

# Chinese Aid and Investment in in Africa

- 3 Data Challenges
- 3 Investment Trends

# Issues with Data: Confusions and Quality

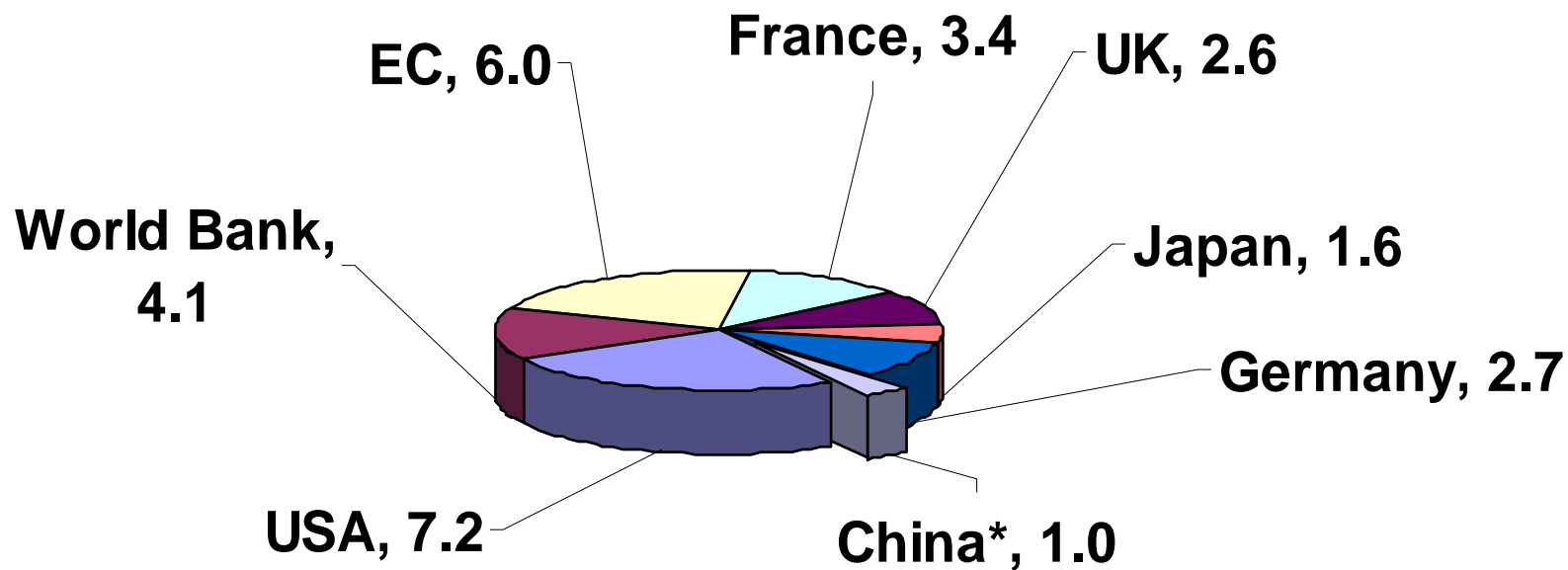
1. External Assistance (*dui wai yuan zhu*)
2. Foreign Economic Cooperation (*dui wai jing ji he zuo*)
3. Export Buyer's Credits (*mai fan xin dai*)
4. Overseas Foreign Direct Investment

# How Much “Aid” Does China Provide to Africa?

- World Bank “\$44 billion” since 1956
- *Foreign Policy* “\$9 billion in aid for just one project”
- US Congressional Research Service:
  - 2006 “\$9 billion”
  - 2007 “\$17.9 billion”

