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Relative Risk and the Rate of Return

CHINESE LOANS TO AFRICA DATABASE, 2000-2023

BY LUCAS ENGEL, JYHJONG HWANG, DIEGO MORRO, VICTORIA YVONNE BIEN-AIME

EXECUTIVE SUMMARY

In 2023, Chinese lenders provided approximately $4.61 billion in 13 loans to eight countries in Africa and two regional African financial institutions. The year 2023 represents the first time the annual loan amount to Africa has risen since 2016. However, the increase most likely does not represent a return to consecutive annual commitment figures above $10 billion, as occurred in the early years of the Belt and Road Initiative (BRI). Instead, Beijing appears to be looking for a more sustainable equilibrium level of lending and experimenting with a strategy comprising three basic components: new risk mitigation measures, fewer funds and a focus on relationship maintenance.

While the maintenance of strategic relationships in Africa is key to China's long-term objectives, risk mitigation is necessitated by Africa's debt challenges and China's domestic economic woes alike. China's lending to African countries in 2023 illustrates that new risk mitigation measures and the maintenance and strengthening of South-South cooperation may at times pull China in different directions.

Key findings:

- Between 2000-2023, Chinese lenders provided 1,306 loans worth a combined $182.28 billion to 49 African countries and seven regional borrowers. During this time, Chinese loans were channeled primarily to Africa's energy sector ($62.72 billion), transportation ($52.65 billion), information and communication technology ($15.67 billion), and the

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financial sector ($11.98 billion). China's top five loan recipients between 2000-2023 were Angola, Ethiopia, Egypt, Nigeria and Kenya.

- In 2023, Chinese lenders issued 13 new commitments with a value of $4.61 billion to eight countries and two regional financial institutions. This represents the largest volume of lending since 2019, before the onset of the COVID-19 pandemic, but is far below the early BRI years (2013-2018), in which cumulative commitments surpassed $10 billion annually.
- The volume of financing channeled to Africa's financial sector in 2023 is unique when compared to previous years. More than half the total combined loan amount for 2023, $2.59 billion, was provided to African multilateral banks, as well as nationally owned banks in Egypt. From 2000-2022, a mere 5.29 percent of Chinese loans to Africa were directed to the continent's financial sector. Chinese lenders' focus on African financial institutions most likely represents a risk mitigation strategy that avoids exposure to African countries' debt challenges.
- After a two-year hiatus in energy lending between 2021-2022, Chinese lenders committed loans worth a combined $501.98 million to three renewable energy projects in Africa. The energy types supported (solar and hydropower) and comparatively modest size of these loans is in line with the recent Chinese pivot to the "small is beautiful" approach to supporting projects with beneficial environmental and social outcomes. Support for these projects also provides further evidence of China's intention to honor Xi Jinping's 2021 pledge to cease financing new coal-fired power plants abroad and ramp up funding for renewable energy projects instead.
- China's desire to maintain relationships with longtime borrowers is exposing it to considerable risks. Despite growing risk aversion among Chinese lenders, Chinese development finance institutions in 2023 issued loans to three of its longtime borrowers all ailing from economic woes: Angola, Egypt and Nigeria. Rather than shifting lending to the strongest and healthiest economies on the continent, China is prioritizing reinvesting in existing strategic relationships.

Going forward, China will likely continue to pursue a bifurcated strategy of risk-averse experiments with borrowers that received fewer loans in past years and decidedly riskier forms of engagement with its longtime partners. Additionally, the size of future individual loans is expected to shrink, even in countries that have a long history of engagement with China, as the pre-pandemic pipeline of big-ticket projects empties out.

Amid these notable shifts, it remains to be seen whether China's partnerships in Africa will retain their quality as the quantity of lending descends to a lower level.

INTRODUCTION: CHINA-AFRICA LENDING, 2000-2023

The Chinese Loans to Africa (CLA) Database managed by the Boston University Global Development Policy Center tracks international sovereign loan commitments, which includes loans to public entities, majority-public entities or minority-public entities with sovereign guarantees. Loan commitment values reported by the CLA Database do not correspond directly to debt, as commitment values do not consider repayments or restructuring[1] .

From 2000-2023, cumulative loan commitments from China to Africa reached $182.28 billion distributed across 1,306 loans and covering 49 African states as well as seven regional institutions. Chinese loans tracked and recorded by the CLA Database are issued primarily by China's two key development finance institutions (DFI), the Export-Import Bank of China (CHEXIM) and the China Development Bank (CDB), as well as the China International Development Cooperation Agency (CIDCA), and commercial lenders including seven Chinese banks and over 30 Chinese companies.

Between 2000-2023, Africa's energy sector received the largest amount of loans at $62.72 billion, followed by the transportation sector, the information and communication technology sector (ICT), and the financial sector. These four sectors received around 78.47 percent of all loan commitments. In terms of recipients, Angola tops the list with cumulative commitments of $46.05 billion, followed by Ethiopia, Egypt, Nigeria, Kenya, Zambia, South Africa, Sudan, Ghana and Cameroon. These 10 countries account for 68.17 percent of all funds committed by Chinese lenders between 2000-2023.

