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The impact of Chinese investment loans on sustainable economic development in Africa: Case studies of Kenya, Senegal, Uganda, and Zambia.

A thesis submitted for the degree of Doctor of Philosophy in Finance and Management

By

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July 2024

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I dedicate this thesis to my mother Mrs Lois Ndyamwijuka who raised us responsibly in a loving home.
This is for you Maama!

Catherine Tuhirirwe
July 2024.

Abstract

With China as a leading lender in many Africa countries, this thesis aimed to ascertain the impact of Chinese loans on sustainable development in Africa. We investigated 48 African countries with a focus on four sample countries namely Kenya, Senegal, Uganda, and Zambia for the period 2000-2020, using a mixed methodological approach. From the analysis, we find that the mostly used model is the China model in conjunction with the Build-Operate-Transfer project delivery model. Also, we identify two good best practice examples in Benin and Cameroon with useful insights for loan clauses scrutiny and transparency and we highlight the need for collective agency. Moreover, we find that Africa has relatively poor governance that undermines agency and leads to higher costs of borrowing. Secondly, we find that that Africa does not have a common debt accountability framework and most of the accountability frameworks at macro level are voluntary and not all countries participate in each reporting round, which presents an opportunity for a common African debt accountability framework. Thirdly, using Generalized Method of Moments, we find that Chinese loans currently have a negative impact on sustainable development in Africa and the higher the debt transparency, the higher the project benefits. Lastly, we find that recipient countries with poor governance register the highest risks. The findings suggest that for debt to be of meaningful benefit, its process from identification of projects to the utilisation of the facilities and loan amortisation must be well guided through solid policies and procedures that encourage agency, enforcement, transparency, and accountability. Therefore, we encourage recipient governments to enact relevant laws and reinforce solid governance with enforcement policies that streamline financing procedures and processes.

Key words

China, Sub-Saharan Africa, economic growth, Chinese loans, infrastructure, debt distress, debt trap, asset seizure, sustainable economic development, Agency, Game theory, Debt overhang

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List of acronyms

AfCFTA	African Continental Free Trade Area
Africa	Sub Saharan Africa
CL	Chinese Loans
BRI	Belt and Road Initiative
BUGDPC	Boston University Global Development Policy Center
CARI	China Africa Research Initiative
China	The People's Republic of China
DSSI	Debt Service Suspension Initiative
FDI	Foreign direct investment
IMF	International Monetary Fund
PAPs	Project Affected Persons
SDGs	Sustainable development goals
HIPC	Heavy Indebt Poor Countries
WB	World Bank
WTO	World Trade Organisation
GPEDC	Global Partnership for Effective Development Co-operation
WEF	World Economic forum

Chapter 1 Introduction

1.1. Background

External funding is a viable source of finance that provides funds to finance developmental projects in many countries (Quak, 2018) and overall, it is a form of policy. Sourced loans can be utilised to improve the standard of living or in developmental projects with the hope that they will contribute to the economy's economic growth, boost employment, boost the development of technology, as well as improve human capital. For external debt to be meaningful, it must be affordable, and the economy must realise the benefits from it. Although debt can be utilised as a catalyst to boost economic growth, if it is mismanaged, this can result in negative effects on the recipient country's economy (Pettis, 2022), and therefore it is imperative that recipient countries have robust debt management systems in place to manage debt sustainably and avoid debt distress and related consequences.

For numerous development projects in many of its nations, Africa has received finance from a variety of sources. Initially, organisations such as the World Bank and the International Monetary Fund (IMF) under the Bretton Woods system initiated external financing to Africa. Between 1973-74, the world market experienced oil price shocks and increasing commodity prices that resulted in unexpected changes in the African economies thereby necessitating more public spending. From 1978 to 1979, many African governments sought more external development financing from multilateral organisations like the IMF. As more African countries acquired loans from these institutions, they began to suffer with debt amortisation due to the high interest rates, other loan terms, and the lengthy repayment periods: this resulted in the initial debt crisis in Africa (Geda, 2003).

The IMF and the World Bank then initiated the Structural Adjustment Programme (SAP) that was geared towards assisting countries in economic crises to manage their debt repayments. These countries would need to make structural adjustments in their economies such as reducing government spending and opening to free trade. The SAP initiative was criticised for several failed projects (Dollar, & Svensson, 2000), and this was compounded by the failures of the privatisation scheme, which led to considerably much higher commodity prices and issues of design and

implementation that diverged responsibility from the African governments to the World Bank and the IMF (Nellis, 2003). These issues led to many African countries looking elsewhere for funding to finance large developmental projects. With many lenders coming onboard and Africa increasing its borrowing appetite, debt levels in Africa have increased; for example, between 2005 to 2015, external debt averaged 26.06 percent in Sub-Saharan Africa (Manasseh *et al*, 2022). Despite this trend, data shows that by the end of 2016, Africa's debt to multilateral institutions was up to US$ 130 billion, with some of the highest loans extended by the World Bank and other multilateral organisations (Jubilee Debt Campaign, (2018).

As non-traditional bilateral lenders such as India, Saudi Arabia and China entered the market, China's presence became more pronounced, stemming from early 2000, following the formation of Forum of China Africa Cooperation (FOCAC). Despite multilateral lending steadily growing in Africa, the appetite for bilateral loans seems to have grown more in recent years. There has been a recurring sentiment that the Western world has reduced their financing commitments to governments in developing economies; as a result, China has become a notable lender. For example, in an interview with David Lammy (Leading Britain's Conversation (LBC), 19 March 2023), Laura Trevelyan, a former British Broadcasting Corporation (BBC) journalist, said; "*The Chinese are investing all over the Caribbean because the former colonial powers are not*" (LBC, 2023). This same sentiment could explain the increasing levels of Chinese lending in Africa in recent years. Additionally, some studies have suggested that the main reason why African countries are securing loans from Chinese entities is because Chinese lenders have a no strings attached policy and that their loans pay out quickly compared to multilateral loans or loans from other traditional bilateral lenders (Sautman and Yan, 2007; Hobbs, 2016; and Mlambo, Mlambo and Mubecua, 2018). In the recent decades, slow economic growth along with falling commodity prices and exchange rate depreciation have required African governments to seek out new lenders in the market. Some are commercial lenders whose loans attract market or higher than market interest rates, leading to increasing indebtedness in Africa. Moreover, as some African countries have grown to low-middle and middle-income status, they have been able to access capital markets. By 2019, 20 African countries had issued bonds in the international capital markets that were denominated in United States Dollars (US$). Statistics show that the external foreign currency debt of African countries grew from US$ 237.57 billion in 2005 to a total of US$ 524.12 billion in 2017 (African Legal Support Facility (ALSF), 2020), thereby contributing

to the recent debt distress in the region (Heitzig *et al*, 2021). This has been exacerbated by the effects of the COVID-19 pandemic, as well as the recent Russia-Ukraine war that has resulted in the commodity prices volatility (Baffes and Nagle, 2022).

1.2. Research Problem

In the recent decades, China has been at the forefront of funding some of the largest developmental projects in Africa; from railway lines in countries such as Kenya, Ethiopia, Angola, Djibouti, and Nigeria, to the construction of buildings such as the African Union (AU) headquarters and the Zimbabwean parliament (Tubei, 2018). As this funding has increased, so has the debate on what this financing means for the recipient countries in various aspects such as contribution to economic growth and what exactly China is looking to gain from financing several developmental projects in Africa. Some authors have concluded that the contractual obligations of these loans have resulted in some African countries struggling with debt repayments: a phenomenon that may be described as the looming debt crisis in Africa (Ndikumana, Mannah-Blankson, and Espiritu-Njuguna, (2020); and Mlambo, (2022)). This has come about mainly due to the nature of the China-Africa partnership, necessitating investigation into Africa's agency throughout the loan contract period, its loan accountability frameworks, benefits from the projects, and risks arising from the loans.

As the literature currently stands, there have not been analyses that holistically investigate the undertaken projects in Africa and how recipient countries seek loans, negotiate for contract clauses, loans schemes, project delivery models, manage, and account for them. Many other authors have focused on single project case studies or single country case studies investigating the impact of institutional quality on the negotiation process and the outcomes from the projects. For example, Zhu, Mwangi and Hu, (2022); Lesutis, (2021); Taylor, (2020); and Irandu and Owilla, (2020) focused their investigations on the impact of the SGR on the economy of Kenya while Mutikanga, Kayondo, and Akita, (2023) focused on the investigation on the impact of Chinese funded projects in Uganda arising from the performance of Chinese international contractors.

Other studies have investigated costs of borrowing in relation to transparency, finding that there is a positive correlation between a country's level of fiscal transparency and their borrowing costs, especially for countries whose budget processes are more transparent (Kemoe and Zhan, 2018;

and Bastida, Guillamón, and Benito, 2017). Additionally, market respondents react positively to transparency reform news (Choi and Hashimoto, 2018); however, in regions where corruption has been reported to be prevalent (Transparency International, 2021), transparency and accountability may be undermined. Some authors such as Were, (2018a) have pointed out that contributions from Chinese loans are impacted through diversion of funds to unintended purposes. This is especially true for projects that do not have conditionalities for transparency and accountability for example in Ghana where Phillips, (2019) finds that both Chinese contractors and Ghanaian collaborating companies lacked project accountability. Literature shows that African countries have respective accountability systems but also to a large extent use lender provided accountability frameworks for undertaken projects (World Bank, 2022b). The lack of consistency in monitoring and evaluation that arises from these frameworks is likely to lead to problems in aligning all projects to identify their benefits and lessons learnt.

Furthermore, depending on how the projects are managed, the level of benefits varies with each undertaken project. Many scholars have conducted studies on the impact of Chinese loans on factors such as economic growth (Dreher *et al.*, 2021; Bluhm *et al.*, 2018; Eom, Brautigam and Benabdullah, 2018; Mlambo, 2019; Yu, Du, and Dang, 2020; Mlambo, 2022; Busse, Erdogan, and Mühlen, 2016; Jaworski, Lu and Gertsch, 2020; and Mandon and Woldemichael, 2022); sustainable growth (Lewis, Yang, and Moise, 2021; and Kolawole, 2021); inclusive growth (Kolawole, 2016; and Whajah, Bokpin and Kuttu 2019); employment (Oya, and Schaefer, 2019); and education (Martorano, Metzger, and Sanfilippo, 2020). These studies yield mixed results whereby some of the studies find that Chinese loans have a positive impact on respective African recipient countries while others find that China is the major beneficiary, and a few others find that Chinese loans have a negative impact on the recipient African countries.

As well as this, there have been concerns about risks that may arise from Chinese loans. To assess these risks, studies have investigated the comparison between China and the Western lenders (Marson, and Savin, 2022), Chinese lending practices (Gandhi, 2019; Tan, 2019); opaque debt (Gandhi, 2019; Tan, 2019), debt transparency (Kubota, and Zeufack, 2020; Nantulya, 2021), the main drivers, needs, characteristics, and complexities (Fiori and Kovaka, 2005; and Reboredo, 2021), asset seizures which have mainly featured in the press (Athumani, 2019; Biryabarema, 2021a; Lusaka Times, 2018) and debunking of the debt trap allegations (Brautigam, 2020; Singh, 2020; and

Brautigam *et al*, 2022). Although asset seizure allegations have been debunked, some scholars such as Faye and Ho, (2019) conclude that it does not negate the fact that Chinese loans to African countries contribute to the unsustainable debt in these countries. On a positive note, China has up to now opted to refinance the loans extended to recipient countries rather than seize the national assets (Van Wieringen, and Zajontz, 2023).

Given the above analysis of existing studies, this thesis sought to fill the following gaps. From the current literature, African agency has been analysed based on the negotiations and outcomes of the projects. This leaves scope to analyse the impact of African agency from the identification of projects, lenders, through to the contracted loans management. Also, with African countries using different accountability frameworks to account for external debt, there is scope to investigate how ideal these frameworks are. More so, there have not been many studies that have focused on the impact of Chinese loans on sustainable development in Africa. Also, there are mixed findings on the impact of Chinese loans on economic growth in Africa and it is imperative to re-investigate what the current impact is, especially by incorporating new variables such as transparency and accountability based on the World Bank economic development indicators that have yet to be measured to gauge how its interaction with Chinese loans impacts the benefits from the loans. Where the loans have not been well sourced and managed, there arises risks such as the debt overhang concern that is slowly spreading across Africa and has been discussed by authors such as Horn, Reinhart, and Trebesch, (2021b) and Hurley, Morris and Portelance, (2019). From this situation, a few other risks arise and although these have mainly been reported through the media, there is a need to investigate them regarding Chinese loans in Africa.

Since the research problem spans across a few important aspects, the methodology employed is of equal importance. Although many studies usually use project benefits as the main measure, it is not the only way to measure project success. Some authors have realised this and proposed methodologies for assessing such large projects; for example, Fiori, and Kovaka, (2005) propose a framework that holistically assesses the impact of Chinese loans on recipient countries that includes factors such as cost, risk, complexity, visibility, and ideals. This is further developed by Reboredo, (2021), whose methodology suggests assessing projects further by their characteristics through respective categories such as infrastructure, extractive, consumption, production, and ceremonial projects (since each characteristic results in varied benefits). For further enhancement of the

methodology, we combine these methods in addition to the quantitative measure of benefits to holistically ascertain benefits from Chinese funded projects in Africa.

1.3. Motivation

With increasing Chinese engagement in Africa, many studies have been conducted to investigate the impact of Chinese investment loans on a range of aspects such as economic growth, industrialisation, employment, innovation, debt distress and many others. Most empirical studies have so far yielded mixed results and therefore it is not yet clear how beneficial, or otherwise Chinese investment loans are for various African economies, warranting ongoing research.

Many African countries are currently heavily indebted to China, with some in or near distress. Many contracts recently signed between China and some African countries have required confidentiality of the loan details, meaning that the debtor countries cannot reveal the details of the loan contracts unless they are required by law. The current literature is still low on the investigation into what African countries are doing to ensure that the funded projects are beneficial to their economies. This would be in terms of project planning to determine the level of funds needed, assessing funding options, streamlining the ideal lender, negotiating for ideal contract conditions, careful selection of various contractors as well as the future plans for asset (undertaken project) maintenance as well as transparent debt amortisation. Take an example of the Uganda Kampala-Entebbe Expressway that, regardless of its completion in mid-2018, only started generating revenue for the country in 2021, following delayed decisions from the government on the toll charges for different classes of vehicles (Stone, 2021). The delay in decision making by the government on this project is a sign of poor project management. The other concern is with the bilateral nature of loan negotiations between China and respective African countries. Although many African countries are believed to exercise agency, some may not be in a favourable position to negotiate for better loan contracts due to the desperation for funding for developmental projects. This is likely to lead some African countries into agreeing to loan contracts knowing that they are not easily serviceable. This also calls for collective agency and the encouragement of African countries to share their loan negotiation processes so that there is the identification of best practices in the loan negotiations processes and other countries can benchmark their processes upon these. This would greatly support

countries that do not have highly skilled negotiating teams to scrutinise and renegotiate contract clauses.

Additionally, there is no common framework for loan accountability, and it has been reported that there have been funds misappropriation in some of the investment projects in some African countries; therefore, it is important that a framework is devised and proposed for implementation across Africa to foster information standardisation and encourage better loan management.

Moreover, the nature of the current loan model may no longer be suitable for such African countries since it is sending them into financial difficulties. With the increasing debt levels in many African countries, there is likelihood that many countries will become dependent on China for the foreseeable future. Most studies so far have found minimal contributions to economic growth from these projects and if the inputs are not yielding the most desired outcome, is it time to re-think the model? The extraction of the natural resource commodities for loan repayments means that many African countries miss the opportunity to add value to these commodities: this paints a dim and detrimental picture on the long-term economic growth and sustainable development in Africa.

There are also arising risks that are associated with Chinese investment loans such as the issue of loan data opacity and lack of official loan data. As it stands, there is no official database where Chinese loans to various countries can be tracked and monitored. As we shall see in the literature review, most Chinese contracts require substantial levels of secrecy resulting in difficulty to track and monitor the level of debt from these loans. Furthermore, studies continue to show the lack of official China-Africa partnership data. For example, Xia, (2021) who investigated Chinese registered companies in Kenya and Tanzania discovered that in Kenya, of the 30 sample companies, only six had registered with KenInvest (Kenya's investment authority) and only three with China's Ministry of Commerce (MOFCOM). Likewise, in Tanzania, of the 49 initially MOFCOM-registered companies, only twelve were still in operation. The study also finds that some Chinese enterprises overstate their operations to comply with the recipient country's registration conditions and divest or change the line of operation altogether. Some even change legal business names or sell businesses between each other to take advantage of the recipient country's tax incentives that are typically reserved for new investors in the country. Also, with trade increasingly becoming interconnected on regional levels for example with the recently commenced African Continental Free Trade Area (AfCFTA, 2022) and

between continents and through specific international product markets, could this data opacity and lack of complete credible data sets create loopholes for systemic risk?
Based on the literature that has provoked this academic interest, the main aim of this study is to assess the impact of Chinese investment loans on sustainable economic development in Africa.

To fulfil the main research aim, the study aims to meet the following objectives:

- To ascertain what loan schemes have been employed in various infrastructure projects in Africa and how they are influenced by African agency.
- To establish what accountability frameworks are currently used for monitoring and evaluation of external debt in Africa and how useful the implementation of a collective loan accountability framework would be in ensuring optimal outcomes from developmental projects in Africa.
- To establish the extent to which Chinese loans contribute to economic growth for sustainable development in Africa.
- To ascertain if there are any risks associated with Chinese loans to the recipient countries in Africa.

To fulfil the above objectives, the following questions are formulated:

1. What loan schemes have been employed in various infrastructure projects and how are they influenced by African agency?
2. What accountability frameworks are currently in use for monitoring and evaluation of external debt in Africa and how useful would the implementation of a collective loan accountability framework be in ensuring optimal outcomes from developmental projects in Africa?
3. To what extent have Chinese loans contributed to economic growth for sustainable development in Africa.
4. Are there any risks associated with Chinese loans to the recipient countries in Africa?

1.4. Scope of the thesis

The study covers 48 countries in Africa for the period 2000 - 2020. To understand the Chinese debt phenomenon even more, we investigate sample countries from this group. To obtain the sample countries, we use the member country groupings from the IMF, (2020a) Regional Economic Outlook: Sub-Saharan Africa (SSA) report, where the countries are divided into six categories as shown in Figure 1.1.

Figure 1.1: IMF Member Country Groupings

Sub-Saharan Africa: Member Countries of Groupings

Oil exporters	Other resource-intensive countries	Non-resource-intensive countries	Middle-income countries	Low-income countries		Countries in fragile situations
Angola	Botswana	Benin	Angola	Benin	Malawi	Burundi
Cameroon	Burkina Faso	Burundi	Botswana	Burkina Faso	Mali	Central African Rep.
Chad	Central African Rep.	Cabo Verde	Cabo Verde	Burundi	Mozambique	Chad
Congo, Republic of	Congo, Dem. Rep. of	Comoros	Cameroon	Central African Rep.	Niger	Comoros
Equatorial Guinea	Ghana	Côte d'Ivoire	Comoros	Chad	Rwanda	Congo, Dem. Rep. of
Gabon	Guinea	Eritrea	Congo, Rep. of	Congo, Dem. Rep. of	Sierra Leone	Congo, Rep. of
Nigeria	Liberia	Eswatini	Côte d'Ivoire	Eritrea	South Sudan	Côte d'Ivoire
South Sudan	Mali	Ethiopia	Equatorial Guinea	Ethiopia	Tanzania	Eritrea
	Namibia	Gambia, The	Eswatini	Gambia, The	Togo	Gambia, The
	Niger	Guinea-Bissau	Gabon	Guinea	Uganda	Guinea
	Sierra Leone	Kenya	Ghana	Guinea-Bissau	Zimbabwe	Guinea-Bissau
	South Africa	Lesotho	Kenya	Liberia		Liberia
	Tanzania	Madagascar	Lesotho	Madagascar		Malawi
	Zambia	Malawi	Mauritius			Mali
	Zimbabwe	Mauritius	Namibia			São Tomé & Príncipe
		Mozambique	Nigeria			Sierra Leone
		Rwanda	São Tomé & Príncipe			South Sudan
		São Tomé & Príncipe	Senegal			Togo
		Senegal	Seychelles			Zimbabwe
		Seychelles	South Africa			
		Togo	Zambia			
		Uganda				

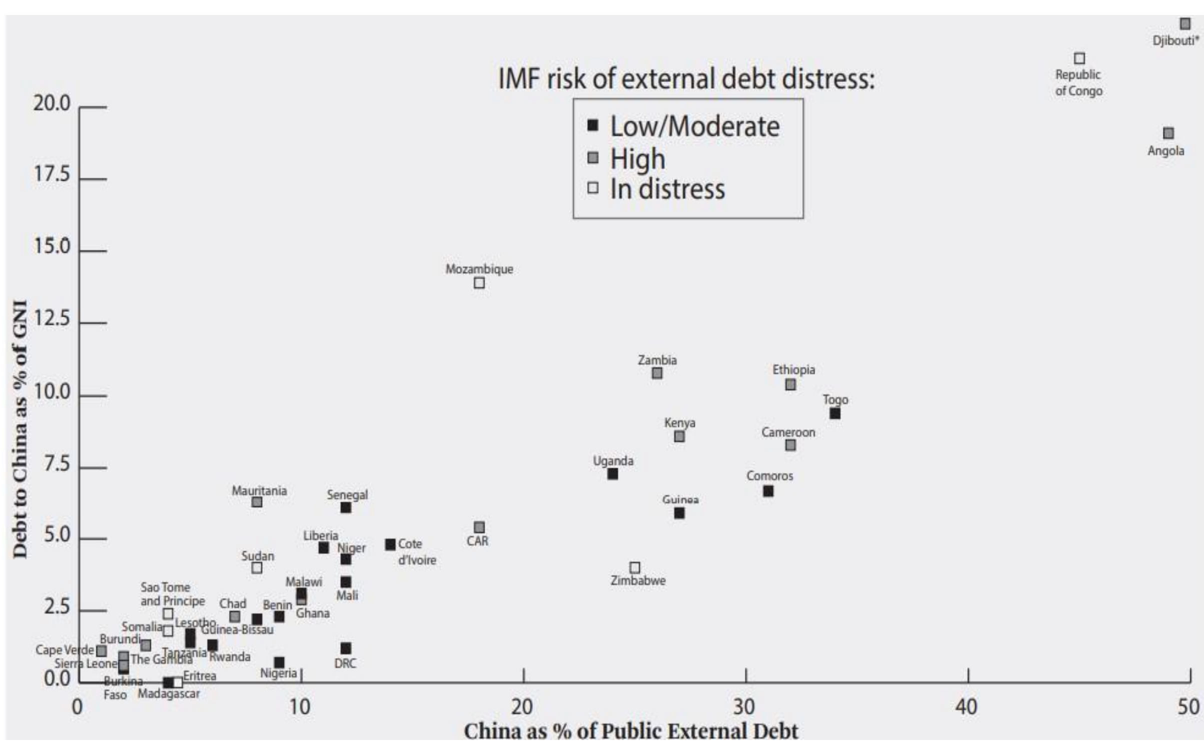
Source: IMF, (2020a)

From the six categories, a sample of four countries was chosen: namely Kenya as a middle-income country, Senegal as a non-resource intensive country, Uganda as a low-income country and Zambia as one of the other resource intensive countries. These sample countries represent the four of the six country category groups above. We exclude oil rich countries since there is abundant secondary data by authors such as Corkin, (2008), Foster, *et al.*, (2009), Brautigam, (2011), Nissanke and Söderberg, (2011), Chen, Dollar, and Tang, (2018) and Nuetah and Xin, (2019) and therefore do not immensely benefit from a primary field study. Additionally, some of these countries were in politically fragile conditions whose uncertainty would make it risky to carry out field research.

Another determining factor was the fact that China has significantly increased its funding of large infrastructure projects in the chosen sample countries (Big Think, 2019). Additionally, statistics show that each of these countries has recorded improved economic growth in the recent years (AfDB, 2019; and World Bank, 2020).

We also investigate Africa's most indebted countries to China: current data on Chinese debt holdings as expressed in terms of Chinese debt to Gross National Income (GNI) shows that the four identified countries fall under these as shown in Figure 1.2.

Figure 1.2 Chinese loans to African countries



Source: Brautigam, Huang, and Acker, (2020).

The first three sample countries have struggled to sustain debt repayments, especially Zambia: becoming the first African country to default on an interest rate payment to bondholders amounting to US$ 42.5m in 2020 (Cotterill, 2020). To gain insights into countries that are servicing the loans effectively, we chose Senegal as the fourth sample country since it has maintained timely loan repayments and is used to uncover potential useful lessons towards debt management for sustainable economic development. By 2018, around fifteen African countries were heavily indebted to China (Brautigam, Huang and Acker, 2020) and there have subsequently been reports of asset

seizure in three of the sample countries (Athumani, 2019; Lusaka Times, 2018; and The Guardian Nigeria, 2020).

1.5. Methodology and limitations

For methodology, we use a mixed method approach. Under qualitative methods, for the key informant interviews and questionnaires, the sample population was the population of each respective country. To give respondents a fair chance of being chosen, we used both purposive and snowballing sampling techniques, which when combined, ensured that the population was fairly represented and that there was minimal risk of sampling error. We undertook a field study under the supervision of the SOAS Research Office and we complied and adhere to the ethics and data protection policies provided. On the other hand, under quantitative methods, Chinese loans data and other variable data was collected from the BUGDPC database and World Bank databases, from which a regression analysis was undertaken. We analysed the collected data using Nvivo 12 and Stata BE 17 for qualitative and quantitative data respectively.

Our study is not without some limitations. Firstly, due to the lack of an official loans database that records Chinese loans to Africa, we rely on data collated by a third-party institute which may not have all the loans data on file. For this reason, we are not able to employ a balanced panel data since there is some missing data. Nonetheless, the database we utilise is credible in the industry and we use the most appropriate testing and estimation techniques to derive meaningful results. In addition, we had intended to secure interviews from both the Chinese and African representatives however, in all the sample countries, we were not able to secure interviews with Chinese representatives. Also, in some cases, it was not possible to physically visit the undertaken projects due to stringent government protocols and in some cases, due to safety considerations.

1.6. New findings and contribution of the thesis

This thesis contributes to the literature in five major ways. First, Chinese investment loans have attracted attention for many years now and as authors try to understand China's motivations and its engagements in Africa, most of the research input has been from authors in the West and

input from African authors is still low as noted by Usman, (2021). As I am African, this thesis contributes to the much-needed African voice. Also, most of the studies that have been carried out rely on desk research and secondary data and there have been calls from scholars such as Brautigam, (2021) and Feng & He, (2021) for the need to enhance empirical research on the topic for which this thesis also contributes to. This is achieved by using the mixed method approach first, on 48 Africa countries and then streamlining the analysis to four sample countries from different regions in Africa.

Additionally, in Chapter 4, we investigate African agency using a multifaceted approach that to our knowledge has not been undertaken before whereby we analyse loans schemes and project delivery models, notable projects, African agency based on secondary data and a field study. Our findings reinforce the findings that poor institutional quality leads to higher costs of borrowing that result in low economic growth. Secondly, we analyse the projects undertaken and compare them to deliver best practices. We identified two good examples; namely Benin for loan contract scrutiny strategy, and Cameroon for its 100% debt transparency policy, both of which can be transposed to present and upcoming projects for better loan and project management. Thirdly, we find that there are major differences in the way each recipient country negotiates with China and for some, the loan clauses and project costs end up being a lot different from other countries which highlights the need for collective agency and the emphasis on best practices that can be developed from partnerships and help to iron out some of the issues that exist in Chinese funded projects. This knowledge is crucial for African countries as many of them struggle to represent themselves when negotiating for external loans.

In Chapter 5, regarding external debt accountability, our study analyses existing debt accountability frameworks which to our knowledge have not been previously undertaken. Our findings show that Africa does not have a common debt accountability framework and each respective country either uses an accountability framework provided by the lender or its own. Also, China does not have a designated official public database on which its loans to Africa are recorded. We also identify four common debt accountability frameworks at macro level, all of which are voluntary frameworks. Because of this, some countries do not fully engage with them. Also, the individual projects come with respective accountability frameworks. This accountability fragmentation therefore presents an opportunity for all African countries to come together and

unify debt accountability with a framework that each country would implement and use to account for external debt.

Chapter 6 further investigates the impact of Chinese loans on sustainable development in Africa and adds an interaction of Chinese loans with the transparency and accountability variable to assess impact on economic growth. Overall, we find that Chinese loans currently have a negative impact on sustainable development in Africa. We also find that the higher the debt transparency, the higher the benefits from the undertaken projects. We contribute new knowledge since no other study has employed this World Bank variable in their analysis to quantifiably provide the measure of impact stemming from institutional frameworks that lay ground for transparency and accountability.

Lastly, in Chapter 7, we assess the risks arising from Chinese loans, and find that there are a few risks that African countries are currently dealing with resulting from Chinese loans: for example, debt sustainability issues, market risks, opaque debt, and allegations of assets seizure etc. We make new contributions that show a relationship between countries that have higher risks from Chinese loans and the existence of poor institutional frameworks. This means that poor institutions breed poor policies and procedures that guide external debt negotiation and management, resulting in poor loan conditions that expose the recipient country to risks such as debt distress.

Overall, the contributions of this thesis greatly help to shape the loan negotiation process not only with China but also with other lenders to ensure that Africa gradually becomes a strong negotiator for better developmental project outcomes.

1.7. Thesis Structure

This thesis consists of seven chapters. Following on Chapter 1, Chapter 2 presents the survey of the literature and proposes areas of interest for future research. This is then followed by Chapter 3 which presents the methodology. Chapter 4 focuses on sub question 1 and discusses the loan schemes that China has implemented in the recent projects in Africa and how they are influenced by African agency. Chapter 5 focuses on sub question 2 and assesses the current external loan accountability frameworks in Africa and how useful the implementation of a collective loan

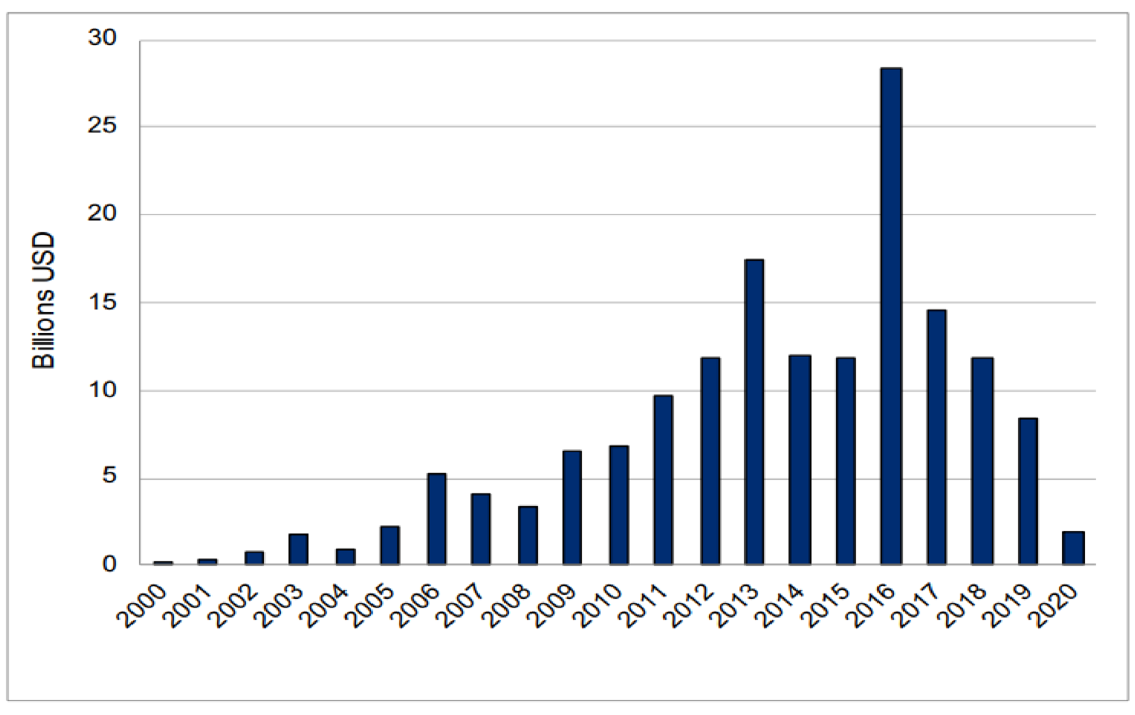
accountability framework would be in ensuring optimal outcomes from developmental projects in Africa. Chapter 6 focuses on sub question 3 and discusses the empirical model findings on the impact of Chinese loans on sustainable development in Africa. Chapter 7 focuses on sub question 4 that aims to ascertain if there are any risks associated with Chinese loans to the recipient countries in Africa. Chapter 8 discusses the conclusions of the thesis looking at the main thesis findings and contributions, implications for policy and practice, limitations of the thesis, and directions for future research. Following Chapter 8 are the references and the appendices which contain relevant thesis materials including interview questions and questionnaires.

Chapter 2 The impact of Chinese investment loans on sustainable economic development in Africa: What do we know?

2.1. Introduction

China-African relations in trade are longstanding, dating back to the mid-1950s. However, from 2000, following the formation of Forum on China–Africa Cooperation (FOCAC), strategic collaborations have increased between China and most African countries in trade and investment. This has also been enhanced by the projects undertaken under the BRI initiative. Between 2000 and 2020, China committed loans to African countries amounting to US$ 159.9 billion. China's preferential loan programs reached their highest level in 2016 at US$ 28.3 billion (China Research Initiative (CARI) and Boston University Global Development Policy Center (BUGDPC), 2023), helping to fund several projects. Figure 2.1 provides a snapshot of the level of Chinese lending to Africa from 2000-2020.

Figure 2.1: Chinese loans to Africa 2000 – 2020



Source: Chinese Loans to Africa (CLA) Database, 2022. Boston University Global Development Policy Center.

According to the World Economic Forum's Global Competitiveness Report, (2019), infrastructure is one of the enabling environment factors for global competitiveness. Although Africa contains one-seventh of the world's population, it scores only 45 percent in infrastructure development and a great deal needs to be achieved to promote infrastructure growth (Schwab, 2019). Calderón and Servén (2010) remark that the integral characteristics of the region may play a vital role for infrastructure projects to enhance overall development especially given the number of landlocked countries that could benefit from new trade routes. Many African countries have acknowledged the need for infrastructural development to help to ease bottlenecks and promote economic growth (Dollar, 2016).

In May 2022, the African Development Bank (AfDB) reported that Africa's GDP had rebound from Covid-19 and grown by an estimated 6.9 percent in 2021 following a moderate forecast growth rate of 4.1 percent (AfDB, 2022). Promising as this growth seems, it is not enough to boost the expected levels of growth. The United Nations estimates that Africa has a funding gap of US$ 200 billion per year if its countries are to meet the SDG targets by 2030 (SDG Action, 2022). To close this gap and meet the SDG targets, World Bank estimates that the SSA region needs to make annual investments in infrastructure of approximately 7.1 percent of GDP each year compared to the current investment of about 3.5 percent of GDP (Chinzara, Dessus, and Dreyhaupt, 2023).

Chinese investment loans make up part of this percentage; for example, Chinese investment in Africa increased from 2 percent of US investment in 2000 to 55 percent in 2014 (Financial Times, 2019) and is growing further following the inception of the One Belt One Road programme in 2013. Projects undertaken under this programme include the Addis Ababa – Djibouti Railway, the Doraleh Multi-Purpose Port, also in Djibouti, Lamu Port, the Standard Gauge Railway (SGR) from Mombasa (originally to Nairobi but now being extended westwards), the Abuja-Kaduna railway line in Nigeria and the Maputo-Catembe bridge in Mozambique. There have also been reports of China financing the railway line that is planned to be extended south from Addis Ababa to Nairobi as well as the recently signed US$ 3.5 billion pipeline project between the western Ugandan oil fields and the port of Tanga, Tanzania (Biryabarema, 2021a).

With increasing China's engagement in Africa, many scholars have questioned the impact that the loans have on Africa's economy. As this debate continues, so are the discussions about rising debt levels in Africa: some scholars have described this situation as the looming debt crisis in Africa

(Ndikumana, Mannah-Blankson, and Espiritu-Njuguna, 2020; and Mlambo, 2022), resulting from the dynamics of the China-African trade and investment relationships. There is also the debt overhang concern that is slowly spreading across Africa and has been discussed by authors such as Horn, Reinhart, and Trebesch, (2021a) and Hurley, Morris and Portelance, (2019). Although several studies have been carried out on China-Africa relations, academic literature on the benefits of these loans in Africa is divided.

Against this backdrop, this thesis undertakes a systematic literature review that is aimed at assessing, compounding, analysing, and evaluating the existing theoretical and empirical literature on the impact of Chinese investment loans on sustainable economic development in Africa. The literature review analyses the following areas: Chinese loans schemes and Africa agency, Africa's external debt accountability, impact of Chinese loans on sustainable development in Africa, and risks arising from Chinese loans. It reviews the literature that is published up to December 2023. The analysis aims to generate insights into the current China-Africa partnership that provides suggestions for policy and practice and suggest promising areas for future research.

The rest of the systematic literature review is organised as follows: Section 2.2 discusses the methodology employed, Section 2.3 presents the analytical review of theoretical literature that encompasses theoretical discussions on China's loan schemes and Africa agency, the impact of Chinese loans on sustainable development in Africa, external debt accountability, and risks arising from Chinese loans. Section 2.4 presents the methods employed in several studies and Section 2.5 concludes the chapter and provides the gaps identified in the literature with corresponding promising ideas for future research.

2.2. Systematic literature review methodology

To explore the impact of Chinese investment loans on the sustainable economic development of Africa, we undertake a scrupulous procedure to collect academic research published on this topic. The systematic literature review method is employed to analyse existing literature that relates directly to the China-Africa partnership as inspired by Ding, Ratz and Bergman (2022), whose survey analyses different perspectives on China-Africa relations as published in contemporary academic literature. The use of the systematic literature review ensures that the analysis covers the relevant

papers from which arising themes are acknowledged, gaps in the literature are identified and promising areas of research suggested.

To start off, we search online for the keyword phrase ‘Chinese loans in Africa’ on databases such as ScienceDirect and Wiley Online Library and the search brings back just over 30000 papers. These are then filtered to include research articles between 2000 and 2023, and the number reduces to just over 19000. Filtering further for English published academic literature and relevant disciplines, the number reduces to 3660 papers. Finally, we undertake a further analysis to filter for articles with 3 star and above journal rating following ABS ranking guide (Chartered Association of Business Schools (CABS), 2024) and this results in 1,155 searches. However, it was important to include authors from a wide range of diverse backgrounds, including the current African authors’ voice that some authors have advocated for (Usman, 2021). Additionally, we consider publications by influential think tanks, as they add a useful angle of analysis. From these three main sources, the most relevant papers are then selected and discussed in literature review.

2.3. Theoretical literature

Due to low levels of savings in most of the African countries, many of them rely on external sources of finance to undertake developmental projects to boost economic growth. Many theories have been put forward on how a country can represent itself on the world stage to attract funders and how these loans positively and negatively impact the recipient country. The theoretical papers are discussed below in respective themes identified in the literature.

For debt to derive meaningful and positive impacts for an economy, it must be well sourced, well managed and effectively serviced. Agency theory as proposed by Jensen and Meckling, (1976) expounds that when one or more persons (principals) engage(s) another/other person(s) (agent(s)) to perform a service and make decisions on their behalf, a contractual relationship develops. For the borrowing nations, it is expected that the elected governments conduct meaningful needs analyses that identify developmental needs. Then, they identify, source, and negotiate for funding for the identified projects. The citizens put trust in their governments to do right by them and secure sustainable finance. They also expect the loan negotiations to be transparent and once secured, to

be well utilised and accounted for to boost economic growth and development. Debt negotiations lay a foundation for the quality of loans that economies secure and how they utilise these loans to stimulate economic growth in their economies. They also depend on how well equipped the recipient economies are in promoting the interests of their citizens. But as research has shown, many African governments have secured more debt than is sustainable (Green, 2019) for their economies; some are mishandling debt due to poor governance (Loko *et al*., 2003), and thus some countries are near or in debt distress (Mlambo, 2022).

Likewise, it is important to analyse the lender-borrower relationship in the context of the China-Africa relationship in which China is the principal and recipient African countries are the agents. How they engage with each other is important to arrive at optimal debt contracts that are mutually beneficial to both parties (Janda, 2006). In this regard, China as the principal must ascertain the outcome of the projects to gauge the capability of the recipient country to service the debt and also put measures in place ensure that the loans are repaid. This verification process is a costly aspect of the contract, and this partly explains why China charges high risk premiums on its loan contracts in Africa.

Additionally, Game theory as proposed by John von Neumann, sets out to understand the interactive strategic decisions of rational players. It proposes that one player's payoff is dependent on the chosen strategies of the other player. It is mostly applied in ascertaining the probable outcomes of scenarios in settings where the opposing players are aware of the payoffs and ramifications (Mero, 1998). The theory sets out possible outcomes whereby if both parties, say A and C, cooperate, they each equally gain from the partnership. This outcome is dubbed the non-zero-sum game. There are no imbalanced losses or gains to either party, hence why it is sometimes referred to as the win-win game. However, if A competes with C, A wins and C loses and if C competes with A, C wins and A loses. Both scenarios give rise to what is termed a zero-sum game where one party's payoffs are offset by the other party's losses. And, if both parties compete against each other, they both lose. Figure 2.2 gives possible outcomes of a China-Africa contract that is decided in cooperative settings.

Figure 2.2: Game Theory: Possible outcomes of a China-Africa contract.

		Africa	
		Timely Repayments	Default
China	Timely Projects	1, 1	-2, 2
	Delay or Cease project	2, -2	-1, -1

Source: ***Authors' representation***

From Figure 2.2 and in the context of this thesis, the ideal situation is depicted by the green box (Middle row, centre: 1, 1) whereby the contracted projects would be completed on a timely scale and Africa would maintain timely loan repayments. However, if China completed its contracted projects on time but there were delays in loan repayments as depicted by the orange box (Middle row, right: -2, 2), this would lead to negative impacts on the Chinese part, though Africa would still be in position to utilise the finished facility albeit not sufficiently due to low generative finance. Conversely, if China was contracted for certain projects and they took longer than the agreed time to finish the project, Africa would miss out on the expected returns from the use of the facility as seen in the yellow box (bottom row, centre: 2, -2), and this would impact on its overall GDP growth. The worst outcome would be where both parties fail to honour their contractual obligations; for example, China fails to complete the projects on a timely scale and Africa struggles to maintain timely loan repayments. As shown by the red box (Bottom row, right: -1 -1), both parties would be on the losing end from such contracts. Africa agency in the China-Africa relationship is still an ongoing debate, especially due to China being viewed as the major economic actor in the relationship and African countries as lacking agency (Chipaike and Bischoff, 2018). This has led to some branding this relationship as neo-colonial (Johnson, Paik, & Larsen, 2011). The partnership has been described by China as a win-win partnership (The State Council Information Office of the People's Republic of China, 2021); however, there is yet to be resounding support for this from its African counterparts.

Considering this, the recently proposed third outcome of Game Theory called the reducing sum game contributes to closing the gap between stronger and weaker players. This outcome is

based on the Gaia Game Theory Extension by Crowther and Seifi in their book titled "*The Palgrave Handbook of Corporate Social Responsibility*" (Crowther and Seifi, 2021). Their proposal aims to retain equilibrium in situations where players enter the game in cooperative settings with the expectation of a non-zero-sum game; however, as time goes by, the game does not yield the expected outcomes and gains are skewed towards one player. The extension combines Game Theory and the historic Gaia theory by Lovelock, 1960 which proposes that the earth's natural cycles cooperatively work together to maintain a healthy earth as well as supporting life on it. With this assumption, The China-Africa partnership would be expected to work well enough to ensure neutral and fair loan contracts. But what if it does not? This extension proposes for a third party to mediate between the two parties to ensure that equilibrium is achieved throughout the partnership. With the increasing accusations that China is exploiting some African countries, this extension could provide a better suited outcome for the China-African partnership.

Just as it is important to negotiate for sustainable loans, it is equally important to ensure that the secured loans are productive enough to yield economic growth and development for the recipient countries. The Cobb-Douglas Production Function emphasises the importance of economic growth that boosts employment as presented in the model $Q = AK^{\beta} L^{\alpha}$. The theory posits that output (Q), which in this case is economic growth, can be derived from inputs viz. capital (K) which in the context of this thesis refers to loans, and labour (L), which is the employment that would result from the investment projects. The World Economic Forum, (2017) argues that for the above scenario to propel economic efficiency and social inclusion, there must be strong institutions with strategies that aim to maximise labour and investments. Thorbecke, (2014) supports this view, highlighting two complimentary development strategies, namely pro-poor growth that is geared at boosting the welfare of the poor and pro-growth poverty reduction whereby poverty is directly targeted and reduced, thus enabling the poor to contribute to the economy. He argues that these two strategies can improve inequality and promote inclusive and sustainable development. The downside to this theory however is that it does not account for the growth that is generated from research and development, thus leading to technological innovations. Although the theory assumes that the positive constant A is exogenous of the model, new growth theories argue that it is determined within the model and A, which represents technological progress, should be a product of deliberate investment in human capital and research and development (Biatour, Dumont, and Kegels, 2011).

As seen above, for an economy to achieve sustainable economic development, it must devise practical and implementable toolkits that aim to utilise its strategies to reduce poverty while being mindful of other factors such as minimising resource depletion, environmental degradation, cultural disruption, and social instability. All these indirectly contribute to economic growth and if this growth is achieved over time, economies achieve sustainable economic development. Economic growth can be achieved either through internal or external drivers of the economy. For countries to successfully achieve the objectives of UN's Agenda 2030, many require external funding. However, capital financing is a challenging factor for developing countries and as the Harrod-Domar Growth model proposes, it is important to have a good balance of national savings as well as a good level of productivity from the chosen investments (Harrod, 1939 and Domar, 1946). The model explains economic growth attainment over a prolonged period through carefully chosen investments using national savings. However, since it relies more on the use of national savings, it does not suit Low Income Countries (LICs) since they have extremely low levels of savings to boost investment.

To cover for this limitation, the Two-Gap model by Chenery and Strout, (1966) better illustrates the situation in Africa, since it allows for savings and capital accumulation from external sources. With many African countries experiencing low levels of savings, governments pursue external sources of finance; however, since this capital is targeted at particular projects, it produces small percentages of output for the economy (Moolio and Kong, 2016). It therefore does not derive enough revenue to promote steady economic growth and service the debt which is likely to lead to indebtedness: this is very much the scene present in many LICs today.

To counter the problem of low output, the AK Endogenous growth model as used by Pagano, (1993) proposes for financial development through certain channels, for example, savings rate, as well as the proportion of savings that is apportioned to investment and social marginal productivity of investment to boost economic growth. This model however does not cater to other aspects that may interrupt the investment channels: this is where Murinde, (1996) proposes that even when the funds are invested, it is important to consider the effects of financial markets, especially in terms of the behaviour of agents in the money markets since their decisions highly influence the returns. Additionally, limiting transaction costs is essential to maximise profits and promote better economic growth (Murinde, 2012). Through systems like project accountability frameworks, which manage

costs and account for funds at every stage of the project, the transaction costs for African investment projects can be reduced.

As well as this, the neoclassical growth theory by Solow proposes for economies to access external debt following their principle that external debt positively correlates to economic growth (Solow, 1999). The theory also highlights the importance of optimal allocation of external funds to ensure that they are allocated to the intended investments that function as drivers of economic growth. This theory, however, does not account for situations where funds are mismanaged and do not end up yielding the expected returns. In situations where external funding is not optimally allocated, the debt overhang theory by Myers, (1977) explains this problem proposing that, although external debt may result in positive and direct effects on the economy to boost economic growth, there may be a point where additional external debt starts deriving negative effects and if the debt levels continue to rise, positive effects will be completely diminished (Krugman, 1988). Therefore, the theory maintains that external debt should be a policy that is targeted at growing the economy especially in economies where the internal revenues are insufficient. This theory correlates to the current China-Africa investment projects that have not yielded enough revenues to boost economic growth (Schoneveld, German and Gumbo, 2014; Jaworski, Lu and Gertsch, 2020)) nor transferred enough skills to the citizens to boost employment levels and skills (Oya and Schaefer, 2019). Furthermore, most African countries have debt levels that are unsustainable, which means that most of the recouped revenues are mostly allocated to debt amortisation in accordance with the loan conditions, leaving little to no funds to boost economic growth. This also shows that some nations do not wholly apply external debt as a policy, which is why so many struggle to pay off their loans.

2.3. Thematic literature

2.3.1. China's loan and execution models, and African agency

With increased trade collaborations between China and Africa, some questions have arisen on how China approaches its financing to Africa and how well Africa represents itself in the loan negotiations. These two aspects determine the nature of the loan contract conditions to the recipient country. Ideally, all nations access financing from external sources and external debt is not a bad

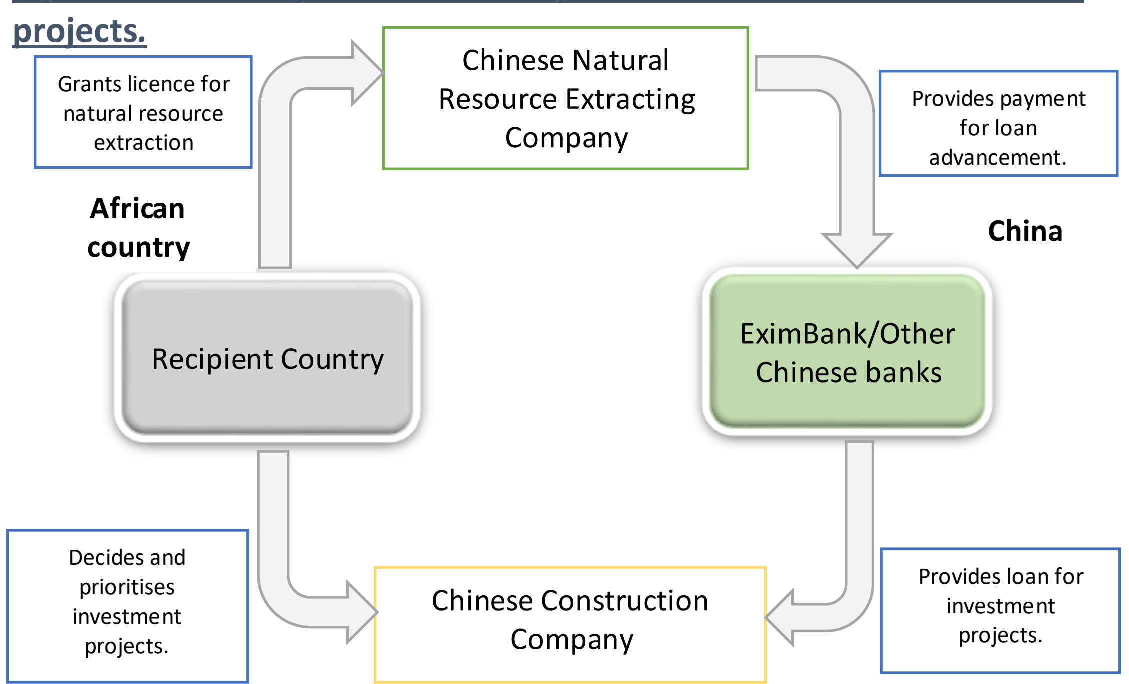
thing for growing economies. It is the packaging of the loan contracts and the mere mishandling of this debt that causes debt sustainability issues especially resulting from poor governance (Loko *et al*., 2003). In this section, Chinese loan financing models are discussed.

2.3.1.1. Chinese Financing Models

The current Chinese loans to African countries are advanced using various models, and below is the detailed explanation of the Chinese loan models.

Angola model: In the early 2000s, as China promoted its 'Going Out Policy' in Africa, they chose a new project financing model for the investment contracts in Angola. Following the years of civil war in Angola lasting up to the early 2000s, the country was in desperate need for capital to revamp infrastructure. After failing to secure a loan from the IMF, for which Angola termed the loan conditions 'humiliating', Export-Import Bank of China (Exim bank) offered Angola a US$ 2billion loan which carried a low interest rate of 1.5 percent, to be paid over twelve years. This model as illustrated in Figure 2.3, soon became known as the Angola model and has been used for several infrastructure projects in Africa to date.

Figure 2.3: The Angola Model as implemented for various investment projects.



Source: Authors' representation

Based on this model, the recipient countries and China undertake projects at an agreed fixed price. With the Angolan loan contract as seen above, China set a fixed price per barrel of oil that Angola would pay back the loan with (Brautigam and Hwang, (2016). Following this model, several projects were executed however, it later became apparent that this model was not ideal in cases where the expected outputs were lower than predicted or were impacted by arising financial difficulties as this would lead to changes in commodity prices in the global markets (Ndikumana, Mannah-Blankson, and Espiritu-Njuguna*,* 2020). An eye-opening example was the case in 2008 when the Global Financial Crisis caused oil prices to drop by nearly 50 percent, meaning that Angola's oil was no longer enough to service the loan. With such arising issues, a new model called the China Model, also known as the China-swap, was born.

China model: Based on this model, and just like the Angola Model, recipient countries and China agree to a fixed price prior to the loan advancement. However, the African countries must leverage their resource wealth as collateral to access the much-needed investment loans and agree to use their resource wealth and project revenues as reimbursement should there be any loan defaults. This collateral is in some cases packaged as special purpose vehicles (Gelpern *et al.*, 2021). The loans are repayable in form of the available natural resources as well as revenues from the undertaken projects. With this model, various new Chinese lenders, especially commercial banks, have entered the loan market through syndicated loan agreements at commercial interest rates to fund various investment projects in Africa (Brautigam, Huang and Acker, 2020).

This model is a combination of economic and foreign policy that promises no strings attached and has seen many African economies undertake several investment projects and China obtain the commodities needed for their economy; an arrangement deemed to be mutually beneficial for both parties (Cassel, Candia, and Liberatore, 2010). Under this model, the prospective Chinese contractors bid for the investment projects through investment loans, and they supply the technical expertise to undertake the projects (Adisu, Sharkey and Okoroafo, 2010). With many African countries lacking the expertise and skills to execute their projects, many rely on externally sourced expertise. This is an area where China has leveraged its expertise and contracted its enterprises on a variety of projects under the various execution models and these are discussed in section 2.3.1.2 below. Some explanations have been given for African countries' preference for Chinese investment loans. For example, Dollar, (2018) notes that the major distinction between lending from the Western countries

and international multilateral agencies (such as the World Bank and African Development Bank) and China is that, while the former group takes various aspects of the debtor into consideration (such as debt sustainability and country risk) before advancing the loans, the latter is quick to process the loans based on natural resource endowment of the African country with less focus on taking stock of what risks may arise in the future. Figure 2.4 describes the China Model as depicted in the 2017 loan deal of US$ 659 million between ICBC London and China Exim bank and National Port Development Sierra Leone Ltd. (Gelpern *et al.*, 2021).

Figure 2.4: China Model example

Note: This figure illustrates the contractual structure of ICBC's and China Eximbank's 659 million USD loan to Sierra Leone for the Upgrade of Queen Elizabeth II Quay in Freetown. Contractual links marked in grey have not been made publicly available.

Source: Gelpern *et al.*, (2021).

This model has come under scrutiny citing likely increase in African recipient countries' dependence on China especially as they struggle to maintain the loan repayments. Additionally, although unsubstantiated, there have been allegations of asset seizures in some African countries

where this model has been used in developmental projects (Athumani, 2019; Biryabarema, 2021a; Lusaka Times, 2018).

Hunan model: Given the criticisms that follow the China model and, more recently, the need for countries to focus more on regaining strength in their economies following the Covid-19 pandemic, many economies are choosing projects that aim to create jobs and contribute to the standard of living of the citizens. Such projects include enhanced agricultural production, industrial production projects, digital technology and projects that increase African exports. This has led to the growth of a new model called the Hunan model which was first introduced in 2018. This is an idea that China has reinforced since 2021 with the aim of undertaking smaller projects with shorter loan contract periods (Yu, 2022). Under this model, China and Africa have agreed a partnership that will see the successful implementation of the 2035 Vision for China–Africa Cooperation through diversified projects in Africa. The China-Africa Economic and Trade Expo has been established, and the China-Africa Economic and Trade Deep Cooperation Zone in Changsha, Hunan province, which focuses on collaborations towards poverty reduction, agricultural development, investment, trade, digital innovation, medical cooperation, peace, and security etc is in operation. Under this partnership, the Expo signed 120 projects worth US$ 10.3 billion in 2023 (Johnston, 2023).

2.3.1.2. Project Delivery and Execution models

One other factor to consider with such large developmental projects is the ease with which projects can be implemented. With many African countries lacking the expertise and skills to execute their projects, many rely on externally sourced expertise. This is an area where China has leveraged its expertise and contracted its enterprises on a variety of projects under the various models below.

Engineering, Procurement and Construction (EPC): Under this model, the contracting company undertakes the design, materials procurement, and construction of the project for a fixed agreed amount on completion of the work. EPC contracts usually span over periods up to ten years and are a more regularly used model due to their faster pace of execution and considerably lower costs (Zhang, 2021) compared to the other models. However, this model owes no obligation to the contractor for post project responsibilities, for example, project profitability. The major downside to this model is that since there is no obligation beyond the completion of the project, in some cases,

the quality of materials used may be compromised there by resulting in higher costs for the recipient country in the future.

Here is a discussion of some of the project implementation models that the State Council Information Office of the People's Republic of China, (2021) has recommended to Chinese enterprises that engage in infrastructural projects in Africa.

Public-Private Partnership (PPP): Under the PPP model, there is collaboration between governments and private-sector entities to provide a public asset or service and they both work together to finance, build, and operate the projects. The main distinguishing factor is that the private party usually bears the larger portion of the risks and management responsibilities. The recently opened Nairobi expressway has been funded and constructed using this model (World Bank, 2022a).

Build-Operate-Transfer (BOT): BOT is a long-term version of PPP whereby the selected contracting company funds and builds the identified project, then operates it for the period of the investment loan to ensure all invested funds are recouped using the revenues from the facility, and then it transfers it to the government. In some cases, this revenue is not enough, and the treasury must top up the payments. If the facility is not a revenue generating type, the governments, prior to signing the loan contracts, must consider how it will boost spatial investments from it to realise measurable returns. Under BOT, operation periods last anywhere between 30 and 99 years. BOT led to a fall out in the Bagamoyo port contract in Tanzania due to disagreements on the operation period whereby the contracting company CMPort requested a duration of 99 years, but the Tanzanian government proposed for a duration of 33 years (Chiyemura, Gambino and Zajontz, 2022). Moreover, with BOT, the investor company is tasked with the running costs of the facility and to guarantee project viability and profitability. It is for this reason that BOT contracts are inherently more costly than the short-term EPC contracts. Most of the recently undertaken projects in Africa have been executed under this model.

Build-Own-operate (BOO): With BOO, the recipient government agrees to the transfer of rights to a contracting company under agreed design specifications, to construct and operate the facility for a specified time, with terms allowing extension of the period. This is currently rare in China-Africa loan contracts.

With these project delivery models, there has been an increase in the number of commercial players on the market. For example, by 2019, 70 percent of Chinese investments in Africa belonged

to Chinese private companies (Were, 2022). A few authors have so far conducted case studies on some of the notable Chinese projects. Zhu, Mwangi and Hu, (2022) conducted a study of the Kenyan Standard Gauge Railway (SGR) to gauge the social-economic impact and gathered survey data and interviews from experts and community members in Kenya. They find that SGR has greatly supported tourism but only moderately boosted employment. It has also benefitted different stakeholders to varying degrees and they recommend that for more equitable benefits, China's infrastructure-led model needs to integrate physical infrastructure with supporting services and soft infrastructure. Other authors have investigated the SGR regarding the historical and contemporary infrastructure territorialisation in Kenya (Lesutis, 2021); and economic feasibility and cost accounting (Taylor, 2020), concluding that the SGR benefits China more than Kenya. On economic implications, using both secondary data and some data from key informants in the Government of Kenya, the authors find that the SGR contributes to the socio-economic development of Kenya, and this is likely to lead to long term growth; however, the Government of Kenya and its African counterparts must prioritise their needs to avoid dependency (Irandu and Owilla, 2020).

Another case study example comes from a study conducted by Mutikanga, Kayondo, and Akita, (2023) on the Isimba Power Project in Uganda, whose findings indicate that the Chinese contractors in charge of this project delivered poor quality work, with instances of breaching change order procedures, a high rate of incidents and fatalities, and a low level of owner satisfaction. The findings and lessons learned, while specific to this case study, are applicable to public agencies in developing countries, particularly in SSA, who manage similar contracts and projects with Chinese overseas contractors.

Regarding financing, there is also a noticeable shift from the usual sovereign loan finance to Public Private Partnerships (PPP). For example, van Wieringen, and Zajontz, (2023), whose study utilised published data for the period 2010–2020 to investigate the shift in infrastructure financing from loans to PPP, finds that projects such as the Nairobi Expressway are likely to pose challenges for African recipient countries such as negotiating manageable financial terms and, in some cases, corruption.

Integrated investment, construction, and operation (IICO): Under this model, Chinese lenders invest as part owners in the respective facilities. This model has arisen from the need to counter sovereign debt sustainability issues arising from external debts. An example where this

model has been used is on the Lekki Port project in Nigeria. The Government of Nigeria having failed in debt negotiations for loan financing to fund the Lekki Port since 2012 later agreed to redesign the loan contract to allow China Harbor Engineering Company (CHEC) to hold an equity stake in the port. Other Chinese companies are believed to have equity holdings in local oil companies in Angola, Sudan, Uganda, and Ethiopia (Alves, 2013). There have yet to be studies that investigate how this model has benefitted the recipient countries; however, given the transparency issues that surround Chinese funded projects in Africa, there is hope that this model could promote higher accountability and sustainability standards since Chinese companies are part owners of the facilities (van Staden, 2023). Also, given that there is a shared burden of funding, this model could help to reduce the current indebtedness levels in Africa.

The discussion above points to potential benefits but also challenges that African recipient governments face in sourcing finance and negotiating the terms that prioritise their needs and optimise project benefits. There is a relationship between China's financing and project delivery models and the agency of the recipient country. The ability of the recipient country to negotiate important aspects of the loan contract such as the grace period, loan maturity, mitigating measures in case of financial struggles, repayments, expert labour ratios and more determine the course of the negotiations.

With many authors having focused on single project case studies or single country case studies, as discussed above, there is scope to analyse the impact of agency on the nature of the loans sought and their management. This section discusses the state of Africa's agency in relation to Chinese investment loans.

2.3.1.3. Chinese loans and Africa's agency

According to the Chinese government, its relationship with Africa is a win-win relationship that helps both China and Africa's economies in terms of growth and development. Throughout its engagement in Africa, China has stressed its motivation to improve people's lives and derive benefits for both parties: this was reiterated by President Xi at the 2018 Forum on China Africa Cooperation summit. With many African countries having secured loan contracts from China and undertaken various developmental projects, there is need to understand how the China-African

partnership is set up from the onset of dealings, especially how African countries are representing themselves in negotiations for the much-needed loans, as this foundation is crucial in determining the project benefits. With the Chinese investment loans providing many Sub-Saharan African economies with development opportunities, there is a need to understand the negotiation process of such large investment projects. Africa agency in the China-Africa relationship is still an ongoing debate, especially due to China being viewed as the major economic actor in the relationship and Sub-Saharan African countries being at its mercy. Although several studies have been carried out on China-Africa relations, academic literature on all aspects of this partnership is divided. China has extended loans to several African countries to undertake respective developmental projects and although public debt can boost economic growth, it could also have negative impacts on the economy if it is not well sourced and managed. Against this backdrop, this section analyses how African governments have navigated the loan negotiations and management processes with China.

Some of the African countries lack experienced government negotiators to evaluate the loan contract conditions and identify clauses that may not be suitable for their economies and therefore table them for re-negotiation (Soule, (2022). In this study, Soule analyses Benin's negotiation process with China for the construction and opening of the China-Benin Economic Development and Business Center in Cotonou, Benin's principal economic hub. Soule finds that, contrary to the belief that China imposes its developmental model on recipient countries, Chinese entities tend to work through local actors and institutions as they adapt to and assimilate local traditions and norms. The study finds that Benin scrutinised the contract, identified unsuitable clauses and renegotiated for better loan conditions with China that would adapt to their local labour, construction, and legal norms. This study forms a learning curve that proves that African countries can do better for loan negotiations to be beneficial for the recipient countries.

There have been some criticisms about how China handles loan negotiations with African governments with some authors such as Staden, Alden and Wu, (2020), branding this relationship as neo-colonial. However, their investigation, especially regarding bilateral discussions between China and Africa, finds that although there may be some limitations, Africa agency is clearly well represented in these discussions, with the African perspectives incorporated into whichever proposals arise. This is enhanced by the role played by African institutions such as the African Development Bank (AfDB), which refused to fund the proposed coal-powered electricity plant in

Lamu, Kenya citing preference for renewable energy (Reuters, 2019). The project that was backed by Kenyan and Chinese investors was halted due to fears of its environmental damage (Financial Times, 2019).

Also, the conditions of the China Model, under which vital national assets are likely to be collateralised as security against loan defaults, poses challenges for African countries. Kragelund and Carmody, (2015), in their investigation of the power relations between China and some African countries using Angola and Zambia as case studies, find that structures are important in shaping the people who use them. They conclude that Africa agency is in some instances overrated and this may risk the outcomes of the negotiations. Staden, Alden and Wu, (2020) argue that Africa should use the increased international scrutiny of Chinese loans to negotiate for better conditions that will not leave them heavily indebted to China. This view is supported by other authors, such as Phillips, (2019) on Ghana and Anthony, (2020) on Kenya, who argue that sub-Saharan African governments should be able to negotiate for the benefit of their own countries instead of blaming China for the debt distress. Phillips, (2019), however, notes that, although the Ghanaian officials exercised agency over the local political institutions, their agency scope narrowed when it came to the economic structures of the economy. He observes that this could lead to continued Ghanaian dependency on external funders such as China. This narrow scope of agency is supported by Soule, (2020) who, in her blog for The Conversation, noted that many African leaders hesitate to negotiate for fear that China may take their investments elsewhere.

As the debate on the impact of Chinese investment loans in Africa continues, a crucial aspect to assess is the role of the institutional infrastructure in African economies and how this impacts the China-Africa relationship. In any given country, effective policy implementation is dependent on solid governance. United Nations, (2009) and Kaufmann *et al.*, (2009) proposed a few governance indicators that lay a foundation for solid governance, namely government effectiveness, rule of law, regulatory quality, voice and accountability, control of corruption, political stability, and absence of violence/terrorism. It is from this solid governance that a favourable macroeconomic environment can be realised through the establishment of strong institutions. Strong institutions implement effective policies such as fiscal policy that is concerned with how the respective country manages its expenditure, tax, and debt for inclusive growth. The governments under their ministry of finance would usually draw out a fiscal policy framework that details decisions on how to allocate resources.

It is therefore expected that an economy with strong institutions lays a solid foundation for better fiscal decisions such as sourcing and negotiating for loans as well as optimal allocation of these funds.

A study by Gries, Kraft and Meierrieks, (2009) explores the relationship that arises between financial deepening, trade openness, and economic development in Africa. Using the vector error correction model (VECM) and data on commercial bank and central bank assets and liabilities, they find that due to poor institutional quality, there is minimal interaction between financial sectors and real sectors (sectors that produce goods and services within an economy) which in turn impedes financial development in Africa and therefore systems need strengthening for these economies to achieve economic growth. Their analysis, however, does not account for any institutional quality variables. Similarly, Cirolia, (2020), in her study that analyses archives, policy reports, secondary literature and interviews from experts such as researchers from the African Centre for Cities, the World Bank, local governments, and United Nations Economic Commission for Africa, argues that fragmented networks and systems resulting from poor institutional infrastructure, especially in terms of fiscal structures, impede economic growth. She indicates that with donors and lenders dictating the spending priorities to particular departments, recipient governments end up wasting time and resources on onerous fiscal accounting exercises that do not accomplish much in improving real resource accountability. However, Rodrik, (2016), in his analysis of high growth levels in the sampled African countries, finds that although institutional quality can generate greater economic stability, it cannot independently drive economic growth. In Cormier's, (2022) study on 55 African countries using Chinese loans data from AidData and transparency variables from the Hollyer, Rosendorf, and Vreeland's (HRV) government transparency index, he finds that transparency is a key determinant of how much African countries borrow from China, as Chinese lenders engage more with untransparent borrowers and untransparent borrowers are more likely to choose Chinese lenders over Western lenders since they tend to require higher levels of transparency.

Other authors such as Pigato & Tang, (2015), who investigated how African countries can leverage their partnership with China to enhance development outcomes, conclude that China's interest in loan advancement to African economies is geared by its need to access natural resources and also to secure a market for its finished goods. With Africa in urgent need of funds for development, some authors such as Soule, (2020) have argued that African countries are more likely

to accept loan conditions that are not necessarily ideal for the sake of securing funding, thereby undermining their own agency.