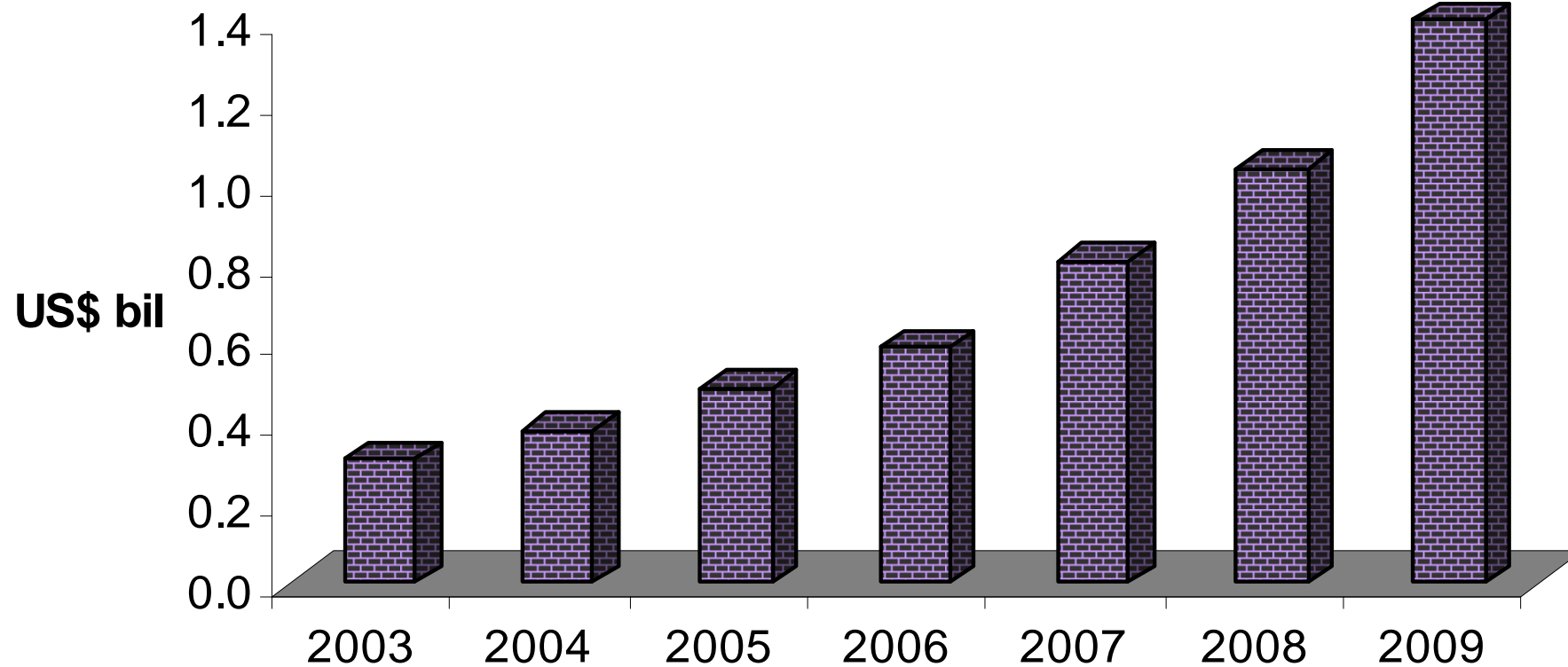
# Major Donors, ODA to Africa, 2008

Disbursements, US\$ bil



Source: OECD-DAC Statistics. \*Chinese figure is estimate. Figures do not include debt relief

## Chinese ODA to Africa, Disbursements\*



# Contrasts

*What shocks us:*

China can build a presidential palace in Sudan and finance this through the aid budget.