Chinese loan commitments to Africa have decreased steadily since peaking in 2016, before dropping precipitously in 2020 at the onset of the COVID-19 pandemic. Numbers remained low during the subsequent years of 2021-2022, as seen in Figure 1. In 2023, loan amounts increased for the first time in seven years. Despite the increase, commitments in 2023 remained lower than pre-pandemic levels.

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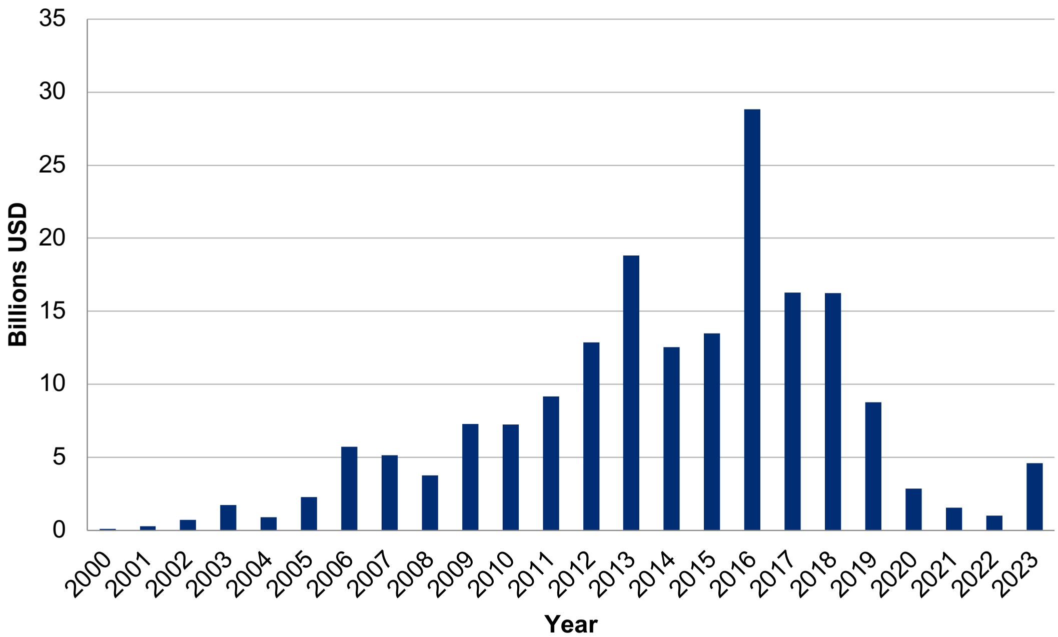
Figure 1: Chinese Loans to Africa, 2000-2023



Source: Chinese Loans to Africa Database, Boston University Global Development Policy Center, 2024.

[1] The CLA Database does not include syndicated loans where the amount contributed by Chinese participants in the syndication cannot be verified. The CLA Database also does not track currency swaps. For currency swap tracking, visit the Global Financial Safety Net Tracker, https://www.bu.edu/gdp/global-financial-safety-net-tracker/index.html.

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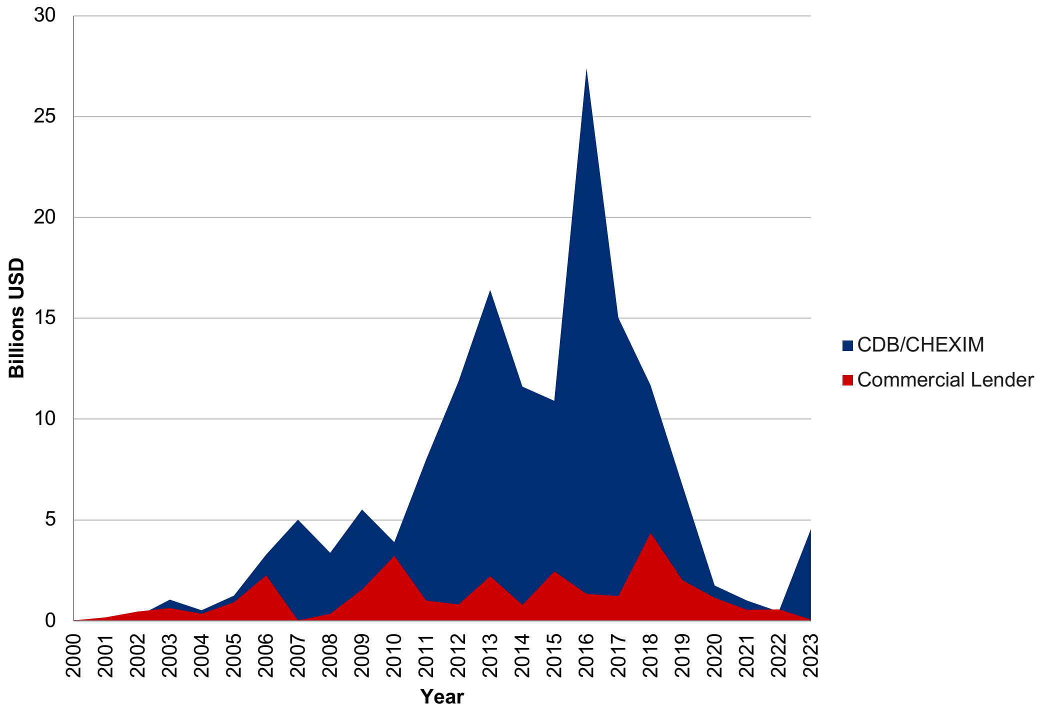
CHEXIM and CDB together are responsible for providing 83.13 percent of all loan commitment values to Africa. Loans from commercial lenders, including commercial banks such as the Industrial and Commercial Bank or China (ICBC) and the Bank of China (BoC), as well as Chinese companies and state-owned enterprises (SOE), account for 15.60 percent of commitments. The amount committed by commercial lenders peaked at $4.37 billion in 2018, two years after the peak in Chinese DFI lending occurred in 2016. In contrast to DFI lending, cumulative commercial loan amounts show less fluctuation over the years and have remained fairly constant, as seen in Figure 2. The increase in Chinese commercial banks' overseas lending activities, noted elsewhere, is not observable in Africa (Parks et al., 2023). For the period spanning 2000-2023, we find no significant increase in Chinese commercial bank lending, and we find no significant increase in the proportion of commercial bank loans.