With studies showing that some Chinese funded projects have negative effects on the recipient countries' economies such as deforestation, BenYishay *et al.,* (2016) find that this results mostly from weak domestic enforcement of environmental laws and regulation. One example is the case of the SGR project, where the Chinese contractors themselves raised issues regarding the Kenyan government's failure to arrange for various crucial aspects of the pre-project phase such as deciding the construction proprietors, conducting project feasibility studies, and handling the land displacement disputes ahead of the project commencement (Carrai, 2021). Moreover, without clear guidelines on local content thresholds on Chinese investment projects, it was after sustained pressure from trade unions that the then President of Kenya, Uhuru Kenyatta publicly declared 40 per cent local content in the construction of the Standard Gauge Railway (SGR) Phase One project (Otele, 2020).

Furthermore, as seen in the statistics, many African countries struggle with debt management (World Bank, 2022b), and this may arise from poor governance, corruption, and poor administration which in turn impede sustainable development. Kodongo and Ojah, (2016) in their GMM based investigation of how infrastructure explains economic growth in 45 African countries from 2000-2011 using the World Bank governance indicators as proxies for institutional quality, find that the quality of the institutions matters if the recipient country is to reduce the infrastructure gap and experience economic growth and development from Chinese investment loans. Without solid institutions in place, there may be poor coordination of resources, and this may also explain why some of the projects undertaken with Chinese loan finance, for example the SGR in Kenya, made losses despite the projections having forecasted profits (Namunwa, 2020). These findings are echoed by Sani *et al.*, (2019), whose study on 46 Sub-Saharan African countries between 2000 and 2014 using GMM and World Bank governance indicators finds that institutional quality directly and indirectly impacts the benefits of public debt towards economic growth. They also find that countries need to prioritise factors such as government effectiveness, control of corruption and regulatory quality to optimise the benefits of public debt for economic growth. Additionally, Manasseh *et al.,* (2022) in their GMM-based study on thirty countries in Sub-Saharan Africa between 1997 and 2020 using the World Bank governance indicators as proxies for institutional quality, find that the quality of governance is

influential in promoting optimal returns from the acquired loans; however, if the institutions are underdeveloped, this will negatively impact the recipient countries.

In another study, Mijiyawa, (2020) analyses external debt drivers such as domestic, external policy and institutional factors in the post-Heavily Indebted Poor Countries (HIPCs) and Multilateral Debt Relief Initiative (MDRI), using fixed effects model on panel data from 2005–2016. Mijiyawa finds that some HIPCs go through vicious circles of external debt and are more likely to accumulate external debt again a few years after debt relief under HIPC and MDRI. Their findings tie in with the debt overhang theory showing that the high ratio of external debt-to-GDP adversely affects economic growth rate. The study also finds that although countries that have had access to external debt secure more debt easily, lenders give preference to countries with better policies and institutions.

Another concern with external funding lies in the adoptive capacity of the recipient countries. In some instances, African countries are not fully prepared to absorb the secured funding, especially if they have several concurrent projects: this may lead to them paying interest rates on secured loans for years before the projects are undertaken. For example, Presbitero, (2016) investigated the absorptive capacity of low-income developing countries between 1970 and 2007 in 80 countries using micro project-level data, finding that rapid public investment has a detrimental effect on the investment project outcomes. The findings indicate that if investment and infrastructure projects are undertaken at the time when the recipient country is going through periods of higher than usual public investment, they are less likely to be successful. The study also finds that the absorptive capacity of these economies is affected by supply bottlenecks and poor project selection which, as supported by OECD, (2015) findings, must be minimised to ease project selection and implementation. This would then improve institutions and policies as well as the accountable management of public investment projects.

Additionally, there are some instances where political influence interferes with the loan negotiations, leading to unfavourable loan conditions. The role of political leaders in the advancement of loans is another issue that African countries must contend with. It has been argued that although some contracts may be too costly for these countries to afford timely repayments, some government leaders accept these investment loan contracts just to further their political ambitions (Dreher *et al.*, 2019). Additionally, a study by Soulé, (2020) that investigated African leaders' involvement in various summits where it is one party plus; for example, the Russia-Africa

Summit 2022, Africa-France Summit 2021, and Forum on China-Africa Cooperation (FOCAC), 2021, finds that many African political leaders participate in these summits to boost their presence on the world stage as they promote their domestic and foreign policy ambitions. There have also been reports of heightened local level corruption in areas where the Chinese projects were either due to commence or already ongoing (Isaksson and Kotsadam, 2018) and this is compounded by some governments such as the Kenyan government rushing through projects to further their political agenda (Otele, 2018). The political pressures on negotiators to agree to Chinese loan conditions have also been cited in Benin and Cameroon (Soulé-Kohndou, 2018). This intervention leads to failure to scrutinise the loan contract clauses in detail, leading to unfavourable terms as well as poor implementation of the projects.

The above cited discussions lead to the conclusion that the better the institutions, the better the debt negotiation outcomes and the better the debt management for sustainable growth and development. The discussions also indicate that agency has implications on the choice of lenders, the types of loans sought, the loan schemes agreed and how projects are implemented. African governments are urged to negotiate for favourable loan contract conditions rather than simply be condition-takers, regardless of the asymmetrical power dynamic between themselves and China (Soulé-Kohndou, 2018). But African countries are at different development stages and strengths in their institutions and further analysis is required to investigate the impact these have on the sources, amounts and management of external debt of respective countries.

2.3.2. External Debt Accountability: Africa

Accountability refers to "*a relationship between the agent and the principal, in which the principal is able to hold the agent responsible for its actions and the proper execution of its powers*" (Zúñiga, Jenkins, and Jackson, 2018). In terms of governance, government transparency refers to "*the provision of information to citizens, markets, and other audiences*'' (Cormier, 2022) and government accountability means that public officials, whether elected or unelected, have an obligation to explain their decisions and actions to the citizens (Bureau of International Information Programs (IIP), 2022).

Accountability is a crucial element of public governance, and it is implemented hand in hand with transparency. The system of accountability that a government chooses determines how

transparent it must be with its information. Conversely, it is from transparent reporting systems that governments can uphold integrity and hold offices accountable to the citizens. Good transparent systems lay ground for better accountability. It is important to analyse both concepts to ascertain how the two can be used together to optimise their functionality (Zúñiga, Jenkins, and Jackson, 2018).

Both debt and transparency are important to both domestic and external stakeholders. For internal stakeholders, debt transparency and accountability are vital in making macroeconomic decisions as well as public financial management. The better the debt transparency and accountability, the better the management of arising risks that are associated with the debt portfolio. Additionally, because the Debt Management Offices (DMOs) of respective countries would need to use the most up to date debt statistics to manage the country's debt portfolio, it is important that all debt is transparent and accounted for: this is one of the reasons why most countries require regular submission of debt statements to parliament for review. Debt statistics are also of importance to other non-governmental stakeholders such as lenders, credit rating agencies, Civil Society Organisations (CSOs), the media, researchers, and the general public (CABRI, 2022a). For the external stakeholders such as lenders, debt transparency and accountability inform their decisions on developing sustainable lending policies and putting measures in place in cases of debt restructuring or debt relief. For the credit rating agencies, debt statistics are crucial in determining the correct risk profile of the respective country. Countries that are not transparent and accountable with debt are likely to be classed as risky countries and result in poor credit ratings. Both factors are congruent with higher costs of borrowing (CABRI, 2022a).

Transparency and accountability are guided by set principles and frameworks for example, the Global Partnership for Effective Development Co-operation (GPEDC) principles, Africa Debt Monitor (ADM), Debt Management Performance Assessment (DeMPA), and Debt Reporting Heat Maps. The GPEDC is the primary multi-stakeholder vehicle that was established in 2012 to "*maximize the effectiveness of all forms of co-operation for development for the shared benefits of people, planet, prosperity and peace*" (GPEDC, 2024a). It encourages collaborations between public and private sector organisations as well as bilateral and multilateral organisations to foster practises that promote international development and contribute to the fulfilment of 2030 Agenda. Its principles are important in promoting partner country cohesiveness which in turn promotes overall

accountability (Taggart, 2022). As seen above, the more solid the foundations of governance, the better the utilisation of external funding for sustainable growth and development. African economies are encouraged to promote greater transparency especially on hidden and distressed debt as this will essentially lower global financial risks and further support economic recovery from the Covid-19 pandemic (World Bank, 2022c). GPEDC is viewed as a powerful driver for more cohesive and structured recipient engagement; however, since membership is voluntary, some countries such as China have not actively participated in the initiative (Li and Qi, 2021). Its data is collected on an interactive map that contains partner country and developmental partner data (GPEDC, 2024b).

Additionally, across the African continent, the Africa Debt Monitor (ADM) plays a role in managing debt. The ADM is an African platform that originated with an informal network that was focused on shared learning of public finance management concerns inside an African-led forum. In 2009, ADM was founded as an international organisation with a broader mission of public finance management reforms. It was officially established in 2019 with the goal of offering a one-of-a-kind platform for African governments to share information on central government debt and debt management policies, practices, and institutional arrangements. This network would allow for cross-country peer learning on public debt issuance and management, as well as providing policymakers with additional insights on the extent of debt management and associated risks. However, the platform currently has only 17 African country members, so it aims to add other countries year on year. Only Kenya and Senegal of the sample countries are members (CABRI, 2024). Some of the tools shared on this platform are individual country debt profiles; cross-country comparison of debt management practices and procedures; individual country data tables; the debt data explorer; and ADM Analysis reports.

Another initiative is the Debt Management Performance Assessment (DeMPA) which is a platform provided by the World Bank that has helped countries to report and manage their debt over many years. DeMPA is a diagnostic tool that is used to evaluate a country's debt management processes and institutions. It encompasses a comprehensive set of indicators that are used to ascertain the country's core strengths and weaknesses. This in turn helps the countries in strengthening their capacity and institutions so that they can effectively and sustainably manage their public debt and undertake debt management reforms. The tool assesses countries on 14 core indicators that are embedded in five fundamental pillars viz. governance and strategy development,

coordination with macroeconomic policies, borrowing and related financing activities, cash flow forecasting and cash balance management and debt recording and operational risk management (World Bank, 2023a).

Additionally, the Debt Reporting Heat Maps is another initiative under the World Bank that reports on how transparent International Development Association (IDA) countries are in their debt reporting practices. Under this framework, different aspects regarding debt statistics such as availability, completeness, timeliness of public debt statistics and the publication of debt management documents on the countries' national websites are assessed and updated annually (World Bank, 2022b). The analysis encompasses a summary of the Debt Sustainability Analysis (DSA) on heat maps whereby; red cells refer to insufficient, orange is limited, yellow is partial, green is full transparency respectively, and grey is not assessed. The framework focuses on three main components, namely public debt statistics dissemination practices, key debt management documents, and other debt statistics /contingent liabilities (CLs). This is an important framework for assessing transparency and accountability since both components rely on the availability of complete and meaningful data.

As the debate continues about the China-Africa partnership, China has been blamed for their part in rising sovereign debt in Africa (Moody's, 2018; and Hurley, Morris and Portelance, 2019), but, some have concluded otherwise, putting no blame on China (Were, 2018; Singh, 2020; Jones & Hameiri, 2020; and Ryder and Fu, 2021), whilst others have accused China of planning to seize assets in some of the African countries if they defaulted on the loans (Biryabarema, 2018; Athumani, 2019; and Lusaka Times, 2018). Most of these accusations have appeared in the press and some authors have investigated these accusations, concluding that China does not intend to seize assets in Africa (Brautigam, 2020; Singh, 2020; Brautigam *et al*, 2022). These accusations have arisen mostly due to two factors:

(1) **Lack of clear statistics or a formal database on the amount of debt that China has extended to the respective recipient African countries.** Chinese loans increasingly consist of confidentiality clauses that bind the recipient country to withholding most of the information regarding the contracts. According to Gelpern *et al.*, (2021), the analysis of 100 Chinese contracts signed between 2015 and 2019 in developing countries shows that 100 percent of them contained confidentiality clauses. This non-disclosure policy compounds the lack of clear knowledge of debt

burdens across many African countries. Additionally, China, unlike multilateral institutions such as the World Bank, does not have a debt reporting database, meaning there are no official figures on China's debt to Africa. However, this could change with the recent pledge by China to develop a modern statistical information system for foreign assistance (The State Council Information Office of the People's Republic of China 2021), an initiative that could enhance transparency and potentially provide promising areas for further research (Mandon and Woldemichael, 2022).

(2) **Lack of optimal debt transparency by the recipient African countries**. It is equally important to understand why some African countries are not as transparent with public debt as compared to others. For example, Cameroon has a 100 percent transparency policy regarding public debt matters with a publicly accessible debt database that has not affected its partnership with China (Gelpern *et al.*, 2021). From the 2018 GPEDC indicators, only 47 percent of development co-operation funding that was scheduled for disbursement in Africa was fully scrutinised by parliament or recorded in the annual budgets that were approved by the legislature (GPEDC, 2021). Further research is needed to ascertain why this is the case and how it can be improved for better debt transparency and accountability. Also, the African Development Bank provides support under its African Legal Support Facility that provides legal and technical capacity to African countries in complex commercial contracts (AfDB, 2024), however, not all countries have used this facility to negotiate for external finance.

From the current literature, Kemoe and Zhan, (2018), in their IMF working paper that investigated fiscal transparency in 33 emerging and developing countries, find a positive correlation between a country's level of fiscal transparency and their borrowing costs. This is particularly true for countries whose budget processes are more transparent. Bastida, Guillamón, and Benito, (2017) corroborate these findings in their study which examined the relationship between fiscal transparency and the cost of sovereign debt across 103 nations. The study finds that there is a higher correlation between greater fiscal transparency and lower sovereign debt costs. With higher levels of transparency, there will be reduced information asymmetries between governments and financial markets. As a result, this will reduce uncertainty around financial decisions, which will ultimately result in lower interest rates on financial markets and a decrease in the cost of debt. This is further supported by Choi and Hashimoto, (2018), whose study of 52 emerging market economies finds that market respondents react positively to the transparency reform news. Furthermore, there have been

reports of mismanagement and misappropriation of funds in some of the undertaken projects in Africa. Transparency International's Corruption Perceptions Index 2020 indicated prevalent corruption in many African countries (Transparency International, 2021), while senior Kenyan economist Were, (2018a) points out that contributions from Chinese loans are impacted through diversion of funds to unintended purposes. Similarly, Phillips, (2019), in his study on how Ghana's agency has been understood in explaining its relations with China since the discovery of oil in 2007, finds that both Chinese contractors and Ghanaian collaborating companies lacked project accountability. It was only through a whistle-blower to the Ghanaian Civil Society Platform on Oil and Gas that the accusations of project mismanagement came to light.

From the discussion above, it can be concluded that the more transparent and open the country is on debt accountability and management, the more likely it is to benefit from it. Although many studies have been conducted on debt transparency and its impact on economic growth, there is yet to be strong evidence on the empirical measure of this relationship and therefore this area requires further investigation.

2.3.3. Chinese loans and sustainable development

Africa has sourced external funding over the years to improve on its stock of capital. Although there are signs of benefits on the ground, there are also concerns, especially with issues such as the hidden contractual conditions of Chinese loans. These conditions and the dynamics of the China-Africa trade and investment relationships have resulted in some African countries struggling with debt repayments: a phenomenon that may be described as the looming debt crisis in Africa. Existing literature to date has yielded mixed findings across Africa regarding Sub-Saharan Africa and individual regions and countries in Africa.

Several studies have been undertaken to determine how Chinese loans impact the levels of economic growth in the recipient countries. For example, Bluhm *et al*., (2018) investigated how economic activity in different regions of the recipient country responds to Chinese funded infrastructural projects. Their research reveals that, because of the improved ability to connect areas, the infrastructure projects funded by Chinese development aid stimulated economic activity in the recipient nations and flattened the spatial distribution of economic activity by extending economic

expansion to other parts of the recipient nation. This is especially beneficial for African economies that have long had major economic activity disparities between major cities and villages. Further findings fail to show co-location benefits for projects that are concurrently undertaken with complementary projects such as education and health.

Additionally, Dreher *et al.*, (2021) examine the effects of Chinese aid on the economic growth of recipient countries by focusing on 138 countries in Africa, the Middle East, Asia-Pacific, Latin America and the Caribbean, and Central and Eastern Europe. They find that Chinese development aid contributes to the recipient countries' short-term economic growth. By applying the instrumental-variables technique, they conclude that, for the typical nation, a single Chinese development project will accelerate economic growth in the range of 0.41 to 1.49 percent during the initiative's two-year duration. Although this study includes African countries, it does not specifically investigate Africa as a major focus, thus failing to fill the gap in investigations solely into Africa. Additionally, Ngundu, (2022) undertakes a GMM based investigation into the relationship between Africa's growth and Chinese loans for the period (2000–2018) in which he finds that Chinese loans contribute to short run economic growth in Africa. The study also finds that for Africa to yield long term growth from Chinese loans, African recipient countries must effectively invest loans in projects that yield economic incentives and enough revenue to service the loans. This thesis extends this period by two years.

In addition, a study by Eom, Brautigam and Benabdullah, (2018), as they explored the path ahead of the 7th FOCAC, asserted that these initiatives unquestionably had the capacity to promote economic development and growth. This is especially true of transportation projects with the purpose of connecting essential trade routes. They added that in the period 2000-2015, 44 percent of the loans advanced by China Exim Bank were dedicated to transportation projects, with energy and mining the next largest sectors at 29 percent. All of these are essential for boosting African countries' economic growth and development.

Furthermore, a study by Mlambo, (2019) examined whether increasing Chinese investments would benefit the recipient countries in the long term and help to compound Africa's socio-economic development or whether they were rather a form of exploitation. Using the Panel-Corrected Standard Error (PCSE) on a sample of 26 economies in the Africa over the period 2003–2016, the study finds that Chinese investments have an insignificant but positive effect on industrialization in Africa; however, Mlambo suggests that African governments should prioritise market or resource

seeking Chinese funding that can provide positive backward and forward linkages with the manufacturing sector, as well as the emphasis on local content production conditions for the supply of inputs and intermediate products necessary for these projects. Additionally, Mlambo advises that for African governments to maximise benefits from these projects, they should safeguard their domestic industries and avoid overdependence on China by putting policies in place to safeguard their local industries from competitive imports. This is essential, especially as Sub-Saharan African economies continue to consume large volumes of Chinese imported goods.

Regarding labour, Oya, and Schaefer, (2019) investigated the working conditions in the emerging construction and manufacturing sectors in Africa, comparing Chinese investment projects in Ethiopia and Angola between 2016 and 2018. Although their findings indicate that there is high reliance on Chinese expatriate workers for some projects, they also show that the Chinese firms employed local citizens in managerial positions, thereby improving the employment skills of the local population. In addition, they engaged their local employees on various training and skills development programmes, especially in the manufacturing sector. However, they also find that the employment trend is not similar in both countries, and that Ethiopia had many more local managers on Chinese projects than in Angola, which ties in with the findings by Soule, (2022) that China tends to adapt to the local conditions of the recipient country.

Another strand to consider is the relationship between external funding and inclusive economic growth, of which the most relevant ones regarding Chinese loans and Africa are still very scanty to make conclusive deductions on the topic. One of the studies that attempts to investigate the relationship between government spending and inclusive economic growth is by Kolawole, (2016), sampling Nigeria between 1995 and 2014. Kolawole used the following variables: GDP per capita based on Purchasing Power Parity, government spending on education and health, and institutional quality. Using the Autoregressive Distributed Lag (ARDL) technique, Kolawole, (2016) finds that real GDP growth promotes inclusive growth in both the short and long-run periods. Additionally, the study finds that government spending only drives inclusive growth only in the long run, meaning that if the government redistributed spending especially within the health sector, this is highly likely to have significant positive impacts on inclusive growth in the country. Although this study derives relevant insights, it is generally focused on external funding and not specific to Chinese funding.

Whajah, Bokpin and Kuttu (2019) also conduct a similar study by including government size to the relationship between public debt and inclusive growth in Africa. Using the fixed-effect method to estimate a panel of 54 countries for the period 2000-2016, they find that there is a positive correlation between government size and inclusive growth, and that public debt negatively correlates to inclusive growth. They advise that governments should maintain optimal levels of public debt to foster inclusive growth. This study, however, focuses more on government size and negates the role played by the government's institutional quality, despite this being crucial for public debt management.

Another study that investigated the dynamic interactions between China's Belt and Road Initiative (BRI) and the SDGs is by Lewis, Yang, and Moise, (2021), which finds that with time, the BRI has the potential to contribute meaningfully to the successful achievement of the SDGs, especially in the infrastructural sector. However, they highlight that it is important for BRI-led Chinese infrastructure projects to be open to other non-Chinese contractors and local businesses to minimise the geopolitical tensions.

Furthermore, Kolawole, (2021) investigates the impact of debt and Covid-19 on inclusive growth for sustainable development in Africa. Based on a panel of 43 countries over the period 2016-2019 in Africa, using the Generalized Least Squares (GLS) technique, Kolawole finds that debt has a negative impact on growth inclusiveness. Additionally, government revenues decreased resulting from increased spending towards managing the rising Covid-19 cases and unemployment rose. This negatively impacted inclusive growth resulting from low levels of entrepreneurship. This study comes close to this thesis' objectives as it includes variables for sustainable growth and development indicators. The main distinction is that it is focused on general sovereign debt and not just debt from China. Moreover, the crucial variables that are lacking and would make the study more comprehensive are governance related, and these include institutional quality, transparency, and accountability since they form a foundation for better debt sourcing and utilisation.

Whereas some studies have derived positive outcomes of Chinese investment loans in Africa, other studies continue to show negative impacts. Authors such as Alves, (2013) have been critical of the investment loans that are backed by natural resources. He argues that although these projects have improved infrastructural development; especially in roads, railways, and dams, they have not significantly contributed to the much-needed economic diversification on the continent. Alves argues

that, although Chinese loans present better conditions for repayment, most of them are structured as an export credit facility with certain conditions. These include procurement of a certain percentage of raw materials and labour from China that ultimately takes up a big percentage of what skills and materials the local companies could be contributing to these projects. This then results in low levels of skills and technical transfer that could take place had the percentage been lower and obliging Chinese firms to hire middle to low scale managers in their projects and create avenues for innovation and technological transfer. Alves, (2013) also observes that under these projects, economies that are well-endowed with natural resources are still highly resource dependent, rather than developing towards resource-based industrialisation. This may be because many of these commodities are exported in very much near to raw material state instead of value-added products. This is especially disadvantageous for African economies as they strive to become economically independent. Chinese companies have also acquired equity in some African oil companies; for example, in Angola, Sudan, Uganda, and Ethiopia, with some or all of these assets in some way secured by further concessional loans in infrastructural projects. This essentially reduces the equity that African governments hold in these assets, thereby impeding economic growth. Additionally, a study by Mlambo, (2019) that used the Panel-Corrected Standard Error (PCSE) on a sample of 26 economies in Africa over the period 2003–2016, finds that Chinese investments have an insignificant but positive effect on industrialization in Africa.

Moreover, the lack of collaboration between Chinese firms and local industries leads to restricted resource-based industrialisation. For instance, a case study on Zambia by Schoneveld, German and Gumbo, (2014), finds that Chinese companies tend to trade between themselves both vertically and horizontally, impeding linkages to domestic companies. This limits the transfer of both technological and human capital skills and ultimately limits the benefits from the undertaken projects. This then impacts on the structural transformation within recipient countries. The authors advise recipient governments to enable these linkages through the provision of guidelines that lay ground for better negotiations in which such clauses are negotiated.

Researchers such as Kinyondo, (2019), in his study that investigated if China is recolonising Africa with a focus on Tanzania, find that China is the biggest beneficiary in this relationship based on how much natural resource commodities are exported to China compared to the FDI inflows, where most contracts require the supply of expats from China at the expense of the local human

capital. These findings contrast with those of Oya & Schaefer, (2019), indicating that the use of Chinese expats versus local workers may vary between different African countries and projects. Kinyondo proposes that for the China-Africa partnership to be mutually beneficial, Africa should demand more transparency that involves open declaration of secured loans and allows scrutiny from parliament, civil society, the media, and citizens.

Additionally, Jaworski, Lu and Gertsch, (2020), in their research that investigated if Chinese presence in Africa was a case of capitalism and colonial approach, found that benefits from the investment projects in Africa were skewed more onto China than the African economies. Not only is China accessing much needed natural resource commodities, but it is also exporting its goods and services into the respective African economies. Their study finds that about 16 African countries export 20 percent of their total exports to China with some countries such as Sudan and Congo exporting as much as 50 percent of their total exports. They conclude that, although China's involvement may contribute to short term economic growth, it is also likely to cause some negative disruptions within the local economy; for example, rendering local products less competitive.

Furthermore, Busse, Erdogan, and Mühlen, (2016) investigated the impact of Chinese trade, FDI and aid on African economic growth, sampling 43 Sub-Saharan African countries for the period 1991-2010. Using GMM on mostly used country variables such as inflation, import, and exports, their findings show that FDI has an insignificant impact on Africa, Chinese trade has a negative impact on economic growth in Africa and that Chinese aid (which usually includes concessionary loans) does not have significant growth effects on African countries. However, the study finds that African economies with a stronger rule of law were more likely to benefit from Chinese aid.

Additionally, Mandon and Woldemichael, (2022), conducted a meta-regression analysis that consisted of 473 estimates from 15 studies aimed at ascertaining how Chinese aid has benefitted recipient countries. They conclude that after accounting for publication selection bias correction, there is no genuine empirical effect of Chinese foreign assistance on recipient countries. The study also finds that although Chinese aid has a positive impact on economic and social aspects of the economy, it negatively impacts governance and socio-economic stability.

From this discussion of the literature, since more of the literature shows positive contributions from Chinese financed projects, it can be concluded that Chinese investment loans contribute positively to Africa's economic growth for sustainable development. However, because

Africa is made of different countries at different development stages, more investigation is needed to delve deep into each given country's situation and investigate how they benefit and if there are any arising risks from these projects.

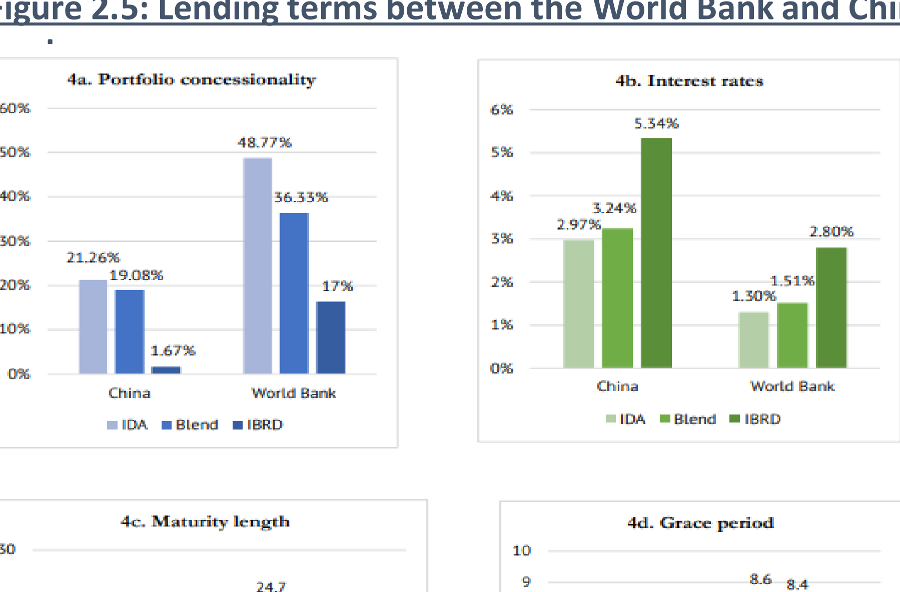
2.3.4. Risks arising from Chinese funding in Africa.

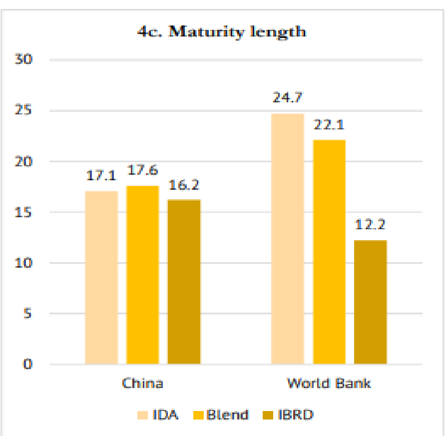
As Africa seeks and secures external debt, there may be some degree of mismanagement that gives rise to a few risks, especially depending on who the borrower or lender or a combination of both are. One way of substantiating lenders is through their motivation to lend. For example, while the World Bank finances economies to assist them in implementing poverty reduction projects, the Chinese lenders are motivated by profit, hence why their partnerships always emphasise the mutual benefit ideology. This difference in the motivation lays ground for negotiations and the margins of adjustment in the contractual clauses. Given such motivations, and other arising issues within different economies, increased levels of debt breed certain risks as discussed here.

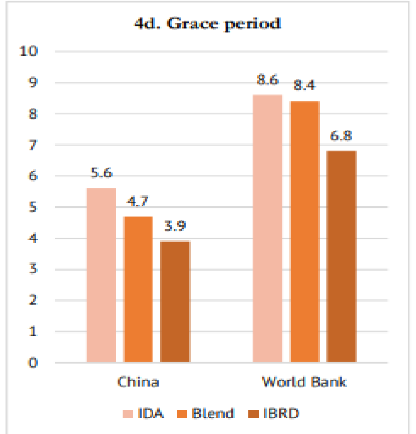
Market risks: As seen above, different lenders have different motives, and the loan contracts will usually signal if the country will manage the debt repayments or not. Debt amortisation can sometimes become arduous for recipient countries, and, in this case, different market risks will arise depending on factors such as the amount borrowed and the level of interest rates, the grace periods that lenders allow recipient countries and the ongoing economic conditions. Changes in the market variables such as interest or exchange rates may lead to market risks as there are increased costs of debt financing, requiring recipient countries to allocate more funds from their national budgets. Analysis of traditional lenders and China shows that while the World Bank charges around 1.54 percent fixed interest rates on most of its concessionary loans and with 10-year grace periods and maturities of 40 years (World Bank, Office of the Vice President, 2019), the Chinese lenders are different institutions that do not follow a unified framework. Additionally, the State-Owned Enterprises (SOEs) have different lending practices from the private lenders. For example, China's Ministry of Commerce (MOFCOM), on some occasions, extends 0 percent interest rate loans to recipient countries with 10-year grace periods and 20-year maturities. The next favourable concessional loans come from the China Exim bank which usually extends Renminbi (RMB)-denominated loans to government institutions at 2 percent interest rates, 5-year grace periods and

20-year maturities. The other loans that are offered by China Exim bank are US$-denominated loans that are usually granted to government institutions and have higher interest rates than the RMB-denominated loans. They tend to have lower interest rates that are in most cases fixed than floating interest rates. The last and most expensive category of loans is the non-concessionary loans whose lenders include China Development Bank (CDB) and Industrial and Commercial Bank of China. Here, the loans are generally based on floating exchange rates (LIBOR rate), whose interest rates vary from 4.5 percent to 6 percent with varying grace periods and maturities and they are typically denominated in US$ or Euros. They also tend to consider recipient country specific risk and repayment capacity (Morris, Parks, and Gardner, 2020) and the riskier the recipient country, the higher the risk premiums. Figure 2.5 illustrates the various lending terms between the World Bank and Chinese lenders.

Figure 2.5: Lending terms between the World Bank and Chinese







Source: Morris, Parks, and Gardner, (2020).

From Figure 2.5, graph 4a shows the percentage differences in concessionary lending between the World Bank and Chinese lenders. The World Bank has a percentage total of 48.77 percent compared to 21.26 percent from Chinese lenders, which is more than double the Chinese lending. Additionally in graph 4b, the highest interest rate from the World Bank is 2.8 percent compared to a much higher 5.6 percent from Chinese lenders. Based on these interest rate examples, it is clear to see that Chinese loans will attract higher debt servicing than the World Bank.

Usually, the recipient countries plan for repayments in their national budgets and manage debt amortisation. However, in cases where there are changes in the market and interest rates increase, this will lead to higher loan repayments than initially planned, giving rise to some risks such as interest rate risks and exchange rate risks. For example, in periods of high inflation, central banks are inclined to increase interest rates to limit its negative impacts on respective economies as has been the case across many countries recently. These measures have a knock-on effect on borrowers, such as the recipient African countries that will need to plan for more finances to meet the increased loan repayments, especially in cases where they refinance or restructure the loans. Such high interest rates on substantial amounts of loans and given the loan maturities may see many recipient countries, particularly the less developed countries, struggle to maintain timely loan repayments and where they make timely repayments, they may use up a big percentage of their GDP (Ndikumana, and Boyce, 2021). This may result in the recipient countries facing debt distress or in some cases reaching levels where debt is unsustainable. This then promulgates into liquidity risk whereby the short-term volume of liquid assets is diminished as loan repayments increase.

Additionally, there will be exchange rate risks which arise from increasing debt amortisation costs due to changes in exchange rates. For many Chinese loan contracts, the base currency is the US Dollar and, although it is a stable currency, changes in its value will have a profound effect on Chinese loans to recipient countries. Additionally, Chinese Yuan (Renminbi), the other currency in which Chinese loans are denominated, is itself pegged to the US Dollar. All these shocks in the recipient country's economy are likely to strain its national budgets and may require debt restructuring or refinancing or further external funding to meet the demands. Also, due to the above identified risks, the credit rating of the recipient countries will be unfavourably affected, resulting in restructuring or refinancing risk, whereby loan restructuring or refinancing may result in much higher costs or lenders may not be willing to restructure or refinance the loans (CABRI, 2022).

Debt sustainability and debt distress: Debt sustainability is a situation where "*the government is able to meet all its current and future payment obligations without exceptional financial assistance*" or going into default while debt distress is a situation "*where a country is unable to fulfil its financial obligations and debt restructuring is required*" (IMF, 2020b).

Many African countries have relied on external financial assistance for many years and for many of them, debt sustainability has been a long-standing issue. As many African countries continue to struggle with debt repayments, there is a looming debt crisis in Africa, which has partly resulted from the dynamics of the China-African trade and investment relationship. Schemes such as the Highly Indebted Poor Country (HIPC) initiative, Multilateral Debt Relief Initiative (MDRI), Debt Service Suspension Initiative (DSSI) and, recently, the Common Framework, whose conditions allow for debt relief have seen many developing countries successfully apply to them to restore debt sustainability in their economies. However, China's debt relief negotiations rely on individual country situations with no clear guidelines on what conditions enable the recipient country to access their debt relief scheme. This leaves the negotiation outcome to the ability of the individual country's negotiation abilities.

Also, the increase in the number and type of lenders in Africa has seen both Chinese state and commercial lenders such as commercial banks and policy banks extend a substantial amount of loans to many African countries. The Western media has considered Chinese overseas lending as a "*Debt Trap*" for the developing countries that it extends its loans to. However, some studies; for example, Donou-Adonsou and Lim, (2018), find that although Chinese investment does not contribute greatly to economic growth, there is a realised win-win situation, where China and the recipient African countries both benefit from the loans. This is echoed by, Marson and Savin, (2022), whose study on whether Chinese investment loans are complementary or adverse to the recipient countries finds that there is not much distinction between Chinese lending and that from the West. However, they also find that whilst Chinese lending is more likely to increase the normalised debt stocks, lending from the West reduces them. Moreover, Carmody, (2020) argues that China is increasingly rendering African nations debt dependent and may be pushing some nations into a debt trap. Additionally, China uses largely similar loan schemes across different countries in Africa: many of these schemes coming with the conditions that require Chinese contractors to operate the completed facilities and collect revenues for loan amortisation until the loans are repaid which results in high repayments

(Chiyemura, Gambino and Zajontz, 2022). With many Chinese lenders being commercial lenders, there is the expectation that the loans are backed by collateral and, since it is the governments that secure these loans, there is a possibility that, in some cases they may use national assets as collateral. If the countries default on loan repayments, this is likely to lead to geo-political risks that will result in the potential asset seizure of national assets of recipient countries. To investigate these allegations, (Brautigam, 2020; Singh, 2020; and Brautigam *et al*., 2022) have conducted studies that have concluded that China is not leading recipient countries into a debt trap. Also, to counter these allegations, Qin Gang, China's Foreign Minister said that China's partnership with Africa is to enhance Africa's capacity towards independent and sustainable development, and that the projects China has financed in Africa have contributed to its development as well as improving the lives of its citizens. Furthermore, China commits to respecting African agency and to continuing to contribute through tangible benefits to the continent (Ministry of Foreign Affairs of the People's Republic of China, 2023). China has, up to now, opted to reschedule loans extended to recipient countries rather than seize the national assets (Van Wieringen, and Zajontz, 2023).

Loan negotiation processes: The negotiation process for Chinese loans is based on different motivations. Either the recipient country approaches China or China itself pledges to support the identified recipient countries to fulfil their developmental needs (unsolicited bidding). In other cases, China researches and discovers that the identified developmental projects have been turned down by Western lenders, taking advantage of this opportunity to offer support to the recipient countries. After the project details are shared between the parties, representatives from each party meet to agree the way forward. Once the recipient country guides China on which ministry will take charge of the project, the chosen contractors then contact the ministry representatives to initiate the negotiation process. These discussions focus on the project technicalities such as costs, materials, expertise, technological transfer, labour, construction, and environmental expectations. It is at this stage that the recipient countries agree to the percentage of local content for sub-contractors' input. From this point, the nature of the government dictates what the negotiation process going forward will look like. For some countries, the ministry in charge of the country's treasury leads the negotiations but, in others, the technical ministry that is aligned with the identified project takes charge of areas such as ministry of works and transport for infrastructural projects or the ministry of energy for electricity related projects. Where the technical ministry takes charge, it is important that

it liaises with the ministry in charge of the treasury to collaborate and align the available funds with the project. However, this does not usually happen and lack of collaboration between concerned ministries can create discrepancies and gaps that could encourage corruption and funds misappropriation (Lado and Soulé, 2020).

Odious debt and debt opacity: Another angle to consider is the hidden debt, opaque debt or sometimes referred to as odious debt, where loan contracts are agreed between the political leaders of the recipient countries and the lender without going through the official channels. Opaque debt can be defined as "*non-transparent lending and borrowing that is done in such a way that the funds are unable to be tracked and neither governments nor lenders can be held accountable for their financial decisions*" (National Democratic Institute, 2022). There is truth in the statement by Adams, (1991) that "*for every easy lender from the rich countries, there was an eager borrower in the Third World, dreaming up ways to raid the treasure trove of easy money*". This kind of loan appetite has been seen in the frequency with many African countries which seek loans from China, especially arising from the effects of low international credit ratings in Africa. There has also been criticism that China has extended loan contracts that are classed as hidden debt due to their opaque nature (Gandhi, 2019; Tan, 2019). Such hidden debts threaten the fulfilment of SDG 10, whose aims include the encouragement of sustainable development assistance and investment in least developed countries with fair public debt management (United Nations, 2023). Ndikumana and Boyce, (2011) propose that African countries should use selective repudiation strategy, where only debt that is established to be exclusively for developmental purposes is agreed. This would promote transparency in the financial systems, minimise default risks and, most of all, maximise the developmental impact of external finance, leading to a situation that is beneficial for both borrowers and lenders.

Another study by Kubota, and Zeufack, (2020) investigated the benefits from improved data transparency in African countries. Through their investigation, they find that data transparency matters and can result in substantive savings for countries issuing Eurobonds. Moreover, the study finds that countries that have lower levels of debt and stronger institutions yield higher returns from data transparency; however, they emphasise that without good institutional quality, data transparency is not sufficient to reduce the bond spreads. Furthermore, enhanced data transparency may also reduce domestic financial market risks and improve macroeconomic policy formulation.

Overall, these findings suggest that African countries will reap higher benefits if they invest in better data collection, dissemination, and disclosure. They conclude that data transparency is good economics and that African countries need to invest in good data management frameworks for better results.

Other authors such as Nantulya, (2021) have called for the need for transparency of the negotiation processes and, in particular, providing lessons for each other as African economies to derive best practices that will promote the needed rebalance in the China-Africa relationship. This is especially crucial since a study by Gelpern *et al.*, (2021), that investigated China-African contracts, finds that certain clauses in the contracts may allow Chinese lenders a certain level of influence over the recipient country's domestic and foreign policies.

From the above studies, there is clear evidence that debt that is not sourced, negotiated, allocated and accounted for results in diminished benefits. With each country negotiating in its capacity with China, there is a need for an investigation to ascertain how each country negotiates with China and how this varies against other African countries to gain best practice insights. And since negotiation lays ground for eventual benefits and that benefits vary between undertaken projects; it is equally important to understand the various measures that can be utilised to assess project benefits.

2.3.5. Measure of success of Chinese funded projects in Africa.

The measure of success regarding Chinese funded projects in Africa is an area that is yet to gain enough attention. Many studies currently focus on quantitative methods based on monetary measures of success of the undertaken projects. Other studies also incorporate the qualitative aspect of the measure through field study analysis and gaining insights from the residents of the respective countries or areas where the projects have been undertaken. Each study measures the benefits of the project in question in accordance with selected measures that previous existing studies have used. However, from the current literature, only two studies have attempted to holistically investigate Chinese funded megaprojects. A study by Fiori, and Kovaka, (2005) identifies that although many studies have been conducted using numerical thresholds to define and measure megaprojects, there are other complex characteristics that go beyond the costs of the projects. By

analysing six megaproject case studies, they identify the main project characteristics as cost, risk, complexity, visibility, and ideals. They propose that these factors form the foundation for success in the undertaken projects. Their study concludes that, of the five main characteristics, risk and ideals are the most critical ones. Looking at the nature of Chinese projects, some more crucial factors could be added to this model to enhance it. Reboredo, (2021) attempts to build on this literature by systematically analysing China-Africa projects to determine their main drivers, needs and characteristics. The study relied on secondary data from 1950 to 2020, with complementary findings from a field study undertaken in South Africa in the period August 2017-March 2018. Reboredo, (2021) finds that there are five categories of projects that arise from the needs of the African continent viz. infrastructure, extractive, consumption, production, and ceremonial. Although the study gives account of the main megaprojects in Africa, it focuses mainly on substantiating the characteristics of each project and uses existing literature to ascertain impact of the identified projects. From both studies, there remains some methodological gaps that could be identified and utilised for future research.

2.4. Analysis of the gaps in existing literature and promising research ideas

This section discusses and summarises the key identified gaps in the literature from which some form a foundation for the investigations of this thesis and others provide ideas for future studies. Of the presented ideas, ideas 1-5 form the basis for the investigation of this thesis in chapters 4-7 and the other ideas are proposed for future research studies.

1. ***African agency and its influence on Chinese loan contracts.***

From the analysis of literature in section 2.3.1, African countries negotiate with China according to their level of agency and this then determines the loan contract that they will agree upon. Current studies have investigated single project case studies or single country case studies, mainly looking at the how the recipient country represents itself in the negotiations with China (Kragelund and Carmody, 2015; Zhu, Mwangi and Hu, 2022; Soule, 2022; Lesutis, 2021; Taylor, 2020; and Irandu and Owilla, 2020; Phillips, 2019; and Anthony, 2020), and the role played by Chinese international contractors (Mutikanga, Kayondo, and Akita, 2023). Most of these studies investigate

the agency of the chosen African country to ascertain how effective it is in positioning its citizens' interests in the negotiation process and, so far, there has been low focus on the interaction between agency and other factors.

This creates a gap in the literature regarding Africa agency in other aspects such as identification of projects, choice of lender, the nature of the loans sought and how they are managed across African countries for best practices. Therefore, this is one of the areas of focus in answer to research question 1 of the thesis.

2. Impact of Chinese investment loans and external debt accountability

Recent research has indicated that 100 percent of Chinese contracts signed between 2015 and 2019 in developing countries contain confidentiality clauses (Gelpern *et al*, 2021) and whilst studies have investigated the relationship between the country's level of fiscal transparency and their borrowing costs (Kemoe and Zhan, 2018; and Bastida, Guillamón, and Benito, 2017); transparency and financial market reactions (Choi and Hashimoto, 2018); China's part in the China-Africa partnership (Moody's 2018; Hurley, Morris and Portelance, 2019; Were, 2018; Singh, 2020; Jones and Hameiri, 2020; Brautigam, 2020; Ryder and Fu, 2021; and Brautigam *et al*., 2022) and allegations of asset seizure by China (Biryabarema, 2021a; Athumani, 2019; and Lusaka Times, 2018), there has not been much attention paid to the part played by the recipient governments in the China-Africa partnership. Many governments know the benefits of transparency and accountability but how well they work towards transparency and accountability is an area that still requires research. The only study that had so far explored a bit deeper into African agency is Phillips, (2019) in his study on Ghana, where he finds that Chinese contractors and Ghanaian collaborating companies lacked project accountability.

This creates a gap in the literature to investigate the frameworks that African economies use in accounting for debt from different lenders. To fill this gap, we aim to analyse the accountability frameworks that are used across African countries and how the recipient countries fare in debt recording and management with the aim of investigating how useful the implementation of a collective loan accountability framework would be in ensuring optimal outcomes from developmental projects in Africa. The findings answer research question 2 of the thesis.

3. Impact of Chinese investment loans and sustainable development in Africa

The impact of Chinese investment loans on economic growth in Africa is by far the most investigated area but is yet to derive consistent results. As discussed in section 2.3.3, many scholars have conducted studies on the impact of Chinese loans on factors such as economic growth (Dreher *et al.*, 2021; Bluhm *et al.*, 2018; Eom, Brautigam and Benabdullah, 2018; Mlambo, 2019; Yu, Du, and Dang, 2020; and Mlambo, 2022); sustainable growth (Lewis, Yang, and Moise, 2021; and Kolawole, 2021); inclusive growth (Kolawole, 2016; and Whajah, Bokpin and Kuttu, 2019); employment (Oya, and Schaefer, 2019) and education (Martorano, Metzger, and Sanfilippo, 2020). Many of the studies find that Chinese loans have a positive impact on respective African recipient countries. However, some find that China is the major beneficiary, and others find that Chinese loans have a negative impact on the recipient African countries. Of these, the literature on the impact of Chinese loans on sustainable development in Africa is still low. Additionally, to measure the impact, many studies consider the common macroeconomic variables as well as the governance indicators as proxies for institutional quality. However, current studies have yet to quantitatively measure the impact of transparency and accountability based on the World Bank economic development indicators: this study aims to fill this gap in the literature to derive answers for research question 3 of the thesis. Given the analysis above we develop the hypothesis that, **Hypothesis: Chinese loans contribute positively to economic growth for sustainable development in Africa.**

4. Chinese investment loans and arising risks for African recipient countries.

Discussions from section 2.3.4 show that the combination of the borrower and the lender can bring about certain risks for either party. If the lender is motivated by profit, the loan contracts are likely to contain clauses that optimise their chances of making the highest possible profit whilst minimising risks. The quality of the negotiation can be influenced by the type of government, which then influences how well debt is tracked and managed to ensure adherence to set debt parameters. Existing studies have investigated the impact of Chinese loans on debt sustainability (Loko *et al.*, 2003), debt distress (Moody's, 2018); Hurley, Morris and Portelance, 2019); and (Mlambo, 2022) and the confidentiality and opaque nature of the loans (Gelpern *et al.*, 2021) separately. Additionally, institutional frameworks lay ground for loan negotiations and utilisation; if they are not efficient, some risks could arise, meaning this is another area that needs further investigation. This thesis aims

to holistically assess the main risks in unison and draw conclusions that contribute to the existing literature. This answers question 4 of the thesis.

5. Methodological approach to measure benefits of Chinese funded projects in Africa.

Regarding the measure of benefits from Chinese projects in Africa, many scholars as seen in section 2.3.5 use quantitative measures that encompass factors such as the impact of Chinese loans on economic growth using GDP growth. Others combine this with qualitative studies, where they seek insights from the residents of respective Africa countries. Scholars such as Fiori and Kovaka, (2005) provide a useful framework to holistically assess the impact of Chinese loans of recipient countries that includes factors such as cost, risk, complexity, visibility, and ideals. This methodology can be implemented in respective categories as identified by Reboredo, (2021) to include impacts on categories such as infrastructure, extractive, consumption, production, and ceremonial projects. From both studies, there remains the opportunity to assess Chinese projects using a combination of these two methods plus the quantitative measure of project benefits to gain a holistic picture of the impact of Chinese loans on recipient countries: this is one methodological gap this thesis aims to fill.

6. Mismatch to the period of investigation

Many Chinese development projects are undertaken to foster long term growth. However, many studies are conducted on the benefits arising from the projects soon after construction/ handover of the respective facilities and they tend to be cross-sectional studies. Given the nature of the facilities, it is more likely that most will not derive consistent positive impacts in the short run but rather in the long run. Also, many of the identified projects such as dams would require complementary infrastructure such as country-wide electrification for the dam to achieve the suggested ideal output. Therefore, longitudinal studies are needed to assess the identified projects from the inception stage through to about 7-10 years after project handover to ascertain the benefits to the respective recipient country.

7. Accountability frameworks

Given the variations in external loan accountability, there is lack of coherence in reporting. Moreover, the current reporting frameworks are short term based, and it would be helpful for African

countries if an accountability framework could be proposed that would cater to short-term and long-term reporting, unify reporting systems thereby easing external debt tracking.

2.5. Conclusions

This chapter analysed both theoretical and recent empirical literature to understand the impact of Chinese investment loans on recipient African countries. The literature on the impact of Chinese investment loans on African countries' sustainable economic growth and development is still developing but divided. Some scholars argue that there are negative impacts or that, at the very least, China gains considerably more from such loans than the recipient countries. However, a significant body of scholars disagrees. Many point to realised benefits to recipient countries from the projects which the loans finance, however, there are other areas that are yet to gain attention from scholars. From this literature, the thesis has provided the areas that are worth investigating and how it contributes to the body of knowledge by investigating some of the identified gaps. Additionally, promising research ideas are also highlighted to provide useful insights for future studies.

Chapter 3 Methodology

3.1. Introduction

This chapter discusses the research methodology that we utilised for the data strategy and data collection processes as well as to empirically test the hypothesis. To answer the four research questions, we employed interpretivism, and pragmatism and critical realism paradigms. These paradigms enabled us to make useful observations from the data collected in different countries in Africa and also be able to explain how each country's relationship with China is guided by its individual state. This was then complemented with the research knowledge that previous authors have produced on the China-Africa partnership. Guided by these paradigms, we discuss how we utilised regression analysis and qualitative case study analyses, where data was collected from the four sample countries. The discussion also provides justifications for choosing these methods over the others and provides an overview of the methods used for data collection and how the field study process was planned and executed, with aspects such as sampling methods and ethical considerations. Then, this is followed by a discussion of the challenges faced during data collection, and the conclusion of the chapter.

3.2. Research philosophy

3.2.1. Ontological, and Epistemological assumptions

Research projects are grounded by particular philosophical beliefs that essentially depict how the world views different phenomena. Research philosophy correlates with the nature and belief in which knowledge in research is viewed, gathered, analysed, and used (Creswell, 2003). Saunders *et al*, (2011) set out philosophical beliefs that rely on certain assumptions about how the researcher views the world and how these philosophies can be used in the development of knowledge. Although it is important that every research project should be underpinned by philosophical beliefs, it is also equally important for the researcher to explain and defend chosen philosophical choices to sinuously guide the research (Johnsons & Clark, 2006). Research philosophies are dependent on two main assumptions, and these are ontology, and epistemology.

Ontology mainly focuses on the assumptions that researchers make about the nature of reality. Fleetwood, (2013, p. 3) defines ontology as the "study of being, or the way the world is."' On the other hand, epistemology concerns assumptions that researchers make about knowledge, and how they can communicate this knowledge to others (Burrell and Morgan, 1979). It relates to the theory of knowledge, focusing on what constitutes acceptable knowledge and its validations (Grix, 2002). Therefore, both ontological and epistemological positions work well for this thesis since ontology provides explanations of reality and epistemology provides explanations of how knowledge is known and understood.

Given the focus of this thesis that aims to investigate how Chinese investment loans impact on sustainable development in Africa, these philosophical positions guided the examination of the holistic process from when the governments identify developmental needs to how they source and negotiate the loans from China, how they execute the projects, how they service the loans, account for them and reap benefits from them. To contextually analyse the impact of Chinese loans in Africa, the thesis was based on epistemological assumptions from which we adopted the interpretivism, pragmatism, and critical realism paradigms, since there was a need for critical evaluation of the choices made by African countries. Pragmatism allows for the objective understanding the current situation as it is, while interpretivism and critical realism enable the subjective understanding of certain nuances across different countries. The combination of these paradigms lay ground for a better understanding of the China-Africa partnership.

3.2.2. Research paradigm

Pragmatism paradigm: The pragmatism paradigm relies on the truth that is observed in the social world by relating human actions as consequential to human knowledge (Goldkuhl, 2012). It is the epistemological framework that interrogates and evaluates ideas and beliefs in relation to their practical functioning. This is ideal for this research project since it seeks practical solutions to a debt problem that has seen many African countries struggle with debt management, in part arising from the Chinese investment loans. More so, in addition to seeking the truth, the pragmatism philosophy gives the researcher the ability to choose mixed methods of data collection that suit the research objectives (Kaushik and Walsh, 2019). Additionally, pragmatism suits this research since we needed to gather residents' inputs through a survey and gather secondary data such as data from journal

articles, government releases, chosen datasets and where possible, copies of the investment projects contracts. All these aspects are important in understanding the social-economic world. However, due to the nature of varying loan agreements in different recipient African countries, pragmatic philosophy was by itself not sufficient for explaining the current China-Africa partnership, and we therefore propose to supplement it with critical realism.

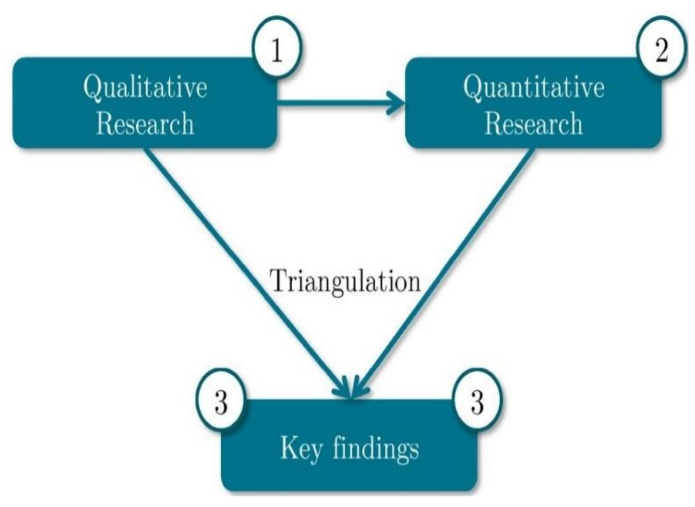
Critical realism: Critical realism enhances the shortcomings of the pragmatic philosophy in that it focuses on explaining observations and experiences, in relation to the underlying structures of reality (Saunders, 2019). It focuses on reality as it is experienced for example, an event, coupled with the process of analysing the experiences after the event to ascertain the underlying causes. This can be achieved by reasoning backwards to the given event to ascertain probable cause, a process known as 'retroduction' (Reed, 2005). With many scholars for example Staden, Alden and Wu, (2020), arguing that Africa should be in position to exercise agency in its dealings with China, it is imperative that we assess the conditions in the given country at that particular time to explain certain decisions. Critical realism provides for a more critical look at each sample country individually and has been utilised in other studies such as Brautigam, (2009) and Wilbertz & Rehling, (2014) to assess Africa-China relations. However, it has some shortcomings in that, it enables for an overview of the understanding of why certain phenomena happens but does not explore deeper into the more nuanced aspects of the China-Africa partnership. To compensate for this shortcoming, the interpretivist view can be considered.

Interpretivism paradigm: Under the interpretivism paradigm, the researcher observes and interprets the social world interactions to derive research findings. Interpretivism philosophy argues that it is not easy to understand social concepts based on the existing principles but rather through subjective interpretation. For this thesis that, in part, aims to understand how respective governments choose funders and engage with them for developmental needs, the interpretivism paradigm enables the contextual understanding of one country's dealings with external funders like China and this is why we chose to collect data through interviews in the sample countries. Interpretivists focus on the core details and situational analysis of the social phenomena (Dean, 2018), that are then triangulated to derive findings and make conclusive validations about the subject (Olsen, 2004). Based on these three research paradigms, we identified and selected research strategies.

3.3. Research strategies

We employed a mixed methods approach with both qualitative and quantitative methods of research as depicted in Figure 3.1:

Figure 3.1: Mixed Research Methods



Source: März, Bierwirth and Schüle, (2020)

For some aspects of the research, secondary data was used to carry out statistical analyses that ascertain Chinese investment loan impacts to sustainable economic development in Africa. In line with one of the research objectives, secondary data is used to develop the hypotheses that can be empirically tested between variables to derive statistical measurements (Robson, 2002). Additionally, we utilised case study research design under which we undertook interviews and surveys. The case study approach enabled the contextualised understanding of each of the sample countries and this enhanced the depth of the data collected. Interviews were undertaken from key government and private sector representatives that have some level of influence in society and a survey in the form of questionnaires was undertaken for the respective residents of the sample countries. Both methods of data collection were equally considered to have a good balance of responses. We chose semi-structured interviews based on their ability to give the researcher a more detailed opinion about the research topic and giving the interviewees a chance to engage in an open discussion, that enables them to probe deeper into the topic thereby enhancing the research findings (Sarantakos, 2012). The major disadvantage with interviews is that they only suit the intended

research, and they cannot be generalised for future studies, however, they can help to identify certain recurring themes that occur in most or all of the samples.

Questionnaires on the other hand were chosen for this thesis because they are quick, economical, and objective as well as reaching a much wider population than other research methods such as interviews. Their standardised nature gives respondents a fair chance at answering the research questions and findings can easily be quantified. Additionally, data collected through questionnaires is easy to format and analyse compared to other methods such as recorded interviews. As convenient as questionnaires can be, they also have certain limitations for example, their nature of fixed format leaves no room for in-depth explanations and discussions of the chosen respondent answers which can sometimes impede greater understanding of the research topic (Sarantakos, 2012).

The interview and questionnaire methods of data collection were piloted on a chosen small group of respondents to gauge their understanding of the research questions and for any questions where the respondents found that more clarity was needed, these were edited to suit the respondents' ease of understanding.

3.4. Sample

3.4.1. Country sample selection

To arrive at the sample population for this thesis, we undertook a systematic sample relegation as follows. The sample population for this research started with all 55 African countries based on the membership of the African Union (African Union, 2022). This was then trimmed to the 46 countries since the focus of this research was on Sub-Saharan Africa countries. Then, we used the member country groupings from the IMF, (2020) Regional Economic Outlook: Sub-Saharan Africa report, where countries are divided into six categories as shown in Figure 1.1 in Chapter 1. From the six categories, we chose a sample of four countries namely, Senegal as a non-resource intensive country, Zambia as one of the other resource intensive countries, Kenya as a middle-income country and Uganda as a low-income country. These sample countries represent the four of the six country category groups. More so, their rationale is influenced by China's significant increase its funding of

large infrastructural projects (Big Think, 2019). Additionally, statistics show that each of these countries has in the recent years, recorded improved economic growth (AfDB, 2019), (World Bank, 2020b), (World Bank, 2020a). We also decided to investigate the period from 2000 when FOCAC was formed to 2020 at which time, many countries had tightened their external financing to focus more on the social welfare of their citizens as they battled the Covid-19 pandemic. We excluded oil rich countries due to the abundance of secondary data by authors such as Corkin, (2008), Foster, *et al.*, (2009), Brautigam, (2011), Nissanke and Söderberg, (2011), Chen, Dollar, and Tang, (2018) and Nuetah and Xin, (2019), which implies that they would do not immensely benefit from a primary field study. Additionally, we excluded countries that were in politically fragile conditions whose uncertainty would make it risky to carry out field research.

3.4.1. Participant sample selection

Within the sample countries, the study population was the population of each respective country. From this population we derived the sample for the thesis. For interviews, initially, we employed purposive sampling where respondents were chosen based on their perceived knowledge of the China relations in their respective country. Their selection was based on our understanding of the data needed and how capable the identified respondents were in providing us with the answers. However, while actively collecting data, some respondents would suggest certain members in the community and hence we adopted snowball sampling in such cases. Purposive sampling ensured that we accessed participants that were knowledgeable enough to provide answers to our interview questions (Campbell, *et al*., 2020). Additionally, despite being criticised for potential bias, snowballing sampling technique helped us to access participants that would have been harder to access (Woodley and Lockard, 2016). To limit potential bias, we controlled the number of referral potential interviewees in comparison to the ones identified under purposive sampling. The target respondents included recipient government representatives, Chinese representatives, NGO representatives, academics, industry and research experts, think tank experts, recommended local citizens etc. We managed to collect 52 interviews from the four sample countries and Table 3.2 below shows a list of the research participants/ interviewees.

Table 3.1: Research participant/ Interviewee list		
Stakeholder	**Interview number**	**Interviewee**
Agricultural institution	Interview 202101	Academic
Academic institution	Interview 202102	Economist and academic
Technical institution	Interview 202103	Engineering Academic
Government construction agency	Interview 202104	Chief Implementation Officer
Non-Governmental Organisation	Interview 202105	Private Consultant
Manufacturing firm	Interview 202106	Businessman
Independent Researcher	Interview 202107	Researcher
Non-Governmental Organisation	Interview 202108	Private Consultant
Government Ministry	Interview 202109	Engineer, Ministry of Infrastructure
Private sector	Interview 202110	Businessman
Research Institute	Interview 202211	Researcher, Think tank
Non-Governmental Organisation	Interview 202212	President of a professional society
Government agency	Interview 202213	Workers Union Representative
Research Institute	Interview 202214	Researcher, Think tank
Government ministry	Interview 202215	Director – Ministry of Transport
Government ministry	Interview 202216	Senior Economist, Ministry of Finance
Government agency	Interview 202217	Policy Advisor, Development Agency
Private sector	Interview 202218	Engineer
Non-Governmental Organisation	Interview 202219	Regional Director
Non-Governmental Organisation	Interview 202220	Head of Operations - Community
Government Ministry	Interview 202221	Commissioner, Ministry of Transport
Government Agency	Interview 202222	Roads' Commissioner
Independent researcher	Interview 202223	Researcher
Academic institution	Interview 202224	Academic
Research Institute	Interview 202225	Head of research, Think tank
Academic institution	Interview 202226	Academic
Government agency	Interview 202227	Engineer
Research Institute	Interview 202228	Researcher, Think tank
Independent consultant	Interview 202229	Economist

Research Institute	Interview 202230	Research Policy Manager, Think tank
Government agency	Interview 202231	Engineer
Private Sector	Interview 202232	Researcher, Research Institute
Academic Institution	Interview 202233	Academic
Government Ministry	Interview 202234	Commissioner
Non-Governmental Organisation	Interview 202235	Community Development Manager
Private Sector	Interview 202236	Accountant
Private Sector	Interview 202237	Community Outreach Manager
Non-Governmental Organisation	Interview 202238	Regional Director
Private Sector	Interview 202239	Retired Government Advisor
Government ministry	Interview 202240	Commissioner, Min. of Transport
Government ministry	Interview 202241	Senior Economist, Ministry of Finance
Research Institute	Interview 202242	Researcher, Think tank
Government planning authority	Interview 202243	Manager, Monitoring and Evaluation
Government ministry	Interview 202244	Office of the Prime Minister
Research Institute	Interview 202245	Head of Projects, Think tank
Private sector	Interview 202146	Businessman
Non-Governmental Organisation	Interview 202247	Regional Director
Private sector	Interview 202148	Businessman
Government ministry	Interview 202249	Commissioner, Ministry of Energy
Government ministry	Interview 202250	Director, Policy and Planning, Min. of Lands
Non-Governmental Organisation	Interview 202251	Assistant Director
Private Sector	Interview 202252	Community Funds Mobiliser

For the survey, we used a combination of simple random sampling and snowballing sampling techniques. The target sample was the residents of the respective sample countries. These sampling methods ensured that the population was fairly represented and that there was minimal risk of sampling error. With the population in each recipient country being over one million, using 95 percent confidence level and a 5 percent margin of error, the sample frame was 384 respondents in each country (National Audit Office, 2001). In all the sample countries, depending on the permissions

given by respective gatekeepers, the survey was undertaken across the residents in that vicinity at that particular time. We managed to sample 425, 348, 511, and 403 residents in Kenya, Senegal, Uganda and Zambia respectively after accounting for incomplete questionnaires.

3.5. Ethical considerations

This study involved interviewing respondents that held key decisions making positions, were representatives of the government, Non-governmental Organisations (NGOs), Industry experts, Think Tanks, academic institutions and surveying the local citizens. To consider everyone in their own capacity in these different sets of respondents and to prioritise their confidentiality, we used the guidance and knowledge gained from the Epigeum research integrity course undertaken at SOAS for which a certificate was awarded as attached in Appendix A2 1.

We adhered to the research ethics under the supervision of the SOAS Research Office and compliance and data protection policies were strictly adhered to. The respondents were treated with respect and courtesy, and we gave them an opportunity to give voluntary and informed consent for the interviews to be audio-recorded to participate in the research. All respondents agreed for the interviews to be audio recorded and they all remained anonymous. They were also advised that the data collected was only for the purposes of this research. Consent forms were printed in advance and once the respondents had agreed to be interviewed, they had to read and sign these prior to the interview. Copies of the information sheet, consent form and interview questions were translated and printed in French for the interviews in Senegal. Copies of the consent forms are attached in Appendix A2 2 & 3.

For audio interviews, the respondents were asked to confirm their willingness to take part in the research on record before the interview began. Respondents could withdraw their consent at any point in the interview if they did not wish to continue with it. Data was collected in accordance with the respective data protection guidelines in each country and the GDPR guidelines UK which, regardless of UK's departure from the European Union still stand (Information Commissioner's Office, 2021). Regardless of the restrictions on the transfer of personal data across borders for example in Kenya, where the law currently does not allow its citizens' personal data across borders and requiring collected personal data to be pseudonymised soon after collection, there was no need to

pseudonymise the data soon after data collection since there was no use of real names in the interviews and no record of personal data on the questionnaires.

Respondents of the questionnaire were also advised about the topic and how their participation would support the study. Once they expressed willingness to participate, they were given copies of the participant information sheet and the consent form, upon which they read and agreed and signed to the conditions of the research, were they then able to answer the questionnaire.

3.6. Field study process

The field study had to be carefully planned since the world was still recovering from the Covid-19 pandemic and there were travel restrictions in place in some countries. The period between August and September 2021 was used to prepare for field study. Additionally, semi structured interview questions and questionnaires were drawn and reviewed by the supervisors. The recording devices and transcribing software were sampled, and the most suitable ones chosen. This period was also used to identify potential interviewees and conduct a pilot study on a random sample of the identified interviewees to ensure that the questions were easy to understand and were suitable for the study. The rest of the interviewees were contacted where possible, and appointments were made with them beforehand. This period was also be used to identify and evaluate the software that would be used for data analysis. The identified and chosen software for the thesis were software Stata BE 17 and Nvivo 12, which were then tested for suitability of data analysis.

Field study was conducted in the four sample countries that is Senegal, Zambia, Kenya, and Uganda. The Doctoral School at SOAS provided an introduction letter that explained that I was a research student at SOAS and that I had been given permission to undertake research in the four sample countries. This letter would prove highly beneficial as each office contacted or visited insisted on seeing it before they could engage with me. Each country had its own way of undertaking research. In Kenya, there were requirements to register with an academic institution and apply for a research certificate and I successfully applied for with the support of Kenyatta University. In Senegal, although there were no explicit restrictions, affiliation with an academic institution was advised and

I affiliated with Cheikh Anta Diop University who provided me with a temporary university id to ease data collection, especially, where there were questions of institutional belonging. In Uganda, a research license was required and although I applied for it, I never heard from the body in charge. To avoid delays, I sought affiliation to the Economic Policy Research Centre, a leading think tank in Uganda whose affiliation enabled me to collect data ethically. In Zambia, there were no explicit research restrictions and the university that could have helped me with affiliation was on its break, however, I received so much support especially from the government roads' agency under the Ministry of Works and I was able to access many government offices through snowball sampling technique. The affiliation documents are attached in Appendix A3.

Field study challenges: As with any field-based study, this field study had its own challenges to secure the key informant interviews and questionnaire respondents. Firstly, it started towards the end of 2021, at the time when the world was still grappling with recovery from the Covid-19 pandemic. All but one of the sample countries were red listed by the United Kingdom (UK) meaning that if one travelled to any of these countries, they would upon return, must quarantine in a high-cost government-controlled hotel for a stipulated time frame and the cost of quarantine was to be borne by the individual and this made it impossible for the field study to commence as scheduled. Senegal being the only sample country that was not red listed became the first choice, however, this also posed challenges since Senegal is a French speaking country and I was still undergoing French lessons but had learnt minimal French to get by. Needless to say, with the uncertainty of the impact of Covid-19 and with many countries imposing travel restrictions, it was only right to seize the chance and gather data from Senegal. As challenging as it could have been, data collection in Senegal was successful and this can be credited to their friendly citizens who assisted in every way possible. I also hired a research assistant in case I needed help. I learnt of the phrase 'Teranga' from almost all the citizens that I approached for help. Teranga is a word from the Senegalese language, Wolof that embodies the identity of the Senegalese, and it depicts hospitality, solidarity and generosity (Coleman, 2020). The citizens would always say 'You are in the Land of Teranga. We will help you. Do not worry'. And this was true in every sense. With my little knowledge of the French language, I navigated Senegal with minimal help from my research assistant.

