

# RISKY BUSINESS:

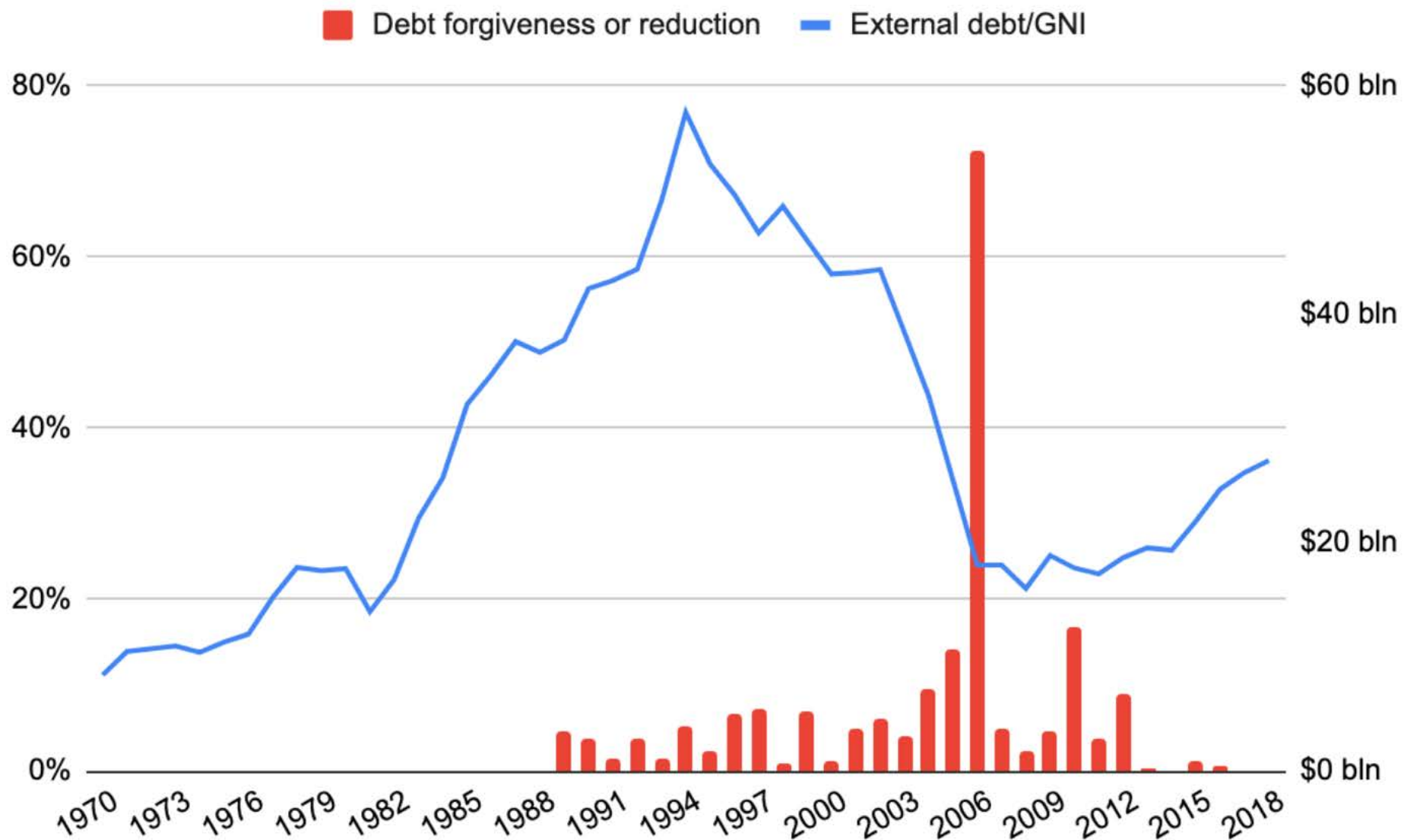
---

New Data on Chinese Loans and Africa's Debt Problem

Liberia,  
1984



# Sub-Saharan Africa: Debt as % of GNI





CURRENT ISSUE  
July/August 2020

# FOREIGN AFFAIRS

Magazine ▾ Regions ▾ Topics ▾ Collections ▾ Book Reviews ▾ More ▾

## Chinese Debt Could Cause Emerging Markets to Implode

Beijing Needs to Help Its Poor Borrowers Through the Pandemic

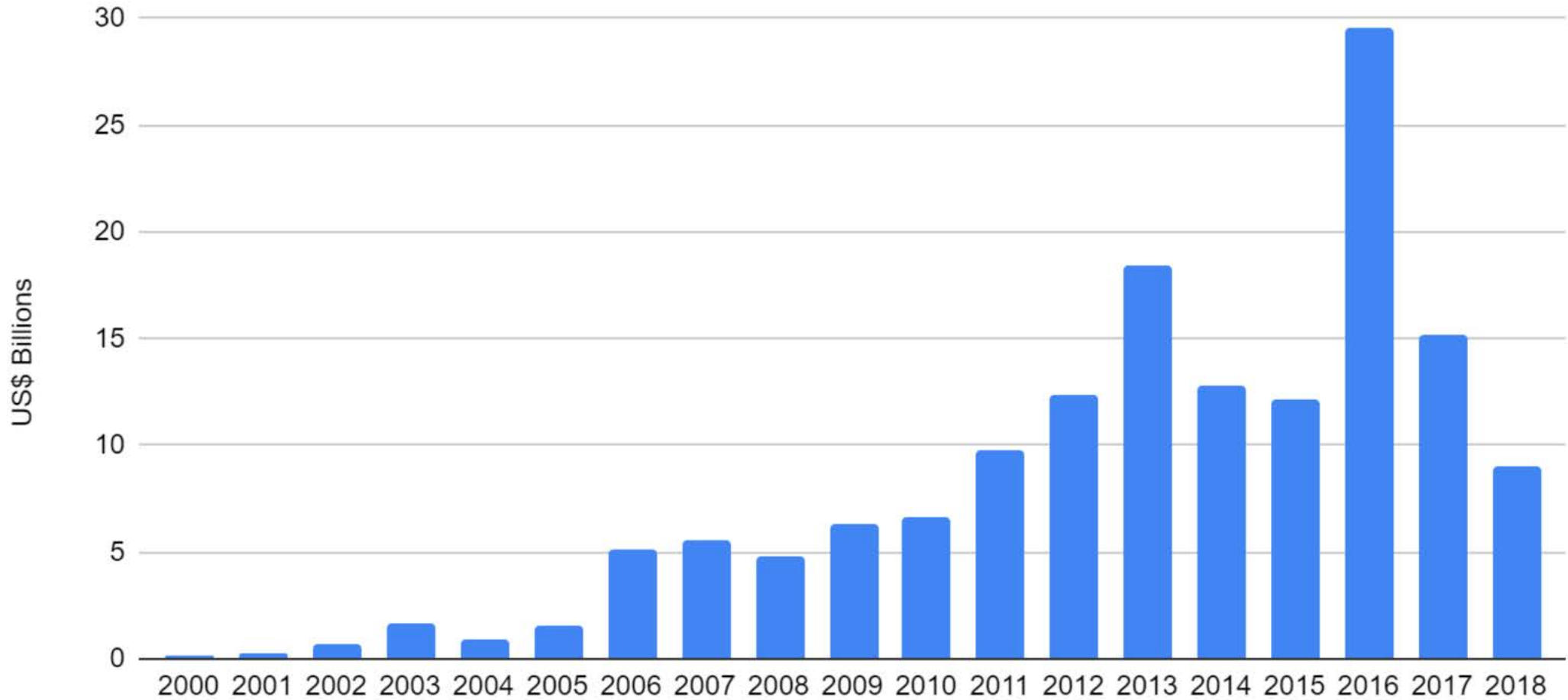
By [Benn Steil](#) and [Benjamin Della Rocca](#) April 27, 2020