Figure 2: DFI vs. Commercial Lenders, 2000-2023[2]



Source: Chinese Loans to Africa Database, Boston University Global Development Policy Center, 2024.

CHINA-AFRICA LENDING IN 2023: CHANGE AMID CONTINUITY

In 2023, eight African countries and two multilateral African borrowers received 13 loans with a combined value of around $4.61 billion from three Chinese lenders, as shown in Table 1. This is nearly double the combined amount China extended to Africa during the pandemic years of 2021-2022, although it remains significantly lower than the $28.82 billion peak in Chinese lending to Africa in 2016. More likely, the rebound observed in 2023 represents an attempt to reach a new and more modest equilibrium given Africa's precarious debt situation, China's domestic economic challenges and Chinese as well as African long-term strategic objectives. While the envisioned equilibrium and the strategy for reaching it may be novel, China's lending behavior in 2023 also indicates Beijing is eager to maintain ties with its longtime borrowers, many of whom are struggling

[2] Funds provided by China's foreign aid agency, CIDCA, are not included in the CLA Database.

with debt sustainability and economic challenges, even as the financing on which those ties were originally built decreases. Overall, 2023 represents both a year of change and an attempt to maintain continuity in Chinese lending to Africa.

Table 1: Chinese Loan Commitments to African Borrowers, 2023

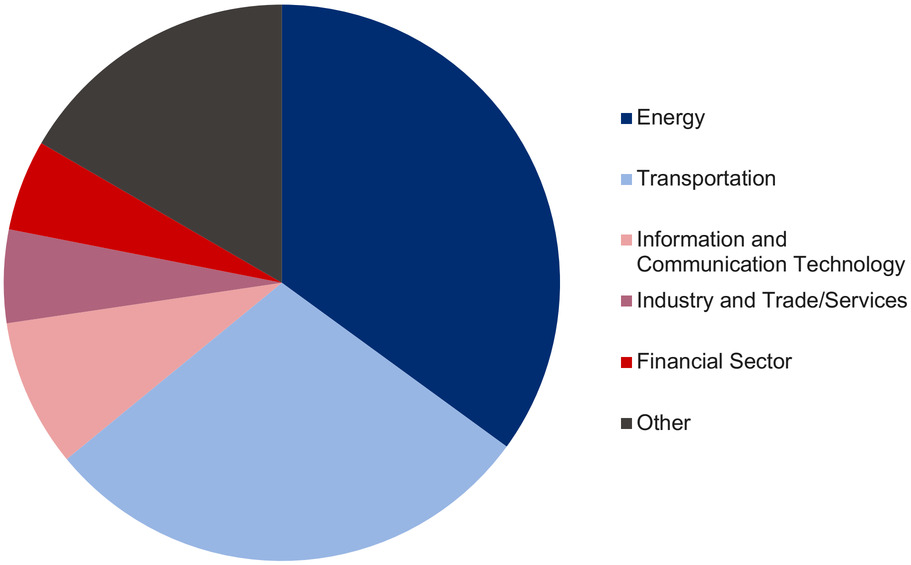
BU ID	Country	Lender	Borrowing Entity	Amount (USD mn)	Purpose	Sector
AFR.040	Regional	CDB	African Export-Import Bank (Afreximbank)	400	Afreximbank: Small and Medium Enterprises (SME)	Finance
AFR.041	Regional	CHEXIM	African Export-Import Bank (Afreximbank)	600	Facilitating Trade and Financial Partnerships, PRC Support Initiative	Finance
AFR.042	Regional	CHEXIM	Africa Finance Corporation (AFC)	300	AFC: Boost Trade Finance in Africa	Finance
AO.144	Angola	CHEXIM	National Government	249	National Broadband Project	ICT
BF.008	Burkina Faso	CHEXIM	National Government	50	Donsin Solar Power Plant (25MW)	Energy
CI.072	Côte d'Ivoire	BoC	National Government	64	Tioroniaradougou – Dikodougou Road, Additional Finance for Rehabilitation and Asphalting (50km)	Transport
EG.058	Egypt	CDB	Central Bank of Egypt (CBE)	988	Liquidity Support Facility	Finance
EG.059	Egypt	CDB	National Bank of Egypt (NBE)	300	Credit Line for SME and Infrastructure	Finance
ER.021	Eritrea	CHEXIM	Asmara Mining Share Company	86	Asmara Copper-Cold Polymetallic Project	Non-energy Mining
MG.008	Madagascar	CHEXIM	National Government	240	Ranomafana Hydropower Plant, Ikopa River (64MW)	Energy
NG.034	Nigeria	CDB	National Government	973	Lagos-Kano Railway (1400km), Kaduna-Kano Section (200km)	Transport
UG.037	Uganda	CHEXIM	National Government	148	The National Data Transmission Backbone Infrastructure/ E-Government Infrastructure Project, Phase V	ICT
UG.045	Uganda	CHEXIM	National Government	212	Electrification of Industrial Parks Phase III (118.5km) Jinja Industrial Park, Njeru, Masese, Kasese Industrial Park, Ishaka Industrial Park	Energy