Come 2022, UK had lifted the red list country restrictions, and this meant that I could go on to the other three sample countries and carry out field study. Although travel restrictions were lifted,

the office-based restrictions were still in place and staff were in the office on a rotational basis. This meant that only a few members of staff would be in the office at any one time, and this led to some delays or in some cases missing out on securing interviews with the identified respondents. To counter this issue, I approached any member of the identified team that would be present in the office and with their help, arranged interviews with the most suitable person when they were next in the office.

Additionally, the other challenge was that the China-Africa relations have become a sensitive topic for people to discuss openly and this created challenges in securing interviews. Many respondents in the sample countries did not feel comfortable talking about their governments' contracts with the Chinese enterprises due to fear of certain ramifications. More so, while conducting the survey, some prospective respondents would decline to partake for fear that I may be a government spy, and I am working with the government to collect information that may be used against them. I, therefore, had to cast my net wide and reach as many people as possible to secure interviews and questionnaires. It is important to note however that, this was the case in all the sample countries except Senegal, where the citizens freely gave their views on the topic.

Also, despite many respondents on the African side giving their opinions, there was very little success from the Chinese representatives in all but one of the sample countries. In Senegal, the Chinese Embassy officials had agreed to give an interview however, my field trip coincided with the preparations of the FOCAC Summit 2021 in Senegal, and they never got enough time to follow through with it. The Chinese representatives that I approached either via email or telephone in the other three sample countries did not respond or declined to be interviewed about the topic. This, however, did not undermine the study since some of the information was gathered from other sources such as existing interviews, commentary for example from the Ministry of Commerce of the People's Republic of China (MOFCOM), press releases and contracts between China and the respective sample country.

3.7. Reliability and validity

It is important for a study to be reliable and valid for findings to have an impact in research. In qualitative studies, reliability refers to the openness about the research process whereby the

research methods employed can be used in other studies with consistent results (Yin, 2009). It relates to "the extent to which the results of a study or a measure are repeatable in different circumstances" (Roberts and Priest, 2006) and it is aimed at minimising errors and biases in research (Yin, 2009). For studies that are case study based, it is not easy to replicate the results in other settings. More so, since the majority, if not all the Chinese engagements in Africa are confidential, most of the information gathered is likely to not to be the official government information but rather the opinions of the stakeholders within these particular economies and these opinions cannot be replicated. However, the statistical findings can be replicated in future studies since they are based on data from credible databases and are derived through empirical tests (Larry *et al*., 2021).

Validity on the other hand relates to how well and accurately the findings "represent respondents' realities of the social phenomena" (Creswell and Miller, 2000, p. 124). There are the three main forms of validity namely, construct validity, internal validity and external validity (Yin 2009, p. 40). Construct validity refers to how well the chosen research methods measure the concept for which they were designed to measure. In line with this study, construct validity would be the process by which we use various methods of gathering data in a way that encourages convergent lines of inquiry (Yin, 2009). Having undertaken a successful pilot study on a sample of respondents before the main field study, the chosen methods were proven to be effective in data collection and analysis for this study. The second type of validity known as Internal validity refers to the process by which the research strategy answers the research questions without any bias in its methods and analysis (Yin, 2009). The key informant interviews followed a similar format for most of the questions and only varied where clarification of follow up questions arose. All interviews were audio recorded, and the respondents gave the interviews at their own pace and were given opportunity to add any relevant information that they deemed relevant to the interview questions. For transcriptions, we used Microsoft Dictate and then used Nvivo for data analysis. Nvivo is an unbiased software that provides coded data from which themes can be identified and conclusions drawn. A combination of these two methods ensured respondent validation (Roberts & Priest, 2006). On the other hand, external validity refers to how well the research findings can be generalised beyond the current study to other research contexts. In the context of this study, the empirical model yields consistent results when applied on similar studies. Additionally, although case study data is not easily generalisable, it can provide useful insights on the general sentiment in the sample countries.

To enhance validity and reliability, the process by which data was collected and analysed was discussed transparently and the findings from both primary data and the secondary data were triangulated to produce consistent perspectives that were used to better explain and ascertain the objectives of this study.

3.8. Data collection and analysis

Data collection: This thesis employed a mixed methods approach with both qualitative and quantitative methods of data collection. To gather primary data, the semi-structured key informant interviews were used to target interviewees in key positions of power while the questionnaires were used for the local citizens to gain a balanced view of the situation on the ground. We conducted the key informant interviews and where interpretation was needed, we hired a local research assistant. Semi-structured interviews provided opportunities to dig deeper into the questions for more meaningful insights (Ruslin *et al*., 2022). The interviews were audio recorded upon seeking consent from the participants, from which all interviewees accepted for the recording of the interviews but, without any reference to personal information as per the guidelines of the SOAS research ethics committee. Additionally, we collected Chinese loans data from the Boston University Global Development Policy Center (BUGDPC). This is the top-rated database in this field and its data is credible and trusted amongst scholars. It has been used for studies such as Kodzi, (2021), and Mlambo, (2022). For developmental indicators, we utilised the World Bank's World Development Indicators database. For governance, the study used the World Bank Governance indicators. The data from all these databases was collected for 48 Sub-Saharan countries based on the World Bank's Country list (World Bank, 2023b), covering the period 2000 to 2020. We stored the collected data on the following storage points; personal laptop, SOAS Google drive/SOAS One Drive, USB stick/external drive as well as a personal Google drive. These storage points were all password protected except the USB stick and the external drive however, files transferred to these storage points were password protected to minimise risks of compromising the data.

Data Analysis and presentation: We used different methods to analyse the collected data. For interviews, the collected data was transcribed using Microsoft Word Dictate and analysed using Nvivo 12 from which content and thematic analyses were utilised to derive meanings from the data.

While content analysis enabled us to identify certain concepts in the data to derive meaningful interpretations in line with the research questions (Creswell, 2003), thematic analysis helped us to identify and analyse patterns within the collected qualitative data (Clarke and Braun, 2013). Additionally, both methods align with the chosen interpretivism and critical realism paradigms for this thesis. For the survey, data was collated and analysed using the Google Form functionality and presented in the form percentages to provide snapshots of the sentiment from the residents. For the secondary data, we carried out a regression analysis using StataBE 17 to statistically test the impact of Chinese loans on sustainable development in Africa and the findings were shared in respective tables.

3.9. Limitations of the research methodology

In every research design, there are likely to be limitations regardless of whether the choice of methods is quantitative or qualitative or mixed methods (Saunders *et al*., 2011). This study faced some challenges and limitations. First, the sample size could have been extended to include all the six country category groups however due to budget and time constraints and the country conditions, this was not possible. Other limitations included some difficulties in securing respondents willing to talk openly about this topic for fear of likely repercussions and therefore, we endeavoured to reach a wide selection of respondents. More so, there is no official data base of Chinese loans to Africa which limits the full picture of the loans that China has extended to recipient Africa countries. Data was sourced from a private institute called Boston University Global Development Policy Center (BUGDPC), World Bank and SDG reports. These databases were carefully chosen for their credible and consistent data and their credibility amongst scholars. Indeed, one of the contributors to the BUGDPC database is Deborah Brautigam, one of the leading scholars in this field.

Furthermore, although covid-19 travel restrictions disrupted the fieldwork timetable to some extent, we were able to collect enough data for to reach meaningful conclusions. Had the travel restrictions continued, making the fieldwork more difficult, we had measures in place to carry out the research via online interviews and questionnaires, as proposed by Murinde, Petropoulou and Xie, (2020).

Limitations in a study are not all restrictive and bad, they give the researcher a chance to acknowledge the limitations of the study, pivot to other methods, and propose better research methods for future research (Easterby-Smith, Thorpe and Lowe, 2008).

3.10. Conclusion

In this chapter, we discussed the chosen research design and methodology utilised for this study. We explained how epistemological assumptions guide the study and how the pragmatism, critical realism, and interpretivism paradigms were employed to critically evaluate the choices made by African countries. To fulfil the research objectives, we combined both qualitative and quantitative methods of data collection. We also discussed the case study design and gave rationale for the choice of sample countries and the sampling techniques used to identify research participants. Since the study involved field study, we also discussed the ethical considerations that guided this study, the challenges of the field study as well as how reliable and valid the chosen methods were in achieving the set objectives. Given the different methods of data collection and analysis, the process of data triangulation ensured that the findings from the study are reliable and valid.

Chapter 4 Chinese investment loan schemes and African agency

4.1. Introduction

For debt to derive meaningful and positive impacts in an economy, it must be well sourced, well managed and effectively serviced. Debt negotiations lay a foundation for the quality of loans that economies secure and how they utilise these loans to stimulate economic growth in their economies. From the analysis of the current Chinese financing models, we find that the most prevalent loan schemes are Angola model, China model, and Hunan model. Under these models, the most implemented project delivery models are Engineering, Procurement and Construction (EPC), Public-Private Partnership (PPP), Build-Operate-Transfer (BOT), Build-Own-operate (BOO) and the Integrated Investment, Construction, and Operation (IICO). The loan schemes and delivery models vary from country to country. Debt negotiations depend on how well equipped the recipient economies are in promoting the interests of their citizens. This notion is derived from the term agency, which can be described as the ability to represent oneself for better outcomes. As used in the current literature, agency is referred to as the nature of political conduct, implying a specific sense of choice, free will and autonomy (Vadrot, 2017). Other authors such as Hay, (2002) have referred to it as the ability of players to reflect upon their actions and the context within which they operate, a description that closely matches that of Chabal, (2009), who describes it as the directed, meaningful, intentional, and self-reflective social action.

Agency is important in negotiations especially in external debt contract negotiations and many studies have varied views on how Africa represents its interests in debt negotiations. Agency explain this concept by proposing that a contractual relationship develops when a principal engages an agent (Jensen and Meckling, 1976). Agency in the context of this thesis can be explained in a two-fold manner, whereby, on one hand, the citizens of the respective country vote their leaders into power to fulfil their expectations and make decisions on their behalf. How well this is done is dependent on the quality of government in power. On the other hand, agency can be assesses based on the lender (China)-borrower (recipient African country) relationship whereby, the stronger the

government, the better the loan negotiations with China for better benefits for the country. Another aspect to assess agency with are the settings within which the recipient countries negotiate their loans contracts. In line with Game theory which proposes that one player's payoff is dependent on the chosen strategies of the other player (Mero, 1998), there is scope to analyse African recipient countries of Chinese debt and how they strategize themselves in engagement with China.

Seeing that China has been at the forefront of the lending market in Africa in recent years, it is imperative to understand how African recipient countries have performed in their engagements with China by analysing aspects such as project identification, debt negotiations including the types of loan schemes that they have agreed with China, project management, debt management and facilities utilisation. Therefore, the aim of this chapter is to investigate the types of loan schemes that have been employed in African recipient country projects and how these are influenced by the respective country's agency and what the residents think about it. There is a noted relationship between the type of government and the way in which it engages with China, with research showing that countries with poor governance negotiate poorly in loan negotiations with China in comparison with countries with better governance (Chen, Dollar, and Tang, 2018). Therefore, the analysis of agency in the context of this thesis relates to governance, and we use the World Bank Worldwide Governance Indicators (WGI) and identified projects in Africa to gauge Africa's agency. Given that governance in relation to public sector management can be defined as "the manner in which power is exercised in the management of a country's economic and social resources for development" (World Bank, 1992), the WGI are relevant in assessing the agency exerted by recipient countries in loan negotiations with China. This is further supported by Bruton *et al*., (2010) who argue that national institutional factors influence agency relationships and governance mechanisms. Additionally, Filatotchev, Jackson, and Nakajima, (2013) propose that understanding the complexity of agency through institutions allows for a more holistic overview of agency problems and paves way for better solutions. This implies that the agency of a nation can be exhibited through its governance and the use of the World Bank Governance indicators forms a good basis for this analysis. To further analyse this concept, we employ Game theory through the conceptual analysis of data from the China Africa Research Institute (CARI) on debt cancellation and restructuring between China and its recipient countries to gauge recipient country strategies in debt management.

Many scholars have investigated African agency in the China-Africa partnership and, although most agree that Africa upholds its agency, there are some areas where some authors find that African agency is compromised. Current studies have investigated single project case studies or single country case studies, mainly looking at the how the recipient country represents itself in the negotiations with China (Kragelund and Carmody, 2015; Zhu, Mwangi and Hu, 2022; Soule, 2022; Lesutis, 2021; Taylor, 2020; Irandu and Owilla, 2020; Phillips, 2019; and Anthony, 2020) and the role played by Chinese international contractors (Mutikanga, Kayondo, and Akita, 2023). Most of these studies usually specifically investigate the agency of the chosen African country to ascertain how effective it is in positioning its citizens' interests in the negotiation process and so far, there has been low focus on how agency influences other factors before and after loan negotiations.

This then creates a gap in the literature regarding African agency on other aspects such as identification of development projects, choice of lender, the nature of the loans sought and how they are managed across African countries; therefore, we aim to fill this gap. The findings answer research question 1 of the thesis.

To delve into this concept in more detail, we employ a mixed method approach which includes an analysis of the Chinese financing models, notable case study projects from each sample country to gauge agency of recipient countries, and a primary field study with case study country interviews and surveys. We also conduct an analysis of the Worldwide Governance Indicators (WGI) to gauge control over governance systems and review data from the China Africa Research Institute (CARI) on debt cancellation and restructuring to gauge the respective country control over the loan repayments. The analysis investigates 48 African countries with a focus on four sample countries: Kenya, Senegal, Uganda, and Zambia for the period 2000-2020.

Findings from analysis conclude that most notable projects across the four sample countries are undertaken using the China model, with Engineering, Procurement and Construction (EPC) and Build, operate and transfer (BOT) as the most prevalent project execution and delivery models. Additionally, regarding African agency in the loans' procedures, all sample countries exhibit some weaknesses stemming from poor institutional frameworks and interventions from political leaders that ultimately impact on the respective country's debt management for example, leading to near or debt defaults that necessitate debt restructuring. Also, findings from the Worldwide Governance Indicators (WGI) show that there is still room for improvement across all governance

indicators in all the sample countries and Africa generally, especially under the rule of law, regulatory quality, and government effectiveness indicators. Moreover, there is no central system for recording and managing loans from China which limits the understanding of each country's debt profile.

These findings contribute to the body of existing literature in a few ways. First, we assess African agency using a multifaceted approach, analysing loan schemes and project delivery models, notable projects, debt management, and a field study in four African countries from which we draw conclusions on how well each respective country handles debt from China. Secondly, we analyse the projects undertaken and compare them to deliver best practices that can be transposed to present and upcoming projects for better loan and project management. An example of these is the case of Benin that was able to exercise strong agency with China in scrutinising loan contracts before signing them off. This addition of the knowledge is crucial for African countries as many of them struggle to represent themselves when negotiating for external loans.

The rest of this chapter is structured as follows: Section 4.2 presents research question 1, Section 4.3 presents the methodology used to find answers to the developed question, Section 4.4 analyses and discusses the findings from the analysis of the Chinese loan schemes and African agency and, finally, Section 4.5 presents the conclusions.

4.2. Question development for Chinese investment loan schemes and African agency

From the analysis of literature in Chapter 2 Section 2.3.1, African countries negotiate with China according to their level of agency: this then determines the types of loan contracts that they will agree upon. From the current literature, there is a missing link regarding how the level of agency influences the nature of the loans sought and how they are managed. Most of these studies do not specifically investigate the agency of each African country to ascertain how effective it is in positioning its citizens' interests in identifying, negotiating, securing, and managing the loans. This therefore calls for investigation into the types of loan schemes employed in various infrastructure projects and how they are influenced by African agency. This forms question 1 of the thesis.

4.3. Methodology

We employ a mixed methodology approach to find answers to research question 1 that seeks to ascertain the current loan schemes used in Chinese funded projects in Africa and to gauge the impact of agency in the sample countries and Africa as a whole in the China-Africa partnership.

We rely on the following main sources of data; first, we analyse notable case study projects from each sample country to explore how they source the loans, identify the loan schemes and project delivery models and to gauge the impact of the respective country's agency on the identified projects. Secondly, we undertake a primary field study in the sample countries with case study country interviews and surveys. Qualitative literature on the China-Africa partnership is still very low and that was one of the reasons why we chose to undertake a field study; not only to gather real time opinions from the respondents in each sample country but to also see the physical impact that some of the undertaken projects have on the citizens. We also use data from World Bank on restructuring to gauge the respective country agency and data from the China Africa Research Institute (CARI) on debt cancellation and restructuring in line with Game theory to gauge the respective country control over the loan repayments.

4.4. Discussion of findings on China's investment loans schemes and African agency

4.4.1. Introduction

This section of the chapter aims to answer question 1 of the thesis, which seeks to ascertain what loan schemes have been employed in Chinese funded projects in Africa and the influence of African agency. It focuses on the Chinese loan schemes and project delivery models using case study projects from the sample countries. It also incorporates a discussion of agency and institutional quality; analysing how the sample countries represent themselves during project identification, loan negotiations and project execution, through to loan repayments. Each country is analysed individually to get an in-depth view and to generate insights that are comparable to other sample countries and Africa in general for best practice insights.

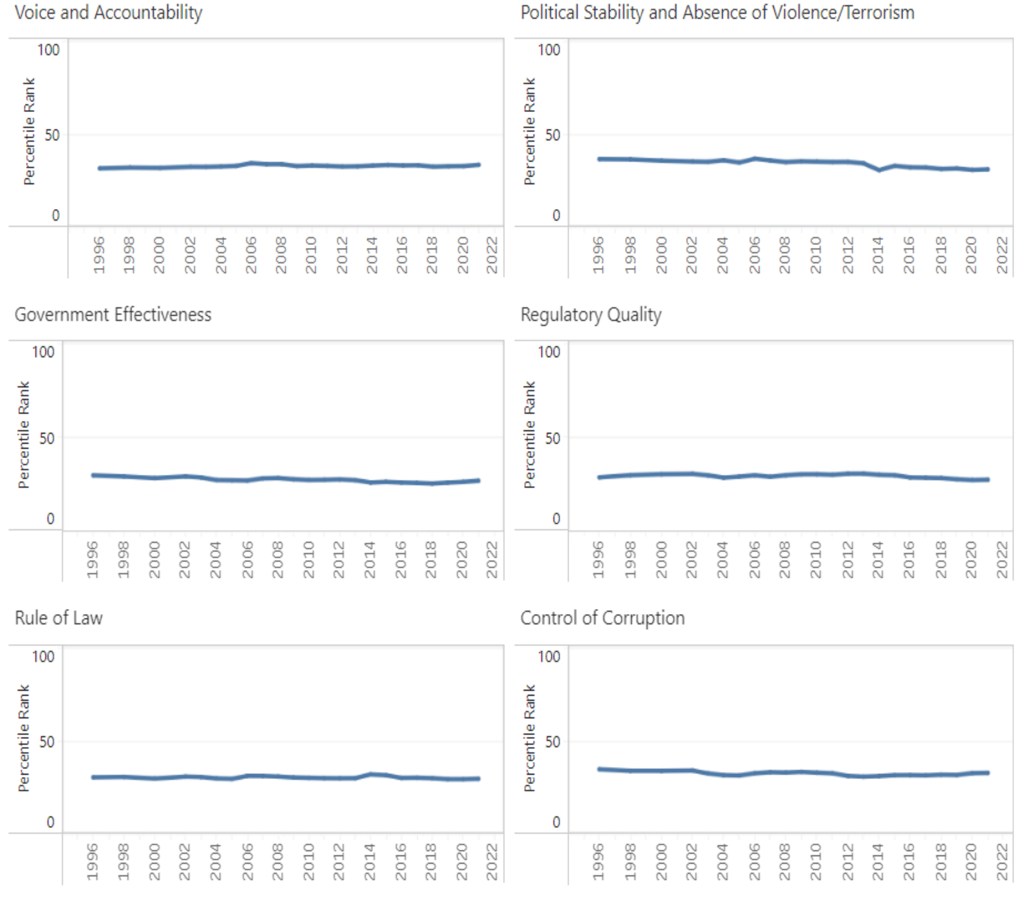
4.4.2. Findings on China's investment loans schemes and African agency - Africa

Data shows that, by the end of 2020, Chinese loans to Africa amounted to US$ 159.9 billion: this covered a total number of 1,188 loans (BUGDPC, 2023) which have been used for various developmental projects across different sectors of the economy such as transport, power, information, and communications technology (ICT) and mining, which attract the highest number of loan financing.

To assess loan schemes and project delivery models, we analyse various projects across African countries; and findings show that many of the Chinese loan contracts are based on the China model and Engineering, Procurement and Construction (EPC) and Build-Operate-Transfer (BOT) project execution models. Also, recipient countries currently exhibit low levels of agency in their engagements with China. In explaining the China-Africa agency relations, authors such as Brautigam, (2021) using Zambia as an example have described how there are extreme issues of principal-agent problems whereby there is evidence of the tragedy of the commons where recipient countries overuse Chinese loans to fund their respective projects with little restraint from their government institutions, and moral hazard issues where China continues to extend loans to African recipient countries with conditions that limit the chances of loan repayments. China continues to bail out some of its African loan recipients either with debt cancellation or debt restructuring, practices that to the recipient countries seem to provide the bitter-sweet balance between the possibility of loan defaults and loan cancellations or debt restructuring, thus leading to increased loans sought from China (Brautigam, 2021).

To assess governance and its influence on agency, we use the World Bank Worldwide Governance Indicators (WGI), which are government effectiveness, voice and accountability, rule of law, regulatory quality, political stability and absence of violence/terrorism and control of corruption. From the current data, Figure 4.1 presents an analysis of governance in Africa between 1996 and 2022.

Figure 4.1 World Bank Worldwide Governance Indicators (WGI) – Sub Saharan Africa 1996 – 2022



Source: Kaufmann and Kray, (2023).

From the data in Figure 4.1, Africa has not achieved a percentile rank of 50+ over the years: this is indicative of the quality of governance that prevails across its countries and there has not been that much notable improvement across all the indicators. Additionally, in terms of agency, Africa is in most cases not included in the major worldwide discussions, limiting its ability to express its views in open and impartial platforms. In 2023, the African Union's chair was invited to the G7 summit in Japan (MOFA, 2023) since there has been intense competition of natural resources between the G7 member countries and China. Sometimes, Africa also expresses its views, particularly since it is the world's primary supplier of raw materials. For example, one official from Zambia[1] noted that it is critical that Africa gains from its relationships with other continents and that this can be done by

[1] One official from Zambia – name not revealed in the report.

utilising the required skills to extract more economic value from its abundant natural resources (Josephs, 2023). Africa has remained dependent on external funding regardless of the existence of natural resources that, if properly valued and accounted for, could generate larger revenues. This has meant that many Africa countries have needed external funding to finance their developmental projects. Figure 4.2 provides a snapshot of the debt repayments of some of the highest indebted countries between 1970 and 2018 before accounting for the loans acquired after that date.

Figure 4.2: Total Capital Flight from Africa (1970 – 2018) (Expressed in US$ Billions)

Country	Period	Capital flight	BoP residual	Trade misinvoicing	Total capital flight / GDP 2018 (%)
Algeria	1971-2017	135.5	59.7	75.8	80.9
Angola	1986-2018	103.1	103.1	--	97.4
Botswana	1976-2018	5.7	5.7	--	30.4
Burkina Faso	1974-2018	1.7	1.0	0.7	10.2
Burundi	1985-2018	5.7	2.4	3.2	172.0
Cameroon	1970-2018	57.1	19.3	37.8	147.6
Congo, Dem. Rep.	1970-2018	30.6	2.2	28.4	65.0
Congo, Rep.	1971-2016	71.1	15.9	55.2	709.8
Cote d'Ivoire	1970-2018	55.4	40.5	14.9	128.7
Egypt	1970-2018	79.0	264.9	-185.9	31.6
Ethiopia	1971-2018	64.2	64.0	0.2	80.0
Gabon	1978-2015	24.2	19.1	5.1	168.1
Ghana	1970-2018	42.7	38.0	4.7	65.1
Kenya	1970-2018	30.9	25.6	5.3	35.1
Madagascar	1970-2018	13.7	18.3	-4.6	99.1
Malawi	1970-2018	11.3	-5.2	16.6	157.7
Mauritania	1973-2018	16.4	8.9	7.4	214.9
Morocco	1970-2018	135.5	93.8	41.7	114.9
Mozambique	1985-2018	43.9	22.9	21.0	298.0
Nigeria	1970-2018	466.6	271.8	194.9	110.6
Rwanda	1970-2018	21.3	4.7	16.6	224.0
Seychelles	1981-2018	5.0	2.1	2.9	315.8
Sierra Leone	1970-2018	28.3	1.2	27.1	690.9
South Africa	1970-2018	329.5	196.0	133.5	89.5
Sudan	1970-2018	46.6	40.9	5.8	92.3
Tanzania	1970-2018	42.0	14.2	27.8	71.4
Tunisia	1970-2018	32.1	39.4	-7.2	80.5
Uganda	1970-2018	32.4	14.2	18.2	107.7
Zambia	1970-2018	59.4	28.4	31.0	217.8
Zimbabwe	1977-2017	20.0	9.8	10.3	90.9
Total: 30 coun-		2,010.8	1,422.7	588.2	93.8

Source: Ndikumana and Boyce, (2021)

From the above data, three of the sample countries in this study are featured. This shows the challenges that African countries face between prioritising debt repayments and reinvestment. These

figures show that, for fifteen African countries, including Uganda and Zambia, debt repayments in 2018 superseded their total GDP, highlighting the plight of many African countries.

Additionally, data from the China Africa Research Institute (CARI) between 2000 and 2019 shows that China cancelled US$ 2.249 billion and restructured US$ 15.475 billion worth of extended loans across different African countries. These figures show that some of the recipient countries have not exercised good control over debt repayments to China. Additionally, all these loans are agreed on bilateral terms and each country negotiates individually with the respective Chinese funder.

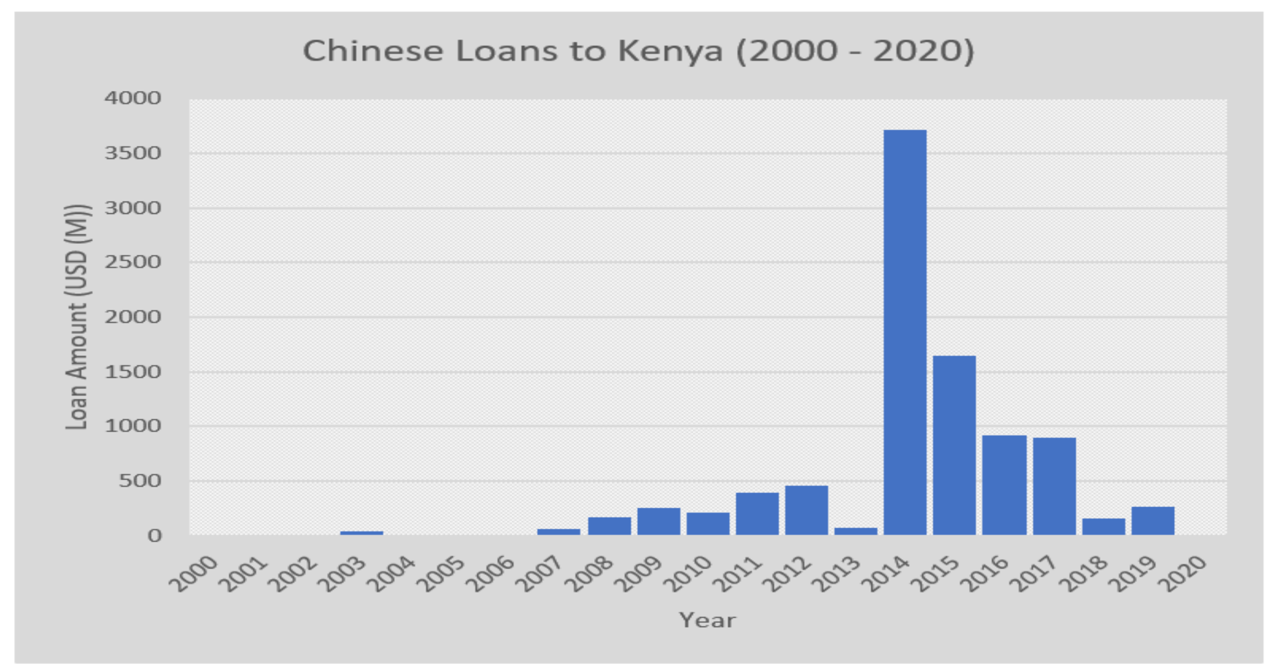
Overall, the picture of the management of Chinese loans to African countries reveals the need for the recipient countries to enhance their agency in the identification of development opportunities, sourcing of development finance and management of that debt for higher benefits from the funding.

4.4.3. Findings on China’s investment loans schemes and African agency - Kenya

(i) Introduction - Kenya

Kenya, just like many African countries, has been recipient to Chinese loans for decades now and China is currently Kenya’s largest bilateral lender. The Kenya-China partnership continues to thrive following remarks from the new Kenyan President William Ruto that, regardless of China’s lending contributing to the nation’s debt troubles, it will continue toc engage China in financing and development of its infrastructure (Nyabiage, 2022). By 2023, Kenya owed China a cumulative total of US$ 9.3 billion that has financed several projects in sectors such as transport and power (BUGDPC, 2024). Figure 4.3 shows the amount of loans that China has extended to Kenya from 2000 to 2020: it shows that in 2014, Kenya sought the highest amount of Chinese loans.

Figure 4.3: Chinese loans to Kenya between 2000 and 2020 (US$ million)



Source: BUGDPC, (2023).

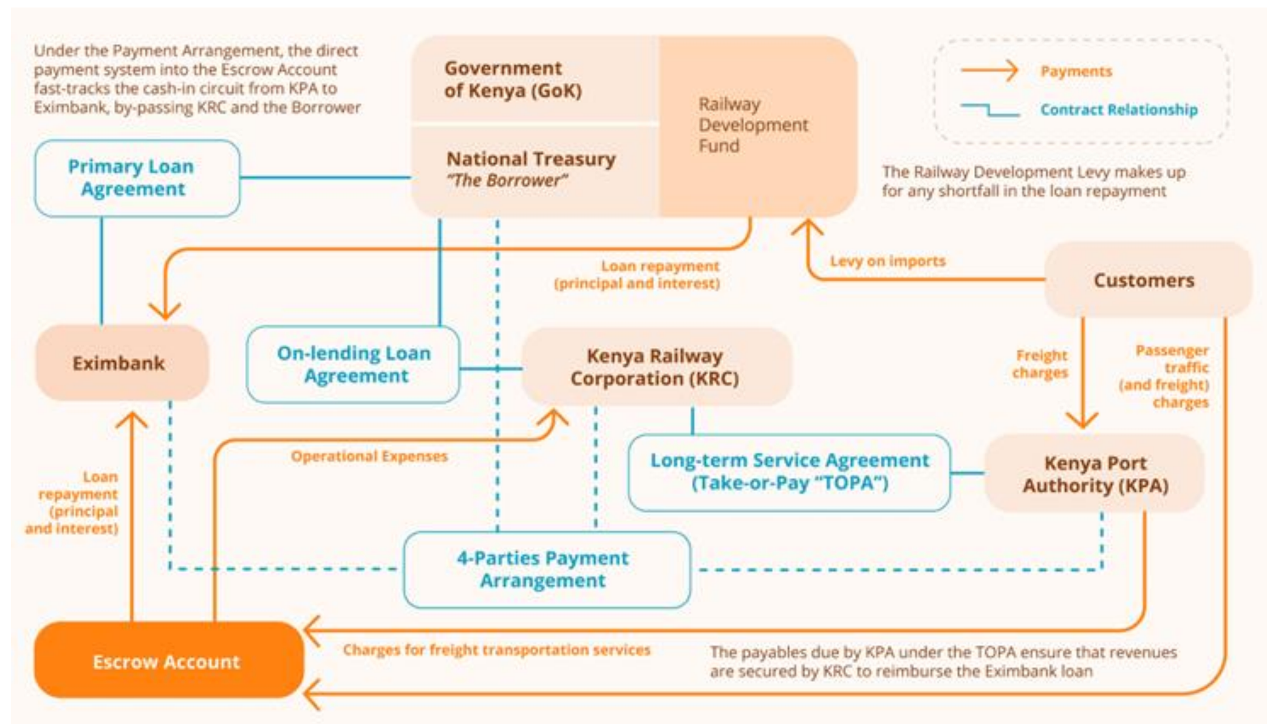
Below is a discussion of the notable projects that have been financed with some of these loans.

(ii) Kenya's assessment of agency through case study projects

Case study 1: Kenya's Standard-Gauge Railway (SGR) loan contract

In 2011, the National Treasury of Kenya, on behalf of the Government of Kenya, signed a memorandum of understanding with the China Road & Bridge Corporation (CRBC) in which it was agreed that CRBC would build the SGR between Mombasa and Nairobi and that the National Treasury of Kenya would be fully liable for loan repayments via an Exim Bank of China approved escrow account. The motivation behind the construction of the SGR was not only to lower the cost of doing business through reduced transport costs and time, but also the facilitation of trade, cooperation, and integration within the East African Community (EAC) (Oluochi, 2018). The legal terms of the agreement and how the funds move from one party to another are depicted in Figure 4.4.

Figure 4.4: Legal Entities and Contracts Relating to Loan Payments, Kenya SGR



Source: Brautigam et al, (2021)

The project was estimated to cost US$ 3.6 billion. In 2012, China Exim Bank extended a US$ 3.2 billion loan totalling up to 90 percent of the project's funding to the Government of Kenya for the project that would become Kenya's largest infrastructure project since it gained independence. The loan was extended with part concessional and part below-market rate preferential export buyer's credit conditions. The contract was agreed under the engineering, procurement, and construction (EPC)/ turnkey model, whereby the identified contractor, in this case China Road & Bridge Corporation (CRBC) , takes charge of the whole project until handover to the recipient government. It was agreed that much of the labour needed for the project, at about 60 percent, would be provided by locals in Kenya throughout the 33 stations to be built along the line (Brautigam *et al*, 2021). The loan contract was agreed to be paid for with revenues from the Government of Kenya, a model that fits the China Model conditionalities.

Although Kenya did not conduct an open and planned international tender process, the Kenyan parliamentary committee vetted CRBC, leading CRBC to confirm its ability to undertake the project by providing evidence of the railway projects that it had undertaken in the last ten years as

well as their respective costs (Zhao, 2021). This signals that on the side of the Government of Kenya, regardless of failure to follow expected public procurement guidelines, agency was exercised to a certain degree in ensuring due diligence with international contractors. However, what has been a controversial part of the agreement and has signalled to allegations of asset seizure is the concept of the "*Take or Pay Agreement (TOPA)"* that was signed between Kenya Railway Corporation (KRC) and Kenya Ports Authority (KPA) (Brautigam *et al*, 2022). Terms of the agreement show that KPA committed to ship an agreed amount of cargo on the railway each month and, if not, it would pay the shortfall to the KRC, which would then transfer the deposits into an escrow account. This arrangement highlights that Kenya did not fully exercise its agency on this contract since this agreement exposes it to unforeseen risks such as failure of KPA to honour the payments.

Construction started in 2014, was completed in 2016 and inaugurated in 2017. Despite considerable passenger numbers between Nairobi and Mombasa in the first three years, SGR's costs far exceeded its collected revenues. The Kenyan Transport Ministry revealed that by May 2020, SGR collected KSh 25.03 billion in revenues in comparison to operational costs amounting to KSh 46.71 billion, resulting in a combined loss of KSh 21.68 billion during this period (Mutua, 2020). This level of losses in addition to the effects of Covid-19 resulted in Kenya Railways Company (KRC) defaulting on its repayment of KSh 40 billion to the escrow account managed by China's Africa Star Railway Operation Company (Zhao, 2021).

This default was followed by allegations of asset seizure, with questions circulating about what would happen if KPA was not in position to ship the agreed cargo nor have enough funds to pay to KRC. This is a valid concern, especially with the fluctuating economic activity; for example, given the recent fluctuations resulting from the Covid-19 pandemic and, more recently, the Russia-Ukraine war. Following these allegations, the National Treasury of Kenya, (2021) published a press statement confirming that the port of Mombasa under KPA was safe. Brautigam, *et al.*, (2022) have also supported this statement that the Mombasa port is not collateral for Kenya's SGR. Following media outcry about the SGR contract, the Government of Kenya released parts of the contract to finance two parts of the SGR to the public in 2022 and they show that KPA is not at risk. As the SGR continues its operations, in terms of contributions to the economy, it is still early days to ascertain how economically beneficial the facility is to Kenya.

Insights from our field study in 2021/22 reveal that passenger numbers have grown over the years, with passengers expressing that the SGR saves them time in comparison to taking buses and that it is also cheaper than the cost of petrol involved in driving for those with cars. However, the cargo side has not picked up to the expected levels and potential cargo customers avoid the SGR; not only due to reasons such as the higher fees and tariffs, but also the additional time it takes to clear the goods and the added inconvenience of moving the goods from the terminal into the city. Both the SGR terminals in Nairobi and Mombasa are based in the outskirts of the cities mainly due to security reasons, meaning that cargo users would need to arrange for transport from the terminal to the city, thereby incurring more costs.

There can be solutions to such hindrances from usage of these infrastructural facilities; for example, the government could put measures in place to avail traders with connecting cargo truck services that would be inclusive of the cargo charges paid upon shipping to make shipping into the city seamless and appealing to potential customers. Overall, despite the SGR having potential benefits for Kenya, it has not been a well thought out project especially regarding the ease of movement of cargo from the train terminals to the cities that would attract high customer numbers as well as the arrangements for loan repayments. This highlights poor planning and diminished agency on Kenya's part.

Case study 2: Kenya's Nairobi Expressway

The Nairobi Expressway has so far become one of the most anticipated projects in Africa not only because it is the first of its kind in eastern and central Africa but also the second-largest toll road in Africa after the Dakar Toll Highway (Kimuyu, 2021). Kenya National Highways Authority (KeNHA), on behalf of the Government of Kenya, contracted China Road, and Bridge Corporation (CRBC) to build the expressway for KShs 72.8 billion (US$ 668 million). Centric Africa Limited (Centric) was contracted to take charge of the Environmental and Social Impact Assessment (ESIA) and Resettlement Action Plan (RAP). The terms of the agreement were that the investor would take the revenue risk, and that the concession period would be 30 years. Whilst CBRC oversaw construction of the expressway, (KeNHA) was mandated to oversee the development, management, rehabilitation, and maintenance of the international trunk roads that link to centres of international

importance; for example, international ports as well as other roads connecting different regions in the country. Through the Kenya Roads Act, KeNHA was also mandated to charge tolls and form partnerships with subsidiary corporations to agree on promoting the delivery of road infrastructure and services (KeNHA, 2020). Upon completion of the construction of the expressway, CRBC would operate the expressway for an agreed period of 27 years to recoup its investment returns and then transfer the facility to the Kenyan government. CRBC would oversee the collection of the road toll fees during this operation period (Construct Africa, 2021).

The expressway was agreed under a type of Public Private Partnership (PPP) model called the Design-Build-Finance-Operate-Transfer (DBFOT) also translated as Build, Operate, Transfer (BOT), one of the popular models covered in Chapter 2, section 2.3.1.1. The expressway is the first major project that has been carried out through a Public-Private Partnership (PPP) model in Kenya (SMEC, 2022). Construction of the expressway started in September 2020, and it was finished and opened for trial public usage in May 2022. In July 2022, the then Kenyan President, Uhuru Kenyatta, officially launched it for public use. The expressway forms part of the northern corridor, which currently transports 85 percent of cargo to neighbouring landlocked countries such Democratic Republic of Congo, Rwanda, South Sudan, and Uganda. The expressway was constructed to facilitate the movement of people, goods and services between Nairobi and the entire northern corridor region, as well as to improve commute times and traffic flows within Nairobi city. Steve Zhao, the CEO of Moja Expressway Company that manages the road toll collections, reported that by the end of the last quarter of 2022, the expressway motor usage had increased from an average of 10,000 to 50,000 motorists per day (Xinhua, 2023). The current road toll charges are as follows in Table 4.1:

Table 4.1: Nairobi Expressway fares 2022 (KShs)

	EXIT										
ENTRANCE	NAIROBI EAST	MLOLONGO	SGR	JKIA	EASTERN BYPASS	SOUTHERN BYPASS	CAPITAL CENTER	HAILE SELASSIE	MUSEUM HILL	WESTLANDS	NAIROBI WEST
NAIROBI EAST	-	-	180	-	180	240	300	-	360	360	360
MLOLONGO	-	-	120	-	180	240	240	-	300	360	360
SGR	-	-	-	-	120	180	240	-	300	300	300
JKIA	-	-	-	-	120	180	180	-	240	300	300
EASTERN BYPASS	180	180	-	120	-	120	180	-	240	240	300
SOUTHERN BYPASS	240	240	-	180	120	-	120	-	180	180	240
CAPITAL CENTER	300	240	-	180	180	120	-	-	120	180	180
HAILE SELASSIE	300	300	-	240	240	120	120	-	120	120	180
MUSEUM HILL	360	300	-	240	240	180	120	120	-	-	-
WESTLANDS	360	360	-	300	300	180	180	120	120	-	-
NAIROBI WEST	360	360	-	300	300	240	180	180	120	-	-

Source: Moja Express Company, (2022)

Although the expressway is in full operation, the influence of Chinese contractors caused some criticism in the Kenyan community; for example, some of the signboards that were used during the operative testing phase used Chinese language whose intended users are not familiar with. Secondly, the government increased the road toll charges from those that were initially announced soon before the road opened to the public and the government has faced backlash over their exploitation of the citizens to cushion the loan repayments that will no doubt be more than the anticipated amount due to the weakening of the Kenyan Shilling (Eickhoff, 2022).

Across the projects under the China's Belt and Road Initiative (BRI), there are still some areas of improvement; for example, loan advancements in foreign currency highlight the issue of lacking collective agency, especially in tackling the issue of loan contracts that are agreed in foreign currencies (usually the US$). On this matter, the Government of Kenya has reiterated its position in the Kenya-China relations: during China's Foreign Minister Wang Yi's visit to Kenya in 2021, the then Kenyan President Uhuru Kenyatta was quoted saying this about Kenya's partnership with China; "*It is not a partnership based on China telling us what we need. It is a partnership of friends working together to meet Kenya's social-economic agenda. China has been that one friend who is always there when we ask for partnerships to help us achieve what we require. They walk with us hand in hand*"

(Kihiu, 2022). This statement signals that Kenya is, to a good extent, involved in the decision-making process of loan advancements from China.

In fact, some of this evidence of Kenyan agency in negotiations has been evidenced in the past; for example, in 2019, a group of Kenyans managed to petition and win the reversal of the decision to build a Chinese-funded coal-powered electricity plant in Lamu due to environmental and social concerns (Financial Times, 2019). Additionally, in 2021, there were also concerns expressed by civil society organisations over the risks that the Structural Adjustment Programmes (SAPs) pose to the Kenyan economy. They called for better public participation, as well as the need for parliament to be held accountable to the citizens (Eickhoff, 2022). Although there are pockets of advocacy for agency to a certain extent, it seems to be initiated more towards Western lenders than China; and yet, it is the loan contracts with China that tend to be clouded by rumours of possible corruption through kickbacks and facilitation fees that political elites seek as they that act on behalf of the government through loan negotiations (Eickhoff, 2022).

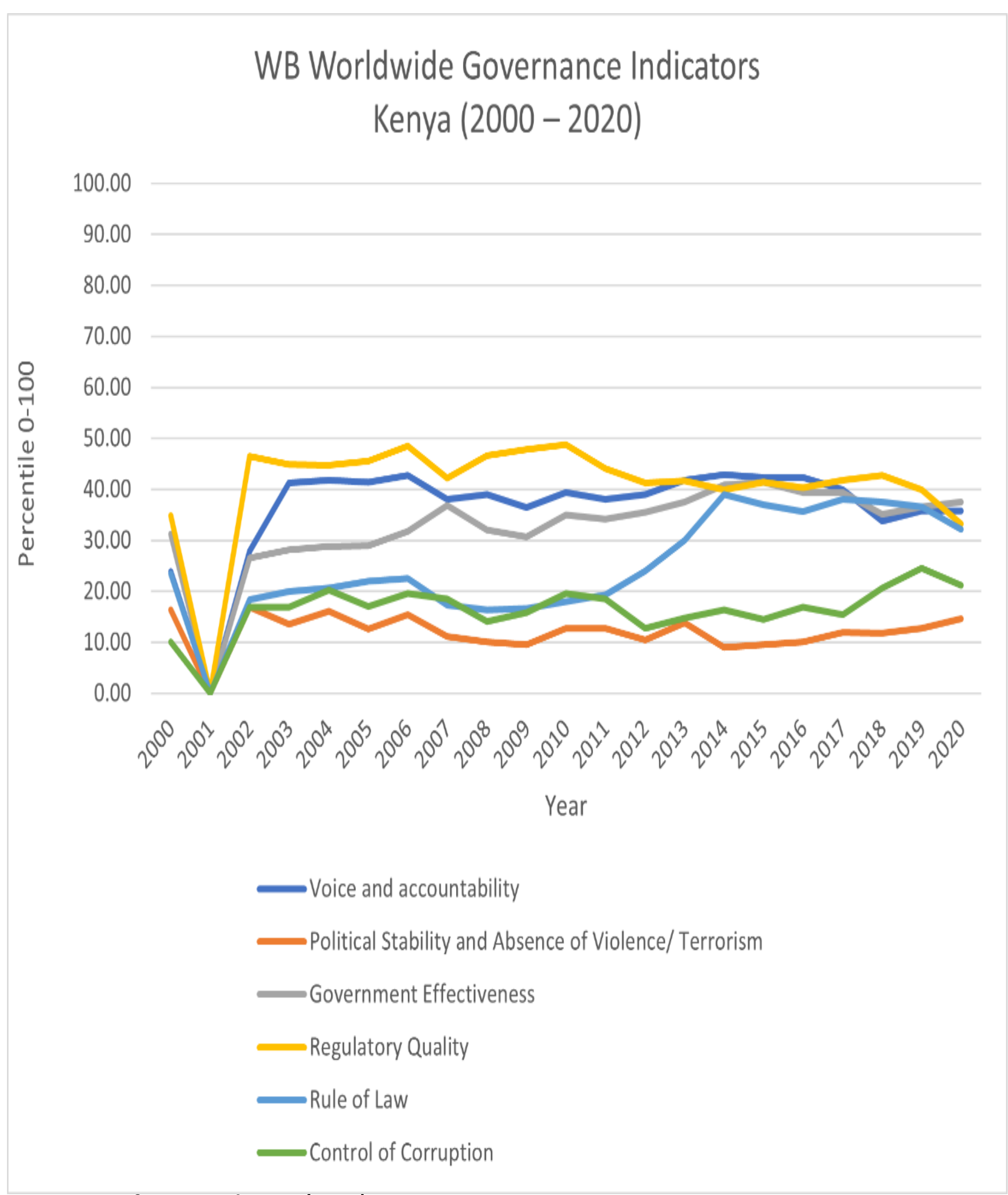
(iii) Analysis of Kenya's agency in debt management

As discussed in Chapter 2, it takes good governance to source, negotiate, allocate, and manage external debt obligations. To get a good understanding of how Kenya exerts its agency in the China-Kenya debt relations, we use the data from the World Bank World Governance Indicators (WGI) and from the China Africa Research Institute (CARI) to conduct the agency analysis.

Agency Assessment Framework 1: Kenya's World Bank Worldwide Governance Indicators (WGI)

To evaluate Kenya's agency, we employ data from data from the Worldwide Governance Indicators (WGI) statistics between 2000 and 2020 (Kaufmann and Kray, 2023), Figure 4.5 shows analysis of the performance of the Government of Kenya.

Figure 4.5: World Bank Worldwide Governance Indicators (WGI) – Kenya 2000 – 2020



Source: Kaufmann and Kray, (2023).

From the results it is clear that the government of Kenya has not made good progress towards managing its governance efficiently. All the recent WGI indicators data from 2019 and 2020 are below 40 percent, which speaks to the quality of governance that the Government of Kenya has and, most worrying, the steadily declining trend that is observed. Indicators such as political stability and the absence of violence/ terrorism scored 14.62 percent and control of corruption scored 21.25 percent in 2020. Such conditions signal poor governance which may result in poor credit ratings that in turn result in a limited choice of funders: in cases where the funders extend the finance, they may do so at higher interest rates. A combination of these factors hinders the expected growth and development of the recipient countries. This is supported by Cirolia, (2020), who argues that poor institutional infrastructure hinders economic growth and may expose the recipient country to loan contract terms that are dictated by the lender. To counter these issues, insights from our 2021/22 field study show that 88.6 percent of the surveyed citizens expressed that Africa should work collectively to enhance agency and have a supervisory body that oversees bilateral loan negotiations across the continent. However, views from one of the interviewees voiced concerns that "*although you suggest that the supervisory body could be managed by the African Union (AU), AU is a toothless dog that lacks strong unity. The European Union is a Union because of its strong union and if we are to have a supervisory body in Africa, the AU must first be a strong union*" (Interview 202214). Other interviewees thought that this body would not work since countries are dynamic in nature and this supervision would undermine their sovereignty (Interview 202216 and Interview 202218).

Agency Assessment Framework 2: Kenya's Game theory depiction using debt cancellation and debt restructuring data.

Additionally, data from the Global Debt Relief Dashboard by Brautigam, and Wang, (2021) at CARI between 2000 and 2019 shows that China cancelled loans worth US$ 14 million that its enterprises extended to Kenya. Additionally, in 2020, Kenya successfully applied for debt restructing of Chinese loans in the second phase of the DSSI applications which resulted in it deferring payments of US$ 378 to China Exim Bank, and China also cancelled some of Kenya's debt in 2001 (Brautigam, and Wang, 2021). In strategic game settings, this signals an imbalanced relationship that highlights

the failure for Kenya to wholy honour its debt obligations to China. This result is depicted in Figure 4.6.

Figure 4.6: China-Kenya Game Theory depiction

		Kenya	
		Timely Repayments	Default
China	Timely Projects	1, 1	-2,2
	Cease project	2, -2	-1, -1

Source: Author's computation using data from Brautigam, and Wang (CARI) , (2021).

In Game theory settings, this situation is represented by the orange box (Middle row, right: -2, 2) which places Kenya and its funder, China in an unfavourable position where Kenya extends the operation period of the projects due to deferred payments, and China completes its contracted projects but misses out on periods of repayments due to restructuring. This situation shows that Kenya has not planned well in strategically sourcing and managing its debt to China and therefore needs to build on its agency as it identifies and fulfils of its developmental needs.

(iv) Field study analysis on China's investment loans schemes and African agency - Kenya

Adding to these insights are the views that we collected as part of this study from a field study of Kenyan citizens in 2021/22. From the study, 45 percent, and 46 percent (totalling to 91 percent) of the citizens surveyed said that they were well aware or fairly aware respectively of Chinese investment projects in Kenya, showing higher levels of awareness, building onto the findings from Afrobarometer, (2021: p13) that 74 percent of Kenyans were aware that China extends financial assistance to Kenya. When asked how well they thought that the Kenyan government represented itself in loan negotiations with China, 64 percent scored the Kenyan government between 5 and 10

for its performance where 1 was poor and 10 was great. The results show that most Kenyan citizens believe in the government to put forward their best interests; however, it is equally important to note that there is still a sizable 46 percent that do not trust in their government efforts. Moreover, 6.8 percent and 36 percent of the surveyed citizens thought that the relationship between Kenya and China was excellent or good respectively compared to 40.3 percent and 15.1 percent who expressed that the relationship was fair or poor respectively. On the flipside, when asked if the partnership between Kenya and China was controversial, 59.7 percent said that it was, which is telling of the trust residents have in their government to locate itself well in bilateral negotiations especially with China.

Overall, data shows that Kenya represents itself fairly well in loan negotiations with China; however, the loan contracts still need better input from the Government of Kenya for the clauses to be more beneficial to its citizens, and the government needs to try to put measures in place to turn the residents around. For instance, the SGR has been under Chinese operations since 2018 and as of March 2023; Kenya Railways had taken over 90 percent of the operations (remaining 10% is Chinese expert labour), which is indicative of the excess costs that the government accrues as part of the loan contract (Mwangi, 2023). Additionally, in 2022 as Kenya Railways took over most of the SGR operations, it was alleged that Kenyan workers working for Afristar, the Chinese company that has been running SGR, had not acquired the full training needed to independently run the operations (Otieno, 2022), and this highlights that sometimes, the technological transfer that these projects are supposed to bring to the citizens of the respective countries is not followed through as expected. The Kenyan government, and indeed any African government, needs to have clauses in these loan contracts that require Chinese contractors to train local employees with the necessary skills within a given period, and the government needs to ensure that these requirements are duly enforced for optimal project benefits.

(v) Conclusion: China's investment loans schemes and African agency - Kenya

From the analysis, Kenya exercises agency to some extent in its contracts with China; however, there is still room for improvement, especially in negotiating loan contract clauses and debt management. Also, Kenya's institutions need improvement for the country to be in position to

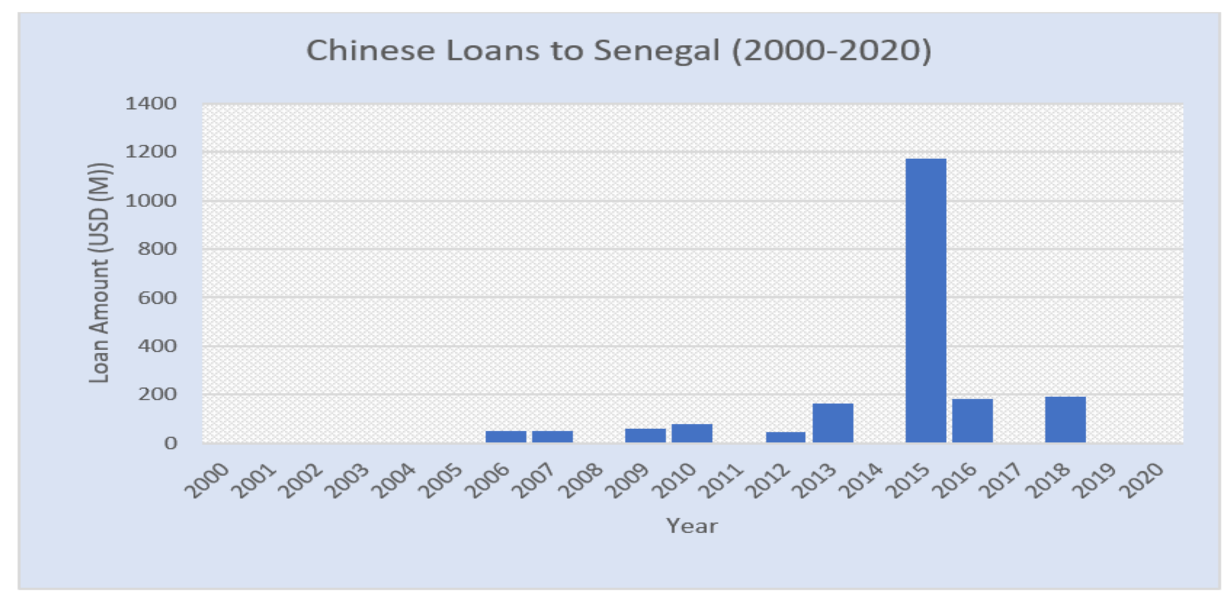
implement policies that encourage clear reporting and accounting channels as well as procedures for the engagement of civil society organisations and the general public.

4.4.4. Findings on China's investment loans schemes and African agency - Senegal

(i) Introduction

Since gaining independence in 1960, Senegal has received financial assistance from various lenders, notably France, European Union, IMF, World Bank and, most recently, China. Senegal is among the fastest growing economies in Africa, having been estimated to grow at a rate of 8.3 percent in 2023 (IMF, 2022a). As of 2023, China's lending to Senegal amounted to US$ 2 billion (BUGDPC, 2023). Additionally, in 2020, China became the second largest trading partner with Senegal accounting for 9.2 percent of trade, after France, which accounted for 15.6 percent (Carrozza, and Sandnes, 2022). China has funded several developmental projects in Senegal, including transport, Information and Communication Technology (ICT), and power projects. Some of the notable projects include the Thies-Touba Toll Expressway, the road connecting Blaise-Diagne International Airport (AIBD) to Mbour and Thiès, the Black Civilisation Museum, the National Wrestling Arena, the Friendship Stadium, the National Theatre, the economic zone city in Diaminadio, the Safar railway extension project in Touba and the data centre in Diaminadio, which has led to the migration of all government data and all digital platforms to the Chinese servers of Huawei (Swinhoe, 2021). Although this facility is managed by Senegal's state IT firm, State Informatics Agency (ADIE), this move makes Senegal's digital infrastructure almost fully dependent on Chinese technology. The diplomatic relations have also grown in recent years; for example, in 2021, Senegal hosted the Forum on China–Africa Cooperation (FOCAC) summit in 2021. Figure 4.7 shows a breakdown of Chinese loans to Senegal from 2000 to 2020 with 2015 showing the highest amount of loans that Senegal sought from China.

Figure 4.7: Chinese loans to Senegal between 2000 and 2020 (US$ million)



Source: BUGDPC, (2023).

From these loans, Senegal has been able to undertake several developmental projects: below is a discussion of the most notable projects.

(ii) Senegal's assessment of agency through case study projects

Case study 1: Thiès -Touba Toll Expressway project

China's largest project in Senegal thus far is the Thiès-Touba Toll Expressway project; a project that involved the construction of a four-lane toll road between the city of Thiès and the city of Touba covering a distance of 113 km, as well as the installation of road toll equipment and video surveillance equipment. With Touba being the second largest city in Senegal, this project was crucial in connecting Touba to the existing highway network through the city of Thiès to Dakar. The highway was aimed at reducing travel times significantly and accelerating economic development and tourism since it passed through major industrial areas (Lewis, 2019).

In 2015, the Ministry of Economy, Planning and Finance, on behalf of the Government of Senegal, signed a contract with China Exim bank amounting to US$ 690.7 million for the Thiès-Touba Toll Road Project during the 6th Forum on China-Africa Cooperation (FOCAC). China used the partial loan financing method, which has been a prevalent financing method for many developmental projects in Africa. Out of the total project cost of US$ 812 million, the Preferential Buyer's Credit

(PBC) covered 85 percent of it (Aid Data, 2023). The PBC agreement carried a 2 percent interest rate with a 5-year grace period and a maturity period of 25 years (AidData, 2023a).

The Chinese company, China Communications Construction Company (CCCC) First Highway Consultants Co. Ltd., was consulted to design the project in line with French codes and standards, a model that mirrors Build, Operate, Transfer (BOT) model. Since France was the principal source of infrastructure in Senegal before Chinese investment began, designing a highway in line with French codes and standards would mean that the specifications of the new road would match those of the existing Senegalese road infrastructure. The main contractor of the expressway was China Road and Bridge Corporation (CRBC), a subsidiary of CCCC with the allocated construction period of 45 months and a defect liability period of 12 months.

Construction began in January 2016 and was scheduled for completion in October 2018. The construction project employed 5,000 workers, with 88 percent from Senegal, 10 percent from China, and the remainder from other neighbouring countries; both within the West African region, such as Togo and from further afield such as Tunisia. These percentages show that the Senegalese government put measures in place to limit the number of Chinese workers coming in to work on this project, indicating that agency was well exercised under this contract. The road was opened to the public in December 2018 and road toll operations officially began in February 2019 (AidData, 2023a). The completed road was projected to improve local transport through connections to various parts of the country and also to connect other countries such as Mali, Niger and Chad (Kariuki, 2018).

Case study 2: Aibd-Mbour-Thies (AMT) Expressway Project

Blaise-Diagne International Airport is Senegal's main international airport that started operations in 2017, replacing the previous Léopold Seghor airport for international flights. Due to the anticipated user numbers, Senegal decided to improve the road network from the airport port to Senegal's cities, mainly the capital city Dakar and, more recently, Mbour and Thiès.

In December 2015, the Government of Senegal signed a loan contract with China Exim bank, amounting to US$ 400 million, to finance the construction of a 55-km road that would connect the new Blaise-Diagne International Airport (AIBD) to Mbour and Thiès (Ecofin Agency, (2015). China Exim bank extended US$ 470 million (approximately 85 percent of the total project cost) to the

Government of Senegal (AidData, 2023b). The scope of the project required the construction of an 18 km AIBD-Sindia highway section, a 16 km AIBD-Thiès highway section and a 21 km Sindia-Mbour highway section. The contract to construct the road was awarded to China International Water and Electric Cooperation (CWE) with a construction period of 54 months (AidData, 2023b).

The motivation for this road network was to connect Blaise-Diagne International Airport to Touba, Senegal's second largest city after Dakar, which has registered growing economic activity and is popular for religious pilgrimages, Mbour, that is a popular destination for tourists, and Thiès, Senegal's third largest city that is popular for tapestry industries and agricultural production (Ecofin Agency, (2015). It would work well for connections with the Dakar-Diamaniadio-AIDB highway that has eased transportation from the city of Dakar to Blaise Diagne International Airport in Diass. Following the signing of the contract, Senegalese Minister of Economy, Planning and Finance, Amadou Ba was quoted saying that, *"The construction project for the AIDB-Mbour-Thiès highway which is an extension of Dakar-Diamaniadio-AIDB highway, for which works are ongoing, coincides with the upcoming opening of Blaise Diagne International Airport in Diass"*. He added that this new infrastructure would have a tremendous contribution to Senegal's economy and would also help to make Dakar an industrial hub (Ecofin Agency, (2015). From these statements, Senegal portrays strong agency since there are clear project aims and projected benefits.

Construction work began in June 2016 and was estimated to finish in December 2020; however, the project was completed ahead of schedule in February 2019. Prior to the official completion date, the Government of Senegal organised a ceremonial opening of the highway on January 22, 2019 (AidData, 2023b).

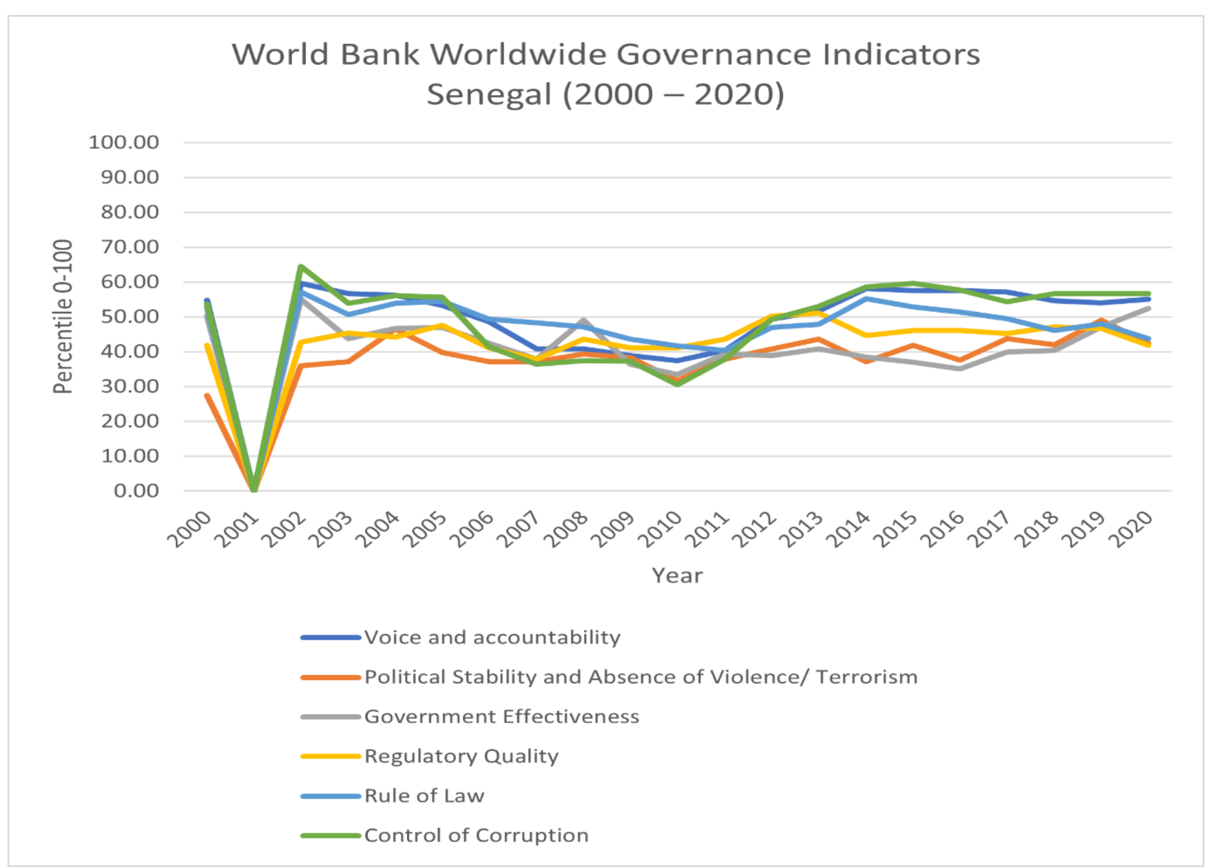
(iii) Analysis of Senegal's agency in debt management

This section aims to provide a good understanding of how Senegal exerts its agency in the China-Senegal debt relations. For this analysis, we use data from the World Bank World Governance Indicators (WGI) and from the China Africa Research Institute (CARI).

Agency Assessment Framework 1: Senegal's World Bank Worldwide Governance Indicators (WGI)

To analyse Senegal's agency, we employ data from data from the Worldwide Governance Indicators (WGI) statistics between 2000 and 2020 (Kaufmann and Kray, 2023). Results from this analysis as shown in Figure 4.8 shows a breakdown of the performance of the Government of Senegal. From the results, the Government of Senegal has tried to maintain a fairly good level of quality in its governance, albeit with some fluctuations. Senegal's governance quality percentile averages across all the six indicators are much higher than the other sample countries: this has contributed to its better management of the China-Senegal partnership.

Figure 4.8: World Bank Worldwide Governance Indicators (WGI) Senegal (2000 – 2020)



Source: Kaufmann and Kray, (2023).

However, although Senegal has managed to engage its citizens by enhancing their voice and accountability with a percentile of 55.07 in 2020, and with fairly good control over corruption with a percentile of 56.73 in 2020, other indicators, especially political stability and regulatory quality, have held position or dropped by a few percentile points in the recent years averaging between 41 and 44 percent. Nonetheless, these results are much higher compared to the results from the other sample

countries and are indicative of why Senegal has better loan negotiations and better loan management than the other three sample countries. It also engages skilled lawyers in loan contract negotiations, helping it secure favourable loan clauses (Interview 202104).

Additionally, Senegal has registered steady economic growth in the last few years, making it one of the fastest growing economies in Africa. This growth can be partly explained by some authors such as Rodrik, (2018), whose analysis of high growth levels in the sampled African countries finds that there are other factors that generate economic growth apart from institutional quality.

On the other hand, Senegal has managed to represent itself meaningfully in debt negotiations, helping the government to maintain timely loan repayments. Although Senegal does not currently have official local content quotas, it has upheld its agency by ensuring that a good number of its native engineers engage in ongoing projects that are agreed with foreign contractors: this has helped it to gain from skills transfer and limit excessive project costs that would go towards experts on the project. However, it is fair to say that, to some extent, this partnership is not exactly a 50-50 partnership, and this is echoed by an academic from one of Senegal's universities who in the 2021 field study said that, "*It is not an equal standing partnership, China is higher, but it is playing a good role. China has helped Senegal with infrastructure, education, textiles, and other businesses*" (Interview 202102). To counter these issues, insights from our 2021/22 field study show that 85.9 percent of the surveyed citizens expressed that there should be a supervisory body that oversees bilateral loan negotiations across the continent. However, most of the interviewees were of the view that each country should be left to account for its own debts (Interview 202101, Interview 202102, Interview 202103, and Interview 202104).

Agency Assessment Framework 2: Senegal's Game theory depiction using debt cancellation and debt restructuring data.

Additionally, data from the Global Debt Relief Dashboard by Brautigam, and Wang, (2021) at CARI between 2000 and 2019 shows that China cancelled loans worth US$ 27 million that its enterprises extended to Senegal (Brautigam, and Wang, 2021). It has however, not applied for debt restructuring on Chinese loans. In strategic game settingss, this signals Senegal's good control over its debt obligations to China and this result is depicted in Figure 4.9.

Figure 4.9: China-Senegal Game Theory depiction

		Senegal	
		Timely Repayments	Default
China	Timely Projects	1, 1	-2,2
	Cease project	2, -2	-1, -1

Source: Author's computation using data from Brautigam, and Wang (CARI) , (2021).