*What shocks*

*them:* Western experts live in 5 star hotels & have rich overseas lifestyles, paid out of aid budget

# Chinese engineers & architect quarters, Sierra Leone parliament building renovation

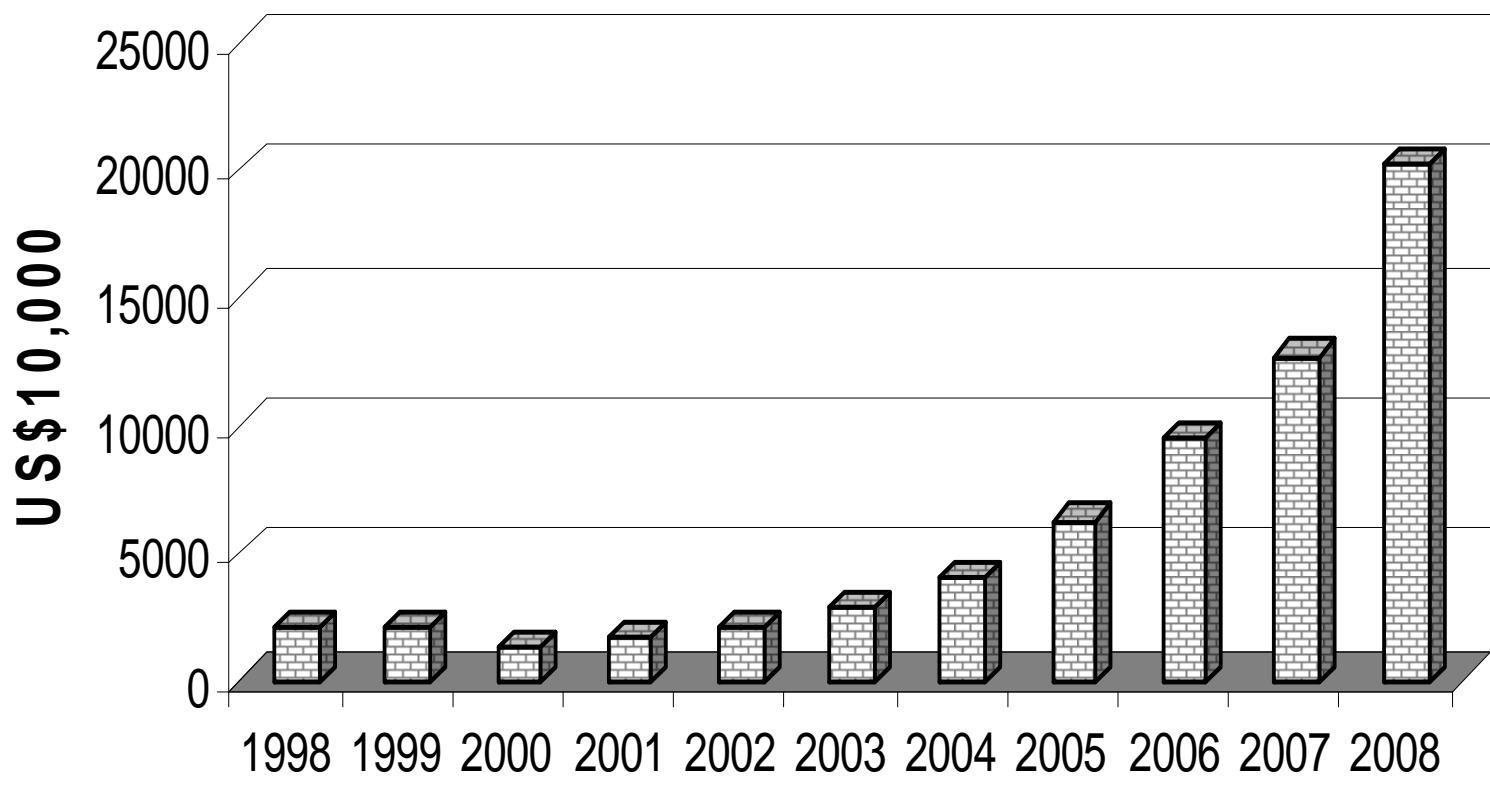


# Foreign Economic Cooperation Data

- Overseas civil engineering construction financed by foreigners or investors
- Overseas projects financed by China's foreign aid
- Sub-contracted projects Housing development projects



**Table 1: Chinese Companies: Annual Turnover from Construction Projects in Africa, 1998-2008**



Source: MOFCOM (courtesy of Jean-Claude Berthelemy)