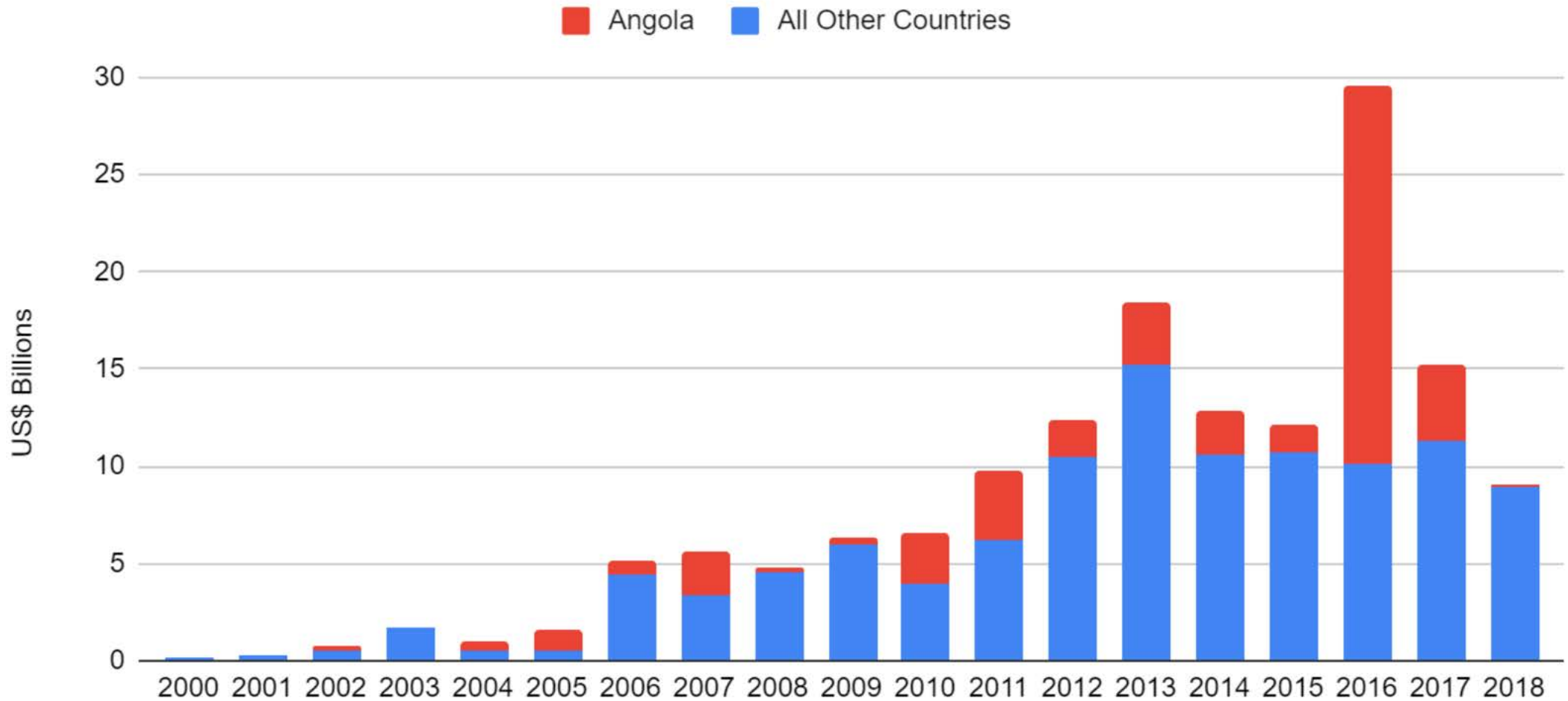
# SAIS-CARI CHINA-AFRICA LOAN DATABASE: OVERVIEW

---

# Chinese Loan Commitments to Africa, 2000-2018



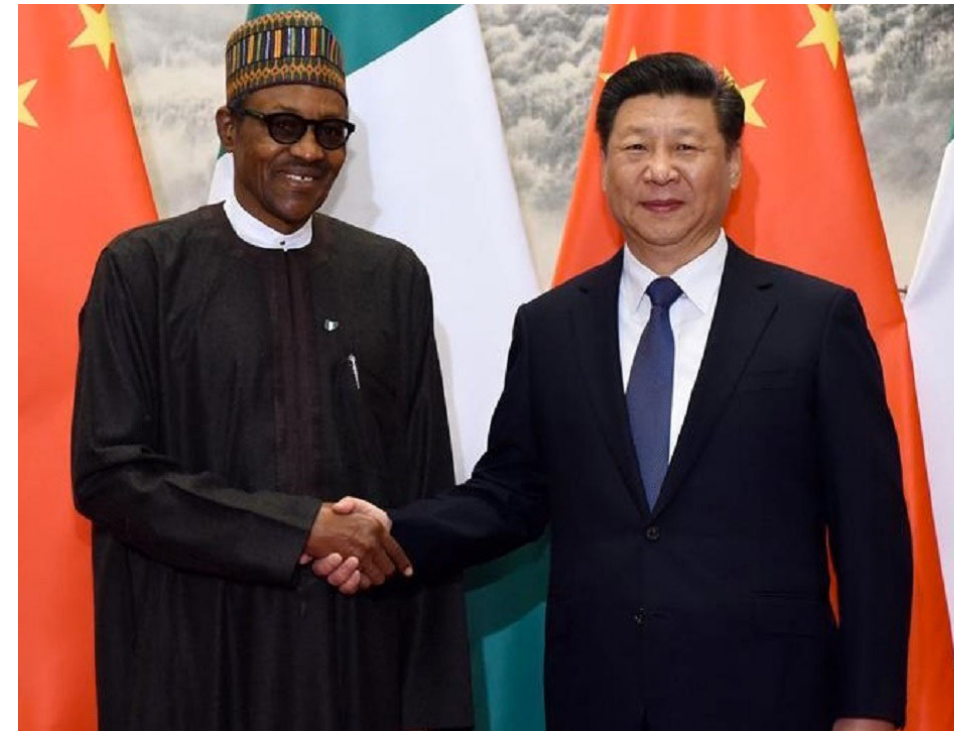
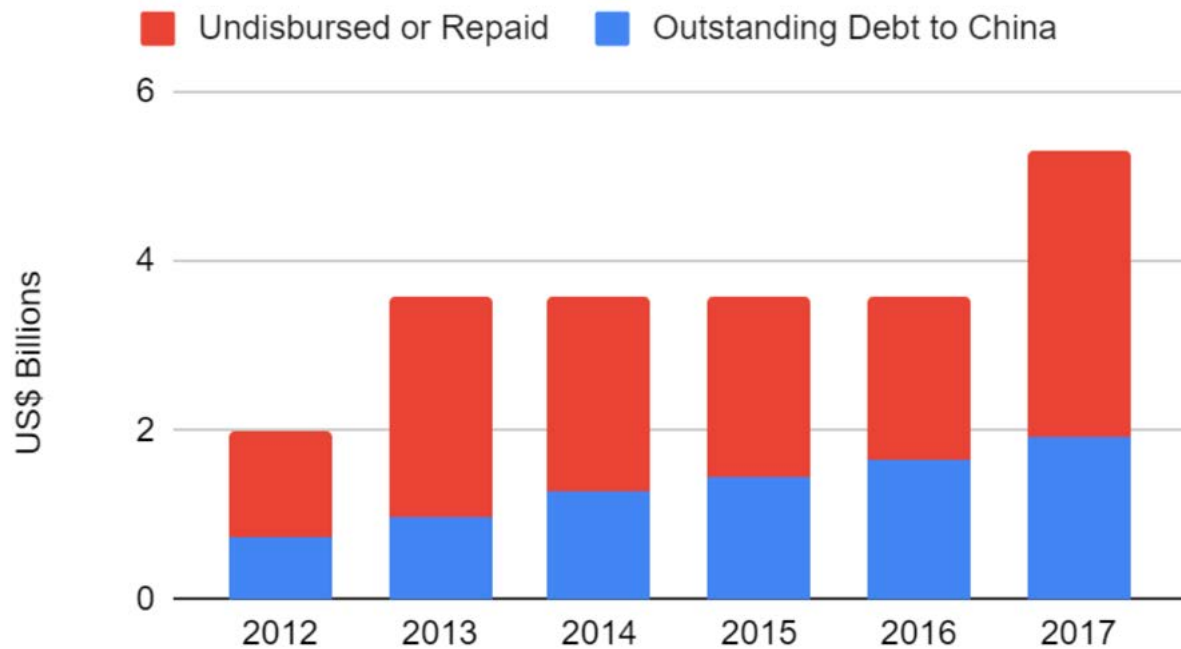
# Chinese Loan Commitments to Africa 2000-2018