In Game theory settings, this situation is represented by the green box (Middle row, left: 1, 1) which places Senegal and its funder, China in a favourable position where China completes its contracted projects and Senegal settles its debt repayments in a timely manner. This situation shows that Senegal has relatively good control over its debt obligations and is able to plan well for its developmental needs which highlights its high levels of agency in comparison to the other sample countries.

(iv) Field study analysis on China's investment loans schemes and African agency - Senegal

To add to the existing data on the Senegal-China partnership, we undertook a field study of Senegalese citizens in 2021/22. From the study, 25.8 percent and 49 percent (totalling to 74.8 percent) of the citizens surveyed said that they were well aware or fairly aware respectively of Chinese investment projects in Senegal, meaning more residents are showing awareness compared to the findings from Afrobarometer, (2021: p13) that 47 percent of Senegalese citizens were aware that China extends financial assistance to Senegal. When asked how well they thought that the Senegalese government represented itself in loan negotiations with China, 92.4 percent scored the Government of Senegal between 5 and 10 for its performance where 1 was poor and 10 was great. This is by far the highest percentage when compared to other sample countries, displaying the high levels of trust that the Senegalese residents have in their government. These results show that almost

all Senegalese citizens believe in their government to represent itself well in loan negotiations. In addition to this, 4.2 percent and 77.6 percent of the surveyed citizens thought that the relationship between Senegal and China was excellent or good respectively compared to 15.8 percent and 2.4 percent who expressed that the relationship was fair or poor respectively. When asked if the partnership between Senegal and China was controversial, only 13.2 percent said that it was, which is further indicative of the trust that the Senegalese citizens have in their government to locate itself well in bilateral negotiations especially with China. From the results, 92.4 percent of the surveyed citizens trust in the way that Senegal represents itself in loan negotiations: an encouraging finding for Senegal.

(v) Conclusion: China's investment loans schemes and African agency - Senegal

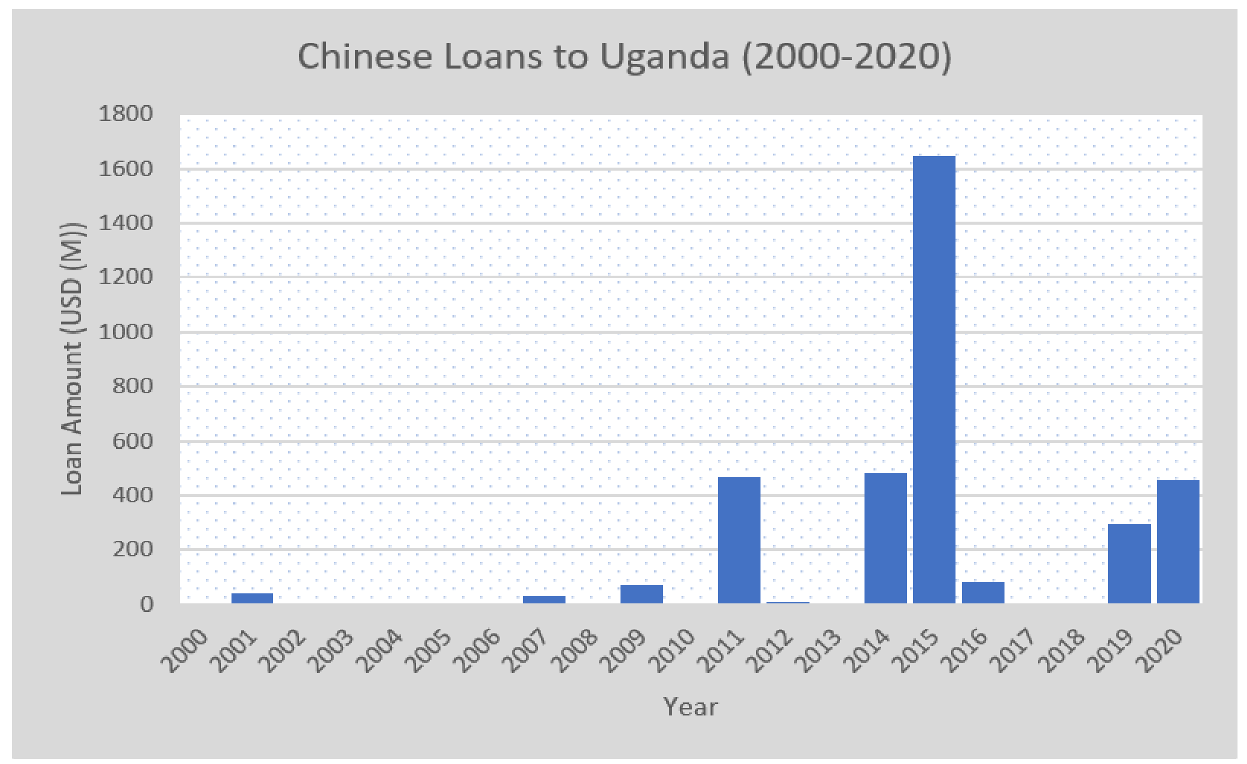
From the analysis, Senegal portrays a much better stance in positioning its agency in loan negotiations with China. The local content quotas are agreed between the two parties and Senegal has managed its loan amortisation in a timely manner.

4.4.5. Findings on China's investment loans schemes and African agency - Uganda

(i) Introduction

Just t like the two sample countries above, Uganda has been a recipient of Chinese loans for decades now. The president of Uganda, Yoweri Museveni, has welcomed and encouraged Chinese investment in Uganda in a bid to facilitate the rapid growth of the country's economy by providing job opportunities, increasing GDP, and serving as a source of enhanced revenue collection. Figure 4.10 shows the loan amounts that China has extended to Uganda between 2000 and 2020 in which 2015 saw the highest amount of loans sought from China.

Figure 4.10: Chinese loans to Uganda between 2000 and 2020 (US$ million)



Source: BUGDPC, (2023).

As of 2020, there were about 200 Chinese enterprises in Uganda that were involved in various sectors such as natural resource exploitation, infrastructural development, communication, manufacturing and production, hospitality, and international trade (UCCR, 2020). Lending from China to Uganda amounted to US$ 3.6 billion by 2023 (BUGDPC, 2023). Using these loans, Uganda has undertaken several developmental projects; figures from the Uganda Revenue Authority show that in 2017, with investments worth more than US$ 890million, China was Uganda's second largest trade partner (Bwambale, 2019). Below is a discussion of some of the notable Chinese funded projects in Uganda.

As of 2020, there were about 200 Chinese enterprises in Uganda that were involved in various sectors such as natural resource exploitation, infrastructural development, communication, manufacturing and production, hospitality, and international trade (UCCR, 2020). Current lending from China to Uganda amounts to US$ 3.6 billion (BUGDPC, 2023). Using these loans, Uganda has undertaken several developmental projects; figures from the Uganda Revenue Authority show that

in 2017, with investments worth more than US$ 890million, China was Uganda's second largest trade partner (Bwambale, 2019).

(ii) Uganda's assessment of agency through case study projects

Case study 1: Isimba hydropower project

The Isimba hydropower project is a 183 MW hydropower project located in Kayunga District along the Nile River in Uganda. In negotiating and agreeing to the terms of the contract, the Ministry of Energy and Mineral Development (MEMD) acted on behalf of the Government of Uganda. In 2013, it awarded the contract to China International Water & Electric Corporation to construct the Isimba hydropower station, and construction was expected to last 34 months starting in April 2015. The project was agreed as an engineering, procurement, and construction (EPC) model at a contract price of US$ 567.74 million, of which China's Exim Bank extended a non-concessionary loan of 85 percent (US$ 482 million) of the total cost and with the remaining 15 percent funded by the Government of Uganda. The loan was classified as non-concessionary since its grant element was 26%, which falls short of the 35% that IMF/ World Bank recommends for concessionary loans. The loan was settled at a rate of 2 percent interest, with a payment period of 20 years (Parliament of Uganda, 2022a: p 2).

Further conditions of the loan included a one-off management fee of 0.25 percent of the contract totalling up to US$ 1.21 million, as well as commitment fees of 0.25 percent totalling up to US$ 1.35 million to be settled in the first year of the loan. Additionally, with approval from China Exim Bank, the Government of Uganda was required to open an escrow account in a commercial bank in which the revenues generated from the electricity supplies would be deposited for servicing the debt. These conditions mirror the China model conditions.

The Ministry of Energy and Mineral Development (MEMD) awarded the contract to Energy Infratech for the supervision of the project from May 2014 to 2017 and subsequently Artelia Eau & Environment and KKATT Consult from January 2018 (NS Energy, 2023). MEMD terminated Energy Infratech's contract due to incompetence and poor supervisory performance. (Parliament of Uganda, 2022a: p 13).

This project had various proposed changes within the Defect liability period (DLP) due to poor workmanship by the contractor; the Government of Uganda rejected certain changes, which shows that its agency prevailed to an extent. However, there was one important change where the contractor requested for a change of the material for the wheels/rollers and axles of intake gates and stop logs from the specified stainless steel to carbon steel. This change would result in the use of poor-quality materials that are susceptible to corrosion over time. Regardless of these risks, the Government of Uganda agreed to these changes, signalling poor agency on Uganda's part (Mutikanga, Kayondo, and Akita, 2023). This follows prior concerns about the lack of open bidding for the construction contracts of Isimba Hydropower station (Ogwang, 2020). Furthermore, debt sustainability is another factor that needs careful consideration before considering loan contracts; for example, the Parliamentary Committee observed that the loan to finance the Isimba Hydropower Station, in addition to others that the Government of Uganda had sourced, would push the debt accumulation from 6.9 percent in 2013/14 to 13.5 percent in 2017/18 and, although they projected for improvement in the long run, these levels of debt weakened the ability to repay external debt using export revenues in the short to medium term (Parliament of Uganda, 2015: p 13). This highlights weakened agency especially in long term vision and planning. Overall, this project had a number of shortcomings, some of which could have been avoided had the Government of Uganda had a thorough view of the project.

Case study 2: Kampala-Entebbe Expressway

The Kampala-Entebbe Expressway is a pivotal expressway that connects the cities of Kampala and Entebbe in Uganda and was constructed to decongest Kampala and enhance trade movement between the two cities. The expressway was also aimed at reducing travel times between the two cities from about 2-3 hours with traffic to about 30 minutes. China Exim Bank and the Government of Uganda funded the 51km road project which commenced in November 2012 and was completed in July 2019. The main construction involved the construction of a four-lane dual carriageway with various intersections, 19 bridges, 4 major bridge structures, 3 interchanges and 3 toll gates (Ministry of Works, and Transport, Uganda, 2019).

Using one of the frequently used models with large infrastructure projects, as seen section 3.2.3, the project was agreed under Public Private Partnership (PPP) model and implemented using the design and build approach (similar to Build, Operate, Transfer) at total contract price of US$ 476 million (This was later revised to US$ 479 plus US$ 3.36 million (UGX 8,4 billion)). China Exim Bank extended a concessionary loan of US$ 350 million (73.58 percent) for the project, and the Government of Uganda funded the remaining US$ 126 million (26.42 percent) (Ministry of Works and Transport, Uganda, 2019). The citizens of Uganda reacted negatively to the cost of the expressway; following this, the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE) investigated the case and discovered that the highway cost four times more than what it should cost (The Monitor, 2021). For example, when COSASE compared the Expressway with the two-lane Kampala Northern Bypass, a dual carriage way in Kampala Division, findings show that the Kampala Northern Bypass construction costs amounted to US$ 87 million compared to the US$ 479 million for the four-lane expressway. The construction costs reveal major differences, and even more revealing are the funders, in that the Expressway is funded by China, while the Kampala Northern Bypass is funded by the European Investment Bank (The Monitor, 2021). Additionally, when compared to the Aibd-Mbour-Thies (AMT) Expressway, a 55-km, four-lane expressway in Senegal, at 4km more than the Kampala-Entebbe Expressway, its construction costs at US$ 400 million are US$ 76 million less. This situation questions the agency of the Government of Uganda in representing their citizens and highlights how, in some cases, the type of lender plays a part in how the project is chosen and negotiated.

The implementation of the project was awarded to China Communications Construction Company (CCCC), and the project supervision role was awarded to Beijing Expressway Supervision Company. The loan contract carried contract terms such as 2 percent interest rate, grace period of 7 years, maturity of 20 years as well as 0.25 percent management fee and 0.75 percent commitment fee. Additionally, the agreement required the Government of Uganda to repay the loan using road toll revenues. The toll road revenues were to be deposited in an escrow account that would be used to service the loan (Ministry of Works, and Transport, Uganda, 2019) through 26 bi-annual repayments of US$ 13.4 million. The initial payment was made in 2019, and the final payment will be due in 2032 (Ogwang, 2020). These conditions mirror the China model.

This is Uganda’s first toll road, and its implementation came at the time when legislation in Uganda had not been updated to include guidelines in the Roads Amendment Bill 2018 around toll roads. Following lengthy parliamentary deliberations on how to make the loan repayments or to schedule them into national budget planning, Uganda could not collect toll revenues from the expressway (Akello, 2019). Issues such as these signal a lack of proper planning by developing countries, undermining Uganda’s overall agency. Nonetheless, the Roads Bill 2018, and approved amendments to road toll provisions such as the declaration of a toll road, the payment of road tolls, toll revenue, etc., were passed in 2019 (Parliament of Uganda, 2019). Uganda National Roads Authority (UNRA), on behalf of the Government of Uganda, awarded the toll road collection contract to a French company, Egis Roads Operation S. A in May 2021, and a dedicated website for everything related to the expressway toll collections, including registration has since been set up (Kampala-Entebbe Expressway, 2023). Regarding local content, Egis pledged to subcontract 30 percent of its operations to local firms, and is currently working in partnership with local companies, namely Pinnacle Security Limited and Abubaker Technical Services. Egis also submitted a plan to extend more operations tasks to local contractors (Kampala-Entebbe Expressway, 2023). Table 4.2 shows a schedule of the toll fees on the expressway.

Table 4.2: Kampala-Entebbe Expressway Toll fees

Class 1	Motorcycles >400cc	UGX 3000 (US$ 0.81) per trip
Class 2	Light Vehicles (with or without trailer)	UGX 5,000 (US$ 1.34) per trip
Class 3	Medium Goods vehicles (2-3 axles)	UGX 10,000 (US$ 2.68) per trip
Class 4	Large goods vehicles and buses (4-5 axles)	UGX 15,000 (US$ 4.03) per trip
Class 4	Large goods vehicles (6 or more axles)	UGX 18,000 (US$ 4.83) per trip
Source: Kampala-Entebbe Expressway, (2023)		

On 8th January 2023, Egis Road Operations reported that approximately 7.3 million motorists had used the expressway and total toll revenues collected amounted to UGX 34 billion (US$ 9.1 million) (Kampala-Entebbe Expressway, 2023). Impressive as these statistics are, the amount raised is still below the expected repayments of US$ 26.8 million per year, leaving a significant shortfall that will clearly have serious ramifications for the Ugandan economy. This is on top of the monthly

payment of UGX 918.47 million (US$ 245,826) to the contractor EGIS for the operations and maintenance of the Expressway. Some groups of citizens of Uganda have expressed that this fee is exorbitant, and they have called for the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE) to undertake an audit to ascertain these maintenance costs (Parliament of Uganda, 2023a).

The Kampala-Entebbe expressway has also been riddled with other issues. The first concern to surface was the allegations of corruption between UNRA and CCCC, especially regarding environmental and social safeguards, as well as the inflated cost that arose from the lack of competitive bidding, duplication of consultancy services, and land acquisition (Goodfellow and Huang, 2021). The expressway had prolonged land acquisition issues under which guidelines from Uganda's 1998 Land Act provided that project affected persons (PAPs) should be fairly and adequately compensated for both their current assets and future expected profits and disputes over the quoted compensation led to lengthy delays. Failure to agree on quoted compensation with some PAPs led to certain diversions from the original route, thereby compounding on costs and delays. In this regard, Uganda shows failure to uphold agency since the government did not carefully plan before engaging relevant external stakeholders. In 2023, a parliamentary committee observed that 229 PAPs out of 234, with properties that were worth Shs70.2 billion, were paid after the specified six-month period. Whilst presenting to parliament on the need for an audit on the expressway, Hon. Ssenyonyi said "*This is how some projects become slow moving with resultant financial consequences to the taxpayer. UNRA should always first acquire right of way before signing contracts or commencing works*,". Another concern was the fact that the expressway would divide Wakiso District into two and the officials in Uganda did not seem to have any plans in place to cater to this obvious change of locality (Goodfellow and Huang, 2021). This division would have local administrative implications for the district of Wakiso. These issues show flaws in planning from the Government of Uganda and limits its overall agency. The committee also observed that lights had not been installed, which caused accidents and a high level of insecurity on the expressway especially at night (Parliament of Uganda, 2023a). On a positive note, by November 2023, UNRA had started the process of lighting up the expressway (UNRA, 2023). However, there has been some criticism that the use of the PPP model for this project was not the ideal choice for Uganda and that China imposed it on the

Government of Uganda (Mbaguta, 2021). If this is the case, this signifies weak agency on the side of the Government of Uganda.

Aside from these two projects, China has financed a few other projects in Uganda, and it is believed to be in talks with the Government of Uganda to fund the Standard Gauge Railway which will link to other countries in the East African region. The government of Uganda also signed a loan contract with Chinese enterprises in 2020 to construct six national oil roads that would facilitate oil exploration activities in the Albertine Graben region (Hwang *et al.*, 2022).

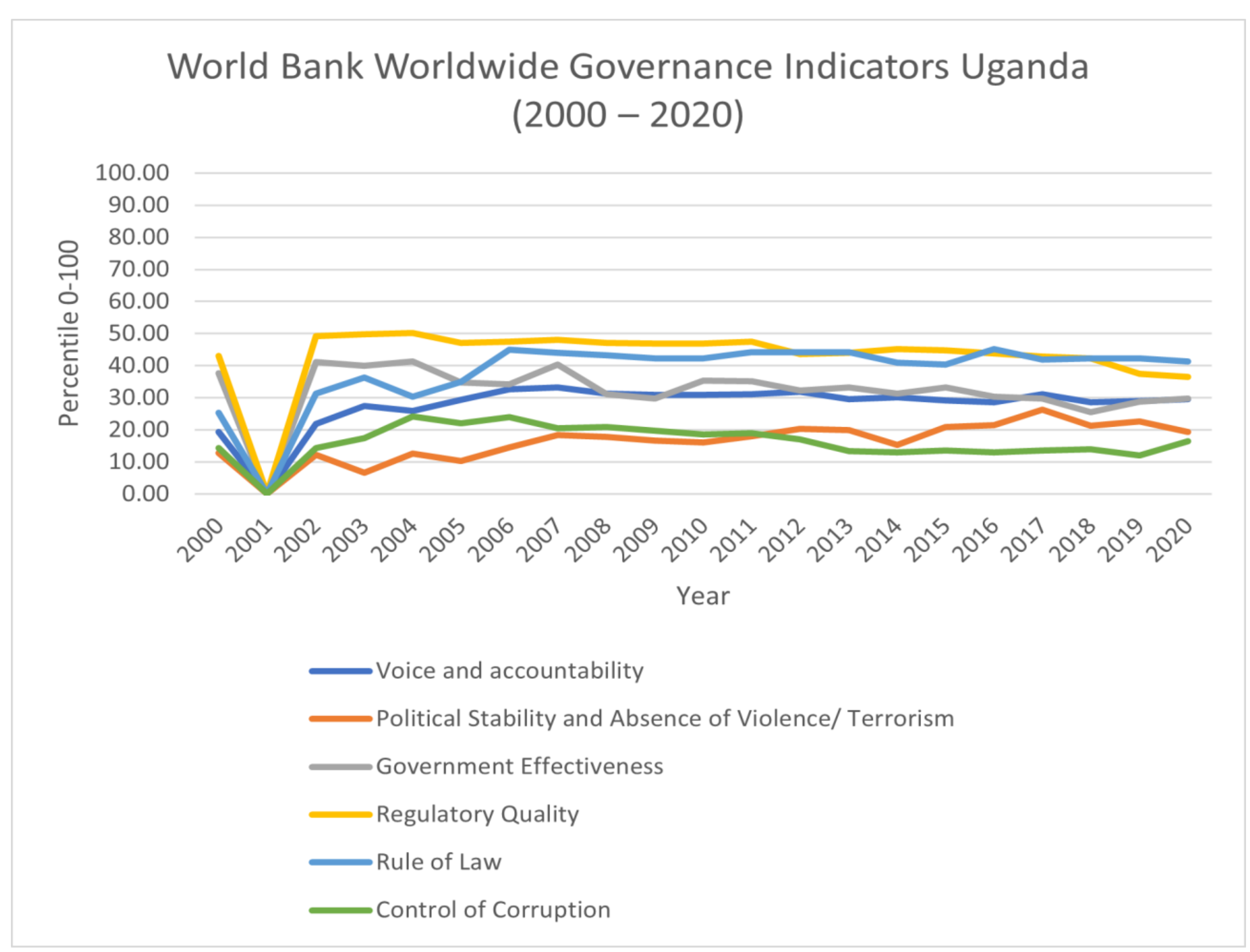
(iii) Analysis of Uganda's agency in debt management

This section aims to provide a good understanding of how Uganda exerts its agency in the China-Uganda debt relations. In this analysis, we use data from the World Bank World Governance Indicators (WGI) and from the China Africa Research Institute (CARI).

Agency Assessment Framework 1: Uganda's World Bank Worldwide Governance Indicators (WGI)

To analyse Uganda's agency, we employ data from data from the Worldwide Governance Indicators (WGI) statistics between 2000 and 2020 (Kaufmann and Kray, 2023). Results from this analysis as shown in Figure 4.11 shows a breakdown of the performance of the Government of Senegal. From the results, apart from rule of law that is at 41.35, which for an African country may be perceived as a good score, the other indicators are below 37 percentiles as of 2020.

Figure 4.11: World Bank Worldwide Governance Indicators Uganda (2000 – 2020)



Source: Kaufmann and Kray, (2023).

Just like Kenya, the Government of Uganda has consistently been politically unstable with scores that have barely surpassed 26 percentile and a score of 19.34 in 2020. Likewise, corruption is still a big problem for Uganda and data shows that the control of corruption has weakened over the years with the year 2020 resulting in a score of 16.35. Uganda has recently been in the headlines about possible asset seizure due to poor debt management of loans extended by China. Looking at the institutional quality indicators, they partly explain some of the issues arising from debt negotiations and management. Additionally, the President of Uganda has on some occasions, bypassed the proper negotiation channels and agreed terms of loan contracts with the Chinese representatives and then directed the Ministry of Finance and Development to take onboard the terms as set out in the contracts. This signals recklessness in the management of institutions that

leads to unstable debt management measures, thereby jeopardising the economy's growth. This is congruent with the findings by Cirolia, (2020) that poor institutional quality hampers economic growth.

From the findings, the Government of Uganda has not exercised full agency in certain matters of debt negotiations and ensuring that the government has the skilled professionals that are crucially needed in debt negotiation processes. Findings from an interview with a think tank in Uganda in the 2021/22 field study revealed that, "*In some cases, the Government of Uganda sends political figures to represent it in loan negotiations and due to their lack of expertise, they are not able to discern favourable and unfavourable loan contract terms and conditions and in cases where they agree to some unfavourable terms and conditions, it later becomes difficult to re-negotiate as seen in the case of the Entebbe International Aiport project*" (Interview 202221). Such examples show just how much work is still needed in order to enhance institutional governance in a way that yields positive benefits for Uganda.

Agency Assessment Framework 2: Uganda's Game theory depiction using debt cancellation and debt restructuring data.

Additionally, data from the Global Debt Relief Dashboard by Brautigam, and Wang, (2021) at CARI between 2000 and 2019 shows that China cancelled loans worth US$ 67 million that its enterprises extended to Uganda (Brautigam, and Wang, 2021). There are however no official reports of its application for debt restructuring on Chinese loans. In strategic game settings, although the cancellation figue is higher than that of Kenya and Senegal, it is still relatively low in comparison to Zambia. Given this result, it can be concluded that Uganda currently has fairly good control over its debt obligations to China and in Game theory settings, this result is depicted in Figure 4.12.

Figure 4.12: China-Uganda Game Theory depiction

		Uganda	
		Timely Repayments	Default
China	Timely Projects	1, 1	-2,2
	Cease project	2, -2	-1, -1

Source: Author's computation using data from Brautigam, and Wang (CARI) , (2021).

In Game theory settings, this situation is represented by the green box (Middle row, left: 1, 1) which places Uganda and its funder, China in a favourable position where China completes its contracted projects and Uganda settles its debt repayments in a timely manner. This situation shows that Uganda has relatively good control over its debt obligations and shows a good level of awareness of its developmental needs which highlights satisfactory levels of agency in comparison to the other sample countries. However, it is important to highlight that there have been allegations of debt defaults and asset seizure in Uganda, although these allegations were denied by both Uganda and China (Biryabarema, 2021b).

(iv) Field study analysis on China's investment loans schemes and African agency - Uganda

Adding to these initiatives are the views that were collected from a field study of Ugandan citizens in 2021/22. From the study, 36.6 percent, and 61 percent (totalling to 97.6 percent) of the citizens surveyed said that they were well aware or fairly aware respectively of Chinese investment projects in Uganda: this is much higher than the findings from Afrobarometer, (2021: p13) that 42 percent of Ugandans were aware that China extends financial assistance to Uganda. When asked how well they thought that the Ugandan government represented itself in loan negotiations with China, 65.9 percent scored the Government of Uganda between 5 and 10 for its performance where 1 was

poor and 10 was great. The results show that most Ugandan citizens believe in the government to put forward their best interests; however, it is equally important to note that there is 12.2 percent of the surveyed citizens that have low trust in the Government of Uganda. 12.2 percent and 41.5 percent of the surveyed citizens thought that the relationship between Uganda and China was excellent or good respectively compared to 41.5 percent and 4.8 percent who expressed that the relationship was fair or poor respectively. When asked if the partnership between Uganda and China was controversial, 36.6 percent said that it was, which is telling of the relatively low levels of trust that the citizens of Uganda have in their government to locate itself well in bilateral negotiations especially with China. To enhance the negotiation process and strengthen agency, insights from our field study show that 87.8 percent of the surveyed citizens expressed that there should be a supervisory body that oversees bilateral loan negotiations across the continent. Additionally, views from the interviewees were insightful, with one interviewee noting that, "*I think that the supervisory body would be good, but as you know, the African Union (AU) has its own challenges with regards to enforcement and how they can hold different governments accountable. But it can work if we can empower the African Development Bank and then they can draw up lending and enforcement regulations.*" (Interview 202220 and supported by Interview 202230). Some believe that such a body may be overpowered by stronger members such as South Africa (Interview 202221), whilst others think that it should not be proposed since respective countries are sovereign (Interview 202224, Interview 202225) and that the discussion can start but Africa is not ready for it (Interview 202227, Interview 202228, Interview 202229).

(v) Conclusion: China's investment loans schemes and African agency - Uganda

Overall, the findings indicate that the Government of Uganda has not fully exercised good levels of agency for optimal benefits from the undertaken projects. Uganda still has underdeveloped institutions and political interventions that negatively impact on the identification, sourcing, negotiating and management of loans. Additionally, the prevalence of corruption hinders the use of set procedures and guidelines in the loan process, ultimately diminishing project benefits.

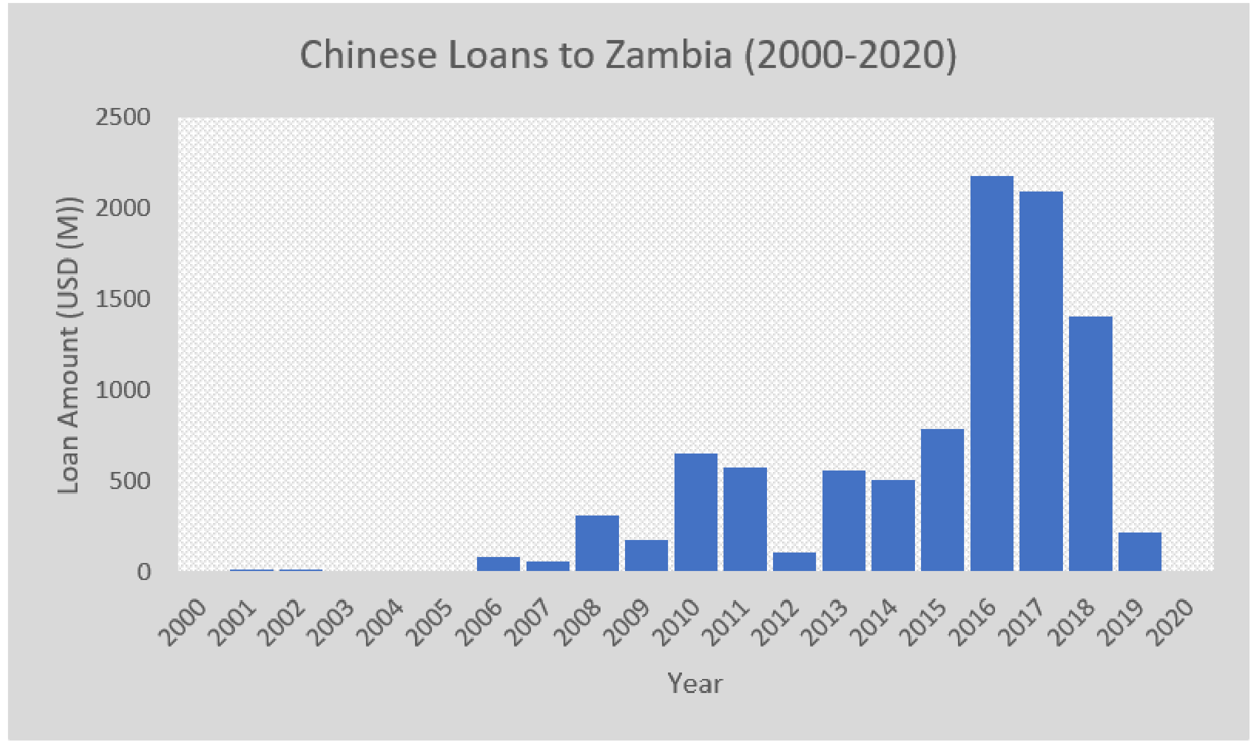
4.4.6. Findings on China's investment loans schemes and African agency - Zambia

(ii) Introduction

Zambia is one of the first countries in Africa that engaged Chinese funding; at the time when other African countries preferred Western lenders. Its first partnership led to the construction of the TAZARA: a notable railway connecting Zambia, in particular the copper mines, with the Tanzanian port of Dar-es-Salaam, that, despite its challenges, continues to serve the country till today. China has since been instrumental in the development of Zambia's sectors such as transport and mining, and its debt to Zambia as of 2023 stood at US$ 10.1 billion (BUGDPC, 2023).

Figure 4.13 shows the loan amounts that China has extended to Zambia between 2000 and 2020 which shows exponential growth over time.

Figure 4.13: Chinese loans to Zambia between 2000 and 2020 (US$ million)



Source: BUGDPC, (2023).

With this funding, Zambia has undertaken several developmental projects and some of them are discussed below.

(ii) Zambia's assessment of agency through case study projects

Case study 1: Kenneth Kaunda International Airport

Kenneth Kaunda International Airport is Zambia's flagship airport that is located 27 kilometres from the main city Lusaka. Since its opening in 1967, it was known as Lusaka International Airport until after it underwent upgrade and expansion works in 2015, after which it was renamed Kenneth Kaunda International Airport in honour of the first president of the Republic of Zambia, Kenneth Kaunda (Airport Technology, 2015). In 2013, The Government of Zambia signed a contract with China Jiangxi Corporation for International Economic and Technical Cooperation to design and expand the airport for a total sum of US$ 385.8 million (Ministry of Works and Supply, Zambia, 2016). China Exim Bank extended a loan of US$ 360 million (BUGDPC, 2023), whilst the Government of Zambia contributed US$ 25.8 million (Nkomesha, 2021). The Ministry of Finance and National Planning, on behalf of the Government of Zambia, signed the contract with Exim Bank of China.

The scope of the expected works included the following: construction of 4 million capacity international terminal building with six (6) aero bridges, a 30-room capacity in-transit passenger hotel and a 70-room non-transit passenger hotel, landside, and airside driveways, 39 metres high air traffic control tower, rehabilitation of Zambia air services training institute and construction of the airport cargo terminal (Ministry of Works and Supply, Zambia, 2016).

The contract was signed under concessionary and preferential buyer's credit terms as provided by the Chinese government. Construction was planned to start in April 2015 for a duration of 54 months and the project model used was Engineering, Procurement, and Construction (EPC) model, one of the models discussed in Chapter 2 Section 2.3.1.2, with the completion timeline set for October 2019, although this was later revised to March 2022 (CACC, 2013). By the start of construction, the China Jiangxi Corporation Zambia Managing Director Mr. Hu Zhiliang, highlighted that one of the immediate benefits of the project was giving citizens an opportunity to secure employment, with the employee numbers for the project estimated to be around 3,000 employees. He said that, at the start of the project, 200 citizens had already been hired in various roles and that

the project was also partnering with Zambian construction companies and engineers (Zambia Invest, 2015).

The construction of the new facility was not without challenges. In 2021, the Office of the Auditor General found that the project model had been converted from a combination of an RMB-denominated government concessional loan (GCL) and a USD-denominated preferential buyer's credit (PBC) to an EPC/ turnkey model. For Kenneth Kaunda International Airport, changing the contract model to turnkey meant that the contractor was now responsible for the design of the airport. Additionally, the Office of the Auditor General found that the loan contract had been revised from the originally quoted amount of US$ 385 million to US$ 360 million and they questioned the costing variation, citing that there was no evidence of a price reasonableness analysis that had been conducted by the Ministry of Finance and National Planning. It was also discovered the contract price would need to increase by US$ 9.2 million, an increase that would have to be paid by the Government of Zambia. These changes were questioned, especially the final design of the airport since they were all not approved by the Government of Zambia (Nkomesha, 2021). These unapproved changes within the loan contracts are a clear sign that agency on the side of the Government of Zambia was diminished and therefore it was not in position to represent the citizens' interests effectively. This also adds to the questions posed in the previous chapters about how 50-50 of a partnership the China-Africa relationship is.

Civil Society Organisations (CSOs) also voiced concerns over the spiralling debt in Zambia. In 2018, CSO members delivered a press briefing at the Action Aid offices in Lusaka in which they demanded for the Government of Zambia to come clean on the country's debt burden to China, especially being transparent about the terms and conditions of the loans. They highlighted that, since debt is contracted by the government on its citizens' behalf, it is only right that the citizens have information on the amount of loans that the government has secured, as well as how it intends to utilise the resources, facilities and projects undertaken from this financing. They urged the then President Lungu to work with the Ministry of Finance and National Planning to ensure that there is full disclosure of the national assets such as ZESCO (Zambia's state power company), Kenneth Kaunda International Airport Terminal and ZNBC (Zambia's state TV); that have been named to be at risk of asset seizure should the government default on loan repayments (CUTS International, 2018).

Another challenge with such big infrastructure projects is the prevalence of corruption and unethical practices. Although there may be suspicions of such unethical practices, it is not very easy to catch the perpetrators in the act and bring them to justice since the undertaken projects are usually for one-off and unique projects that are not easily comparable to other projects to ascertain possible project costs. However, institutions such as the National Assembly, the Office of the Auditor General, and Transparency International Zambia are always working hard to tackle corruption in the procurement and implementation of public infrastructure projects (Lifuka, 2022).

Overall, the Kenneth Kaunda International Airport project was one that was riddled with controversies, and it is yet to be known how the passenger numbers will pick up to aid sufficient utilisation of the facility and make tangible contributions to loan repayments.

Case study 2: Kafue Gorge Lower Power Project

The Kafue Gorge Lower Power Station (KGL) is a 750 megawatts hydroelectric power station that is located on the Kafue River in Zambia. In 2010, ZESCO signed a contract on behalf of the Government of Zambia with China Africa Development Fund (CADF) to fund the project and Sinohydro to construct the power station. Upon completion, the Kafue Gorge Lower Power Station (KGL) was expected to provide Zambia with a reliable and stable power supply (Construct Africa, 2022). The project model used was (Public-Private Partnership) PPP model using the Build, Own, Operate, and Transfer (BOOT) project execution model as discussed in Chapter 2 Section 2.3.1.2: this was Zambia's first major investment project to be undertaken under this model. In the case of the Kafue Gorge Lower Power Project, China Africa Development Fund provided the finance and Sinohydro undertook the construction of the power station. The period of operation was agreed to be 30 years (Brautigam, 2021). The scope of the project work included the construction of a 139-metre-high concrete-face rockfill dam and a surface powerhouse to house five 150-megawatt generator units. Upon completion, the Kafue Gorge Lower Power Station would become the country's third largest hydropower station.

Industrial and Commercial Bank of China would finance 85 percent, and the Government of Zambia would contribute the rest of the 15 percent (Construct Africa, 2022). Although this was understood to be the case, during the 2011 election campaigns, one of the presidential hopeful

Michael Sata hosted a ceremony in which the Chinese Ambassador stated in a speech that the negotiations for the loan contract for the Kafue Gorge Lower Power Project were not yet finalised (Brautigam, 2021). This was one of the instances in this project where the agency of the Government of Zambia was questioned; how do parties agree to a certain arrangement only for the other to pull out without notice and expect no repercussions? This clearly shows that China had the upper hand in this deal and that Zambia had to abide by the conditions it would be given. Examples of where the agency of the Government of Zambia was shown to be inadequate is from a paper by Brautigam, (2021), in which she reports that in an interview about the Kafue Gorge with the then opposition party leader Michael Sata, Sata said that the Chinese "*invest heavily in the pockets of leaders. For Kafue Gorge, they are empowering somebody's pocket*." Ideally, when a leader has been given these kickbacks, it compromises their authority in negotiations and is likely to lead to biased outcomes, thus misrepresenting the citizens of Zambia. Soon after the election in which Michael Sata took the presidential office, the project was suspended because the incoming Minister of Finance needed to confirm whether the project would be sufficiently beneficial to Zambia and ascertain whether the transparency and control mechanisms used were sufficient for the project. After soliciting help from the Norwegian government, which was declined, the Government of Zambia suspended the MoU with Sinohydro and China Africa Development Fund (CADF) and decided to review the terms of the loan contract themselves. This process highlights that the Government of Zambia exercised agency in this part of the loan contract partly due to a change in government. Following this process, it re-tendered the project, and in October 2015, Sinohydro re-won the EPC contract (Aid Data, 2023).

One area of criticism with Chinese funded projects is the lack of or limited opportunities for open international tenders for projects. Despite the Government of Zambia conducting an open international tender for the project, there were issues arising from it: between 2013 and 2015, ZESCO had initially conducted international tenders for an EPC based project but later sought international equity partners for the project which some contenders found unfair. Following the announcement of the approved contractor, China State Construction Engineering Corporation Ltd (CSCEC), one of the three Chinese losing contractors, wrote to the Zambia Public Procurement Authority, explaining that Sinohydro should not have been given the contract due to conflicts of interest. Although CSCEC sought a court injunction against Sinohydro from the Lusaka High Court that would bar its tender

award and held a news conference to that effect, there were no further proceedings and CSCEC eventually dropped the case (Brautigam, 2021).

Additionally, in 2016, there were some disagreements between the parties, and, by the end of 2016, the financing of the project was yet to be finalised. There are unconfirmed reports that China had wanted ZESCO to contribute a certain share of the funding of the project. One solution that came up was to bring in ICBC and China Exim bank; following seven months of negotiation, the new syndicated loan was agreed with 87 loan conditions which remain hidden to date. To secure the loan from China Development Bank, ZESCO, Sinohydro, and China Africa Development Fund created a Special Purpose Vehicle (SPV) called Sinozam, and it was understood that the shares would be apportioned between ZESCO, Sinohydro, and China Africa Development Fund in the following percentages, 30 percent, 50 percent, and 20 percent respectively (Construct Africa, 2022). Packaging this loan deal into an SPV would mean that the Kafue Gorge Lower Power Project finance structure would not be accounted for on the government's balance sheet. Construction work on the hydropower station started in November 2015 and, in 2017, ZESCO, China Exim bank and ICBC finalised a loan contract amounting to US$ 1.5 billion for the project (Brautigam, 2021). This sort of financial reporting is problematic for the Government of Zambia since the debt is not reflected on the government's books and it makes it look credible when in fact it is hidden/ unreported debt. While this may work for the ruling government, it is not an ideal financing choice for the country and could undermine the country's future financing deals and projects which generally undermines agency.

In fact, the project ran into problems again in 2019, when construction work was halted due to financial difficulties (Construct Africa, 2022). The Government of Zambia was expected to pay US$ 2.3 billion (Lusaka Times, 2022) that resulted from an increase in project costs from the estimated US$ 1.48 billion to almost US$ 2 billion, partly due to the insurance required by Sinosure that amounted to US$ 100 million and the capitalisation of the interest that Zambia would have had to pay during the grace period (amounting to US$ 321 million). This was further exacerbated by the effects of Covid-19, that resulted in Zambia defaulting on its debts, thereby rendering ICBC reluctant to release more funding. Nevertheless, the project slowly progressed and by July 2021, during another round of presidential elections, Kafue Gorge Lower Power Station had started producing 150 megawatts of power following the commissioning of one of the five turbines to supply power to the

Zambian national grid: it is reported to be cost effective and developmental for Zambia (Brautigam, 2021). In July 2022, the Zambian President, Hakainde Hichilema, conducted a tour of the project (Construct Africa, 2022) and by April 2022, the other two turbines were commissioned and operational (Lusaka Times, 2022). However, within that same month, construction was halted by the contractors after ZESCO failed to meet its obligations: this has further compounded the delays of the project (Sinyangwe, 2022). This issue also points to poor agency on the side of the Government of Zambia. It is important that governments in Africa undertake projects for which they can afford to finance and where external finance is sought, it should be thoroughly analysed to ensure that the government can afford to service the loan repayments without compromising the welfare of its citizens.

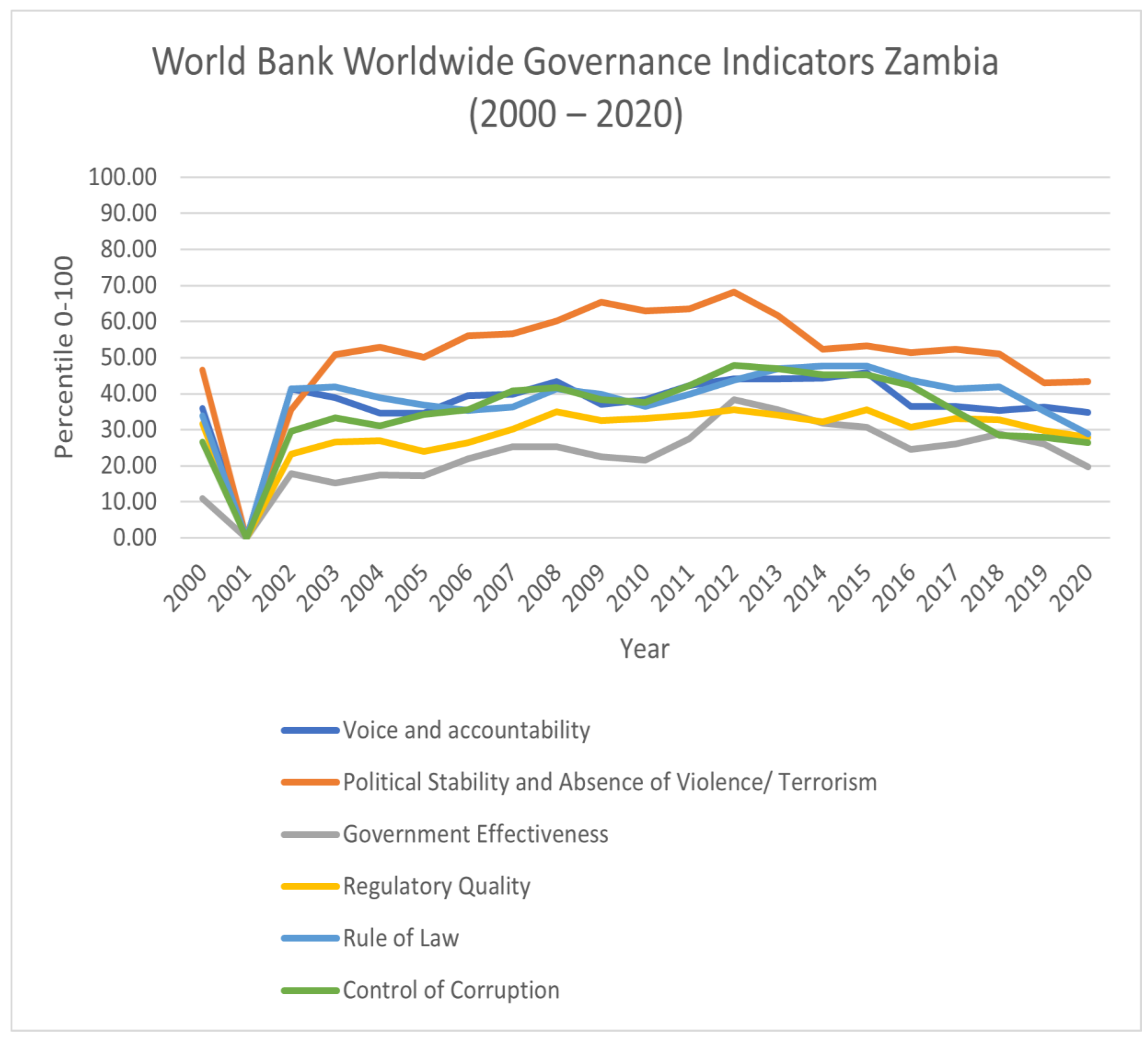
(iii) Analysis of Zambia's agency in debt management

This section aims to provide a good understanding of how Zambia exerts its agency in the China-Zambia debt relations. This analysis uses data from the World Bank World Governance Indicators (WGI) and from the China Africa Research Institute (CARI).

Agency Assessment Framework 1: Zambia's World Bank Worldwide Governance Indicators (WGI)

To analyse Zambia's agency, we employ data from data from the Worldwide Governance Indicators (WGI) statistics between 2000 and 2020 (Kaufmann and Kray, 2023). Results from this analysis as shown in Figure 4.14 presents an analysis of the governance performance of the Government of Zambia.

Figure 4.14: World Bank Worldwide Governance Indicators Zambia (2000 – 2020)



Source: Kaufmann and Kray, (2023).

From the computation, there is a clear decline in all governance indicators from 2012 to date. Although Zambia is relatively politically stable, with a score of 43.40 in 2020 and with previous scores showing even better scores for political stability and absence of violence and terrorism, other indicators, especially government effectiveness at a mere 19.71 in 2020, score very low. The other indicators currently range between 20 and 28, with voice and accountability at a slightly better score at 34.78 in 2020. Because indicators such as government effectiveness, regulatory quality, rule of law

and control of corruption score very low, they contribute to the poor handling of external debt obligations.

In fact, in 2020, Zambia became the first African country to default on its debt obligations and one of the main reasons for this was the excessive amounts of debt that it took on between 2015 and 2018. Interestingly, most of this debt is to China and there may be a case to argue that because Zambia has poor institutional quality, it may not negotiate as strongly as it would have had the institutions been stronger. This may result in lenders dictating the terms of the contract as is supported in the study by Cirolia, (2020) or even in the influx of lenders to take advantage of the recipient country's poor institutions and poor laws as argued by Chen, Dollar, and Tang, (2018), whose study finds that there is relatively higher Chinese Outward Direct Investment (ODI) in countries that have weak legal and institutional systems. Failure to negotiate for better loan terms may lead to higher borrowing costs, which ultimately leads to higher loan repayments and limited finance left for investments which in turn leads to lower levels of economic growth.

Agency Assessment Framework 2: Zambia's Game theory depiction using debt cancellation and debt restructuring data.

Additionally, data from the Global Debt Relief Dashboard by Brautigam, and Wang, (2021) at CARI between 2000 and 2019 shows that China cancelled loans worth US$ 392 million that its enterprises extended to Zambia (Brautigam, and Wang, 2021), which is the highest figure of the sample countries. Additionally, due to failure to honour debt repayments that resulted in a repayment default to China Development Bank (CDB), Zambia applied to both the DSSI and the G20 Common Framework for debt restructuring on Chinese loans that resulted in the suspension of US$ 468 million of debt repayments to China. In strategic game settings, this signals an imbalanced relationship that highlights the failure for Zambia to wholy honour its debt obligations to China. Given this result, it can be concluded that Zambia's control over its debt obligations to China is weak and in Game theory settings, this result is depicted in Figure 4.15.

Figure 4.15: China-Zambia Game Theory depiction

		Zambia	
		Timely Repayments	Default
China	Timely Projects	1, 1	-2,2
	Cease project	2, -2	-1, -1

Source: Author's computation using data from Brautigam, and Wang (CARI) , (2021).

In Game theory settings, this situation is represented by the orange box (Middle row, right: -2, 2) which places Zambia and its funder, China in an unfavourable position where Zambia extends the operation period of the projects due to deferred payments, and China completes its contracted projects but misses out on periods of repayments due to restructuring. This situation shows that Zambia has not planned well in strategically sourcing and managing its debt to China and therefore needs to build on its agency as it identifies and fulfils of its developmental needs.

(iv) Field study analysis on China's investment loans schemes and African agency - Zambia

For more insights on the China-Zambia partnership, we conducted a field study of Zambian citizens in 2021/22. From the study, 44.6 percent, and 43.2 percent (totalling to 87.8 percent) of the citizens surveyed said that they were well aware or fairly aware respectively of Chinese investment projects in Zambia: this is way above the findings from Afrobarometer, (2021: p13) that 54 percent of Zambians were aware that China extends financial assistance to Zambia. This is not surprising given the Zambia debt burden headlines that circulated in the media following Zambia's loan default in the Covid-19 pandemic era. Additionally, when asked how well they thought that the Zambian government represented itself in loan negotiations with China, 47.3 percent scored the Government of Zambia between 5 and 10 for its performance where 1 was poor and 10 was great. The results show that more than half of the surveyed citizens do not believe that the government represents

itself effectively in loan negotiations with China. 5.5 percent and 28.8 percent of the surveyed citizens thought that the relationship between Zambia and China was excellent or good respectively compared to a bigger majority at 53.4 percent and 12.3 percent who expressed that the relationship was fair or poor respectively. When asked if the partnership between Zambia and China was controversial, 52.7 percent said that it was. This set of findings signals to the relatively low levels of trust that the citizens of Zambia have in their government to represent itself well in bilateral negotiations with China; therefore, the Zambian government must strive to regain the trust of its citizens. Further insights show that Zambian citizens advocate for stronger collective agency, with 82.4 percent of the surveyed citizens expressing that there should be a supervisory body that oversees bilateral loan negotiations across the continent. Additionally, views from the interviewees were insightful, with one interviewee noting that, "*Yes, there should be one. It is quite difficult though to have just one, so we need to know, if we put up such a body, will it be for the betterment of all countries, or will there be super economies that will play a key role and have a general oversight over such a body. Once all the technicalities are worked out and all countries know what to gain from this body, then it can work. In Africa, it is quite difficult to speak on matters of other countries and this body needs to cater to these challenges. Even with FOCAC, having one voice as Africa could improve our relationship with China*" (Interview 202205 and supported by Interview 202206, Interview 202208, Interview 202211). Additionally, in support of the supervisory body one interviewee said "*I really think that there should be a register that is accessible both at the national level and continental level. And the key reason is that in the context of a crisis such as the COVID-19 pandemic, there are clear indications of the likelihood of debt distress in some countries. This body would promote collective negotiation that enhances strength in numbers. Africa's best interest is to have a much more transparent system because it gives them better bargaining power and helps them in the mobilisation of domestic resources*" (Interview 202213). Others thought that Africa is somewhat fragmented due to competing governments and is not ready for the supervisory body yet (Interview 202207, Interview 202209, Interview 202210).

(v) Conclusion: China's investment loans schemes and African agency - Zambia

Overall, looking at the worldwide governance indicators data, the existing literature, and the debt management data from Zambia, it is observed that there is a correlation between poor governance and higher costs of borrowing that result in low economic growth. Additionally, the Government of Zambia has not been able to negotiate favourable loan contracts in recent years which signals poor agency and lack of autonomy in loan negotiations. Moreover, the government has taken on more debt that it can ably sustain, creating debt related problems for Zambia that will take years before the country can realise meaningful benefits from the agreed loan contracts.

4.5. Overall conclusion - China's investment loans schemes and African agency

Having analysed some of the most notable projects across the four sample countries and undertaken a field study in relation to question 1 of this study, and undertaken debt data analysis, we find that China engages the China model using the EPC model, and this can be broken down in various project execution models: the most common one across all the projects investigated being the Build, operate and transfer (BOT). The project model chosen for developmental projects plays a role in how well a recipient country can negotiate for the loan contract conditions; for example, EPC project models require the contractor to provide the designs for the project. This partly explains why many of the undertaken constructions across Africa come in similar designs that are benchmarked from the Chinese designs. These trends are similar across many projects that are undertaken by external contractors; for example, the state structures in Senegal are very much inspired by the French style of construction since they were funded and constructed by the French (BTI, 2022). BOT contracts are helpful in cases where the recipient country does not have enough funds to finance its projects independently, and this is one of the reasons why many projects in Africa are undertaken under this model. However, they can be quite complex both legally and financially, especially with contractual expectations such as set parameters on guaranteed return and, for that matter, they require more time for all parties to analyse and agree to the terms of the contract (Augenblick and Custer, 2010). Although it may look like the recipient country has gained an asset/ developmental facility, it is still an equity that is financed by debt and needs timely repayments with more strict conditions than bilateral loan conditions.

Regarding agency in loan negotiations, all sample countries exhibit some weaknesses; however, Uganda and Zambia show more instances of diminished agency in comparison to Kenya and Senegal. This calls for better legislation and better governance that provide clear guidance and reporting channels across the process of loan negotiations and management. The sample countries can take a leaf from Benin's negotiation tactics, as Benin was able to ask China for the contract for the China-Benin Economic Development and Business Center beforehand, scrutinised the contract, identified unsuitable clauses and renegotiated for better loan conditions (Soule, 2022). This shows that, given good governance frameworks that guide procedures on debt negotiation, African countries can achieve better loan conditions. Additionally, it is imperative that countries start assessing the need to undertake collaborative negotiations for certain projects especially infrastructural projects that connect different countries. These collaborations enhance agency and lead to higher project benefits.

Findings from the Worldwide Governance Indicators show that there is still room for improvement across all indicators in all the sample countries and Africa as a whole, especially under the rule of law, regulatory quality, and government effectiveness indicators. This echoes the literature that suggests that quality governance is crucial for better returns from the acquired loans (Manasseh *et al.*, 2022) but with underdeveloped institutions as identified by Phillips, (2019), it is difficult for Africa to position itself firmly in debt negotiations for fear that they may lose the opportunity to secure funding (Soule, 2020), and this may attract ambitious lenders whose loan conditions may not be favourable (Chen, Dollar, and Tang (2018). Poor governance result in borrowed funds being mismanaged and used for the unintended purposes. Failure to optimise the loan financing may result in debt distress and debt defaults which may lead to even higher costs of debt amortisation through debt deferrals and restructuring and may exacerbate poverty levels in the recipient country (Edoun and Mbohwa, 2015).

It is imperative that recipient governments improve their governance to ensure optimal loan usage and, to counter some of these shortcomings, one of the solutions could be the formation of a unified supervisory body, born out of collective agency, that would be tasked with the management of loan negotiations and loan accountability across Africa: this was supported by the majority of the respondents of our 2021/2022 field study. The advised supervisory body would function well under the African Legal Support Facility, a legal facility under the African Development Bank that provides

legal and technical capacity to African countries in complex commercial contracts (AfDB, 2024). With such a body, some of the contract clauses would be challenged; for example, the condition that is in most contracts that requires arising disputes from loan contracts to be arbitrated in the Chinese judicial system rather than London Court of International Arbitration that is usually preferred in international disputes. This condition puts China at an advantage due to the cognizance of its institutions and limits the agency of the African recipient countries. Additionally, there is no central system for recording and managing loans from China: this would be an added advantage under the unified supervisory body for optimal loan utilisation. Ideally, the better the institutions, the better the legislation, procedures, guidelines, and clarity on how to approach debt negotiations and management.

Chapter 5 External debt accountability in Africa

5.1. Introduction: External debt accountability - Africa

"*Transparency refers to an environment in which the objectives of policy, its legal, institutional and economic framework, policy decisions and their rationale, data and information related to monetary and financial policies and the terms of agencies' accountability are provided to the public in a comprehensible, accessible, and timely manner*" (OECD, 2002). Accountability, on the other hand, can be defined as "*the relationship between an actor and a forum, in which the actor has an obligation to explain and justify his or her conduct, the forum can pose questions and pass judgement, and the actor may face consequences*" (Bovens, Schillemans, and Hart, 2008). Accountability also refers to "*a relationship between the agent (who does the action) and the principal (on whose behalf the agent is supposed to act), in which the principal is able to hold the agent responsible for its actions and the proper execution of its powers*" (Zúñiga, Jenkins, and Jackson, 2018). In terms of governance, government transparency refers to "*the provision of information to citizens, markets, and other audience"* (Cormier, 2022) and government accountability means that public officials, whether elected or unelected, have an obligation to explain their decisions and actions to the citizens (Bureau of International Information Programs (IIP), 2022).

Accountability is a crucial element of public governance, and it is implemented hand in hand with transparency. The system of accountability that a government chooses determines how transparent it must be with its information. Conversely, it is from transparent reporting systems that governments can uphold integrity and hold offices accountable to the citizens. Good transparent systems lay ground for better accountability. It is important to analyse both concepts to ascertain how the two can be used together to optimise their functionality (Zúñiga, Jenkins, and Jackson, 2018). This process encompasses three institutional capacities viz. dissemination of and access to information, answerability, and the power to sanction and compensate, whereby clear transparency promotes reliable information and vice versa (Fox, 2007).

External debt accountability is the process by which the government chooses to share with its citizens and other interested stakeholders the process it uses to source, negotiate, allocate,

manage, and evaluate the sourced external debt. These processes would ensure that debt is sourced through legitimate channels, it is documented and that its data is available to the public (CABRI, 2022a). The level of accountability tends to be related to the quality of leadership and the quality of institutions. Both transparency and accountability are necessary for the respective economy to function efficiently and engage its citizens; because these two concepts are inextricably linked, Blommestein, (2006) aptly describes them as 'Siamese twins'. Rivetti, (2021:15) posits that for a country to achieve transparency and accountability, there must be the existence of good legal frameworks, good institutional frameworks, legitimate debt management procedures and systems, and credible debt data that is timely published.

When there are procedures in place to foster transparency, there are requirements to avail the public with the necessary information. The availability of this information helps the citizens and other stakeholders evaluate the performance of their respective governments and question certain government decisions. Through this process, and through the responses from the government on certain undertakings, the government maintains accountability to the public. From the current survey of how countries cater to external debt, the observations are that most countries use specific accountability frameworks that cater to all lenders and for this reason, it is not possible to segregate accountability of Chinese loans but rather discuss is on a macro level for all lenders. None the less, these insgihts can be easily transferable to respective lenders to draw some conclusions.

Debt transparency and accountability are important to both domestic and external stakeholders. For internal stakeholders, debt transparency and accountability are vital in making macroeconomic decisions and public financial management. For external stakeholders, debt transparency and accountability help in ascertaining how credit worthy the country is and how well they manage debt to inform lending and investment decisions. Africa has over the years been a beneficiary of external debt and, in some cases, some African countries have agreed loan contracts through unofficial channels. Such loan contracts make it difficult to account for the loans, especially if they are not properly recorded through the Treasury. To add onto this issue, lenders such as China lend but do not intervene in domestic affairs, meaning that loan accountability is not usually one of their conditions. Both issues are likely to bring about debt accountability problems.

Recent research has indicated that 100 percent of Chinese contracts signed between 2015 and 2019 in developing countries contain confidentiality clauses (Gelpern *et al*, 2021). While studies

have investigated the relationship between the country's level of fiscal transparency and their borrowing costs (Kemoe and Zhan, 2018; and Bastida *et al*., 2017); transparency and financial market reactions (Choi and Hashimoto, 2018); China's part in the China-Africa partnership (Moody's, 2018; Hurley, Morris and Portelance, 2019; Were, 2018; Singh, 2020; Jones and Hameiri, 2020; Brautigam, 2020; Ryder and Fu, 2021; and Brautigam *et al*, 2022); and allegations of asset seizure by China (Biryabarema, 2018; Athumani, 2019; and Lusaka Times, 2018), there has not been much attention paid to the part played by the recipient governments in the China-Africa partnership.

Many governments know the benefits of transparency and accountability, but how well they work towards transparency and accountability is an area that still requires research. The only study that had so far delved a bit deeper into African agency is Phillips, (2019) in his study on Ghana, where he finds that Chinese contractors and Ghanaian collaborating companies lacked project accountability. This creates a gap in the literature to investigate the frameworks that African governments use in accounting for external debt from different lenders for optimal benefits from developmental projects. We aim to fill this gap by analysing the accountability frameworks that are used across African countries and how the recipient countries fare in debt recording and management with the aim of investigating how useful the implementation of a collective loan accountability framework would be in ensuring optimal outcomes from developmental projects in Africa. The findings answer research question 2 of the thesis. Although this question is not directly focused on to China-Africa debt accountability, it is useful is building an overall picture of debt management in Africa to understand how recipient countries currently account for external debt which includes Chinese debt.

To gain answers to the above question, we employ a mixed method approach which includes an analysis of the United Nations Development Programme (UNDP)'s Global Partnership for Effective Development Co-operation (GPEDC) principles, Africa Debt Monitor (ADM), World Bank's Debt Management Performance Assessment (DeMPA), World Bank's Debt Reporting Heat Maps and a primary field study with sample country interviews and surveys. The analysis investigates 48 African countries with a focus on four sample countries: Kenya, Senegal, Uganda, and Zambia, for the period 2000-2020.

Findings show that, although all sample countries regularly update their debt information with the identified debt accountability frameworks, external debt accountability is not as

comprehensive as it could be. There is no designated official public database on which Chinese loans to Africa are recorded. Also, the data shows that across all sample countries, each country uses its own debt recording frameworks under which domestic and external debt data is recorded. For developmental projects, most of them use debt management systems that are provided by development partners, thereby complicating debt reporting and negatively impacting transparency and accountability. However, a small percentage uses their own debt monitoring and evaluation frameworks for developmental projects. Additionally, the debt reporting frameworks discussed exist on a voluntary basis and countries join them on their own accord to report debt at their will. This is not encouraging for some countries, especially where costs of debt reporting may be high. Furthermore, there is no database that specifically reports Chinese loans to African countries. Across all the four sample countries, legal frameworks are established; however, for certain evolving financial instruments, the countries' laws do not yet fully cater to these changes. Furthermore, there is minimal or no public-private dialogue whose avenues would improve the transparency and accountability of debt.

These findings make useful contributions to the body of existing literature in one main way. We find that Africa does not have a unified debt accountability framework, and we identify four common debt accountability frameworks at macro level that are voluntary in nature, resulting in some countries not fully engaging with them. The individual projects also come with respective accountability frameworks. This presents an opportunity for all African countries to come together and unify debt accountability with a framework that each country would implement and use to account for external debt. Therefore, we advise Africa to work together and use the unified agency that is gaining momentum, especially now that we have collaborative initiatives such as the African Continental Free Trade Area (AfCFTA), to identify a debt reporting framework that could be implemented across all Africa countries and, with time, negotiate with external lenders to use this framework for all future external debt contracts.

The rest of this chapter is organised as follows: section 5.2 presents research question 2, section 5.3 presents the methodology employed to seek data and section 5.4 analyses the findings from various frameworks looking at each sample country individually: these findings are triangulated to derive the conclusions in section 5.5.

5.2. Question development for external debt accountability Africa

From the analysis of the literature in Chapter 2 Section 2.3.2, the better the country is at representing its citizens in external debt negotiations, the better positioned it is in utilising the funds for the better of its economy: it is important to understand how recipient countries manage loans to foster economic growth. Also, the literature review highlights that there are a few frameworks that African countries use to account for external loans that vary in accordance with the respective funder. Additionally, research continues to show that debt accountability lays a good foundation for optimal debt utilisation and African countries are prone to corruption that may result in the diversion of funds to intended purposes (Were, 2018).

Given the various frameworks for debt accountability in Africa, it is essential to investigate the frameworks that African countries currently use for monitoring and evaluation to ensure optimal outcomes from developmental projects in Africa. This enquiry forms research question 2 of the thesis.

5.3. Methodology: External debt accountability - Africa

We employ a mixed method approach in the form of qualitative secondary research that analyses debt reporting databases and a field study with key informant interviews, as well as a survey. We chose to undertake a field study, not only to gather real time views from the respondents, but to also understand the monitoring and evaluation frameworks currently in place in each sample country and generally in Africa as a whole. We analyse country specific debt accountability frameworks and three common databases, namely Debt Reporting Heat Maps, Debt Management Performance Assessment (DeMPA) and the Global Partnership for Effective Development Co-operation (GPEDC) indicators. The Africa Debt Monitor (ADM) is a debt monitoring framework in Africa that could have provided some insights; however, it currently has only 17 African country members and consequently does not have comprehensive data for the analysis. Only Kenya and Senegal of the sample countries are members (CABRI, 2024). The data from the identified three databases is collected for 48 Sub-Saharan African countries based on the World Bank's Country list (World Bank, 2023b), covering the

period 2000 to 2020. Data from these databases and the field study is triangulated to draw meaningful conclusions.

5.4. Presentation and discussion of findings - external debt accountability

5.4.1. Introduction

This section of the chapter is dedicated to answering question 2 of the thesis, which is to establish what accountability frameworks are currently used for monitoring and evaluation of external debt in Africa and how useful the implementation of a collective loan accountability framework would be in ensuring optimal outcomes from developmental projects in Africa.

5.4.2. External debt accountability - Africa

Literature has shown that both transparency and accountability are necessary for the engagement between the government and the citizens (Maslen and Aslan, 2022), and that the better this engagement is, the higher the levels of trust that the citizens have in their governments. However, if this engagement is low, this proliferates mistrust, resulting in social and environmental instability which ultimately slows economic growth (Carstens, 2005).

When debt is not transparent, this can have both domestic and global consequences in that on the global level; since the debt is not documented and tracked, it is difficult for lenders to ascertain the credit situation of the said country, which can result in it taking more debt than is manageable, increasing its chances of debt distress and difficulties in debt restructuring. Domestically, this hidden debt can create financial liabilities leading to debt distress that has substantial economic and social costs for the country, as well as damaging its reputation which makes securing future debt difficult (CABRI, 2022a).

Debt reporting is still a big issue in Africa; for example, a study by the World Bank in 2021, found that in forty percent of Low-Income Developing Countries (LIDCs), debt data had not been published or updated between 2019 and 2021 (Rivetti, 2021:3). Africa's debt management strategies have deteriorated thereby negatively impacting debt transparency and reporting in Africa. For example, from the 2023 Africa Country Policy and Institutional Assessment (CPIA) that assesses the

quality of policies and the performance of institutional frameworks, findings show that by the end of December 2022, African countries scored an average of 3.1, where scores range from 1 for low and 6 for high. There were slight improvements in west and central Africa where averages rose to about 3.3 but for the east and southern regions, the averages stagnated at about 3.0 (World Bank, 2024a).

An example of where debt is not sourced through legitimate means and accounted for accordingly is a case in Mozambique in 2013 and 2014 where it was discovered that a group of government officials had created three state-owned enterprises (SOEs) and used them to secure loans of more than US$ 2 billion to build shipyards, develop tuna fishing and police the coast. Of this amount, US$ 1.3 billion was not officially disclosed, and it took the international media to expose them in 2016. During an independent audit on these hidden debts, it was discovered that the Government of Mozambique did not have clear governing laws on who should approve publicly guaranteed debt, which exposed weaknesses in the government (Gebregziabher and Sala, 2022). Such lack of clear laws, procedures and guidelines are detrimental to the accountability of external debt.

Additionally, data from a recent research reveals that 100 percent of Chinese contracts signed between 2015 and 2019 in developing countries contain confidentiality clauses (Gelpern *et al*, 2021). Such conditions make it difficult for debt contact details to be shared publicly and this diminishes their accountability. To understand the debt accountability frameworks used in Africa, the analysis of the sample countries is employed.

To assess the sample countries, we use three common country frameworks namely; Debt Reporting Heat Maps, Debt Management Performance Assessment (DeMPA) Framework, and the Global Partnership for Effective Development Co-operation (GPEDC) Monitoring Rounds to derive findings as follows and these are discussed in detail in each respective country section.

