and the diversity of the world and the principle of seeking common ground while reserving differences

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<sup>264</sup> Preamble of the *Beijing Declaration of the FOCAC* (2004).

<sup>265</sup> Article 1 of the *Beijing Declaration of the FOCAC* (2004).

must be upheld and carried forward. Each country has the right to choose, in its course of development, its own social system, development model and way of life in light of its national conditions. Countries, that vary from one another in social system, stages of development, historical and cultural background and values, have the right to choose their own approaches and models in promoting and protecting human rights in their own countries. Moreover, the politicisation of human rights and the imposition of human rights conditionalities on economic assistance should be vigorously opposed to as they constitute a violation of human rights.’

Furthermore Article 5 of the Declaration of the FOCAC recognises that:

‘The principle of conducting mutually beneficial co-operation and seeking common development should be advocated. Developed countries have the responsibility and obligation to provide financial, technological and other assistance to developing countries, African countries in particular. They should work out feasible development programs for and co-operate with them on the basis of equality and mutual benefit with a view to achieving common development for both the North and the South. The developing countries, on their part, should unite and co-ordinate with each other more closely, maximising advantages while minimising disadvantages and adversities, as well as tackle together challenges brought about by globalisation.’

According to African Forum on Debt and Development (AFRODAD), the historical co-operation between China and Cameroon fits into the new trend adopted by China in its relations with Africa subsequent to the Beijing Summit of the FOCAC in 2006.<sup>266</sup> This new strategic partnership, also known as the Beijing Consensus, is claiming values such as ‘political equality, mutual trust, economic win-win co-operation and cultural exchanges’.<sup>267</sup> This means that the ultimate objective of China’s engagement with African countries is to serve mutual interests and mutual gains as well. Accordingly, during that Summit, an ‘action plan’<sup>268</sup> was agreed upon between China and African countries, including Cameroon, to serve as a guideline for bilateral cooperation throughout the years 2007, 2008 and 2009 in the political, economic and social sectors.<sup>269</sup> The action plan also included development and economic assistance, debt reduction,

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<sup>266</sup> AFRODAD Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon (2011) An African Forum Network on Debt and Development Report, 18.

<sup>267</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>268</sup> See ‘Forum on China-Africa cooperation Beijing Action Plan (2007-2009)’ available at <http://www.fmprc.gov.cn/zflt/eng/lttda/dscbjhy/DOC32009/t280369.htm> (accessed on 8 April 2014).

<sup>269</sup> Jansson J *The Forum on China Africa Cooperation (FOCAC)* (2009) A Briefing paper of the Centre for Chinese studies of the University of Stellenbosch.

training of professionals, culture, education, public health, environmental protection, and tourism (these aspects will be further discussed later in this chapter).

Moreover, Cameroon was granted Approved Destination Status (ADS) for Chinese tourism in November 2006 after the FOCAC Summit in Beijing.<sup>270</sup> This actually means that the government of China will financially assist Chinese companies willing to engage in the tourism business in Cameroon, through Exim Bank of China.<sup>271</sup> After all, the economic relations between the two nations would be an investment increasing factor in an area in which the Cameroon government is willing to gather more investment resources, as part of its new strategy for employment and growth.<sup>272</sup>

As far as the White Paper is concerned, according to the OECD, up until recently China's development assistance has been a 'sensitive' matter and was even considered a 'state secret'.<sup>273</sup> In April 2011, due to the amount of concerns raised in this regard, China officially published a White Paper on Foreign Aid which gives clear indications of the country's development assistance efforts and policies over the past years.<sup>274</sup> The Chinese Paper on Foreign Aid is a legal text of 12 pages and is structured into 8 sections which are as follow: a preface, foreign aid policy, and financial resources for foreign aid, the forms of foreign aid, distribution of foreign aid, management of foreign aid, international co-operation in foreign aid, a conclusion and 6 appendixes. (All these aspects will be further discussed in the present chapter.) The preface of the Chinese White Paper on Foreign Aid highlights that although

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<sup>270</sup> Jansson J *Patterns of Chinese Investment, Aid and Trade in Central Africa (Cameroon, DRC and Gabon)* (2009) A Briefing paper of the Centre of Chinese Studies, 4.

<sup>271</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 18.

<sup>272</sup> The Growth and Employment Strategy Paper (GESP) of 2007/2009 actually replaced Cameroon's Reduction poverty Strategy Paper and implements the government's aspiration of making Cameroon an emerging country in its vision 2035 by attaching great importance to infrastructure building and economic development.

<sup>273</sup> OECD *Policy on Aid for Trade, Trade related South-South co-operation: China* (2012) OECD policy paper No 3, 7.

<sup>274</sup> Grimm S et al *Transparency of Chinese Aid: an Analysis of the published Information on Chinese External Financial Flows* (2011) A publication for the Centre for Chinese studies, 6.

‘...China remains a developing country with a low per-capita income and a large poverty-stricken population. In spite of this, China has been doing its best to provide foreign aid, to help recipient countries to strengthen their self-development capacity, enrich and improve their peoples' livelihood, and promote their economic growth and social progress.’<sup>275</sup>

It further emphasises that by ‘[a]dhering to equality and mutual benefit, stressing substantial results, and keeping pace with the times without imposing any political conditions on recipient countries, China's foreign aid has emerged as a model with its own characteristics.’<sup>276</sup> In fact, the White Paper on Foreign Aid actually represents the cornerstone of China’s legislation on economic related matters; it covers foreign affairs, economic co-operation, trade and investment, and is complemented and updated through the White Paper on China-Africa Economic and Trade Cooperation<sup>277</sup> and FOCAC Summits, the last of which was held in July 2012 in Beijing.<sup>278</sup> After this brief introduction to the Beijing Declaration of the FOCAC Cooperation and China’s White Paper on Foreign Aid, the role of the Chinese government regarding foreign aid policy will be examined next.

### 3.4 The role of the Chinese government



According to Davies, four main actors actively participate in China’s development assistance in Africa namely:

- the Ministry of Commerce (MOFCOM);
- the Ministry of Foreign Affairs (MOFA);
- the China Export Import Bank (EXIM Bank); and
- the China Development Bank (CBD).<sup>279</sup>

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<sup>275</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>276</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>277</sup> *The White Paper on China-Africa Economic and Trade Cooperation* was first published in 2010 and then later in 2013.

<sup>278</sup> The first FOCAC Summit was held in Beijing, China, in October 2000; the second, in Addis Ababa in December 2003; the third, in November 2006 in Beijing; the fourth, in November 2009 in Sharm el-Sheikh, Egypt ;and the fifth, in July 2012 in Beijing.

<sup>279</sup> Davies M *How is China influencing Africa's Development* (2010) OECD background paper, 16.

According to the Chinese White Paper on Foreign Aid, the MOFCOM ‘...is the administrative department authorised by the State Council to oversee foreign aid. It is responsible for the formulation of foreign aid policies, regulations, overall and annual plans, examination and approval of foreign aid projects and management of the project execution.’<sup>280</sup> Inside the MOFCOM, development assistance is the responsibility of two divisions, specifically the Department of Aid to Foreign Countries, and the Bureau of International Economic Cooperation.<sup>281</sup> The Department’s functions consist of making annual plans and budgets for development assistance disbursements, and drafting regulations which (as in other ministries) progressively replace the previous system of state planning.<sup>282</sup> The Bureau controls the implementation phase including bidding, procurement, monitoring, evaluation of aid and economic cooperation projects.<sup>283</sup>

However, the MOFA supervises development assistance decisions as they are linked to the overall foreign policy objectives. It is responsible for monitoring the general policy trends on economic cooperation and development assistance.<sup>284</sup>

The China EXIM Bank founded in 1994, performs three main functions: it is the official export agency looking after trade and investment guarantees, it provides aid administration in connection with projects evaluation, and it acts as the policy bank that deals with foreign aid that comes to China.<sup>285</sup> Moreover, the Bank has provided loans to more than 40 states, principally in Africa and Asia, all of which have offered a state guarantee for the loans.<sup>286</sup> According to Davies, the major African countries which have been recipients of China EXIM Bank’s concessional financing are: Angola, Equatorial Guinea, Congo Brazzaville, Ethiopia, Guinea,

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<sup>280</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>281</sup> Brautigam D ‘China’s African Aid: Transatlantic Challenges’ (2008) A report of the German Marshall Fund, 14.

<sup>282</sup> Grimm S et al *Transparency of Chinese Aid: an Analysis of the published Information on Chinese External Financial Flows* (2011) A publication for the Centre for Chinese studies, 13.

<sup>283</sup> Grimm S et al *Transparency of Chinese Aid: an Analysis of the published Information on Chinese External Financial Flows* (2011) A publication for the Centre for Chinese studies, 13.

<sup>284</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>285</sup> Davies M *How is China influencing Africa’s Development* (2010) OECD background paper, 16.

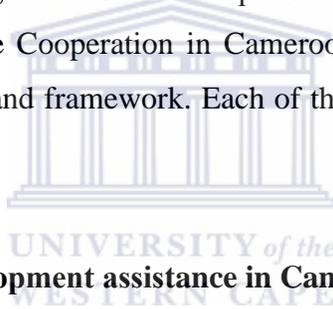
<sup>286</sup> Davies M *How is China influencing Africa’s Development* (2010) OECD background paper, 16.

Nigeria, Sudan and Zimbabwe; all countries having questionable governance regimes and some of which might not be eligible for funding from traditional donors.<sup>287</sup>

Lastly, the CDB, like the EXIM Bank, was instituted to implement China's government policies.<sup>288</sup> Its core mission is to grant non-concessional loans to Africa.<sup>289</sup> After having looked at the role of the Chinese government, the next section examines the scope of China's development assistance in Cameroon.

### **3.5 Scope of China's development assistance in Cameroon**

This section addresses five focal points of China's development assistance approach in terms of the Beijing Declaration of FOCAC, China's White Paper on Foreign Aid and the White Paper on China-Africa Economic and Trade Cooperation in Cameroon, namely, its objectives, features, conditionalities, modalities, areas and framework. Each of these aspects will be elaborated upon below.



#### **3.5.1 Objectives of China's development assistance in Cameroon**

According to China's White Paper on Foreign Aid and with respect to the Beijing Declaration of the FOCAC and China's White Paper on China-Africa Economic and Trade Cooperation<sup>290</sup>, the core objectives of China's development assistance in Africa are to consolidate '...friendly relations and economic and trade cooperation with other developing countries, promote South-

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<sup>287</sup> Davies M *How is China influencing Africa's Development* (2010) OECD background paper, 16.

<sup>288</sup> Brautigam D 'China's African Aid: Transatlantic Challenges' (2008) A Publication of the German Marshall Fund, 15.

<sup>289</sup> Grimm S et al *Transparency of Chinese Aid: an Analysis of the published Information on Chinese External Financial Flows* (2011) A publication of the Centre for Chinese studies, 17.

<sup>290</sup> *China's White Paper on China-Africa Economic and Trade Cooperation* is a legal document which aims at promoting sustainable development of trade, improving the level of investment and financing co-operation, strengthening co-operation in agriculture and food security, supporting African infrastructure construction, stressing African People's livelihoods and capacity building, and promoting co-operation under the multilateral framework.

South cooperation and contribute to the common development of mankind.<sup>291</sup> The OECD believe that by promoting South-South co-operation, China wishes to promote its own specific image in the developing world, based upon the spirit of equality and mutual benefit, and as more of a partnership than assistance.<sup>292</sup> After presenting the objectives of China's development assistance, the next section examines the features of China's development assistance approach.

### **3.5.2 Features of China's development assistance approach: a legal analysis**

According to the Beijing Declaration on the FOCAC and China's White Paper on Foreign Aid, China's development assistance approach in Africa generally and in Cameroon in particular, rests on the five principles of peaceful co-existence formulated for the first time on 29 April 1954 when the People's Republic of China and India signed an Agreement on Trade and Communications between the Tibet region of China and India.<sup>293</sup> Since then, these principles constitute China's roadmap in its international relations.<sup>294</sup> In terms of the Chinese Paper on Foreign Aid, these principles are the following: mutual respect for each other's territorial integrity and sovereignty; mutual non-aggression; mutual non-interference in each other's internal affairs; equality; and mutual benefit and peaceful co-existence.<sup>295</sup> According to Boutros-Ghali, the main idea behind these principles is that if they were bilaterally and multilaterally observed they would become a solid foundation for peace and security in the world.<sup>296</sup>

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<sup>291</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>292</sup> *OECD Policy on Aid for Trade, Trade related South-South co-operation: China* (2012) OECD policy paper No 3, 7.

<sup>293</sup> Boutros-Ghali B 'The five principles' (2004) available at <http://www.fmprc.gov.cn/eng/topics/seminaronfiveprinciples/t140589.htm> (accessed 2 April 2013).