# What about China's Huge Commodity-backed Infrastructure Credits?

- Angola, DRC, Equatorial Guinea
- Widely misunderstood as “aid” but “*not concessional at all*” – OECD statistics
- Market-rate line of export buyer's credit
- Tied to Chinese goods & services & secured by commodities

# Angola: Oil-Backed Line of Credit Terms (2004)

	<b>Amount</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Grace Period</b>
China Eximbank	\$2.0 bil	LIBOR plus 1.5	12 years	Until end of each project
Standard Chartered Consortium	\$2.35 bil	LIBOR plus 2.5	5-7 years	none

# Angola: 33 Projects for \$1b (2004-2007)

- Ag. Machinery & equipment \$22m
- 4 Irrigation systems \$93m
- Luanda's electricity system: \$45m
- Water treatment system repair in 3 provincial cities: \$21m
- 5 agricultural training institutions
- 6 polytechnical colleges
- 5 secondary schools: \$26m
- Kifangondo-Caxito road: \$211m
- 86 ambulances
- 6 provincial health centers
- Rehabilitate 7 regional hospitals ... etc. etc.

# Risks

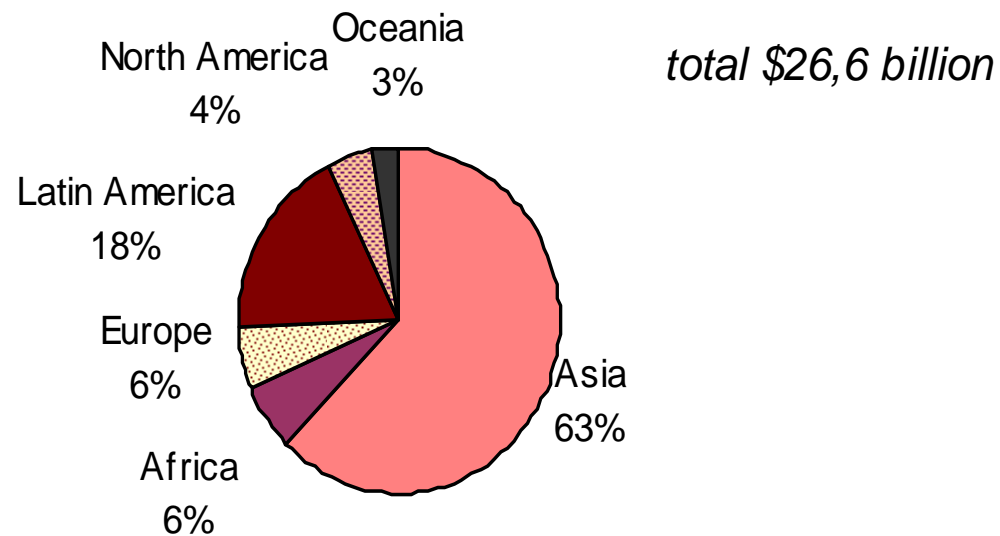
- Value for money?
- Project selection/ feasibility?
- Kickbacks?
- Maintenance?
- Double-mortgage a future export?

# Benefits

- Less likely to be embezzled: no cash
  - “with China, you never see that money”
- “Agency of restraint” in resource-cursed countries
- Can expand debt servicing capacity
- Infrastructure doesn’t need to wait for governance to improve
  - Angola after the end of the civil war