Source: Chinese Loans to Africa Database, Boston University Global Development Policy Center, 2024.

NEW RISK MITIGATION MEASURES

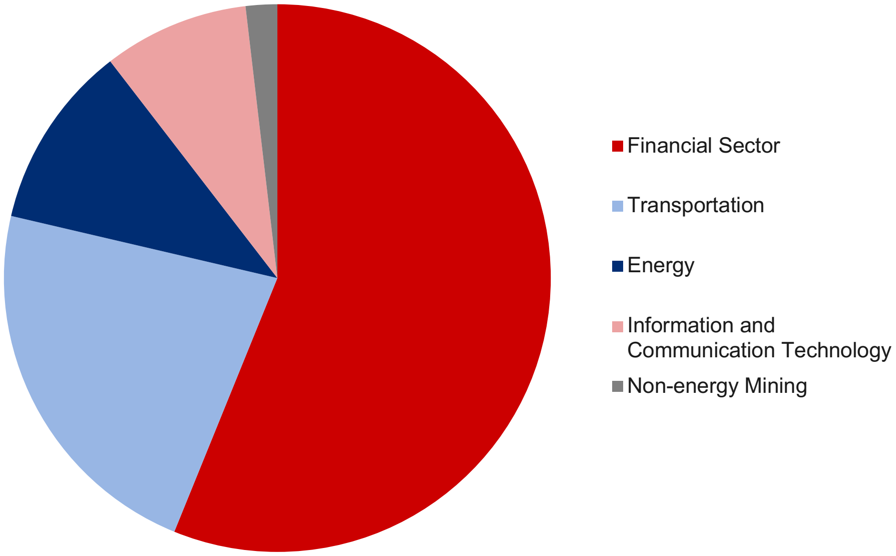
The sectoral breakdown of 2023 loan commitments suggest Chinese lenders used the pandemic years to reevaluate past lending behavior and have begun to implement new strategies for risk mitigation, as well as targeted lending that addresses strategic goals more efficiently and effectively. The prominence of Chinese lending to African financial institutions in 2023 stands out as unique when compared to previous years' lending. Five loans worth a combined $2.59 billion, more than half the total for 2023, were extended to multilateral and nationally owned banks in Africa. In contrast, from 2000-2022, a mere 5.29 percent of Chinese loans to Africa were directed to the continent's financial sector. Figures 3 and 4 illustrate this contrast.

Figure 3: Sectoral Breakdown of Chinese Loan Commitments to Africa, 2000-2022



Source: Chinese Loans to Africa Database, Boston University Global Development Policy Center, 2024.

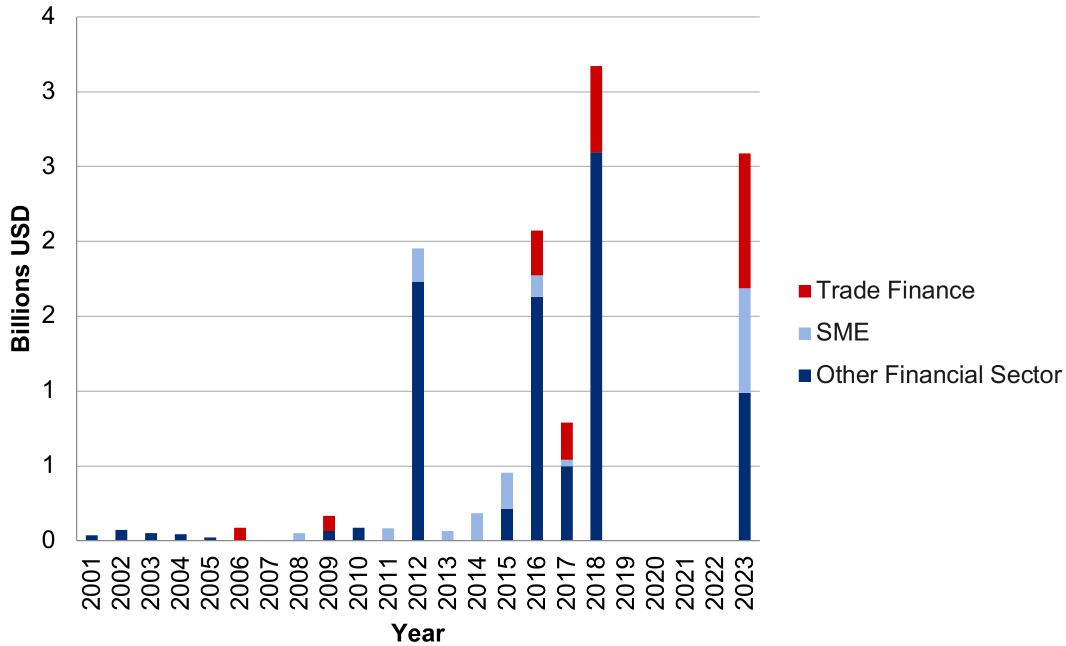
Figure 4: Sectoral Breakdown of Chinese Loan Commitments to Africa, 2023