<sup>294</sup> *China White Paper on Foreign Aid* (22 April 2011). See also Article 1 of the *Beijing Declaration on the FOCAC* (2004).

<sup>295</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>296</sup> Boutros-Ghali B 'The five principles' (2004) available at <http://www.fmprc.gov.cn/eng/topics/seminaronfiveprinciples/t140589.htm> (accessed 2 April 2013).

Thus, commenting on China's five principles, Kjøllesdal and many other authors pointed out that China's development assistance has challenged that of the OECD donors at four levels.<sup>297</sup> First, China's development assistance is based upon equal partnership.<sup>298</sup> In addition, China's White Paper on Foreign Aid emphasises that because China is faithful to the principles of 'equal partnership, respect of state sovereignty, and non-interference in states internal affairs' enshrined in the United Nations Charter<sup>299</sup> and the Beijing Declaration of the FOCAC according to which 'China never uses foreign aid as a means to interfere in recipient countries' internal affairs or seek political privileges for itself.'<sup>300</sup> Thus, China respects Cameroon's sovereignty and territorial integrity and does its best not to interfere in Cameroon's internal affairs.<sup>301</sup> China firmly upholds this principle because it believes that sovereignty is the birth right of any self-governing state, the unification of its national interests and the paramount protection of everything it dearly cherishes.<sup>302</sup> Therefore, according to the Beijing Declaration on the FOCAC '[n]o country or group of countries, has the right to impose its will on others, to interfere, under whatever pretext, in other countries' internal affairs, or to impose unilateral coercive economic measures on others'.<sup>303</sup> Similarly, the Chinese government strictly emphasises the fact that the growing interaction and interdependence among states, due to economic globalisation and technological revolution, do not suggest that the status and role of sovereignty might in any way be ignored or have declined.<sup>304</sup> Thus, maintaining greater democracy in international relations is

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<sup>297</sup> Kjøllesdal KA 'Foreign Aid Strategies: China Taking Over?' (2010) 6 *Asian Social Science* 3-13, 3.

<sup>298</sup> Zhongxiang Z *China's Model of aiding Africa and its Implications* (2008) *International RRview*, 41-54, 42.

<sup>299</sup> Respect for the Principles of National Sovereignty and Non-Interference in the Internal Affairs of States in their Electoral Processes, 1990 United Nation General Assembly resolution A/RES/45/151(1990).

<sup>300</sup> *China White Paper on Foreign Aid* (22 April 2011). See also Article 1 of the *Beijing Declaration on the FOCAC* (2004).

<sup>301</sup> Boutros-Ghali B 'The five principles' (2004) available at <http://www.fmprc.gov.cn/eng/topics/seminaronfiveprinciples/t140589.htm> (accessed 2 April 2013).

<sup>302</sup> Jiabao W 'Carrying Forward the Five Principles of Peaceful Coexistence in the Promotion of Peace and Development' (28 June 2004) Speechat Rally Commemorating the 50th Anniversary of the Five Principles of Peaceful Coexistence.

<sup>303</sup> See Article 1 of the *Beijing Declaration of the FOCAC* (2004).

<sup>304</sup> Jiabao W 'Carrying Forward the Five Principles of Peaceful Coexistence in the Promotion of Peace and Development' (28 June 2004) Speechat Rally Commemorating the 50th Anniversary of the Five Principles of Peaceful Coexistence.

very critical. Hence the internal affairs of a country must be decided by its own people, and the international issues have to be discussed by all countries on an equal basis.<sup>305</sup>

Secondly, the modes of provision are challenged by China's focus on aid that is 'mutually beneficial.'<sup>306</sup> Also known as China's win-win policy, the policy of mutual benefit is based on eight major principles called the 'eight principles for economic aid and technical cooperation to other countries'<sup>307</sup> (these principles will be further elaborated in chapter 4). According to China's win-win policy, whenever China is establishing cooperation agreements with a country, their mutual interests have to be clearly defined in advance.<sup>308</sup>

Thirdly, in terms of China's White Paper on Foreign Aid, China's development assistance to Africa generally and Cameroon specifically is free of political conditions, in contrast to that of the Western countries, which tie aid to good governance, democracy or 'a package of economic reforms'.<sup>309</sup> Besides, China '...respects recipient countries' right to independently select their own path and model of development, and believes that every country should explore a development path suitable to its actual conditions.'<sup>310</sup>

Lastly, multilateralism is challenged by China's preference of embarking on the major foreign aid projects alone. As a result, China has fulfilled its promises more simply, more quickly and more effectively in comparison to the IMF and the World Bank which are multilateral institutions.<sup>311</sup>

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<sup>305</sup> It has been proven that most of the times a country violated this sacrosanct principle of international public law it has mostly resumed to war.

<sup>306</sup> Kjøllesdal K *Foreign Aid Strategies: China Taking Over?* (2010) 6 *Asian Social Science* 3-13, 3.

<sup>307</sup> *China White Paper on Foreign Aid* (22 April 2011), appendix 3.

<sup>308</sup> Kjøllesdal K *Foreign Aid Strategies: China Taking Over?* (2010) 6 *Asian Social Science* 3-13, 4.

<sup>309</sup> Zhongxiang Z 'China's Model of aiding Africa and its Implications' (2008) *International RRview*, 41-54, 42.

<sup>310</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>311</sup> Multilateral agencies usually follow long procedure due to the great number of countries member involved in the decision making process.

It is important to emphasise at this stage that the features of China's development assistance are aligned with the public international law principle which imposes on states the respect of state sovereignty.<sup>312</sup> Moreover, they are in conformity with Article 3(3) of the Declaration on the Right to Development which stipulates:

‘States have the duty to co-operate with each other in ensuring development and eliminating obstacles to development. States should realize their rights and fulfil their duties in such a manner as to promote a new international economic order based on sovereign equality, interdependence, mutual interest and co-operation among all States, as well as to encourage the observance and realization of human rights.’<sup>313</sup>

China's White Paper further clearly stipulates that China will never attach any political conditionality to foreign aid. The question however arises if this is still the case in reality? Or is the reality otherwise?

### **3.5.3 Conditionalities of Chinese development assistance in Cameroon**

Officially, China does not impose any political conditionality on Cameroon or any other African country.<sup>314</sup> Generally, agreements with China essentially present China's commercial or economic interests in return for assistance.<sup>315</sup> Nevertheless several authors have observed that there is always an undisclosed political clause imposed on African countries dealing with China, namely, the recognition of the ‘one China principle’.<sup>316</sup> Consequently China has always denied its development assistance to countries treating with Taiwan, but has always developed and strengthened co-operation with countries not having or which have ceased relationships with

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<sup>312</sup> Mullerson R *Ordering Anarchy: International Law in international Society* (2000) 165.

<sup>313</sup> *Declaration on the Right to Development* (1986).

<sup>314</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>315</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 23.

<sup>316</sup> Lundsgaard H *Western and Chinese Development Assistance in Tanzania: A Comparison of Approaches Followed by an Evaluation from Tanzanian Perspective* (Published LLM thesis of Berne University, 2010) 206, summary.

Taiwan.<sup>317</sup> Moreover, the legal framework of China's development assistance to Cameroon also includes the modalities and areas that it covers.

### **3.5.4 Modalities and areas of China's development assistance to Cameroon**

According to the Chinese Paper on Foreign Aid, China's development assistance to Cameroon is divided into three modalities namely: grants, interest free loans and concessional loans.<sup>318</sup> The first two are provided by China's state finances and the last is granted by the Exim Bank of China.<sup>319</sup> In terms of China's White Paper on Foreign Aid, grants are also described as 'gratis aid' aimed at financing the construction of hospitals, schools and other medium and small social welfare projects, as well as facilitating technical cooperation and emergency humanitarian aid.<sup>320</sup>

While interest free loans are utilised to assist the recipient country in building public facilities and initiating projects to upgrade people's standard of living, they are actually 20 year contracts with five years of payment, five years of grace and ten years of repayment.<sup>321</sup> However, concessional loans are used for large and medium sized infrastructure projects and for projects producing both economic and social benefits for the recipient country, and they earn interest.<sup>322</sup> The current interest rate of China's concessional loans is between 2% and 3% with a period of repayment of 15 to 20 years plus five to seven years of grace.<sup>323</sup> In accordance with these modalities, China's development assistance appears to be less costly.

Additionally, these financial resources are invested in the recipient country's following key areas: agriculture; industry; economic infrastructure; public facilities and education and medical

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<sup>317</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 23.

<sup>318</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>319</sup> Grimm S et al *Transparency of Chinese Aid: An analysis of the published information on Chinese external financial flow* (2011) A Publication of the Centre for Chinese Studies.

<sup>320</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>321</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>322</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>323</sup> *China White Paper on Foreign Aid* (22 April 2011).

and health care, all with the focus on improving a recipient country's industrial and agricultural productivity, thus laying a solid foundation for its economic and social development as well as improving basic education and health care.<sup>324</sup> China is specifically targetting these sectors as it defined them as Cameroon's development indicators.<sup>325</sup>

Moreover, throughout recent decades, climate change has become an innovative area for China's foreign aid.<sup>326</sup> In terms of the White Paper 'China was one of the first countries which have developed clean energy sources such as bio-gas and small hydropower stations.' Furthermore, the framework constitutes an essential component of China's development assistance.

### 3.5.5 Framework of China's development assistance in Cameroon

In terms of China's White Paper on Foreign Aid, China's development assistance is provided in eight forms, namely: completed projects, goods and services, technical cooperation, human resource co-operation, Chinese medical teams working abroad, overseas volunteers' programs, emergency humanitarian aid, and, lastly, debt relief.<sup>327</sup>

However, many scholars have mentioned that the exact amount of Chinese aid in Africa is officially unknown for diverse reasons.<sup>328</sup> According to Grimm, what makes it difficult to estimate the exact amount of Chinese aid in Africa is the fact that there is no concrete borderline between aid and commercial activities, such as, trade and investment.<sup>329</sup> It is important to stress at this stage that the fact that China has never published any legal agreement with figures and

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<sup>324</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>325</sup> Development indicators basically refer to factors that relate to the well-being, economic productivity and environmental protection.

<sup>326</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>327</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>328</sup> Brautigam D *China's African Aid: Transatlantic Challenges* (2008) A Report to the German Marshall Fund, 20. See also Grimm S et al *Transparency of Chinese Aid: An Analysis of the published Information on Chinese External Financial Flow* (2011) A Publication of the Centre for Chinese Studies, 7.

<sup>329</sup> Grimm S et al *Transparency of Chinese Aid: An Analysis of the published Information on Chinese External Financial Flow* (2011) A publication of the Centre for Chinese Studies, 7.

statistical indicators of its development assistance to Africa generally and Cameroon specifically is inappropriate in light of public policies framework requirements which require that public policies have to be duly monitored and evaluated in order to scientifically assess their success or failure.<sup>330</sup> Brautigam added that the exact volume of Chinese aid is unknown because China neither collates it nor reports it like the OECD governments do.<sup>331</sup> Additionally, Khan and Baye argued that Cameroon documentation relative to China's development assistance is extremely limited and biased because it is not evaluated and monitored.<sup>332</sup> Because of various limitations, China's development assistance has also been criticised for being ambiguous.

Nevertheless, in terms of China's White Paper on Foreign Aid, China's development assistance to Cameroon is mostly infrastructure driven and complies with the new strategic partnership defined by the Beijing Summit of FOCAC in 2006.<sup>333</sup> Due to the unavailability and inaccuracy of information regarding China's development assistance framework in Cameroon, this section will exclusively describe sectors which China's development assistance includes in Cameroon.

According to African Forum Network on Debt and Development (AFRODAD), China's involvement in infrastructure projects in Cameroon really started in 1977, with a donation for the construction of the Presidential Palace (Unity Palace) and the National Congress Hall in Yaoundé.<sup>334</sup> Thus, China's development infrastructure projects in Cameroon in 1982 are strengthened with the construction of the National Congress Hall in Yaoundé.<sup>335</sup> Additionally, other prominent projects consist of the Lagdo Dam built in 1984, the 200 bed Gyno-obstetrics

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<sup>330</sup> See *Policy Framework for the Government-wide Monitoring and Evaluation System* (2007) A policy framework published by the South African presidency, 1-2.

<sup>331</sup> Brautigam D *China's African Aid: Transatlantic Challenges* (2008) A Report to the German Marshall Fund, 20.

<sup>332</sup> Khan S and Baye MF *China-Africa Economic Relations: The Case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium, 25.

<sup>333</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 21.

<sup>334</sup> Jansson J *Patterns of Chinese Investment Aid and Trade in Central Africa* (Cameroon, DRC and Gabon) (2009) A Briefing paper of the Centre of Chinese Studies, 7.

