

Down but not out. China's loan commitments (2000-2019) in Africa now total US\$ 153 billion. New Chinese loan commitments of US\$ 7 billion dipped 30% in 2019 compared with 2018.

Avoiding risk. Countries where China reprofiled, restructured, or refinanced existing debt between 2015 and 2019, including Angola, Cameroon, Djibouti, Ethiopia, Mozambique, and Republic of Congo, received far less Chinese finance in subsequent years. In 2019, China's top borrowers were Ghana, South Africa, Egypt, Côte d'Ivoire and Nigeria.

Changing creditors. In 2019, CARI data included over 30 Chinese banks and other lenders. Lending from China Eximbank, China's only source of concessional loans and preferential export credits, peaked in 2013. Commercial loans from China Development Bank and other banks have filled the gap.

Resource-backed finance is evolving. Although accounting for only 8% of total Chinese lending to Africa (aside from Angola), the controversial resource-backed infrastructure financing model is not dead; it lives on in Ghana and Guinea.

Twenty Years of Data on China's Africa Lending

Kevin Acker and Deborah Brautigam

CHINA'S LENDING TO AFRICA REMAINED SIGNIFICANT IN 2019, but its nature is changing. Chinese financiers have committed US\$ 153 billion to African public sector borrowers between 2000 and 2019.^a At least 80 percent of these loans financed economic and social infrastructure projects: mainly transport, power, telecoms, and water. In 2019, Chinese financiers committed US\$ 7 billion to African borrowers, down 30 percent from US\$ 9.9 billion in 2018. We expect this dip to continue through 2020, reflecting the impact of the pandemic and associated economic dislocation. Yet we do not predict a sustained drop in Chinese lending to Africa. Like other lenders, Chinese banks are interested in the profits available in emerging and frontier markets.

After a decade of rapid growth, Chinese annual lending commitments peaked in 2016 at US\$ 28 billion. However, when the special case of Angola, which includes significant refinancing of existing loans, is removed from the data (see below for more detail), we see that Chinese lending in Africa peaked in 2013, the year the Belt and Road Initiative (BRI) was launched.

The decline since 2013 reflects China's current concerns about debt sustainability as well as structural transformation and planned shifts in the composition of the Chinese actors involved in outward expansion. Concerns about debt sustainability are reflected in our finding that in 2019, Chinese lenders were concentrated in less risky countries, *i.e.* countries that had not previously asked Chinese banks for debt relief. Among the top five borrowers in 2019, none had fallen into debt distress or requested debt restructuring from China in previous years.¹

The planned evolution of China's lending is reflected in the changing composition of Chinese creditors. In 2000, we recorded only three Chinese lenders, financing 14 projects, with an average value of just US\$ 10 million. By 2019, our data included over 30 banks and other lenders. China Export Import Bank (China Eximbank), China's official export credit agency and the lender with the greatest exposure as well as the most Africa experience,

a. Our figures refer to all of Africa: sub-Saharan Africa and North Africa.

committed US\$ 10.4 billion in 2013 alone. Yet since 2014, China Eximbank has averaged only US\$ 6.4 billion in annual loan commitments, with approximately US\$ 4 billion committed in 2019. On the other hand, we see an increase in commercial bank loans from China Development Bank, Industrial and Commercial Bank of China (ICBC), Bank of China (BOC), syndicated loans with Chinese and non-Chinese banks participating; and finance provided by Chinese companies such as Sinohydro (some of these are reflected in Figure 2).

Several years ago, the Angolan government decided to stop taking out new oil-secured loans, reflecting the International Monetary Fund's (IMF) concerns about the challenges of this form of lending. As noted in earlier CARI research, resource-secured lending accounts for 26 percent of all Chinese loans in Africa, 2000 to 2019.² However, Angola by itself accounts for 70 percent of China's resource-secured lending. Despite IMF concerns, countries like Ghana and Guinea have continued to use this modality.

Box 1: SAIS-CARI Data & Methodology

How much China lends to Africa is the subject of much debate. Chinese financiers themselves do not systematically release data on the loans they offer to individual overseas borrowers. In order to fill this gap, the China-Africa Research Initiative (CARI) employs a multilingual team of researchers to continually update a public database of Chinese loans to African governments and state-owned enterprises.³ Our method, “forensic internet sleuthing,” very much resembles detective work: combing through stakeholder websites for clues combined with stakeholder interviews through our extensive network. Most reports of Chinese loans are not included in our data until our researchers confirm the formal signing of loan contracts (*not* MOUs) using African or Chinese government sources.