Source: Chinese Loans to Africa Database, Boston University Global Development Policy Center, 2024.

In 2023, CDB and CHEXIM provided two loans worth a combined $700 million for on-lending to small- and medium-sized enterprises (SME) and two loans totaling $900 million for trade finance to three African regional borrowers and the National Bank of Egypt, a development bank. The Central Bank of Egypt (CBE) received an additional RMB 7 billion ($988 million) loan for liquidity support from CDB. Though the overall amount of lending to Africa's financial sector is unique, it should be noted that CDB and CHEXIM have a history of providing loans for on-lending to African SMEs and the facilitation of trade via African intermediary institutions, as seen in Figure 5. Afreximbank and the Africa Finance Corporation, the African regional borrowers that received SME and trade finance related loans in 2023, previously received at least seven loans from CDB and/or CHEXIM starting in 2009. The emphasis on institutional partnerships is emblematic of the shift to multilateralizing China's 'patient capital' approach to South-South cooperation (Kaplan 2022).

Figure 5: Financial Sector Lending Breakdown, 2000-2023 [3]



Source: Chinese Loans to Africa Database, Boston University Global Development Policy Center, 2024.

China's choice to channel funds through African multilateral financial institutions serves several interrelated purposes. Targeted lending to African financial institutions for purposes of trade finance promotion and on-lending to SMEs represents a risk mitigation strategy that entails outsourcing the 'picking of winners' to African institutions with more in-depth knowledge of African markets. The use of African intermediaries allows China to extend finance to entities located within African multilaterals' countries of operation without exposing Chinese creditors to credit risks associated with those countries. CDB and CHEXIM SME on-lending facilities and trade finance support facilities come with the added benefit that the associated debt is not reflected in individual sovereign governments' debt burdens.

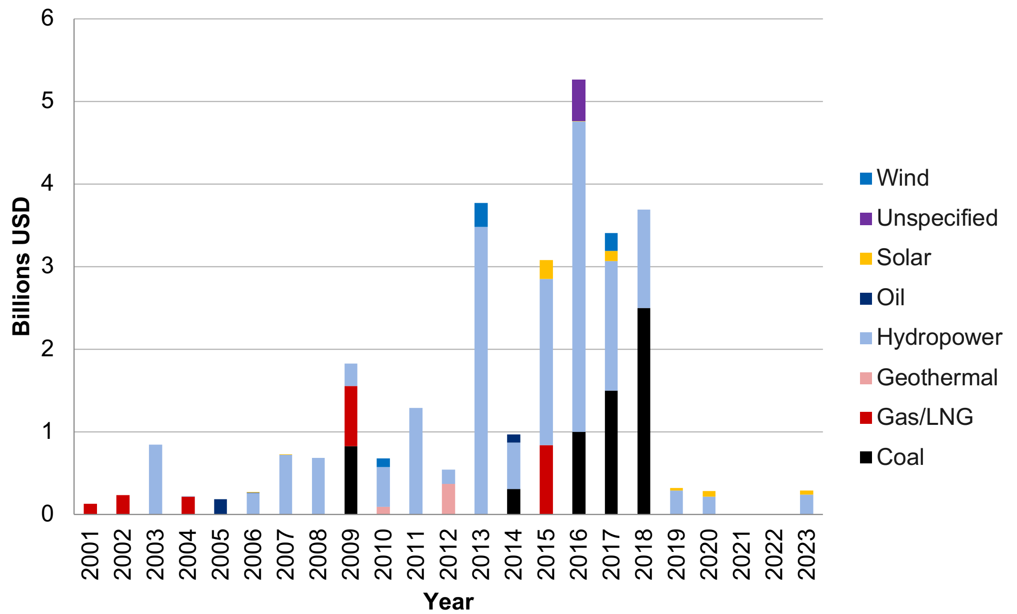
Though trade finance and SME support facilities may not appear to promote Chinese commercial objectives as effectively as the more common "tied" infrastructure loans that mandate the use of Chinese goods and services, trade finance and SME support facilities address both Chinese diplomatic

[3] SME and trade finance loans are coded as such based on information contained in recipient African financial institution and/or Chinese supplier sources. Where these sources explicitly state that the facility in question will be used for on-lending to small- and medium-sized enterprises, the loan is coded as 'SME'. Where sources explicitly state that the facility in question will be used for on-lending to finance trade transactions, the loan is coded as 'Trade Finance'.

