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Research Report

How Chinese Money is Transforming Africa: It's Not What You Think

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HOW CHINESE MONEY IS TRANSFORMING AFRICA: IT'S NOT WHAT YOU THINK

BY JYHJONG HWANG, DEBORAH BRAUTIGAM, AND JANET EOM

Where, why, and how are Chinese banks *really* financing African development? In 2007, CARI researchers began collecting, cleaning, and analyzing China's African loans. In this brief we provide an overview of our data.

CHINESE LOANS TO AFRICA: HOW MUCH?

CARI finds that from 2000 to 2014, the Chinese government, banks and contractors extended US \$86.3 billion worth of loans to African governments and state-owned enterprises (SOEs).¹ Except for a slight dip in 2010 and spike in 2013, the annual amount of loans signed grew steadily in this period (Figure 1).

China-Export Import Bank (Eximbank) contributed \$59 billion, China Development Bank (CDB) \$13.7 billion, Chinese contractors US\$6.7 billion, and other Chinese funders² \$6.8 billion (Figure 2). Of the 1,325 reports of Chinese loan financing that we analyzed, only 56% actually materialized and are being used. The rest turned out to be mistakes, hopes, rumors, cancelled, or real loans—but not from China.

Excluding undisbursed lines of credit whose usages are to be determined, just over 85% of the lines of financing are \$200 million or less; only a few are much larger. Of the 22 lines of financing valued at US\$1 billion or more, 5 are commercial rate loans to Sonangol, the Angolan state oil company and the rest are chiefly credit lines for large scale infrastructure in Angola, Republic of Congo (ROC), Democratic Republic of the Congo (DRC), Ghana, Equatorial Guinea, and Niger, and several large transportation and energy projects in Ethiopia, Kenya, and Tanzania.

Figure 2: Chinese Financiers' Contribution to African Loans, 2000-2014

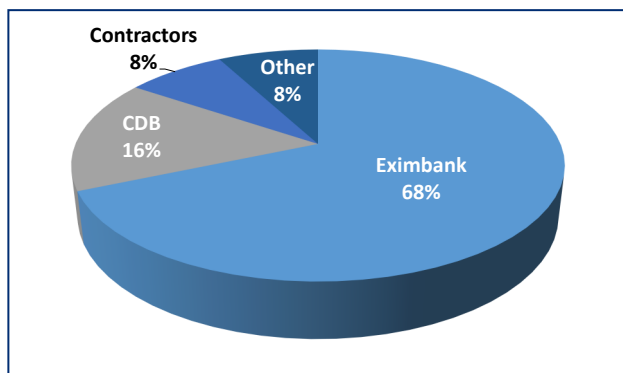
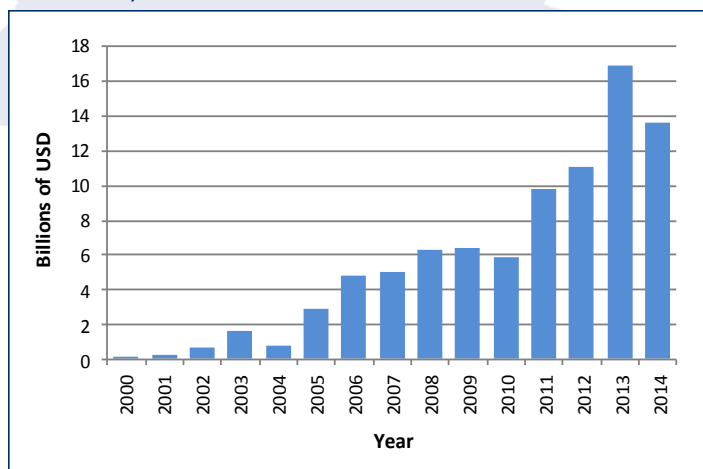