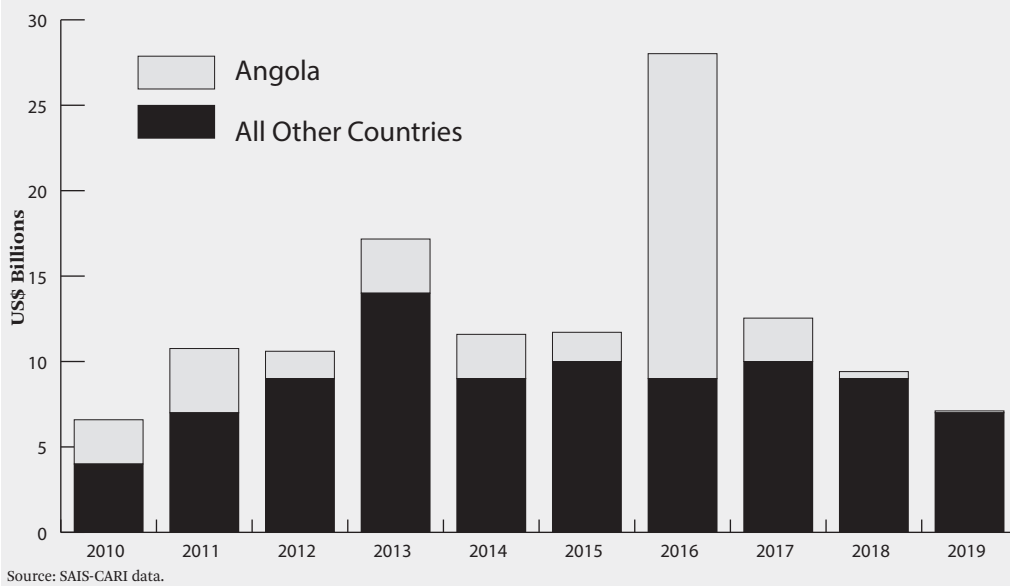
Our loan data is not equivalent to debt. Rather, our data shows loan commitments. Loan commitments are disbursed to borrowers as projects are implemented, and only then are reported as public debt. This can be a slow process. It is not uncommon for loans to take five or more years to be fully disbursed, and outstanding debt figures often represent only a fraction of committed loans, depending on disbursement and repayment schedules. We also continually work retroactively, checking the status of each commitment to check if it has moved to disbursement (“implementation”), and correcting our figures in the rare instances when a line of credit is canceled.

THE UPS AND DOWNS OF CHINESE LENDING 2010-2019

FIGURE 1 SHOWS OUR DATA ON Chinese loan commitments to Africa from 2010 to 2019, with loans to Angola separated from the other countries. Angola is an important outlier in our data. China's largest borrower in Africa, Angola accounts for approximately 30 percent of all Chinese loan commitments to the region over the past decade. The volume and modalities of Chinese lending to Angola differ from China's lending to other African countries in some important ways. Most Chinese lending to Angola is secured by Angolan oil exports. As discussed below, for example, we find that aside from Angola, only eight percent of Chinese lending in Africa between 2000 and 2019 was secured by future flows of natural resources (versus 26 percent when including Angola). We often find a clearer picture of trends in China's lending to Africa by excluding data on Angola.

Between 2000 and 2019, Chinese financiers have committed US\$ 153 billion to African governments and state-owned enterprises. Eighty percent of this was committed in the 10 years 2010-2019, following the global financial crisis of 2008-2009. Buoyed by high commodity prices, high growth rates, and the growing appetite of Chinese contractors seeking projects overseas, African governments and Chinese banks were eager to develop new projects.

Between 2014 and 2015, global commodity prices crashed and GDP growth in Africa fell. Chinese lending decreased, but remained fairly steady between 2014 and 2018, averaging US\$ 9.5 billion per year. In 2019, Chinese financiers committed US\$ 7 billion to African borrowers, down 30 percent from US\$ 9.9 billion in 2018.

Figure 1: Chinese Lending to Africa 2010 to 2019, Angola vs. the Rest of Africa

While this represents a significant decrease in Chinese lending, our preliminary data for 2020 shows that Chinese financiers will remain important creditors in Africa, with Africa's enormous infrastructure gap as an enduring attraction.

AVOIDING RISK: WHERE DID CHINESE LOAN FINANCE GO IN 2019?