# Commitments vs. Debt: Nigeria Example

The difference between loan commitments and outstanding debt is often misinterpreted by the media and scholars

Nigeria's Outstanding Debt to China vs. Total Chinese Loan Commitments, 2012-2017



Nigerian President Muhammadu Buhari with Xi Jinping  
Source: *The Guardian*

Source: SAIS-CARI data, Nigerian Debt Management Office (DMO)

Loan Commitments 2000-2017	Average Disbursement Period	Loan Disbursements 2000-2017	Amount Repaid 2000-2017	Outstanding Debt 2017
<b>\$5.3 Billion</b>	<b>5-6 Years</b>	<b>\$2.5 Billion</b>	<b>\$580 million</b>	<b>\$1.9 Billion</b>

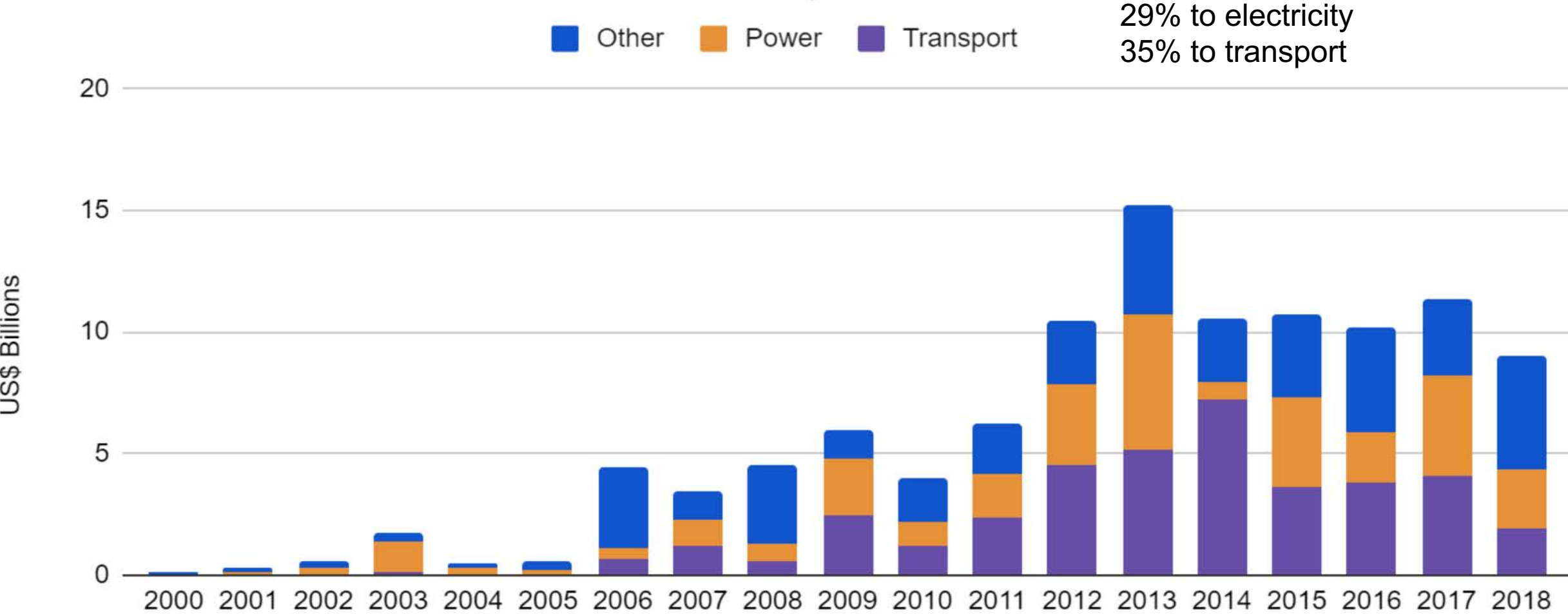




# Power gap: Africa by night



# Chinese Loan Commitments to Africa\* By Sector



\*Excluding Angola

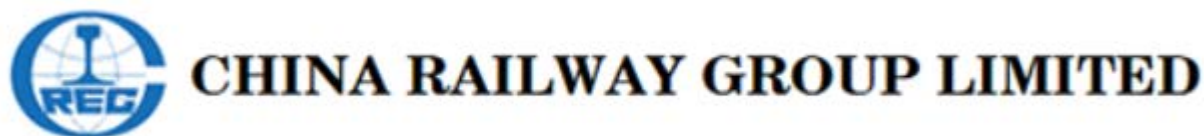
**CHINA★AFRICA**  
RESEARCH INITIATIVE

SAIS  
JOHNS HOPKINS  
SCHOOL of ADVANCED  
INTERNATIONAL STUDIES

Source: SAIS-CARI Data



YUNNAN CONSTRUCTION ENGINEERING GROUP CO.,LTD.