Framework 1: Debt Reporting Heat maps

Table 5.1 Debt Reporting Heat Map 2023 Findings				
Indicator	**Country**			
	Kenya 2023	**Senegal 2023**	**Uganda 2023**	**Zambia 2023**
Public debt statistics				
Data accessibility: Analyses whether information is made publicly available through centralised rather than multiple sources	G	G	G	G

Completeness: The statistics evaluate the coverage by debt instrument and sector, as well as the availability of information on recently signed external loan contracts				
1. Instrument coverage	G	G	G	G
2. Sectorial coverage	Y	G	G	Y
3. Information on recently contracted loans	R	R	R	Y
Timeliness: The frequency of publications and the period between the cutoff data and their publication				
1. Periodicity	G	G	G	G
2. Time lag	Y	O	Y	G
Public debt management				
1. **Debt management strategy (DMS)** assesses whether strategic targets for the main cost and risk indicators are provided to inform about the nature and volume of future debt operations and sources of financing.	G	G	G	O
2. **Annual borrowing plan (ABP)** focuses on the publication of the nominal borrowing amounts planned for a given year for each category of debt instruments.	G	Y	G	G
Other debt statistics/ contingent liabilities				
1. **The disclosure of central government guarantees** (including names of beneficiaries), account payables, collateralization details, and debt-related contingent liabilities.	Y	R	R	Y
Source: World Bank, (2023d).				

Framework 2: DeMPA Framework

Table 5.2 DeMPA Framework Findings

Performance indicator			Country Score			
			Kenya 2014**	Senegal 2010	Uganda 2018	Zambia 2018**
Governance and Debt Management Strategy						
DPI-1	1.	Legal Framework	No data	C	C	No data
DPI-2	1.	Managerial Structure: Borrowing and Debt-Related Transactions	No data	C	C	No data
	2.	Managerial Structure: Loan Guarantees	No data	N/N	D	No data
DPI-3	1.	DMS: Quality of Content	No data	D	C	No data
	2.	DMS: Decision-Making Process	No data	D	B	No data
DPI-4	1.	Debt Reporting and Evaluation: Debt Statistical Bulletin	No data	D	B	No data
	2.	Debt Reporting and Evaluation: Reporting to Parliament or Congress	No data	-	A	No data
DPI-5	1.	Audit: Frequency and Comprehensiveness	No data	D	C	No data
	2.	Audit: Appropriate Response	No data	N/N	D	No data
Coordination with Macroeconomic Policies						
DPI-6	1.	Fiscal Policy: Provision and Quality of Debt-Service Forecasts	No data	C	D	No data
	2.	Fiscal Policy: Availability and Quality of Information on Key Macro Variables and DSA	No data	B	A	No data
DPI-7	1.	Monetary Policy: Clarity of Separation between DeM and Monetary Policy Operations	No data	B	C	No data
	2.	Monetary Policy: Regularity of Information Sharing	No data	A	C	No data
	3.	Monetary Policy: Limited Access to Central Bank Financing	No data	-	C	No data
Borrowing and Related Financing Activities						

DPI-8	1. Domestic Borrowing: Market-Based Mechanisms and Preparation and Publication of a Borrowing Plan	No data	B	C	No data
	2. Domestic Borrowing: Availability and Quality of Documented Procedures	No data	B	A	No data
DPI-9	1. External Borrowing: Borrowing Plan and Assessment of Costs and Terms	No data	D	A	No data
	2. External Borrowing: Availability of Documented Procedures	No data	D	D	No data
	3. External Borrowing: Involvement of Legal Advisers	No data	A	A	No data
DPI-10	1. Loan Guarantees: Availability and Quality of Documented Policies and Procedures	No data	D	D	No data
	2. On-lending: Availability and Quality of Documented Policies and Procedures	No data	D	C	No data
	3. Derivatives: Availability and Quality of Documented Policies and Procedures	No data	N/N	D	No data
Cash Flow Forecasting and Cash Balance Management					
DPI-11	1. Effective Cash Flow Forecasting	No data	A	NR	NR
	2. Effective Cash Balance Management	No data	C	D	No data
Debt Recording and Operational Risk Management					
DPI-12	1. Debt Administration: Availability and Quality of Documented Procedures for Debt Service	No data	C	C	No data
	2. Debt Administration: Availability and Quality of Documented Procedures for Data Recording and Storage	No data	D	D	No data
	3. Data Security: Availability and Quality of Documented Procedures for Data Recording and System and Access Control	No data	D	D	No data
	4. Data Security: Frequency of Back-Ups and Security of Storage	No data	C	D	No data
DPI-13	1. Segregation of key Staff Duties	No data	D	B	No data
	2. Staff Capacity and Human Resource Management	No data	D	C	No data
	3. Operational Risk Management, Business Continuity, and Disaster Recovery Plans	No data	D	B	No data
DPI-14	1. Debt Records: Completeness and Timeliness	No data	D	C	No data
	2. Debt Records: Registry System	No data	C	A	No data
Source: World Bank, (2022d). ****Kenya and Zambia were DeMPA assessed but the reports are not yet publicly available****					

Framework 3: GPEDC Monitoring Rounds

Table 5.3: GPEDC Monitoring Rounds Findings

Indicator	Kenya	Senegal	Uganda	Zambia
Country ownership	**2018**	**2018**	**2018**	**2008**
Indicator 1a: Development partners' use of country-led results frameworks				
Use of country-owned results frameworks by providers of development co-operation.	63.4%	68.9%	56.3%	No data
New development interventions draw their objectives from country-led results frameworks	99%	89.7%	85.9%	No data
Results indicators are drawn from country-led results frameworks	47.3%	66.4%	42.7%	No data
Results indicators are monitored using the partner country's own sources and monitoring systems	44%	50.6%	40.4%	No data
New interventions plan a final evaluation with government involvement.	62.2%	81.2%	34.4%	No data
Indicator 1b: Countries strengthen their national results frameworks,				
Overall strength of national results framework	66.4%	0%	80%	No data
Focus on results (ownership of development priorities by developing countries)				
Indicator 5a: Annual predictability of development co-operation				
Development funding was disbursed within the scheduled fiscal year.	94.2%	79.6%	74.1%	78.8%

Indicator 5b: Medium-term predictability of development co-operation				
Development funding was covered by forward spending plans provided by development partners.	62.4%	96.2%	25.2%	No data
Indicator 9a: Quality of partner countries public financial management systems	Decline	N/A	Significant Progress	No data
Aggregate expenditure outturn (Budget)	No change	N/A	Progress	No data
Expenditure composition outturn by function (Budget)	Decline	N/A	Progress	No data
Budget classification (Budget)	No change		Progress	No data
Public access to fiscal information (Budget)	Progress	N/A	Decline	No data
Timing of legislative budget approval (Budget)	No change	N/A	Progress	No data
Procurement methods (Procurement)	No change	N/A	No change	No data
Coverage of internal audit (Audit)	No change	N/A	Progress	No data
Audit coverage and standards (external) (Audit)	Decline	N/A	Progress	No data
Completeness of annual financial reports (Financial reporting)	Decline	N/A	No change	No data
Indicator 9b: Use of partner countries own public financial management and procurement systems to deliver development co-operation				
Development co-operation funding that was disbursed for the government sector used their own public financial management and procurement systems.	50.4%	50.2%	58%	46.1%
Indicator 10. Aid is untied reports				
Development co-operation is untied	83.6%	N/A	85.1%	86.3%
Inclusive development partnerships principle				
Indicator 3: Quality of public-private dialogue				
Government's assessment of the quality of public-private dialogue	Effective	N/A	N/A	No data
Large firms' assessment of the quality of public-private dialogue	Weak	N/A	N/A	No data
SMEs' assessment of the quality of public-private dialogue	Weak	N/A	N/A	No data
Trade unions' assessment of the quality of public-private dialogue	Weak	N/A	N/A	No data
Indicator 2: Assessment of an enabling environment for civil society participation in development co-operation				
Government's assessment of CSOs enabling environment and development effectiveness	Narrow	N/A	N/A	No data
CSOs' assessment of CSOs enabling environment and development effectiveness	Basic	N/A	N/A	No data
Development partners' assessment of CSOs enabling environment and development effectiveness	Basic	N/A	N/A	No data
Transparency and accountability to each other				
Indicator 4: Transparent information on development co-operation is publicly available	No data	No data	No data	No data
Indicator 6: Development co-operation is on budgets which are subject to parliamentary scrutiny				
Development funding scheduled for disbursement included in national budgets overseen by the legislature.	66%	72.7%	49.5%	54.78%
Indicator 7: Mutual accountability among development partners is strengthened through inclusive reviews				
Inclusive, transparent mutual accountability mechanism between development partners and the government.	Yes	N/A	Yes	No data
Indicator 8: Governments have systems in place to track and make allocations for gender equality and women's empowerment (SDG 5.c.1)				
Public expenditure policies and practices address gender equality-goals and allocations for gender equality and women's empowerment are made public	Yes	No data	Yes	No data
Public financial management systems promote gender-related or gender-responsive goals	No	No data	Yes	No data

Allocations for gender equality and women's empowerment made public or not	Yes	No data	No	No data
Source: GPEDC, 2020b.				

5.4.3. External debt accountability discussion: Kenya

Introduction: External debt accountability - Kenya

Kenya's debt to China currently stands at US $9.3 billion (BUGDPC Database, 2023). Kenya's public debt is, on a larger scale, sourced through legitimate means, following the governing laws, and is accounted for, managed, and reported through annual Public Debt Management Reports that are prepared by the National Treasury and scrutinised by the National Assembly under the Parliament of Kenya. The analysis of Kenya's external debt accountability includes both country specific internal frameworks and common international frameworks as discussed below.

Internal frameworks: External debt accountability - Kenya

The parliament of Kenya is mandated by the constitution to oversee external debt, and it plays a major role in ensuring fiscal responsibility, debt management and reinforcing public debt transparency and accountability. The Constitution of Kenya and the Public Finance Management (PFM) Act 2012 lay ground for the legal framework on which debt and borrowing are based. The National Treasury, under Section 50 of the PFM Act has the authority to borrow within Kenya or otherwise (NDI, 2022). In the year 2020/21, the National Treasury formulated comprehensive policies to guide the process of procuring and managing debt in such a way that maximises benefits and minimises costs and related risks. Kenya has implemented reforms with the aim of strengthening debt transparency and accountability for better public debt management (CABRI, 2022b). Furthermore, the IMF, in collaboration with the Government of Kenya, works to promote good governance that strives to protect public resources and enhance transparency and accountability, thereby reducing corruption risks (IMF, 2022b).

Another institution that has oversight over public debt management is the Office of the Auditor General, whose main goal is to conduct performance audits to ensure that public resources are effectively utilised to promote services delivery to the citizens of Kenya (Office of the Auditor

General, Kenya, 2023). There are also civil society organisations such as Transparency International, Kenya, Okoa Uchumi Coalition Campaign, Institute for Social Accountability, the Kenya Human Rights Commission (KHRC) and Institute for Social Accountability (TISA), that voice issues of concern on behalf of the citizens. For example, in 2022, the Kenya Human Rights Commission (KHRC) and the Institute for Social Accountability filed a case at the High Court of Kenya in Nairobi where they sought that the Treasury and Economic Planning, as expected under the constitution, should produce information on Kenya's debt agreements with other countries and international financial institutions or corporations. This arose from the ongoing borrowing that the Treasury has undertaken on behalf of Kenya's citizens without being accountable to the public or making the related documents available to the public (Kenya Human Rights Commission, 2022). Additionally, in 2022, Okoa Uchumi Coalition Campaign, a CSO whose aim is to address Kenya's public debt crisis and prudential financial management, launched a citizens' manifesto on public debt accountability and economic justice with the hope of encouraging the Government of Kenya to enhance public debt accountability and the resolution of Kenya's debt crisis (Okoa Uchumi Coalition Campaign, 2022).

Additionally, the Local Content Bill Act 2018 gives guidelines on the percentages that are allowed for respective commercial activities that relate to the extractive's projects with regards to local content; for example, the Bill provides that government organisations should not award contracts to prospective bidders on extractive projects or other related activities unless that prospective bidder meets the local content input threshold of thirty percent. However, it lacks guidelines on the required percentage of Kenyan employees and their job skills level on these projects (Parliament of Kenya, 2018). Many agencies in Kenya have advocated for changes in the Bill to include more meaningful guidelines; for example, the Kenya Institute for Public Policy Research and Analysis (KIPPRA), (2021) advises that there could be improvements in the Local Content Bill that could include measures such as the standardised measurement plans to guide monitoring and evaluation. Likewise, the National Construction Authority Act 2011 also provides guidelines under which foreign contractors can subcontract or enter a joint venture with local companies if the value of the contract work is not less than thirty percent of the local content and should transfer technical skills that are not available locally to those local firms (Kenya Law, 2021).

Also, Kenya has a debt management office (DMO) that was established in 2014 and is mandated to play an agency role in the issuing of Treasury Bills and Bonds on behalf of Government

as well as settling debt service costs (CABRI, 2022a). A report by CABRI, (2014) found that, at the time, Kenya's budget information was not sufficiently accessible. The budget information was well recorded, and it could be shared with the public; however, the guidelines only recommended sharing printed copies, which was not a method that would ensure that all citizens had access to the budget data. Now, Kenya publishes its budget information on the website of the Treasury (National Treasury and Planning, 2024a).

Common international frameworks: External debt accountability - Kenya

To assess debt transparency and accountability further, we analyse the recent data on debt transparency and accountability of Kenya based on the three international debt management initiatives, namely Debt Reporting Heat Maps, Debt Management Performance Assessment (DeMPA) and the Global Partnership for Effective Development Co-operation. The analysis of Kenya's external debt accountability includes both country specific internal frameworks and common international frameworks as discussed below.

Framework 1: Debt Reporting Heat Maps - Kenya

From the findings of the Debt Reporting Heat Maps in Table 5.1, Kenya has some challenges with data collation and dissemination. Although it shows good records for the data accessibility, annual borrowing plan and debt management strategy, analysis of the information on recently signed loans shows insufficient records, meaning that debt totals are not captured in real time, which casts a worrying stance for debt accountability. There is also partial data on central government guarantees including collateralization details, which yet again undermines transparency and accountability (World Bank, 2023d).

Framework 2: Debt Management Performance Assessment (DeMPA) - Kenya

Another framework whose findings would have provided an added angle of understanding transparency and accountability of Kenya is the Debt Management Performance Assessment

(DeMPA) toolkit; however, although the World Bank DeMPA map indicates that Kenya participated in the 2014 DeMPA, the report is not publicly available and, for this reason, this toolkit could not be utilised to analyse Kenya in comparison to its African counterparts (World Bank, 2024b).

Framework 3: Global Partnership for Effective Development Co-operation (GPEDC) - Kenya

Another tool for analysing transparency and accountability in Kenya is the Global Partnership for Effective Development Co-operation, whose indicators analyse four internationally agreed development effectiveness principles; namely country ownership, focus on results, inclusive partnership and transparency and mutual accountability. The results in Table 5.3 are derived from the 2018 GPEDC Monitoring Round (GPEDC, 2020a).

From the findings, **the first principle** of country ownership shows that Kenya mainly uses its developmental results frameworks provided by developmental partners, accounting for 63.4 percent, a disappointing finding for better debt management in Kenya. Additionally, Kenya has an established National Development Plans programme that is drawn from its development priorities and incorporates SDGs: their overall national results framework strength scores 66.4 percent, a good finding for Kenya. For **the second principle** of focus on results, Kenya had a predictable development schedule; however, it declined both in the external audit coverage and standards of annual financial reports. Also, 94.2 percent of the developmental funding scheduled in 2018 was disbursed within that year; although this signals good planning, 50.4 percent of development co-operation funding that was disbursed for the government used Kenya's public financial management and procurement systems, which undermines consistent debt monitoring to a substantial extent. Furthermore, 62.4 percent of Kenya's development funding was provided for by forward spending plans of developmental partners, thereby undermining Kenya's agency. On a positive note, 83.6 percent of its development co-operation was untied, indicating that Kenya could invest the sourced funds in its identified projects and was not bound to any debt conditions.

For **the third principle**, public-private dialogue, the assessment finds that the government made a good assessment of the quality of dialogue between the two parties, which is a positive finding for Kenya. However, regardless of this understanding, the government did not avail an enabling environment and development effectiveness for CSOs. For **the fourth principle**, the

assessment finds that there was a transparent system to report development cooperation; however, no data was uploaded into it yet. Nevertheless, there are systems in place that enable Kenya to maintain inclusive and mutual accountability with its development partners.

Moreover, there is a fairly good level of legislature oversight over developmental funding. This is an important principle for this thesis and looking at the findings the systems are in place, but more needs to be done to effectively derive the desired results. For example, the legislature which gives mandate to the parliament to scrutinise and approve or disapprove public spending oversaw 66.0 percent of development funding that was scheduled for disbursement and included in national budgets in 2018. Likewise, there were systems to track and make public allocations for gender equality and women's empowerment, but public financial management systems did not promote gender-related or gender-responsive goals (GPEDC, 2020a). This mismatch is detrimental to the overall benefits that would be realised from the undertaken developmental projects.

Field Study findings: External debt accountability - Kenya

Adding to these insights are the findings from our field study in 2021 in Kenya. From the survey, 33 percent of the citizens expressed that they were aware of the public debt accountability frameworks of the Government of Kenya. However, a significant 71.5 percent of the sampled citizens expressed that instances of corruption were possible under Chinese funded projects and 45.7 percent said that these projects benefit some regions more than the others. Additionally, 18.3 percent and 37.6 percent strongly agree or agree respectively that in some cases, the Government of Kenya does not fully consider the long-term vision of the projects and that some projects are politically biased. This is supported by the view that certain projects undertaken by the Government of Kenya are a result of poor decision-making and a planning process that is mostly driven by short-term election needs rather than long term strategic needs (Kell, 2023). Therefore, 68.3 percent of the citizens agree that there should be a universal transparent accountability framework that would be useful in recording, managing, reporting, and disseminating information on public debt.

Views from the interviews were as follows: When asked about the need for a universal accountability framework, one of the interviewees said that "*Yes, a universal accountability would be helpful to ensure that the project are not overestimated, are completed in a timely manner and that*

they adhere to the given standards. Also, this body would ensure that contractors on Chinese projects adhere to environmental standards. For example, sometimes, they dig a lot of soil, and they leave it open and when it rains, a lot of water collects. It is a breeding ground for mosquitoes and malaria. If we had such a body, it would ensure that the contractors follow the set standards" (Interview 202214). Another interviewee agreed saying that "*Yes, because there have been claims of wastage in terms of the project costs that are exaggerated and if all the processes under such a body are followed, it would ensure that we maximise in terms of ensuring efficiency and it would also reduce the entire cost of these projects that we normally undertake*" (Interview 202216). While others thought that it may be difficult to enforce (Interview 202215, Interview 202217).

Conclusion: External debt accountability - Kenya

Overall, with these citizen sentiments, and following this last publicly available Monitoring report, the Government of Kenya has tried to act on improving some of the areas of weaknesses. However, although there are frameworks in place to cater to debt accountability, there still exists some hurdles when it comes to the implementation of the given guidelines. For example, while on a training programme at Harvard Kennedy School in 2020, Mr Odhiambo, a Senior Leader of the National Audit Office, Kenya, when asked about what he was planning to implement following the training, said that he understands that public debt needs to be managed transparently. However, the National Assembly, which has oversight over debt scrutiny, is a politically volatile institution that has interest groups whose decision making is managed by the same government that they would be scrutinising for overborrowing: this creates a conflict of interest and renders the institution less able to carry out its duties effectively (Harvard Kennedy School, 2020). This partly explains why Parliament had oversight on only 66.0 percent of development funding in 2018.

From the analysis, the Government of Kenya, to a fairly good extent, uses its own frameworks and accountability systems when dealing with both internal and external debt; however, it also utilises the available international platforms for the debt management of projects that are provided by development partners. There is a need for Kenya to enact legislation that promotes transparency and accountability, especially since most of the loan contracts that are agreed with China are marred with lack of transparency, undermining the efforts in the identification of ideal projects, project cost

accountability and contractor bidding processes (Onjala, 2018). Additionally, the Government of Kenya as of 2022, was advised to be open and to enable web-based access that would greatly improve on the quality of transparency and participation in Kenya (CABRI, 2022).

5.4.4. External debt accountability discussion: Senegal

Introduction: External debt accountability - Senegal

By 2023, China's lending to Senegal amounted to US $ 2 billion (BUGDPC, 2023). Most of the debt that the Government of Senegal seeks goes through legitimate channels and the legislative power over the approval of loans lies with the Parliament of Senegal. The analysis of Senegal's external debt accountability includes both country specific internal frameworks and common international frameworks as discussed below.

Internal frameworks: External debt accountability - Senegal

The Direction de la Dette Publique (DDP) (Department of Public Debt), under the Direction générale de la comptabilité publique et du trésor (DGCPT) (Directorate General of Public Accounts and Treasury) has responsibilities that span from preparing and coordinating the public debt policy and debt management strategy, monitoring and implementation of the borrowing strategy and domestic and external debt management. Additionally, the Direction de la coopération et des financements extérieurs (DCFE) (Department of Cooperation and External Financing) under the Direction générale du budget (DGB) (Directorate General of Budget) oversees the search for external funding, the development of documents defining the cooperation framework with technical and financial partners, the management of investment expenditure that is financed with external resources and also the monitoring and evaluation of external financing (PEFA, 2020). Both institutions operate independently and not in sync; for example, the DCFE is not required to systematically forward the borrowing agreements for the funds it seeks and mobilises to DDP for registration in the Dette-Automatisation de l'investissement, de la Dette et de l'Aide (D-AIDA) (Debt-Automation of

investment, debt, and aid), which causes delays in transmission of these loan agreements and complicates the monitoring of loans and loan guarantees.

This is compounded by the lack of regular and systematic exchange mechanisms of information and data between these two institutions which, in effect, hampers regular update of the debt data. In addition to these institutions, Comité National de Dette Publique (CNDP), (National Public Debt Committee) is responsible for the coordination, monitoring and implementation of the debt policy (PEFA, 2020). Senegal uses its country systems focusing on strategic budgeting, the legislative process, and some procurement systems to manage and account for funding from external funders; however, in the period 2010 to 2013, there was a decline in the use of Senegal’s systems by development partners from 31 percent to 22 percent (CABRI, 2018).

Additionally, Senegal has the Petroleum Code 2019, Law no. 2019-04, which outlines the laws and guidelines in relation to aspects that include transparency and local content. In Article 7, it stipulates that contractors are obliged to prioritise local talent in their hiring process, with unskilled jobs mainly going to the local communities where the projects are being undertaken. In their project plans, contractors are expected to provide a local content plan and training for the local talent so that they acquire the necessary skills that would enable them to gradually replace the non-Senegalese employees. It also provides guidelines such as the increased percentages of Petrosen's (the national oil company) participation, the shorter oil exploration licences from 25 to 10 years and an expected 40% share of the profits from oil to go to the government (Ministère du Pétrole et des Énergies, 2019). All these promote meaningful engagement and control by the Government of Senegal. Also, the parliament of Senegal, oversees debt matters.

Common international frameworks: External debt accountability - Senegal

To gain further understanding of debt transparency and accountability in Senegal, the discussion here focuses on the analysis of the recent data on debt transparency and accountability of Senegal based on the three initiatives, namely Debt Reporting Heat Maps, Debt Management Performance Assessment (DeMPA), and the Global Partnership for Effective Development Co-operation (GPEDC).

Framework 1: Debt Reporting Heat Maps - Senegal

From the findings of the Debt Reporting Heat Maps in Table 5.1, Senegal performed satisfactorily well in data collation and dissemination. Results show that Senegal performs well in data accessibility and debt management strategy; however, data on the annual borrowing plan, information on recently signed loans and data on central government guarantees, including collateralization, shows that there are insufficient records to make full sense of the borrowing levels and, therefore, manage debt better (World Bank, 2023d): for this thesis, this is not an encouraging finding for Senegal.

Framework 2: Debt Management Performance Assessment (DeMPA) - Senegal

Using the Debt Management Performance Assessment (DeMPA) as shown in Table 5.2, the study relies on the 2010 report since there is no other up to date published report. Although the World Bank DeMPA map indicates that Senegal participated in the 2018 DeMPA, the report is not publicly available (World Bank, 2024b). The methodology scores A for sound practice, B between the minimum requirements and sound practice, C for minimum requirements met, D for minimum requirements not met and N/N for not assessed.

From the findings, we consider only the relevant indicators under four of the five given fundamental pillars; these are governance and strategy development, borrowing and related financing activities, cash flow forecasting and cash balance management, and debt recording and operational risk management. Under the governance and strategy development pillar, the analysis covers indicators 1, 3, and 4. Under the borrowing and related financing activities, the analysis covers indicator 9. Under the cash flow forecasting and cash balance management the analysis covers indicator 10. Under the debt recording and operational risk management, it focuses on indicators 12, and 14.

For Senegal, under the **governance and strategy development pillar**, **indicator 1, that analyses the existence, scope, and content of the legal framework, scored C.** The report found that the legal framework on public debt at the time encompassed elements that were in line with best practices, particularly at the level of primary and secondary debt legislation. There was a legal

framework in place that mandates the State and the structures responsible for implementing the debt policy. Article 95 of the 2000 Constitution enabled the President of Senegal to negotiate international commitments and ratify or approve them, if necessary, without seeking authorisation of Parliament. This explains why some of the loan agreements that China signs are with leaders of respective African governments. With these provisions, the report finds that there is a lack of a single authority when it comes to negotiating and signing debt agreements. Also, the report finds that the debt management powers changed from the Minister of Economy and Finance (MEF) to the Ministry of Cooperation, which was not in accordance with the legislation. These inconsistencies led to score C for 2010.

Indicators 3 and 4, that analyse debt management strategy (DMS) and debt reporting and evaluation, both scored D and failed to meet the minimum requirements. The findings report that Senegal had only just released its first DMS and that it had room for improvement. Additionally, at the time, Senegal had yet to have a document for assessing the costs and risks of debt management.

Under the **borrowing and related financing activities pillar**, the assessment of **indicator 9, that analyses external borrowing, scored C**. The report found that Senegal largely involved legal advisers before signing the loan contracts and the Direction de la dette et de l'investissement (DDI) participated in the negotiations, which was a good finding for Senegal. This partly explains why they have managed to secure and manage funding from China effectively; however, there was poor assessment of the most advantageous and cost-effective borrowing terms and conditions, and limited availability and quality of documented procedures for external borrowing.

Under the **cash flow forecasting and cash balance management pillar**, the assessment of **indicator 10 that analyses loan guarantees and derivatives, scored D, and failed to meet the minimum requirements.** The report found that the DDI agreements do not have policies and documented procedures for approval and issuance of guarantees and that guarantees are not monitored continuously but only at the time of preparation of Debt Sustainability Analyses (DSAs). This finding explains how sourced external debt is, at times, not as well managed as it could be for better growth.

Under the **debt recording and operational risk management pillar**, the assessment of **indicators 12 and 14, that analyse debt administration and records, both scored D+ and failed to meet the minimum requirements,** findings show that Senegal had well-established and followed

procedures for processing debt service, recording and validating debt data, keeping agreements, and accessing the central government debt recording and management system; however, these procedures were not all written. External debt figures, including loans information, disbursements and debt relief or rescheduling were recorded by the Database office of the Debt Division at DDI and reconciled every six months; however, loan information documents both originals and copies were kept in the same building and are therefore not immune to disaster. There were no documented procedures for capturing domestic debt data: lack of documentation security was a shortcoming for Senegal, and this undermines transparency and accountability.

Overall, Senegal demonstrated fair performance in managing its public debt and the findings showed that it either met or exceeded the minimum requirements set in the DeMPA, for eight of the fifteen indicators that were assessed. However, some of the important areas of public debt management such the legal frameworks and public debt management structures met minimum performance requirements and Senegal was advised to strengthen the governance and development of the debt management strategy, strengthen the evaluation and procedures of external loans and to reinforce the debt archives and reports (World Bank Group, 2010).

Moreover, Senegal produced better results at governance and strategy and borrowing and related financing activities than in operational risk management and debt records and reports, which is a relevant finding for this thesis that highlights Senegal's good governance. Another relevant finding for this thesis is the fact that the Government of Senegal seeks legal advice for external debt contracts and, for developing countries, this is an important move in ensuring that the loans that the country seeks are sustainable and beneficial to the economy. It is equally important for Senegal to improve on its risk management and debt record keeping, as these two aspects help it to understand the level and nature of debts that it has and therefore be able to mitigate debt related issues.

Framework 3: Global Partnership for Effective Development Co-operation (GPEDC) - Senegal

In addition to the observations and analyses above, we use data from the Global Partnership for Effective Development Co-operation on Senegal whose indicators assess four internationally agreed development effectiveness principles; namely country ownership, focus on results, inclusive

partnerships, and transparency and mutual accountability. The results in Table 5.3 are derived from the 2018 GPEDC Monitoring Round (GPEDC, 2020b).

From the findings, for **the first principle**, the report found that 68.9 percent of the undertaken projects use country-owned results frameworks by providers of development co-operation, which is not encouraging for debt accountability control in Senegal. It also has an established National Development Plans programme that is drawn from its development priorities and incorporates SDGs. There is evidence of progress reports for monitoring project progress, availability of timely, regular, and accurate government data for most indicators and the existence of information for the indicative budget; however, their overall national results framework strength scores 0 percent, which highlights serious weaknesses in Senegal's monitoring and evaluation.

For **the second principle**, the report finds that 79.6 percent of development funding was disbursed within the scheduled fiscal year; however, only 50.2 percent of this funding used Senegal's public financial management and procurement systems. Additionally, 96.2 percent of development funding in the medium term was covered by forward spending plans provided by development partners. Both findings are indicative of Senegal's dependence on external funding.

For **the third principle**, the assessment could not be carried out to assess the quality of public-private dialogue and to assess how the Government promotes an enabling environment in which CSOs participate in development co-operation. This does not reflect well on Senegal in terms of open dialogue, which would be a good foundation for transparency and accountability.

Lastly, **for the fourth principle**, the assessment found that Senegal had an inclusive, transparent mutual accountability framework between development partners and the government, with regular joint assessments. However, they could not assess the involvement of non-executive stakeholders in joint assessments and the open publication of the results of joint assessments which, to an extent, undermines transparency and accountability.

On a positive note, 72.7 percent of development funding scheduled for disbursement in Senegal in 2018 was included in national budgets overseen by the legislature. This percentage reflects well on Senegal, especially in the process of enacting and following their laws on public finance. However, assessments could not take place to ascertain whether there were elements of a system to track and make public allocations for gender equality and women's empowerment (SDG 5.c.1) since there was no data (GPEDC, 2020b). This is also not an encouraging finding for Senegal, especially

at the time when there are so many avenues of involving women in different initiatives to promote inclusive growth and development.

Field study findings: External debt accountability - Senegal

In addition to the results above, findings from our field study in 2021 in Senegal add some context from the Senegalese citizens' views. From the survey, 18.7 percent of the citizens expressed that they were aware of the public debt accountability frameworks of the Government of Senegal. Regarding Chinese funded projects, 78.2 percent of the sampled citizens expressed that instances of corruption were possible under Chinese funded projects and 33.8 percent said that these projects benefit some regions more than the others. Additionally, a smaller percentage at 6.6 percent and 26.3 percent strongly agree or agree respectively that, in some cases, the Government of Senegal does not fully consider the long-term vision of the projects, and that some projects are politically biased.

To overcome these shortcomings, 78.2 percent of the citizens agree that there should be a universal transparent accountability framework that would avail debt related data and updates to the public. Insights from the interviewees brought similar results for the proposal of the universal accountability framework, with interviewees agreeing that the framework would be good since evaluation and reporting helps both parties to have good information (Interview 202101, Interview 202103, Interview 202102, and Interview 202104).

Conclusion: External debt accountability - Senegal

From the analysis, Senegal portrays strengths in its laws and their effective use when dealing with development partners and their findings of the principle on country ownership are encouraging; however, there is need to promote inclusive partnership and to enhance transparency and mutual accountability. For better cohesion with fellow African governments, in addition to the proposed universal transparent accountability framework, 85.9 percent of the surveyed citizens in the 2021/22 field study are of the view that there should be a supervisory body that oversees bilateral loan negotiations across the continent for optimal project benefits.

5.4.5. External Debt Accountability Discussion: Uganda

Introduction: External debt accountability - Uganda

By 2023, China's lending to Uganda amounted to US $3.6 billion (BUGDPC, 2023). The analysis of Uganda's external debt accountability includes both country specific internal frameworks and common international frameworks as discussed below.

Internal frameworks: External debt accountability - Uganda

In Uganda, the management of public debt is administered under two laws. The first law is the Public Finance Management Act, 2015, whose Part VI on public debt grants and guarantees sets out the responsibilities and procedures in relation to external debt. It requires that debt is prudently maintained and kept within sustainable levels. Article 42 of this Act requires the Minister of Finance to submit to parliament, by 1st April, a report of the management of public debt in the preceding year and how that fits within the National Development Plan of the country, as well as the fiscal and medium-term debt management strategy (MoFPED, 2023c). The Ministry of Finance, Development and Planning has a dedicated website that is updated with the necessary reports such as budgets, revenue and expenditure for local governments, debt management data and semi-annual performance reports that are required by the government.

In addition to this law, the Public Procurement and Disposal of Public Assets Act, 2003 guides the development of policies and regulations that govern public procurement and disposal activities (PPDA, 2021). Adding to these measures is the important role of the Parliament of Uganda, which is to carry out crucial responsibilities such as enact laws that guide good governance in the country, analyse policies of the government by scrutinising legislative proposals before they are enacted into law, scrutinise different types of expenditure and the budgets allocated to each, ensuring that transparency and accountability prevail in the application of public funds and the monitoring and implementation of government programmes and projects.

Within the realm of the Public Debt Management Framework in Uganda, the Directorate of Debt and Cash Policy (DDCP) is mandated to issue and manage government debt and cash in line with the Ministry's economic policies. Under the DDCP lies three departments, namely the **Development Assistance and Regional Corporation (DARC),** whose responsibilities lie in the mobilisation of external resources to finance government programmes, the **Debt Policy and Issuance Department (DPID),** that is responsible for the development of policies for the management of public debt, and the **Cash Policy Department (CPD),** whose responsibilities are to ensure that the government has enough cash resources to meet its timely expenditure needs (MoFPED, 2023ba).

Furthermore, Uganda has the Aid Liaison Department that has the responsibility of coordinating external resources in terms of loans and grants for effective financing of government projects, monitoring aid projects to ensure that they are effectively implemented in line with the terms and conditions of the aid, ensuring optimal resource utilisation and acting as the representative of the government in relation to its donors. This function falls under the Directorate of Debt and Cash Policy (MoFPED, 2023b).

In relation to optimal resource enhancement and accountability, the Government of Uganda utilises the Resource Enhancement and Accountability Programme (REAP) for the implementation and coordination of Public Financial Management (PFM) reforms agenda that was in implementation from June 2019 to June 2023. The main aim of REAP is to optimise resource mobilisation, improve planning and public investment management and strengthen accountability that results in optimal service delivery (REAP, 2023).

In 2022, the Parliament of Uganda passed the National Local Content Bill, 2022, that is proposed to enhance local content in all sectors except the gas and oil sector. Some of the main areas of focus for this bill are, the imposition of obligations on foreign contractors that are contracted on government funded projects to prioritise Ugandan talent as well as companies owned by Uganda citizens for sub-contractors. This adds onto other initiatives such as the Buy Uganda Build Uganda (BUBU) policy that is geared towards promoting the manufacturing and consumption of locally made goods and services in Uganda (Parliament of Uganda, 2023b).

Common international frameworks: External debt accountability - Uganda

For further understanding of debt transparency and accountability in Uganda, the discussion focuses on the analysis of the recent data on debt transparency and accountability of Uganda based on the three initiatives namely, Debt Reporting Heat Maps, Debt Management Performance Assessment (DeMPA), and the Global Partnership for Effective Development Co-operation.

Framework 1: Debt Reporting Heat Maps - Uganda

From the findings of the Debt Reporting Heat Maps in Table 5.1, Uganda performed well in data collation and dissemination in comparison to its sample countries, and it needs to ensure that there are no time lags in the cut off data recording period and its publication for it to achieve better transparency and accountability of public debt. Regarding one area of interest for this thesis, findings show that data on recently signed loans and data on central government guarantees including collateralization is insufficient, which complicates the process of ascertaining the levels of external debt and how to manage it better (World Bank, 2023d): this is not an encouraging finding.

Framework 2: Debt Management Performance Assessment (DeMPA) - Uganda

Using the Debt Management Performance Assessment (DeMPA), the study uses the 2018 report: the latest published report. From the findings in Table 5.2, we consider only the relevant indicators under four of the five given fundamental pillars; these are governance and strategy development, borrowing and related financing activities and debt recording and operational risk management. Under the **governance and strategy development pillar**, the analysis covers dimensions 1, 3, and 4. Under the borrowing and related financing activities, the analysis covers dimension 9. Under the cash flow forecasting and cash balance management the analysis covers dimension 10. Under the debt recording and operational risk management, it focuses on dimensions 12, and 14.

For Uganda, under the **governance and strategy development pillar**, **indicator 1, that analyses the existence, scope, and content of the legal framework, scored C,** meeting the minimum requirement. The report found that Uganda had primary and secondary legislation that provided clear authorization to borrow and issue new debt, undertake debt-related transactions and issue loan

guarantees on behalf of the central government. According to Section 36 of the Public Finance Management Act (PFMA), following the guidelines of Article 159 of the Ugandan Constitution, only the Minister of Finance, Planning and Economic Development has the mandate to raise funds for and on behalf of the government. However, the Minister would need to seek Parliamentary approval if the budget falls into a deficit and there is a need to seek external finance. On an ongoing basis, the Minister is required to prepare and submit a detailed report on debt management activities by April 1st of each year to Parliament. These procedures are satisfactory for public debt management, and, with these procedures, Uganda only met the minimum requirements, thereby scoring C. To improve, it was advised to include clear debt management objectives in future primary legislation.

Under **indicator 3 that analyses the debt management strategy (DMS), Uganda scored C and B for its dimensions**. The report found that for **dimension 1**, there was the existence of a medium-term DMS that covered the current and projected central government debt in accordance with the Debt Management (DeM) objectives. The objectives require the government to produce two documents under its Debt Management Framework, namely the 5-year plan that provides guidelines for debt management and a 3-year medium-term debt management strategy showing plans with specific targets for the structure of the debt, both of which were not updated regularly or not comprehensive enough respectively. The strategy was formally approved and published, with provisions for some core risk exposures indicators; however, these did not include risk exposure indicators about interest rate, exchange rate and refinancing risk: from these findings, this dimension only met the requirements and scored C.

For **dimension 2**, the findings show that although the process of developing the medium-term debt management strategy includes all parties involved in debt management, it is not formalised. However, the assessment found evidence of the strategy in the report on loans and grants, its integration into the budget framework and its publication since it was presented to the Parliament. These procedures were sufficient to score this dimension B. Uganda was advised that, to improve, both the external and domestic borrowing plans must be based on an approved strategy.

Indicator 4, that analyses debt reporting and evaluation, scored B and A for its dimensions. The report found that for **dimension 1**, the Ministry of Finance, Planning, and Economic Development (MoFPED) produces good quality debt statistics bulletins that are published on a quarterly basis and that it submits timely data to the international debt databases, warranting a score of B.

For **dimension 2**, despite data related to SOEs being one year old, data on external debt, domestic debt and guarantees had good quality coverage and was updated every end of December and presented to Parliament every April: this was sufficient and scored A. Overall, these findings project well for Uganda.

Under the **borrowing and related financing activities pillar**, the analysis of **indicator 9 that analyses external borrowing scored A, D, and A for its dimensions**. For **dimension 1**, the report found that prior to loan negotiations and signing a loan agreement, the Development Assistance and Regional Cooperation (DARC) Department of DDC draws up a borrowing plan and assesses the loans for the most beneficial or cost-effective terms and conditions, which was sufficient to score it A.

However, for **dimension 2**, the assessment with expectations of fully documented procedures for external borrowing, found that Uganda's procedures were still in draft form, and they did not specify 3-week timeline requirements for entry of loans and terms into the debt management system after the signing a loan agreement, hence leading to a score of D. This is very inefficient since lack of complete debt data hampers its timely recording and publication, making it less transparent and not easily accounted for.

For **dimension 3**, on a positive note, the findings suggest that Uganda engages legal counsel at every stage of the loan negotiation process before clauses of the loan agreements are approved and the Solicitor General participates in all loan negotiations and provides guidance, including the laws to be applied, jurisdiction, place of execution, etc., and completes the guidance process with a final written legal opinion to the government after a loan has been contracted. These procedures were sufficient to score it A. This is also a good finding for this study that shows Uganda's commitment to optimal sourcing and management of external loans.

Under the **cash flow forecasting and cash balance management pillar**, the analysis of **indicator 10, that analyses loan guarantees and derivatives, scored D, C and D for its dimensions, and failed to meet most of the minimum requirements.** From the assessment, **dimension 1** showed that although Uganda had provisions for guidelines for approval and issuance of central government loan guarantees, they were in draft form, scoring it a D.

For **dimension 2**, the assessment found that Uganda has a policy for approval and provision of on-lending credits; however, there were no documented procedures that stipulated requirements

for the assessment of credit risk and how it should be done; therefore, the dimension only met the minimum requirements with a score of C.

Lastly, the **dimension 3** that assessed the system for recording derivatives, the findings show that Uganda did not have documented procedures on the use of derivatives and a debt management system to record them which failed to meet the requirements and scored D. These shortcomings mean that Uganda failed to meet most of the requirements for this indicator.

Under the **debt recording and operational risk management pillar**, the analysis of **indicator 12 that analyses debt administration and data security scored C, D, D and D for its dimensions, and failed to meet most of the minimum requirements. For dimension 1**, the assessment found that there were readily available and regularly updated procedures manuals that guided the processing of debt payments; however, since these were not prepared electronically, thereby undermining data recording and accountability; the dimension scored a C.

For dimension 2, the assessment found that Uganda had effective procedures for the recording and validation of debt data transactions, and these were consistent between the Ministry of Finance, Planning, and Economic Development (MoFPED) and Bank of Uganda (BoU). Findings also show that there was secure (digitally locked and safe from fire and floods) storage where copies of loans agreements were kept. However, upon request, the team were not able to access the storage facilities; consequently, this dimension could not be fully assessed and was scored D.

Findings from **dimension 3** showed that although Uganda had documented procedures for controlling access to the DMFAS debt database through an IT security policy IFMS, and with evidence of regular backups, there were no procedures for access to the spreadsheet containing information on financial derivatives such as the outstanding swap transaction; as such, this dimension scored D.

Lastly **dimension 4** revealed that the DMFAS server is well integrated into the MoFPED IT infrastructure and has regular backups which are stored in 2 off-site locations. However, there was no evidence of records that show regular backups for the swap transactions, which resulted in incomplete backups; therefore, this dimension scored D (World Bank, 2022b). These shortcomings mean that Uganda failed to meet most of the requirements for this indicator.

Additionally, under this pillar**, indicator 14, that analyses debt records scored D and A for its dimensions. Dimension 1,** that assesses the completeness and timeliness of central government records on its debt, loan guarantees, and debt-related transactions, found that, despite the existence

of good quality DMFAS databases, there were inconsistencies on the coverage of guarantees records; hence, this dimension failed to meet the requirements and only scored D. For **dimension 2**, the assessment found that the BoU maintains a secure registry that holds complete and up-to-date records of all holders of government securities, is audited annually and settles the securities on a delivery versus payment basis, which ensures that only paid for securities are transferred and, with such good records, the dimension scored A.

Overall, the 2018 DeMPA found that Uganda had clear procedures for planning and sourcing of external debt with the involvement of legal advisers in the entire process. However, the legal framework of the Government of Uganda needs to improve in relation to debt management. It is from clear and robust laws that procedures and guidelines are set for all steps of the debt negotiation and debt management process. Additionally, there were inconsistencies in the internal audits: this undermines data credibility and has a knock-on effect on transparency and accountability since both rely on credible and complete data. This can be seen from one of the answers gathered in the field study where a representative of a government office expressed that, "*to uphold transparency and accountability, one of the things that we have are the Barazas under the Social and Environmental Accountability framework where we hold social gatherings that create awareness, share updates and concerns on ongoing projects. We also assess projects by sector and by programmes in line with the national development programme*" (Interview 202244). Furthermore, the security of loan contract agreements was not sufficient and there were flaws in the access to the central government records on its debt, loan guarantees, and debt-related transactions. In comparison to its African counterparts, Uganda performed fairly in the 2018 DeMPA and it still has institutional shortcomings and legal weaknesses that would need improving for it to enhance transparency and accountability.

Framework 3: Global Partnership for Effective Development Co-operation (GDEPC) - Uganda

In addition to the analysis above, the Global Partnership for Effective Development Co-operation on Uganda, whose indicators assess four internationally agreed development effectiveness principles; namely, country ownership, focus on results, inclusive partnerships, and transparency and mutual accountability, were analysed to ascertain Uganda's position on these principles and the results in Table 5.3 are derived from the 2018 GPEDC Monitoring Round (GPEDC, 2020c).

Based on the findings, for the **first principle**, the assessment found that 56.3 percent of the undertaken projects use results frameworks by providers of development co-operation, which is encouragingly lower compared to its sample country counterparts. It also has an established National Development Plans programme that is drawn from its development priorities and incorporates SDGs. There is evidence of progress reports for monitoring project progress; however, for most of the indicators, timely, regular, and accurate data is not available. Overall, their national results framework strength scores 80 percent, which highlights good governance for Uganda.

For the **second principle**, the report finds that 74.1 percent of development funding was disbursed within the scheduled fiscal year; however, only 58 percent of this funding used Uganda's public financial management and procurement systems, which is slightly higher than Senegal. Additionally, 25.2 percent of development funding in the medium term was covered by forward spending plans provided by development partners, which is a positive finding for Uganda. Also, the assessment found that 85.1 percent of development co-operation was untied, which highlights Uganda's autonomy over development finance expenditure (GPEDC, 2020c).

For the **third principle**, like Senegal, the assessment could not be carried out to assess the quality of public-private dialogue and how the Government promotes an enabling environment in which CSOs participate in development co-operation. This does not reflect well on Uganda in terms of open dialogue, which would be a good foundation for transparency and accountability.

Lastly, for the **fourth principle**, the assessment found that Uganda had an inclusive, transparent mutual accountability framework between development partners and the government, and there was the existence of a comprehensive aid or partnership policy, arrangements for regular joint assessments between the government and development partners, the involvement of non-executive stakeholders in joint assessments, and the open publication of the results of joint assessments which is a positive finding towards the promotion of transparency and accountability.
49.5 percent of development funding scheduled for disbursement in Uganda in 2018 was included in national budgets overseen by the legislature. This is a rather unsatisfactory percentage and partly explains why there have been external debt concerns especially with Chinese loans.

In some cases, the President of Uganda has interfered with the debt process (Akwei, 2019), as stipulated in Article 159 of the Ugandan Constitution: this could cause certain debt not to be captured in real time. The assessment also found that Uganda's public expenditure policies and

practices address gender equality-goals and that Public Financial Management systems promote gender-related or gender-responsive goals; however, allocations for gender equality and women's empowerment are not made public. This finding is a setback in transparency and accountability of public funds, but it can easily be restored with good reporting procedures and systems (GPEDC, 2020b).

Another issue with the transparency and accountability of external debt is the mismatch between expenditures to physical outcomes. A study by Ggoobi, Lukwago, and Bogere, (2020) on Uganda found that there was no mechanism that relates expenditures to the physical outcomes or evaluation tools to review budget proposals and the efficiency of sector expenditures. Additionally, the study found that there are still real time transparency issues within the roads sector financing especially when accessing Public Private Partnerships (PPPs) documents, which hinders non-government stakeholders from independently evaluating the viability of the road projects as well as monitoring their progress.

Moreover, the emergence of new external creditors to the Ugandan financing market and new sources of finance are likely to complicate the financing scene in Uganda, potentially breeding certain issues such as lack of up-to-date laws and procedures to cater to the changing economic climate, as well as possible increases the costs of borrowing (Stucka, Sebudde, and Walker, 2021).

Field study findings: External debt accountability - Uganda

To add to these insights are the findings from our field study conducted in Uganda in 2021/22. From the study, 45 percent of the surveyed citizens said that they are aware that Uganda has an accountability system that monitors loan contracts. Although this system exists, 61 percent of the surveyed population think that there is a possibility of corruption under Chinese funded projects and 80.5 percent think that a universal accountability system would help to ease the diversion of funds from these projects. Additionally, 26.8 percent and 41.5 percent strongly agree and agree respectively that Chinese funded projects benefit certain regions in the country more than others and 12.2 percent and 46.3 percent strongly agree and agree respectively that the Government of Uganda does not, on some occasions, think of the long-term vision of the projects before they are undertaken.

Findings from the interviews show mixed viewpoints with some advocating for the framework and others saying that it would not succeed, and one interviewee said that "*Sometimes transparency and accountability is actually what helps things like corruption. Because it is expected, people find a way to fulfil the obligations, and they publicise this information on the website for all to see. But how can we involve the local stakeholders, for example the village people, if the government says that they are going to construct something there, how can we involve them to make sure that whatever is reported aligns with what they have seen in their area?*" This was an interesting insight and indeed could be a good angle to use in holding the government accountable if the reporting channels are well arranged.

Conclusion: External debt accountability - Uganda

Overall, Uganda has improved both in terms of transparency and accountability. When compared to the other three sample countries, Uganda has relatively better scores in terms of debt management procedures and records. Moreover, Uganda regularly participates in all the voluntary frameworks related to debt management. It has satisfactory laws that govern different aspects of public debt management; however, it has weaknesses in procedures and systems; regular and complete debt data records; and lack of clear collaboration between government agencies.

5.4.6. External debt accountability discussion: Zambia

Introduction: External debt accountability - Zambia

As of 2023, China's debt to China amounted to US $ 10.1 billion (BUGDPC, 2023). he analysis of Uganda's external debt accountability includes both country specific internal frameworks and common international frameworks as discussed below.

Internal frameworks: External debt accountability - Zambia

Public finance in Zambia is managed under the Public Finance Management Act 2018, which provides an institutional and regulatory framework that guides the management of public funds.

Additionally, this Act provides guidance for strengthening accountability, provides oversight, management, and control of public funds within this framework. It also provides fiduciary duties and responsibilities to government officers and agencies and provides systems for the better management of public assets that promotes efficient financial reporting. The Act mandates the Ministry of Finance and National Planning to manage public debt, especially ensuring that it meets the financing gap and is cost effective and less risky over the medium to long term (Ministry of Finance and National Planning, 2022a).

In addition to this Act, the National Assembly of Zambia provides government representation, national budget scrutiny, its approval, and oversight for better management of public funds. The Constitution of Zambia (Amendment) Act No. 2, 2016 mandates the National Assembly to keep the Executive accountable for its actions and policies. These would include how it manages public financial resources, adherence to prudent public financial management principles as well as fiscal policy targets and ensuring the equitable, efficient, effective, and accountable use of public resources. It has the utmost power over public financial management and budget accountability processes (National Assembly of Zambia, 2017).

Furthermore, under the Public Debt Management Act, 2022, provisions are made to raise loans and grants, issue guarantees, approve loans by the National Assembly, issue loans by or on behalf of the government, establish sinking funds, and establish the Debt Management Office as well as the provision of all its functions.

Regarding local content, Section 20 of the Mines and Minerals Development Act 2015 currently provides guidelines for foreign contractors that engage in mineral exploration in Zambia. Foreign contractors are to preferably use local materials made in Zambia in the production processes, engage Zambian owned companies as contractors, suppliers, and service agencies, prioritise Zambian talent with relevant skills and qualifications and undertake training programmes to enable technical and managerial skills transfer to the Zambian employees (Parliament of Zambia, 2015). In 2004, the Government of Zambia started a deliberate campaign towards the promotion of production and consumption of high-quality products that are made in Zambia, and it officially called it the Proudly Zambian Campaign.

Likewise, in 2018, the Ministry of Commerce, Trade, and Industry (MCTI) launched the Local Content Strategy for Zambia, that encourages the consumption of at least 35 percent of raw materials

and local resources in the provision of goods and services (Parliament of Zambia, 2015). From the findings from the field study in 2021/22, one of the interviewees expressed that, with subcontracting on Chinese funded projects, the government has put a stop gap whereby they require a 20 percent local content provision to enable Zambian companies to participate and benefit from skills transfer: this has also made the Chinese focus on bringing in only experts and ensure that the projects are completed on time (Interview 20226). This points to good governance by the Government of Zambia.

Furthermore, non-governmental organisations such as Debt Transparency Zambia, Civil Society Organizations such as Debt Alliance, and others are active in providing support and critiquing certain government decisions.

Common international frameworks: External debt accountability - Zambia

For further understanding of debt transparency and accountability in Zambia, the discussion focuses on the analysis of the recent data on debt transparency and accountability of Zambia based on the three initiatives namely, Debt Reporting Heat Maps, Debt Management Performance Assessment (DeMPA) and the Global Partnership for Effective Development Co-operation.

Framework 1: Debt Reporting Heat Maps - Zambia

From the findings of the Debt Reporting Heat Maps in Table 5.1, Zambia has some major challenges in debt data collation and dissemination. Relevant and complete data is a steppingstone to the necessary timely publication and dissemination of data; both of which are crucial for promoting transparency and accountability of public debt. Zambia showed improvement in its debt reporting in relation to recently signed external loan contracts, though this could have been a result of its need for debt restructuring that necessitated the full picture of its debt obligations. However, it needs improvement in its debt management strategies and the disclosure of central government guarantees.

Framework 2: Debt Management Performance Assessment (DeMPA) - Zambia

Another framework that could have provided useful insights into transparency and accountability is Debt Management Performance Assessment (DeMPA); however, although the World Bank DeMPA map indicates that Zambia took part in the 2018 DeMPA, the report is not publicly available and, for this reason, this toolkit could not be utilised to analyse Zambia in comparison to its African counterparts (World Bank, 2024b).

Framework 3: Global Partnership for Effective Development Co-operation (GDEPC) - Zambia

The Global Partnership for Effective Development Co-operation framework is another tool that we used to assess transparency and accountability of public funds in Zambia. Since participation in this framework is voluntary, some counties do not participate in certain reporting rounds; this has been the case for Zambia, whose last publicly published reporting round was in 2008. From this report, this study assesses Zambia based on the four internationally agreed development effectiveness principles, namely country ownership, focus on results, inclusive partnerships, and transparency, and mutual accountability. The results in Table 5.3 are derived from the 2008 GPEDC Monitoring Round. However, it is important to highlight that Zambia, at the time, did not have much data for the assessments to analyse (GPEDC, 2020d).

Under the **first principle**, the assessment found that Zambia had no data to ascertain country ownership. For the **second principle**, the assessment found that 78.8 percent of development funding was disbursed within the scheduled fiscal year, which is a fairly good level of financing in that financial year. All other indicators had no data to analyse.

Findings for the **third principle** show that 46.1 percent of the development co-operation funding that was disbursed for the government sector used Zambia's public financial management and procurement systems which, at the time, highlighted a disappointing level of agency for Zambia. On a positive note, the assessment found that 82.6 percent of development co-operation was untied, which means that the development partners do not have restrictions on where the agreed loans should be allocated. This is also a good finding for Zambia that helps it to stick to its national development plans.

For the **fourth principle**, the assessment found that 54.7 percent of development funding scheduled for disbursement was included in national budgets overseen by the legislature, which is

satisfactory given the timing. This is a very important indicator for transparency and accountability and this high percentage signals that the government of Zambia at the time ensured that the National Assembly had oversight over most of the external funding contracts. This trend has been highlighted in the recent years; for example, the Speaker of the National Assembly Hon Justice Dr Patrick Matibini, MP, SC, advocated for legislature oversight; asserting that Zambia needs to a strong parliamentary oversight accountability committee system that ensures that public resources are prudently utilised. He adds that this system would ensure that checks and balances are in place for an effective and transparent public financial management (National Assembly of Zambia, 2018).

However, a study by Transparency International Zambia, (2017) that analysed the process of applying for mining licences and exploration found that there were acute risks arising from poor legal frameworks which are exacerbated by bureaucracy within the Executive. For example, although the 2015 Mines and Minerals Act mandates mining companies to declare the beneficial owners of the mining companies, it empowers the Minister that is responsible for mines to appoint licensing committee and the alternates. This finding indicates that there is lack of transparency in the process by which this committee is selected, and it could lead to bias and corruption which undermines transparency and accountability. It is crucial that for transparency to prevail, this committee is selected impartially and is independent of the Minister so that they can question certain decisions impartially (Transparency International Zambia, 2017).

Field study findings: External debt accountability - Zambia

Adding to the analysis above, are the findings from our field study in 2021/22 in Zambia. The field study found that, regarding developmental project accountability, 58.1 percent were aware that there is a system in place that caters to project accountability and the interviewees corroborate that there are frameworks in place for public debt management. In addition, a representative of the Ministry of Works, Zambia reported that for Chinese funded projects, the responsibility falls with the Inspector General of Government (IGG), the Roads Development Agency (RDA) and the Public Procurement Act (PPA) (Interview 20229). Regardless of these systems, 79.7 percent think that there are possible instances of corruption in Chinese funded projects and 73.3 percent think that if a universal loan accountability framework were to be adopted on these projects, it would reduce on

the diversion of funds and maximise project benefits. Moreover, 29.7 percent and 40.5 percent strongly agree and agree respectively that Chinese investment projects benefit some regions in the country more than the others and 21.6 percent and 39.2 percent think that the Government of Zambia does not consider the long-term vision of the projects before agreeing to the loans.

Given these shortcomings, 75.3 percent of the surveyed Zambian citizens think that there should be a universal loan accountability framework that oversees loan negotiations. Insights from the interviewees show that most of them agreed with the proposal of the universal accountability framework, with one saying "*I think that a universal accountability mechanism would help to maximise project benefits especially in terms of quality. I do not think we have the capability to assess the quality and timeliness of the projects. Additionally, Africa is in a hurry to see a lot of investment and even when we are advised that we need a certain quality, but we are trying to bring down the price, we even go for sub-quality jobs. The Chinese do the projects according to the quality that the country has ordered*" (Interview 202205). And another supported this view saying that "*Yes, I think we need that not only for the Chinese but with all the contractors. We need a system that can identify the required standard and quality and to what amount of funding to maximise benefits. We need it as soon as possible, especially with how the Chinese loans are acquired. We have heard of cases where the Chinese have taken over control of certain infrastructure projects. We need transparency as soon as possible to curtail aspects of corruption*" (Interview 202206) and "*As we point at foreign contractors, the integrity of our own institutions needs to be scrutinised*" (Interview 202207).

Additionally, another interviewee said "*I think the universal accountability framework could be significant if it is publicly visible to all citizens. It would also allow for people living in specific settings where you know these projects are being executed to evaluate whether what is being reported tallies with what is being done*" (Interview 202213). But others thought that it may be difficult to get China onboard (Interview 202209). One interviewee made an insightful comment that "*What I would advise is that, occasionally, the government should reveal these contracts so that people can see that there is no big deal about them. The issue is on the costs, and that is where more scrutiny should be focused*" (Interview 202208).

Conclusion: External debt accountability - Zambia

Overall, Zambia has a commendable legal framework; however, it has weaknesses in its systems and guidelines for debt management and recording. Additionally, Zambia has not regularly participated in voluntary debt management frameworks, which is disadvantageous in accessing certain creditors.

5.5. Overall conclusion - External debt accountability

The analysis provided intuitive data and useful findings from the four sample countries. Across all the four sample countries, legal frameworks are established; however, for some evolving financial instruments, the countries' laws did not yet fully cater to these changes. Furthermore, although the laws are enacted and in force, some of the guidelines and systems to implement these laws were insufficient, resulting in partial recording of the data.

Findings also show that not all debt that is sourced and agreed for developmental projects is scrutinised by the legislature; this acts as a major weakness in terms of ensuring that debt is transparent and meets the needs of the economy. There was minimal or no public-private dialogue whose avenues would improve the transparency and accountability of debt; as such, governments need to put measures in place to bridge this gap.

Across all sample countries, there was a big percentage of use of debt management systems that are provided by development partners, and, in terms of transparency and accountability, this finding minimises the growth and skills that would be needed to develop and use own country debt management systems, making it difficult to easily compare debts since different lenders would use different debt management systems. There have been calls to lenders to use country accountability systems of the recipient countries in that this not only makes easy integration of the undertaken programmes into their systems but also reduces chances of duplication of evaluations and helps the recipient countries to continuously invest in the advancement of their own accountability systems, thereby improving their efficiency (CABRI, 2018).

Lastly, there were weaknesses across all sample countries in terms of debt data recording. Many aspects of debt recording were found to be either in draft form or incomplete, making it difficult to publish timely debt reports and consequently hindering the process of transparency and

accountability around public debt. This is an issue that recipient countries need to work toward improving since studies such as Bastida, Guillamón, and Benito, (2017) and Kemoe and Zhan, (2018), continue to show a positive relationship between transparency and less burdensome debt. Moreover, there was a lack of recorded data in some instances; for example, in all sample countries, there was lack of or limited data on recently signed contracts, some of which are loan contracts signed between China and the respective countries.

African countries are therefore advised to negotiate for loans that minimise confidentiality clauses and with the opportunity to publish such contracts and make them accessible to the public. This will ensure that all debt is openly accounted for and reported, which will promote regular complete debt data (Mustapha and Olivares Caminal, 2020). Furthermore, local content is a crucial component of development projects and, although regulations and policies can be enacted and established, this will not change the current scene in Africa unless there is commitment towards the establishment of Local Content Units (LCUs) that would arrange, monitor, and report on local content (COMESA, 2018).

One more important point to note is that the frameworks and tools that currently exist are on a voluntary basis and countries join them on their own accord. That is why some of the countries choose to not participate in some reporting rounds, making the analysis, especially DeMPA, less effective than it could have been with data from the recent rounds. But as it is currently seen, external debt in Africa is increasing exponentially and, for some of the sample countries and indeed other African countries, some of this data is not captured in the given time periods while, in others, there are no guidelines for recording newly agreed loan contracts. These findings highlight how much work is needed for debt to be of meaningful benefit to Africa.

Overall, the findings towards research question 3 of this study show that each country in Africa uses either its monitoring and evaluation systems or the systems of development partners for debt management in respective projects. With different development funders using independent monitoring and evaluation frameworks that must be adopted by the recipient countries, this makes it difficult for recipient countries to maintain seamless monitoring and evaluation.

To enhance transparency and accountability, policy makers need to provide up to date legislation and understand it to guide enforcement, engage all categories of relevant stakeholders, learn from best practices, and engage with the literature on the benefits of transparency and

accountability (Lyria and de Koker, 2017). Given this analysis, it is imperative for Africa to have a universal accountability framework that captures real time debt data so that it can be easily recorded, managed, evaluated, and reported.

This sentiment is shared by most of the respondents from the 2021/22 field study; for example, when asked if a universal loan monitoring system should be introduced in Africa, a representative of a think tank in one of the sample countries said "*Yes, I think it should. It is something that should be done with respective Key Performance Indicators (KPIs). A universal system would help to benchmark what you want to achieve and ensure that funds are being used in an accountable manner and meeting the criteria that has been set. Also, if we have such a system, incompetent subcontractors can be struck off to ensure that there is efficiency in that regard*" (Interview 20225).

This is especially important since some developmental projects, especially in transport and infrastructure, are taking place across different countries to ease trade and transport routes; for example, the LAPSSET Corridor project, an infrastructure project that is shared between Kenya, South Sudan, and Ethiopia, as well as the SGR rail project that will be shared between Kenya and Uganda. Additionally, the AfCFTA that enables free trade with no tariffs on most goods and services across African countries is another reason why Africa needs to unify its systems for better trade integration, regional growth, and development across the continent.

However, due to the complexity of government structures across different countries, this study would recommend the introduction of such a system through regional monetary unions that already have common functions and systems to ease the implementation process. Then, these bodies would report to a supervisory accountability body that would operate under the African Union (AU) and is managed by African Development Bank (AfDB) through its African Legal Support Facility.

There has also been encouraging promises from China to develop a modern statistical information system for foreign assistance (The State Council Information Office of the People's Republic of China 2021), an initiative that could enhance transparency and potentially provide promising areas for further research (Mandon and Woldemichael, 2022).

Chapter 6 Chinese investment loans and sustainable development in Africa

6.1. Introduction

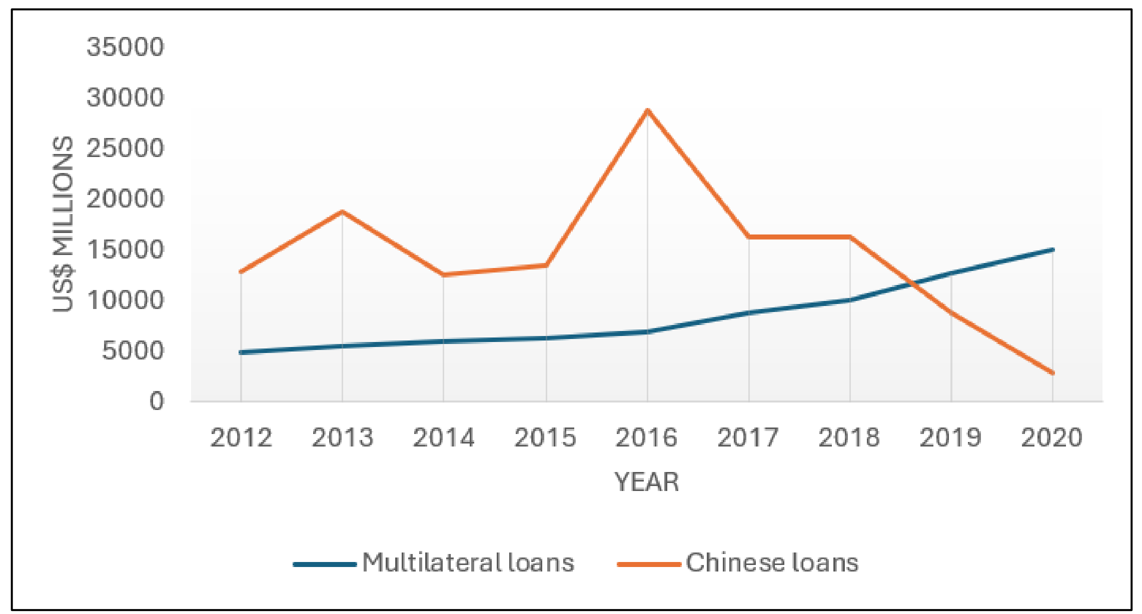
The China-Africa partnership has become a hot topic across the globe as researchers, policy makers, academics, society, and more question the impact of the financing that China extends to recipient countries to undertake respective developmental projects. One of the most notable debates about regions is Africa and that it is yet to be known how this funding will impact Africa in the future. Therefore, this is an area that requires ongoing research, and this has been the case for many years now, especially since the formation of Forum on China–Africa Cooperation (FOCAC) in 2000. Another important issue to note is that although many studies have been conducted, only a few have tested the hypothesis regarding the impact of Chinese loans on sustainable development in Africa: this renders the topic relevant for further investigation.

Sustainable development can be defined as "*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*" (UN, 2022). It is concerned with governments' efforts that are geared towards a future that is inclusive, sustainable, and resilient, with an emphasis of eradicating poverty worldwide. To achieve this, three crucial interconnected elements must be considered, namely economic growth, social inclusion, and environmental protection. Sustainable development is a crucial element that many African governments need to factor into their loan contracts with China.

For a country to promote the welfare of its citizens, it must provide a sufficient stock of capital such as schools, hospitals and other public initiatives that propel the social function of societies (Srinivasu & Rao, 2013): this is where China has leveraged this gap by largely financing transportation and construction projects (Eom, Brautigam, and Benabdallah, 2018). As this stock of capital grows and increases in a way that meets the current social demands, it boosts economic growth, drives production, and improves standards of living and general well-being. This then promotes sustainable development, as citizens benefit from the available resources without the need to compromise the foundations of future generations (Ncube, Lufumpa & Kararach, 2017).

It is imperative to investigate the impact of Chinese loans to sustainable development in Africa since Chinese loans have exponentially grown especially in the last few years with some years where they have exceeded multilateral loans as seen in Figure 6.1.

Figure 6.1 Chinese loans vs Multilateral loans 2012-2020



Source: Author's Computation using International Det statistics, World Bank, 2023 and Chinese Loans to Africa (CLA) Database, 2023.

Existing literature to date investigating the impact of Chinese investment loans on recipient economies has yielded mixed findings across Africa as a whole, regarding Sub-Saharan Africa and individual regions and countries within Africa, necessitating further research. Many scholars have conducted studies on the impact of Chinese loans on factors such as economic growth (Dreher *et al.*, 2021; Bluhm *et al.*, 2018; Eom, Brautigam and Benabdullah, 2018; Mlambo, 2019; Yu, Du, and Dang, 2020; Mlambo, 2022; Busse, Erdogan, and Mühlen, 2016; Jaworski, Lu and Gertsch, 2020; and Mandon and Woldemichael, 2022); sustainable growth (Lewis, Yang, and Moise, 2021; and Kolawole, 2021); inclusive growth (Kolawole, 2016; and Whajah, Bokpin and Kuttu, 2019); employment (Oya, and Schaefer, 2019); and education (Martorano, Metzger, and Sanfilippo, 2020). Many of the studies find that Chinese loans have a positive impact on respective African recipient countries. However, some find that China is the major beneficiary, and others find that Chinese loans have a negative impact on the recipient African countries. Of these, the literature on the impact of Chinese loans on

sustainable development in Africa is still low. Additionally, to measure the impact, many studies consider the common macroeconomic variables, as well as the governance indicators as proxies for institutional quality. However, current studies have yet to quantitatively measure the impact of transparency and accountability based on the World Bank economic development indicators: this thesis aims to fill this gap.