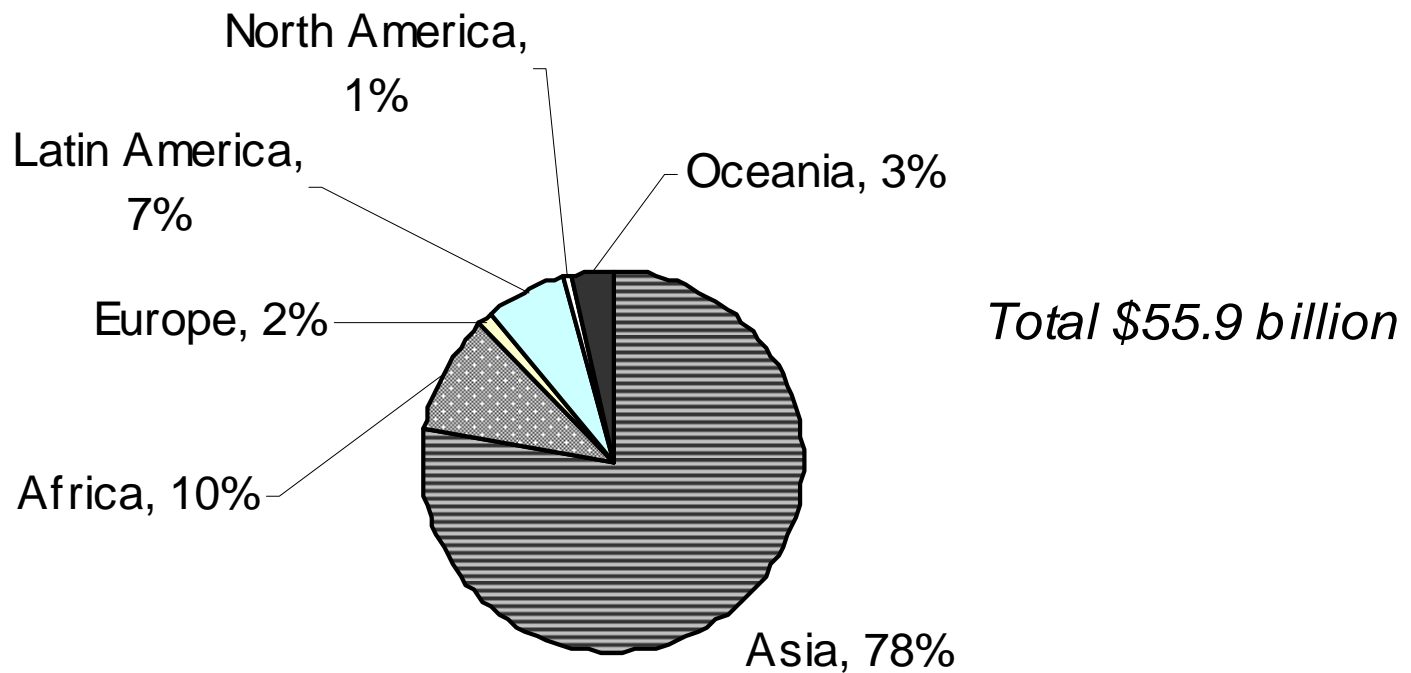
# FDI: Data Challenges

## Chinese FDI flows 2007



Source: 2007 Statistical Bulletin of China's Outward Foreign Direct Investments

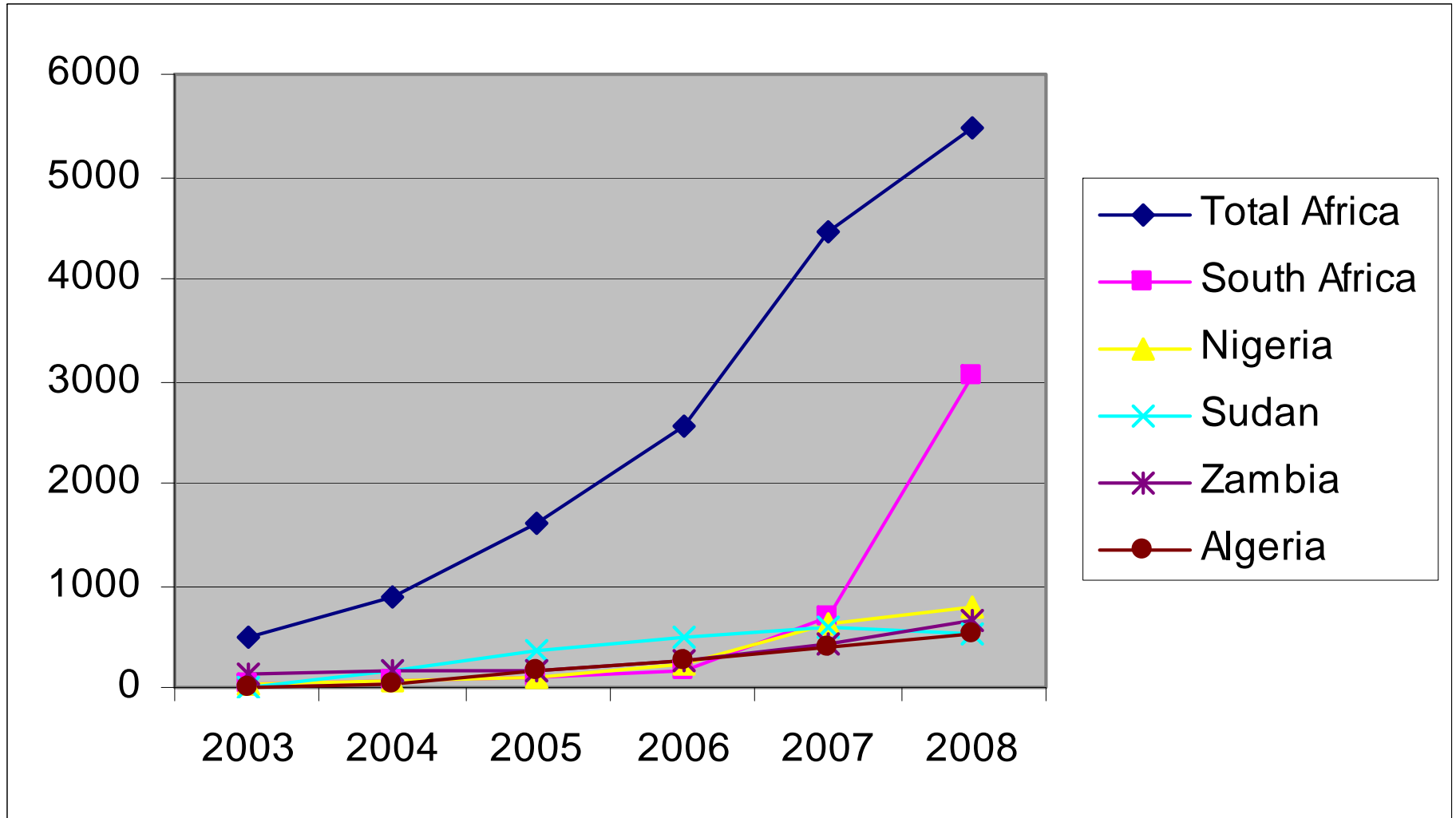
**Figure 4: Chinese FDI Flows 2008**



Source: 2008 Statistical Bulletin of China's Outward Foreign Direct Investments



# Top Five African Countries Chinese FDI Stocks (Official) \$mil



# Nigeria: Data Problems

- Nigeria: official MOFCOM data = \$796 mil stocks (2008)
- Interviews in Nigeria with Ec Counselor's Office = \$6 billion FDI stock (2009)