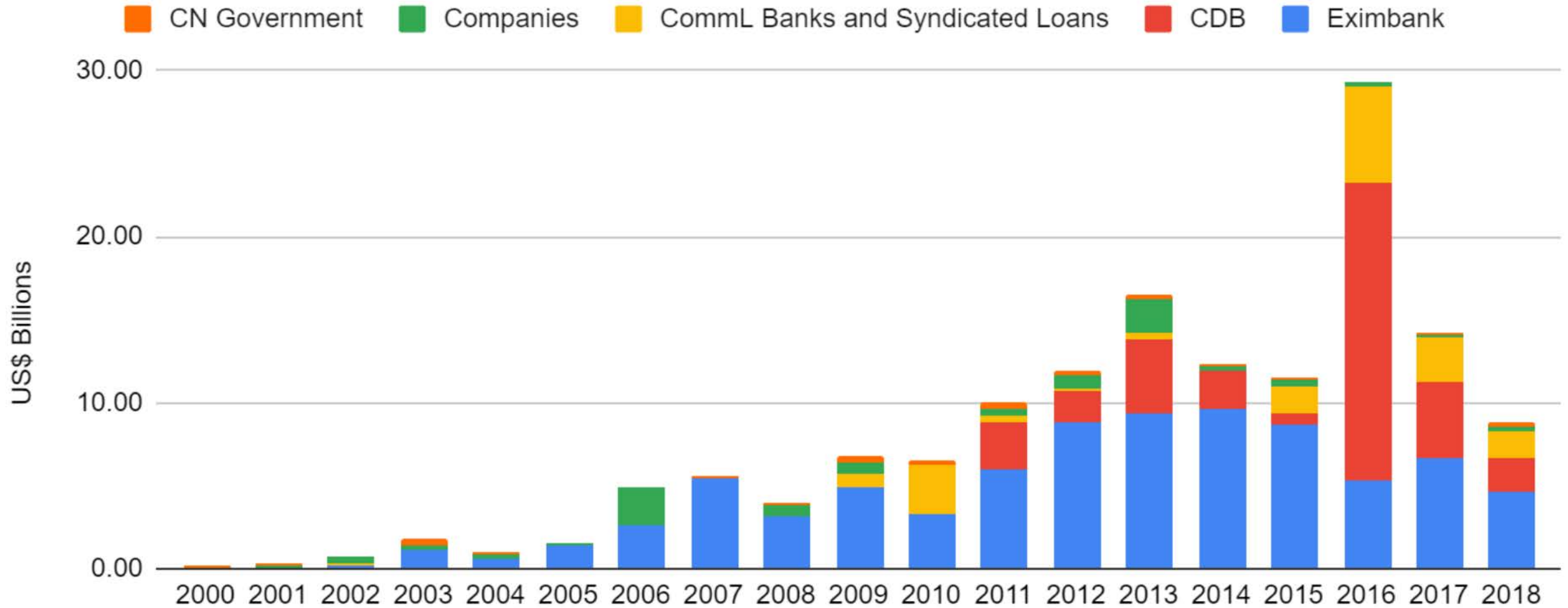
**CHINA★AFRICA**  
RESEARCH INITIATIVE



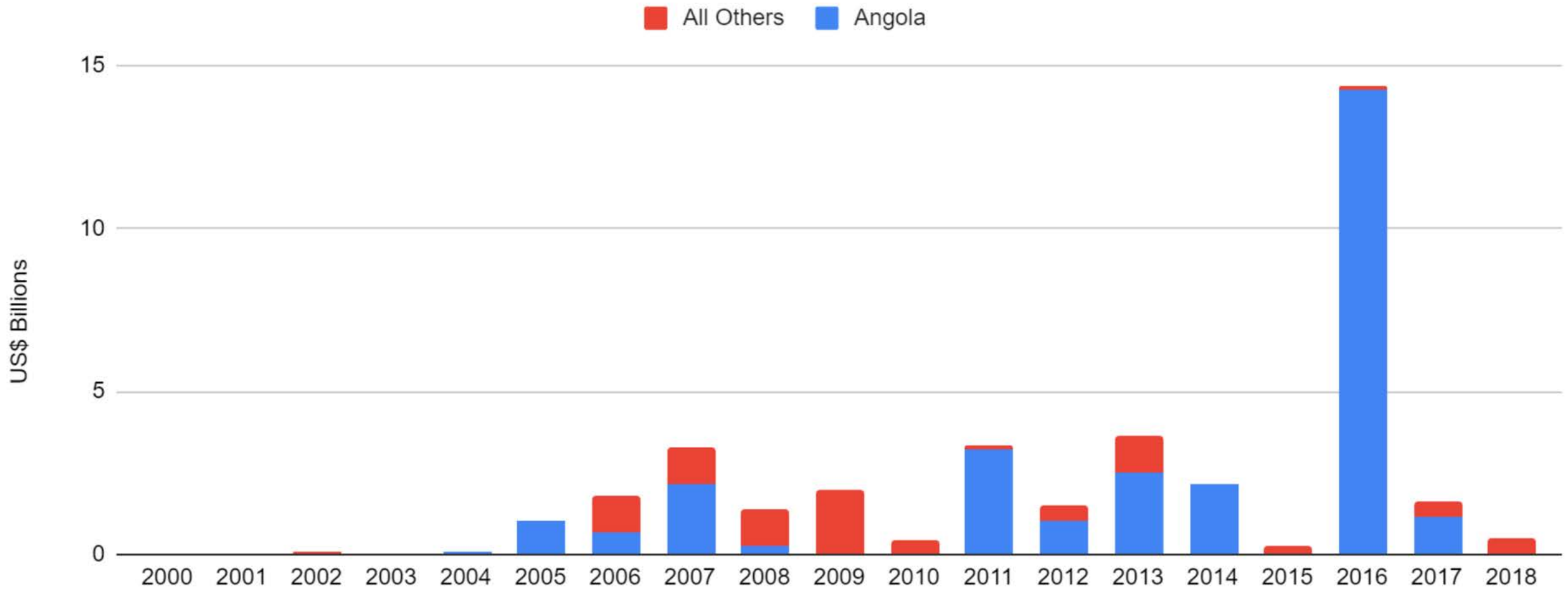
Source: SAIS-CARI Data

# Chinese Lenders

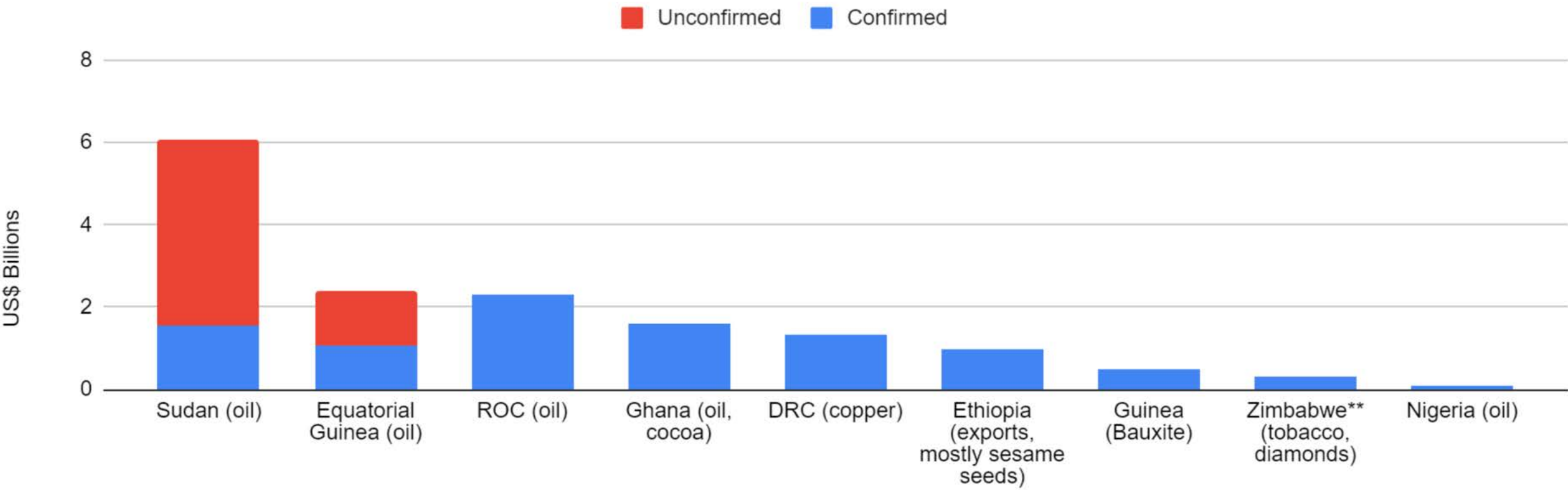
## Chinese Loan Commitments to Africa By Lender