<sup>335</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 21.

and Pediatric Hospital in Yaoundé completed in 2002, and the Sports Hall constructed in 2009.<sup>336</sup> From 2002 the China Geological Engineering Group Company and the China Hydropower Foreign Project Company committed to explore oil, drill, and build projects as private contractors, by means of financial support received from the Chinese government, through the EXIM Bank.<sup>337</sup>

Furthermore, other Chinese infrastructures in Cameroon include a sewing workshop as well as well sinking and road building projects executed by the China Geological Engineering Group and the China Hydropower Foreign Project.<sup>338</sup> In the light of the China White Paper on Foreign Aid, China's development assistance to Cameroon also embraces the education, agriculture, health, culture and tourism sectors subsequent to the conclusion of a range of general cooperation agreements for concessional loans in 1997, 2000, 2001 and 2004.<sup>339</sup> These general agreements were signed with open clauses, accepting Cameroon's selection of specific projects for provision of the corresponding financial resources.<sup>340</sup> The reason for this is that China particularly respects its principle of non-interference and the five principles of peaceful co-existence generally enshrined in its White Paper on Foreign Aid. In so doing, China acknowledges Cameroon's sovereignty concerning its internal affairs.<sup>341</sup>

In addition, China's development assistance to Cameroon includes technical assistance. As a result Chinese medical workers have been working in Cameroon since 1975 under a technical

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<sup>336</sup> Jansson J *Patterns of Chinese Investment Aid and Trade in Central Africa* (Cameroon, DRC and Gabon) (2009) A Briefing paper of the Centre of Chinese Studies, 7.

<sup>337</sup> Jansson J *Patterns of Chinese Investment Aid and Trade in Central Africa* (Cameroon, DRC and Gabon) (2009) A Briefing paper of the Centre of Chinese Studies, 7.

<sup>338</sup> Jansson J *Patterns of Chinese Investment Aid and Trade in Central Africa* (Cameroon, DRC and Gabon) (2009) A Briefing paper of the Centre of Chinese Studies, 7.

<sup>339</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 21.

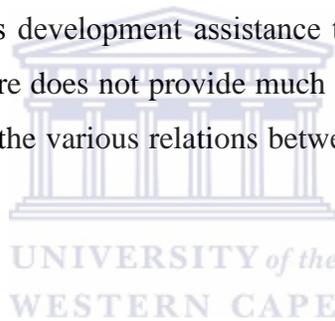
<sup>340</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>341</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 21.

cooperation agreement.<sup>342</sup> Likewise, every year China grants hundreds of scholarships to Cameroonian students, under a similar technical cooperation agreement targeting the education sector, signed in 1996.<sup>343</sup>

According to Jansson, China's development assistance to Cameroon also includes the education sector.<sup>344</sup> Thus, a programme is currently in process for the construction of primary schools, while a biological laboratory was instituted at the University of Yaoundé.<sup>345</sup> China's Zhejiang Normal University implemented a Chinese language teaching centre in Yaoundé in 1997.<sup>346</sup> The centre is regarded by China as a bond of friendship between China and Africa.<sup>347</sup> It has offered training for more than 300 professionals, amongst whom were Cameroonians from diplomatic and foreign trade circles, and others from neighbouring African countries.<sup>348</sup>

According to AFRODAD, China's development assistance to Cameroon also includes military assistance.<sup>349</sup> Although the literature does not provide much information in this regard, there are some indications thereof, such as, the various relations between Chinese and Cameroon military



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<sup>342</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 21.

<sup>343</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 22.

<sup>344</sup> Jansson J *Patterns of Chinese Investment, Aid and Trade in Central Africa (Cameroon, DRC and Gabon)* (2009) A Briefing paper of the Centre of Chinese Studies, 7.

<sup>345</sup> Jansson J *Patterns of Chinese Investment, Aid and Trade in Central Africa (Cameroon, DRC and Gabon)* (2009) A Briefing paper of the Centre of Chinese Studies, 7.

<sup>346</sup> Jansson J *Patterns of Chinese Investment, Aid and Trade in Central Africa (Cameroon, DRC and Gabon)* (2009) A Briefing paper of the Centre of Chinese Studies, 7.

<sup>347</sup> Jansson J *Patterns of Chinese Investment Aid and Trade in Central Africa (Cameroon, DRC and Gabon)* (2009) A Briefing paper of the Centre of Chinese Studies, 7.

<sup>348</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 22.

<sup>349</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 22.

officials.<sup>350</sup> Also, the available literature reveals that Cameroon military staff frequently travels to China for training.<sup>351</sup>

Above all, China's development assistance also targets Cameroon's debt reduction.<sup>352</sup> According to AFRODAD, China also participated in the HIPC debt reduction program of the IMF and the World Bank by cutting an amount of 16 billion FCFA from Cameroon's debt although China is not an OECD member and was not obliged to do so.<sup>353</sup> In the same vein Khan and Baye mentioned that China has cancelled Cameroon's debt twice in 2001 and in 2007.<sup>354</sup> First China cancelled a debt of US\$34 million as a result of the first China-Africa Forum for Economic and Social Development held in Beijing; the second debt cancellation for an amount of US\$ 32 million occurred during Hu Jintao's visit to Cameroon.<sup>355</sup> Although China's development aid represents an unprecedented opportunity for Africa's development,<sup>356</sup> it remains a limited instrument as will be illustrated below.

### 3.6 Critical legal analysis of China's development assistance approach in Cameroon

This section provides a critical analysis of China's development assistance approach with regard to the White Paper and in respect of states' international obligations. In fact, China's development assistance has raised a certain number of concerns from traditional donors and

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<sup>350</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 22.

<sup>351</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 22.

<sup>352</sup> Jansson J *Patterns of Chinese Investment, Aid and Trade in Central Africa (Cameroon, DRC and Gabon)* (2009) A Briefing paper of the Centre of Chinese Studies, 8.

<sup>353</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 32.

<sup>354</sup> Khan SA & Menjo Baye F *China-Africa Economic Relations: The Case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium, 28.

<sup>355</sup> Hu Jintao is China Current president.

<sup>356</sup> Ferretjans MU & Surender R 'Social Policy in the Context of New Global Actors: How far is China's Developmental Model in Africa impacting Traditional Donors?' (2013) 13 *Global social policy* 261-279, 1.

African countries as well, at various levels.<sup>357</sup> However, this section will merely focus on the most relevant ones. The following will be examined: China development assistance is free of political conditionalities, is mostly tied to procurement, supports undemocratic and corrupt regimes, targets primarily access to natural resources and a market for Chinese exports, is likely to create new debt problems, and is insufficient.

### **3.6.1 China's development assistance is free of political conditionalities**

China's White Paper on Foreign Aid clearly stipulates that China provides development assistance '...without imposing any political conditions on recipient countries...' <sup>358</sup> According to Brautigam, the Chinese believe that development is not always linked to good governance or democracy.<sup>359</sup> Inspired by its own experience at home, China believes that the widespread corruption happening in their own country did not prevent it from being developed and becoming the second most powerful country in the world.<sup>360</sup> Moreover, it believes that, development is a process and that imposing conditionalities on African countries is harmful as they hurt opportunities for growth.<sup>361</sup> For these reasons, China has been hugely criticised by western donors on many ground, such as, undermining democracy, good governance efforts, and human rights, failing to stimulate development, weakening social environment standards, as well as increasing corruption.<sup>362</sup> While Western donors perceive the absence of political conditionalities as a grievous obstacle to China's model of economic development, the absence rather constitutes the main reason for the attractiveness of China's development assistance approach for African

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<sup>357</sup> Davies M, Edinger H et al *How China delivers Development Assistance to Africa* (2008) A publication of the Centre of Chinese Studies, vii.

<sup>358</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>359</sup> Brautigam D *China's African Aid: Transatlantic Challenges* (2008) A Report to the German Marshall Fund, 26.

<sup>360</sup> Condon 'China in Africa: What the Policy of Non-intervention Adds to the Western Development Dilemma' (2012)27 *PRAXIS the Fletcher Journal of Human Security* 5-25, 9.

<sup>361</sup> Brautigam D *China's African Aid: Transatlantic Challenges* (2008) A Report to the German Marshall Fund, 26.

<sup>362</sup> Dreher A & Fuchs *A Rogue Aid? The Determinants of China's Aid Allocation* (2011) Cesifo working paper, 11.

countries generally and Cameroon in particular.<sup>363</sup> Despite this contentious debate, China has opted for an unconditional approach to avoid repeating the mistakes of the ‘West’s aid dilemma’.<sup>364</sup> Concluding this debate, Dambissa has said that good governance is not always a prerequisite for development; what matters is the positive investment of the swindled money inside the country.<sup>365</sup>

In addition, with regard to international conventions<sup>366</sup> relative to the respect of state sovereignty, and in accordance with China’s White Paper on Foreign Aid, China by not imposing conditionalities upon Cameroon has fully complied with this exigency. Therefore, even if the IMF and the World Bank are right in saying that good governance matters in the development process<sup>367</sup>, it is not the responsibility of either China or the USA, but fully of the Cameroonian authorities to make it happen, as a sovereign and independent state. Moreover, China’s development assistance was also reproached for being tied to procurement.

### **3.6.2 China’s development assistance is mostly tied to procurement**

Although it was earlier mentioned that China does not impose political conditionalities<sup>368</sup> it does impose economic conditionalities on African countries which is partially in violation of Article 1 of the Beijing Declaration of the FOCAC which stipulates: ‘...No country or group of countries

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<sup>363</sup> Woods N ‘Whose Aid? Whose Influence? China, Emerging Donors and the Silent Revolution in Development Assistance’ (2008) 84 *International Affairs* 1205-1221, 1207.

<sup>364</sup> According to Xiaobing W & Ozanne A the ‘West’s aid dilemma’ actually refers to all the problems and criticisms generated by the imposition of conditionnalities by the IMF and the World Bank in Africa. See in this regards Chapter 2.7.1.

<sup>365</sup> Dambisa M *Dead Aid: why aid is not working and how there is another way for Africa* (2009) 42-43.

<sup>366</sup> Declaration on the Inadmissibility of Intervention and Interference in the Internal Affairs of States, 1981 United Nations General Assembly Resolution A/RES/36/103 (1981), Respect for the Principles of National Sovereignty and Non-Interference in the Internal Affairs of States in their Electoral Processes, 1990 United Nation General Assembly resolution A/RES/45/151(1990).

<sup>367</sup> Chapter 2.6.2.

<sup>368</sup> See 3.6.1 supra.

has the right ...to impose unilateral coercive economic measures on others.’<sup>369</sup> As a matter of fact, China’s development assistance has often been tied to the purchase of Chinese goods and services.<sup>370</sup> Therefore, it has been heavily criticised in Africa in general and in Cameroon specifically for not involving a significant number of the local population in the execution of projects. Khan and Baye in this regard have stated that while ‘... Cameroonians only perform the very low-skilled tasks such as cleaning, driving and general labour...’, Chinese companies are the ones executing development projects at the top level with imported Chinese labour and assuring maintenance work as well.<sup>371</sup> Consequently, this Chinese attitude has been heavily criticised for destroying Cameroon local industries by importing all construction material from China and for not enabling technological transfer; thus condemning African countries generally and Cameroon in particular to eternally rely on China.<sup>372</sup> In so doing, China has infringed its White Paper on Foreign Aid according to which China is supposed to dispatch ‘...experts to give technical guidance on production, operation or maintenance of complete projects...’ in order to strengthen recipient countries’ ‘...self-development capacity, enrich and improve their people’s livelihood, and promote their economic growth and social progress...’.<sup>373</sup>

In addition, Cheru and Obi stated that Chinese companies utilise ‘poor labour practice and extremely harsh working conditions which is contrary to human rights dignity’.<sup>374</sup> In so doing China is trespassing upon international human rights instruments and specifically Article.3 (2) of the Declaration on the Right to Development according to which: ‘The realization of the right to development requires full respect for the principles of international law concerning friendly relations and co-operation among States in accordance with the Charter of the United

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<sup>369</sup> *Beijing Declaration of the FOCAC* (2004).

<sup>370</sup> Khan SA & Baye MF *China-Africa Economic Relations: The Case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium, 28.

<sup>371</sup> Khan SA & Baye M F *China-Africa Economic Relations: The Case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium, 9.

<sup>372</sup> Khan SA, Baye MF & Tange GK *The Impact of China-Africa Trade Relations: Case Study of Cameroon* (2009) A Report submitted to the African Economic Research Consortium, 40.

<sup>373</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>374</sup> Cheru F & Obi C *De-coding China-Africa Relations: Partnership for Development or ‘(neo) Colonialism by Invitation’?* (2011) A publication the World Financial Review, 74.

Nations.<sup>375</sup> Additional to the above criticism, the next criticism targets China's principle of non-interference.