Figure 1: China's annual committed finance to African countries, 2000-2014

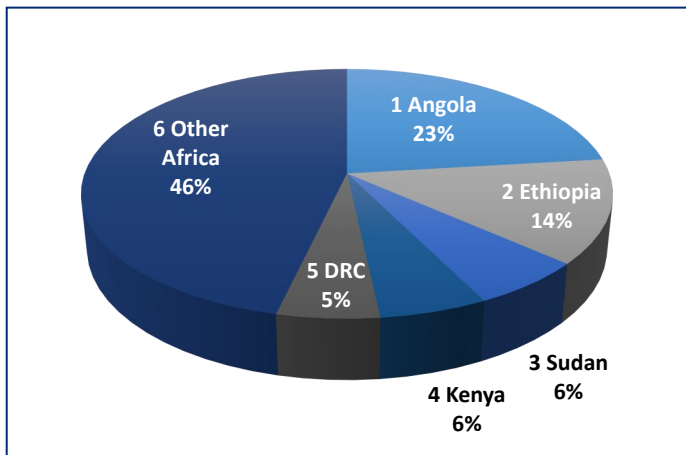


WHERE THE LOANS GO: THE COUNTRIES

Angola receives the most Chinese loans, with \$21.2 billion in cumulative loans over 15 years. This is followed by Ethiopia at \$12.3 billion, Sudan at \$5.6 billion, Kenya at \$5.2 billion, and DRC at \$4.9 billion. These top 5 countries constitute over 50% of all Chinese loans to Africa; Angola received roughly a quarter of all Chinese loans to Africa (Figure 3).

Almost all loans to Angola are oil-backed; about half of these loans are Eximbank or CDB lines of credits for infrastructure, with transportation and agriculture receiving the majority. The rest are mostly commercial rate loans from CDB and ICBC for Angola's state-owned oil company Sonangol. In Ethiopia, about 40% of loans are for transportation, 25% for communication, and 20% for energy (chiefly hydropower).

Figure 3: Top 5 African Recipients of Chinese Loans, 2000-2014

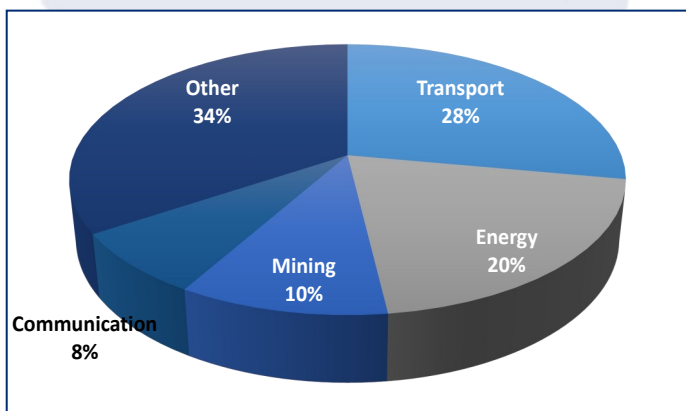


WHERE THE LOANS GO: THE SECTORS

The three largest sectors financed by Chinese loans are transportation at \$24.2 billion, energy at \$17.6 billion, and mining at \$9.0 billion. Most of the rest are large lines of credit that fund projects in several sectors or small zero-interest loans that have been signed but the purpose is still undecided or unpublished (Figure 4).

Transportation loans commonly involve construction or renovation of roads, railways, airports, and harbors, as well as the purchase of vehicles for road, rail, or air. Of the \$24.2 billion transportation loans, road construction and maintenance constitutes \$9.6 billion, and railways cost \$9.5 billion. Energy loans primarily go to hydroelectric projects, power transmission lines, gas pipelines, gas-power plants, and coal-power plants. Meanwhile, roughly 84% of the mining sector loans go to Angola’s Sonangol. Sino-African joint ventures -- the Sicomines copper and cobalt mine in DRC, two gold mines in Côte d’Ivoire and Eritrea, and a uranium mine in Niger make up the rest.