MANY PREVIOUSLY LARGE BORROWERS received little finance in 2019 (Table 1). Many of the borrowers that negotiated debt restructurings over the previous years received no new loans, including the Republic of Congo, Mozambique, Ethiopia, and Djibouti.⁴ Others, including Angola, Zambia, Kenya, and Cameroon, received relatively small loans.

Angola, China's largest borrower, has seen a sharp decline in Chinese loan finance in recent years. After receiving over US\$ 1.5 billion in loan commitments per year from Chinese financiers since 2010, including a striking US\$ 19 billion in 2016, commitments from Chinese financiers reached just US\$ 405 million in 2018, and US\$ 106 million in 2019.

In 2020, Zambia and Kenya both requested debt restructuring under the G20's Debt Service Suspension Initiative (DSSI), a temporary reprieve due to COVID-19 dislocations, but both already had debt sustainability challenges earlier. Reflecting this, Zambia and Kenya received commitments of only US\$ 217 million and US\$ 265 million respectively from China in 2019, after committing to borrow an average of approximately

US\$ 1 billion per year each between 2010 and 2018. In November 2020, Zambia was the first country to default on a loan in the pandemic era when it defaulted on a eurobond payment. Kenyan lawmakers have called for restructuring of the loan for Kenya's Standard Gauge Railway.

Instead, Ghana, South Africa, Egypt, Côte d'Ivoire, and Nigeria were the largest recipients of Chinese loan commitments in 2019 (Table 1). None of these countries have restructured debt with China since 2000. In Ghana, the US\$ 1.25 billion includes loans signed out of two

Table 1: China's Top 5 African Borrowers in 2019 compared to 2010-2018

2010 - 2018		2019	
Country	Signed Commitments	Country	Signed Commitments
Angola	US\$ 37 billion (US\$ 4 billion avg per year)	Ghana	US\$ 1.25 billion
Ethiopia	US\$ 11 billion (US\$ 1.2 billion avg per year)	South Africa	US\$ 1.24 billion
Zambia	US\$ 9 billion (US\$ 1 billion avg per year)	Egypt	US\$ 1.2 billion
Kenya	US\$ 8.3 billion (US\$ 920 million avg per year)	Côte d'Ivoire	US\$ 671 million
Nigeria	US\$ 5.6 billion (US\$ 620 million avg per year)	Nigeria	US\$ 550 million

Source: SAIS-CARI Data

large lines of future resource-secured credit, discussed below. While Ghana is designated by the joint IMF-WB debt sustainability analyses as experiencing a high risk of debt distress, it has not previously restructured debts with China, nor has it elected to participate in COVID-era G20 debt restructuring initiatives so far.

Egypt and South Africa are among the largest economies in Africa. Chinese lending to both countries started to increase in 2016 as China shifted to more commercial lending. Between 2010 and 2019, neither country had issues with debt sustainability, although the outlook for South Africa has worsened in recent years.

In South Africa, the US\$ 1.24 billion committed in 2019 is mostly made up of US\$ 967 million drawn by South African state-owned enterprises Transnet (railways) and Eskom (electricity) from lines of credit signed with China Development Bank. Transnet also borrowed US\$ 271 million from ICBC for capital expenditures.

In Egypt, China Eximbank signed loan commitments totaling US\$ 1.2 billion for a light rail project connecting Cairo to Egypt's New Administrative Capital. This is the third light rail project financed by China Eximbank in Africa, following a US\$ 475 million loan with Ethiopia in 2011 for the Addis-Ababa light rail project, and a US\$ 500 million loan with Nigeria in

2012 for the Abuja light rail project. Egypt was the only country to borrow from China for a large rail project in 2019.