### **3.6.3 China's principle of non-interference in internal affairs tends to support undemocratic and corrupt regimes**

According to Western donors, China's principle of non-interference actually represents the major accusation against China's development assistance in Africa generally and in Cameroon in particular.<sup>376</sup> In fact, following the non-interference principle in internal affairs, the Chinese have been accused of being indifferent to issues pertaining to democracy, human rights, corruption, and good governance in African countries.<sup>377</sup> For China, what essentially matters is the effective delivery of services and projects agreed upon in accordance with cooperation agreements. Consequently, China's development assistance is merely viewed as business rather than politically or morally orientated.<sup>378</sup> Nevertheless, the non-interference in internal affairs is not regarded by African countries generally and by Cameroon in particular as a criticism, but rather constitutes a major reason for the attractiveness of China's development assistance.<sup>379</sup>

Despite this criticism, the non-interference principle indeed constitutes the merit of China's development assistance because with regard to United Nations Charter and international public law principles no country has the international right or duty to interfere in any other country on any ground except in exceptional circumstances or a state of emergency.<sup>380</sup> Moreover, China by

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<sup>375</sup> *Declaration on the Right to Development* (1986), the *Universal Declaration on Human rights* (10 December 1948), the *International Covenant on Civil and Political Rights* (16 December 1966), the *International Covenant on Economic, Social and Cultural Rights* (16 December 1966).

<sup>376</sup> Brautigam D *China's African Aid: Transatlantic Challenges* (2008) A Report to the German Marshall Fund, 26.

<sup>377</sup> Cheru F & Obi C *De-coding China-Africa Relations: Partnership for Development or '(neo) Colonialism by Invitation'?* (2010) A publication the World Financial Review, 74.

<sup>378</sup> Condon 'China in Africa: What the Policy of Non-intervention Adds to the Western Development Dilemma' (2012) 27 *PRAXIS the Fletcher Journal of Human Security* 5-25, 9.

<sup>379</sup> Cheru F & Obi C *De-coding China-Africa Relations: Partnership for Development or '(neo) Colonialism by Invitation'?* (2010) A publication the World Financial Review, 73.

<sup>380</sup> Mullerson R *Ordering Anarchy: International Law in International society* (2000) 165.

respecting the non-interference principle in recipient countries' internal affairs has complied with international principles and specifically with its White Paper on Foreign Aid which emphasises '...that every country should explore a development path suitable to its actual conditions.'<sup>381</sup> Nevertheless, criticisms of China's development assistance do not end here, as the next section describes.

### **3.6.4 China's development assistance primarily targets access to natural resources and markets for Chinese exports**

China's development assistance has been undermined by traditional donors, African countries and Cameroon in particular, on the ground that it is primarily targeting natural resources and markets for Chinese exports.<sup>382</sup> In this regard, Condon wrote that Chinese 'loans are often explicitly or implicitly tied to guarantees to market access of African resources; mainly oil'.<sup>383</sup> In spite of this argument, the author of this mini-thesis believes this criticism is inconsistent and inappropriate because China never said that its assistance was genuine. On the contrary, it has clearly stated in its White Paper on Foreign Aid, at the FOCAC Summits and in many other partnership agreements that its partnership with Africa is a win-win partnership with mutual benefits.<sup>384</sup> Consequently, in targetting access to mineral resources and markets for Chinese exports, China is purely and simply acting in conformity with the rules and regulations it agreed upon with Africa.<sup>385</sup>

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<sup>381</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>382</sup> Lundsgaard H *Western and Chinese Development Assistance in Tanzania: A Comparison of Approaches Followed by an Evaluation from Tanzanian Perspective* (Published LLM thesis of Berne University, 2010) 206, 3.

<sup>383</sup> Condon 'China in Africa: What the Policy of Non-intervention Adds to the Western Development Dilemma' (2012) 27 *PRAXIS the Fletcher Journal of Human Security* 5-25, 7.

<sup>384</sup> *China White Paper on Foreign Aid* (22 April 2011), and FOCAC summits available at <http://www.focac.org/eng/ltda/> (accessed 2 April 2013).

<sup>385</sup> *China White Paper on Foreign Aid* (22 April 2011), and FOCAC summits available at <http://www.focac.org/eng/ltda/> (accessed 2 April 2013).

Moreover, the author of this mini-thesis believes there are no cooperation or partnership agreements without mutual interests, or win-win benefits; if it were so, then what would be their essence? We are living in a capitalist world governed by money and interests and nothing is taken for granted. Consequently no state should be expecting any favour from others for nothing. However the criticisms do not end here. China's development assistance has been further criticised for its probability to generate new debt problems.

### **3.6.5 China's development assistance is likely to create new debt problems**

China's development assistance has raised general anxiety on the part of traditional donors.<sup>386</sup> African states generally and Cameroon in particular have remained unconcerned, and have been peacefully and happily enjoying the assistance to the fullest.<sup>387</sup> However, this argument remains a hypothetical one as it has not yet been proved. In addition, China's development assistance has also been criticised for being insufficient.

### **3.6.6 Chinese development assistance appears to be insufficient**

In 1970, rich countries agreed to institute development assistance at a rate of 0.7% of their gross national income.<sup>388</sup> In 1986 under the Declaration on the Right to Development, this commitment was strongly underpinned.<sup>389</sup> However, according to the OECD:

'China has not published data on the financial terms of its foreign aid using the methodology defined by the DAC for calculating ODA.<sup>390</sup> Nor has China published systematic statistics on its co-operation, such as annual amounts of aid provided and detailed breakdown of this aid in terms of recipient countries and sectoral distribution'.<sup>391</sup>

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<sup>386</sup> Brautigam D *China's African Aid: Transatlantic Challenges* (2008) A Report to the German Marshall Fund, 29.

<sup>387</sup> Brautigam D *China's African Aid: Transatlantic Challenges* (2008) A Report to the German Marshall Fund, 29.

<sup>388</sup> Michael A. Moss C & Moss T 'The Ghost of 0.7 per cent: Origins and Relevance of the International Aid Target' (2003) 6 *International Journal of Development Issues* 3-25, 3.

<sup>389</sup> *Declaration on the Right to Development* (4 December 1986).

<sup>390</sup> DAC refers to Development Assistance Committee and ODA refers to Official Development Assistance.

<sup>391</sup> OECD 'Trade-related South-South Co-operation: China' (2012) A policy dialogue on Aid for Trade, 8.

Despite the increase in China's development assistance in Africa in accordance with FOCAC commitments<sup>392</sup>, the amount of China's aid to Africa remains unknown and some authors believe that it has unfortunately remained below the international standard.<sup>393</sup> Notwithstanding all these criticisms, what are the outcomes of China's development assistance in Cameroon?

### **3.7 Assessment of China's development assistance approach in Cameroon**

China's development assistance approach has incontestably brought some positive impacts to Cameroon although some important challenges remain, as it will be discussed below.

#### **3.7.1 Positive impacts of China's development assistance in Cameroon**

China's development assistance approach has focussed on infrastructure projects and has somehow undeniably improved Cameroonian socio-economic living conditions.<sup>394</sup> The increased volume of China's development assistance as well as debt relief have increased physical and human capital with a positive impact on growth and poverty reduction.<sup>395</sup> For instance, China's development assistance in the health sector has raised the quantity and quality of healthcare services in the country.

Moreover China's development assistance with cheaper resources constitutes a source of funding additional to traditional donor finances, enabling Cameroon to finance its development process and projects more effectively.<sup>396</sup>

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<sup>392</sup> Grimm S *The Forum on China-Africa Cooperation (FOCAC) - Political Rationale and functioning* (2012) A briefing policy of the Centre for Chinese Studies of the University of Stellenbosch.

<sup>393</sup> Brautigam D *China's African Aid: Transatlantic Challenges* (2008) A Report to the German Marshall Fund, 21.

<sup>394</sup> Khan SA and Baye MF *China-Africa Economic Relations: The Case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium, 28.

<sup>395</sup> Khan SA and Baye MF *China-Africa Economic Relations: The Case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium, 28.

<sup>396</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 46.

Furthermore, China's development assistance in the form of projects is concrete, visible, and tangible and therefore limits the possibility of swindling by administrators or contractors as happens sometimes with Western development assistance generally.<sup>397</sup> Although China's development assistance approach to Cameroon has been greatly beneficial, what are the remaining challenges?

### **3.7.2 Remaining challenges**

Despite the positive benefits of China's development approach in Cameroon, three major challenges need to be properly addressed, viz, poverty reduction, technology transfer and aid procurement. In fact the poverty rate has remained very high: 40% of the population are still living below the poverty line. Furthermore, with respect to China's win-win and mutual benefit policy, the technology transfer promised via cooperation agreements remains limited. Cameroon construction projects are still executed by Chinese companies and Chinese continue to lead construction projects in Cameroon while Cameroonians carry on executing insignificant functions. As far as procurement is concerned, all construction material is still being purchased in China to execute Cameroon projects. In addition, labour standards applied do not conform to the human rights international standard pertaining to respect for human rights and dignity.<sup>398</sup> Additionally, China's development assistance in Cameroon is neither transparent, nor evaluated nor monitored, making it difficult to scientifically analyse its real impact in Africa.

### **3.8 Conclusion and recommendations**

China's development assistance approach in Cameroon is a an alternative and challenging approach to economic development formulated at the Beijing summit 2006 and based upon the win-win policy, the five principles of peaceful co-existence and the eight principles of technical

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<sup>397</sup> Khan SA and Baye MF *China-Africa Economic Relations: The Case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium, 28.

<sup>398</sup> The *Universal Declaration on Human rights* (10 December 1948), the *International Covenant on Civil and Political Rights* (16 December 1966), the *International Covenant on Economic, Social and Cultural Rights* (16 December 1966).

cooperation with other countries. Despite it having been favourable in advancing Cameroon's development, it has been at the centre of multiple criticisms and challenges.

Therefore, in order to be more beneficial to Cameroon and to effectively address poverty reduction and advance economic development there is a need for China to review its labour practices and to respect human rights and human dignity in Cameroon in accordance with international standards.<sup>399</sup> Furthermore, it is urgent and desirable that China increases its financial support to the rate fixed by the international community, namely, 0, 7% of GDP.<sup>400</sup> Moreover, there is a pressing need to make the technology transfer effective in Cameroon by making construction projects a local business run by Cameroonian companies and empowering Cameroonians at the top level of these projects so as to enable them to acquire the necessary technical skills they lack. Furthermore, for more transparent development assistance, China's government should take steps to increase the transparency of their development assistance projects in Africa in general, and in Cameroon in particular, by officially publishing the exact amount of aid granted to Africa as a whole, and to each country in particular, as the OECD governments do. Similarly, Cameroon as well as other African countries must release information of the exact amount of aid they have received so as to enable a proper monitoring and evaluation of China's development assistance in Africa in general and in Cameroon in particular.

Above all, this mini-thesis supports the view that the key to Cameroon's economic development lies in its own hands: meaning, Cameroon is responsible for its own development. It must stop expecting everything from foreign development partners and take full responsibility and proper control of its economic development. In so doing, Cameroon should 'focus on building human and institutional capacity, fostering people-centred policy frameworks, promoting good

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<sup>399</sup> The *Universal Declaration on Human rights* (10 December 1948), the *International Covenant on Civil and Political Rights* (16 December 1966), the *International Covenant on Economic, Social and Cultural Rights* (16 December 1966).

<sup>400</sup> The *Declaration on the Right to Development* (4 December 1986).

governance, building productive capacities and mobilising more financial resources'.<sup>401</sup> Despite China's development assistance's success stories on the African continent, it remains critical to further investigate which development path, that of China or of the IMF-World Bank is best suited for Cameroon.



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<sup>401</sup> 'Brussels Action Plan for Poorest Countries Presents Key for Unlocking "Prison of Poverty" Economic and Social Council Told' (2004) available at <http://www.un.org/News/Press/docs/2004/ecosoc6119.doc.htm> (accessed 30 April 2013).

## CHAPTER 4

### A COMPARISON OF THE HEAVILY INDEBTED POOR COUNTRIES INITIATIVE AGREEMENT AND CHINA'S WHITE PAPER ON FOREIGN AID

#### 4.1 Introduction

It has been shown that the Heavily Indebted Poor Countries (HIPC) Initiative Agreement and the Chinese White Paper on Foreign Aid are two ideologically opposed binding legal documents both aimed at reducing poverty and promoting economic development in Cameroon.<sup>402</sup> Unlike the HIPC Initiative Agreement which has specifically focussed on the imposition of a set of conditionalities,<sup>403</sup> China's White Paper on Foreign Aid has stressed infrastructure building without political conditionalities attached.<sup>404</sup>

This chapter is meant to investigate the legal impacts of these two legal documents on Cameroon economic development. In so doing, this chapter compares China's development assistance approach and that of the IMF-World Bank in light of their respective backgrounds and with regard to the international human rights framework and the international co-operation agreements universally recognised by the international community, such as, the Universal Declaration on Human Rights (1948), the International Covenant on Economic Social and Cultural Rights (1966), and the Declaration on the Right to Development (1986). Thus, the present chapter first compares the HIPC Initiative Agreement and China's White Paper on Foreign Aid in terms of their differences and their similarities. Secondly, the chapter addresses the mutual benefits and challenges of both development assistance approaches to Cameroon. Above all, this chapter further emphasises the need of China to co-operate with the IMF and the World Bank under a multilateral legal framework in order to effectively achieve their common goals of poverty reduction and economic development in Cameroon. The first point to be examined in this regard is the differences between the HIPC Initiative Agreement and China's White Paper on Foreign Aid.