Figure 4: Sectors Receiving Chinese Loans, 2000-2014



CARI VERSUS OTHER DATA EFFORTS

Compared to other public sources of China-Africa loans, CARI’s figures are noticeably lower. A study by the Rand Corporation used media reports and an expansive definition of “aid” (all Chinese government-related flows, including foreign direct investment) to estimate that “between 2001 and 2011, 49 countries in Africa received approximately \$175 billion.”³ According to China AidData, cumulative Chinese loans to Africa between 2000-2013 was \$80.1 billion, roughly 10% larger than CARI’s \$73.3 billion for the same time period (Figure 5; data is in current US\$).⁴

In 25 of the 44 African countries receiving Chinese loans, or about 57 percent of the time, Aid-Data’s aggregate Chinese loan figures (in current US\$) are larger than CARI’s, and in 19 cases our figures are larger than AidData’s. In some of these countries, the differences are quite significant (Figure 6). For example, in Angola alone, CARI recorded an additional \$10.3 billion in Chinese loans over the amount AidData reported.

Figure 6 shows the 10 countries where our findings are most different, and the amounts and percentages of those differences. For example, AidData’s figures for Chinese loans to Kenya are over 3 times higher than ours. In examining differences like these, we found instances where loans were double-counted, where the only reference to a loan was a single unreliable media report, or where failure to follow up at the implementation stage led to the inclusion of loan facilities that were later cancelled.

Figure 5: China’s Yearly Loans to Sub-Saharan African Countries, 2000-2013

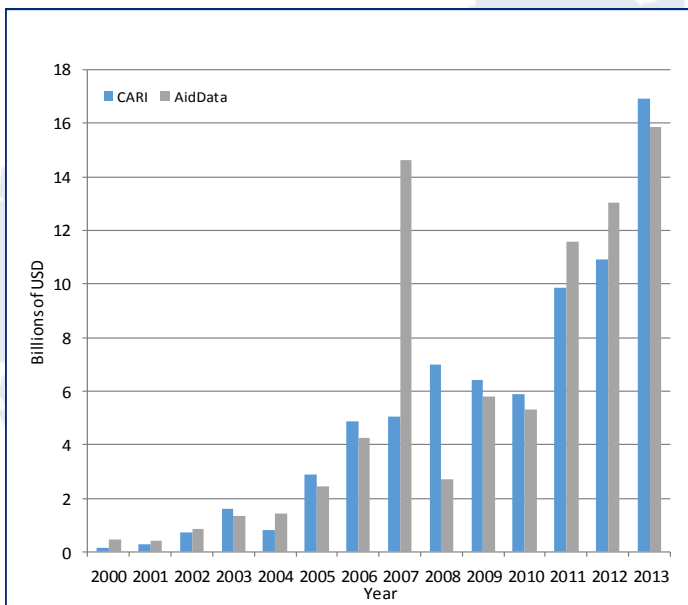
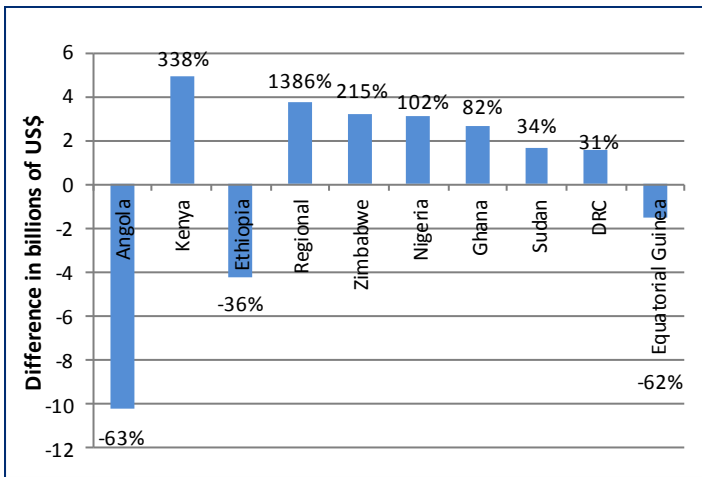


Figure 6: Top 10 Discrepancies between CARI & AidData



IS CHINA EXIMBANK LENDING MORE THAN THE WORLD BANK?