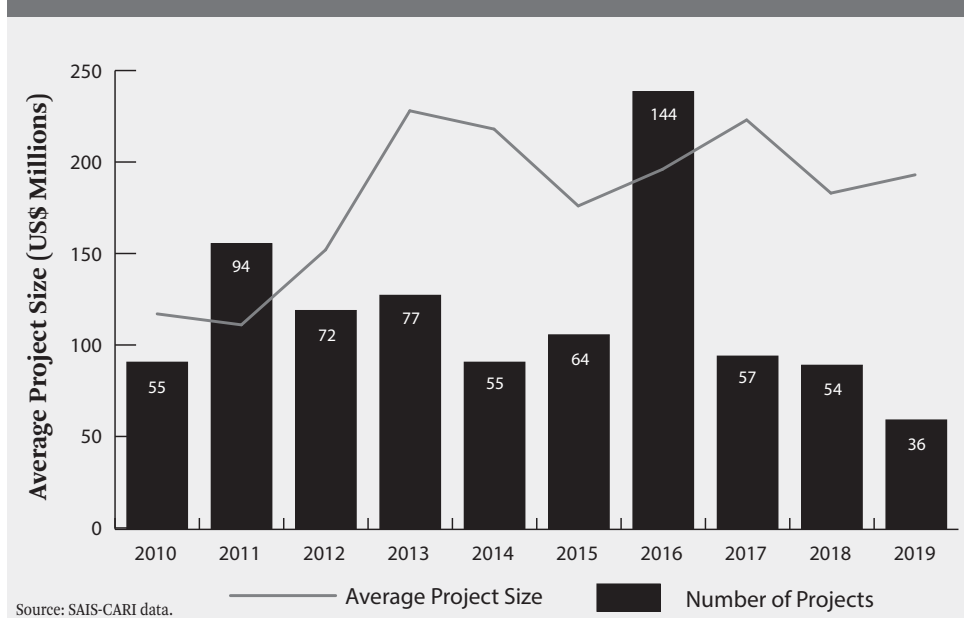
Nigeria and Côte d'Ivoire were also significant recipients of Chinese loan commitments in 2019. Nigeria is one of China's largest borrowers overall, and the country has not had trouble servicing its Chinese debts. Commitments to Nigeria in 2019 include approximately US\$ 400 million in China Eximbank loans to finance new phases of existing airport projects, and a commitment from China Development Bank to Lekki Port's Lekki Free Trade Zone Enterprise Limited, a public-private partnership project.

Chinese lending to Côte d'Ivoire started to increase after the 2010-2011 political crisis ended, and the country has so far borrowed prudently. Commitments to Côte d'Ivoire in 2019 include US\$ 290 million for the Gribo-Popoli 112 mw Hydropower Project and US\$ 284 million for a 12-city drinking water supply project, both from Eximbank, and a US\$ 97 million commitment from BOC for phase 1 of the PK24 Industrial Zone.

CHANGING CREDITORS: CHINESE COMMERCIAL BANKS BECOME LARGER LENDERS

IN 2000, WE RECORDED ONLY three Chinese lenders, financing 14 projects, with an average value of just US\$ 10 million. Over the next 19 years, over 30 Chinese

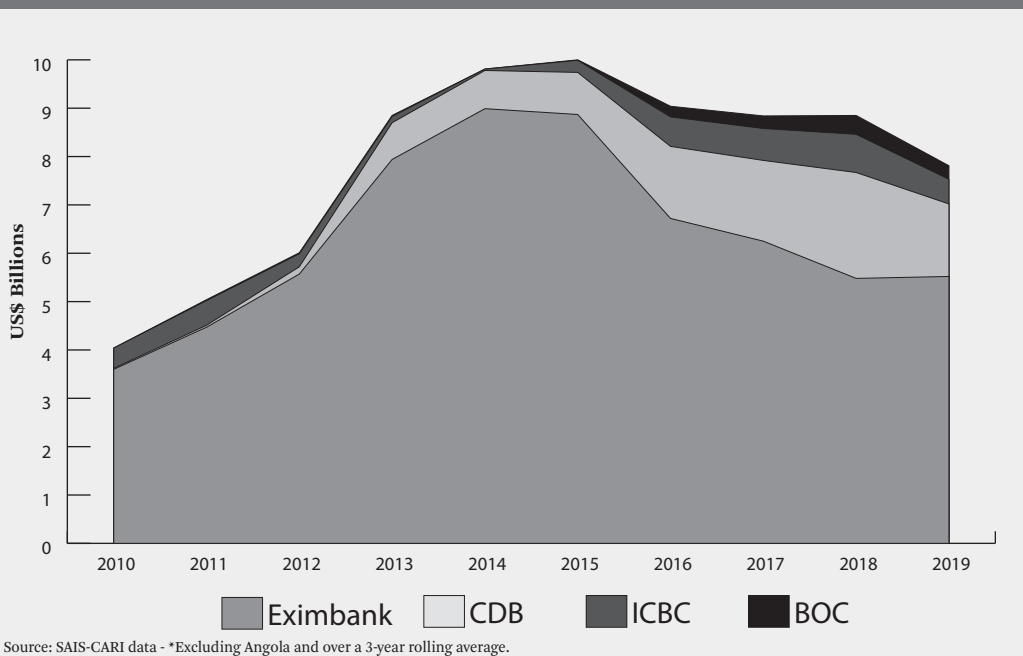
Figure 2: Number of Chinese Projects Signed vs. Average Project Size (without Angola)



Source: SAIS-CARI data.

lenders would commit loans to African governments and state-owned enterprises. Since 2010, Chinese financiers have financed an average of 71 projects per year, at an average value of US\$ 180 million (Figure 2).