# Chinese Resource Backed lending to Africa, 2000-2018



# Resource Backed Loans to Africa\*, 2000-2018, US\$ billions



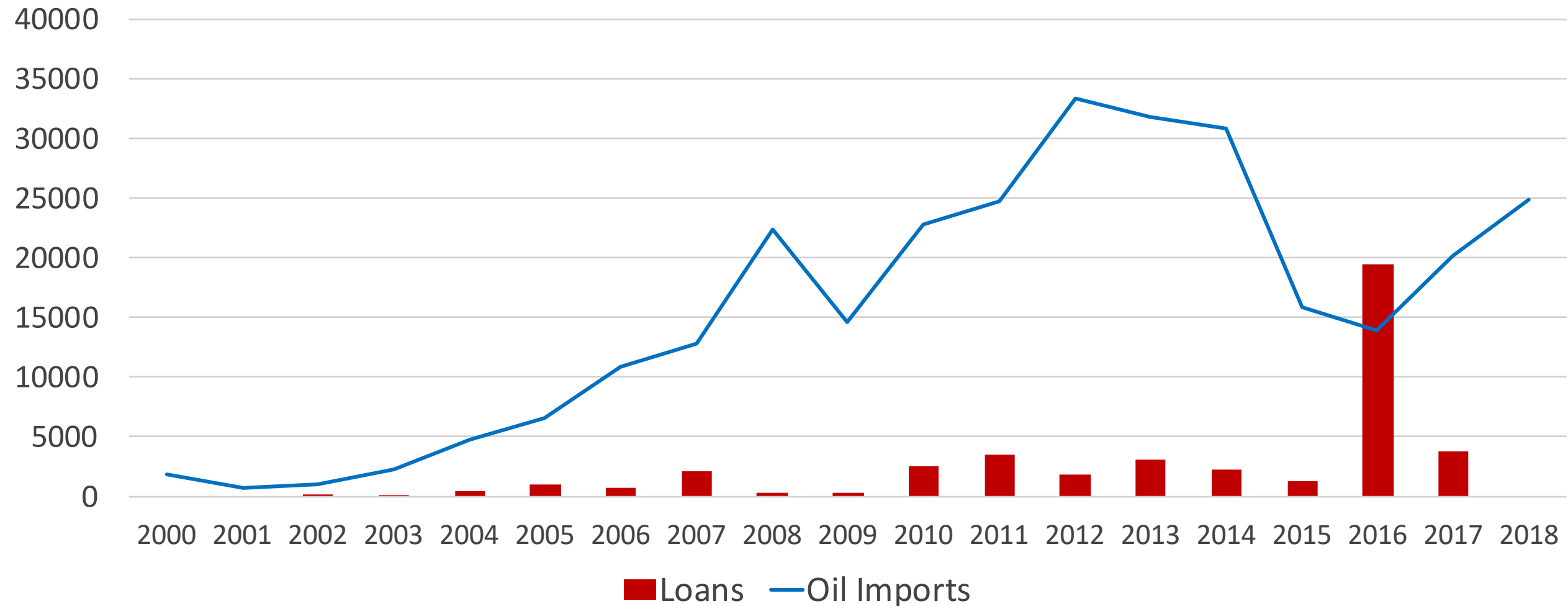
- Resource-backed loan commitments (RBLs) from 2000-2018 to Angola (oil) total \$29 billion, 75% of all resource-backed loans to Africa
- RBLs to other countries from 2000-2018 account for only 6%-12% of all loans to Africa