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<sup>402</sup> Chapters 2.4.1 and 3.5.1.

<sup>403</sup> 'Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative' International Monetary Fund Factsheet' available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

<sup>404</sup> *China White on Foreign Aid* (22 April 2011).

## **4.2 Differences between the HIPC Initiative Agreement and China's White Paper on Foreign Aid**

In light of their respective legal backgrounds earlier presented in chapters 2 and 3, the following subsections intend to provide a comparison of the HIPC Initiative Agreement and China's White Paper on Foreign Aid in terms of their characteristics, their implementation, and their reception.

### **4.2.1 Differences pertaining to their characteristics**

In the discussions in chapter 2 it was said that the HIPC Initiative Agreement is structured upon the multilateral co-operation led by the IMF and the World Bank and focussed on the imposition of an economic reform package (such as, good governance, respect for human rights, implementation of democratic institutions, and implementation of good macroeconomic policies) whose successful implementation would result in the allocation of financial resources which have to be spent to finance poverty reduction expenditures.<sup>405</sup> According to this approach, a good economic policy environment is the sine qua non for poverty reduction and economic prosperity in Cameroon. Thus, by imposing a respect for human rights and dignity, it appears that the IMF and the World Bank have complied with states' international obligations to respect human rights and dignity as enshrined in the United Nations Charter and specifically Article 6(1) of the Declaration on the Right to Development which provides that '[a]ll States should co-operate with a view to promoting, encouraging and strengthening universal respect for and observance of all human rights and fundamental freedoms for all...'

Moreover, as previously illustrated in chapter 2, deeply convinced of the capacity of their values, norms and system to foster economic development, the IMF and the World Bank have subsequently imposed a set of political conditionalities upon Cameroon as a prerequisite for the grant of development assistance.<sup>406</sup> Thus, in the development assistance process, the IMF and the World Bank identify themselves as donors and treat Cameroon as a recipient.<sup>407</sup>

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<sup>405</sup> Chapters 2.6.1 and 2.6.2.

<sup>406</sup> Madhur G *Debt relief For the Poorest: An OED review of HIPC Initiative* (2003) 16.

<sup>407</sup> 'Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative' International Monetary Fund Factsheet' available at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 21 September 2012).

Hence, in this co-operation, solely the IMF and the World Bank are establishing the rules of the game; while Cameroon, as a powerless and voiceless recipient, is forced to remain silent and to quietly abide by these unilaterally established rules.<sup>408</sup> However, under Article II 3(a) of the Bretton Woods Agreements ‘each member shall subscribe shares of the capital stock of the Bank’. This means that the amount of subscription to be paid by each member is neither specified nor limited; therefore Cameroon as a member of the Bretton Woods Institutions and as a country rich in oil and mineral resources could raise its subscription capital in order to increase its bargaining power vis-a- vis the Bretton Woods Institutions.

In addition to this unequal partnership which characterises the donor-recipient relationship, it was further mentioned in chapter 2 that the IMF and the World Bank through their conditionalities policy have been constantly interfering in Cameroon’s internal affairs and consequently undermining the country’s sovereignty and independence.<sup>409</sup> Therefore, it was concluded that the imposition of conditionalities is contrary not only to the sacrosanct principle of the respect for state sovereignty according to which no country has the international right or duty to interfere in any other country on any ground except in exceptional circumstances or a state of emergency,<sup>410</sup> but also to Article 3(3) of the Declaration on the Right to Development which prescribes that ‘[s]tates should realize their rights and fulfil their duties in such a manner as to promote a new international economic order based on sovereign equality...’.

However, As indicated in chapter 3, China opted for a different and specific approach to poverty reduction and economic development which does not impose political conditionalities upon Cameroon except for the ‘one China principle’ based on the non-recognition of Taiwan, and is focussed on infrastructure building.<sup>411</sup> In fact, it was outlined in chapter 3 that China through its development assistance is actually repeating its home-based

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<sup>408</sup> *Cameroon Decision Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative* (2000) A Report Prepared by the Staffs of the World Bank and the International Monetary Fund 5.

<sup>409</sup> ‘HIPC approval document for Cameroon: Decision Point under the Enhanced Framework’ available at <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Financial-Information/Cameroon%20-%20Decision%20Point%20Document%20HIPC%20Framework.pdf> (accessed 31 October 2012).

<sup>410</sup> Mullerson R *Ordering Anarchy: International Law in International Society* (2000) 165.

<sup>411</sup> Chapters 3.5.1 and 3.5.3.

development model in Africa generally and in Cameroon in particular.<sup>412</sup> Thus, when delivering development assistance to Cameroon, China does it in terms of a bilateral partnership characterised by equality, mutual benefits, the non-imposition of political conditionalities, and with respect for Cameroon sovereignty through non-interference in its internal affairs.<sup>413</sup> In so doing, China has conformed to the five principles of peaceful co-existence embodied in its White Paper on Foreign Aid featuring mutual respect for each other's territorial integrity and sovereignty; mutual non-aggression; mutual non-interference in each other's internal affairs; equality and mutual benefit; and peaceful co-existence.<sup>414</sup> Consequently it was admitted that China has complied with Article 3(3) of the Declaration on the Right to Development which stipulates :

‘States have the duty to co-operate with each other in ensuring development and eliminating obstacles to development. States should realize their rights and fulfil their duties in such a manner as to promote a new international economic order based on sovereign equality, interdependence, mutual interest and co-operation among all States, ...’

On the other hand, in delivering its development assistance in Africa generally and in Cameroon in particular without taking into consideration respect for human rights and dignity, this study revealed that China has contravened to States' international obligations to respect human rights and dignity as enshrined in the United Nations Charter and specifically Article 6(1) of the Declaration on the Right to Development which provides that ‘[a]ll States should co-operate with a view to promoting, encouraging and strengthening universal respect for and observance of all human rights and fundamental freedoms for all...’ and to Article 4 of the Beijing Declaration of the Forum on China-Africa Cooperation (FOCAC) which emphasises that ‘[t]he universality of human rights and fundamental freedoms should be respected ...’

In addition, chapters 2 and 3 revealed that the joint IMF-World Bank development assistance approach as compared to that of China is more transparent, frequently monitored, and evaluated.<sup>415</sup> Thus, the IMF and the World Bank have always ensured that the HIPC Initiative Agreement is being regularly evaluated and monitored by IMF and World Bank experts

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<sup>412</sup> Chapter 3.6.1.

<sup>413</sup> *China White Paper on Foreign Aid* (22 April 2011).

<sup>414</sup> Chapter 3.5.2.

<sup>415</sup> Chapters 2.6.1, 2.6.2, and 3.5.5.

through frequent country reports, publications and press releases which provide the public with all the necessary information pertaining to the implementation of the Agreement by a given country. For instance, with regard to the HIPC Initiative in Cameroon the IMF and the World Bank released information regarding the progress made by the country in relation to the implementation of the HIPC, the difficulties and challenges encountered during the implementation of the HIPC, and the exact amount of debt relief that the country will receive after the successful implementation of the program.<sup>416</sup>

Unfortunately, that has never been the case with China's development assistance. In Chapter 3 it was shown that China's development assistance is not transparent as it has remained a 'state secret', which makes it difficult to know the exact amount of China's development assistance in Cameroon.<sup>417</sup> In addition, it was also mentioned that China's development assistance approach is neither monitored nor evaluated through statistical or legal documents which make it difficult to accurately assess the impact thereof and that consequently China has failed to meet the scientific public policy framework requirements in terms of monitoring and evaluation.<sup>418</sup> This means that the Chinese government does not officially release country reports or publications like the IMF and the World Bank do. However, this does not mean that China does not evaluate and monitor its development assistance at all. In fact, it was mentioned in chapter 3 that China monitors its development assistance on a regular basis through the White Paper on China-Africa Economic and Trade Cooperation and the FOCAC Summits, the last of which was held in 2012.<sup>419</sup> However, the Centre for Chinese Studies of the University of Stellenbosch (CCS) is one of the reputable African institutions which has so far made efforts to appropriately monitor and evaluate China's development assistance.<sup>420</sup> In this regard the CCS has issued various publications pertaining to the assessment of China's

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<sup>416</sup> *Cameroon Decision Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative* (2000) A Report Prepared by the Staffs of the World Bank and the International Monetary Fund. See also Cameroon: 'HIPC Approval Document Completion Point under the Enhanced Framework' available at <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Financial-Information/ADB-BD-WP-2006-78-EN-CAMEROON-HIPC-CP-WB-IMF.PDF> (accessed on 31 October 2012).

<sup>417</sup> Chapters 3.3; 3.5.5.

<sup>418</sup> Chapter 3.5.5.

<sup>419</sup> Chapter 3.3.

<sup>420</sup> The CCS is available at <http://www.ccs.org.za/> (accessed 23 September 2013).

development assistance in many African countries.<sup>421</sup> Additionally, the difference between the HIPC Initiative and China's White Paper does not end here. They also differ in terms of their implementation. This will be discussed in the next subsection.

#### **4.2.2 Differences pertaining to their legal implementation**

In Chapter 2 it was mentioned that Cameroon has successfully implemented all the conditionalities imposed by the IMF and the World Bank under the HIPC Initiative Framework for reaching its decision and completion point.<sup>422</sup> Therefore, it was acknowledged that Cameroon has successfully implemented the HIPC Initiative Agreement which led it to achieve good macro-economic results in terms of good governance, the fight against corruption, budgetary savings from debt relief, and in the education, health and HIV/AIDS sectors.<sup>423</sup>

However, without being in favour of the IMF's and the World Bank's conditionalities, it appears that, although fundamentally and politically incorrect with regard to the sacrosanct principle of State sovereignty, they have in some way obliged Cameroon to make efforts towards improving its macro-economic environment, to respect human rights and dignity and subsequently oriented Cameroon on the path of good governance and economic development.<sup>424</sup> According to the Transparency International Corruption Perception Index (TICPI) 2012, it appears that Cameroon which used to be the world's most corrupt country according to TICPI 1998, has made some progress in the fight against the corruption which

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<sup>421</sup> It is for instance, in respect of Cameroon, Congo, Mozambique, Tanzania, and Central Africa.

<sup>422</sup> Chapters 2.6.1 and 2.6.2.

<sup>423</sup> See the status of steps for reaching the floating completion point in *Cameroon: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative-Completion Point Document and Multilateral Debt Relief Initiative (MDRI)* (2006) IMF Country Report No 06/190, 6.

<sup>424</sup> Box on status of triggers of reaching the floating completion point sourced from 'Cameroon: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative-Completion Point Document and Multilateral Debt Relief Initiative (MDRI) (2006) IMF Country Report No 06/190, 6.

led it to be ranked in 2012 as the 144<sup>th</sup> most corrupt country out of 176 participating countries.<sup>425</sup>

As far as China's development assistance is concerned, it was mentioned in chapter 3 that China's development assistance framework in Cameroon has conformed to China's development assistance framework for Africa as embodied in China's White Paper on Foreign Aid in terms of the following: completed projects, goods and services, technical co-operation, human resource co-operation, Chinese medical teams working abroad, overseas volunteers' programs, emergency humanitarian aid, and, lastly, debt relief.<sup>426</sup>

In addition it was mentioned that China's development assistance in Cameroon follows respect for the five principles of peaceful co-existence embodied in its White Paper on Foreign Aid featuring mutual respect for each other's territorial integrity and sovereignty; mutual non-aggression; mutual non-interference in each other's internal affairs; equality and mutual benefit; and peaceful co-existence.<sup>427</sup>

But with regard to the international obligation imposed on States to respect human rights and dignity in their co-operation with other States, it was shown that China has failed to comply with this exigency in Cameroon where China's development assistance was provided in violation of human rights.<sup>428</sup> Moreover, as mentioned in chapter 3, China's development assistance in Cameroon is mostly tied to procurement of Chinese goods and services and Khan and Baye observed that '... Cameroonians only perform the very low-skilled tasks such as cleaning, driving and general labour...'<sup>429</sup> , while Chinese companies are the ones executing development projects at the top level with imported Chinese labour and assuring maintenance work as well. This Chinese attitude has, first, disregarded Article 1 of the Beijing Declaration of the FOCAC which stipulates that '... [n]o country or group of

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<sup>425</sup> 'Transparency International Corruption Perception Index' 2012 available at

[http://www.transparency.org/ro/politici\\_si\\_studii/indici/ipc/2012/CPI2012\\_map%20and%20country%20results.pdf](http://www.transparency.org/ro/politici_si_studii/indici/ipc/2012/CPI2012_map%20and%20country%20results.pdf) (accessed 5 May 2012).