and economic goals[4] . They allow China to deliver on the promise of promoting development and entrepreneurship in Africa while simultaneously enabling African businesses to import goods from China (Nyabiage, 2022). Trade facilitation loans in particular, are extended with the expectation that they will be used to help African businesses finance the purchase of Chinese imports, though some are intended to support China-Africa trade indirectly by facilitating intra-African trade (Afreximbank, 2014; Afreximbank, 2023a). In the case of SME loans, the direct effect on Chinese commercial activities is more difficult to estimate. There is evidence to suggest that past CDB funds dedicated to SME development in Africa were channeled to African businesses as well as Chinese businesses operating in Africa (MOFCOM, 2011). However, as of August 2024, the intended recipients of 2023 Chinese loans for SME support are unknown.

In addition to new risk mitigation strategies, China also appears to be recalibrating its approach to the major infrastructure lending that characterized its past engagement with Africa. In the years spanning 2000-2020, Africa's energy sector received the bulk of Chinese loans to Africa, at 35.44 percent of all lending. Then, in 2021, Chinese leader Xi Jinping pledged to stop funding new coal-fired power plants overseas and promised instead to ramp up support for renewable energy in developing countries. Chinese financial institutions appear to have dedicated the years 2021 and 2022 to making the necessary adjustments to implement these policies, as no new funds for energy projects were committed in Africa or elsewhere in the Global South during this period (Springer et al, 2022). However, the year 2023 marks a return to energy finance. For 2023, the CLA Database records three new loans amounting to $501.98 million for energy projects in Africa: a transmission project, a hydropower project of comparatively modest size and a solar power project. The rebound in energy loans, albeit at a smaller scale and with a focus on greener projects, indicates that the "small is beautiful" approach to infrastructure lending is beginning to take shape in Africa. This approach, first promoted by Xi Jinping in 2022, is characterized by smaller loans that can be deployed more rapidly to projects with beneficial environmental and social impacts, rather than the massive infrastructure projects of the past (Ray, 2023).

Figure 6: Power Generation Chinese Loan Commitments to Africa by Energy Source, 2000-2023



Source: Chinese Loans to Africa Database, Boston University Global Development Policy Center, 2024.

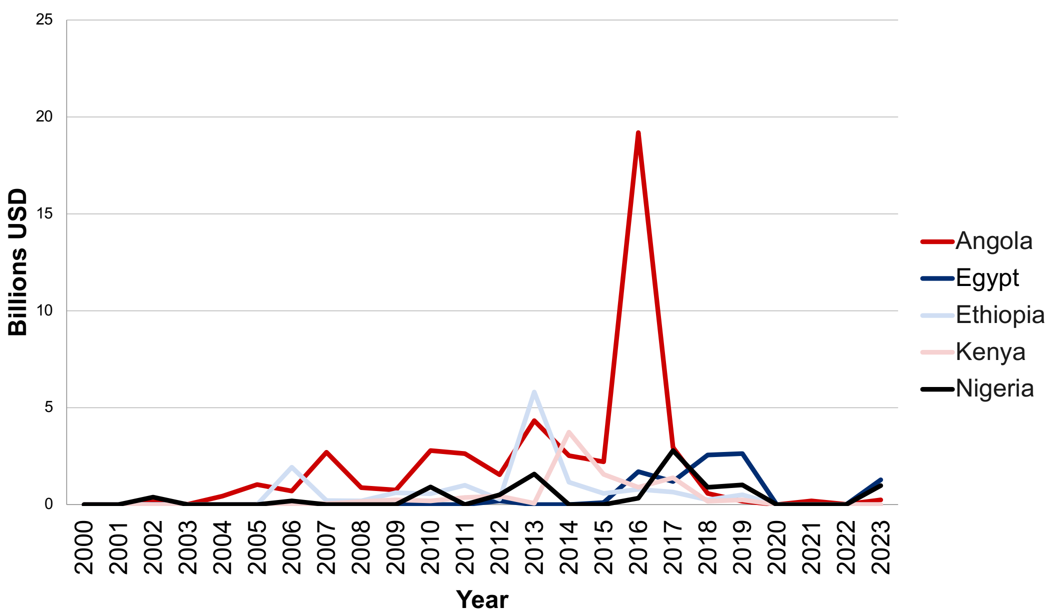
[4] It should be noted that the use of DFIs for the promotion of commercial and foreign policy objectives of their countries of origin is widespread and by no means unique to Chinese DFIs (Akhtar and Brown, 2022).

CONTINUING SOUTH-SOUTH COOPERATION

While the 2023 data on Chinese loans to Africa suggests Chinese lenders are experimenting with new risk mitigation strategies, it should also be noted that Beijing's desire to continue promoting South-South cooperation and remain engaged with longtime borrowers is exposing Chinese financial institutions to more risk. When it comes to maintaining long-term relationships with strategic partners, risk mitigation appears to take a backseat to the overarching strategy of continued engagement with Africa.