A famous 2011 Fitch Ratings report estimated that “between 2001 and 2010, EXIM loans to SSA reached USD67.2bn, overtaking World Bank lending of USD54.7bn to Africa for the same period.”⁵ Was China lending more to Africa than the World Bank?

Our data say *definitely not*. With even the most generous figures,⁶ CARI’s estimate of Eximbank’s lending to Sub-Saharan Africa between 2001 and 2010 is only US\$29.9 billion; Fitch’s figures are more than twice that of CARI’s.

Has this changed? Figure 7 compares China Eximbank and World Bank lending to Africa (including North Africa) between 2000 and 2014.⁷ In the 15-year span, China’s major policy bank lending to Africa has never exceeded that of the World Bank. In 2013, lending was almost the same between the World Bank and China Eximbank. So far as agencies go, the World Bank is justified in stating on its website that it is “the world’s largest provider of development assistance to Africa.”

While trends in the past 15 years show that China’s main provider of development assistance loans in Africa is indeed catching up with World Bank lending, it is premature to state that China Eximbank has systematically overtaken the World Bank. That said, we predict that in the near future, China Eximbank will soon exceed the World Bank as a lender to Africa.

ENDNOTES

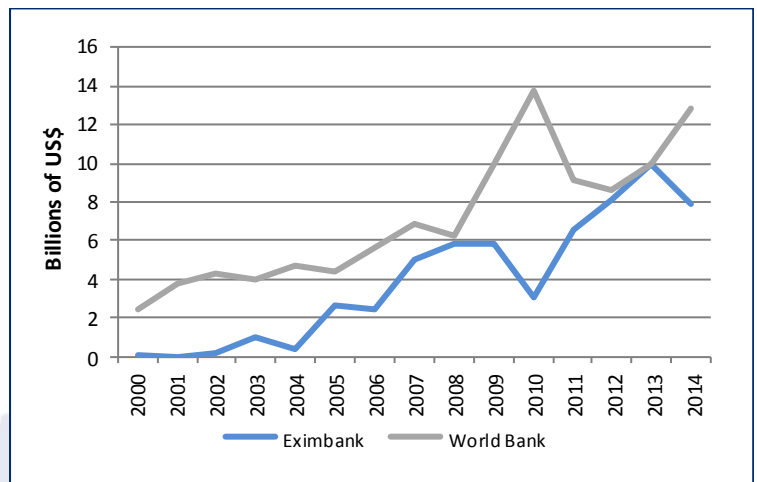
1. Includes all loans from Chinese entities (MOFCOM, policy banks, commercial banks, and Chinese suppliers’ credits) to African governments at both concessional and commercial rates. All number reported here are in current U.S. dollars unless otherwise specified. / 2. Chinese Ministry of Commerce (MOFCOM), Industrial and Commercial Bank of China, Bank of China, and CITIC. / 3. Charles Wolf, Jr., Xiao Wang, Eric Warner, “China’s Foreign Aid

THE FOCAC—CAN CHINA KEEP ITS PROMISES?

The high-level frenzy around the December 2015 Forum on China Africa Cooperation (FOCAC) as reflecting China’s push of commitments into Africa may be one reason for the public tendency to overstate rather than understate loan figures. At the December 2015 FOCAC in Johannesburg, China pledged to provide US\$35 billion of concessional foreign aid loans, preferential loans, and non-preferential export credits plus US\$5 billion in grants and zero-interest loans to Africa over the next three years. In addition, it pledged to expand special loans to support SMEs in Africa from US\$1 billion to US\$6 billion over an undetermined period.

Indeed, our data show that since 2000, loan commitments have been steadily increasing. However, with China’s recent economic slowdown, the impact of lower commodity prices in Africa, and the growing number of countries that have suspended or canceled Chinese offers of credit lines, we hold doubts as to whether current commitments can be reached. In particular, will transport, energy, and mining sectors continue to receive the majority of loans? What other sectors will be prioritized? CARI believes that tracking such trends can provide valuable insight into the overall impact of China’s loan commitments on the African continent.