The four biggest Chinese banks involved with lending to African countries are China Eximbank, CDB, ICBC, and BOC. China Eximbank--which is China's official export credit agency, and also the only bank offering government subsidized foreign aid concessional loans--is the largest and since 2000 accounts for 56 percent of

Figure 3: Loan Commitments to Africa* from China's Big Four Overseas Lending Banks 2010-2019

all loans. CDB is a “hybrid” combining policy bank and commercial bank characteristics, and accounts for 24 percent of all loans since 2000.⁵ ICBC and BOC are strictly commercial banks, and have so far lent at smaller volumes. However, they are providing an increasingly large share of Chinese loan commitments to African countries.

Between 2000 and 2009, China Eximbank committed approximately 71 percent of all Chinese loans in Africa. Over the past decade, China Eximbank’s share of total commitments dropped to 53 percent (US\$ 67 billion). After committing little finance to African governments between 2000 and 2009, CDB has become the second largest lender in Africa over the past 10 years (Figure 3). Between 2010 and 2019, China Development Bank accounted for US\$ 37 billion, 30 percent of all Chinese loan commitments in the period. Notably, between 2016 and 2018, CDB lent over US\$ 2.4 billion to state-owned enterprises in South Africa and US\$ 2.8 billion to state-owned banks in Egypt. Both countries are middle-income and had signed almost no loans with Chinese financiers in the previous period.

Chinese commercial banks, such as the ICBC and BOC also started to make more loan commitments. Between 2015 and 2019, ICBC and BOC signed US\$ 6.4 billion worth of loan commitments with African

borrowers, compared to US\$ 3.9 billion between 2010 and 2014.

RESOURCE-BACKED LENDING

Contracting future revenues from natural resource exports as loan repayment is a way both for borrowers to attract finance, and for lenders to mitigate risks to repayment. However, this lending modality can pose problems when commodity prices fluctuate.

Angola and the Republic of Congo have both needed to negotiate debt relief after commodity prices crashed. Angola historically has been the largest borrower using the future flow of oil revenues to secure loans from China, but agreed to end this practice in 2018 during negotiations over an IMF assistance program. The Republic of Congo borrowed extensively from Chinese oil-backed lines of credit through 2014, but has not borrowed new oil-backed loans from China since.

Sudan is another historically large borrower of resource-backed loans from China. Sudan has not used this modality since the oil-producing southern regions gained independence in 2011. South Sudan has attempted to use oil-secured finance but civil war has stymied most Chinese lending there.

While the practice of resource-secured lending has declined in these countries, in others it continues. In the Democratic Republic of the Congo, loans backed by copper exports continue to finance infrastructure projects under the Sicomines agreement.⁶ In 2017, Guinea signed Africa’s first-ever bauxite-backed line of credit with Chinese financiers, with ICBC and Eximbank both contributing. Loans totalling US\$ 587 million for two road projects were signed out of the line of credit in 2018.

In 2019, Ghana signed resource-secured loans totalling US\$ 947 million. Of this, US\$ 397 million

came from a 2011 oil-backed line of credit from China Development Bank that remained open (annual commitment fees were eliminated). Originally the credit totaled US\$ 3 billion and was to be disbursed in two separate tranches, with different terms. Slow implementation, fluctuating oil prices and concerns about debt sustainability eventually led the Ghanaian authorities to drop one of the two credit tranches in 2015, reducing the total to US\$ 1.5 billion.⁷ After two projects were signed in 2013, the line of credit remained unused for 6 years.

Ghana is also financing road projects with approximately US\$ 550 million from a second credit, this one backed by bauxite and arranged through one of China's major EPC contractors, Sinohydro. The loan is structured as a deferred payment agreement, whereby Sinohydro agreed to source the financing for the roads. The government of Ghana, through the Ghana Integrated Bauxite and Alumina Development Authority, will repay Sinohydro from an escrow account into which revenues from refined bauxite exports will be deposited.