Given this analysis, many scholars conclude that Chinese loans have a positive impact on economic growth; from this conclusion, we hypothesise that African countries benefit positively from Chinese loans. To investigate this hypothesis, we employ a mixed method approach which includes an empirical analysis, existing data analysis on 48 African countries for the period 2000-2020 and a field study in the four sample countries.

Findings from analysis conclude that Chinese loans currently have a significant negative impact on economic growth in Africa. This finding is contrary to the current larger field of study that shows Chinese loans as having a positive impact on economic growth in Africa. But is aligns with studies by Busse, Erdogan, and Mühlen, (2016); Jaworski, Lu and Gertsch, (2020); and Mandon and Woldemichael, (2022).

Additionally, when we include Transparency and Accountability (TAC) in the model, the impact is negative. However, when we interact Chinese loans with transparency and accountability, it results in a positive relationship. This is an important finding for this thesis and aligns with the existing literature that countries with high levels of transparency and accountability (Kemoe and Zhan, 2018; Bastida *et al.,* 2017; and Choi and Hashimoto, (2018), coupled with good institutions (Kubota, and Zeufack, 2020) and stronger rule of law (Busse, Erdogan, and Mühlen, 2016) are much more likely to realise positive benefits from external funding such as Chinese loans.

For the sample countries, Kenya, and Senegal result in a positive relationship between Chinese loans and economic growth, whilst Uganda and Zambia mirror the negative result as seen across Africa. This negative impact partly arises from political intervention and the underutilisation of some of the facilities and infrastructure projects that China has financed, as well as project management or facility management issues. Furthermore, findings show that, of the sample countries, Senegal has better institutions and represents itself better in loan negotiations, explaining why it is relatively better at Chinese debt utilisation and amortisation compared to the other sample countries and other African countries.

We also find that, even in situations where the legislation and policies have guided the contract implementation appropriately, there are enforcement issues, which contribute to the negative impacts. Moreover, some of the major developmental projects that have been undertaken using Chinese loans are for developmental purposes, and many have no immediate avenues to recoup revenues, which necessitates the treasury of the respective country to reallocate the budget to cater to loan repayments. This means that Chinese loans do not currently generate the levels of economic growth needed to foster sustainable development in Africa.

These findings contribute to the body of existing literature in a couple of areas. To our knowledge, this is the first study that has measured the interaction between Chinese investment loans and transparency and accountability to ascertain impact on economic growth and sustainable development. This adds new knowledge in the literature that quantifiably provides the measure of impact arising from the influences of institutions on debt processes. Regardless of the negative relationship between Chinese loans and economic growth in Africa, the interaction between Chinese loans and transparency and accountability is positive and significant, indicating that African countries can benefit from Chinese loans if they have higher levels of transparency and accountability.

Furthermore, this is the first study that has been undertaken across four sample countries from different regions in Africa using the mixed method approach, gaining useful primary data insights from the residents, and triangulating them with empirical analysis and existing data to form cohesive conclusions. These findings are beneficial in understanding the China-African partnership.

The rest of this chapter is structured as follows: Section 6.2 presents research question 3, section 6.3 describes the data used in the study, defines variables, explains the empirical models, and analyses the empirical findings. Section 6.4 presents findings from other related databases, Sections 6.5 – Section 6.8 present the individual sample country analysis of findings, and Section 6.9 discusses the conclusions.

6.2. Question and hypothesis development for the impact of Chinese loans on sustainable development in Africa.

From this discussion of the literature in Chapter 2 Section 2.3.3, since more of the literature shows positive contributions from Chinese financed projects, it can be concluded that Chinese

investment loans contribute positively to economic growth for sustainable development in Africa. However, because Africa is made up of different countries at different development stages, more investigation is needed to delve deep into each given country's situation. Given this overview, this investigation forms question 3 of the thesis, which is focused on determining how Chinese loans contribute to economic growth for sustainable development in Africa. From the literature, we derive the hypothesis as follows:

Hypothesis: Chinese loans contribute positively to economic growth for sustainable development in Africa.

6.3. Empirical model and findings analysis - Africa

6.3.1. Data and variable definition

This section discusses the data and variables that are utilised in this study to ascertain the impact of Chinese investment loans on sustainable development in Africa.

This chapter sets out to answer question 3 of the thesis, which is focused on determining how Chinese investment loans contribute to economic growth for sustainable development in Africa. To answer this question, we employ a three-pronged approach which includes an empirical analysis, a primary field study in the form of interviews with key informants and a survey of the residents of the respective sample countries, as well as secondary data analysis, with data from sources such as the sample country government websites and China's Ministry of Commerce website. The collected data is analysed and triangulated to form conclusive viewpoints about this impact.

We use a combination of development and institutional quality indicators and Chinese loans to Africa data that are sourced from the World Bank's World Development Indicators (WDI), the World Bank's Worldwide Governance Indicators (WGI), the Boston University Global Development Policy Center (BUGDPC) and the Global Partnership for Effective Development Co-operation (GPEDC).

We collected data from 48 African countries, covering the period 2000-2020, with 1008 initial observations. For quantitative data analysis, we use StataBE 17 which is a computational statistics language analyses data and seamlessly simplify large volumes of data. Given that Chinese loans data

is not consistent across all the years depending on the agreements that the African countries sign with China, this resulted in the adjustment of the original number of observations from 1008 to 411 observations for the analysis. Moreover, some of the institutional quality indicators did not yield enough observations to be included in the analysis and, therefore, only those with sufficient data were assessed, namely regulatory quality, political stability, and control of corruption. After accounting for the above adjustments, we finally end up with an unbalanced panel data with 411 observations from 48 African countries for the period 2000-2020. Unbalanced panel data is common in Chinese loans to Africa studies such as Marson and Sarvin, (2022) and Munemo, (2021). Although unbalanced panel data is relevant for this thesis, it has its shortcomings; for example, when estimating given combinations of variables, it reduces the number of observations to eliminate outliers. From this data, we consider the impacts of different variables on GDP growth by adding and eliminating some crucial variables to the model. For qualitative data analysis, we collect data from the key informant interviews in the respective sample countries, transcribe it using MS Word Dictate and analysed thematically using NVivo 12 according to the given answers. For the questionnaires, we collect data via a survey of the sample country residents, compile it, summarise it using Google Forms and present it in the form of tables, percentages, and graphs for ease of data interpretation.

The dependent variable is **Gross Domestic Product (GDP) growth**. We measure economic growth based on the annual GDP growth rate of the respective host countries. This is based on earlier studies in the literature by Mengesha, (2020) and Brautigam *et al*., (2017). GDP growth is an important variable, since it demonstrates the measure of economic progress in relation to the rate of economic growth over time (WEF, 2018).

Based on the literature review such as Mlambo, (2022) and Cormier, (2022), we identify the following important variables that we use to test the hypothesis; Chinese loan Amount (CLA), Inflation (Inf), Agricultural growth (Agric), Regulatory quality (RegQlty), Political Stability (PolStab), Control of Corruption (Corrupt) Resource Rents (RR), Total imports of goods and services (Imp), Primary commodities export on country GDP (Exp), Foreign direct investment (FDI) and External debt stocks (EDS).

Chinese Loans (CL): The variable, Chinese loans, is one of the most important variables for this thesis as it aims to ascertain the impact of Chinese loans on sustainable development in Africa. Its inclusion helps to find out the magnitude and extent of the impact of the loans. We consider the

fact that some of the financial flows from China to Africa may not necessarily be all loans since some of it is in the form of aid. It is for this reason that we use data from the China Africa Research Institute (CARI) and the Boston University Global Development Policy Center (BUGDPC): because it explicitly records China's loan outflows to Africa. The Chinese loans variable has been used in several studies such as Mlambo, (2022) and Cormier, (2022).

For Institutional quality which gauges the quality of governance, we use the six World Bank Worldwide Governance Indicators (WGI), including **Regulatory Quality (RegQty), Political Stability (PolStab) and Control of Corruption (Corrupt)** as proxies. These 6 dimensions, on which the WGI are based, are compiled, and utilised worldwide to gauge government effectiveness, especially following the official report in 2009, which analysed the compiled WGI from 1996 to 2008 (Kaufmann *et al*., 2010). Reflecting on the progress and impact the WGI have had on the world to date, Kaufmann, (2010) ascertained that the WGI have made useful contributions towards providing vital information, and that good governance has been recognised by a growing consensus for its importance in promoting standards of living for citizens, improving security, and attracting investment (Kaufmann, 2021). Institutional quality has been used in studies such as Miao *et al.*, (2020), Cirolia, (2020) and Rodrik, (2018), finding that the better the institutions, the higher the levels of economic growth. For this thesis, only Regulatory Quality, Political Stability and Control of corruption variables are considered since they are the only significant ones.

The **External debt stocks (EDS)** variable is another important variable which measures the ability of the government to service all its current and future external debt obligations without the need for exceptional financial assistance or going into default (Hakura, 2020). The more optimal the external debt sustainability, the higher the chances of positive impacts from the external debt. This variable has been used by Marson and Savin, (2022), whose study finds that the higher the external debt stocks, the higher the negative impacts, especially in highly indebted countries.

The **Transparency and accountability** variable is of high importance to this thesis. It assesses the extent to which the executive is accountable to the electorate, the legislature, and the judiciary in the utilisation of government funds and how they make decisions on the utilisation of resources and the expected benefits to the country. This index measures the three main dimensions on the accountability of the executive namely, oversight of institutions, oversight of civil service employees, the extent to which civil society organisations have access to information on public affairs. Its scores

range from 1 to 6, and higher index scores represent countries with higher levels of transparency, accountability, and corruption. This variable has been used in studies on Africa to assess the determinants of transparency, accountability, and corruption from which the study identifies institutions, macroeconomic management, and public sector accounting as the main determinants (Lee, and Azis, 2024), and reasons for lack of transparency finding that the main reasons are exploitation of human rights and systematic corruption in the executive (Morsy, Sherif, and Amr, 2023). It is yet to be employed in studies relating to Chinese investment loans in Africa. However, because the data is currently low which results in low observations, we interact it with Chinese loans to optimise its relevance in the analysis.

Moreover, the **Foreign direct investment (FDI)** variable is important since African countries have been recipients of FDI from various Chinese enterprises in the last few years. This variable has been used in studies such as Kodzi, (2021); and Donou-Adonsou and Lim, (2018).

Other country specific variables considered are: Primary commodities export on country GDP (Exp), as used in studies such as Marson and Savin, (2022); **Agricultural growth (Agric),** from which the agricultural sector contributes at least 23 percent of Africa's GDP and employs about 40 percent of the population (Kufuor, 2021), used in studies such as Mlambo, (2022); **Total imports of goods and services (Imp),** since Africa is a net importer (World Bank, 2018) and studies, such as Guillemot and Hua, (2015), have shown that high volumes of imports from China negatively impact industrialisation in Africa.

Another variable we considered is **Resource Rents (RR)** since Africa is well endowed with natural resources. Resource rents refer to the revenues generated above the cost of extracting the resources. The resource rents variable has been used in studies such as Marson and Savin, (2022) and Mlambo, (2022). This variable is important in Africa since rents from resources contribute significantly to the African economy; for example, in 2021, it contributed 10% GDP (World Bank, 2024). Although high resource rents are expected to contribute to economic growth, it, in most cases, negatively impacts economic growth due to poor institutional governance (Henry, 2019) and many studies have concluded that the resource curse prevails in Africa (Inuwa *et al*., 2023; Ruzzante and Sobrinho, 2022; and Arezki, Ramey, and Sheng, 2017).

Lastly, the other variable analysed is **Inflation (Inf)**, since it is one of the factors that affect the rate of investment and growth within a given economy. Inflation in the host country devalues the

currency and requires higher volumes of that currency in repayments. Studies such as Ibrahim, Aluko and Vo, (2022) indicate that, when inflation rate is low, financial development is more likely to contribute to economic growth, and vice versa. Additionally, high inflation negatively impacts economic growth, and countries are encouraged to keep inflation low to promote economic growth (Kasidi, and Mwakanemela, 2013).

For variables that contribute to sustainable development overtime, we use **Employment** that relates to availability of decent work. As seen in many Chinese projects in Africa, the employment opportunities tend to vary with the undertaken projects and residents benefit more from jobs while the project is undergoing that after it is completed. This means that there are mostly short-term benefits of employment from Chinese projects, however, there are also realised long term benefits in sectors such as education, healthcare, and utilities (An, Guo and Jiang, 2024)

Additionally, we use **Life expectancy** which relates to good health and wellbeing. Countries that have a working population that is in good health is more likely to maximise the working age thereby contributing to the economic growth of the country. This is a relevant indicator for contributions towards sustainable development since improved health ensures that life spans of the residents are sustained for longer. Countries that have high levels of trade openness that contribute to funding in sectors such as health contribute to a longer life expectancy overtime (Byaro, Nkonoki, and Mayaya, 2021).

Table 6.1 provides a summary of all variables. It details various variables used in this thesis in the form of dependent, independent variables and their explanations.

Table 6.1: Variables and measurement

Variables symbol	Variables	Measurement	Source
	Dependent variable		
GDP	GDP growth rate	Real growth rate of GDP	World Bank
	Independent variables		
EDS	External debt stocks	External debt stock on country GNI	World Bank
TAC	Transparency and Accountability	Accountability of the executive. Index (1-6)	World Bank
Corrupt	Control of corruption	World Governance Indicators (WGI) percentile rank	World Bank

RegQty	Regulatory quality	WGI percentile rank	World Bank
Exp	Primary commodities export	Total export as a percentage of GDP	World Bank
CL	Chinese loans	Annual Chinese loans	Boston University Global Development Policy Center (BUGDPC)
FDI	Foreign direct investment	Annual Foreign direct investment inflows	World Bank
Lifexp	Life Expectancy	Life expectancy at birth, total (years)	World Bank
Emp	Employment	Employment to population ratio	World Bank
Agric	Agricultural growth: Agriculture, forestry, and fishing, value added	Agricultural as a percentage of GDP	World Bank
Imp	Total imports of goods and services	Total imports as a percentage of GDP	World Bank
RR	Resource Rents	Resource Rents as a percentage of GDP	World Bank
Inf	Inflation	Annual percent change in consumer prices	World Bank
PolStab	Political Stability	WGI percentile rank	World Bank

6.3.2. Descriptive statistics

The thesis aims to investigate the impact of Chinese investment loans on sustainable development in Africa. From the dataset, the average GDP growth rate of Sub-Saharan African countries is approximately 3.987 percent. The standard deviation of GDP growth rate is approximately 5.778 percent. This indicates the extent to which the GDP growth rate for each country differs from that of the other countries. In this dataset, Sub-Saharan African countries have a wide range of GDP growth rates, with some countries having relatively low GDP growth rates and others having significantly higher GDP growth rates.

For the Chinese loans' variable, the mean value suggests that, on average, approximately 0.357.06 billion was provided by China to African countries. The standard deviation of approximately 1.095.56 billion, the minimum amount of loans from China to the recipient countries is estimated to

be 1 million and 18.817 billion for the maximum amount. This means that there is considerable variation in the loan amounts that China has provided to African countries, which is congruent with existing studies (Brautigam, 2011).

For transparency and accountability, the mean is estimated at 2.7266, with a standard deviation of 0.651073, indicating low variability. The minimum recorded score is estimated at 1 and the maximum recorded score is estimated at 4.5, where 1 is the lowest and 6 is the highest. These figures imply that some African countries have relatively low levels of transparency and accountability.

Regarding External Debt Stocks, the mean is estimated at 59.471 units, with the standard deviation, which indicates considerable variability, at approximately 63.988 units. The minimum recorded external debt stock amount is estimated at 3.895 and the maximum recorded external debt stock amount is estimated at 610.4519 units. These figures imply that some African countries still have relatively low levels of debt while others have higher debt levels.

For the **Life expectancy** variable, statistics report a mean 58.25128 year, minimum 41.957 years, maximum 77.23659 years, which indicates a very short employment span in comparison to other continents. **Employment** on the other hand has a mean 39.27398 percent, a minimum of 9.987 percent, and a maximum 74.787 percent which is indicative of the low rates of employment in some countries in Africa.

Other variable such as Exports, FDI, Agricultural, Imports, Resource Rents, Inflation, Trade balance and Institutional quality, the means, standard deviations, minimum and maximum values follow a similar pattern, and a summary of the central tendencies and variations among the countries is provided by the statistics. Table 6.2 presents the summary statistics of the variables used in the study.

Table 6.2: Descriptive Statistics - Africa

Variable	Obs	Mean	Std. dev.	Min	Max
GDP growth	969	3.987	5.778	-46.082	63.37988
Chinese Loans	411	357.06	1095.56	1	18817
Transparency & Accountability	609	2.726601	0.651073	1	4.5
Life Expectancy	1008	58.25128	6.719842	41.957	77.23659

Employment	987	39.27398	16.87817	9.987	74.787
Inflation	908	10.503	35.360	-9.616	557.2018
Agriculture	947	21.670	14.157	0.892	79.04236
Regulatory Quality	989	27.154	19.536	0	86.06
Resource Rents	969	11.641	11.240	0.001	62.72353
Imports	886	39.135	19.781	0.297	117.1538
Exports	886	30.593	19.173	0.459	107.9944
Foreign Direct Investment	968	4.5136	8.227	-18.917	103.337
External Debt Stocks	901	59.471	63.988	3.895	610.4519
Political Stability	984	31.859	23.357	0	93.75
Control of corruption	991	29.489	23.121	0	89.42

This table presents the summary statistics of variables used in the thesis. Obs is the number of observations, Std.dev Is the standard deviation, Min is the minimum value, and Max is the maximum value.

6.3.3. Estimation techniques

To test the main hypothesis that Chinese investment loans positively contribute to sustainable development in Africa, we follow the extant literature such as Ofori, Gbolonyo, and Ojong (2023) and Miao *et al*., (2020) by adopting a dynamic estimation approach. The baseline model is presented in model 1 as follows:

$$GDPgr_{jt} = \beta_0 + \beta_1 GDPgr_{j,t-1} + \beta_2 CL_{jt} + \eta X'_{jt} + \mu_t + \epsilon_{jt} \quad (1)$$

Where $GDPgr_{jt}$ is the GDP growth rate, CL_{jt} represents Chinese Loans, $\eta X'$ is a vector of control variables (Transparency & Accountability, Inflation, Agriculture, Regulatory Quality, Resource Rents, Imports, Exports, Foreign Direct Investment, External Debt Stocks, Political Stability, and Control of corruption). $GDPgr_{j,t-1}$ is the lag of dependent variable, μ_t is the time fixed effects, and ε_{jt} is the error term.

Equation (1) and later equation (2) are estimated using the two-step system generalized method of moments (GMM) to address endogeneity and fixed effects problems.

The application of the GMM estimator is designed to manage data that has small time (T) and large panels (N). It works well for conditions where there are fewer periods and more observations

whose linear relationship is based on the changes in the past observations on the right-hand side that influence the dynamic variable on the left-hand side. For our study, the analysis of a panel of 48 African countries for the period 2000-2020 satisfies the dynamic model criteria under GMM for the large-N and short-T. More so, we seek to measure GDP growth rate which is dynamic in nature and therefore the use of dynamic panel data is suitable. Moreover, the two-step system GMM model helps to address the endogeneity problem thereby deriving consistent estimates. We use the first lag to avoid a reduction in the sample size and the two-step system GMM estimation is more robust and efficient for autocorrelation and heteroscedasticity tests (Roodman 2009). To test the validity of the instruments, we use the Hansen test to identifying restrictions at 10 percent statistical significance level. Lastly, in line with panel specific autocorrelation. we conduct all our model estimations with robust standard errors.

6.3.4. Empirical model findings analysis - Africa

This section focuses on the hypothesis that Chinese investment loans have a positive impact on economic growth for sustainable development in Africa. To investigate the relationship between the chosen variables, we start the regression analysis by testing our hypothesis that Chinese Loans (CL) increase economic growth in Africa. The results of the two-step system GMM are presented in table 6.3. Column 2 presents the baseline estimation without the control variables, and it shows a coefficient of -0.0165 for CL, which is significant at the 1% level. This suggests that Chinese loans have a negative impact on GDP growth in Africa. We re-estimate the baseline model with the relevant control variables included, but without FDI, EDS and TAC. This estimation is presented in Column 3, and it shows that the inclusion of control variables has not changed the original finding as the coefficient of CL remains negative and significant. The estimation in Column 4 includes FDI, Column 5 includes EDS, while FDI and EDS are included in Column 6. The three estimations show that CL is negative and significant, suggesting that Chinese loans are associated with lower GDP growth across Africa.

For the control variables, inflation is negative and significant, suggesting that a period of increasing inflation is associated with lower economic growth. This is consistent with studies by Kasidi, and Mwakanemela, (2013); and Ibrahim, Aluko and Vo, (2022). Meanwhile, regulatory quality, and

resource rents are positive and significant. Again, these results are in line with the expectations and are consistent with the existing evidence that better institutional quality positively impacts the levels of economic growth (Miao *et al.*, 2020; Cirolia, 2020; and Rodrik, 2018). Although many studies find a negative relationship between natural resources and economic growth, indicating a resource curse (Inuwa *et al*., 2023; Ruzzante and Sobrinho, 2022; and Arezki, Ramey, and Sheng, 2017), our study finds a positive relationship. Ideally, higher resource rents should contribute positively to economic growth, however, this impact depends on the quality of institutional governance (Henry, 2019). Also, findings show a positive and significant relationship between agriculture and economic growth, which is consistent with studies such as Mlambo, (2022). Given that the agricultural sector contributes around 23 percent to the GDP and employs up to 40 percent of the population on the continent (Kufuor 2021), it is not surprising that it appears particularly relevant in the model.

Table 6.3: The impact of Chinese loans on economic growth in Africa

	Baseline model without control variables (1)	**Baseline model with control variables (2)**	**Baseline model with FDI (3)**	**Baseline model with EDS (4)**	**Baseline model with FDI & EDS (5)**
Dependent variable	$GDPgr$	$GDPgr$	$GDPgr$	$GDPgr$	$GDPgr$
$\boldsymbol{GDPgr_{t-1}}$	1.1779*** (0.2630)	0.9923*** (0.3330)	0.9832*** (0.3486)	0.9918** (0.4402)	0.9456*** (0.2670)
$\boldsymbol{CL}$	**-0.0165*** (0.0006)**	**-0.0016** (0.0007)**	**-0.0016** (0.0008)**	**-0.0012** (0.0005)**	**-0.0011** (0.0005)**
$\boldsymbol{Inflation}$		-0.0572*** (0.0152)	-0.0569*** (0.0157)	-0.0904*** (0.0244)	-0.0886*** (0.0245)
$\boldsymbol{RegQlty}$		0.1542** (0.0747)	0.1614** (0.0746)	0.1616** (0.0699)	0.1506** (0.0756)
$\boldsymbol{RR}$		0.2506** (0.1203)	0.2478** (0.1179)	0.2098** (0.1104)	0.2698** (0.1322)
$\boldsymbol{Imp}$		0.0747 (0.1023)	0.0387 (0.1550)	0.0411 (0.1208)	0.0317 (0.1039)
$\boldsymbol{Exp}$		0.0374 (0.0310)	0.0571 (0.1515)	0.1199 (0.135)	-0.1950 (0.135)
$\boldsymbol{Agric}$		0.2897** (0.1331)	0.2947* (0.1513)	0.0666 (0.0498)	0.1570 (0.1803)
$\boldsymbol{FDI}$			0.0342 (0.1534)		0.0324 (0.2151)

EDS				-0.1006*	-0.1672**
				(0.0592)	(0.0734)
PolStab		-0.0150	-0.0174	-0.1089	-0.0227
		(0.0499)	(0.0491)	(0.0821)	(0.0440)
Corrupt		-0.0111	-0.0100	-0.1023	-0.1988
		(0.0622)	(0.0614)	(0.0658)	(0.1108)
Constant	-0.1847	-0.2904**	-0.2817**	-0.0776**	-0.0486
	(0.1134)	(0.1377)	(0.1271)	(0.0321)	(0.0525)
Year dummies	Yes	Yes	Yes	Yes	Yes
Observations	396	367	399	381	366
Number of countries	48	48	48	48	48
Number of Instruments	35	39	40	40	40
AR (1)	0.000	0.000	0.000	0.000	0.000
AR (2)	0.342	0.367	0.341	0.746	0.101
Hansen	0.639	0.779	0.720	0.853	0.845

Notes: This table presents the findings of a two-step system GMM panel regressions. Data is based on 48 Africa countries covering the period 2000-2020. $GDPgr$ (GDP growth rate) is the dependent variable, and independent variables are $GDPgr_{t-1}$ is the lag of GDP growth rate, CL denoted Chinese Loans, $Inflation$ represents the inflation rate of the sample countries to proxy the macroeconomic stability, EDS denotes External Debt Stocks, TAC denotes Transparency and Accountability, FDI denotes Foreign Direct Investment, RR denotes Resource Rents, $RegQlty$ represents Regulatory Quality to proxy institutional quality, Imp denotes imports, Exp represents Exports, and $Agric$ denotes the level of Agricultural production in the sample countries. Significance levels are ***P<0.01, **P<0.05, *P<0.1. The values in brackets refer to the error terms.

We also investigate whether the effect of Chinese loans on economic growth is conditional on the level of transparency and accountability in a country. To do this, we interact CL (Chinese Loans) with TAC (Transparency and Accountability) and extend the baseline specification by introducing the interaction term ($CL * TAC$). The extended model 2 is presented as:

$$GDPgr_{jt} = \beta_0 + \beta_1 GDPgr_{j,t-1} + \beta_2 CL_{jt} + \beta_3 TAC_{jt} + \beta_4 (CL_{jt} * TAC_{jt}) + \eta X'_{jt} + \mu_t + \epsilon_{jt} \quad (2)$$

Where TAC is the assessment of the extent of the accountability of the executive in the use of government funds and how they make decisions on the utilisation of resources and the expected benefits to the country. We expect the coefficient of $CL * TAC$ to be positive, which means Chinese loans are associated with higher economic growth in countries with greater transparency and accountability.

The results in Table 6.4 Column 2 presents the results for the model with Transparency and Accountability (TAC) and its interaction with Chinese Loans (CL). The results show that the interaction term (CL*TAC) in column 3 has a coefficient of 0.0032, which is significant at the 5% level, meaning that TAC reduces the negative effect of CL on GDP growth by 0.32%. The model also holds when we introduce control variables to it as the marginal effect stays within the same range. This result suggests that Chinese loans are associated with higher GDP growth in African countries with higher levels of transparency and accountability.

Table 6.4: The impact of Chinese loans on economic growth in Africa when interacted with transparency and accountability

	CL*TAC without control variables	**CL*TAC with control variables**
Dependent variable	$GDPgr$	$GDPgr$
$\boldsymbol{GDPgr_{t-1}}$	0.4282* (0.2477)	0.4873 (0.3069)
$\boldsymbol{CL}$	**-0.0091**** **(0.0042)**	**-0.0097*** **(0 .0056)**
$\boldsymbol{CL * TAC}$	**0.0032**** **(0.0014)**	**0.0034*** **(0.0020)**
$\boldsymbol{TAC}$	0.8293 (0.8382)	0.9955 (4.7859)
$\boldsymbol{Inflation}$		-0.0416* (0.0242)
$\boldsymbol{RR}$		-0.0730 (0.2891)
$\boldsymbol{PolStab}$		0.0341 (0.0451)
$\boldsymbol{Corrupt}$		-0.0107 (0.1229)
$\boldsymbol{Constant}$		10.2985 (11.6822)
Year dummies	Yes	Yes
Observations	263	263
Number of countries	48	48
Number of Instruments	46	44

AR (1)	0.137	0.238
AR (2)	0.625	0.690
Hansen	0.980	0.993

Notes: This table presents the findings of a two-step system GMM panel regressions. Data is based on 48 Africa countries covering the period 2000-2020. $GDPgr$ (GDP growth rate) is the dependent variable, and independent variables are $GDPgr_{t-1}$ is the lag of GDP growth rate, CL denoted Chinese Loans, $Inflation$ represents the inflation rate of the sample countries to proxy the macroeconomic stability, EDS denotes External Debt Stocks, TAC denotes Transparency and Accountability, FDI denotes Foreign Direct Investment, RR denotes Resource Rents, $RegQlty$ represents Regulatory Quality to proxy institutional quality, Imp denotes imports, Exp represents Exports, and $Agric$ denotes the level of Agricultural production in the sample countries. Significance levels are ***P<0.01, **P<0.05, *P<0.1. The values in brackets refer to the error terms.

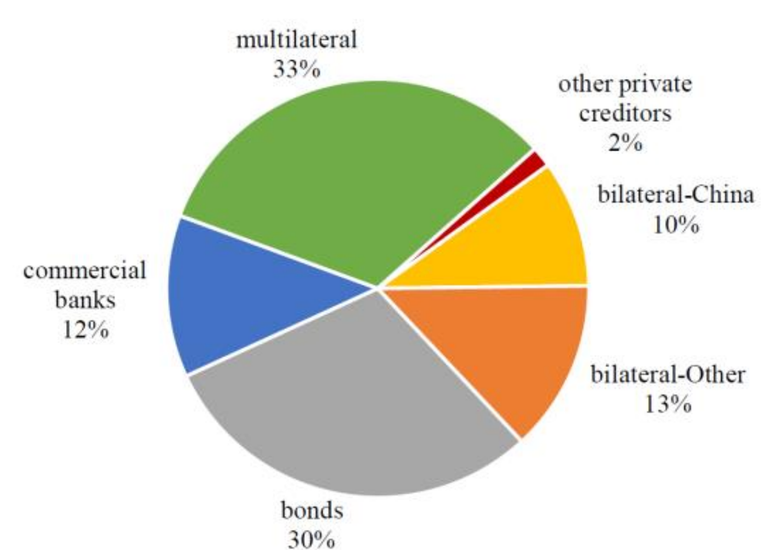
To confirm the validity of our models, we use the Hansen test of overidentifying restrictions and the Arellano-Bond tests for autocorrelation of the errors (AR (2)), whereby, if the p-values derived from both tests are at least 10%, the model is valid. From our estimations in the regression tables, all tests are 10% or more, indicating that our results are robust. We also consider different control variables and instruments and carry out respective estimations.

Overall, the findings suggest that the effect of Chinese loans on economic growth in most African countries is negative, which is consistent with some studies in the literature (e.g., Jaworski, Lu and Gertsch, 2020; Mandon and Woldemichael, 2022). Therefore, we reject the hypothesis that Chinese loans contribute positively to economic growth for sustainable development in Africa. The level of benefits currently realised is not enough to generate the levels of economic growth needed to foster sustainable development in Africa. However, we also find that Chinese loans are associated with higher GDP growth in African countries with greater transparency and accountability. This finding is consistent with the positive effect of transparency in external funding processes as reported by Kemoe and Zhan, (2018); Bastida *et al.,* (2017); and Choi and Hashimoto, (2018). Our findings shed light on why both negative and positive effects of Chinese loans on economic growth are equally supported by studies in the literature, especially those focusing on the African continent. For many African countries, the facilities, and infrastructure projects that China has financed are yet to fully generate revenue for the countries and this partly explains why the impact is currently negative. Further analysis could be conducted a few years forward to ascertain the impact, at which point the countries will have gained full utilisation of the facilities.

6.4. Findings from existing databases - Africa

Debt sustainability is one of the prerequisites for sustainable development and sustainable debt ensures that debt is paid off timely without disrupting the national budgets. Africa has benefitted from external funding for most of its developmental projects especially from the Bretton Woods institutions, the Paris Club and recently from other lenders such as China. Figure 6.2 shows the decomposition of debt stocks that Africa has with various external lenders.

Figure 6.2: Breakdown of external debt stocks in Africa



Source: Wang, and Xu, (2023); based on data from International Debt Statistics, World Bank.

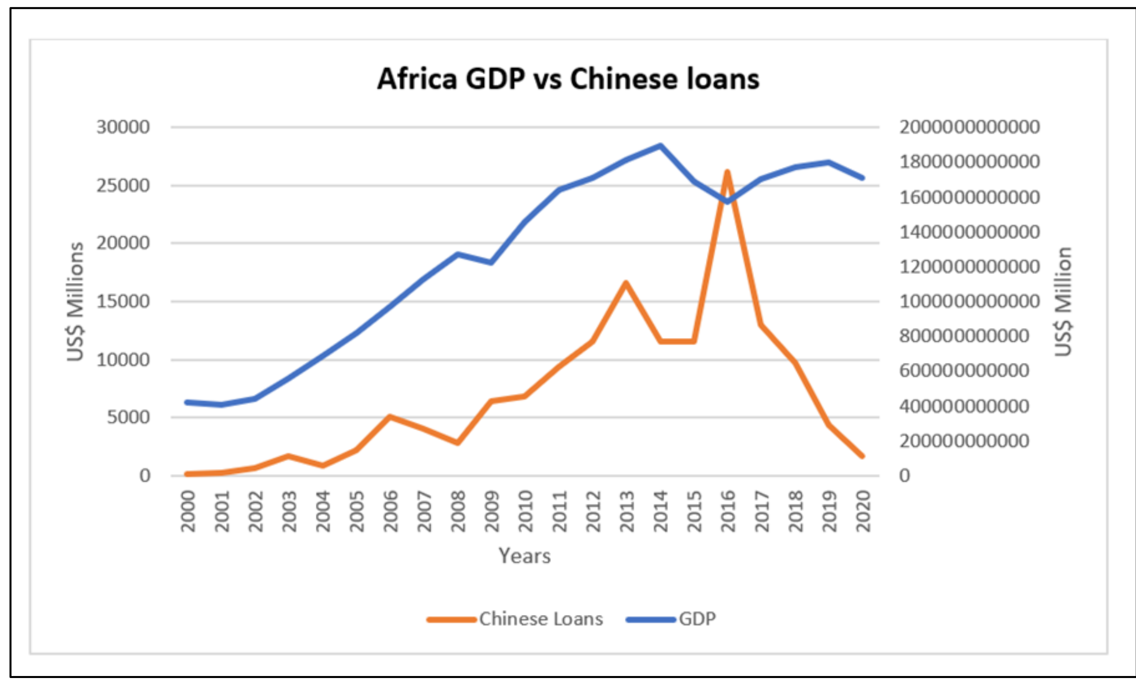
The Figure 6.2 shows that, by the end of 2021, lenders with the highest amount of loans in Africa were multilateral institutions accounting for 33 percent of the loans, followed by bond holders at 30 percent. Commercial banks and other bilateral lenders follow on but with lower percentages at 12 percent and 13 percent respectively. China, on the other hand, comes in with 10 percent of the total external debt stocks in Africa which, for a bilateral lender, is a substantial amount.

By 2021, the average debt-to-GDP ratio across the 48 African countries accounted for in this thesis, was 24.4 percent. However, debt stocks of individual countries vary accordingly and statistics from 2021 also show that 8 African countries had a debt to GDP ratio of more than 50 percent (Wang,

and Xu, 2023). Much of this debt can be attributed to Chinese funding and this has exacerbated issues of debt sustainability with countries such as Ethiopia, Kenya, and Zambia becoming highly prone to debt distress.

Data shows that debt from private and public external lenders in Africa had amounted to US$ 696 billion in 2020, with Chinese loans accounting for 12 percent of this amount (Vines, Butler, and Jie, 2022). The largest Chinese financiers in Africa are Exim Bank, Industrial and Commercial Bank of China (ICBC), China Development Bank (CDB), and Supplier credits. Some of the loans that these banks extend are at commercial interest rates, which highlights the cost of financing on the secured loans (Vines, Butler, and Jie, 2022). Resulting from these levels of debt, 11 countries in Africa were at high risk of debt distress and 7 were already in debt distress as of January 2024 (IMF, 2024). To draw insights from the impact of Chinese loans on GDP growth in Africa, Figure 6.3 shows how GDP responds to levels of debt.

Figure 6.3: Africa GDP levels vs Chinese Loans 2000 - 2020



Source: Compiled by author; based on data from BUGDP (2022).

Increasing levels of debt parallel growth in GDP until a point where continued much higher levels of debt have a negative impact on GDP. In 2016, Africa signed the highest number and amount of loans with China and from Figure 6.3, it had a negative impact on GDP, which aligns with the Debt

Overhang theory, whereby debt is beneficial if it is within certain parameters and once it becomes too high, it yields little to no benefits for the recipient country. This is supported by the empirical model findings presented in Table 6.3, which highlight that with a coefficient of -0.0165, there is negative correlation between Chinese loans and GDP growth in Africa.

Overall, the findings indicate that Chinese loans have a negative relationship with economic growth across African countries. However, the coefficients in all the models are marginally negative suggesting the possibility that there are some countries in the sample with positive results. Moreover, there is mixed evidence of both positive (e.g., Dreher *et al*., 2021; Bluhm *et al*., 2018; Yu, Du, and Dang, 2020; and Mlambo, 2022) and negative (e.g., Busse, Erdogan, and Mühlen, 2016; Jaworski, Lu and Gertsch, 2020; and Mandon and Woldemichael, 2022) effects in the existing literature. Therefore, we provide further analysis of four individual countries to explore the possibility of variation in the impact of Chinese loans on the continent. The four countries that we have selected for the subsample analysis have been selected based on the criteria discussed in Chapter 1 section 1.4 and data availability and they are Kenya, Senegal, Uganda, and Zambia.

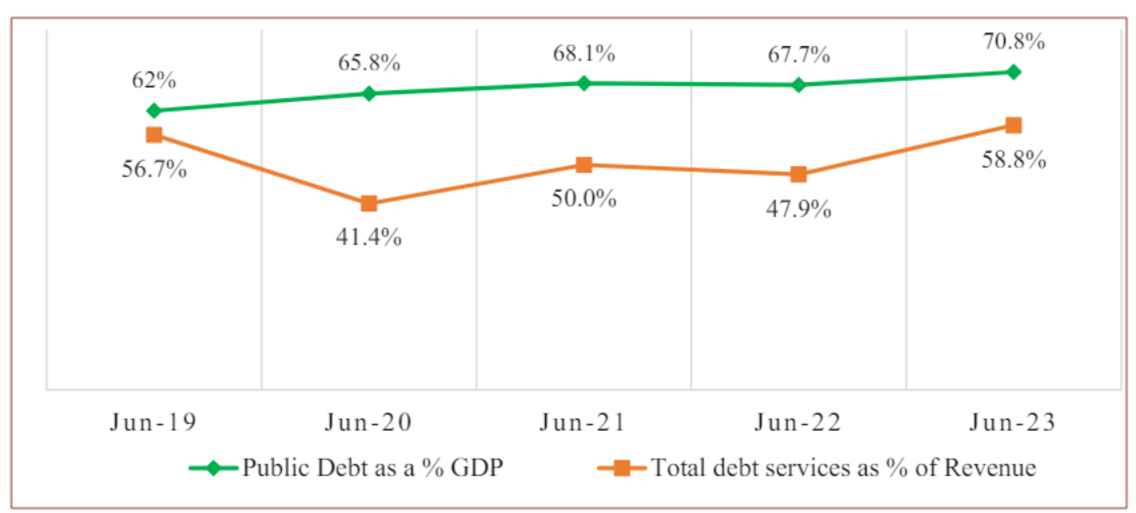
6.5. Findings analysis - Kenya

6.5.1. Introduction

This section discusses the impact of Chinese investment loans on sustainable development in Kenya. Kenya's external debt service accounted for 32.2% of GDP for the FY 2022/23 (The National Treasury and Planning, Kenya, 2023). China's lending to Kenya as of 2023 amounted to US$ 9.3 billion (BUGDPC, 2023).

Kenya has struggled with high levels of debt in recent years and the Covid-19 pandemic exacerbated the issue. In July 2023, the IMF lowered Kenya's debt carrying capacity from strong to medium and classified it as being at high risk of debt distress (IMF, 2024). This is evident in Figure 6.4 which shows a steady increase in public debt from 62 percent of GDP in 2019 to 70.8 percent in 2023.

Figure 6.4: Kenya public debt as a percentage of GDP (2019 – 2023)



Source: The National Treasury and Planning, Kenya, (2023)

From the data in Figure 6.4, Kenya's debt to GDP ratios from 2019 to 2023 are higher than the IMF percentage guideline of 35 percent and also defy the East Africa Community debt ceiling of 50 percent. This has resulted in dire implications of Kenya's debt sustainability which undermines sustainable economic growth and development. More than half of this debt is external debt and although China contributes to Kenya's exponential growth in external debt through its loans, in recent years, debt from bond holders and commercial lenders has superseded other types of debt. Bearing in mind that their interest rates are market or higher than rates, this requires higher debt amortisation costs and Kenya must dedicate large percentages of its GDP to service these loans, which has created debt crises for Kenya (AfDB, 2023).

6.5.2. Empirical model analysis - Kenya

We conducted an empirical analysis on Kenya, and the findings are depicted in Table 6.5.

Table 6.5: Kenya's Pairwise Correlation Analysis

Variable	$GDPgr$	CL	$Infl$	$Agric$	$RegQlty$	RR	Imp	Exp
$GDPgr$	1.0000							
CL	0.0928	1.0000						
$Infl$	-0.1644	-0.1170	1.0000					
$Agric$	-0.4763	-0.2914	0.0334	1.0000				
$RegQlty$	0.1879	0.0242	0.2383	-0.4682	1.0000			
RR	-0.0654	-0.1347	0.3845	0.4178	0.1442	1.0000		
Imp	0.1519	-0.1592	0.5306	0.2212	0.0399	0.7221	1.0000	
Exp	0.0740	-0.3560	0.3909	0.4412	0.0808	0.8687	0.8959	1.0000

From Table 6.5, the correlation analysis reveals positive and negative relationships between most variables. GDP exhibits positive correlations with China Loans (0.0928), suggesting that higher levels of Chinese financial support led to higher GDP.

To test the effect of Chinese loans on GDP growth for Kenya; the baseline model is modified with an interaction term. The model is presented in equation 3.

$$GDPgr_{jt} = \beta_0 + \beta_1 GDPgr_{jt-1} + \beta_2 L_{jt} + \beta_3 CL_{jt} * Ken_{jt} + \eta X'_{jt} + \mu_t + \vartheta_{jt} \quad (3)$$

Where Ken has a value of one for Kenya and zero otherwise. The interaction term, $CL_{jt} * Ken_{jt}$, represents the effect of Chinese loans on GDP growth for Kenya in Table 6.6:

Table 6.6: Kenya's Regression Analysis

	Kenya model	**Senegal model**	**Uganda model**	**Zambia model**
Dependent variable	$GDPgr$	$GDPgr$	$GDPgr$	$GDPgr$
$GDPgr_{t-1}$	0.7530** (0.3171)	0.6099*** (0.1764)	0.9068*** (0.2217)	0.9900*** (0.3019)
CL*Ken	**0.0331* (0.0195)**			
CL*Sen		**0.0030** (0.0012)**		
CL*Ug			**-0.0083*** (0.0029)**	

CL*Zam				**-0.0028**** **(0.0013)**
CL	-0.0041 (0.0049)	-0.0010** (0.0007)	-0.0013* (0.0004)	-0.0010* (0.0003)
TAC	14.0717 (12.1164)	1.596364 (1.29182)	2.467458 (10.95846)	1.806487 (1.256814)
$Inflation$	-0.0923*** (0.0409)	-0.0267* (0.0156)	-0.0432** (0.0166)	-0.0471*** (0.0129)
$Empl$	0.0330 (0.0717)	0.0133 (0.0877)	0.3300 (0.2190)	0.2028 (0.1830)
$RegQlty$	0.7045 (0.5841)	0.0156 (0.0459)	0.2322*** (0.0743)	0.1318** (0.0574)
$Lifexp$	0.1253 (0.5092)	0.0683 (0.0683)	0.0789 (0.0164)	0.0812 (0.0150)
$Constant$	-16.3562 (35.6128)	-0.1100 (0.6604)	-0.2110*** (0.0757)	-0.0714 (0.0906)
Year dummies	Yes	Yes	Yes	Yes
Observations	263	398	328	378
Number of countries	48	48	48	48
Number of Instruments	29	38	40	37
AR (1)	0.064	0.000	0.000	0.000
AR (2)	0.217	0.747	0.577	0.142
Hansen	0.431	0.739	0.895	0.478

Source: Author's Computations

Notes: $GDPgr$ (GDP growth rate) of the sample countries is the dependent variable, $GDPgr_{t-1}$ is the lag of GDP growth rate, CL denoted Chinese Loans, $Inflation$ represents the inflation rate of the sample countries to proxy the macroeconomic stability, RR denotes Resource Rents, $RegQlty$ represents Regulatory Quality to proxy institutional quality, Imp denotes imports, Exp represents Exports, and $Agric$ denotes the level of Agricultural production in the sample countries. Significance levels are ***P<0.01, **P<0.05, *P<0.1. The values in brackets refer to the error terms.

Results in Table 6.6 show that at 0.0331, Chinese loans have a positive and significant impact on GDP growth in Kenya at 10% level of significance. These results agree with the indications in the pairwise correlation matrix in Table 6.5. This is in line with studies such as Yu, Du, and Dang, (2020) whose study findings show that Chinese investment leads to increased economic growth. Similarly, a study by Renwick, Gu, and Gong, (2018) finds that Chinese infrastructure projects contribute to the production capacity of Kenya. This is also evident in Kenya's economy where some key facilities that have been financed by China are already operational and bringing in revenue for the Kenyan economy. This finding contrasts the finding in relation to Africa which at -0.0165, shows a significant negative relationship between Chinese investment loans and economic growth. However, it explains why the relationship is marginally negative.

6.5.3. Field study analysis - Kenya

To gain further insights from the developmental projects that China has financed in Kenya, we undertook a field study in 2021/22 to find out how the citizens of Kenya have benefitted from the facilities. Findings show that 93.5 percent of the surveyed citizens have used the facilities such as the SGR and 31.2 percent and 31.2 percent express that these facilities are very easy and easy to use respectively. Regarding the expenses, 32.8 percent express that the new facilities have led to an increase in transport fares while 27.4 percent notice no change in transport fares and a further 31.7 percent say that the facilities have led to lower transport fares. Many of the residents agree that these facilities have improved their transport choices, saved travelling time between cities and some have secured jobs from these facilities. These results collaborate the empirical model finding that confirm that Chinese loans contribute positively to economic growth in Kenya.

In terms of growth, 12.9 percent and 49.5 percent strongly agree and agree respectively that Chinese investment projects have contributed to economic growth in Kenya which is in line with the empirical findings in Table 6.5. However, only 16.7 percent agreed that Chinese investment projects have reduced the gap between the rich and the poor with 48.4 percent expressing that they have widened the gap even further. And 34.9% say that there has been no change. This is a shortcoming especially in terms of inclusive growth for sustainable development. This partly explains why the contribution derived in the empirical model is minimal.

More so, most of the surveyed citizens at 83.9 percent express that Chinese imports have a negative impact on domestic manufacturing in Kenya due to increased competition for local products and 90.9 percent say that allowing China to bring in employees to work on the projects reduces the employment opportunities of the local employees. Most of the citizens surveyed therefore suggest that the government should have quotas for the number of Chinese employees per project to extend more job opportunities to the citizens and restrict Chinese contractors to only bringing in experts on the project and employ Kenyan citizens in other middle to lower job roles with requirements for technology transfer for high tech aspects of the projects. More so the citizens suggest that they should be given priority over foreign workers when it comes to job opportunities and most

importantly, the Government of Kenya should stop taking continuous loans from China without a clear plan on how to pay them off.

6.5.4. Conclusion - Chinese investment loans and sustainable development in Kenya

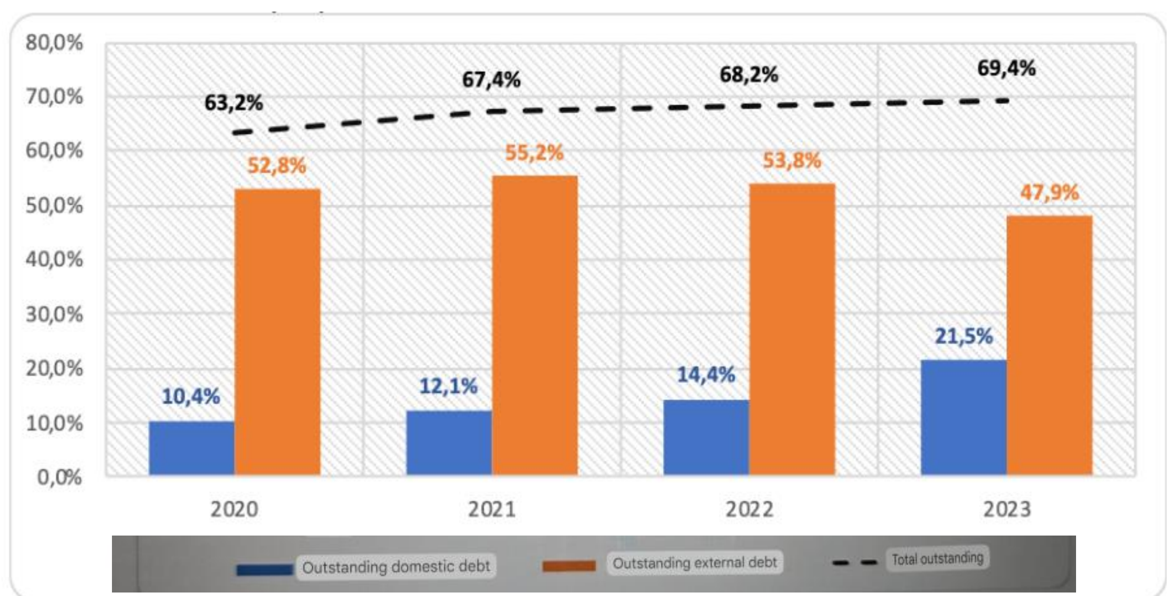
Overall, the findings indicate that Chinese investment loans contribute positively to Kenya’s economy. Given the uncertainties with public debt, the Government of Kenya pledged to strengthen the budget processes, and with the unfavourable conditions in the external loans market, the Government of Kenya also promised to prioritise domestic debt for its long-term strategy (AfDB, 2021).

6.6. Findings analysis – Senegal

6.6.1. Introduction

Senegal’s total external debt service in 2023 amounted to approximately XOF 1153.3 billion (US$ 1.88 billion), which equates to 30.8 percent of budget revenue and 24.8 percent of exports of goods and services. This figure brings Senegal above the debt sustainability analysis ceiling of 22 percent debt servicing to budget revenue threshold and just below the 25 percent debt servicing to exports of goods and services threshold (Direction de la prévision et des études économiques (DPEE), 2024). China’s lending to Senegal as of 2023 amounted to US$ 2 billion (BUGDPC, 2023). Figure 6.5 shows Senegal’s most recent domestic and external debt stocks between 2020 and 2023, that shows a relatively stable growth trend in the levels of both domestic and external debt.

Figure 6.5: Senegal Evolution of domestic, external, and total debt 2020 - 2023



Source: DPEE, Senegal (2024).

Over the last few years, Senegal has managed to maintain manageable levels of debt and by July 2023, Senegal was classified as being at moderate risk of debt distress (IMF, 2024). Senegal's GDP was projected to grow at a rate of 9.2 percent in 2024 due to the expected contributions from growth in education and agriculture (DPEE, 2024). One other advantage is that Senegal uses the unified currency under the West African Economic and Monetary Union (WAEMU) whose currency West African CFA Franc is pegged to the French Franc. This helps it to maintain stability of its currency and partly explains why most of its debt repayments are relatively stable and are therefore easier to allocate within the national budget. Additionally, Senegal has improved its public expenditure management system, under which, the tax system has maximised tax revenue and improved GDP growth (Niang and Mbaye, 2019).

6.6.2. Empirical model analysis

To add to these insights are the findings we derived from the statistical model and Table 6.7 presents the results.

Table 6.7: Senegal's Correlation Analysis

Variable	$GDPgr$	CL	$Infl$	$Agric$	$RegQlty$	RR	Imp	Exp
$GDPgr$	1.0000							
CL	0.5851	1.0000						
$Infl$	-0.3515	-0.2244	1.0000					
$Agric$	0.1829	0.0019	-0.2935	1.0000				
$RegQlty$	0.0822	0.2097	-0.2286	-0.2997	1.0000			
RR	0.1054	0.0954	-0.2125	-0.0508	0.3701	1.0000		
Imp	-0.0705	-0.0575	0.4822	-0.3640	0.3473	0.2899	1.0000	
Exp	0.2744	0.4631	-0.0162	-0.3339	0.5063	0.5102	0.6707	1.0000

From Table 6.7, several notable relationships can be seen from the pairwise correlations among the variables. Chinese loans at 0.5851 show a strong positive correlation with GDP growth in Senegal.

To test the effect of CL on GDP growth for Senegal; the baseline model is modified with an interaction term. The model is presented in equation 4.

$$GDPgr_{jt} = \beta_0 + \beta_1 GDPgr_{jt-1} + \beta_2 L_{jt} + \beta_3 CL_{jt} * Sen_{jt} + \eta X'_{jt} + \mu_t + \vartheta_{jt} \quad (4)$$

Where Sen has a value of one for Senegal and zero otherwise. The interaction term, $CL_{jt} * Sen_{jt}$, represents the effect of Chinese loans on GDP growth for Senegal in Table 6.8:

Table 6.8: Senegal's Regression Analysis

	Kenya model	**Senegal model**	**Uganda model**	**Zambia model**
Dependent variable	$GDPgr$	$GDPgr$	$GDPgr$	$GDPgr$
$GDPgr_{t-1}$	0.7530** (0.3171)	0.6099*** (0.1764)	0.9068*** (0.2217)	0.9900*** (0.3019)
CL*Ken	**0.0331*** **(0.0195)**			
CL*Sen		**0.0030**** **(0.0012)**		
CL*Ug			**-0.0083***** **(0.0029)**	
CL*Zam				**-0.0028**** **(0.0013)**

CL	-0.0041 (0.0049)	-0.0010** (0.0007)	-0.0013* (0.0004)	-0.0010* (0.0003)
TAC	14.0717 (12.1164)	1.596364 (1.29182)	2.467458 (10.95846)	1.806487 (1.256814)
$Inflation$	-0.0923*** (0.0409)	-0.0267* (0.0156)	-0.0432** (0.0166)	-0.0471*** (0.0129)
$Empl$	0.0330 (0.0717)	0.0133 (0.0877)	0.3300 (0.2190)	0.2028 (0.1830)
$RegQlty$	0.7045 (0.5841)	0.0156 (0.0459)	0.2322*** (0.0743)	0.1318** (0.0574)
$Lifexp$	0.1253 (0.5092)	0.0683 (0.0683)	0.0789 (0.0164)	0.0812 (0.0150)
$Constant$	-16.3562 (35.6128)	-0.1100 (0.6604)	-0.2110*** (0.0757)	-0.0714 (0.0906)
Year dummies	Yes	Yes	Yes	Yes
Observations	263	398	328	378
Number of countries	48	48	48	48
Number of Instruments	29	38	40	37
AR (1)	0.064	0.000	0.000	0.000
AR (2)	0.217	0.747	0.577	0.142
Hansen	0.431	0.739	0.895	0.478

Source: Author's Computations

Notes: $GDPgr$ (GDP growth rate) of the sample countries is the dependent variable, $GDPgr_{t-1}$ is the lag of GDP growth rate, CL denoted Chinese Loans, $Inflation$ represents the inflation rate of the sample countries to proxy the macroeconomic stability, RR denotes Resource Rents, $RegQlty$ represents Regulatory Quality to proxy institutional quality, Imp denotes imports, Exp represents Exports, and $Agric$ denotes the level of Agricultural production in the sample countries. Significance levels are ***P<0.01, **P<0.05, *P<0.1. The values in brackets refer to the error terms.

Results in Table 6.8 show that at 0.0030, Chinese loans have a positive and significant impact on GDP growth in Senegal at 5% level of significance. These results agree with the indications in the pairwise correlation matrix in Table 6.7. This finding aligns with existing literature that concludes that Chinese investment loans contribute to economic growth in Africa (Bluhm *et al*., 2018; and Yu, Du, and Dang, 2020). This partly explains the efforts of the Government of Senegal to negotiate and secure external debt such as Chinese investment loans. This finding contrasts the finding in relation to Africa which at -0.0165, shows a significant negative relationship between Chinese investment loans and economic growth. However, it explains why the relationship is marginally negative.

6.6.3. Field study analysis - Senegal

Another angle to assess the impact of Chinese loans on sustainable development in Senegal encompasses the field study that we conducted in Senegal in 2021/22. As discussed previously, Senegal has secured Chinese funding to finance some of its largest infrastructure such as roads, and museums. From the field study findings, 90.9 percent of the surveyed citizens expressed that they had used the facilities such as roads and 26.8 percent and 59.6 percent expressed that these facilities are very easy and easy to use respectively. Regarding the expenses, 66.7 percent expressed that the new facilities have led to an increase in transport fares while 16.2 percent say that the facilities have led to lower transport fares. The citizens expressed that the transport providers give customers a choice between travelling via the new toll road that attracts a higher fare but quicker journeys and the rural roads which attract a cheaper fare but with longer journey times. The transport vehicles are then loaded according to the ticket that the customer holds. For those who choose to travel via the new toll road, they pay higher fares than those who go via the rural roads. Regardless of this difference, there is an improvement in the choice of transport means that is provided to the customers which highlights an improvement in transport facilities in Senegal. Additionally, Senegal has a consistent public transport ticketing system, and every customer is issued a ticket for their journey, which is an important aspect for transparency and for tax purposes. Most of the residents express that these facilities have improved their transport choices, helped them to quicken their travel time and opened up job opportunities in other cities that would have otherwise been difficult to commute to. These findings align with the empirical model findings. The provision of more transport links helps more people to access jobs and trade in different parts of Senegal and this is likely to enhance the standard of living of the residents of Senegal.

For Senegal as a whole, the citizens at 9.1 percent and 81.8 percent strongly agree and agree respectively that Chinese investment projects have contributed to economic growth in Senegal, and this aligns with the empirical findings in Table 6.7. For the contributions towards reducing the gap between the rich and the poor, 32.8 percent say that Chinese investment projects have reduced the gap between the rich and the poor, with 16.2 percent expressing that they have widened the gap even more and a further 51 percent noticing no change in the gap between the rich and the poor. These findings support the empirical model findings and confirm that Chinese loans make positive contributions to the economy of Senegal.

For the impact of imports on domestic manufacturing, the citizens are at opposing ends, 47 percent express that Chinese imports positively impact domestic manufacturing while 43.4 percent say that this impact is negative. A further 9 percent express that domestic manufacturing is not impacted by Chinese imports. More so, a big percentage of the surveyed citizens at 69.9 percent, say that allowing China to bring in employees to work on the projects reduces the employment opportunities of the local employees: most of the citizens surveyed therefore suggest that the government should set percentage requirements for the number of Chinese employees per project and restrict Chinese contractors to only bringing in experts on the projects in Senegal. This will require deliberate government policies on work quotas that will ensure that residents benefit equally from the undertaken projects.

6.6.4. Conclusion - Chinese investment loans and sustainable development in Senegal

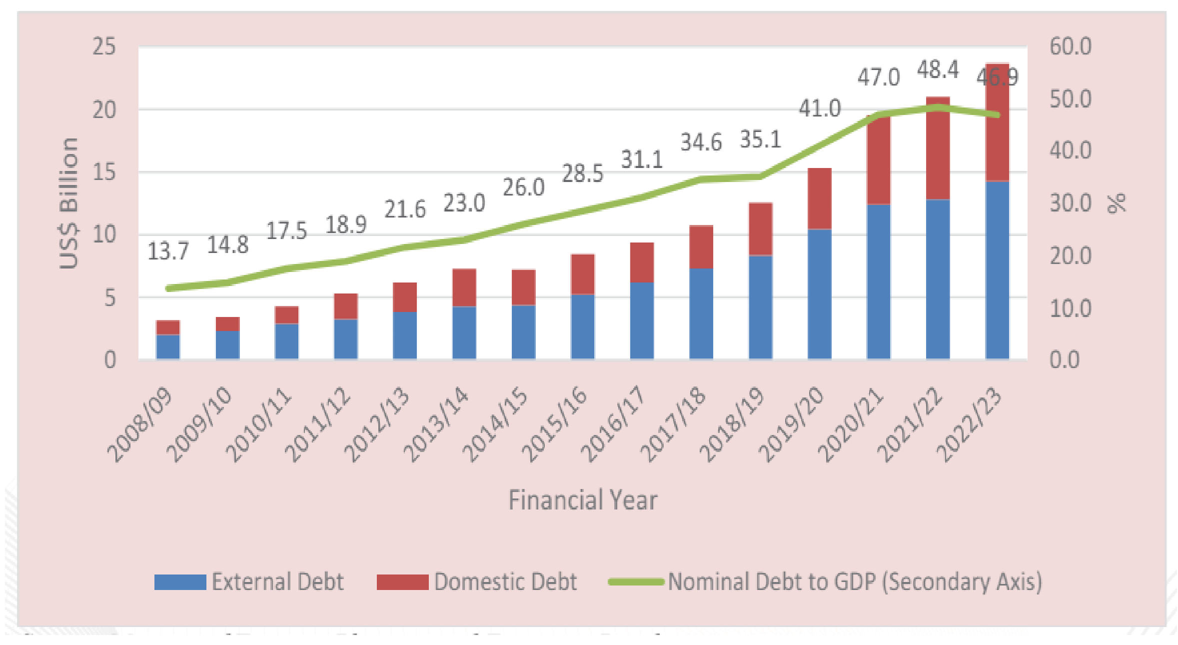
Overall, the findings for Senegal, just like Kenya, indicate that Senegal has benefitted from Chinese investment loans. Senegal has become a savvy borrower in the China-Senegal relations. It engages skilled lawyers to scrutinise the contracts and negotiates for better loan conditions that include higher involvement of Senegalese engineers than most of its African counterparts. Additionally, it has good debt management systems and most of the Chinese-funded facilities provide the economy with immediate income thereby leveraging revenue for repayments.

6.7. Findings analysis - Uganda

6.7.1. Introduction

By 2023, Uganda's external debt stock amounted to UGX 52,206.07 billion (US$ 14.23 billion) (MoFPED, 2023). Of this debt, US$ 3.6 billion accounted for China's loans to Uganda as of 2023 (BUGDP, 2023). Uganda's public debt has increased exponentially over the last decades as seen in Figure 6.6.

Figure 6.6: Uganda's Evolution of domestic, external, and total debt 2008 - 2023



Source: Ministry of Finance, Planning and Economic Development, Uganda (2023).

By the end of the financial year 2022/23, the proportion of public debt amounted to 46.9 percent of the total GDP (Ministry of Finance, Planning and Economic Development (MoFPED), 2023). Uganda's debt to GDP ratio at 46.9 percent, is above the IMF percentage guideline of 35 percent and just below the East Africa Community debt ratio ceiling of 50 percent. Uganda's external public debt was owed largely to multilateral lenders accounting for 61.8 percent by the end of financial year 2022/23. On the other hand, bilateral creditors accounted for 24.6 percent of the total external public debt stocks by the end of financial year 2022/23, with China as the leading bilateral lender with 18.1 percent of this debt (MoFPED, 2023).

With such high levels of public debt comes higher debt amortisation costs which has certain consequences on sustainability in general. For example, Fitch Ratings had previously rated Uganda's Long-Term Foreign-Currency Issuer Default Rating (IDR) as Stable however in early 2023, it was revised to negative with a rating of 'B+'. This was because of the high-interest rate payments that took up about 22.7 percent of domestic revenue in the financial year ending June 2022. Additionally, high debt accumulation resulted in Uganda's reduced ability to secure concessional bilateral and multilateral external financing thus leaving it no option but to access commercial lending markets

which attract higher interest rates resulting in higher costs of borrowing thereby impeding sustainable development (Fitch Ratings, 2023a). For instance, external debt amortisation alone cost the Government of Uganda 3.3 percent of GDP in financial year 2022/23 (MoFPED, 2023).

6.7.2. Empirical model analysis

To add to these insights are the findings we derived from the statistical model and in Table 6.9 are the results of the correlation analysis.

Table 6.9: Uganda's Pairwise Correlation Analysis

Variable	$GDPgr$	CL	$Infl$	$Agric$	$RegQlty$	RR	Imp	Exp
$GDPgr$	1.0000							
CL	-0.1732	1.0000						
$Infl$	0.3088	-0.1816	1.0000					
$Agric$	-0.1180	-0.1531	0.3194	1.0000				
$RegQlty$	0.2901	0.1608	0.3118	-0.1370	1.0000			
RR	0.3300	-0.3136	0.1113	-0.3939	0.1987	1.0000		
Imp	0.5818	-0.2358	0.6008	0.1574	0.2169	0.3221	1.0000	
Exp	0.1708	-0.3512	0.3769	-0.1082	0.1722	-0.0720	0.5083	1.0000

From Table 6.9, the results show varying relationships from the pairwise correlations among the variables. Chinese loans at -0.1732 show a negative correlation with GDP growth in Uganda.

To test the effect of CL on GDP growth for Uganda; the baseline model is modified with an interaction term. The model is presented in equation 5.

$$GDPgr_{jt} = \beta_0 + \beta_1 GDPgr_{jt-1} + \beta_2 L_{jt} + \beta_3 CL_{jt} * Ug_{jt} + \eta X'_{jt} + \mu_t + \vartheta_{jt} \quad (5)$$

Where Ug has a value of one for Uganda and zero otherwise. The interaction term, $CL_{jt} * Ug_{jt}$, represents the effect of Chinese loans on GDP growth for Uganda in Table 6.10:

Table 6.10: Uganda's Regression Analysis

Kenya model	Senegal model	Uganda model	Zambia model

Dependent variable	$GDPgr$	$GDPgr$	$GDPgr$	$GDPgr$
$GDPgr_{t-1}$	0.7530** (0.3171)	0.6099*** (0.1764)	0.9068*** (0.2217)	0.9900*** (0.3019)
CL*Ken	**0.0331*** **(0.0195)**			
CL*Sen		**0.0030**** **(0.0012)**		
CL*Ug			**-0.0083***** **(0.0029)**	
CL*Zam				**-0.0028**** **(0.0013)**
CL	-0.0041 (0.0049)	-0.0010** (0.0007)	-0.0013* (0.0004)	-0.0010* (0.0003)
TAC	14.0717 (12.1164)	1.596364 (1.29182)	2.467458 (10.95846)	1.806487 (1.256814)
$Inflation$	-0.0923*** (0.0409)	-0.0267* (0.0156)	-0.0432** (0.0166)	-0.0471*** (0.0129)
$Empl$	0.0330 (0.0717)	0.0133 (0.0877)	0.3300 (0.2190)	0.2028 (0.1830)
$RegQlty$	0.7045 (0.5841)	0.0156 (0.0459)	0.2322*** (0.0743)	0.1318** (0.0574)
$Lifexp$	0.1253 (0.5092)	0.0683 (0.0683)	0.0789 (0.0164)	0.0812 (0.0150)
$Constant$	-16.3562 (35.6128)	-0.1100 (0.6604)	-0.2110*** (0.0757)	-0.0714 (0.0906)
Year dummies	Yes	Yes	Yes	Yes
Observations	263	398	328	378
Number of countries	48	48	48	48
Number of Instruments	29	38	40	37
AR (1)	0.064	0.000	0.000	0.000
AR (2)	0.217	0.747	0.577	0.142
Hansen	0.431	0.739	0.895	0.478

Source: Author's Computations

Notes: $GDPgr$ (GDP growth rate) of the sample countries is the dependent variable, $GDPgr_{t-1}$ is the lag of GDP growth rate, CL denoted Chinese Loans, $Inflation$ represents the inflation rate of the sample countries to proxy the macroeconomic stability, RR denotes Resource Rents, $RegQlty$ represents Regulatory Quality to proxy institutional quality, Imp denotes imports, Exp represents Exports, and $Agric$ denotes the level of Agricultural production in the sample countries. Significance levels are ***P<0.01, **P<0.05, *P<0.1. The values in brackets refer to the error terms.

Results in Table 6.10 show that at -0.0083, Chinese loans have a negative and significant impact on GDP growth in Uganda at 1% level of significance. These results agree with the indications in the pairwise correlation matrix in Table 6.9. This finding is consistent with the evidence that

Chinese loans are negatively associated with economic growth in Africa (Busse, Erdogan, and Mühlen, 2016; Jaworski, Lu and Gertsch, 2020; and Mandon and Woldemichael, 2022) and aligns with the Debt Overhang theory where, recipient countries of external debt experience negative growth with increasing levels of debt. Overall, this finding is congruent with the finding in relation to Africa which at -0.0165, shows a significant negative relationship between Chinese investment loans and economic growth.