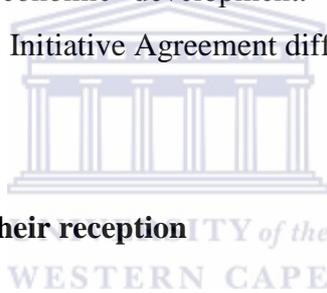
<sup>426</sup> Chapter 3.5.5.

<sup>427</sup> Chapter 3.5.2.

<sup>428</sup> Chapter 3.6.2.

<sup>429</sup> Chapter 3.6.2.

countries has the right ...to impose unilateral coercive economic measures on others.<sup>430</sup> In addition to this violation, the Chinese attitude was also heavily criticised for not enabling technological transfer, and consequently for making Cameroon to eternally rely on China.<sup>431</sup> In so doing, it appears that China has failed to comply with both Principles 7 and 4 of China's Eight Principles for Economic Aid and Technical Assistance to Other Countries embodied in China's White Paper on Foreign Aid which emphasise that in technical co-operation with other countries China will make sure that the recipient country fully masters the technology in such a way that it does not depend on China but embark step by step on the path of self-reliance and independent economic development. Thus, Principle 7 declares that '[i]n giving any particular technical assistance, the Chinese government will see to it that the personnel of the recipient country fully master the technology.' In addition to this, principle 4 states that '[i]n providing aid to other countries, the purpose of the Chinese government is not to make recipient countries dependent on China but to help them embark step by step on the road of self-reliance and independent economic development.' Moreover China's development assistance approach and the HIPC Initiative Agreement differ in terms of their reception. This aspect will be elaborated below.



#### **4.2.3 Differences pertaining to their reception**

The HIPC Initiative Agreement has not always been well received in Africa in general<sup>432</sup> and in Cameroon particularly, because it was interfering in recipient countries' internal affairs and sovereignty through the imposition of political conditionalities, and yet achieved mitigated results on the ground.<sup>433</sup> Thus, in chapter 2 it was shown that although the HIPC Initiative Agreement has yielded some positive results in terms of macro-economic stability in Cameroon with regard to significant debt reduction achieved, debt sustainability has not been reached for the long term.<sup>434</sup> Moreover it was acknowledged that in spite of some improvements in primary education and ensuring gender equality, more than half of HIPCs that have achieved their post-completion point including Cameroon are unlikely to meet their

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<sup>430</sup> Chapter 3.6.2.

<sup>431</sup> Chapter 3.6.2.

<sup>432</sup> Chapters 2.6.1, 2.6.2.

<sup>433</sup> Chapter 2.8.

<sup>434</sup> Chapter 2.8.

Millennium Development Goals (MDGs). Consequently, it was said that the main challenge of the HIPC Initiative Agreement has remained the enhancement of investment and economic growth rates so as to significantly reduce poverty.<sup>435</sup>

However, China's development assistance approach to Africa in general and to Cameroon in particular has been well received. First, because they both share a colonial history and a southern identity<sup>436</sup>, and secondly because it presents certain advantages that the IMF and the World Bank debt relief Initiative does not offer.<sup>437</sup> For instance, as noted in chapter 3, China's development assistance approach to Cameroon, in contrast to that of the IMF and the World Bank, is quicker<sup>438</sup> (Chinese approach on development projects is unilateral, while the IMF and the World Bank approach is multilateral given that the IMF and the World Bank are multilateral institutions); non-interfering, in the sense that China does not officially impose political conditionalities;<sup>439</sup> and more affordable as compared to that of the IMF-World Bank and with regard to Principle 5 of China's Eight Principles for Economic Aid and Technical Assistance to Other Countries which prescribes that '[t]he Chinese government does its best to help recipient countries complete projects which require less investment but yield quicker results, so that the latter may increase their income and accumulate capital.' Moreover, the nature of China's development assistance to Cameroon tied to procurement (the fact that China's infrastructures and development projects in Cameroon are generally executed by Chinese firms at the top level with imported Chinese labour and they are also responsible for maintenance work as well) has appeared to be less open to corruption as compared to that of the IMF-World Bank whereby the debt relief assistance granted is frequently misused for public servants' and project contractors' personal ends or projects rather than social spending.<sup>440</sup> However, Chapter 3 has also criticised the Chinese attitude of tying aid to procurement in so far as it is negatively impacting on local industries and at the same time is

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<sup>435</sup> Chapter 2.8.

<sup>436</sup> See the Preamble of the Beijing Declaration of the FOCAC. See also Mohan G & Power M 'New African Choices? The Politics of Chinese Engagement in Africa and the changing Architecture of International Development' (2008) 35 *Review of African Political Economy* 23-42, 24.

<sup>437</sup> Birell I 'The Dragon's Gift by Deborah Brautigam' (1 January 2010) Book review available at <http://www.independent.co.uk/arts-entertainment/books/reviews/the-dragons-gift-by-deborah-brautigam-1854588.html> (accessed 5 May 2013).

<sup>438</sup> Chapter 3.5.2.

<sup>439</sup> Chapter 3.6.1.

<sup>440</sup> Chapter 2.3.

not promoting technological transfer.<sup>441</sup> Although the HIPC Initiative Agreement and China's approach are quite divergent in certain respects, they do share some common characteristics as it will be discussed in the next section.

### **4.3 Similarities between China's White Paper on Foreign Aid and the HIPC Initiative Agreement**

In light of the discussions in chapters 2 and 3 it appears that the HIPC Initiative Agreement and China's White Paper on Foreign Aid present some similarities in terms of their drives, their objectives and some of their common challenges. Each of these points will be illustrated below.

#### **4.3.1 Similarities regarding their drives**

The analysis in chapters 2 and 3 found that neither China's development assistance approach nor the IMF-World Bank debt reduction Initiative are genuine aid<sup>442</sup> or grants<sup>443</sup> in the pure sense, but strategically driven. Article 3 of the Declaration on the Right to Development recognised the right of States to '... promote a new international economic order based on sovereign equality, interdependence, mutual interest and co-operation among all States...'. Moreover, according to the popular saying which declares that 'States do not have friends but only interests': in respect of their investments in Cameroon both development partners are primarily seeking after and striving for their self-interest<sup>444</sup> while Cameroon is benefitting

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<sup>441</sup> Chapter 3.6.2.

<sup>442</sup> The term 'development aid' (or 'development co-operation' also known as 'development assistance' or 'foreign aid') can refer, according to Davies M, to the finances, goods and services including loans or grants given by governments and other agencies to developing countries for the promotion of the economic development and welfare of their populations as the main objectives of the aid.

<sup>443</sup> Aid and grants are actually borrowed resources from developed countries to developing countries with the purpose of achieving development objectives and which have to be paid back within the agreed timeframe with interest.

<sup>444</sup> Manji F & Marks S *African Perspectives on China in Africa* (2007) 16. See also Ayenagbo K et al 'Sino-Africa economic and trade relations: Its impact and implications on the African continent' (2012) 6 *African Journal of Business Management* 6420-6427, 6420.

from the development partners' investments.<sup>445</sup> Therefore, this co-operation appears to be gainful to all the three partners. In addition to their similarities relating to their drives, both development assistance approaches also share similar objectives, as it will be discussed below.

### 4.3.2 Similarities regarding their objectives

According to China's White Paper on Foreign Aid and the HIPC Initiative Agreement, the ultimate objective of both China's development assistance approach and the IMF-World Bank debt reduction Initiative approach in Cameroon is to reduce the poverty level and enhance Cameroon's economic development.<sup>446</sup> In order to meet these objectives, it was noted in Chapter 2 that the HIPC Initiative Agreement was initially designed to provide debt sustainability to HIPC countries by resolving their long-lasting debt crises in a sustainable way.<sup>447</sup> Afterward, the Initiative aimed at raising long term growth rates by removing the debt surplus.<sup>448</sup> Lastly it focussed on poverty reduction by freeing up resources from debt service payment for higher social spending such as education, health and others social services.<sup>449</sup>

In Chapter 3, in order to achieve poverty reduction and enhance economic development in Cameroon, it was highlighted that China opted for an infrastructure oriented development assistance approach since it believes that infrastructures building is what Cameroon and Africa really need to achieve poverty reduction and economic development.<sup>450</sup> In addition to

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<sup>445</sup> Cameroon is benefitting from financial support, the implementation of a sound policy environment and infrastructure building, to leverage its development process.

<sup>446</sup> Mohan G & Power M 'New African choices? The politics of Chinese engagement in Africa and the changing Architecture of international development' (2008) 35 *Review of African Political Economy* 23-42, 27.

<sup>447</sup> Gilman M & Mitchells W 'Achievements to Date and Challenges Ahead: A view from the IMF' in Bhattacharya A, Dijkstra G et al *HIPC Debt Relief: Myths and Reality* (2004) A Publication of Forum on Debt and Development (FONDAD), 73.

<sup>448</sup> Trotsenburg A & MacArthur A *The HIPC Initiative: delivering Debt to the Poor Countries* (1999) International Monetary Fund Publication, 1.

<sup>449</sup> Chapter 2.4.1.

<sup>450</sup> Berthelemy JC *China's Engagement and Aid Effectiveness in Africa* (2011) Development Bank Group Working paper No 129, 6.

their objectives, the IMF-World Bank approach and China's approach seem to share to some extent some mutual challenges.

### **4.3.3 Similarities regarding some mutual challenges**

The discussions in chapters 2 and 3 concluded that, the approaches of both the joint IMF-World Bank and China in Cameroon specifically and in Africa generally are similar in so far as both share some mutual challenges. These include: aid tied to procurement, insufficiency of the financial development assistance provided which remained below the rate commonly agreed on by the international community and fixed at 0, 7%; and more importantly, lack of Cameroon development effort initiatives and sound democratic structures and institutions. As a result their development assistance efforts have been less productive; in as far as they both failed to effectively reduce poverty in Cameroon.<sup>451</sup> In spite of these weaknesses, both development assistance approaches remain beneficial to Cameroon.

## **4.4 Cameroon's benefits from the HIPC Initiative Agreement and China's White Paper on Foreign Aid**



Although both the HIPC Initiative Agreement and China's White Paper on Foreign Aid remain limited, as they have been hampered by some implementation constraints on the part of both the donors (China, the IMF and the World Bank) and the recipient (Cameroon) which have made their development assistance effort less productive, it is undeniable that they have together somehow contributed to advancing Cameroon's economic development.<sup>452</sup> Although it has been previously indicated that the HIPC Initiative Agreement yielded contrasted outcomes in Cameroon,<sup>453</sup> in light of IMF and World Bank reports it appears that it has enabled Cameroon to some extent to achieve good macroeconomic progress and some development advancement taking into consideration Cameroon's successful implementation

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<sup>451</sup> Chapters 2.9 and 3.8.

<sup>452</sup> Chapters 2.9 and 3.8.

<sup>453</sup> Chapter 2.9.

of all the triggers required for reaching its floating completion point.<sup>454</sup> It is, for instance, the successful implementation of macroeconomic and structural reforms and the Poverty Reduction Strategy Paper (PRSP), which have enabled Cameroon to reduce the pace of corruption, improve good governance, and enhance public service, health, education and socio-economic development.<sup>455</sup>

It has also been shown in Chapter 3 that China's development assistance has enabled Cameroon to achieve some macro-economic advancement through improving socio-economic living conditions by cancelling Cameroon's debt, building health, educational and social infrastructures in Cameroon and increasing its aid volume.<sup>456</sup> Since both assistance approaches are still facing some mutual challenges and have, at the same time, great merit; as indicated earlier,<sup>457</sup> it can be argued that the creation of a new multilateral legal framework including traditional donors, China and the Bretton Woods Institutions would be a better approach for Cameroon's economic development in particular and for Africa in general.

#### **4.5 The creation of a new multilateral legal framework including China and the Bretton Woods Institutions would be a better approach for Cameroon**

Many scholars have outlined the need for China to cooperate with other donors, namely, the Organisation for Economic Cooperation and Development (OECD), the IMF and the World Bank in terms of a specialised multilateral platform.<sup>458</sup> The reason behind this suggestion is

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<sup>454</sup> See status of triggers for reaching the floating completion point sourced from *Cameroon: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative-Completion Point Document and Multilateral Debt Relief Initiative (MDRI)* (2006) IMF Country Report No 06/190, 6.

