

# CGF-ODI-AERC Conference 2024

Analysis of Chinese infrastructure finance and public debt accountability in Africa: Case studies of Kenya, Senegal, Uganda, and Zambia.

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# Research problem and methodology

- **Background**

- China is one of the leading bilateral lenders in Africa
- China's loans to African countries currently totals up to US\$ 182.3 billion (Boston University Global Development Policy Center (BUGDPC), 2024)
- Loans help to fund several projects in Africa such as SGR railway in Kenya; the Blaise-Diagne International Airport (AIBD) - Mbour - Thiès Road in Senegal; the Kampala-Entebbe Express Highway in Uganda; and the Kafue Gorge Lower Hydropower Plant in Zambia

- **Research problem**

- China has been partly blamed for debt crisis in Africa (Moody's, (2018); & Hurley, Morris & Portelance, (2019))
- China operates a no strings policy – no hold over accountability and no official loans database
- African countries have varied levels of debt transparency and accountability (Gelpern *et al.*, (2021) & (AfDB, 2024)
- Agency theory and Debt overhang theory help to explain the current debt situation in Africa
- Current literature shows a positive relationship between fiscal transparency and borrowing costs<sup>1</sup>
- Current studies have focused more on China's role in the partnership<sup>2</sup>; however, Africa's own accountability has not received much attention. One study in Ghana focuses on this (Phillips, 2019)

- **Methodology:** Focus of the study is to analyse debt accountability frameworks that are used across 48 African countries for the period 2000 – 2020 and how they evaluate debt accountability, using insights from four sample countries from this group namely, Kenya, Senegal, Uganda, and Zambia

<sup>1</sup> (Kemoe and Zhan, (2018), and Bastida *et al.*, (2017)      <sup>2</sup> Hurley, Morris and Portelance, (2019), Were, (2018), Singh, (2020), Jones and Hameiri, (2020), Brautigam, (2020), Ryder and Fu, (2021), and Brautigam *et al.*, (2022).

# Findings

- **Country specific accountability frameworks** – Each sample country has a satisfactory level of own debt reporting frameworks with satisfactory legal frameworks; however, the laws are not yet well developed to cater to evolving financial instruments
- **Common frameworks**
- **Debt Management Performance Assessment (DeMPA)** – African countries do not regularly partake in this initiative. Senegal and Uganda show effort in debt collation and dissemination. Kenya’s 2014 and Zambia’s 2018 DeMPA reports not publicly available. Noted weaknesses across most African countries in enabling the debt data recording process with systems and procedures to guide the recording and ensuring that debt recording is done on a timely basis (World Bank, 2023a)
- **Global Partnership for Effective Development Co-operation (GPEDC)** – Most African countries do not participate in each reporting round. In all the sample countries, external debt is timely disbursed within the respective year. However, there are noted deficiencies across African countries such as insufficient legislature overview on external loan contracts, the dominant use of lender provided accountability frameworks and insufficient public-private dialogue (GPEDC, 2024b).
- **Debt Reporting Heat Maps** - All sample countries endeavour to collate and publicise external debt data. However, most African countries including sample countries portray weaknesses regarding lack of information on recently contracted loans (some of which are loans extended by China), poor debt management systems, and limited or no adherence to annual loan caps (World Bank, 2023d)



# Conclusions and recommendations

- **Conclusions**
- **Legislative frameworks** – Established legal frameworks in all the four sample countries, but they do not currently cater to some evolving financial instruments. Also, cases of insufficient guidelines and systems to implement these laws, resulting in partial recording of the data
- **Legislature overview** - African countries negotiate for external debt individually, and not all debt that is sourced and agreed for developmental projects is scrutinised by the legislature; and there was minimal or no public-private dialogue
- **Accountability frameworks** - Big percentage of use of development partner debt management systems in all the sample countries. Common frameworks are all on voluntary basis. Minimises the opportunity to develop and use own country debt management systems
- **Debt data recording** – Weaknesses in debt data recording in all the sample countries. Most debt records were found to be either in draft form or incomplete, making it difficult to publish timely debt reports. No formal database. China promised to develop a modern statistical information system for foreign assistance (The State Council Information Office of the People's Republic of China, 2021)
- **Recommendations:**
- **African Borrower's club** - African countries need to foster collective agency for debt negotiation and accountability and initiate a borrowers' club that includes country memberships from each African country. Similar to the Common Leverage Union of Borrowers (CLUB) (OSC, 2023)
- **African accountability framework** – Identify and initiate own common accountability framework so that debt can be systematically recorded, managed, evaluated, and reported in real time



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Thank you!