6.7.3. Field study analysis - Uganda

In addition to the analysis above, another approach used to assess the impact of Chinese loans on sustainable development in Uganda is through the field study that we conducted in Uganda in 2021/22. Just like the other sample countries, Uganda has benefitted from Chinese loans and some of the undertaken projects include construction of roads, dams, and the expansion of Uganda's Entebbe International Airport. Findings from the field study show that, 92.7 percent of the surveyed citizens expressed that they had used the facilities such as roads and 19.5 percent and 56.1 percent expressed that these facilities are very easy and easy to use respectively. When asked about the impact in fares, 29.3 percent say that the facilities have led to an increase in transport fares, however another 34.1 percent expressed that the facilities have led to a reduction in transport fares, and another 31.7 percent say that they have not changed the pricing of their transport choices. This is a confusing finding, but the difference could be attributed to those who use country roads to travel between cities paying relatively cheaper fares due to the increase in competition and those who use the toll expressway to the airport thereby paying higher fares after incorporating the toll fee. One thing to note here is that the transport fares system in Uganda is still very much underdeveloped and privately run and it is up to the transport providers to charge fares accordingly, although some fares for long distance journeys tend to be largely evened out. The President of Uganda has in the past said that he will not interfere with the transport fare system any time soon. Although this could be seen as providing competitive pricing to the transport providers, it is not an ideal system for tax purposes in that the transport providers may under report their revenues. On a positive note, the surveyed citizens expressed that these facilities have improved their transport choices, helped them to access other cities easily, quickened their journeys to the airport, lessened traffic jams, eased their access

to the commodities markets and opened up job opportunities for them in other cities. The findings here are mixed and Uganda still needs to streamline investment projects to align with activities that optimise economic growth.

For the question about how Chinese investment projects contribute to economic growth in Uganda, 17.1 percent and 58.5 percent strongly agree and agree respectively that Chinese investment projects have contributed to economic growth in Uganda. In helping to reduce the gap between the rich and the poor, 26.8 percent say that Chinese investment projects have reduced the gap between the rich and the poor, with 31.7 percent expressing that they have widened the gap even more and a further 41.5 percent noticing no change in the gap between the rich and the poor. Just like Senegal, this is a fair finding as countries strive to improve the standards of living of their citizens and more needs to be done to encourage inclusive growth. Regarding the impact of Chinese imports on domestic manufacturing, 87.7 percent express that there is a negative relationship, which discourages innovations and entrepreneurship that is important for fostering economic growth. Yet again, these results are mixed but explain the marginal negative impact of Chinese investment loans in Uganda since they seem to benefit certain residents more than others. Uganda realises how imports impact the domestic market, and they started an initiative called Buy Uganda Build Uganda (BUBU), (2024) to promote the manufacturing and consumption of locally made goods and services in Uganda.

According to survey findings, 90.2 percent of surveyed respondents believe that the policy allowing Chinese contractors to bring employees into Uganda to work on projects has a detrimental influence on Ugandans' employment opportunities. They suggest that the government should restrict the number of Chinese employees per project in Uganda, allow only highly skilled jobs to be taken up by Chinese experts and operate closer immigration monitoring of Chinese workers for suitable qualifications for the projects. If Uganda undertook policies to combat these needs, there is opportunity for the undertaken projects to realise higher benefits.

6.7.4. Conclusion - Chinese investment loans and sustainable development in Uganda

Overall, Chinese investment loans currently do not contribute to economic growth in Uganda. With challenges surrounding Chinese loan debt amortisation, the Government of Uganda is advised

to take advantage of the competition between external lenders especially China and the Western lenders and optimise benefits from the undertaken projects (Ainomugisha, 2023) to spur economic growth that lays ground for sustainable development.

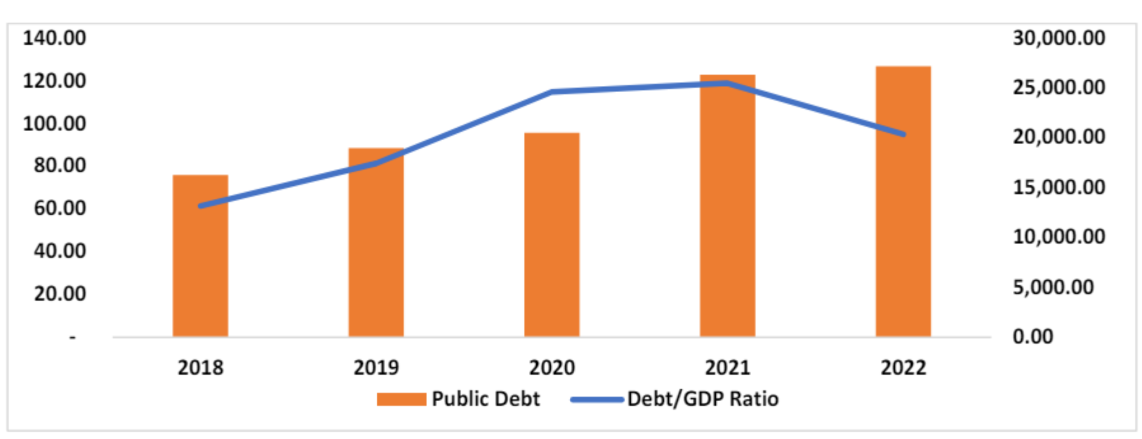
6.8. Findings analysis - Zambia

6.8.1. Introduction

Zambia's public debt stock at the end of June 2023 was estimated to be US$ 32.13 billion which shows a slight increase from US$ 30.93 billion at the end of 2021. Of this amount, US$ 18.52 billion accounted for external debt while US$ 13.61 billion accounted for domestic debt (Ministry of Finance and National Planning, Zambia, 2023). Zambia's debt stock to China as of 2023 amounted to US$ 10.1 billion (BUGDPC, 2023). Zambia registered 46 creditors and of these, the creditors with the highest debt stocks were Eurobonds, China Exim Bank, and International Development Association (IDA) (Ministry of Finance and National Planning, 2023) with China holding one third of Zambia's external debt stocks. Its total public debt to GDP ratio was estimated at about 124% in 2022, indicating that Zambia is in debt distress (National Assembly of Zambia, 2022). With exponential levels of public debt, in 2020, the Government of Zambia struggled to service its coupon payment and failure to secure a six-month extension from the bondholders resulted in Zambia becoming the first country in Africa to default on its debt (Financial Times, 2020). Zambia's public debt has increased over the last decades as seen in Figure 6.7.

Zambia has largely struggled with debt repayments arising from poor economic management of the economy that has seen Zambia invest in large public investment projects with not enough returns to promote economic growth in the country. This was later exacerbated by Covid-19 and more recently the Russia-Ukraine war that has led to increases in the prices of fuel and fertilizers (IMF, 2022c).

Figure 6.7: Zambia's Total Public Debt as a % of GDP 2018-2022



Source: Ministry of Finance and National Planning, Zambia (2023).

To counter the debt crisis, Zambia sought a debt restructuring adjustment with the IMF in 2021, but it was refused owing to the lack of transparency around its debt stock. However, after Zambia met the official creditor committee again for discussions on long term debt relief, in a meeting that was co-chaired between China, and France and vice-chaired by South Africa, IMF later decided to grant Zambia an extended credit facility (ECF) of US$ 1.3 billion in August 2022 (African Business, 2022) that supported it in its efforts to regain debt sustainability. Additionally, in 2020, China Exim Bank agreed to defer Zambia's interest and principal payments on loans amounting to US$ 110 million (Reuters, 2020). More so, in 2022, in further efforts to curb the debt crisis, Zambia came to an agreement with China to cancel the US$ 1.6 billion loan from China Exim Bank and the ICBC that was agreed but not yet disbursed (Nyabiage, 2022b). These measures are all important and contribute to improving Zambia's debt sustainability.

6.8.2. Empirical model analysis

To add to these insights are the findings we derived from the statistical model which are presented in Table 6.11.

Table 6.11: Zambia's Pairwise Correlation Analysis

Variable	$GDPgr$	CL	$Infl$	$Agric$	$RegQlty$	RR	Imp	Exp
$GDPgr$	1.0000							
CL	-0.4502	1.0000						
$Infl$	-0.0940	-0.2746	1.0000					
$Agric$	0.5786	-0.6916	0.6488	1.0000				
$RegQlty$	0.0362	0.3429	-0.5520	-0.4641	1.0000			
RR	0.5984	-0.1687	-0.4693	0.0572	0.3989	1.0000		
Imp	-0.3913	0.3271	0.0928	-0.1689	-0.0765	-0.6851	1.0000	
Exp	-0.3824	0.3928	-0.6944	-0.7511	0.4717	0.1803	0.1250	1.0000
Source: Author's Computations								

From Table 6.11, the results show varying relationships from the pairwise correlations among the variables. Chinese loans at -0.4502 show a negative correlation with GDP growth in Zambia.

To test the effect of CL on GDP growth for Zambia; the baseline model is modified with an interaction term. The model is presented in equation 6.

$$GDPgr_{jt} = \beta_0 + \beta_1 GDPgr_{jt-1} + \beta_2 L_{jt} + \beta_3 CL_{jt} * Zam_{jt} + \eta X'_{jt} + \mu_t + \vartheta_{jt} \quad (6)$$

Where Zam has a value of one for Country Zambia and zero otherwise. The interaction term, $CL_{jt} * Zam_{jt}$, represents the effect of Chinese loans on GDP growth for Zambia and the regression results are presented in Table 6.12:

Table 6.12: Zambia's Regression Analysis

	Kenya model	**Senegal model**	**Uganda model**	**Zambia model**
Dependent variable	$GDPgr$	$GDPgr$	$GDPgr$	$GDPgr$
$GDPgr_{t-1}$	0.7530** (0.3171)	0.6099*** (0.1764)	0.9068*** (0.2217)	0.9900*** (0.3019)
CL*Ken	**0.0331* (0.0195)**			
CL*Sen		**0.0030** (0.0012)**		
CL*Ug			**-0.0083*** (0.0029)**	
CL*Zam				**-0.0028** (0.0013)**

CL	-0.0041	-0.0010**	-0.0013*	-0.0010*
	(0.0049)	(0.0007)	(0.0004)	(0.0003)
TAC	14.0717	1.596364	2.467458	1.806487
	(12.1164)	(1.29182)	(10.95846)	(1.256814)
$Inflation$	-0.0923***	-0.0267*	-0.0432**	-0.0471***
	(0.0409)	(0.0156)	(0.0166)	(0.0129)
$Empl$	0.0330	0.0133	0.3300	0.2028
	(0.0717)	(0.0877)	(0.2190)	(0.1830)
$RegQlty$	0.7045	0.0156	0.2322***	0.1318**
	(0.5841)	(0.0459)	(0.0743)	(0.0574)
$Lifexp$	0.1253	0.0683	0.0789	0.0812
	(0.5092)	(0.0683)	(0.0164)	(0.0150)
$Constant$	-16.3562	-0.1100	-0.2110***	-0.0714
	(35.6128)	(0.6604)	(0.0757)	(0.0906)
Year dummies	Yes	Yes	Yes	Yes
Observations	263	398	328	378
Number of countries	48	48	48	48
Number of Instruments	29	38	40	37
AR (1)	0.064	0.000	0.000	0.000
AR (2)	0.217	0.747	0.577	0.142
Hansen	0.431	0.739	0.895	0.478

Source: Author's Computations

Notes: $GDPgr$ (GDP growth rate) of the sample countries is the dependent variable, $GDPgr_{t-1}$ is the lag of GDP growth rate, CL denoted Chinese Loans, $Inflation$ represents the inflation rate of the sample countries to proxy the macroeconomic stability, RR denotes Resource Rents, $RegQlty$ represents Regulatory Quality to proxy institutional quality, Imp denotes imports, Exp represents Exports, and $Agric$ denotes the level of Agricultural production in the sample countries. Significance levels are ***P<0.01, **P<0.05, *P<0.1. The values in brackets refer to the error terms.

Results in Table 6.12 show that at -0.0028, Chinese loans have a negative and significant impact on GDP growth in Zambia at 5% level of significance. These results match with the indications in the pairwise correlation matrix in Table 6.11. This finding aligns with the literature that Chinese loans have a negative impact on economic growth in Africa (Busse, Erdogan, and Mühlen, 2016; Jaworski, Lu and Gertsch, 2020; and Mandon and Woldemichael, 2022). Just like the case in Uganda, the Debt Overhang theory explains the situation in Zambia that has resulted in high levels of external debt resulting in debt servicing problems. This also aligns with the overall finding that Chinese investment loans at -0.0165, have a negative relationship with economic growth in Africa.

6.8.3. Field study analysis - Zambia

In addition to the analysis above, we add insights from the field study that we conducted in Zambia in 2021/22. Of its African counterparts, Zambia has had the longest partnership with China and China has funded several developmental projects in Zambia such as railways, airports, museums, and roads. Findings from the field study indicate that 85.1 percent of the surveyed citizens have used the facilities that have been funded by China and 13.5 percent and 32.4 percent express that these facilities are very easy and easy to use respectively. However, another 33.8 percent say that the facilities are fairly easy to use, and another 12.2 percent say that they are not easy to use. Regarding the impact on fares, 33.8 percent say that the facilities have led to an increase in transport fares; however, 50 percent expressed that the facilities have not changed the pricing of their transport choices. This is understandable since the transport fares are determined by a separate regulatory body that sets the fares in accordance with the economic performance of the country and unless this body adjusts the fares, users pay the same fares as previously determined. The only difference would be for smaller car transport providers that are not easily classed within the broad network of transport providers. Just like the other sample countries, the surveyed citizens expressed that the new facilities have improved their transport choices, eased travel between cities, cut down journey times, opened up new travel routes by air to more domestic and international cities and helped some to secure job opportunities in other cities. These results show that residents are benefitting from the undertaken projects, and this partly explains why the empirical model findings result in marginal negative impacts from Chinese loans.

In assessing how Chinese investment projects contribute to economic growth in Zambia, 13.5 percent and 48.6 percent strongly agree and agree respectively that Chinese investment projects have contributed to economic growth in Zambia. Furthermore, 28.4 percent say that Chinese investment projects have reduced the gap between the rich and the poor, with 29.7 percent expressing that they have widened the gap even more and a further 41.9 percent noticing no change in the gap between the rich and the poor. This finding seems to be prevalent in all the sample countries and highlights just how much progress still needs to be achieved to enhance inclusive growth for sustainable development.

Another aspect that was assessed was the impact of Chinese imports on domestic manufacturing, 66.2 percent express that there is a negative relationship, and a further 28.4 percent express that Chinese imports have no impact on domestic manufacturing. Just like the other sample

countries this is a disappointing finding, and the Government of Zambia needs to put measures in place such as new construction techniques as suggested by the surveyed citizens to improve domestic manufacturing and promote economic growth. Additional insights from the survey show that 75.7 percent of the surveyed citizens expressed that allowing Chinese contractors to bring their employees into Zambia to work on the projects reduces the employment opportunities that are available to Zambian residents, and they urge the Government of Zambia to apply a percentage requirement for Chinese employees on the project. They also suggest that the government should restrict Chinese contractors to bringing in only experts to work on the projects. These findings signal to the low levels of skills that are transferred from the undertaken Chinese funded projects leading to fewer benefits and thus explains the negative result that the empirical model derives. The government needs to put measures in place to enhance skills' transfer that will spur growth in the manufacturing sector and generally across the economy.

6.8.4. Conclusion - Chinese investment loans and sustainable development in Zambia

Overall, the findings from the China-Zambia partnership show that Chinese investment loans have a negative impact on economic growth in Zambia. This has contributed to its debt distress; therefore, Zambia's economic strategies should consider these dynamics when formulating sustainable development strategies. To ensure long-term economic stability, Zambia must diversify its sources of growth and manage its debt obligations effectively. Over reliance on any single source of financing, including China, poses risks, so leveraging Chinese investment should be part of a broader strategy for Zambia's economic resilience and sustainable growth, which also includes promoting exports, attracting foreign direct investment, and strengthening domestic sectors.

6.9. Overall conclusion – Chinese investment loans and sustainable development in Africa

In this chapter we investigate the impact of Chinese loans on economic growth for sustainable development in Africa. We base the analysis on 48 African countries with a focus on four sample countries, Kenya, Senegal, Uganda, and Zambia. Findings indicate that overall, Chinese investment

loans do not currently positively contribute to economic growth in Africa which aligns with studies by Busse, Erdogan, and Mühlen, (2016); Jaworski, Lu and Gertsch, (2020); and Mandon and Woldemichael, (2022). Looking at the sample countries, Uganda and Zambia mirror these findings while Kenya and Senegal show a positive relationship between Chinese investment loans and economic growth. Our findings from the sample countries highlight why both negative and positive effects of Chinese loans on economic growth are equally supported by studies in the literature, especially those focusing on the African continent. We also find that Chinese loans are associated with higher GDP growth in African countries with greater transparency and accountability as has been reported in studies by Kemoe and Zhan, (2018); Bastida *et al.,* (2017); and Choi and Hashimoto, (2018).

Our findings confirm that debt is a catalyst for economic growth if it is well sourced and managed. More so, debt is only beneficial to a certain level and once the levels increase further, the benefits diminish and instead it creates debt crises. Currently, statistics from IMF, (2024) show that there are 18 African countries that are either at high risk of debt distress or are already in distress. As seen in the discussion, Zambia is in debt distress, Kenya, is at high risk of distress, Senegal and Uganda are at moderate risk of debt distress. Their debt to GDP ratios are higher than the guideline set out by the IMF at 35 percent and most of them are near or over the debt to GDP ratio of their regional monetary unions. This means that it is unlikely that the current debt will yield positive results soon and this means that economic growth for sustainable development arising from Chinese loans is still on ongoing pursuit.

Our empirical analysis finds that many of the debt sustainability issues arise partly from lack of transparency around debt and this finding adds new knowledge to the literature since it is the first to quantitatively test the relationship. Being transparent with debt matters helps the governments to be open and accountable to their citizens, lenders, as well as the international community. African countries can enhance transparency and accountability frameworks by implementing systems and procedures that encourage robust debt reporting and safeguarding the economies to withstand shocks, absorb and deal with uncertainties (Griffiths, 2023). This is especially important since research continues to show that countries with stronger institutions (Kubota, and Zeufack, 2020) and stronger rule of law (Busse, Erdogan, and Mühlen, 2016) enjoy higher benefits from external debt.

Moreover, all countries have risk factors that expose them to failure to absorb certain shocks. It is therefore important for African economies to ascertain a clear point where their economies can sustain debt without endangering their national assets and future generations. This can be achieved by diversifying sources of finance for example, boosting tax revenues within the domestic economy since many African countries currently have underdeveloped tax systems. In addition, countries can draw realistic debt repayment schedules that would be met without extra recourse to national budgets. Additionally, our findings highlight the intricate and multifaceted nature of the relationship between Chinese loans and African countries' GDPs. In all the sample countries, Chinese loan to GDP ratios are quite high and it is essential that these economies ensure long-term sustainability and resilience through prudent management, comprehensive research, and a holistic approach to policy making with China's financial support.

Chapter 7 Chinese investment loans and arising risks in Africa.

7.1. Introduction

When debt is improperly sourced, negotiated, allocated, managed, evaluated, and reported, various problems arise. With poor debt management comes inherent risks and other risks such as problems with maintaining debt sustainability and growing debt distress, debt opacity and odious debt. These risks form the basis for the discussions in this chapter. This chapter focuses on answering question 4 of the thesis which is to ascertain if there are any risks to the recipient countries in Africa that are associated with Chinese loans.

There are various risks that can arise depending on who the borrower or lender or a combination of both are. There is currently a lot of scrutiny on Chinese loans, but the question remains; do they pose higher risks that loans from other external lenders? This could be scrutinised by comparing the arising market risks, loan negotiation processes, debt transparency, debt sustainability, etc.

Existing studies have so far investigated the impact of Chinese loans on debt sustainability, debt distress and the opaque nature of the loans separately. Current studies have investigated the comparison between China and the Western lenders (Marson, and Savin, 2022), Chinese lending practices (Gandhi, 2019; and Tan, 2019), opaque debt (Gandhi, 2019; and Tan, 2019), data transparency (Kubota, and Zeufack, 2020; and Nantulya, 2021), the main drivers, needs, characteristics and complexities (Fiori and Kovaka, 2005; and Reboredo, 2021), asset seizures, which have mainly featured in the press (Athumani, 2019; Biryabarema, 2021a; and Lusaka Times, 2018) and debunking of the debt trap allegations (Brautigam, 2020; Singh, 2020; and Brautigam *et al*, 2022). Studies also show that there is a growth of commercial lenders on the market that charge interest rates varying from 4.5 percent to 6 percent, with varying grace periods and maturities, which are typically denominated in US$ or Euros (Morris, Parks, and Gardner, 2020).

A combination of these factors can result in some risks for the borrowing country; however, current studies have concentrated more on debt sustainability than any other risks: this creates a gap in the literature that we aim to fill with this analysis.

To investigate this concept, we analyse secondary data on 48 African countries, covering the period 2000-2020, with a focus on four sample countries: those being Kenya, Senegal, Uganda, and Zambia. This is complemented with a field study that we conducted in 2021-2022 in these sample countries.

Overall, the findings show that there are various risks that arise from Chinese loans, including effects of imbalanced debt negotiation, debt sustainability issues, debt distress, debt opacity, etc, that impede borrowing countries from accessing certain loan markets, lead to increasing costs of borrowing and vicious circle borrower issues whereby borrowing countries continuously seek loans to service existing loans, thus leading to lower opportunities of catering to developmental needs.

The findings from the analysis of risks to recipient countries arising from Chinese loans make useful contributions to the literature: we find that countries that have higher risks from Chinese loans are most likely to have poor institutional frameworks that fail to implement policies and procedures to guide external debt negotiation and management, which results in diminished agency in negotiations. We also find clear connections between debt distress and poor institutions, poor governance and poor debt recording systems. These shortcomings highlight the need for African countries to enhance their governance for higher benefits from external finance.

The rest of the chapter is structured as follows; section 7.2 presents research question 4, section 7.3 discusses the methodology employed to source for answers, section 7.4 analyses the findings of the subject matter and section 7.5 provides the conclusions.

7.2. Question development for arising risks associated with these loans to the recipient countries.

From the analysis of the literature in Chapter 2 Section 2.3.4, there is evidence that debt that is not well sourced, negotiated, allocated and accounted for, results in certain risks. Due to the dynamic nature of Chinese investment loans, it is imperative that studies carry out ongoing research

to establish the impact of these loans and the likely risks to the borrowing country, as well as recommending ways to manage these risks. Given this analysis, we seek to ascertain the risks associated with Chinese loans to the recipient countries in Africa.

This investigation forms research question 4 of the thesis.

7.3. Methodology for the analysis of Chinese loans and risks

We use secondary data analysis and complement it with field study insights to derive conclusions for research question 4. Data is sourced from case study projects of selected African countries, World Governance indicators, IMF Policy Press Releases, debt sustainability statistics and a primary field study conducted in 2021-2022. The analysis covers 48 African countries with a detailed focus on the four sample countries for the period 2000-2020.

7.4. Findings analysis of Chinese loans and risks in Africa

7.4.1. Introduction

This section presents the findings from the investigation of risks arising from Chinese loans. First, the analysis investigates Africa as a whole and, thereafter, each sample country is individually analysed.

7.4.2. Findings analysis of Chinese loans and risks – Africa

(i) Introduction - Africa

Many countries rely on external debt to support its finance for several developmental projects. Usually, if the sourced debt is optimally utilised and well managed, the benefits from it propel the economy to improved economic growth. However, if there are any issues regarding the sourcing, utilisation, and management, it can diminish benefits and create certain risks to the economy. The discussion below highlights the risks that have arisen from Chinese loans to Africa generally and to the individual sample countries.

(ii) Market risks - Africa

Market risks are risks that derive from the changes in the performance of the financial markets. Since most loans that China extends to African countries are denominated in US$, changes in market and interest rates result in higher repayment premiums than previously planned. Additionally, depending on how economies perform, central banks have sometimes increased interest rates in times of high levels of inflation: these increases have filtered down to increased repayment premiums of acquired loans. Since many African countries have high levels of debt, in these circumstances, many have struggled to maintain timely loan repayments, and some have needed to liquidate short term assets to meet the repayments (Ndikumana, and Boyce, 2021). Additionally, with such issues arising, countries that struggle to repay the loans have had their credit ratings dropped, resulting in difficulties with those seeking loan restructuring and some even struggling to access certain loan markets (CABRI, 2022).

(iii) Debt negotiation process – Africa: Imbalanced

Debt negotiation is predominantly dependent on the nature of the country's quality of governance. Where there are good governance systems, they are more likely to have clear procedures and guidelines for certain aspects such as loan negotiations. The stronger the governance, the better the loan negotiation outcomes, and vice versa. Data from the World Bank's Worldwide Governance Indicators shows that, across all indicators under this framework, Africa's scores have, to date, not risen above a percentile rank of 50 (World Bank, 2023). This is indicative of poor governance and signals towards poor foundations for debt negotiation strategies, which are likely to lead to systemic risks for Africa. Such weaknesses compromise the recipient countries' competence, especially in negotiations where a lack of competent legal consultants to scrutinise the loan contracts and negotiate clauses makes them less capable of representing themselves optimally. Additionally, some authors such as Chen, Dollar, and Tang, (2018) have found that China tends to engage with countries with poor governance systems and this could imply that it takes advantage of countries that do not have the capacity to squarely negotiate for optimal loan contracts. Furthermore, in most China-Africa negotiations, the loan contracts are usually prepared by Chinese representatives and signed off in Beijing: the fact that African representatives are invited to China

already gives China an upper hand in the negotiations. More so, the time that the Chinese government allows its African government counterparts to review the contracts is usually about two weeks, around the time when they get invited to China. Ideally, two weeks is not sufficient for representatives of the recipient country to review loan contracts that have major impacts on the economy and be serviced for quite a number of years (Interview 202222).

(iv) Debt opacity and odious debt - Africa

Debt opacity is a situation that occurs when there is non-transparent lending and borrowing that result in debt that is not properly recorded and tracked. Odious debt, on the other hand, is sovereign debt that is agreed by the leaders of the respective governments without the consent of the people; in other words, it is sovereign debt that has not been scrutinised by the respective country's legislature to ascertain the need for that loan, as well as its allocation and repayment arrangements. One of the most notable examples of odious debt was in Congo (formerly Zaïre), where the then President Mobutu secured more than $12 billion of sovereign debt but diverted it to his personal accounts (Ndikumana and Boyce, 1998).

When debt is not transparent or contains non-disclosure clauses, many countries that become recipients of additional external debt may do so without full awareness of their ability to repay the loans, which can lead to debt crises. In fact, many of the loans that have been agreed with confidentiality clauses have inherently been provided by China thereby undermining debt transparency and accountability (Gelpern *et al*., 2021). Additionally, some of the loans agreed between China and respective African countries have not followed the legitimate negotiation procedures (Gebregziabher and Sala, 2022). Whilst reacting to the big squeeze that poor countries must endure to keep up with debt amortisation, Senior Vice President, and Chief Economist of the World Bank Group, Indermit Gill, said that "*Complete, transparent debt data improves debt management. It makes debt sustainability analyses more reliable. And it makes debt restructurings easier to implement, so that countries can return quickly to economic stability and growth. It is not in any creditor's long-term interest to keep public debt hidden from the public*" (World Bank, 2022a). This is especially important in the era where substantial amounts of debt are unreported; for example, between 2017 and 2021, the International Debt Statistics (IDS) database identified US$ 675 billion of previously unreported loan commitments in poor countries, which totals up to more than

17 percent of the total outstanding public and publicly guaranteed debt stock in 2021 (World Bank, 2022b). Additionally, a new dataset by AidData reports that 13,427 Chinese development projects that are worth US$ 843 billion show significant increases in hidden debt, as well as problems in the implementation of the One Belt and One Road Initiative (Malik *et al*., 2021).

Moreover, there has been a notable increase in the scale of loans that are extended by state-owned companies, state-owned banks, and state-formed special purpose vehicles. Debt that is extended via these means does not usually reflect on the central government's balance sheet: this creates problems in the allocation of funds for debt repayments. Saldinger, (2021) reports that there is unreported debt worth about US$ 385 billion that requires an average annual repayment liability of about US$ 40 billion to China on the BRI projects, which equates to about 5.8 percent of China's gross domestic product. To mitigate rising risks, Chinese enterprises require loans to be collateralised: the lending terms and conditions for such loans usually attract higher interest rates and shorter repayment periods (Saldinger, 2021). From the above statistics, unreported debt accrues to substantial percentages that could easily lead the recipient countries into debt crises.

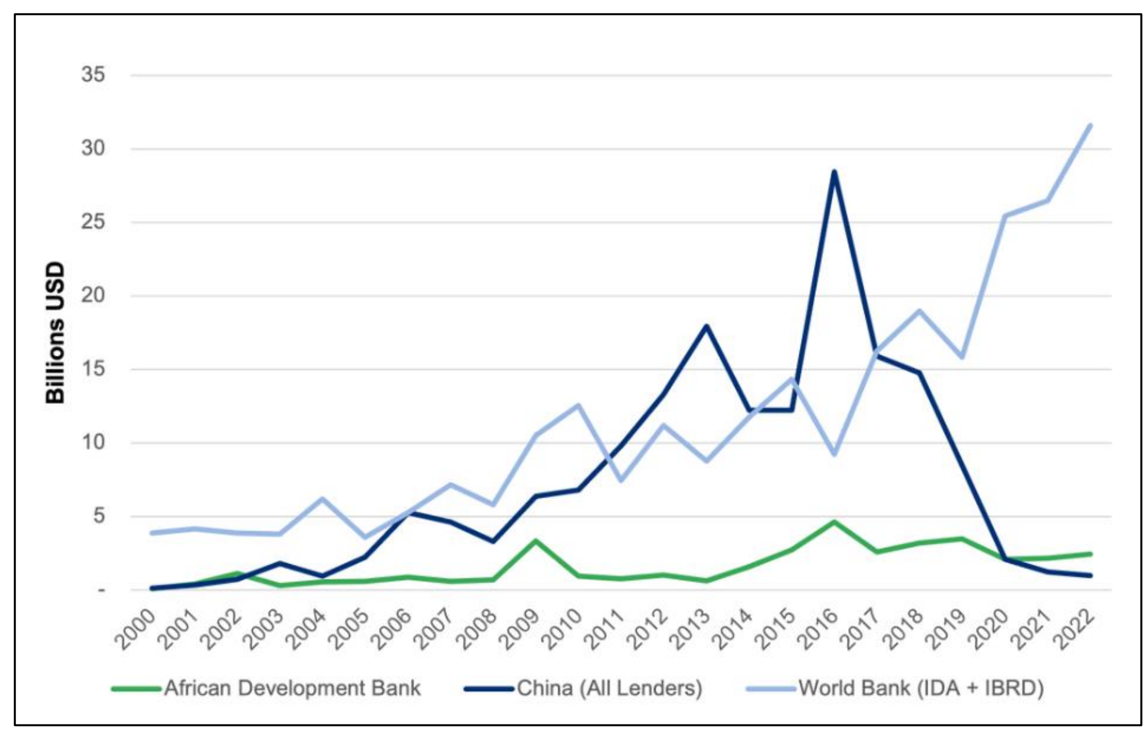
Additionally, a worrying situation developing from the commercial loans is that whilst loans from state to state are covered by sovereign immunity, commercial loans are not. This follows the Sovereign Foreign Immunities Act of 1976 that was passed by the United States Congress, giving private claimants legal standing when instituting a suit against sovereign states in commercial transactions. This law has since been adopted in many countries and sovereigns that enter such commercial transactions are subject to civil suits (Bett, 2018). Seeing that the scale of commercial loans is on the rise across the African continent, governments need strong legal support and institutional frameworks that ensure that debt is negotiated and agreed on terms that minimise negative effects in recipient countries. However, it is important to note that on China's side, sovereign immunity covers all acts undertaken by or on behalf of the People's Republic of China.

(v) Debt sustainability and debt distress – Africa

Over the decades, external debt has been utilised in all African countries to fund developmental projects and promote growth and development across the continent. Most of this debt is tracked using the World Bank's International Debt Statistics (IDS) that tracks public and publicly guaranteed (PPG) external debt that is guaranteed for repayment by the government bodies

(World Bank, 2023e). This database ascertains how sustainable a country's debt is and provides guidance for debt management to avoid debt distress. According to this database, all the 48 African countries that are considered in this thesis frequently update their debt data, which contributes to ascertaining external debt related risks. For example, data from 2021, shows that the average debt-to-GDP ratio in these countries was 24.4 percent; however, in 8 of these countries, the ratio was above 50 percent (World Bank, 2023). These percentages can be seen in Figure 7.1, where for the period 2000 to 2020, Chinese loans have in some years paralleled or overlapped loans from the World Bank.

Figure 7.1: Comparison of Sovereign Loans to Africa from different lenders



Source: Chinese Loans to Africa (CLA) Database, 2023. Boston University Global Development Policy Center.

Due to varying needs for external debt, the external debt stocks are distinctive to each recipient country, but generally all countries tend to utilise both public and private creditors. Under these two categories, there are various creditors: for example, bilateral creditors, multilateral creditors, commercial banks, and bonds etc. A study by Wang and Xu, (2023) finds that in many African countries, the highest debt stocks are owed to multilateral creditors accounting for 33

percent of the total debt followed by debt to bondholders accounting for 30 percent, while debt to bilateral creditors accounts for 23 percent.

Additionally, data from the 48 African countries shows that, in most of these countries, external debt to China varies between 9.8 percent and 20 percent of the total debt stocks; however, in some countries, this ratio can be as high as over 50 percent (World Bank, 2022e). Whilst external debt ratios to GDP that are benchmarked at 35 percent, 55 percent and 70 percent for weak, medium, and strong economies respectively may be deemed sustainable in respective countries, if it goes over those ratios, it becomes unsustainable, and it could lead to debt distress (IMF, 2018c). As seen above, by June 2023, 8 African countries had debt to GDP ratios of over 50 percent which is unsustainable. When compared to other continents as seen in Table 7.1, China has extended quite a high amount of loans to Africa. Africa at 25% of Chinese funding is second to Asia at 29% and just ahead of America at 23% (Malik et *al*., 2021). These figures have debt sustainability implications for Africa.

Table 7.1: Chinese official finance by region, 2000-2017

Region	Project count	% of project count	Total USD 2017 billions	% of USD 2017 billions
Africa	5,152	47%	207.4	25%
America	1,284	12%	192.3	23%
Asia	2,801	26%	245.7	29%
Europe	521	5%	150.2	18%
Middle East	340	3%	36.2	4%
Multi-region	25	0.2%	0.1	0.01%
Oceania	726	7%	11.1	1%
Total	10,849	100%	843	100%

Source: Malik et al., (2021)

As a result of various economic and policy related issues such as Covid-19, Russia-Ukraine war etc, in the recent years, many African countries have struggled to maintain timely debt repayments and, as of June 2023, 22 African countries including Zambia, one of the sample countries, were reported to be in debt distress or at high risk of debt distress (IMF, 2024). As previously mentioned in Chapter 2, there have been accusations that China is sending many of the African countries that are in receipt of its debt into a debt trap leading to debt distress. Moreover, findings from our field

study in 2021/22 echo these sentiments. When asked if China was sending some of the recipient countries into a debt trap, a response from one of the interviews from a development agency in one of the sample counties expressed that, "*Absolutely, that is actually part of their foreign policy. It is an aggressive form of neo-colonialisation, and I think not just in Africa but also elsewhere in the world including the United States itself which actually owes China a lot of money so China is using the current economic muscle to subjugate majority of countries - not just in Africa - and they specifically target countries that are in the worst possible economic state. They will not help a country like Sweden that has money; if Sweden wants to construct a road, then they would want a loan for that road, China knows Sweden can pay back, so they would rather deal with a country that is desperate, so it is actually part of the foreign policy*" (Interview 202210).

While on the surface of it, it looks to be true, some studies by Brautigam, (2020); Singh, (2020); and Brautigam *et al*, (2022), as discussed in Chapter 2 section 2.3.4 have debunked these claims. However, this does not mean that China is not contributing to the debt distress in any capacity.

(vi) Conclusion - Chinese loans and risks - Africa

Overall, from the discussion, Chinese loans pose certain risks to recipient countries. Risks span from debt opacity, debt sustainability issues, and debt distress, market risks and increasing costs of borrowing. Additionally, country borne risks including poor institutions lead to poor debt negotiations that impact effective loan management. The lack of standardised procedures when securing loans from China means that the nature of the recipient country determines the debt negotiation process and later, debt management: the poor the governance, the higher the risks. It is imperative that all countries, African or not, strive to agree to loan contracts that have minimal or no confidentiality clauses so that debt is easily recorded and tracked. Additionally, those that are in receipt of external debt should participate in providing regular debt statistics to maintain debt sustainability and avoid debt distress. Furthermore, African recipient countries are advised to strengthen their governing institutions for better laws and policies that safeguard and enable them to source for sustainable debt for economic growth. To gain more insights into the risks arising from external debt, below is a discussion of the risks that have arisen in the sample countries.

7.4.3. Findings analysis of Chinese loans and risks in Kenya

(i) Introduction - Kenya

The need for funding and the availability of the credit markets enables borrowers and lenders to meet and negotiate for finance. Kenya has been a borrower in credit markets, and it is one of the African countries with the highest debt stock from China. The high levels of debt have had consequences for Kenya, and some risks have arisen that could potentially undermine the benefits from the loans as discussed below.

(ii) Kenya Market risks - High

Kenya's high external debt stock has required high levels of debt maintenance, which has had an impact on various aspects. Kenya has suffered from the poor decision making of its leaders who, in some cases, prioritised presidential elections over long-term strategy for the country. The period between 2013 and 2020 saw an increase in Kenya's debt-to-GDP ratio from 42 to 69 per cent (Chatham House, 2023). One example of this external funding is a contract for the construction of the Standard Gauge Railway (SGR) whose loan agreement is denominated in US Dollars and based on a floating exchange rate. The nature of the loan agreement has caused repayment burdens for Kenya, especially since the Kenyan Shilling has declined in relation to the US Dollar in the last few years. Kenya managed to successfully apply to the G20 Debt Service Suspension Initiative (DSSI) in 2020; however, its support was restricted by China to the first half of 2021 (Chatham House, 2023). These conditions have also resulted in Kenya's failure to access certain markets, and Kenya has had to make the difficult choice of accessing costly syndicated loans to support its finance inflows (Reuters, 2024). Also, with the SGR continuing to underperform, debt repayments have become burdensome for the Government of Kenya, meaning that they must source for funds from the Treasury to maintain timely loan repayments. This problem has been exacerbated by the high levels of inflation and currency depreciation, which means that the loan repayments amounts in KShs have increased exponentially, making it more difficult for the Government of Kenya to effectively service Chinese loans (Chatham House, 2023).

(iii) Kenya Loans negotiation process – Imbalanced

The way some of the contracts were awarded to Chinese contractors in Kenya signals imbalanced loan contract negotiations. For example, regardless of the previous feasibility studies from the Canadian Pacific Consulting Services, (2009) and the World Bank, (2013) showing that the proposed SGR project would not be financially viable, in 2009, China Road and Bridge Corporation (CRBC), signed a memorandum of understanding with the Kenya's Ministry of Transport to undertake a free feasibility study with designs of the SGR on condition that only them and the Government of Kenya would make use of the feasibility findings (National Assembly of Kenya, 2014). In 2011, CRBC feasibility study findings showed that the SGR would be profitable. Further conditions of the feasibility study provided CRBC with more favourable procurement terms were it to be granted the construction contract. Given the positive feasibility results, in 2012, Kenya approached China for a loan to undertake the SGR project and the contract was agreed, with CRBC as the main contractor (Otele, 2021). The contract however, contained some unfair loan clauses. For example, the SGR contract not only enabled Chinese contractors to run the SGR but also provided the train drivers for a longer period than would otherwise be permitted in similar circumstances. Although the necessary training to drive the trains was given to Kenyan nationals, a study by Wafula, (2018) finds that, by 2018, a year after the SGR inauguration, the newly trained drivers had not got that chance to drive the trains; instead, the Chinese drivers drove them. Additionally, the Kenyan nationals at the time were not trained to manage the monitoring centre, the signal system, or the dispatching rooms. Also, there have been reports of ill treatment of Kenyan trained nationals by Chinese experts. These limitations hampered the skills transfer that should have ideally taken place had the expected conditions been followed (Wafula, 2018).

Such shortcomings are indicative of the state of governance within the country and, this is evident in the case of the SGR, where the government did not have clear guidelines on local content, and it was only after the outcry of trade unions that the Government of Kenya allocated 40 percent of the Phase One SGR project construction to Kenyan locally registered companies (Otele, 2020). Furthermore, during the field study that we conducted in 2021/22, there was unison from the interviewees about the issues surrounding enforcement of some of the conditions that the loan contracts set out. In other cases, the local companies that win the local content contracts were not in position to contribute to the project to the expected level of expertise and, in some cases, this led

them to subcontract their share of the project to more experienced Chinese companies already operating in the country (Interview 202208). All these shortcomings do not reflect well on Kenya, and one could conclude that the Government of Kenya considers that the benefits of the SGR for the wider population (through having a more efficient transport link), meaning that whether local citizens and companies are involved is less important.

(iv) Kenya Debt opacity and odious debt - High

As is the case across Africa, the Government of Kenya has, in recent years, agreed to debt that is not negotiated or reported through legitimate and expected channels. Regarding public finance in Kenya, Article 12 of the Constitution of Kenya provides guidance under the Principles of Public Finance Management. Article 201 also states that public finance should be handled with openness and accountability which includes public participation. It stipulates that sovereign loans should be sourced and managed in a manner that equitably allocates burdens and benefits across its present and future generations and audited in accordance with the principles of public finance management. Debt that is agreed on terms other than the above shall be classified as illegitimate debt and it should not be encouraged since it tends to carry unfair terms and conditions, may not benefit all the intended citizens, may be converted from commercial debt to public debt for quicker settlement or may be agreed with the creditor's knowledge that the recipient country may not afford the debt amortisation etc. (Kenya Debt Abolition Network (KDAN), 2021).

Although the constitution provides for debt transparency and accountability, these provisions are sometimes overlooked. For example, the contract for the SGR has attracted the most attention, with some arguing that the contract was agreed on illegitimate terms. For example, contracts for the main contractor and sub-contractors did not follow competitive bidding processes (Otele, 2021). Additionally, the Government of Kenya was initially hesitant to reveal the SGR contract. Although the then President Uhuru in 2019 promised to make the contract public, it was only in 2022, after he had left office, that the contract was made public (The East African, 2022). The reluctance to make the contract public was due to the non-disclosure terms of the contract. This view is shared by 59.7 percent of the citizens surveyed in the 2021/22 field study, in which they voiced their concerns about the partnership between China and Kenya being controversial. Additionally, 81.2 percent of the surveyed citizens thought that China may be leading Kenya into a debt trap, especially through the

non-disclosure terms of the loan contracts. Most of them also said that funding from China is geared more towards exploitation of recipient countries and extraction of natural resources than towards a win-win arrangement. 41.4 and 32.8 percent of the surveyed citizens strongly agreed and agreed respectively that China's presence in Kenya is to extend its political influence on the African continent.

In 2021, the Kenya Debt Abolition Network (KDAN), a social movement that campaigns for the abolition of Kenyan illegal, illegitimate and odious debts through evidence-based processes, hosted a Kenyan Debt Dialogue. The Dialogue cited failures for the Government of Kenya to curb its appetite for external loans regardless of the current debt levels that are deemed unsustainable. There has also been criticism regarding the way that the Government of Kenya handles debt matters; for example, the 2005/06 budget had allocated 22 percent of its spending towards debt amortisation, an amount that was found to be four times that allocated to the health sector. The same trend has been reported in other African countries, where more substantial amounts of the national budgets are allocated towards amortisation of old illegitimate debts than the allocations for vital social services (Mader and Rothenbühler, 2009). The Kenya Debt Abolition Network (KDAN), (2021), through their Citizen Debt Audit (CDA), advocates for transparency in the external debt discussions to ensure that public and private debt is legal, legitimate, and sustainable.

With the controversies that are reported between the China and Kenya partnership, from our 2021/22 field study, citizens expressed that Kenya should address its corrupt practices and unfair competition in dealing with trade partners, reduce its engagement with China, restrict Chinese imports, diversify external creditors, and invite the identified partner countries into Kenya for negotiations and encourage inter-trade with those countries. Moreover, many proposed for the Government of Kenya to encourage transparency and find ways to sustain itself, thereby limiting the exposures of external debt. To enhance debt management, 88.6 percent of the surveyed citizens expressed that a supervisory body that oversees bilateral loan negotiations across the continent would be beneficial. Such a body could be overseen by the AU and managed under the East African Monetary Union (EAMU). However, insights from some of the interviewees are against the supervisory body, citing that it would undermine sovereignty across African countries (Interview 202216, and Interview 202218).

It is important to note that the Government of Kenya has made efforts in joining partnerships such as the Open Government Partnership (OGP) with the aim of strengthening it governance structures and promoting transparency, accountability as well as citizen engagement (OGP, 2024). Kenya has been a member since 2011.

(v) Kenya Debt sustainability and debt distress - High

In recent years, there has been significant increases in public debt in Kenya. This increase resulted from public spending on infrastructure projects, as well as the allocation of resources towards the management of Covid-19. By the end of June 2023, Kenya owed various percentages of debt to external lenders; for example, 29.9 percent to the International Development Association (IDA), 19.0 percent to International Sovereign Bond holders (ISB) and 16.8 percent to the Government of China (The National Treasury and Planning, 2024b).

Following the Debt Sustainability Analysis (DSA) in September 2023, Kenya's public debt remained sustainable. However, economy was still under potential risks arising from exchange rates and export shocks that are likely to have an impact on the entire economy. Resulting from the identified risks, the Kenyan economy struggled to maintain timely loan repayments and by January 2024, IMF classed Kenya as being at high risk of debt distress (IMF, 2024). Annual debt amortisation to China alone is estimated at around US$ 1 billion, and the current President Ruto has promised to hold talks with China about debt repayments. By the end of 2020, the US Dollar was the dominant currency denomination at about 66 percent of total external debt, followed by the Euro at about 19 percent. With the base currency being the US Dollar, the decline in the value of the Kenyan Shilling has resulted in higher debt amortisation costs, which saw an increase of about 25 percent in a few months from the start of 2021 to the end of the first quarter of 2021 (AfDB, 2021).

Although debt amortisation costs are increasing, Kenya is determined not to default on its debt, and it has the assurance of its foreign reserves, which are valued at US$ 7.5 billion (CBK, 2023). Views from our 2021/22 field study show concern, with 80.6 percent of the surveyed citizens saying that the Government of Kenya is not in a good position to maintain timely debt repayments. Some of the risks arising from increasing debt service costs are failure for the Government of Kenya to access certain international markets and the negative effects on its credit rating. For instance, in May 2023, Moody's downgraded Kenya's credit rating, especially owing to increasing government liquidity

risks. Although Kenya is maintaining its debt repayments, there is a possibility that it may default in the future if the economic conditions do not pick up (Schipani, 2023).

Lately, the scope of Kenya's external debt portfolio has shown a shift from loans from multinational creditors to commercial creditors and non-Paris Club creditors, and these have exacerbated debt amortisation due to their commercial nature and market lending conditions. Since these loans are collateralised, there are chances that the collateralised assets may be seized following debt defaults. In fact, 74.2 percent of the citizens surveyed in 2021/22 voiced concerns that there was a likelihood that Kenyan assets would be seized due to failure to keep up with timely debt repayments. Other risks pointed out during the field study include the concerns about arising economic social and political risks for Kenya; 87.1 percent of the citizens thought that the funding from China is likely to bring about such risks and 48.4 percent saying that they do not think that the government is working towards easing such risks. Moreover, 79.5 percent said that China signs off loan deals without much regard to the environment: this indeed has negative effects on the economy of Kenya in the future. One interviewee highlighted the issue of risks that "*I think it would bring about some risks, especially if the cost-of-living increases in the future through increase in taxation, because recently there have been some online petitions that have been going on in Kenya in the last few weeks about people complaining to the government to decrease the cost of living, prices of most commodities are skyrocketed. So, if we continue with this trend, I think it would lead to a situation where people might also demonstrate about it and that will breed social, political, and economic risks*" (Interview 202216).

As Kenya has struggled with debt repayments, allegations about asset seizures by China arose. In 2018, the Auditor General's Office is alleged to have raised concerns that, due to low returns from the SGR, the revenues of Kenya Ports Authority or even the port itself would be used to guarantee repayment to China Exim Bank if the SGR returns were to fall any further and lead to defaults on its loan repayments (Standard Media, 2018). Regardless of media outcry, the then Government of Kenya did not disclose the details of the loan contract due to its confidentiality clauses. Following the change in governments, Kenya's new government released the financing agreements in 2022 (Reuters, 2022). Although the documents did not contain any clauses that indicated that Kenya Ports Authority was collateral for SGR, they highlighted the clause about a Take or Pay agreement whereby revenues from its operations are used to pay for the SGR loan repayment in case of low revenues from the SGR

(Brautigam *et al*, 2022). Such a clause may still have controversial implications for Kenya. As public debt mounted due to challenging economic times, China froze some of its disbursements to Kenya's local projects and in 2021, the Government of Kenya sought debt service suspension; however, it later withdrew the application to save its partnership with China after it realised that the Chinese banks were unhappy with the move (Business Daily, Africa, 2021).

Given the arising risks, the Government of Kenya has pledged to manage fiscal risks. For example, it created the Fiscal Risk Committee (FRC) that is tasked with managing and mitigating fiscal risks across the public sector to improve Kenya's debt sustainability (IMF, 2022b). Additionally, to improve debt sustainability, the Parliament of Kenya recently approved the transitioning of the debt ceiling from 10 trillion shillings in absolute terms to 55 percent of GDP in present value terms (Reuters, 2023a). With the changing exchange rates, the percentage framework, rather than the absolute terms framework, would ensure that the economy of Kenya stays in tune with the changing economic conditions and does not get overburdened through increasing debt amortisation from exchange rate changes.

(vi) Conclusion - Chinese loans and risks in Kenya

Overall, the analysis shows just how important it is that external debt is well sourced, negotiated, and managed. Kenya has high levels of Chinese debt arising from poor decision making, poor negotiation and poor debt management. This has resulted in a few risks for Kenya that will require a good update of governance institutions and policies to cater to better loan management.

7.4.4. Findings analysis of Chinese loans and risks in Senegal

(i) Introduction Senegal

Senegal currently has the least amount of Chinese loans of all the sample countries. From these loans, Senegal has managed to invest in developmental projects that have facilitated its timely debt repayments. However, in recent times, Senegal has suffered a few shocks such as increasing commodity prices and spouts of political instability from its neighbouring countries. Additionally, with the worldwide economic slowdown, Senegal suffered weaker external and domestic demand, but

this is predicted to improve due to the exploration of hydrocarbons whose exports started in late 2023 (IMF, 2023a).

(ii) Senegal Market risks - Low

Just like Kenya, Senegal has recently battled challenging economic times that have resulted in the downward revision of its growth projections for 2023 from 5 to 4.7 percent. It has also been hit by rising inflation averaging around 8.5 percent, resulting from increasing commodity prices and domestic food prices, coupled with the appreciation of the US Dollar (IMF, 2023a). Additionally, Senegal's low revenues have resulted in its decision to service its deficit using external borrowing, although most of this borrowing is extended by IMF and World Bank, which have better loan structures than Chinese lenders especially in debt restructuring (IMF, 2023a).

Of the sample countries, Senegal has shown better loan management and its exposure to risk arising from Chinese loans is currently minimal. For example, the Government of Senegal committed to a fiscal deficit at 6.2 percent of GDP in 2022 and to below 5 percent of GDP in 2023. Additionally, Senegal has improved its transparency and accountability with the aim of addressing expenditure management weaknesses and promoting more open and competitive tenders (IMF, 2023a).

(iii) Senegal Loans negotiation process – Fair

Senegal has performed far better than the other sample countries and its African counterparts in debt negotiations with China. This is evident in the higher performance in the Worldwide Governance Indicators and notable improvement in its government effectiveness (World Bank, 2023), which partly explains why Senegal has managed to negotiate and service Chinese debt effectively. Also, from our field study in 2021/22, an interview with a representative of a road works and management agency expressed that the agency ensures that the projects that are negotiated and agreed between Senegal and foreign contractors have a good number of Senegalese engineers ready to work on the project. The engineers are trained in specialist skills and are called upon to engage in the ongoing projects (Interview 202104). This is a stark difference between Senegal and other African countries, where most or all the experts are provided by the foreign contractors hence driving up project costs.

(iv) Senegal Debt opacity and odious debt - Low

Senegal has fared quite well in comparison to its sample countries. Although the DSA 2023 found that Senegal still had some shortcomings, especially with regards to aspects of natural resources management such as postponement of oil and gas exploitation further to late 2024, overall, it has better loan negotiations processes than the other three sample countries: this is due to its arrangements to improve the process of public tendering that minimises reliance on unsolicited bids (Davis and Mihalyi, 2021). Furthermore, in 2022, the Government of Senegal started publishing forecasts for oil and gas revenues in addition to the publication procedures for resource extraction contracts currently in place. The Government of Senegal heavily invested in data collection and open procurement systems and, since 2018, it has also been a member of the Open Government Partnership (OGP) that uses new technologies to strengthen governance and promote transparency, accountability, and citizen engagement (OGP, 2024). These measures have helped the Government of Senegal to gain the trust of its citizens; for example, only 13.2 percent of the citizens surveyed in the 2021/22 field study said that the partnership between China and Senegal is controversial and only 18.7 percent of the surveyed citizens thought that China may be leading Senegal into a debt trap. Most of the respondents thought that China is partnering with Senegal to gain a market for its imports, access natural resources for its industries and to trade with Senegal to become a significant future trade partner. Additionally, 12.2 percent and 39.9 percent strongly agree and agree respectively that China is using investment loans to extend its political influence over the African continent.

However, regardless of this positive outlook, there is still opacity in areas such as data on tax expenditures, public investment, fiscal risks, and government liabilities that are related to Public-Private Partnerships (PPPs), which accounts for a substantial percentage of 6 percent of GDP. Additionally, Senegal could improve its opacity regarding its development and strategic investment fund, Fonds Souverain d'Investissements Stratégiques (FONSIS), that will be used to hold resource wealth funds from the oil and gas extraction. This information will be useful in ensuring transparency and accountability of natural resource management to the citizens and CSOs in Senegal (Davis, and Mihalyi, 2021). To enhance debt management, 85.9 percent of the surveyed citizens in the 2021/22 field study express that there should be a supervisory body that oversees bilateral loan negotiations

across the continent, a view that is shared by most of the interviewees too. Such a body could be overseen by the AU and managed under the West African Economic and Monetary Union (WAEMU).

(v) Senegal Debt sustainability and debt distress - Low

By June 2023, Senegal's overall public sector deficit was estimated to be 4.3 percent of GDP, and the current account deficit was estimated to be 13.3 percent of GDP in 2023. Senegal's stress test using the composite indicator resulted in a score of 3.15, which indicates that Senegal's debt carrying capacity is strong and its public debt remained sustainable (IMF, 2023c). At a time when many African countries witnessed the devaluation of their currencies due to slow economic growth and the after-effects of Covid-19, Senegal witnessed some favourable exchange rate movements as the US Dollar depreciated against the CFA Franc/Euro[2] (IMF, 2020). As of 2021, Senegal's largest external public debt creditors were multilateral creditors at around 42 percent of its total external public debt, followed by Eurobond holders at around 30 percent of the total external public debt and lastly the bilateral creditors at around 22 percent of the total external public debt. Looking in more detail at the bilateral loans, one third of the total bilateral loans were extended by Paris Club members; however, more than 42 percent of the total bilateral debts were extended by China (Raga, Ayele, and Willem te Velde, 2022).

Regardless of this positive outlook, as of July 2023, IMF classified Senegal as being at moderate risk of debt default (IMF, 2024). This follows its external debt analysis in 2023 that identified that if Senegal were to experience extreme shock, it would have limited scope to absorb shocks, and Senegal was advised to gradually reduce total public debt and maintain the regional target (IMF, 2023c). Additionally, the DSA found that Senegal's debt service accounted for about 30.5 percent of its total revenue which would essentially limit its fiscal space to allow for additional expenditures that would be needed to support the economy's recovery. Since most, if not all loan contracts with China come with non-disclosure terms and conditions, the citizens expressed concern over these terms in our 2021/22 field study, with 65.5 percent saying that Chinese loans are likely to pose economic, social, and political problems for Senegal. Additionally, 53.6 percent also say that China does not place emphasis on environmental factors before and during project implementation:

[2] The CFA Franc is pegged to the Euro.

this is likely to create environmental problems for Senegal in the future. In this regard, 80.2 percent of the surveyed citizens said that the Government of Senegal is also not administering measures to counter these risks. Other risks that would likely spill over into Senegal are the effects of regional insecurity and natural disasters that would increase the debt amortisation amounts, as well as the prolonged periods of low world oil prices that would have a knock-on effect on the planned investments in the oil and gas sector (World Bank, 2021).

With China's current significant position in debt financing in Africa, the citizens of Senegal propose that Senegal should ensure that it does not overly rely on China and invite other trade and investment partners into the country for negotiations, restrict China's imports into Senegal and promote local Senegalese products to the identified trade partners. Additionally, they propose that Senegal should respect the current cooperation agreements with other countries, encourage local finance creation (domestic funding) and ensure that the effectiveness of skills transfer is provided for in the loan contracts.

The Government of Senegal has identified public debt, and guarantee risks, and it has put measures in place to mitigate these risks; for example, 40 percent of Senegal's public debt is denominated in US Dollars to counter the substantial depreciation of the CFA Franc against the US Dollar. Additionally, with the high foreign currency debt, Senegal manages this exposure through the benefit of the pooled reserves under West African Economic and Monetary Union (WAEMU) (Raga, Ayele, and Willem te Velde, 2022).

(vi) Conclusion - Chinese loans and risks in Senegal

Overall, the Government of Senegal has so far maintained good debt management. However, since the economy of Senegal is still under fiscal strain, it is advised that it adopts a British-type golden rule, whereby borrowing is prioritised for investment projects that would appropriately make use of public debt and guarantee revenue collection towards debt amortisation (Niang, 2018). With such measures in place, Senegal is likely to stay in control of its public debt amortisation and avoid debt distress.

7.4.5. Findings analysis of Chinese loans and risks in Uganda

(i) Introduction - Uganda

Uganda has been China's partner for decades now and although the partnership has been good over the years, allegations have arisen that the recent loans that Uganda has sought from China are likely to result in certain risks for Uganda (Voice of Africa, 2022). Uganda is one of the countries that have signed loan contracts with China in the years following the Covid pandemic era. It is also one of the countries where there have been allegations of asset seizure.

(ii) Uganda Market risks - Medium

As Uganda continues to service Chinese loans, there are fears that a combination of the loan contracts the Government of Uganda has signed with China and the projects that the loans have funded have resulted in its inability to service the loans effectively. Uganda's economy has not registered enough stimulation from the loans to propel economic growth from which revenues would contribute to loan repayments (Voice of Africa, 2022). Additionally, although not related to China, the recent Anti-Homosexuality Act that Uganda passed has resulted in the World Bank halting funding to Uganda, which leaves it at the mercy of other lenders such as China for development finance (World Bank, 2023f). In 2023, it was reported that, following the World Bank's decision, Uganda approached China's Export Import Bank (Exim) for a loan of US$ 150 million to expand its internet infrastructure (Biryabarema, 2023). This further contributes to the increasing loans that China has extended to Uganda that could bring about future risks of debt distress.

(iii) Uganda Loans negotiation process – Imbalanced

Governance frameworks lay a foundation on which procedures for external debt negotiations are drawn and if these are poor, they negatively impact the loan negotiation process. As seen in Chapter 4, section 4.4.5, the Government of Uganda does not currently exercise full agency in loan contract negotiations. In the investigation of Uganda's dealings with China, we find that the case of imbalanced loan negotiations processes has been documented. For example, the Government of Uganda signed off the contract for the expansion of Entebbe International Airport without analysing the contract clauses carefully. Upon realising that the loan contract contained unfavourable loan

conditions, under which it had inadvertently surrendered sovereign immunity over the airport assets, mainly Entebbe International Airport, the Government of Uganda sent a delegation to China for renegotiation, but China thought that there was no need to revise the contract (Mugerwa, (2021). In reference to Game Theory, under cooperative game settings, both parties are supposed to be in a win-win situation, but one can argue that this does not seem to be the case here and such conditions are likely to lead to debt distress problems.

(iv) Uganda Debt opacity and odious debt – Medium

The Government of Uganda has made promising progress in enhancing debt transparency and accountability in the last few years. Under the guidance of the Public Finance Management Act (2015), debt data is collated to a commendable level and Uganda regularly participates in the World Bank's Debt Management Performance Assessment (DeMPA). Additionally, the Ministry of Finance Planning and Economic Development (MoFPED) promotes transparency by collating, reporting, and publishing data on explicit and implicit debt obligations, its debt management strategy, as well as the DSA on an annual basis (Stucka, Sebudde, and Walker, 2021). Although Uganda has most of the systems, procedures, and guidelines for external debt management, these are in some cases not followed accordingly.

The levels of debt opacity and odious debt are dependent on governance and institutional quality; if the country has good governance, it lays ground for better institutions, thereby ensuring that there are guidelines in place for external debt negotiations. However, in countries where the governance is poor and the political climate is not stable, there are likely to be instances where rules and procedures are undermined. For example, the case of the Entebbe-Kampala Expressway was one project whose quoted cost of construction is incomprehensible, and some have argued that one of the reasons why project costs were inflated was the failure to choose the contractor through competitive bidding (Biryabarema, 2018).

With regards to odious debt, there have been allegations that some of the loan contracts agreements have been reached without following legitimate channels. Going by the description provided by Sack, (1927), odious debt is referred to as debt that is incurred by a repressive government and is not focused on its citizens' needs. Such debt only applies to that particular government and a successive regime can refuse to service it due to its illegitimate terms. Serumaga,

(2018) argues that most of Uganda's debt may be classed as odious debt since the government has portrayed incompetence in public finance management and fails to follow the set procedures and guidelines at times.

In 2015, the then Opposition Leader Kizza Besigye wrote an opinion article in which he expressed that the Government of Uganda had agreed odious debts with China and that the citizens should not pay for these debts. In his view, he concluded that the Government of Uganda and China were scheming to exploit Uganda's public resources under the facade of big government infrastructure projects. Although some Uganda citizens commented that Besigye's allegations were wrong, some have argued that, depending on the basis from which the loan contracts were agreed, there may be a possibility that some debts could be classed as odious debt. This is especially so given the fact that the leader of the current Government of Uganda has been in charge for one of the longest reigns in Africa spanning 38 years, which could indicate that his government has gradually diminished the capacity of the citizens to engage freely in governance matters in the country. Additionally, the similar manner of governance may have progressively weakened institutions that would ideally have oversight over public finance matters (Kibirango, 2016). Due to these fears and reservations about governance in Uganda, 87.7 percent of the surveyed citizens in our 2021/22 field study support the idea that Africa should have a supervisory body that oversees external debt negotiations. Such a body could be overseen by the AU and managed under the East African Monetary Union (EAMU). However, some interviewees are of the view that the African Union (AU) is 'a toothless bulldog' (Interview 202214) and that African regions already have monetary unions in place, and these are better suited than the AU (Interview 202224).

(v) Uganda Debt sustainability and debt distress - Medium

To fulfil the requirements of the Public Finance Management Act (2015) and the Charter for Fiscal Responsibility, the Government of Uganda conducts an annual exercise on Debt Sustainability Analysis (DSA) that is aimed at ascertaining public debt sustainability both in the short term and long-term periods. Overall, the debt outlook for the economy of Uganda shows that, by June 2023, it was at moderate risk of debt distress (IMF, 2024). Debt amortisation was at 32 percent of total revenue for FY 2022/23 and is likely to stay above 20 percent due to high domestic interest rates and the high costs of external debt.

The DSA also found that Uganda did not have ample space to absorb shocks: any potential shocks could easily worsen its rating to high risk of debt distress (MoFPED, 2023). This would be significant risk since the recent debt contracts that Uganda has agreed have been with China and contain non-disclosure terms and conditions. This risk is also voiced by Ugandan citizens who were surveyed in our 2021/22 field study, with 36.6 percent expressing that the relationship between Uganda and China is controversial and 70.7 percent thinking that China may be leading Uganda into a debt trap. Additionally, 80.5 percent thought that Chinese loans are likely to pose economic, social, and political problems for Uganda. 78 percent of the surveyed citizens say that China does not set stringent conditions and guidelines on environmental factors before and during project implementation, which is likely to create environmental problems for Uganda in the future.

To this effect, only 24.4 percent of the surveyed citizens said that the Government of Uganda is putting measures in place to counter these risks. Additionally, there still exists some weaknesses in the economy of Uganda; for example, there is lack of important annual commitment controls that would help to strengthen public investment management, lack of comprehensive and refined compilation, reporting and publishing of macroeconomic risks (Flynn *et al*., 2017).

Moreover, the Government of Uganda sometimes does not adhere to its fiscal deficit rules; for example, it had set its fiscal balance that included grants to reduce to a deficit of 3 percent of GDP by 2020/21; however, it instead increased to 9 percent of GDP in 2020/21 (Nakato, and Bulime, 2022). This diversion from the intended course of action could signal poor enforcement of the rules, as well as poor monitoring and evaluation of the said rules, which ultimately undermines efforts towards debt sustainability. This lack of control on public finances echoes the results from our 2021/22 field survey, where only 13.9 percent of the surveyed citizens thought that the Ugandan government is well equipped to service loans. Regardless of the weaknesses identified, the MoFPED is nonetheless still committed to mobilising domestic revenue that will increase tax revenues and maintain debt sustainability in the medium term (MoFPED, 2023).

In terms of debt management, although the DSA finds Uganda to be at moderate risk of debt distress, there have been some allegations that Uganda has failed to maintain timely loan repayments to China; for example, in 2019, there were allegations of asset seizure, under which it was alleged that China had taken control of Entebbe International Airport after the Government of Uganda failed to maintain timely loan repayments for the US$ 207 million loan contract that was

agreed in 2015 for its expansion. In fact, 63.4 percent of the surveyed citizens in our 2021 field survey voiced that there is still a possibility of asset seizures in Uganda, with the majority expressing that China's interests in financing projects in Uganda are driven by avenues of trade, market for its imports and exploitation of Uganda's resources. Furthermore, 24.4 percent and 53.7 percent strongly agree and agree respectively that China is using its loans as a way of extending political influence over Africa.

Following the allegations, China firmly rejected the claims, saying that the allegations were intended to tarnish its good partnership with Uganda (Biryabarema, 2021b). With the allegations mounting, two Financial Times journalists undertook an in-depth investigation in which they conclude that, looking at the loan contract for the expansion of Entebbe International Airport, its terms and conditions reflect the predatory nature of lending that some in the West, academics and campaigners have previously highlighted (Hille and Pilling, 2022), and that recipients of Chinese loans may still be at risk of Chinese asset seizures (Orlander, 2022).

Given these allegations, there are proposals for Uganda to diversify its creditors, and views from the citizens in our 2021/22 field survey say that Uganda should identify potential partners besides China and invite them into the country for negotiations. They also express that Uganda should reduce its engagement with China, restrict Chinese imports and promote local products to the identified partners to promote exports growth. They are of the view that European countries should bring in low-cost loans and provide experts to train and monitor the developmental projects and open up to extending certain grants for infrastructure as China is currently doing. Moreover, in 2022, the Parliament of Uganda urged the Government of Uganda to put mechanisms in place to improve the indebtedness to achieve low risk of debt distress (Parliament of Uganda, 2022b).

(vi) Conclusion - Chinese loans and risks in Uganda

Overall, Chinese loans to Uganda have exposed the economy to a few risks that could jeopardise the benefits from the funded projects. Uganda has struggled with timely debt repayments recently and it is one of the countries where allegations of asset seizure by Chinese lenders have surfaced; although both China and the Government of Uganda have denied the rumours, it has to an extent tainted the partnership in the public eye.

7.4.6. Findings analysis of Chinese loans and risks in Zambia

(i) Introduction - Zambia

Of the sample countries, Zambia is China's highest debtor, and this has had a profound effect on Zambia's economy. Zambia's large volumes of loans and the frequency with which it has sought loans from China has posed some challenges in ensuring that it maintains timely loan repayments. Just like Kenya and Uganda, Zambia has also been at the forefront of asset seizure allegations arising from Chinese loans.

(ii) Zambia Market risks - High

Zambia has been in the state of debt distress since 2020, following its default on payments to Eurobond holders. Zambia's economy has suffered low economic output, especially in copper production and agriculture in recent years, and its copper prices remained low (Brautigam, 2021). Despite these challenges, Zambia's economy grew at 4.7 percent in 2023; however, inflation rose from 9.4 percent in January 2023 to 12.6 percent in October 2023 (IMF, 2023b). Although Zambia has to some extent benefitted from Chinese loans (Hampwaye, Carmody, and Ramaloko, 2024), the levels of growth are not high enough to stimulate growth. This is exacerbated by increasing costs of debt amortisation, which has resulted in the vicious circle of borrower issues, where Zambia continues to borrow to fund its debt amortisation costs (International Growth Centre, 2023). It has also experienced certain risks including its restriction from accessing international capital markets (IMF, 2023b), which limits its debt finance options. Additionally, its credit rating for long term default rating has been revised down to CCC+ (Fitch Ratings, 2023b) which inhibits its ability to access debt at the usual market lending rates, thereby increasing its costs of borrowing.