\*Excluding Angola



Source: SAIS-CARI Data  
 \*\*Zimbabwe RBLs likely underestimated

# China's Oil Imports from Angola vs. Lending to Angola (USD mil)

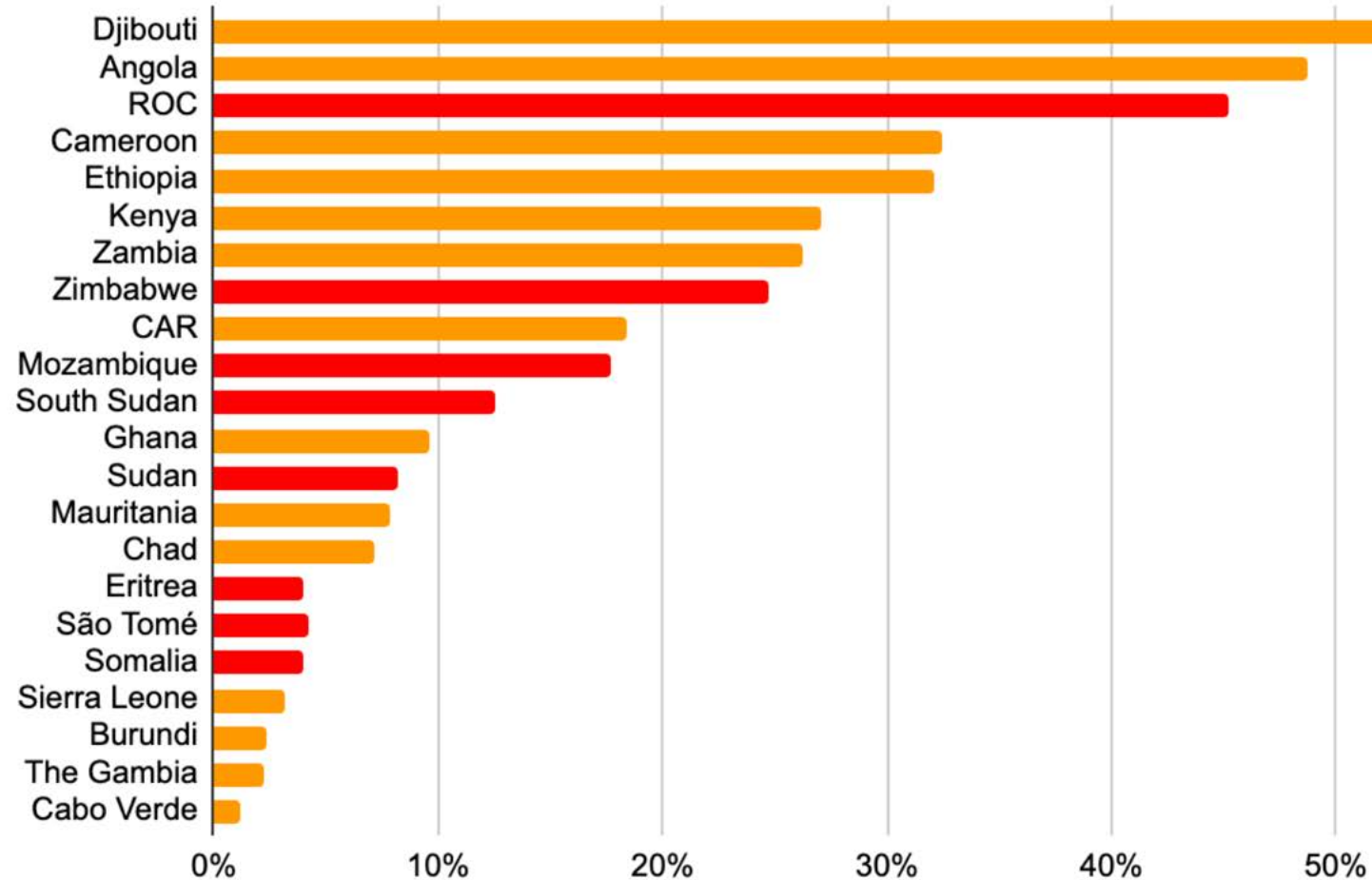




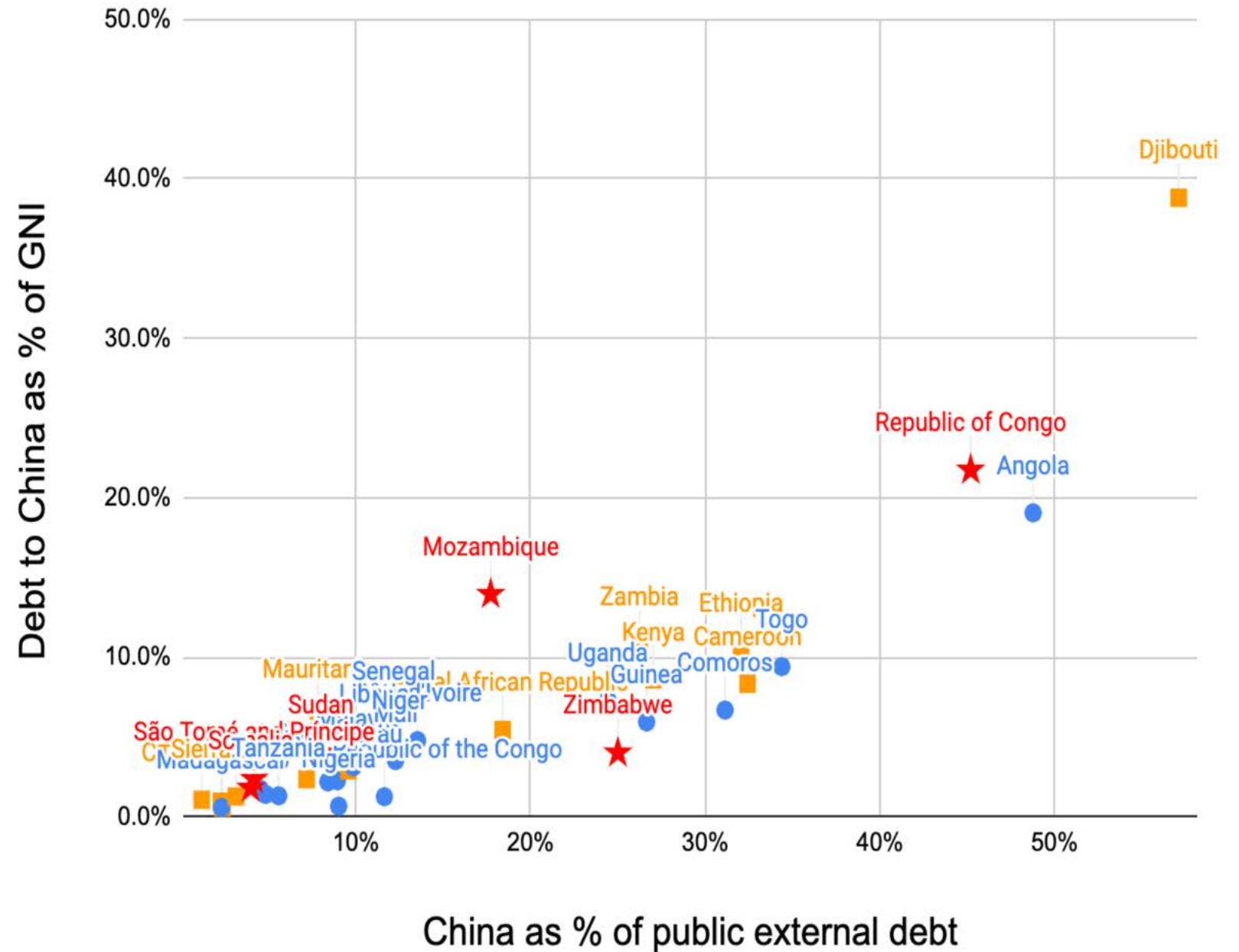
# World Bank: DSSI Data June 2020

- 40 low income African countries (including Angola)
- 22 high risk/in debt distress