# It's not just the minerals

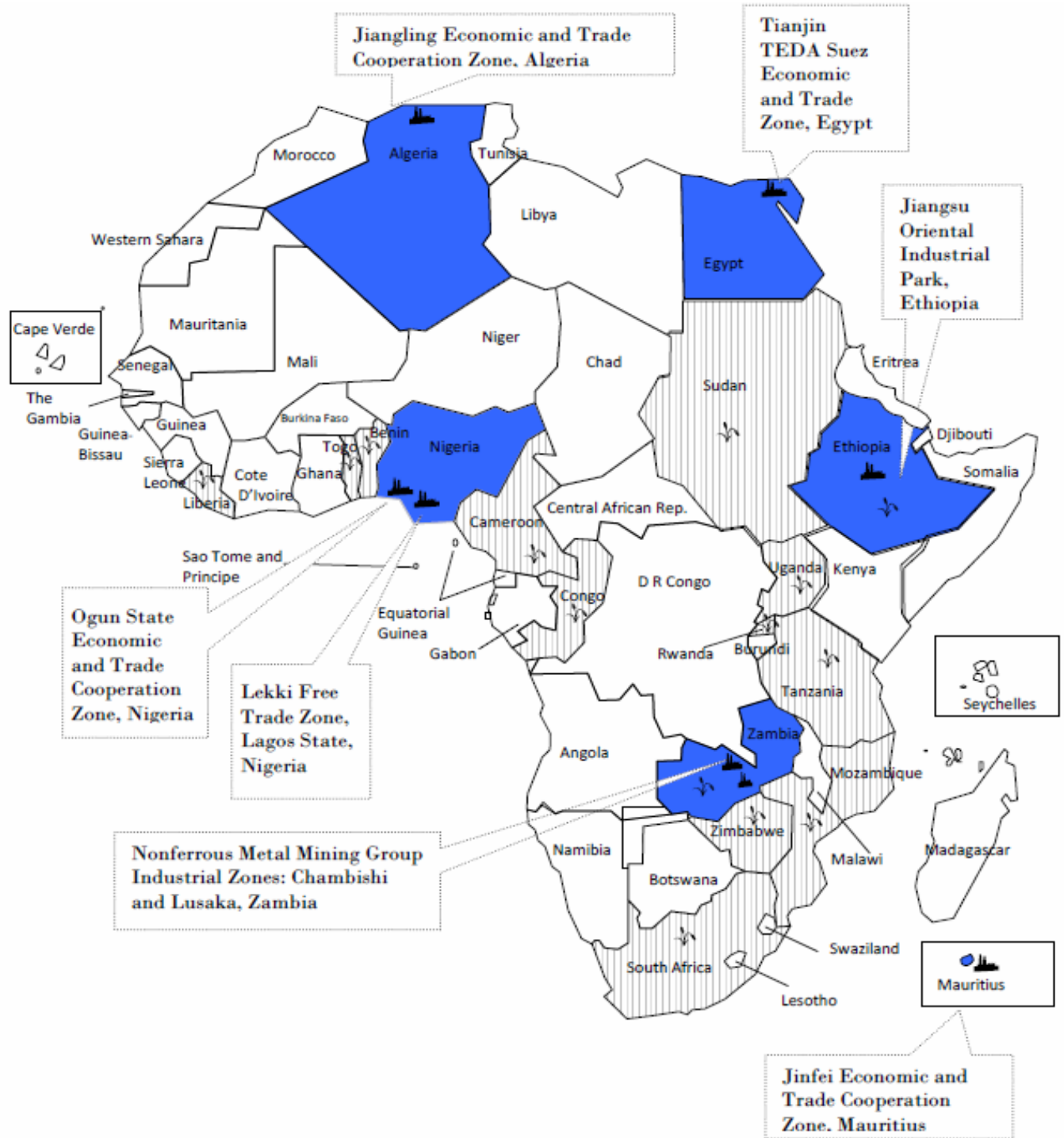
Nigerian Official:

“The West comes here, and it's oil, oil, nothing but oil. But the Chinese come, and they are interested in *every sector of our economy.*”

# Three Investment Trends

- Manufacturing Investment (Overseas Economic Zones)
- Resource Processing/Refining on Site
- Investment in Banks

# China's First Seven Overseas Zones in Africa



# Mineral Processing & Refining

- **“This country [Niger] has already seen uranium extraction for nearly 40 years ... But when one sees that the direct revenues from uranium are more or less equivalent to those derived from the export of onions each year, there’s a problem.”**

# Banking Investments

- Standard Bank, South Africa (< \$5 bil)
- Barclay's Bank

Chinese ambassador in Niger:

**“This country has already seen uranium extraction for nearly 40 years ... But when one sees that the direct revenues from uranium are more or less equivalent to those derived from the export of onions each year, there’s a problem.”**



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