CONCLUSION

CHINESE FINANCE HAS BECOME AN increasingly important source of capital for infrastructure projects in Africa. Despite decreasing over the past years, and falling below US\$ 9 billion in 2019 for the first time since 2010, Chinese finance will continue to be an important source of infrastructure finance for African countries.

The data on Chinese lending to Africa from the past 10 years shows that Chinese financiers adapt to changing economic and political conditions in Africa as they learn from experiences with borrowers in debt distress and debt restructuring negotiations. Rather than continuing to blindly dump finance into countries with debt issues, Chinese financiers have shifted away from these countries -- albeit belatedly in some cases, such as Zambia -- and towards borrowers with stronger economies and debt management.

Some financiers have pulled back, and some have become more active. China Eximbank, the largest financier in Africa and China's official export credit

agency, has reduced its lending in Africa over the past decade, and commercial Chinese banks have increased their exposure. We expect this trend to continue as Chinese commercial banks seek to expand their overseas markets. While several countries continue to leverage resource exports to finance infrastructure development, the profile of the borrowers of these loans and the resource exports behind them are changing.

The onset of the COVID-19 crisis in 2020 has accelerated change to Chinese finance, as more borrowers have experienced debt issues and requested debt restructurings. Preliminary data suggests that while loan commitments will further decrease, borrowers are still signing loans with Chinese banks, especially those whose economies have fared better through the pandemic.★

ENDNOTES

1. Our discussion of debt restructuring here does not include transactions under China's FOCAC program which provides cancellation of mature debts relating to zero-interest (or interest-free) loans. For more, see Kevin Acker, Deborah Brautigam, and Yinxuan Wang, "Global Debt Relief Dashboard: Tracking Chinese Debt Relief in the COVID-19 Era," China Africa Research Initiative, Johns Hopkins University School of Advanced International Studies, Version 1.0, February 2021. <http://www.sais-cari.org/debt-relief> and Kevin Acker, Deborah Brautigam, and Yufan Huang. 2020. "Debt Relief with Chinese Characteristics," Working Paper No. 2020/39. China Africa Research Initiative, School of Advanced International Studies, Johns Hopkins University, Washington, DC. <http://www.sais-cari.org/s/WP-39-Acker-Brautigam-Huang-Debt-Relief.pdf>
2. For further discussion of resource-backed lending please see Deborah Brautigam, Yufan Huang and Kevin Acker, "Risky Business: New Data on Chinese Loans and Africa's Debt Problem," Briefing Paper No. 03/2020. China Africa Research Initiative, School of Advanced International Studies, Johns Hopkins University, Washington, DC. <http://www.sais-cari.org/s/BP-3-Brautigam-Huang-Acker-Chinese-Loans-African-Debt.pdf>.
3. China Africa Research Initiative and Boston University Global Development Policy Center. 2021. Chinese Loans to Africa Database, Version 2.0. Retrieved from <https://chinaafricaloandata.org/>.
4. Acker, Brautigam, and Huang, "Debt Relief with Chinese Characteristics."
5. CDB overseas mainly behaves as a commercial creditor offering loans at variable rates linked to LIBOR. On occasion CDB offers cross-subsidized low interest loans to respond to Chinese policy directives. These loans would use CDB's profits from higher interest loans (rather than funds from the state budget) to subsidize lower rates.
6. David Landry, "The risks and rewards of Resource-for-Infrastructure deals: Lessons from the Congo's Sicomines Agreement," Working Paper No. 2018/16, China Africa Research Initiative, <http://www.sais-cari.org/s/WP-16-Sicomines-David-G-Landry.pdf>.
7. Thomas Chen, "What Happened to China Development Bank's US\$ 3 Billion Loan to Ghana?" China-Africa Research Initiative, 2016, http://www.sais-cari.org/s/SAIS-CARI-Brief-10-Chen-V8_NEW.pdf.

AUTHORS

KEVIN ACKER is SAIS-CARI's Research Manager and a 2019 M.A. graduate from Johns Hopkins SAIS, he holds a B.A. in Economics and China Studies from Binghamton University. **DEBORAH BRAUTIGAM** is the Bernard L. Schwartz Professor of International Political Economy at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies (SAIS) and Director of the China Africa Research Initiative (CARI). Her Ph.D. is from the Fletcher School of Law and Diplomacy, Tufts University.

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SAIS China-Africa Research Initiative
1717 Massachusetts Ave NW, Suite 733
Washington, DC 20036
www.sais-cari.org
Email: sais-cari@jhu.edu

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