# Chinese debt as % of PPG debt in 22 High Risk/In Distress Countries

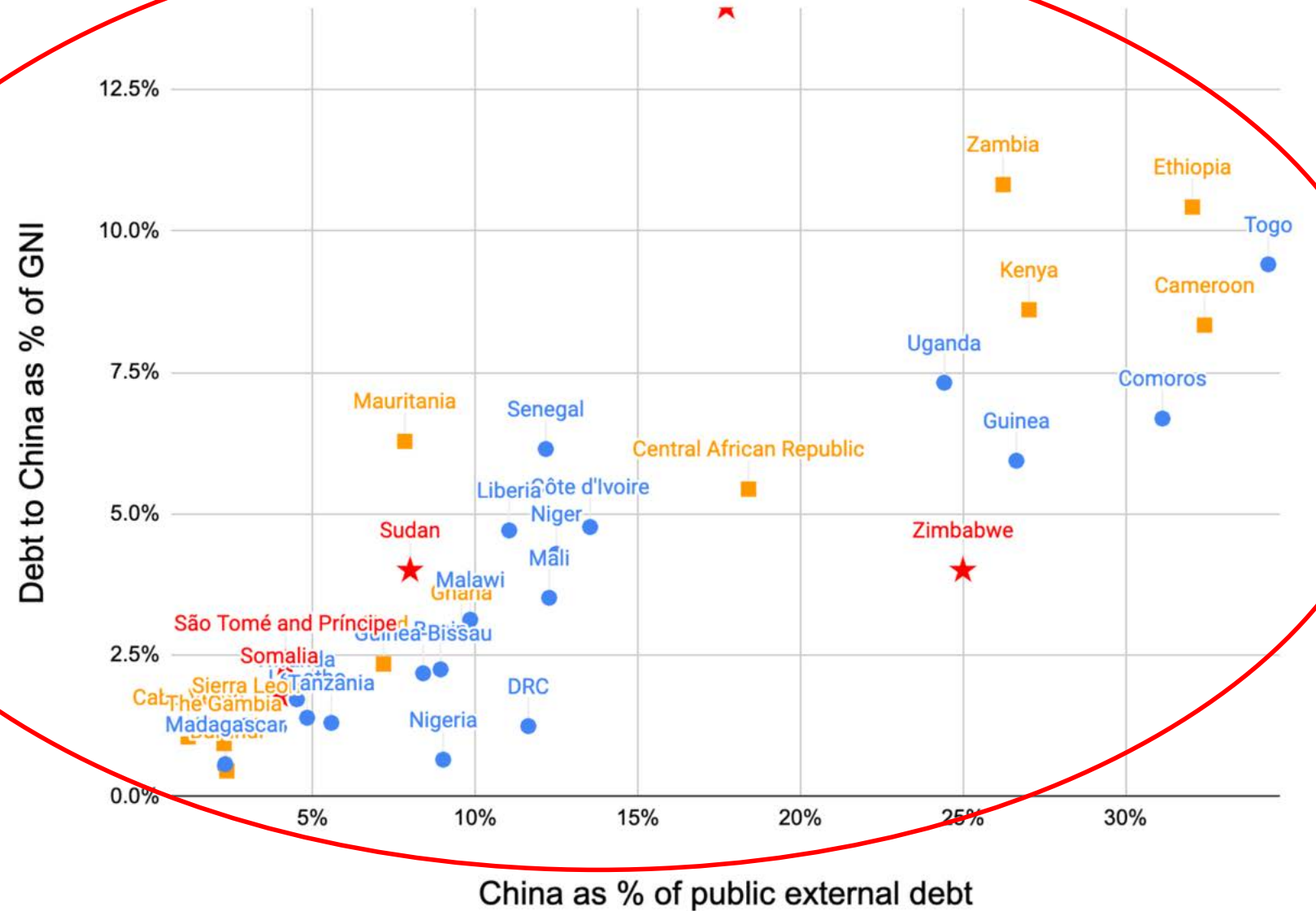


# Debt Ratios (DSSI Data)





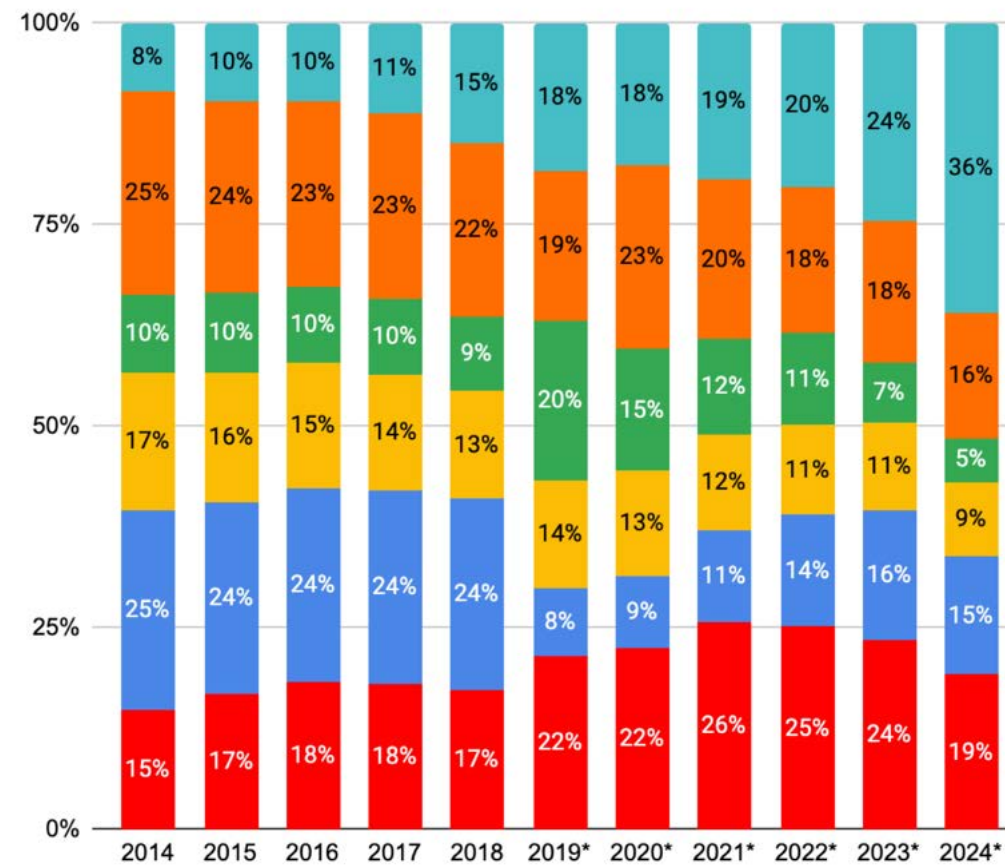
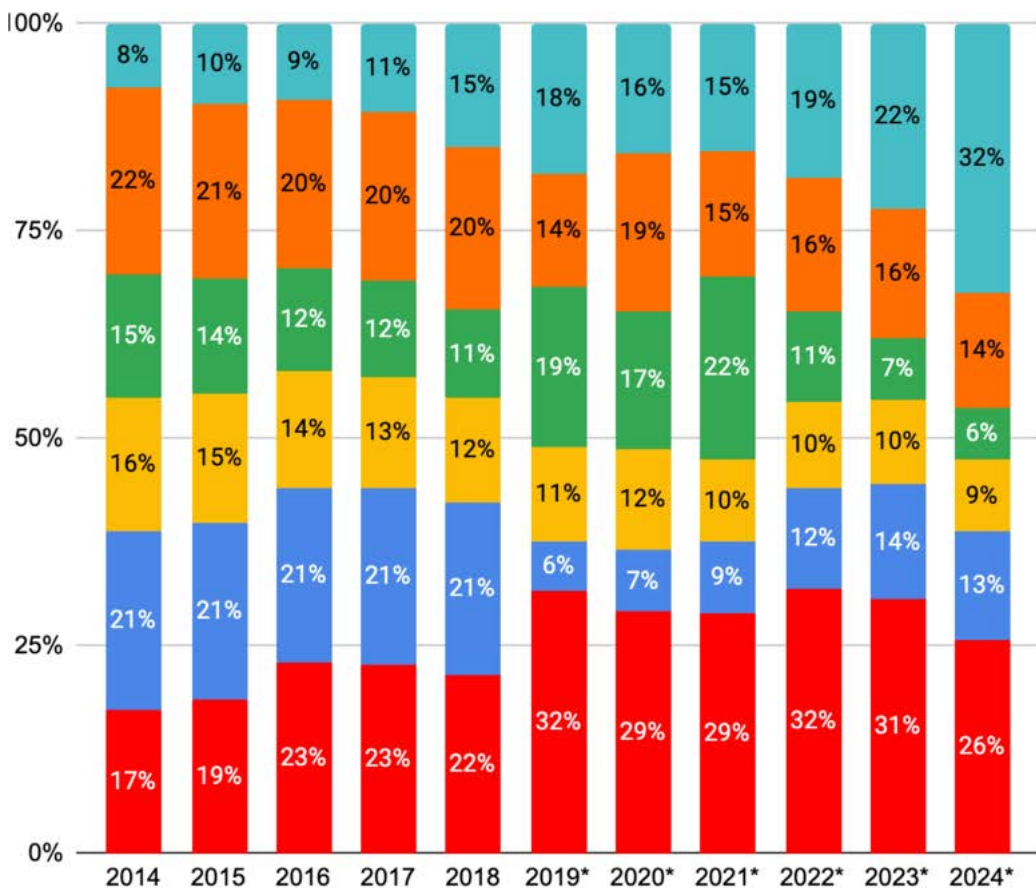
# Debt Ratios (DSSI Data)



## % share of lender in debt stock/debt service\*

### with Angola

### without Angola



Source: World Bank IDS; The data are for all African low-income countries except South Sudan, whose debt data is not available.

## DSSI: In Over half of High/In Debt-Distress Countries, China is a Minor Lender – 2018 PPG Debt Stock

1. Burundi (2%)
2. Cape Verde (1%)
3. Chad (7%)
4. Eritrea (4%)
5. The Gambia (2%)
6. Ghana (10%)
7. Mauritania (8%)
8. São Tomé & Príncipe (4%)
9. Sierra Leone (3%)
10. Somalia (4%)
11. South Sudan (13%)
12. Sudan (8%)

## DSSI: In 7 High/In Debt-Distress Countries China is a Major Lender – 2018 PPG debt stock

1. Zambia (26%)
2. Kenya (27%)
3. Cameroon (32%)
4. Ethiopia (32%)
5. Republic of Congo (45%)
6. Angola (49%)
7. Djibouti (57%)



## DSSI: In 7 High/In Debt-Distress Countries China is a Major Lender – 2018 PPG debt stock

1. Zambia (26%)
2. Kenya (27%)
3. Cameroon (32%) – restructured in 2019
4. Ethiopia (32%) – restructured in 2018
5. Republic of Congo (45%) – restructured in 2019
6. Angola (49%) – refinancing in 2016
7. Djibouti (57%) – restructuring MOU 2019

# World Bank debt data: Issues

- Compare with CARI loan commitment data
- Official creditors = China Eximbank, China Development Bank
  - How to treat Taiwan? Liberia Example
  - China International Fund (Sam Pa's company in Hong Kong) São Tomé & Príncipe
- Borrowers
  - Public and Publicly Guaranteed versus Private
  - The Special Purpose Vehicle problem: Sierra Leone toll road PPP

**Appendix 1b: Chinese Lending and African Debt (all \$ are in US\$ millions) - continued**

Country	Risk of external debt distress	CARI 2000-18 CN loan commitment	2018 Debt to China as % of loan commitment	China as % of debt by official bilateral lenders	Biggest bilateral official lender	2018 DSSI debt stock: China	China as % of PPG external debt	Debt to China as % of GNI	World Bank as % of PPG external debt	Bonds as % of PPG external debt	Debt service due 2020: China	China as % of debt service due 2020
Djibouti	High	1,414	84%	81%	China	1,187	57%	39%	7%	0%	93	58%
Ethiopia	High	13,729	64%	75%	China	8,733	32%	10%	31%	4%	971	42%
Eritrea	In distress	632	5%	24%	China	31	4%	NA	57%	0%	5	15%
The Gambia	High	25	60%	10%	Saudi Arabia	15	2%	1%	17%	0%	3	3%
Ghana	High	4,070	46%	49%	China	1,861	10%	3%	20%	26%	235	13%
Guinea	Moderate	2,008	32%	58%	China	637	27%	6%	14%	0%	105	46%
Guinea-Bissau	Moderate	94	34%	28%	China	32	8%	2%	29%	0%	1	4%
Kenya	High	9,048	83%	74%	China	7,502	27%	9%	21%	17%	1,008	38%
Lesotho	Moderate	132	33%	40%	China	44	5%	1%	37%	0%	5	5%
Liberia	Moderate	50	266%	69%	China	133	11%	5%	31%	0%	1	2%
Madagascar	Low	439	18%	20%	China	78	2%	1%	49%	0%	6	4%
Malawi	Moderate	262	84%	51%	China	220	10%	3%	41%	0%	22	12%
Mali	Moderate	1,153	51%	53%	China	587	12%	4%	35%	0%	38	16%