Figure 7: Eximbank vs. World Bank Loans to Africa, 2000-2014



and Government-Sponsored Investment Activities,” RAND Corporation, 2013, http://www.rand.org/pubs/research_reports/RR118.html. / 4. AidData, <http://china.aiddata.org/downloads>; Version 1.2. / 5. “Fitch: Africa’s Growing Trade and Financial Links with China,” https://www.fitchratings.com/site/fitch-home/pressrelease?id=737895&cm_mmc=Eloqua-_-Email-_-LM_News%20EM%2FJHB%202012%2FJAN%2F10%20Sub%20saharan%20monthly%20-%20January%20edition-_-0000. / 6. Eximbank loans plus company supplier’s credit, some of which may have been originally provided to the supplier as Eximbank seller’s credits. / 7. Figures include North Africa for both lenders.

Table 1: Chinese Loans to African Governments and SOEs, 2000-2014
(millions of US\$)

Country	Exim Bank	CDB	Supplier's Credits	Other	TOTAL
Regional	100	357	0	0	457
Algeria	0	0	0	9	9
Angola	7361	11300	22	2523	21206
Benin	179	0	0	44	223
Botswana	87	0	0	16	103
Burkina Faso	0	0	0	0	0
Burundi	8	0	0	52	60
Cameroon	2813	2	0	41	2856
Cape Verde	96	0	0	57	152
CAR	0	0	63	43	106
Chad	585	0	0	1	586
Comoros	8	0	0	0	8
Republic of Congo	3296	0	238	177	3711
Cote d'Ivoire	1638	0	0	26	1664
Djibouti	896	0	0	12	908
Democratic Republic of Congo	4896	0	0	20	4916
Egypt	87	200	0	54	342
Equatorial Guinea	2000	0	478	23	2502
Eritrea	389	0	0	16	405
Ethiopia	7075	630	4165	468	12337
Gabon	561	0	0	48	609
The Gambia	0	0	0	0	0
Ghana	1504	1000	469	225	3198
Guinea	608	0	0	38	646
Guinea-Bissau	0	0	0	0	0
Kenya	4810	97	0	292	5199
Lesotho	0	0	0	18	18
Liberia	0	0	0	0	0
Libya	0	0	0	0	0
Malawi	239	0	0	0	239
Mali	817	0	0	64	881
Madagascar	56	0	0	0	56
Mauritania	385	0	0	56	440
Mauritius	375	0	0	60	435
Morocco	501	0	0	14	516
Mozambique	1663	100	0	93	1856
Namibia	535	0	0	17	552
Niger	1604	0	0	4	1607
Nigeria	2633	0	390	500	3522
Rwanda	149	0	0	76	225
Senegal	414	0	0	4	419
Seychelles	59	0	0	0	60
Sierra Leone	47	0	0	0	47
Somalia	0	0	0	0	0
South Africa	0	0	0	0	0
Sudan	3948	0	600	1038	5586
South Sudan	158	0	0	0	158
Swaziland	0	0	0	0	0
Sao Tome & Principe	0	0	0	0	0
Tanzania	2083	0	0	51	2134
Togo	450	0	0	14	464
Tunisia	37	0	0	3	39
Uganda	1155	0	0	61	1216
Zambia	1342	0	0	527	1869
Zimbabwe	1343	40	306	37	1727
TOTAL	58,993	13,726	6,731	6,820	86,269

The **CHINA-AFRICA RESEARCH INITIATIVE (CARI)** at the Johns Hopkins University School of Advanced International Studies (SAIS) in Washington, D.C. was launched in 2014. Our mission is to promote research, conduct evidence-based analysis, foster collaboration, and train future leaders to better understand the economic and political dimensions of China-Africa relations and their implications for human security and global development.



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