<sup>455</sup> See the status of triggers for reaching the floating completion point in *Cameroon: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative-Completion Point Document and Multilateral Debt Relief Initiative (MDRI)* (2006) IMF Country Report No 06/190, 6.

<sup>456</sup> Khan SA & Baye MF *China-Africa Economic Relations: The case Study of Cameroon* (2008) A Report submitted to the African Economic Consortium, 28.

<sup>457</sup> Chapter 4.3.3.

<sup>458</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 32. See also Brautigam D *China, Africa and the International Aid Architecture* (2010) African Development Bank Group Working Paper series No 107, 39.

that although they appear intrinsically divergent in terms of values and system, they both share the common goal of alleviating poverty in Africa and promoting economic development.<sup>459</sup> However, China has indicated some reluctance in relation to such recommendation on the ground that it does not want to be associated with values and norms it did not create in the first place.<sup>460</sup> It is submitted that this argument constitutes a valid point, in the sense that in trying to harmonise both systems under the pre-existing established norms of traditional donors could end up killing the spirit and the values of each approach. In addition China mentioned that it ‘... do [es] not generally see aid from the West as having been very effective in reducing poverty in Africa.’<sup>461</sup> However, it is important to highlight that Western donors have admitted several times the challenges that their aid system is still facing, and for this reason OECD donors, the IMF and the World Bank have conducted various international actions and summits in order to improve aid transparency and mutual accountability of donors and recipients, which according to them represent the main obstacles to the achievement of aid effectiveness in Africa.<sup>462</sup> According to African Forum and Network on Debt and Development (AFRODAD), these efforts comprise the development of Poverty Reduction Strategies, followed in 2000 by the adoption of the MDGs, the Monterrey Consensus (March, 2002), the High-Level Forum on Aid Harmonisation in Rome (February 2003), the Round Table on Aid Management, centred on results in terms of development, held in Marrakech (2004), the Paris Declaration on Aid Effectiveness of February 2005, the Third High Level Forum on Aid Effectiveness held in Accra in September 2008, and the Fourth High Level Forum on Aid Effectiveness held in Busan in Korea in November 2011.<sup>463</sup> All these international agreements define the goals and objectives of the agenda for aid effectiveness.

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<sup>459</sup> Chapter 4.1 supra

<sup>460</sup> AFRODAD *Mapping Chinese Development Assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 32.

<sup>461</sup> Brautigam D *China, Africa and the International Aid Architecture* (2010) African Development Bank Group Working Paper series No 107, 39.

<sup>462</sup> AFRODAD *A Critical Assessment of Aid Management & Donor Harmonisation: the Case of Cameroon* (2007) A Report of the African Forum and Network on Debt and Development, 12.

<sup>463</sup> AFRODAD *A Critical Assessment of Aid Management & Donor Harmonisation: the Case of Cameroon* (2007) A Report of the African Forum and Network on Debt and Development, 12.

Although China is not party to these various international agreements, and is still somewhat reluctant to associate itself with other donors, AFRODAD pointed out that '[d]onors are increasingly willing to align their actions with Cameroon's strategies and policies'<sup>464</sup> as it was decided under the Paris Declaration on Aid Effectiveness.<sup>465</sup> Thus, through its development assistance, it appears that China is among the countries willing to assist Cameroon on the path of economic emergence following Cameroon's authorities' vision 2035.<sup>466</sup> Furthermore China has supported efforts made by Western donors to reduce debt burdens of HIPCs in light of Article 8 of the Beijing Declaration of the FOCAC which states:

'[W]e welcome the laudable efforts made by certain middle income countries and other bilateral initiatives by donors aimed at the cancellation of African official debts. We appreciate the recent enhancement of the Heavily Indebted Poor Countries (HIPC) initiative, geared at relieving the debt burden and alleviating poverty, particularly in Africa. We stress that the HIPC initiative is being undertaken against the background of the decline in ODA to historical levels and that the rescheduling of Africa's debt must not be conducted with political strings attached or at the expense of official development assistance. We strongly appeal to the relevant international financial institutions and creditor developed countries to adopt more concrete measures aimed at debt relief and reduction for the least developed and middle income African countries. We welcome concrete measures and contribution to be made in this regard by China, a developing country itself.'<sup>467</sup>

According to this statement, it appears that China supports the efforts made so far by the IMF and the World Bank under the HIPC Initiative to reduce the debt burden of poor countries. However, China does not favour the system of the imposition of political conditionalities upon poor countries under the justification of the development assistance. Consequently, although China and the Bretton Woods Institution share the same goal of reducing the debt burden of poor countries, for China, imposing political conditionalities is not the appropriate way to deal with development assistance. Thus it is appealing to developed countries to financially assist developing countries without any political conditionality attached, as it has suggested under its development assistance approach to Africa in general. As shown in chapter 3, China is delivering its development assistance to Africa without political

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<sup>464</sup> AFRODAD *A Critical Assessment of Aid Management & Donor Harmonisation: the Case of Cameroon* (2007) A Report of the African Forum and Network on Debt and Development, 31.

<sup>465</sup> See generally the Paris Declaration on Aid Effectiveness (2005).

<sup>466</sup> According to the Cameroon Vision 2035 document:

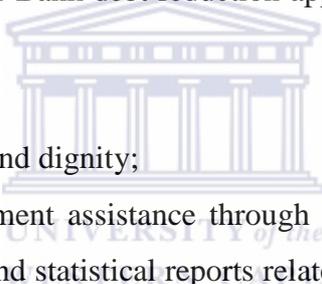
'The overall objective of the Vision is to make Cameroon an emerging country over the next 25-30 years which is the period required to move from one generation to another. The Vision also has medium-term objectives, notably: (i) poverty alleviation; (ii) becoming a middle income country, (iii) becoming a newly industrialised country and (iv) consolidating democracy and national unity while respecting the country's diversity.'

<sup>467</sup> Beijing Declaration of the FOCAC (2004).

conditionalities attached. Besides, as indicated, Khan and Baye have shown that China has participated in the HIPC debt reduction program by cancelling Cameroon's debt twice, in 2001 and in 2007.<sup>468</sup> First, China cancelled a debt of US\$34 million as the result of the first China-Africa Forum for Economic and Social Development held in Beijing; secondly it cancelled a debt amount of US\$ 32 million during Hu Jintao's visit to Cameroon.<sup>469</sup>

Given China's reluctance to adhere to a specialised platform with other donors, in terms of the analysis of both developments assistance approach frameworks above, it is submitted that the creation of a new multilateral legal framework including the OECD donors China, the IMF and the World Bank would be a better approach given that each approach valuably complements the others.<sup>470</sup> In so doing, the new multilateral framework should incorporate the positive legal aspects of each approach.

Regarding the IMF and the World Bank debt reduction approach the following legal aspects should be borne in mind:

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- respect for human rights and dignity;
  - transparency of development assistance through publishing legal documents, such as, treaties, conventions, and statistical reports related to the aid framework including, for instance, aid granted to Africa in general and the amounts received by each specific country, their modalities and the socio-economic aspects covered be it health, education, or construction; and
  - advocating the monitoring and evaluation system under the new multilateral legal framework through regular reports on each country, including what the country has implemented so far, what it has achieved, the difficulties it encountered, and what measures donors intend to implement to address those challenges.

Above all, the following five principles of aid effectiveness advocated in the Paris Declaration on Aid Effectiveness (2005) by the IMF, World Bank and OECD donors should be advanced:

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<sup>468</sup> Chapter 3.5.5.

<sup>469</sup> Chapter 3.5.5.

<sup>470</sup> Brautigam D *China, Africa and the International Aid Architecture* (2010) Africa Development Bank Group working paper No 107, 39.

1. ‘Ownership: Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.
2. Alignment: Donor countries align behind these objectives and use local system.
3. Harmonisation: Donor countries coordinated simplify procedure and share information to avoid duplication.
4. Results: Developing countries and donors shift focus to development results and results get measured.
5. Mutual accountability: Donors and partners are accountable for development results’.

In the case of China, the following legal aspects should be maintained:

- the five principles of peaceful co-existence;
- respect for state sovereignty;
- respect for the principle of non-interference;
- non-imposition of political conditionalities; and
- respect for the principle of equality and mutual benefit in international cooperation.

In so doing, the creation of a new multilateral legal framework incorporating all these legal aspects presents a better chance to effectively address poverty issues and economic development in poor countries given that it incorporates each development actors’ values and norms and all of them (namely the OECD donors, the IMF, the World Bank, China and developing countries) are actively participating in the development process.

## 4.6 CONCLUSION

The HIPC Initiative Agreement and China’s White Paper on Foreign Aid offer two specific and distinctive development assistance approaches aimed at reducing poverty and fostering economic development in Cameroon.<sup>471</sup> While the HIPC Initiative Agreement places emphasis on values, such as, conditionalities and structural reforms, such as, the implementation of good governance structures and institutions, China’s approach places emphasis on infrastructure building without imposing political conditionalities.<sup>472</sup> Although both approaches present some differences in terms of their characteristics, their legal implementation and the results achieved, as well as their reception, as shown earlier, they do share at the same time some common similarities with regard to their drives, their objectives and some of their challenges. Despite the challenges the HIPC Initiative and China White

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<sup>471</sup> Chapter 4.3.2.

<sup>472</sup> Chapter 4.2.1.

Paper are still facing, it was admitted that both approaches complement each one. For this reason some scholars suggested that a specialised platform should be created in order to harmonise the development assistance approach of China with that of traditional donors, amongst which the IMF and the World Bank, so as to make development assistance in African countries more effective. However, China has been somewhat reluctant to agree with this suggestion on the ground that it did not want to be associated with values and norms it had not created in the first place.<sup>473</sup> Moreover, it expressed some degree of reluctance on the ground that in its view traditional donors' development assistance has been ineffective so far in reducing poverty in Africa. However, despite these arguments it was also observed that China has shown some degree of willingness to participate in traditional donors' development efforts initiative several times, such as, the debt cancellation initiated by the IMF and the World Bank, and the aid alignment with recipient countries' priorities decided under the Paris Declaration on Aid Effectiveness. For these reasons it was concluded that the creation of a new multilateral legal framework including China, the IMF, the World Bank and the OED donors would be a better approach for Cameroon, given that such framework would incorporate the positive norms of each approach.

Although Cameroon economic development is a joint responsibility with the international community,<sup>474</sup> it remains Cameroon's primary responsibility to take its destiny in its own hands, because governments, institutions and organisations which do not act strategically in accordance with the rise of China might forever be marginalised'.<sup>475</sup> In this regard, the Brussels Programme of Action for the Least Developed Countries (LDCs) for the decade 2001-2010 recommended the following:

'... LDCs must continue domestic efforts for reform and reorganization by improving efficiency, transparency and accountability, and facilitating the emergence of governance structures and business-friendly environments. The international community, meanwhile, must fulfill its commitments to establish an enabling environment not only through increased

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<sup>473</sup> Chapter 4.5.

<sup>474</sup> The *Declaration on the Right to Development* (4 December 1986). See also the *International Covenant on Economic, Social and Cultural Rights* (3 January 1976).

<sup>475</sup> AFRODAD *Mapping Chinese Development assistance in Cameroon: An Analysis of the Experiences of Cameroon* (2011) An African Forum Network on Debt and Development Report, 58.

and better quality development assistance, but also through increased investment, debt relief and free and fair trade.<sup>476</sup>

This statement once more emphasises that the issue of the economic development of developing countries is a complex task which can only be achieved by the active participation of both donor and recipient countries through the implementation of sound economic policies and reforms.



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<sup>476</sup> *Brussels Action Plan for Poorest Countries Presents Key for Unlocking "Prison of Poverty" Economic and Social Council Told* (30 June 2004).

## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. Conclusions

This mini-thesis sought to provide a comparison of the Heavily Indebted Poor Countries Initiative (HIPC) Agreement and the Chinese White Paper on Foreign Aid in order to investigate which approach is best suited for Cameroon economic development, in particular, and for Africa, in general.