## Appendix 1b: Chinese Lending and African Debt (all \$ are in US\$ millions) - continued

Country	Risk of external debt distress	CARI 2000-18 CN loan commitment	2018 Debt to China as % of loan commitment	China as % of debt by official bilateral lenders	Biggest bilateral official lender	2018 DSSI debt stock: China	China as % of PPG external debt	Debt to China as % of GNI	World Bank as % of PPG external debt	Bonds as % of PPG external debt	Debt service due 2020: China	China as % of debt service due 2020
Djibouti	High	1,414	84%	81%	China	1,187	57%	39%	7%	0%	93	58%
Ethiopia	High	13,729	64%	75%	China	8,733	32%	10%	31%	4%	971	42%
Eritrea	In distress	632	5%	24%	China	31	4%	NA	57%	0%	5	15%
The Gambia	High	25	60%	10%	Saudi Arabia	15	2%	1%	17%	0%	3	3%
Ghana	High	4,070	46%	49%	China	1,861	10%	3%	20%	26%	235	13%
Guinea	Moderate	2,008	32%	58%	China	637	27%	6%	14%	0%	105	46%
Guinea-Bissau	Moderate	94	34%	28%	China	32	8%	2%	29%	0%	1	4%
Kenya	High	9,048	83%	74%	China	7,502	27%	9%	21%	17%	1,008	38%
Lesotho	Moderate	132	33%	40%	China	44	5%	1%	37%	0%	5	5%
Liberia	Moderate	50	266%	69%	China	133	11%	5%	31%	0%	1	2%
Madagascar	Low	439	18%	20%	China	78	2%	1%	49%	0%	6	4%
Malawi	Moderate	262	84%	51%	China	220	10%	3%	41%	0%	22	12%
Mali	Moderate	1,153	51%	53%	China	587	12%	4%	35%	0%	38	16%

**Appendix 1b: Chinese Lending and African Debt (all \$ are in US\$ millions) - continued**

Country	Risk of external debt distress	CARI 2000-18 CN loan commitment	2018 Debt to China as % of loan commitment	China as % of debt by official bilateral lenders	Biggest bilateral official lender	2018 DSSI debt stock: China	China as % of PPG external debt	Debt to China as % of GNI	World Bank as % of PPG external debt	Bonds as % of PPG external debt	Debt service due 2020: China	China as % of debt service due 2020
Djibouti	High	1,414	84%	81%	China	1,187	57%	39%	7%	0%	93	58%
Ethiopia	High	13,729	64%	75%	China	8,733	32%	10%	31%	4%	971	42%
Eritrea	In distress	632	5%	24%	China	31	4%	NA	57%	0%	5	15%
The Gambia	High	25	60%	10%	Saudi Arabia	15	2%	1%	17%	0%	3	3%
Ghana	High	4,070	46%	49%	China	1,861	10%	3%	20%	26%	235	13%
Guinea	Moderate	2,008	32%	58%	China	637	27%	6%	14%	0%	105	46%
Guinea-Bissau	Moderate	94	34%	28%	China	32	8%	2%	29%	0%	1	4%
Kenya	High	9,048	83%	74%	China	7,502	27%	9%	21%	17%	1,008	38%
Lesotho	Moderate	132	33%	40%	China	44	5%	1%	37%	0%	5	5%
Liberia	Moderate	50	266%	69%	China	133	11%	5%	31%	0%	1	2%
Madagascar	Low	439	18%	20%	China	78	2%	1%	49%	0%	6	4%
Malawi	Moderate	262	84%	51%	China	220	10%	3%	41%	0%	22	12%
Mali	Moderate	1,153	51%	53%	China	587	12%	4%	35%	0%	38	16%

Table 3. Liberia: Structure of External Public Debt as of June-2018<sup>1/</sup>

	USD millions	Percent of Total	Percent of GDP <sup>2/</sup>
<b>Multilateral</b>	<b>805</b>	<b>93.8</b>	<b>27.5</b>
IMF	231	26.9	7.9
World Bank	356	41.5	12.2
AfDB	92	10.7	3.1
EIB	55	6.4	1.9
Other Multilateral	72	8.4	2.5
<b>Bilateral:Non-Paris Club</b>	<b>54</b>	<b>6.2</b>	<b>1.8</b>
China	5	0.6	0.2
Kuwait	15	1.7	0.5
Saudi Arabia	34	3.9	1.1
<b>Total</b>	<b>859</b>	<b>100.0</b>	<b>29.3</b>

Sources: Liberian authorities and IMF staff calculations.

<sup>1/</sup> Debt stock on disbursement base, excluding debt to Taiwan Province of China (85.4 mil) that is not servicing due to the lack of diplomatic relationship.Text Table 3. Liberia: Structure of External Public Debt as of June-2019<sup>1/</sup>

	USD millions	Percent of Total	Percent of GDP <sup>2/</sup>
<b>Multilateral</b>	<b>889</b>	<b>87.5</b>	<b>30.6</b>
IMF	209	20.6	7.2
World Bank	440	43.3	15.1
AfDB	129	12.6	4.4
EIB	54	5.3	1.9
Other Multilateral	57	5.6	2.0
<b>Bilateral:Non-Paris Club</b>	<b>127</b>	<b>12.5</b>	<b>4.4</b>
China	55	5.4	1.9
Kuwait	17	1.7	0.6
Saudi Arabia	51	5.0	1.7
Other Bilateral	5	0.5	0.2
<b>Total</b>	<b>1016</b>	<b>100.0</b>	<b>34.9</b>

Sources: Liberian authorities and IMF staff calculations.

<sup>1/</sup> Debt stock on disbursement basis.WB  
DSSI  
Data

Creditor Type	Creditor Country/Multilateral Agency	Total Debt Outstanding and Disbursed				
		2014	2015	2016	2017	2018
Data are in US\$ thousands						
Official bilateral	China	84,196	84,196	84,196	100,119	133,067
	India	0	1,215	1,215	1,215	1,350
	Kuwait	9,227	9,570	20,754	20,837	20,804
	Saudi Arabia	18,540	18,540	26,532	31,166	38,885
Total Official bilateral		111,963	113,521	132,697	153,336	194,106

SAIS-CARI Interactive Database

\$ USD (M)	COUNTRY	SECTOR	PURPOSE	YEAR
5	Liberia	Multisector	SKD Sports Complex Renovations and other projects	2006
50	Liberia	Transport	Roberts International Airport Rehabilitation	2017

# Conclusion

- New data show that China makes up 22% of public debt stock (2018) and 29% of debt service (2020) in low income Africa. Yet China's role should not be overestimated. In over half of the 22 countries facing debt distress, China is a small lender. Their debt problems are not made in China.
- In seven of these 22 countries, China accounts for a quarter or more of all public and publicly guaranteed debt: Angola, Djibouti, Cameroon, Republic of Congo, Ethiopia, Kenya, and Zambia. Four of these countries negotiated debt restructuring with Chinese lenders in 2018 and 2019.
- Chinese banks' "project-by-project" analysis may have disregarded the overall debt risk in borrower countries. Only a quarter of Chinese lending is secured by natural resource exports.
- Borrower governments should carefully plan the financing of their share of project costs. A large portion of Chinese loan commitments are slow to disburse, partly due to borrowers' inability to meet their share of project responsibilities.