The 2023 list of African recipients of Chinese loans includes China's largest African borrower, Angola, as well as its third and fourth largest borrowers, Egypt and Nigeria, all represented in Figure 7, which depicts Chinese lending to its most prominent borrowers between 2000-2023. Angola, Egypt and Nigeria have recently struggled economically, and yet China has continued to lend to all three. Angola has been grappling with debt repayment since the price of oil began to fall in the 2010s, causing the country to turn to the International Monetary Fund (IMF) for a bailout in 2018 (IMF, 2016a; IMF, 2018). More recently, Angola avoided debt restructuring by striking a deal with Chinese creditors that allows it to use funds paid into repayment reserve accounts to settle its debts (Cotterill, 2024). Despite Angola's difficulties servicing existing loans, Chinese lenders have continued to provide Angola with new loans. In 2021 and 2023, CHEXIM committed $79.7 million and $249 million, respectively, to ICT projects in Angola.

Figure 7: Top Five African Borrowers from China, 2000-2023



Source: Chinese Loans to Africa Database, Boston University Global Development Policy Center, 2024.

Egypt has struggled with balance of payments issues for several years and entered into an IMF program in 2016 and again in 2022 (IMF, 2016b; IMF, 2022). As financial risks have compounded and Egypt's adherence to IMF conditions has faltered, many of Egypt's financial partners have altered their approach to injecting liquidity into the Egyptian economy. The Gulf countries in particular have shifted from depositing at the CBE, to buying state-owned assets (Saleh, 2024; Butter, 2020). China has chosen the comparatively riskier approach of lending directly to the CBE. In contrast to those securing their provision of funds to Egypt with assets, China appears intent on maintaining its unconditional and unsecured lending approach in Egypt. As of August 2024, there is no evidence to suggest that the RMB 7 billion loan CDB extended to the CBE for the purpose of liquidity support in 2023 was collateralized or conditioned on reforms of any sort, nor is there any evidence of the use of collateral or conditions in the case of the liquidity support facilities issued by CDB in 2016 and 2018.

Nigeria, China's fourth largest African borrower, is projected to slip from first to fourth place in the ranking of Africa's largest economies this year, as inflation and currency depreciation continue to take their toll (Vanek, 2024). Over the past two years, Chinese lenders halted disbursements and paused negotiations for a number of rail projects (MMS Plus, 2022). In 2023, one of these projects, the Kano-Kaduna section of the Lagos-Kano railway, received a $973 million CDB loan that replaced a now canceled CHEXIM loan (Akwueh, 2023). In the case of the stalled Port Harcourt-Maiduguri line, talks regarding Chinese funding appear to have resumed after the Chinese contractor was tasked with procuring a loan for the project (Angbulu, 2023).

The prospect of financial rewards alone cannot explain Chinese DFIs' decisions to provide Angola, Egypt and Nigeria with new loans in 2023, given the financial stress these countries are experiencing. Rather, the provision of loans to struggling longtime borrowers likely represents an attempt to maintain strategically important relationships. Instead of shifting lending entirely to countries with more capacity to absorb debt, Chinese DFIs appear to be using the majority of the reduced amount of funds they have at their disposal to double down on existing relationships.

The strategic importance of Angola, Egypt and Nigeria goes beyond their inclusion in the list of China's top five African borrowers. All three are resource rich sources of Chinese oil and gas imports from Africa. Angola tops the list of African exporters to China by virtue of its oil shipments to China (Moses et al., 2024). Egypt and Nigeria, on the other hand, are among the top five African importers of Chinese goods (ibid). Also, Chinese construction firms earned more of their combined gross annual revenues in Nigeria than in any other African country (Chen et al., 2024). Egypt's and Nigeria's strategic importance in terms of global trade infrastructure also deserves mention. Chinese ships are the most frequent users of the Suez Canal and Chinese companies have pledged billions in investments in special economic zones associated with the canal (Nyabiage, 2022). In Nigeria, China Harbor Engineering Company (CHEC) recently completed construction and took a 75 percent stake in the Lekki Deep Sea Port, one of the largest ports in West Africa (Sanni, 2023).

While China appears determined to invest in existing relationships, the scope and type of projects that will serve as conduits for the maintenance of those relationships is changing. In the case of Angola, Chinese DFIs' investment in the relationship has fallen considerably. Between 2002, when Angola began borrowing from China, and 2018, the year it entered its first IMF program, yearly Chinese loan commitments averaged $2.8 billion. From 2018-2023, Chinese lenders committed $1.21 billion to Angola in total, with $195 million, $18 million and $249 million provided in 2021, 2022 and 2023, respectively. Nigeria's receipt of a $973 million loan for the Kano-Kaduna railway is an exception to the rule of shrinking investments in existing relationships. The latter case, however, likely represents an anomaly and an effort to bring pre-pandemic commitments and pledges to a conclusion, rather than an indication of the strategy Chinese lenders intend to pursue further. Only once the pipeline of pre-pandemic loans and projects empties, will the true extent of China's new engagement strategy with Africa manifest itself in the data.