In order to address this question, chapter 2 presented the HIPC Initiative Agreement. It was indicated that the International Monetary Fund (IMF) and the World Bank together launched the HIPC Initiative Agreement in 1996 in order to resolve the problem of an excessive external debt burden faced by poor countries which significantly impeded their capacity to pursue sustainable development and to reduce poverty.<sup>477</sup> With its agenda aimed at resolving the long-lasting debt crises of HIPC's in a sustainable manner, the HIPC Initiative Agreement was supported and by about 180 governments at the World Bank and the IMF and regarded as a valuable instrument capable to address effectively the unremitting debt rescheduling of poor countries.<sup>478</sup> The HIPC Initiative Agreement provides for two major phases: the decision point and the completion point.<sup>479</sup> During the first phase, countries were required to implement certain specific measures in order to be granted interim debt service relief, and four conditionalities were to be fulfilled or satisfactorily implemented by the debtor countries in order to receive interim debt relief.<sup>480</sup> The first conditionality is that the debtor country should be qualified to borrow interest free loans and grants offered by the World Bank's International Development Agency, and loans to Low Income Countries (LICs) at subsidised rates from the IMF's Poverty Reduction and Growth Trust; secondly, the country must face an insupportable debt burden that cannot be resolved with previous debt relief mechanisms; thirdly, the country should have established a track record of reform and excellent policies through IMF and World Bank supported programs; lastly, the country must have developed a

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<sup>477</sup> Chapter 2.1.

<sup>478</sup> Chapter 2.1.

<sup>479</sup> Chapter 2.6.

<sup>480</sup> Chapter 2.6.1.

Poverty Reduction Strategy Paper (PRSP) through a broad-based participatory process in the country.<sup>481</sup> After Cameroon's successful implementation of these requirements on 16 October 2000, the Boards of the IMF and World Bank approved US\$ 1.260 billion worth of debt relief at end-June 1999 Net Present Value (NPV) terms under the enhanced HIPC Framework.<sup>482</sup> Then, during the second phase, countries have to additionally implement certain policies and meet certain requirements in order to qualify for full assistance. In the case of Cameroon, it was required to implement the following six specific steps decided at the decision point: first, to prepare a full PRSP and satisfactorily implement it for at least one year; secondly, to maintain a stable macroeconomic environment; thirdly, to satisfactorily use budgetary savings from the interim debt service relief; fourthly, to satisfactorily implement and conclude structural reforms supported by the Third Structural Adjustment Credit (SAC III); fifthly, to successfully implement governance and anti-corruption measures, including in the areas of judicial and procurement reform, budget execution and creation of regulatory agencies; and lastly, to fruitfully implement key social reforms, including combating HIV/AIDs.<sup>483</sup> Unfortunately Cameroon did not meet its completion point as planned by 2003 but only three years later on 1 May 2006 for two main reasons: the repeated bad performance observed in the fiscal arena, and the fact that the government program supported by the Poverty Reduction and Growth Facility (PRGF) program was not satisfactorily implemented.<sup>484</sup> Following Cameroon's completion point attainment on 1 May 2006, the IMF granted 100 per cent debt relief on all debt incurred by Cameroon to the IMF before 1 January 2005, which had not been repaid.<sup>485</sup> Additionally, Cameroon also qualified for supplementary debt relief from International Development Assistance (IDA), the IMF and the African Development Fund (AfDF) under the Multilateral Debt Relief Initiative (MDRI).<sup>486</sup>

However, the HIPC Initiative has faced some criticisms in that: it imposed conditionalities upon recipient countries which is contrary to the sacrosanct principle of State sovereignty; the resources release by the HIPC Initiative appeared to be insufficient to cover social spending; the framework to determine countries eligibility was inappropriate; the HIPC seemed to have

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<sup>481</sup> Chapter 2.6.1.

<sup>482</sup> Chapter 2.6.1.

<sup>483</sup> Chapter 2.6.2.

<sup>484</sup> Chapter 2.6.2.

<sup>485</sup> Chapter 2.6.2.

<sup>486</sup> Chapter 2.6.2.

failed to achieve growth and debt sustainability; and it did not sufficiently protect countries against exogenous shocks.<sup>487</sup>

Despite these criticisms it was acknowledged that the HIPC Initiative Agreement has enabled Cameroon to some extent to achieve good macro-economic progress and, subsequently, some development advancement taking into consideration Cameroon's successful implementation of all the triggers required for reaching its floating completion point.<sup>488</sup> It is, for instance, the successful implementation of macro-economic and structural reforms and the Poverty Reduction Strategy Paper (PRSP) which have enabled Cameroon to reduce the pace of corruption, improve good governance, and enhance public service, health, education and socio-economic development.<sup>489</sup> Therefore it was concluded that perhaps the real problem with the HIPC Initiative Agreement was that its value has been overestimated, though it was an essential but slight part of the whole development assistance framework.<sup>490</sup>

Chapter 3 examined China's White Paper on Foreign Aid. It was noted that, since 1971, China has been implementing an innovative development co-operation strategy in Africa and in Cameroon, in particular, based upon values and principles which are embodied in the Beijing Consensus and featuring win-win co-operation, non-interference in States' internal affairs, absence of political conditionalities, and, above all, focussing on infrastructure building.<sup>491</sup>

The study revealed that China's development assistance has played an important role in advancing Cameroon economic development through the construction of infrastructure projects and the increased Chinese financial resources given to Cameroon through debt relief which have considerably improved Cameroon socio-economic life.<sup>492</sup>

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<sup>487</sup> Chapter 2.7.

<sup>488</sup> Chapter 2.8

<sup>489</sup> Chapter 2.8.

<sup>490</sup> Chapter 2.9.

<sup>491</sup> Chapters 3.2 and 3.3.

<sup>492</sup> Chapter 3.7.1.

Moreover, it was shown that the Chinese White Paper on Foreign Aid just like the HIPC Initiative Agreement has been subject to certain criticisms and challenges.<sup>493</sup> Some of the criticisms were the following: China's development assistance is mostly tied to procurement and has threatened Cameroon local industries' economic prosperity; it tends to support undemocratic governments; it primarily targets natural resources and a market for Chinese exports, and it is neither transparent nor evaluated nor monitored.<sup>494</sup> Regarding some of the challenges faced by China's development assistance, the following were identified: the lack of transparency; insufficient monitoring and evaluation; the ineffectiveness of technologies transfer; its limited ability to effectively tackle poverty issue; and human rights violations.<sup>495</sup>

In conclusion, it was emphasised that there was a need for China to revisit its development assistance approach in Cameroon in particular and in Africa in general in order to address the above-mentioned challenges and to effectively achieve poverty reduction and economic development. Moreover, it was highlighted that Cameroon's economic development lies in its own hands. Therefore, it was said that Cameroon should stop expecting everything from foreign development partners and should take full responsibility and proper control of its economic development by implementing sound macro-economic reforms.<sup>496</sup>

Chapter 4 focussed on a comparison of the HIPC Initiative Agreement and China's White Paper on Foreign Aid in order to investigate which development assistance approach was more suitable for Cameroon's economic development.<sup>497</sup> In order to resolve this contentious issue, the Chapter first emphasised the differences between the development assistance approaches with regard to their characteristics, their implementation, and their reception.<sup>498</sup> Then the Chapter examined their similarities in terms of their drives, their objectives and their challenges.<sup>499</sup> Despite the challenges facing both development assistance approaches<sup>500</sup>,

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<sup>493</sup> Chapters 3.6 and 3.7.2.

<sup>494</sup> Chapter 3.6.

<sup>495</sup> Chapter 3.7.2.

<sup>496</sup> Chapter 3.8.

<sup>497</sup> Chapter 4.1.

<sup>498</sup> Chapter 4.2.

<sup>499</sup> Chapter 4.3.

<sup>500</sup> Chapter 4.3.3.

it was also acknowledged that both have great merit because they have somehow participated in the advancement of Cameroon economic development today.<sup>501</sup>

Given the limits of both approaches and the fact that they complement each one, some scholars early recommended that a specialised platform including traditional donors and China should be established.<sup>502</sup> Unfortunately, China has shown some degree of reluctance to accept this suggestion for two main reasons: first, that it did not want to be associated with values and norms it did not create in the first place, and secondly it emphasised that in its own view Western development assistance approach has not been effective so far in reducing poverty in Africa.<sup>503</sup> It was also mentioned that Western donors have acknowledged the limits faced by their development assistance approach and for this reason they have conducted several international summits and actions to address those challenges.<sup>504</sup> Although China was not a member to these various international summits, it had been willing to join traditional donors in their resolutions, for instance, by implementing some of their resolutions, such as, granting debt relief to Cameroon under the HIPC Initiative Agreement, and by aligning their development assistance approach following Cameroon priorities as decided under the Paris Declaration of Aid Effectiveness.<sup>505</sup> Thus, it was finally concluded that the creation of a new multilateral legal framework including China, the Organisation for Economic Co-operation and Development (OECD) donors, the IMF and the World Bank would be a better approach for Cameroon economic development.<sup>506</sup> In so doing it was recommended that the new multilateral legal framework also incorporate both the positive legal aspects of each donor country.<sup>507</sup>

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<sup>501</sup> Chapter 4.4.

<sup>502</sup> Chapter 4.5.

<sup>503</sup> Chapter 4.5.

<sup>504</sup> Chapter 4.5.

<sup>505</sup> Chapter 4.5.

<sup>506</sup> Chapter 4.5.

<sup>507</sup> Chapter 4.5.

## 5.2 Recommendations

Due to the limited ability of the HIPC Initiative Agreement to address effectively the long-lasting poverty and economic development issues of developing countries for decades, the following recommendations were made: first, the IMF and the World Bank should take steps to make appropriate resources available for funding the development priorities of HIPC and other poor countries, and ensure that HIPC debt relief is really additional to other aid flows; secondly, they should rigorously evaluate and monitor the outcomes of the HIPC Initiative in each specific HIPC in order to make both debtor and creditor countries accountable; and lastly it was emphasised the need for the active participation of the entire international community, particularly of the recipient countries which are best placed to internally implement suitable economic policies and institutions to foster their economic development.<sup>508</sup>

Moreover, given the limited effectiveness of China's White Paper on Foreign to address poverty issues and economic development in Cameroon as well, some recommendations were made.<sup>509</sup> For instance, it was suggested that China urgently conform to all the international legal instruments relative to international co-operation, the Beijing Declaration of the Forum on China-Africa Co-operation (FOCAC) and the White Paper on Foreign Aid. Thus, it was recommended that China addresses the challenges regarding its technology transfer by empowering Cameroon local firms in construction projects at the top level.<sup>510</sup> With regard to the criticism that China's linking of aid to procurement negatively impacted on Cameroon local industries' economic prosperity and does not promote technology transfer as well, it was suggested that China purchases all construction materials in Cameroon, make Chinese construction projects a local business run by Cameroonian companies, and empower them at the top level of these projects so as to enable them to acquire all the necessary technical skills.<sup>511</sup> Regarding human rights violations, it was recommended that China urgently

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<sup>508</sup> Chapter 2.9.

<sup>509</sup> Chapter 3.8.

<sup>510</sup> Chapter 3.8.

<sup>511</sup> Chapter 3.8.

conforms to all the international human rights instruments.<sup>512</sup> Furthermore, it was recommended that China revisit its development assistance approach's framework in order to enhance its transparency, its monitoring and evaluation system in such a way as to increase its effectiveness in both Cameroon and Africa.

Given the fact that both approaches have proved themselves limited and that they complement each one, it was concluded that the creation of a new multilateral legal framework incorporating the positive aspects of the OECD donors, China's White Paper on Foreign Aid as well as those of the HIPC Initiative Agreement would be a better approach for Cameroon in particular and for Africa in general. In so doing, it was suggested that regarding the IMF and the World Bank debt reduction approach the following legal aspects should be retained: respect for human rights and dignity; and transparency of the development assistance and the monitoring and evaluation system.<sup>513</sup> Furthermore, it was also suggested that the five principles of aid effectiveness proclaimed by the IMF, the World Bank and the OECD countries should be advocated, namely: ownership, alignment, harmonisation, results and mutual accountability. With regard to China's White Paper on Foreign Aid, it was recommended that the following legal aspects should be maintained: the five principles of peaceful co-existence, respect for State sovereignty, respect of the principle of non-interference, non-imposition of political conditionalities, respect of the principle of equality, and mutual benefit in international cooperation.<sup>514</sup>

Finally, it was concluded that the achievement of effective poverty reduction and economic development in African countries can only be met if donors and recipient countries collaborate and implement appropriate macro-economic reforms.

### **35066 Words**

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<sup>512</sup> Chapter 3.8.

<sup>513</sup> Chapter 4.5

<sup>514</sup> Chapter 4.5.

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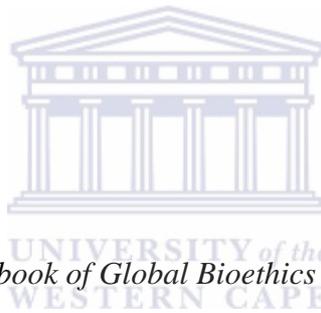
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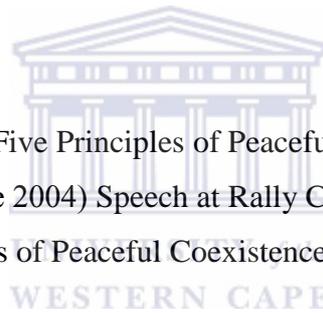
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