CASE STUDY: CDB, CHEXIM AND THE KANO-KADUNA RAILWAY IN NIGERIA

In April 2023, the Nigerian Senate approved a $973 million CDB loan for the Kano-Kaduna section of the Lagos-Kano railway, rescinding a prior, undisbursed loan agreement with CHEXIM (Akwueh, 2023; Sinosure, 2023). The Nigerian Government funded early phases of construction with budget funds, while contractor China Civil Engineering Construction Corporation (CCECC) in collaboration with the Federal Ministry of Transportation was tasked with procuring a new loan.

In 2006, CCECC was awarded a $8.3 billion commercial contract for the 1,343-kilometer Lagos-Kano railway. The project was subsequently split into three sections collectively worth $5.85 billion due to funding constraints (National Assembly of Nigeria, 2017; Railway Technology, 2020). CHEXIM approved funding for all three sections to the tune of 85 percent of the contract cost, with the remaining 15 percent, plus value-added taxes (VAT) and land acquisition fees covered by the Government of Nigeria (Agbajor, 2017). CCECC began construction of the Abuja-Kaduna section in 2011 and completed the project in 2016 (Railway Technology, 2020; Railway Gazette International, 2016). The Lagos-Ibadan section was under construction from 2017-2021 (Agbajor, 2017).

At the commissioning of the Lagos-Ibadan rail line on June 12, 2021, Nigeria's Minister of Transportation, Rotimi Amaechi, expressed frustration over the delayed loan approval from CHEXIM for the Kaduna-Kano line. By July, he announced that work on the 204 kilometer Kaduna-Kano section, valued at $1.58 billion, would commence using budget funds, with $318 million already paid to the contractor to advance the project until the loan was secured. The groundbreaking for this section occurred on July 15, 2021 (Adesanya, 2021; Agbajor, 2017). Amaechi applied significant pressure on CCECC to fulfill its contractual obligation to procure a loan for the project, publicly accusing the company of "play[ing] politics", and his predecessor even issued CCECC with a deadline by which he expected CHEXIM to disburse funds (Daily Trust, 2022; Olafusi, 2022).

After exploring various financing options, the Nigerian government secured a $973.5 million loan from CDB in April 2023, featuring a 15-year maturity, 2.7 percent interest rate, plus six months Euribor, a 0.4 percent commitment fee, and a 0.5 percent up-front fee (Akwueh, 2023; Ripples Nigeria, 2023). At the 2023 Belt and Road Forum in Beijing, Xi Jinping expressed China's continued interest in funding rail projects in Nigeria and pledged funding for two other stalled projects (Angbulu, 2023).

CASE STUDY: CDB, AFREXIMBANK AND ON-LENDING FOR SMES

On August 28, 2023, the China Development Bank (CDB) signed a $400 million loan agreement with the African Export-Import Bank (Afreximbank) at Afreximbank's headquarters in Cairo (Afreximbank, 2023b). The purpose of the loan is to support SMEs engaged in intra-African and China-African trade. The agreement stipulates that the financing be disbursed to African SMEs either directly by Afreximbank or indirectly via other local African financial institutions. Following the signing, Professor Benedict Oramah, President and Chairman of Afreximbank's Board of Directors, was quoted saying that the "medium to long-term" facility was obtained on "affordable" terms, enabling Afreximbank to pass on borrowing cost savings to African SMEs.

African SMEs play a major role in job creation and economic growth in the region. In sub-Saharan countries, for example, SMEs account for 95 percent of all registered companies and contribute to around 50 percent of gross domestic product (GDP) (Cooper, 2023). However, access to financing remains a challenge. Afreximbank and CDB have been collaborating since 2018 when they agreed on a $500 million loan to boost trade finance and support "trade enabling infrastructure projects" in Africa (Afreximbank, 2018). Although details regarding the intended target of the 2023 CDB loan for SME support are unavailable as of this writing, previous CDB interventions supported African as well as Chinese businesses and channeled funds to projects in various sectors, including health as well as industry and trade/services.

The 2023 facility as well as other loans intended for SME support address public promises and pledges made by Chinese leaders. At the opening ceremony of the 2021 Forum on China-Africa Cooperation, Xi Jinping pledged to provide credit facilities worth $10 billion to African institutions to support the development of African SMEs (Xinhua, 2021).

CONCLUSION

Renewed levels of sovereign lending in 2023 reflect China's continued commitment to engaging with Africa. Though annual commitment amounts may not return to it's peaks of nearly $30 billion seen in 2016, the first increase in cumulative loan amount since 2016 exemplifies China's determination to experiment with new engagement strategies in the face of constraints at home and in Africa. The use of intermediary regional financial institutions allows China to distribute funds on the continent and honor its financial promises, while supporting Chinese exporters and insulating lenders from risks associated with individual countries.

Concomitantly, Beijing also appears determined to maintain relationships with longtime strategic partners and to strengthen South-South cooperation. However, the desire to invest in continued partnerships may clash at times with the necessity of instituting new risk mitigation measures. China will likely continue to pursue a bifurcated strategy of risk-averse experiments with borrowers that received fewer loans in past years and decidedly riskier forms of engagement with its longtime partners. Additionally, the size of individual loans is expected to shrink, even in countries that have a long history of engagement with China, as the pre-pandemic pipeline of big-ticket projects empties out. It remains to be seen whether China's partnerships in Africa will retain their quality as the quantity of lending moves to a lower level.

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