(iii) Zambia Loans negotiation process – Imbalanced

Zambia is one of the African countries that have been adversely affected by excessive external debt. This is partly due to its poor agency and high appetite for debt. Both of these aspects stem from poor governance frameworks leading to poor debt negotiations; exposing the country to unfavourable loan contract conditions, poor debt recording and poor debt management. The

partnership between Zambia and China spans many decades; however, in recent years, many have concluded that the Government of Zambia has lost its agency over its utmost priorities for better economic growth of the economy. In the last few years, the Government of Zambia has exponentially increased its volume of external debt. The findings, which highlight the regressive quality of governance, are supported by studies which find that weak institutions have negative effects on debt negotiations (Cirolia, 2020): this weakens the bargaining power that countries such as Zambia have in debt negotiations. The current situation in Zambia is congruent with existing literature, which finds that there is relatively higher Chinese Outward Direct Investment (ODI) in countries that have weak legal and institutional systems (Chen, Dollar, and Tang, 2018).

(iv) Zambia Debt opacity and odious debt – High

It can be argued that Zambia's debt problems are in part due to its debt opacity. Debt opacity has negative consequences for Zambia; for instance, after struggling to meet coupon payments to bondholders in 2021, Zambia sought an adjustment programme with the IMF, but this was refused on grounds of opacity of Chinese loans. However, the IMF applauded Zambia for taking steps to renegotiate its loans with all its lenders rather than choose to renegotiate with China alone (IMF, 2022). Additionally, between 2015 and 2021, under President Edgar Lungu, there was limited disclosure of some of the loans Zambia agreed with China (Brautigam and Wang, 2021). As discussed in Chapter 4, section 4.4.6, some of the recent China-Africa loan contracts are agreed under the PPP model: governments sometimes create special purpose vehicles under which the loan contract is recorded, and this means that it does not appear on the government's balance sheet. In an investigation into indebtedness in Zambia, in 2021, Brautigam and Wang, (2021) find that the Kafue Gorge Lower Power Development Corporation (KGL) was created as a special purpose vehicle (SPV) that was wholly owned by ZESCO, and, by the end of 2020, it had outstanding debt stock amounting US$ 932 million. Ideally, such debt should be reported as part of the World Bank's International Debt Statistics; however, the study finds that this was not the case.

Another unclear loan contract is the US$ 1.53 billion that was agreed between ZESCO, China Exim bank and ICBC for the Kafue Gorge Lower Power project. Of this amount, ZESCO had to contribute 15 percent (US$ 300 million) of the advance payment for the US$ 2 billion funding; due to its noted poor performance, it is not clear how it could have afforded this amount. Brautigam and

Wang, (2021) propose that ZESCO may have reached a formal or informal bridge loan contract with Sinohydro. Additionally, opacity surrounding Chinese loans in Zambia was one of the reasons cited for the refusal of the bondholders to grant a six-month extension to Zambia that later resulted in its first ever default in 2020 (Financial Times, 2020). With such unclear loan processes, it is possible that some of the loan contracts agreed between Zambia and some Chinese entities may indeed be illegitimate or odious. Zambia has high levels of debt opacity after its debt default in 2020, when it became clear that the official debt amounts that were released were in fact not the comprehensive amounts (Brautigam and Wang, 2021).

Such findings point to the possibility that further economic shocks or prolonged periods of slow economic growth are likely to paint the bleak picture that the public debt in Africa is likely to portray. From our 2021/22 field study, the citizens realise that China is dominating the creditor scene in Zambia with negative effects on the economy and they propose for the Government of Zambia to identify other ideal partners and invite them into Zambia to build working relationships, reduce engagement with China, restrict Chinese imports into Zambia and promote locally produced goods to its partners. Additionally, they propose for the Government of Zambia to concentrate on clearing the existing loans first through renegotiation, refinancing, and restructure, have an open-door policy for competitive investment from all countries and enhance engagement with other trade partners. 82.4 percent of the respondents propose for a supervisory body to oversee external debt negotiations across the African continent for better loan outcomes.

Additionally, one of the interviewees supported this idea saying that, "*There are already existing bodies such as the Southern Africa Development Community (SADC) and the African Union (AU) that could potentially evolve to develop such frameworks. This framework could be beneficial in addition to the support that African countries receive from institutions such as the IMF and Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) that promote sound debt management practices*". (Interview 202210).

(v) Zambia Debt sustainability and debt distress - High

In comparison to other African countries, Zambia has experienced exponential external debt in the last few years. By the end of June 2023, Zambia's public debt stock was estimated to be US$ 32.13 billion and its highest debt stocks consisted of Eurobonds, loans from China Exim Bank and

International Development Association (IDA) (Ministry of Finance and National Planning, 2023). Considering that the IMF's threshold for debt sustainability is set at 35 percent of debt to GDP, Zambia at 124 percent of debt to GDP in 2021 resulted in unsustainable levels of debt (National Assembly of Zambia, 2022). With increasing financial needs that necessitated the Government of Zambia to borrow more to finance projects such as those in the energy and infrastructure sectors, the 2023 DSA found that all of Zambia's debt burden indicators had worsened. Failure by the Government of Zambia to control its external debt levels meant that the DSA found that it was heavily in breach of all external debt burden indicators. Regardless of the government's restructuring exercise that is aimed at restoring public debt sustainability, Zambia remains in debt distress (IMF, 2024).

Additionally, the debt problems for Zambia were partly due to the high appetite for borrowing, for which some was at higher than the usual market rates of interest. For instance, in 2018, Zambia and China agreed a loan contract worth US$ 1.34 billion and another loan amounting to US$ 187 million from Chinese banks in 2019 to finance the construction of Buffalo Park army barracks in Chalala, Lusaka (Brautigam and Wang, 2021). Also, Zambia has suffered an extreme case of principle agent problems whereby, it has overused the available funding from China and China has provided the funding with little reassurance that Zambia can repay the loans (Brautigam, 2021). In 2018, allegations that Zambia had failed to make timely loan repayments, and that China was planning to seize its assets appeared in the media. It was alleged that China was in talks to take over ZESCO, Zambia's state electricity company (Lusaka, 2018) and Kenneth Kaunda Airport. This came at the time when there was already news that China has a majority 60% stake in the Zambian National Broadcasting Corporation (ZNBC) (Krah, 2018). With such findings, following our field study in Zambia in 2021/22, 52.7 percent of the surveyed citizens expressed that the partnership between China and Zambia is controversial, with 70.3 percent of them expressing that China may be leading Zambia into a debt trap. Also, only 20.5 percent of the surveyed citizens thought that Zambia could maintain timely loan repayments.

Zambia's debt default happened at the height of the Covid-19 pandemic when economic activity was slow and copper prices were falling, which meant that Zambia's production was too low to compensate for any debt settlements. This is another hurdle for public debt management, especially at a time when Zambia needs its citizens' trust in choosing ideal external creditors and its

handling of debt matters. In fact, when asked about China's motives in Africa in our 2021/22 field study, the respondents thought that China's presence in Zambia was more for trade, access to natural resources and market for imports, whilst others thought that it was merely for exploitation purposes more than the win-win partnership that China promotes. Also, 35.1 and 36.5 percent loans strongly agreed and agreed respectively that China is using loans as a way of extending political influence across the Africa continent.

Following the debt default in 2020, Zambia started the process of negotiating debt restructuring and, after failing to agree any deals with it bond holders, it managed to agree a deal at a summit in Paris, under which Zambia managed reschedule US$ 6.3 billion debt that is owed to foreign governments, including China, over a period of more than 20 years. The terms also allowed Zambia a three-year grace period over which only interest payments would need to be settled. This deal helped to unlock a US$ 1.3 billion bailout plan that saw the IMF disburse the first instalment of US$ 188 million in September 2023 (Kedem, 2023). The fears around debt distress are shared by the citizens from the field study in 2021/22, of which 87.8 percent expressed that Chinese loans are likely to pose economic, social, and political risks for Zambia. Additionally, 78.4 percent say that China undertakes developmental projects in Africa with limited or no regard to the environment, which is likely to cause environmental problems for Zambia in the future, and only 35.1 percent have trust in the government to put measures in place to mitigate such risks.

Additionally, the asset seizure allegations have further highlighted the problems that arise out of poor external debt management (Lusaka Times, 2018). Although the Government of Zambia has denied such allegations, 58.1 percent of the citizens that were surveyed in the 2021/22 field study expressed there are still possibilities of asset seizures if the Government of Zambia does not manage its external debt effectively.

(vi) Conclusion - Chinese loans and risks in Zambia

Overall, Zambia has faced some challenges with Chinese loans. Zambia's debt problems mirror the proposals put forward by the Debt Overhang theory that stipulates that debt, to a certain level, brings positive benefits to the economy; however, very high levels of debt have negative effects on the economy. As identified in the literature, excessive debt may result in negative benefits to the

economy (Mlambo, 2022). It is imperative that Zambia assesses its debt profile and establishes a sustainable point where debt is well utilised and managed for improved growth in the economy. A study by Chikalipah, (2021), that investigated sovereign debt and growth in Zambia, finds that for debt to be of meaningful benefit to Zambia, it must be below 40 percent of debt to GDP. If it reaches this point, or even higher, debt results in negative effects on the economy of Zambia. This is an insightful study, and it to a certain extent aligns with the IMF debt sustainability threshold that is set at 35 percent of debt to GDP. In 2022, the Minister of Finance for Zambia voiced commitment to solve the debt issue, saying that '*Unplanned borrowing landed us in this situation, but we will solve the problem*.' (Ministry of Finance and National Planning, Zambia 2022b). Given that Zambia has reached a three-year debt restructuring agreement with its bond holders (Jones and Savage, 2024), it is important that going forward, debt is disclosed so that creditors and governments can assess debt sustainability analyses and avoid debt opacity risks.

7.5. Overall conclusion - Chinese loans and risks in Africa

From the analysis, in recent years, all the sample countries have experienced certain risks arising from external debt. There is a clear shift from concessional loans to commercial loans across all sample countries; however, the scale of it varies with each country, and this has resulted in more risks than ever before. Based on the 2023 DSA, Kenya, Senegal, and Uganda remain external debt sustainable; however, Zambia remains external debt unsustainable. In accordance with each country's economic performance, the IMF assesses countries on an ongoing basis to assess their debt profiles and, from the most recently published data, while Senegal and Uganda were at moderate risk of debt distress as of July and June 2023 respectively, Kenya, as of January 2024, was at high risk of debt distress and Zambia, as of December 2023, was in debt distress (IMF, 2024).

All the sample countries have satisfactory institutions and legislations in place; however, in most cases there are systemic risks across all countries whereby the procedures and guidelines were undermined. This resulted in issues such as illegitimate debt, undeclared debt, inflated project costs, poor project bidding outcomes, high costs of debt, unfair loan clauses, debt distress and failure to

access certain creditor markets: some of which are diversifiable risks and can be minimised with good governance.

Additionally, in enhancing transparency and accountability, we find that only Kenya and Senegal have made efforts in joining the Open Government Partnership (OGP) to enhance their governance structures, promote transparency, accountability, and citizen engagement (OGP, 2024). The engagement with such partnerships helps the governments to stay accountable to their citizens. The sample countries need to take a leaf out of Cameroon's book whereby Cameroon ensures a 100 percent transparency policy regarding public debt matters with a publicly accessible debt database (Gelpern *et al.*, 2021).

Since most or all these risks are prevalent across the sample countries and most likely in all other African countries, measures need to be drawn up to mitigate them and ensure better debt management for improved economic growth across the African continent. For example, countries could adhere to the Guidotti–Greenspan rule that advises ideal reserve adequacy ratio to avoid debt crisis. This rule proposes for each country to have reserves that are equal to the amount of its short-term external debt to mitigate risks of shocks from increasing debt repayments.

Chapter 8 Conclusions and Recommendations

8.1. Introduction

External finance is one of the sources of finance that many countries utilise to promote economic growth and development in their economies. In the past, the traditional lenders dominated the lenders' market; however, in recent years, non-traditional lenders such as China have entered the market and gained quite a significant share. From this share, many African countries have secured loans from China to finance different developmental projects in their economies. This thesis provides an investigation into how African countries have sought, utilised and managed loans secured from China. This investigation was scrutinised in five main chapters.

After the introduction, in Chapter 2, we conducted a survey of the literature on Chinese loans to Africa, finding that the current literature on the impact of Chinese loans on Africa is divided; some scholars conclude that Chinese loans contribute to economic growth in Africa, others find that Chinese loans have a negative impact on African economies and a further selection find that China benefits more from the partnership than its African recipient countries of debt. Given this divided field of knowledge and the dynamic partnership between China and Africa, there arises opportunities to conduct further research on this topic. In this chapter, we identified the gaps in the literature, and provided some ideas to fill some of these gaps in Chapters 4-7 and proposed other areas that would benefit from further research. Based on the identified gaps, the aim of this study was to assess the impact of Chinese investment loans on sustainable economic development in Africa. To fulfil this aim, we set four objectives as follows:

- To ascertain what loan schemes have been employed in various infrastructure projects in Africa and how they are influenced by African agency.
- To establish what accountability frameworks are currently used for monitoring and evaluation of external debt in Africa and how useful the implementation of a collective loan accountability framework would be in ensuring optimal outcomes from developmental projects in Africa.
- To establish the extent to which Chinese loans contribute to economic growth for sustainable development in Africa.

- To ascertain if there are any risks (systemic as well as diversifiable) associated with Chinese loans to the recipient countries.

To gain deeper insights, we assessed the loan contract process from identification of development ideas through national development plans to the operation period, as the recipient country utilises the facility and services the loan. We investigated the interrelated aspects such as public debt, agency, transparency and accountability, sustainable development and arising risks such as debt sustainability issues for the period being 2000-2020 and derived insightful conclusions. With the guidance of theoretical frameworks such as Game theory, Agency theory, and Debt Overhang theory, we delved deep into the undertakings of four sample countries, whilst keeping a mindful lens on 48 countries in Africa as a whole. This chapter reviewed the literature published up to December 2023, and highlighted how African countries perform in various areas such as legislation, negotiation, enforcement, and optimal utilisation of the acquired facilities. This was then complemented with an empirical field study that we carried out in the four sample countries from November 2021 to June 2022.

To achieve the set objectives and answer the set research questions, we took a three-pronged approach. First, we conducted a thematic literature review to understand the current situation in the China-Africa partnership. Secondly, we undertook an empirical analysis to ascertain the impact of Chinese investment loans on the sustainable development in Africa. These approaches were then enhanced with a field study that we conducted in the four sample countries with surveys and interviews. The survey was open to all citizens of the sample countries and the interviews targeted key individuals in the sample countries such as government representatives, Chinese officials, representatives from think tanks, NGOs, and Civil Society Organisations, and academics. The research methods are discussed in Chapter 3.

Using the collected data, we conducted analyses based on the literature themes and discussed the findings in chapters 4-7, from which we derive the following key research findings.

8.2. Key research findings

8.2.1. Chinese Loan Schemes and African agency: China Model - Build Operate Transfer Model; Fair African agency.

Chapter 4 focused on answering research question 1 as follows: What loan schemes have been employed in various infrastructure projects and how are they influenced by African agency? To answer this question, we investigated prominent developmental projects in each of the sample countries. From the analysis, we find that the frequently used loan scheme is the China model, under which the Build, Operate and Transfer (BOT) dominates most projects and is used in conjunction with the Engineering, Procurement and Construction model: a popular model for large developmental projects across the world. BOT contracts are a preferred project delivery model for the recipients since they do not usually require paying large sums upfront: this is one of the main reasons why many African recipient countries agree to this scheme. The main disadvantage with the BOT model is that the contractors have authority over the design the facilities on behalf of the recipient country and in cases where there are Chinese contractors that have been trained on Chinese construction techniques, there is likelihood that the structures that they design will be inherently very similar to the structures in China which may de-characterise the engineering outlook and potential of the recipient country overtime. Moreover, the contract conditions necessitate the presence of the contractor in the recipient country for the operation period which increases project costs. Additionally, the clauses of the BOT contract are very complex in relation to the underdeveloped legal and institutional structures in recipient countries and, as a result, the recipient country representatives are likely to agree to the terms of the contracts that they may not be able to clearly substantiate, thereby undermining their agency.

Additionally, regarding African agency, we find that African agency in dealings with China is limited since many African countries come in from a beggar’s perspective. Many African countries negotiate with China on an imbalanced pedestal, which undermines their voice in loan negotiations. Also, as discussed, with the BOT model, the clauses are usually very complex and, since many African countries do not have the robust legal expertise to analyse the clauses and re-negotiate the less favourable clauses, many end of agreeing to contracts since they have no other avenue of funding.

We also find that China drafts all the loan contracts and, once they are ready for review, it invites the recipient country representatives into China for a period of about two weeks to review the contract and sign it off. The first observation here is how Africa is left out of the major preparation of documents that will impact its economies for many years to come. Secondly, the period given to review and agree to the terms of the contract is nowhere near ideal. This arrangement is imbalanced and, going by Game Theory, although there is co-operation on both sides, Africa has no room to strategize, giving China the upper hand and undermining Africa's agency as a result. Moreover, all the recent contracts come with non-disclosure clauses that bar the recipient country from disclosing the contents of the contracts (Gelpern *et al*., 2021) and even if there were opportunities for recipient country to seek legal advice on some of the clauses, this may not be possible due to the non-disclosure clauses.

We also find that, once the contract is granted, it usually allows China to decide on most of the project contractors. This is partly because most recipient countries do not have legislations in place to stipulate local content parameters and they use unwritten guidelines such as a 20 percent or, in some cases, 30-40 percent local content requirement for the identified projects. Additionally, in certain situations, there are no clear subcontractor bidding processes and where they exist, there is no proper scrutiny of the process of bidding for subcontractors once the contract has been agreed. From our field study, we find that some companies that bid for contracts are in fact briefcase companies that only exist in name and not in expertise (Interview 202208). On the part of the African countries, such shortcomings impair the development of institutions and do not provide guidelines on what procedures should be followed.

In addition, African countries undermine their own agency in the process of securing external funding. Some African countries such as Zambia have used Special Purpose Vehicles (SPVs) to secure Chinese loans. SPVs are used in cases where the recipient country wants to avoid credit checks, and it creates a special company that becomes the official owner of the debt. When such a process is used, the loan is not reflected on the recipient government's balance sheet and some of this debt is not clearly captured in the existing reporting systems, which creates problems for the recipient country in allocating funds from the national budget to cater to loan repayments. Additionally, on the recipient countries side, there is evidence of overuse of Chinese funding mostly because of the view that China will cancel some of the accrued debts and China also continue to extend loans with

limited reassurance that the recipient countries will service the debt which creates a moral hazard problem for both parties.

As discussed in Chapter 4, Section 4.4.2, Worldwide Governance Indicators show that many African countries need improvement in various governance aspects such as rule of law, and regulatory quality that would be needed to stipulate guidelines for loan acquisition and maintenance, which puts recipient countries at a disadvantage when it comes to understanding their developmental needs and aligning funding for projects that would provide immediate and spill over benefits to the economy. Such shortcomings undermine African agency; however, it can be enhanced through collective agency, where there is a common answer across the African countries.

Moreover, we find that poor governance leads to higher costs of borrowing that result in low economic growth. Through analysis of the projects undertaken, we identified the best practices; for example, Benin for loan contract scrutiny strategy and Cameroon for its 100% debt transparency initiative, both of which can be transposed to present and upcoming projects for better loan and project management.

Lastly, we find that many African countries have engaged China on an individual basis, and this thesis highlights the need for collective agency and how the best practices can be developed from partnerships to help develop best practices that will optimise their negotiations and engagements with China.

8.2.2. External Debt Accountability - Inconsistent

Chapter 5 was dedicated to answering question 2 of the thesis as follows: What accountability frameworks are currently in use for monitoring and evaluation of external debt in Africa and how useful would the implementation of a collective loan accountability framework be in ensuring optimal outcomes from developmental projects in Africa? To find answers to question 2, we employed a mixed method approach which included an analysis of the Global Partnership for Effective Development Co-operation (GPEDC) principles, Africa Debt Monitor (ADM), World Bank's Debt Management Performance Assessment (DeMPA), World Bank's Debt Reporting Heat Maps and a primary field study with case study country interviews and surveys. The analysis investigated 48 African countries with a focus on four sample countries: Kenya, Senegal, Uganda, and Zambia for the period 2000-2020.

Findings on external debt accountability show that, across all the four sample countries, external debt accountability is not as comprehensive as it could be. All sample countries, to a satisfactory extent, update their debt information with their respective debt accountability frameworks. Findings also show that, across all sample countries, there is use of debt management systems that are provided by development partners; however, a small percentage use their own debt monitoring and evaluation frameworks. Additionally, the debt reporting frameworks that currently capture debt data are voluntary frameworks, and some countries do not participate in some debt reporting rounds, especially where costs of debt reporting may be high; even when they do, publication of the debt reports is optional. With different development funders using independent monitoring and evaluation frameworks that must be adopted by the recipient countries, it makes it difficult for recipient countries to maintain seamless monitoring and evaluation and does not give the recipient countries opportunity to use and/ or enhance their own monitoring and evaluation systems. In some cases, it could lead to duplication of monitoring and evaluation tasks which is costly for the recipient countries. Moreover, there is yet to be an official database that records Chinese loans to Africa, though, China has pledged to initiate this database in the future (The State Council Information Office of the People's Republic of China, 2021).

Therefore, it is imperative for Africa to have a collective African member country accountability framework that captures real time debt data so that it can be easily recorded, managed, evaluated, and reported. This sentiment is shared by some of the interviewees from the 2021/22 field study: when asked if a universal loan monitoring system should be introduced in Africa a representative of a think tank in one of the sample countries said that: *"Yes, I think it should. It is something that should be done with respective Key Performance Indicators (KPIs). A universal system would help to benchmark what you want to achieve and ensure that funds are being used in an accountable manner and meeting the criteria that has been set. Also, if we have such a system, incompetent subcontractors can be struck off to ensure that there is efficiency in that regard"* (Interview 20225). This is especially important since some developmental projects, especially in transport and infrastructure, are undertaken across different countries to ease trade and transport routes; for example, the LAPSSET Corridor infrastructure project that is shared between Kenya, South Sudan and Ethiopia, and the SGR rail project that will be shared between Kenya and Uganda. Additionally, the AfCFTA, that enables free trade with no tariffs on most goods and services across

African countries, is another reason why Africa needs to unify its systems for better trade integration, regional growth, and development across the continent.

Findings also show that across all the four sample countries, legal frameworks are established; however, for some evolving financial instruments, the countries' laws do not yet fully cater to these changes. Additionally, while Kenya and Senegal have higher percentages for debt that is overseen by legislature, the percentages in Uganda and Zambia are still quite low and these negatively impact on the debt sourcing processes thus limiting the project benefits. Furthermore, there is minimal or no public-private dialogue whose avenues would improve the transparency and accountability of debt.

8.2.3. Impact of Chinese Loans on economic growth for sustainable development in Africa: Negative

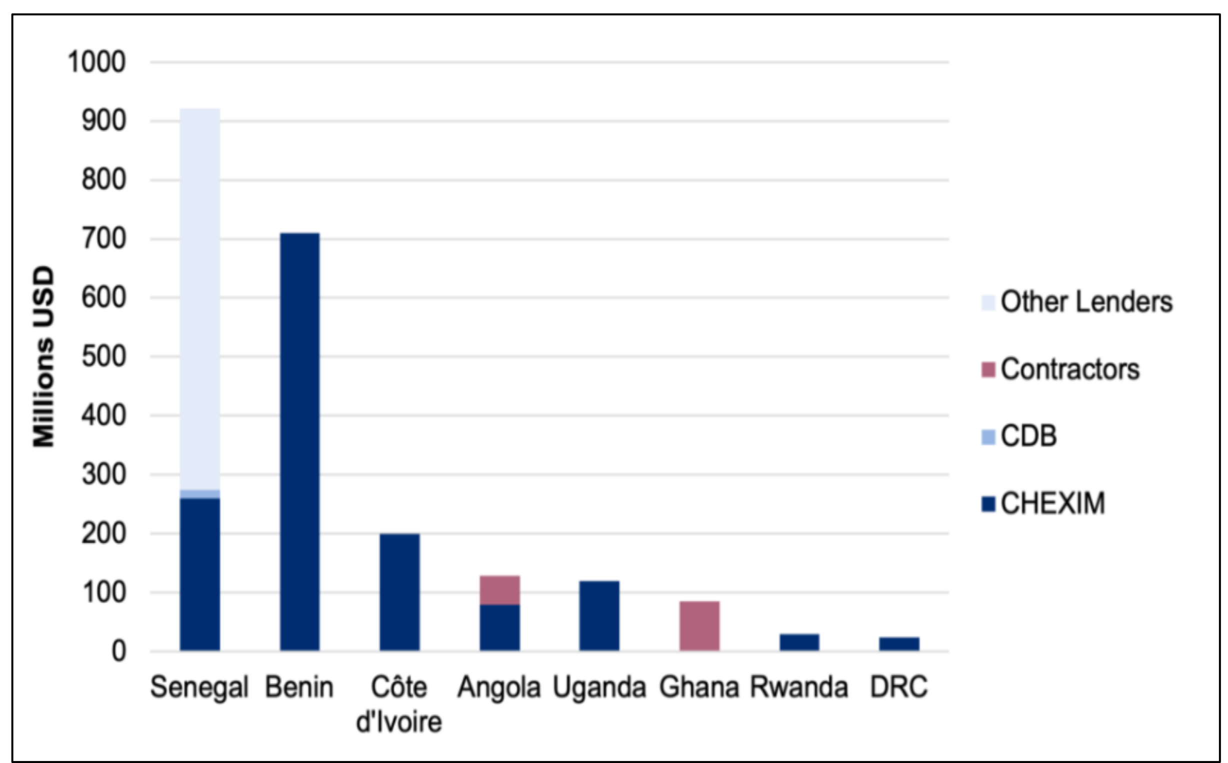
Chapter 6 investigated question 3 of this thesis as follows: To what extent have Chinese loans contributed to economic growth for sustainable development in Africa? To answer this question, we conducted our estimation using a dynamic two-step system GMM on an imbalanced panel from 48 African countries, with a more detailed look at four sample countries viz., Kenya, Senegal, Uganda, and Zambia, covering the period 2000-2020. This was complemented with secondary data analysis and the field study in 2021-2022 in the four sample countries.

Findings for Africa show that Chinese investment loans have a negative impact on sustainable development in Africa. For the sample countries, Chinese investment loans have a positive impact in Senegal and Kenya; however, they have a negative impact in Uganda and Zambia. Further analysis shows that both Uganda and Zambia score poorly in the World Governance Indicators, and both have more political interventions with Chinese loans, which partly explains the negative outcome. We also find that countries that have higher levels of transparency and accountability are more likely to benefit from Chinese loans.

We also find that the recipient sample countries have acquired debt whose debt to GDP ratios are higher than the guideline set out by IMF at 35 percent, with Senegal and Uganda nearing, and Kenya and Zambia over the debt ceiling of the debt to GDP ratio of their respective regional monetary unions. This has resulted in Zambia being in debt distress, Kenya at high risk of debt distress and Senegal and Uganda being at moderate risks of debt distress. While Senegal was initially thought to be well in control of its public debt, a closer investigation has revealed an increase in the external

debt that Senegal has acquired in recent years that has resulted in it being at moderate risk of debt distress. Senegal and Uganda, as shown in Figure 8.1, are some of the countries that have signed new loan contracts with China after 2019, at a time when there was a noticeable pull back from China in the advancement of new loans in Africa partly due to the impact of the Covid-19 pandemic. China Exim Bank and China Development Bank (CDB) continue to be two of the leading Chinese lenders in Africa. More details on lenders to respective African countries attached in Appendix A4.

Figure 8.1: New Chinese Loans to Africa by Lender and Borrowers, 2021-2022



Source: BUGDPC, Chinese Loans to Africa (CLA) Database. (2023)

As the debt levels continue to rise, the World Bank Debt Sustainability Analyses 2023 found that none of the sample countries had the absorptive capacity to withstand shocks within their economies. We also find that many undertaken projects in Africa provide facilities that are more for developmental purposes than for revenue generating purposes, for example roads, airports, and dams. Furthermore, in some cases, due to issues of poor management and corruption, the facilities are not sufficiently inspected during the construction process and the recipient country ends up with

substandard work which, when picked up at a later stage, ends up being costly and time consuming thereby limiting the project benefits.

Additionally, some of the undertaken projects require extra funding to make them fully operational and, with limited sources of finance, it takes recipient countries a while before they can secure the funding and complete the projects; for example, installing electrification across the country following the construction of dams financed by China. Such dams cannot be used at full capacity unless there is the uptake of electricity. Overall, findings for research question 3 tie with those of research question 2 whereby, Kenya and Senegal register higher benefits than Uganda and Zambia. The general observation is that, regardless of the differences in the level of benefits, Chinese loans do not currently generate the levels of economic growth needed to foster sustainable development in Africa.

8.2.4. Risks arising from Chinese Loans and other external debt – Notable risks.

Chapter 7 investigated question 4 of this thesis as follows: Are there any risks associated with Chinese loans to the recipient countries? To find answers to this question, we analysed secondary data on 48 African countries, covering the period 2000-2020, with a focus on four sample countries: Kenya, Senegal, Uganda, and Zambia. This was complemented with a field study conducted in 2021-2022 in these sample countries. We sourced data from the World Bank debt sustainability reports, case study projects of selected African countries, World Governance indicators, IMF Policy Press Releases, and other relevant secondary data sources.

From the analysis, findings show that, all sample countries have experienced certain risks arising from Chinese loans. Also, there is the presence of more commercial lenders than the traditional sovereign lenders across all sample countries; however, the scale varies with each country, which has resulted in more risks than previously documented. These include illegitimate debt, undeclared debt, inflated project costs, poor project bidding outcomes, high costs of debt, unfair loan clauses, debt distress and failure to access certain creditor markets. Regarding debt sustainability, Kenya, Senegal, and Uganda remain sustainable; however, Zambia’s debt is unsustainable (IMF, 2024). Additionally, Senegal and Uganda were at moderate risk of debt distress as of July and June 2023 respectively, Kenya, as of January 2024, was at high risk of debt distress and Zambia, as of December 2023, was in debt distress (IMF, 2024).

Although there are cases where poor governance has resulted in negative impacts from loan negotiations, overall, all the sample countries have satisfactory governance systems and legislations in place. The area where many of the countries falter is where the set procedures and guidelines are undermined, thereby exposing them to certain risks.

Additionally, we find that in enhancing transparency and accountability, only Kenya and Senegal have made efforts and joined the Open Government Partnership (OGP) to enhance their governance structures, promote transparency, accountability, and citizen engagement (OGP, 2024). Uganda and Zambia have not yet opted into this partnership and limited exposure to such schemes to gain best practices further explains the findings in the research questions above, in that there are lower benefits from Chinese loans in these two countries.

8.3. Contributions of the thesis

This thesis contributes to the literature in a few ways. First, Chinese investment loans have attracted attention for many years now and as authors try to understand China's motivations and engagements in Africa, most of the research input has been from authors in the West and input from African authors is still low as noted by Usman, (2021). As I am African, this thesis contributes to the much-needed African voice. Also, most of the studies that have been carried out rely on desk research and secondary data and there have been calls from scholars such as Brautigam, (2021) and Feng and He, (2021) for the need to enhance empirical research on the topic for which this thesis also contributes to this empirical literature void.

Additionally, this thesis analyses the China-Africa partnership using a combination of methodological approaches to measure benefits, where we combine the Fiori and Kovaka, (2005) framework that holistically assesses the impact of Chinese loans on recipient countries, including factors such as cost, risk, complexity and visibility, and ideals with the methodology by Reboredo, (2021) that suggests analysis by characteristics through respective categories such as infrastructure, extractive, consumption, production and ceremonial projects and the quantitative measurement of project benefits. Combining these methodologies with an empirical analysis that includes the interaction of the transparency and accountability variable with Chinese loans to measure project benefits has provided a more holistic picture of the China-Africa partnership than previously

investigated. The use of four sample countries from different regions in Africa using the mixed method approach is another addition to the current methodology in understanding the China-Africa partnership.

Furthermore, from Chapter 4, we add new knowledge through the assessment of African agency using a multifaceted approach, where we analyse loans schemes and project delivery models, notable projects and African agency based on secondary data and the field study, which previous studies have not conducted; this reinforces the findings that poor governance leads to poor agency higher costs of borrowing that result in lower economic growth. Secondly, we analyse the projects undertaken and compare them to deliver the best practices; for example, Benin for loan contract scrutiny strategy and Cameroon for its 100% debt transparency initiative, both of which can be transposed to present and upcoming projects for better loan and project management. Thirdly, many African countries have engaged China on an individual basis and this thesis highlights the need for collective agency and how the best practices can be developed from partnerships and to help iron out some of the issues that exist in Chinese funded projects. This addition of the knowledge is crucial for African countries as many of them struggle to represent themselves well when negotiating for external loans.

Regarding external debt accountability in Chapter 5, our study analyses existing debt accountability frameworks, which has not previously been undertaken. Our findings show that Africa does not have a common debt accountability framework, and each respective country either uses the lender provided accountability frameworks or its own and neither does it have a designated official public database on which Chinese loans to Africa are recorded. We identify four common debt accountability frameworks at macro level, all of which are voluntary frameworks; because of this, some countries do not fully engage with them. The individual projects also come with respective accountability frameworks. This presents an opportunity for all African countries to come together and unify debt accountability with a framework that each country would implement and use to account for external debt.

Furthermore, in Chapter 6, this thesis contributes new knowledge through the interaction of Chinese loans with the transparency and accountability variable to assess impact on economic growth. This adds new knowledge in the literature that quantifiably provides the measure of impact

stemming from institutional governance, finding that the higher the transparency and accountability, the higher the project benefits.

Lastly in Chapter 7, in our assessment of risks arising from Chinese loans, we make new contributions that show a relationship between risks arising from Chinese loans and governance, finding that there is a relationship between countries that have higher risks from Chinese loans and the existence of poor governance frameworks. This means that poor governance breeds poor policies and procedures that guide external debt negotiations and management, resulting in poor loan conditions that expose the recipient country to risks such as debt distress.

8.4. Thesis implications

This section of the chapter discusses the thesis implications on both policy and practice. The facilities arising from China-Africa loan contracts could be more beneficial for both parties as discussed below.

8.4.1. Implications for policy

The thesis highlights a few policy interventions that could help African countries to leverage ground in loan contract negotiations and implementation. It would be beneficial for the recipient African countries to come together in collaboration and work together for the better of the continent. Many other continents such as Europe have unified collaborations and collective agency under which many of the trade deals and cross border engagements are negotiated and agreed. This is especially advantageous now that Africa has the AfCFTA agreement that has laid ground for intra-African trade, thereby fostering collaborations between the African nations. The recent admission of the African Union into G20 (Reuters, 2023d) is another important step that will require African countries to work together for unified decisions on the world stage.

It is advisable that the African continent forms a supervisory body that will oversee bilateral and multilateral dealings of respective countries. Yet again, this can be achieved under the African Legal Support Facility under the African Development Bank that currently provides practical support to African governments with the negotiation of contractual arrangements with other governments

and investors; or it can also be formed under the upcoming Africa Central Bank. This facility could be enhanced to become a mandatory subscription type of facility that provides ongoing support to African countries in all matters regarding bilateral and multilateral negotiations and initiate a loans data base on which all African countries would log external loans data. This body would cater to loan negotiations and management of both bilateral and private enterprises debt. However, due to the complexity of government structures across different countries, we would recommend the introduction of such a system through regional monetary unions that already have common functions and systems to ease the implementation process. Then, these bodies would report to a supervisory body operated by African Legal Support Facility and overseen by the African Development Bank.

On a positive note, although not specifically for African countries, the Common Leverage Union of Borrowers (CLUB) has recently been established under the Organisation of Southern Cooperation (OSC) including the efforts of countries from Latin America and Caribbean, Africa, Asia, Middle East, and Pacific Island. In November 2023, OSC Ministers of Finance officially approved the CLUB's establishment, whose main aim is to engage in collective negotiations with creditors and reduce external debt burdens (OSC, 2023). 13 African countries have so far joined the CLUB and, of the sample countries, only Uganda is currently a member of the CLUB. Although this CLUB has great prospects, it is a voluntary worldwide club, and Africa would still benefit from its own club that all African countries would be expected to join for better external loan management.

Secondly, under the proposed supervisory body, it is important for debt ceilings and annual loan caps to be set and adhered to or otherwise have certain penalties imposed for countries that breach the terms such as a ban on access to external debt markets for a certain period. Debt ceilings and annual loan caps would ensure that countries borrow within sustainable limits, which would minimise the likelihood of debt distress, which is currently a big problem in Africa.

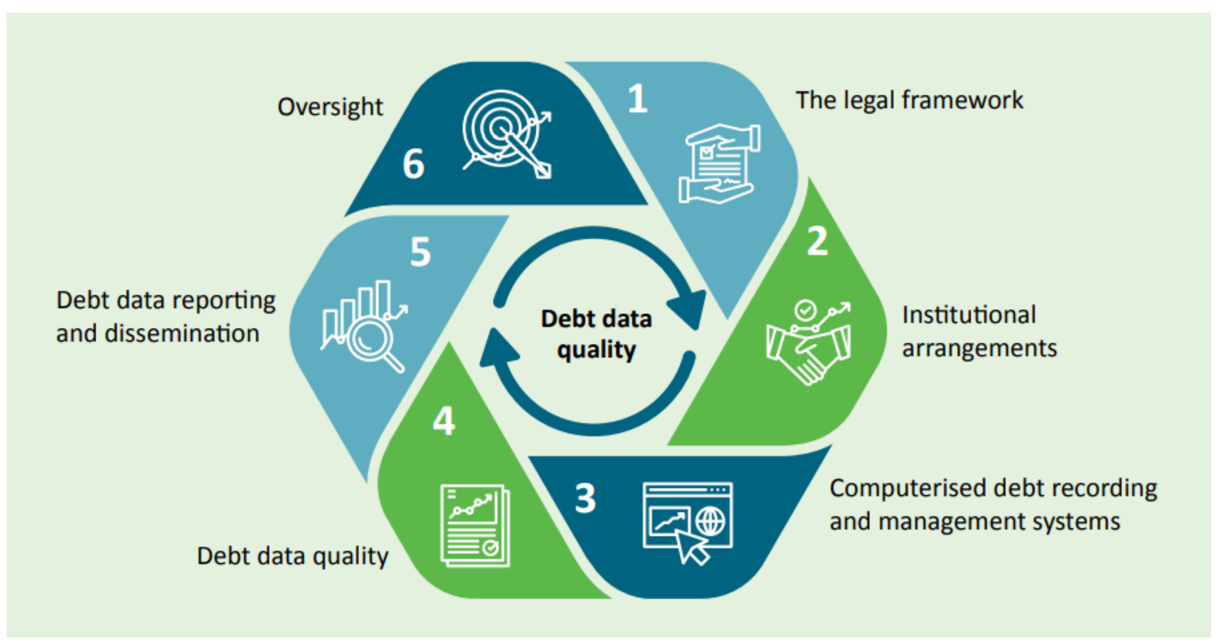
As discussed in the findings, some of the conditions in the loan contracts require arbitration of arising disputes to take place within the Chinese judicial system, which means that China has an unfair advantage due to the cognizance of its legal systems. Therefore, African governments must negotiate for neutral arbitration conditions; for example, opting for the London Court of International Arbitration, which is usually preferred in international disputes.

Furthermore, Africa is advised to initiate common debt management strategies such as a universal loan accountability system that would be replicated in all African countries. This system

would work hand in hand with the proposed loans database under the supervisory body and it would help not only for loan accountability purposes but also monitoring and evaluation purposes. Currently, some of the countries that have utilised funding from China for various developmental projects are not yet aware of how impactful the projects have been and some of them do not have frameworks in place to cater to this evaluation. With most of the contracts based on bilateral terms, no one contract can be compared to another to ascertain overall debt management: it is important for African countries to promote the best practises between each other and highlight the clauses that have ensured maximum benefits and sustainable debt repayments from these projects so that, ultimately, Africa can have a more or less unified way of negotiating and managing debt with external funders, promoting collective agency. Additionally, a model of project accountability, monitoring and evaluation could be born out of this collaboration, which would positively contribute to maximising project benefits.

The recipient countries are advised to follow the guidelines proposed by CABRI, (2023), as shown in Figure 8.2, that advocate for the management of debt transparency and accountability. It encompasses solutions around legal structures, institutional structures, quality of debt and computerised debt management systems, which are all crucial for better debt utilisation and accountability.

Figure 8.2: Six main dimensions of debt transparency and accountability



Source: CABRI, (2023)

China has been at the forefront of blame for debt related distress in Africa. In its defence, China has reiterated its commitment to ensuring a win-win situation for both parties in the loan contracts and project implementation process. To alleviate this blame, China could enhance its loans transparency so that all granted loans minimise or do not contain non-disclosure clauses. Although this may be contrary to China's way of doing business, it will help it and its debt recipients in managing the debt well and also minimise the instances of defaults by recipient countries since loan conditions will be publicly available and recipient countries cannot shift blame from themselves in case of arising debt repayment problems.

8.4.2. Implications for practice

For the proposed policy proposals to be of meaningful benefit, African governments need to enhance agency across the loan contract processes. It is advisable for the recipient government to seek loans that are sustainable and negotiate for conducive terms and conditions. Therefore, African countries are advised to negotiate for loans that minimise confidentiality clauses and with the

opportunity to publish such contracts and make them accessible to the public. This will ensure that all debt is openly accounted for and reported, which will promote regular complete debt data (Mustapha and Olivares Caminal, 2020). Furthermore, local content is a crucial component of development projects and although regulations and policies can be enacted and established, this will not change the current scene in Africa unless there is commitment towards the establishment of Local Content Units (LCUs) that would arrange, monitor, and report on local content (COMESA, 2018).

Over time, China has been blamed for exploiting African countries, but African countries also need to have good oversight over their economies, realise what is realistic in developmental choices, and plan well for their resources. For example, it is important that African governments elect ministers that have technical expertise in the ministries that they lead so that they can make well informed decisions on behalf of the citizens. Another option here could be for the recipient country to hire legal experts who are well versed with loan contract negotiations so that they can negotiate for better loan conditions on behalf of the recipient country. Senegal has used this approach in some of its loan contract negotiations and that partly explains why they have managed to maintain timely debt servicing.

Regarding risks arising from Chinese loans, since most or all these issues are prevalent across the sample countries and most likely in all other African countries, measures need to be drawn up to mitigate these issues and risks and ensure better debt management for improved economic growth across the African continent. For example, countries could adhere to the Guidotti–Greenspan rule that proposes for each country to have reserves that are equal to the amount of its short-term external debt to mitigate risks of shocks from increasing debt repayments. Additionally, African governments should collaborate and share knowledge on loan negotiations and other debt related processes and build up a bank of the best practices for countries to refer to in arising external debt negotiations. Such a best practice bank would help the governments to identify areas in which they can gain leverage and negotiate for better loans for their economies.

Furthermore, it is crucial that African economies adapt their external debt practices to suit different situations. For example, they can ascertain clear points where their economies can sustain debt without endangering their national assets and future generations. They can also diversify sources of finance; for example, boosting tax revenues within the domestic economy since many

African countries currently have underdeveloped tax systems. In addition, countries can draw realistic and meaningful debt repayment schedules that would be met without extra recourse to national budgets. African governments can diversify lenders to optimise better loans deals and better loan conditions. Competition amongst lenders helps the recipient country to leverage better debt conditions.

It is also fundamental that African governments align developmental projects with national development plans instead of projects being politically motivated. Governments should be encouraged to undertake developmental projects that align with the overall future plans of the economy, and new governments should be expected to continue with these projects rather than draw up new plans under the new governments. Such disruptions increase costs and lead to delayed projects delivery.

It is advisable for Africa to devise debt management strategies and initiate a central database where all African countries would be obliged to record and update all external loans data. Such a database could track agreed loans, lenders, disbursed amounts, grace periods, loan maturity periods, interest rates, collateral used if any, repayment amounts, as well as an up-to-date payment schedule. This would ensure that all countries are accountable to each other, thereby improving transparency and laying ground for more sustainable debt. Also, their credit record would be publicly available to all lenders, meaning that they would be vetted and granted debt that is within their credit bracket.

8.5 Limitations of the thesis

The thesis faced some limitations. First, Chinese loans data does not have an official central database, which makes it difficult to ascertain the exact amount of Chinese loans to African countries, as well as measure debt sustainability and the risk magnitude. Therefore, we sourced for data from a private institute, the Boston University Global Development Policy Center (BUGDPC). Although the institute endeavours to collect as much Chinese loans data as possible, their database is not exhaustive of the current Chinese loans to Africa which means that the derived statistical computations may not hold the true picture in its entirety. However, the BUGDPC database has gained credibility within the Chinese loans to Africa data sphere, and it is trusted by many researchers

worldwide. Additionally, the thesis relied on the voluntary World Bank databases and, for some of the years, the case study countries did not participate; however, the use of the most recent records enabled useful analyses to derive meaningful conclusions. And the use of a variety of frameworks helped us to triangulate the findings.

Secondly, we undertook a field study as part of the methodology, and we gathered insights from influential interviewees in the sample countries. However, we did not manage to gain the insights from the Chinese representatives in the recipient African countries. Progress was made in Senegal; however, due to the preparations for the FOCAC Summit that was due to take place in Senegal at the time, Chinese officials could not spare time for an interview. In other sample countries, the Chinese representatives and contractors declined the interviews; consequently, findings derived from the field study were not as representative of both sides as planned. However, commentary was sought from published Chinese government publications online.

Furthermore, it became difficult to visit some of the projects that China has funded in the sample countries. In some cases, there was lack of trust from the Government officials; fearing that I may be a spy of the West, or, in other cases, some thought that I was a spy for the recipient government. This meant that not all preferred facilities were physically visited, to assess their utility and impact especially in the locality of the facility.

Furthermore, this thesis had planned to identify an external debt accounting framework that would be trialled in one of the sample countries and, if successful, proposed for other countries to try it in the hope that this would lay ground for the universal debt accountability framework. However, due to time constraints, this was not possible.

8.6. Suggestions for future research

With the thesis limitations and more, future research could fill the following gaps. Future studies could try to access the recipient country loan contracts and ascertain if the terms mutually benefit both parties, since most Chinese loans' contracts are currently under non-disclosure terms. Additionally, since this thesis found that countries used varied external debt reporting frameworks, further studies could investigate and propose an ideal external debt accountability framework to

ensure timely and meaningful sovereign debt management reporting, monitoring and evaluation. More so, it could be helpful to conduct longitudinal studies, where researchers would follow some developmental projects from when the need for such projects is identified, then take stock of the condition of the locality and the residents' standard of living at that time; following through until the project is delivered and conducting an analysis in the years after the project delivery, and possibly after the operation period, when they would draw further conclusions from the data collected over time. Finally, since this thesis did not gain insights from Chinese representatives, future researchers could gather data from Chinese representatives in developmental projects in Africa for a more balanced analysis of the topic.

8.7. Final remarks

This thesis set out to investigate the China-Africa partnership to analyse the impact that Chinese loans have on sustainable development in Africa. Findings show that there is still room for growth in terms of African agency, governance, legislation, and enforcement measures. In addition, Chinese investment loans do not currently contribute to economic growth in Africa, and some risks have arisen from these loans. It is recommended that African countries collaborate with each other in engagements with lenders to leverage ground in loan negotiations, loan management, and implement their own loan accountability frameworks. Africa is still developing; therefore, it still has potential to grow its institutions as well as its agency. This project has been insightful in understanding the China-Africa partnership and as institutions grow and become transparent with clear accountability channels, this partnership promises mutual benefits to both parties.

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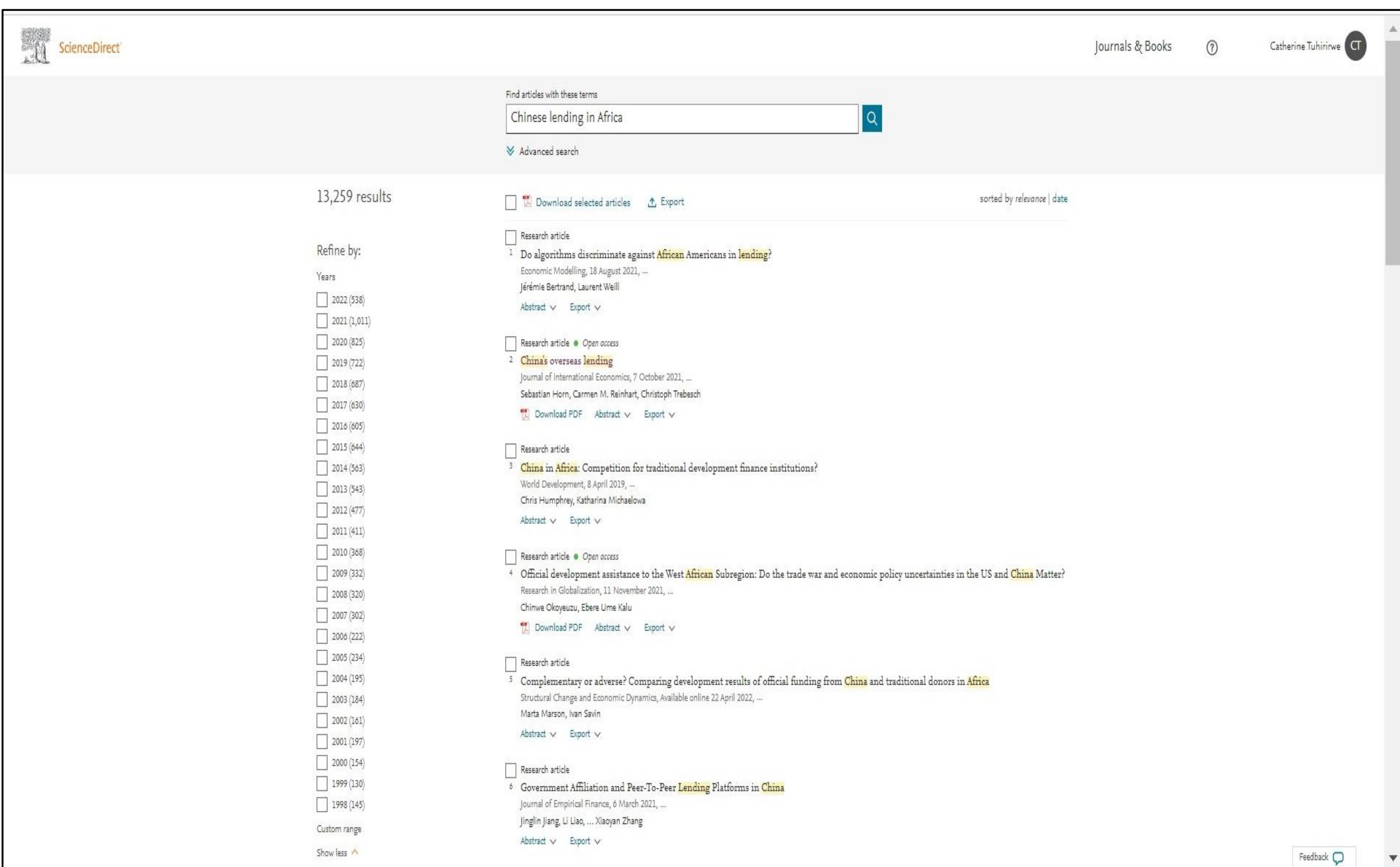
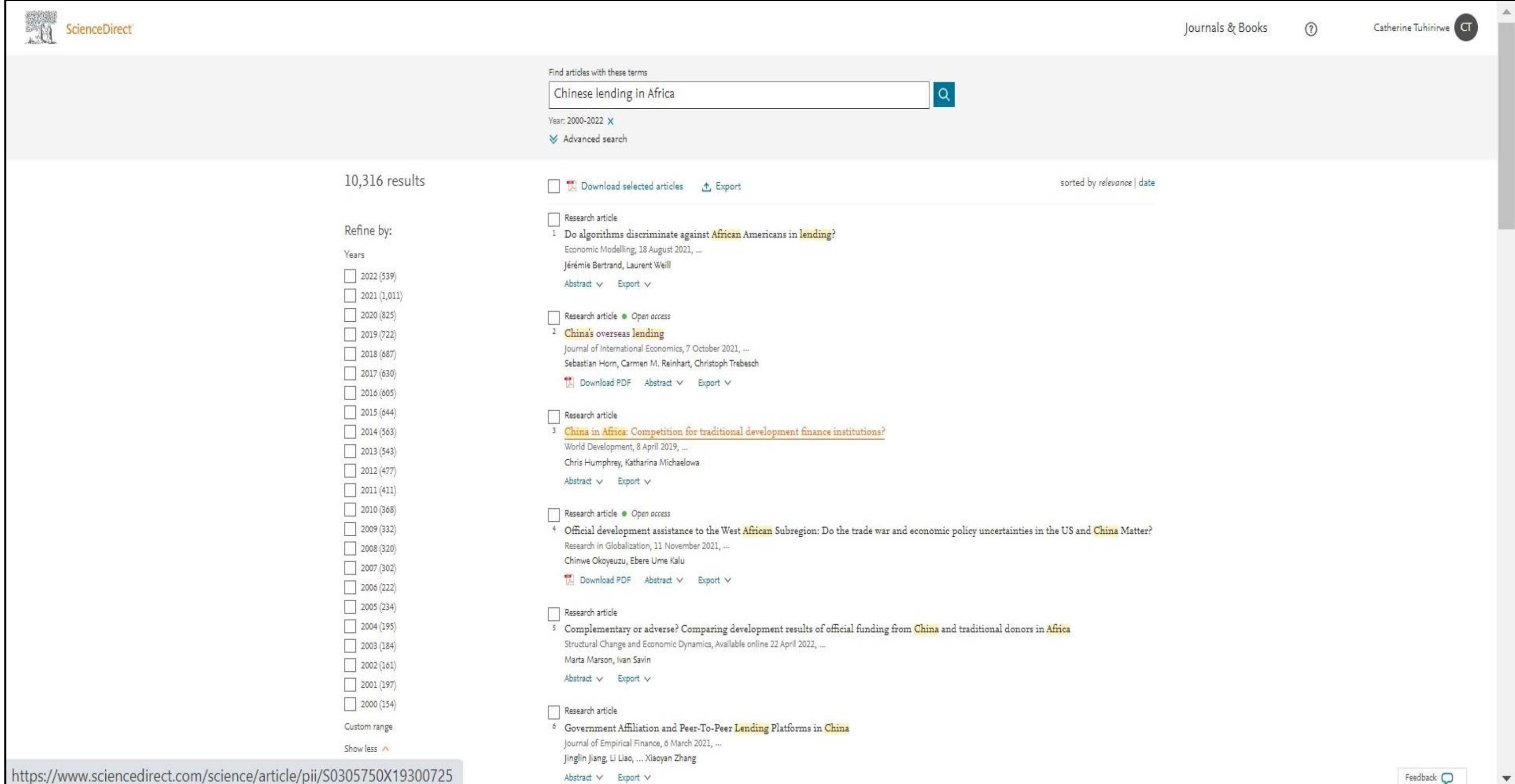
Appendices

Appendix A1: Research Articles search results

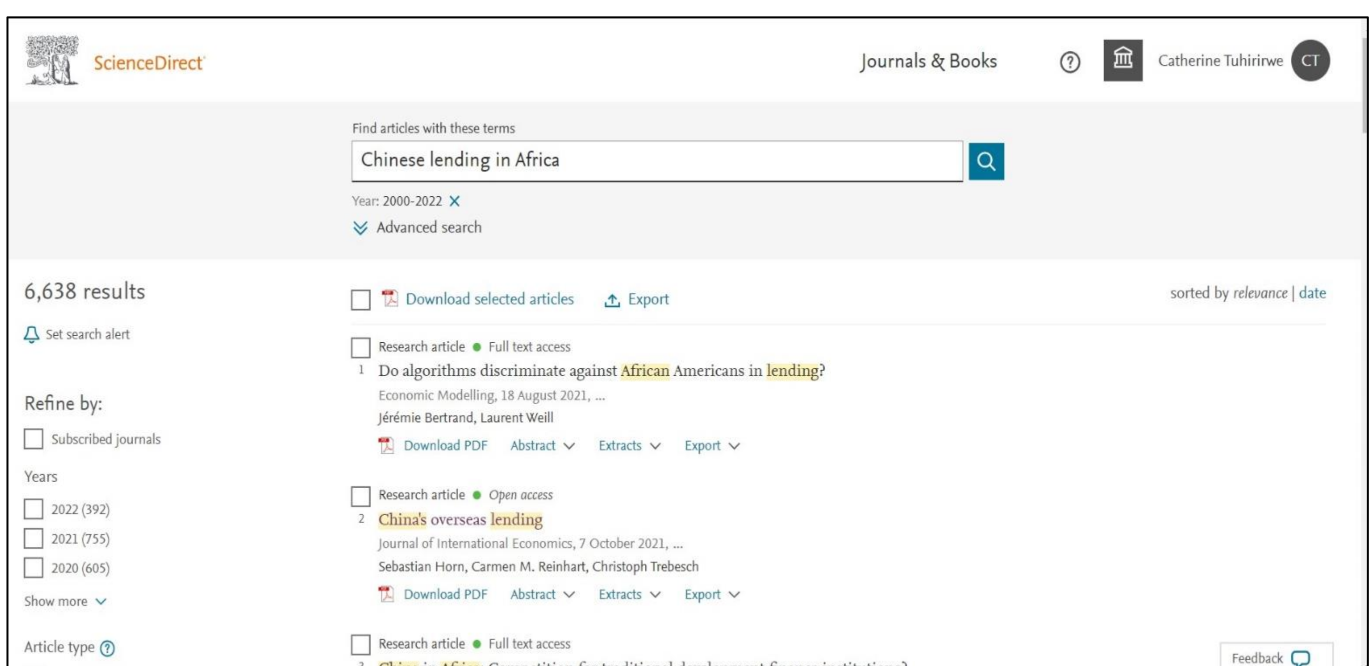
Appendix A1 1: Full search hits of ‘Chinese lending in Africa’ in ScienceDirect



Appendix A1 2: Filtered research articles search hits between 2000 and 2022



Appendix A1 3: Filtered research articles search hits between 2000 and 2022



Appendix A2: Fieldwork Research Documents

Appendix A2 1: Epigeum Research Integrity Certificate

Certificate

Number: 2722320145

This is to certify that

Catherine Tuhirirwe

Successfully completed the course

Research Integrity - Arts and Humanities

as part of the Epigeum Online Course System with a score of 91%.

Dated: 09 March 2020

Copyright Oxford University Press 2018

Appendix A2 2: Interview and survey Information sheets and Consent Forms

Interview Research Participant Information Form

Information Sheet For: The impact of Chinese investment loans on sustainable economic development in Sub Saharan Africa: Case studies of Kenya, Senegal, Uganda, and Zambia.

Introduction

The purpose of this form is to provide you with information, so you can decide whether to participate in this study. Any questions you may have will be answered by the researcher or by the other contact persons provided below. Once you are familiar with the information on this sheet and have asked any questions you may have, you can decide whether or not to participate. If you agree, you will be asked to fill in the consent form for this study and record your consent verbally.

Research title:	The impact of Chinese investment loans on sustainable economic development in Sub Saharan Africa: Case studies of Kenya, Senegal, Uganda, and Zambia.
Name and contact details of researcher	Catherine Tuhirirwe Email:
Name and contact details of Principal Investigator	Dr Richard Alexander Email:
What type of research project is this?	PhD Research
Who is funding this research project?	Self-funded
Who else is involved with the research project?	No other parties are involved.
What is the research project's purposes?	This research project aims to ascertain how Chinese investment loans have contributed to the sustainable development of this country and also contribute to solutions in managing the increasing debt resulting from these loans. The research project will last for three years.
Why have I been chosen?	You have been chosen you since you represent a group of people that have in some ways been impacted by the Chinese investment projects in the country. Using interviews will give us a well-rounded and in-depth understanding of the impact of Chinese investment loans in this country.
Do I have to take part?	Your participation in this research is voluntary
What will happen to me if I take part?	The researcher, Catherine Tuhirirwe will be conducting the interview, and it should last no more than an hour.

Will I be recorded and how will the recordings be used?	The researcher will seek your consent to record you on audio and only proceed if you agree to do so. The recorded interviews will be used for the purposes of gathering data for this research project only.
Risks and Benefits of participation	Once you agree to participate in this research, the data collected will help the government to use to the funds appropriately for optimal benefits. We do not anticipate any risks arising from your participation.
What if Something Goes Wrong?	For any arising concerns that are not resolved with researcher, please submit a written letter marked for the attention of the Schools' Registrar, and post it to SOAS, Thornhaugh Street, Russell Square, London WC1H 0XG.
Where will information I provide be transferred to?	The information collected from you will be transferred to the One Drive cloud storage of the SOAS University of London.
How will information I provide be kept secure?	The researcher will have a secure travel case where data collected from you will be kept safe for transfer to the United Kingdom.
Will I be kept anonymous in this research project?	Yes, you will be kept anonymous.
What will happen to the results of this research project?	The results of this research will form part of the researcher's PhD thesis which upon completion will be made available to the general public via SOAS Research Online.

Data Protection Privacy Notice

The data controller for this project will be SOAS University of London. The SOAS Data Protection Officer provides oversight of SOAS activities involving the processing of personal data and can be contacted at dataprotection@soas.ac.uk

Your personal data will be processed for the purposes outlined in this Information Sheet. The legal basis that would be used to process your personal data under data protection legislation is the performance of a task in the public interest or in our official authority as a controller. However. for ethical reasons we need your consent to take part in this research project. You can provide your consent for the use of your personal data in this project by completing the consent form that has been provided for you or via audio recording of the information sheet and consent form content.

Your Rights

You have the right to request access under the General Data Protection Regulation (GDPR) to the information which SOAS holds about you. Further information about your rights under the Regulation and how SOAS handles personal data is available on the Data Protection pages of the SOAS website (http://www.soas.ac.uk/infocomp/dpa/index.html), and by contacting the Information Compliance Manager at the following address: Information Compliance Manager, SOAS,

Thornhaugh Street, Russell Square, London WC1H 0XG, United Kingdom (e-mail to: dataprotection@soas.ac.uk).

If you are concerned about how your personal data is being processed, please contact SOAS In the first instance at dataprotection@soas.ac.uk If you remain unsatisfied, you may wish to contact the Information Commissioner's Office (ICO). Contact details, and details of data subject rights, are available on the ICO website at: https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/individuals-rights/

Copyright Notice

The consent form asks you to waive copyright so that SOAS and the researcher can edit, quote, disseminate, publish (by whatever means) your contribution to this research project in the manner described to you by the researcher during the consent process.

Contact for Further Information

Catherine Tuhirirwe Email:

Thank you for reading this information sheet and for considering taking part in this research study.

Interview Participant Consent Form

Consent Form for The impact of Chinese investment loans on sustainable economic development in Sub Saharan Africa: Case studies of Kenya, Senegal, Uganda, and Zambia.

Please complete this form after you have read the Information Sheet about the research.

Project Title: The impact of Chinese investment loans on sustainable economic development in Sub Saharan Africa: Case studies of Kenya, Senegal, Uganda, and Zambia.

Researcher Name: Catherine Tuhirirwe

Please tick the appropriate boxes	Yes	No
I have read and understood the project information sheet dated		
I have been able to ask questions about the project		
I understand that there are no potential risks of participating in this research		
I agree to take part in the project and understand that taking part involves written or audio interview and that I will confirm my willingness to take part in the research on tape before the interview begins.		
I agree that my interview is audio recorded		
I understand that I can refuse to answer questions		
I understand that my taking part is voluntary; I can withdraw from the study at any time by notifying the researcher/s involved and I do not have to give any reasons for why I no longer want to take part		
I understand that my withdrawal or refusal to take part will not affect my relationship with SOAS University London		
I understand that that personal information collected about me that can identify me, such as my name or where I live, will not be shared beyond the research team		
I understand information I provide will be stored securely in travel case. Once the researcher returns to the accommodation base here, the data will then be transferred to the cloud storage as mentioned above. Consent forms will be kept in a lockable safe that the only the researcher has access to. On departure, all data will be kept in a lockable case ready for transfer to the United Kingdom.		
I understand that the information I provided will be used for the researcher's PhD thesis which upon completion will be made available to the general public via SOAS Research Online.		
I understand that my information will be anonymised so that I cannot be identified in the researcher's PhD thesis that will be published via SOAS Research Online.		

I agree to waive copyright and other intellectual property rights in the material I contribute to the project		

Contact Information

Catherine Tuhirirwe Email Address:

Postal Address: C/O Department of Finance and Management, SOAS University of London
Thornhaugh Street, Russell Square, London WC1H 0XG, United Kingdom.

Alternative contact: Dr Richard Alexander, Email:
Prof Victor Murinde, Email:

Research Participant Declaration

Name/ Initials of Participant	Signature	Date

I have accurately read out the information sheet to the potential participant and to the best of my ability, ensured that that participant understands what they are freely consenting.

Catherine Tuhirirwe	CTuhirirwe	
Name of Researcher [printed]	Signature	Date

SOAS Consent Form Adapted from UK Data Archives Model Consent Form and licensed under the Creative Commons Attribution-Non-Commercial-Share-Alike 4.0 International Licence

Please ensure a copy of this document is retained safely for future reference.

Biodata of the respondent

1. Please indicate your gender

a. Male [] b. Female []

2. What age range do you fall into?

a. 18-23 years [] b. 24-34 years []
c. 35-44 years [] d. 45-54 years [] e. 55- 65 years[[] []

3. What is your highest level of education?

a. Diploma level [] b. Graduate level [][]
c. Post Graduate level [] d. Doctoral level [][]

4. What is your occupation? ____

Survey Participant Information Sheet

Information Sheet For: The impact of Chinese investment loans on sustainable economic development in Sub Saharan Africa: Case studies of Kenya, Senegal, Uganda, and Zambia.

Introduction

The purpose of this form is to provide you with information, so you can decide whether to participate in this study. Any questions you may have will be answered by the researcher or by the other contact persons provided below. Once you are familiar with the information on this sheet and have asked any questions you may have, you can decide whether or not to participate. If you agree, you will be asked to fill in the consent form for this study.

Research title:	The impact of Chinese investment loans on sustainable economic development in Sub Saharan Africa: Case studies of Kenya, Senegal, Uganda, and Zambia.
Name and contact details of researcher	Catherine Tuhirirwe Email:
Name and contact details of Principal Investigator	Dr Richard Alexander Email:
What type of research project is this?	PhD Research
Who is funding this research project?	Self-funded
Who else is involved with the research project?	No other parties are involved.
What is the research project's purposes?	This research project aims to ascertain how Chinese investment loans have contributed to the sustainable development of this country and also contribute to solutions in managing the increasing debt resulting from these loans. The research project will last for three years.
Why have I been chosen?	You have been chosen you since you represent a group of people that have in some ways been impacted by the Chinese investment projects in the country. You will complete a questionnaire because its questions are precise and easy to answer.
Do I have to take part?	Your participation in this research is voluntary
What will happen to me if I take part?	The researcher, Catherine Tuhirirwe will be carrying out the survey and it should last no more than half an hour.
Will I be recorded and how will the recordings be used?	No, you will not be recorded.
Risks and Benefits of participation	Once you agree to participate in this research, the data collected will help the government to use to the funds appropriately for optimal benefits. We do not anticipate any risks arising from your participation.

What if Something Goes Wrong?	For any arising concerns that are not resolved with researcher, please submit a written letter marked for the attention of the Schools' Registrar, and post it to SOAS, Thornhaugh Street, Russell Square, London WC1H 0XG.
Where will information I provide be transferred to?	The information collected from you will be transferred to the One Drive cloud storage of the SOAS University of London.
How will information I provide be kept secure?	The researcher will have a secure travel case where data collected from you will be kept safe for transfer to the United Kingdom.
Will I be kept anonymous in this research project?	Yes, you will be kept anonymous.
What will happen to the results of this research project?	The results of this research will form part of the researcher's PhD thesis which upon completion will be made available to the general public via SOAS Research Online.

Data Protection Privacy Notice

The data controller for this project will be SOAS University of London. The SOAS Data Protection Officer provides oversight of SOAS activities involving the processing of personal data and can be contacted at dataprotection@soas.ac.uk

Your personal data will be processed for the purposes outlined in this Information Sheet. The legal basis that would be used to process your personal data under data protection legislation is the performance of a task in the public interest or in our official authority as a controller. However. for ethical reasons we need your consent to take part in this research project. You can provide your consent for the use of your personal data in this project by completing the consent form that has been provided for you.

Your Rights

You have the right to request access under the General Data Protection Regulation (GDPR) to the information which SOAS holds about you. Further information about your rights under the Regulation and how SOAS handles personal data is available on the Data Protection pages of the SOAS website (http://www.soas.ac.uk/infocomp/dpa/index.html), and by contacting the Information Compliance Manager at the following address: Information Compliance Manager, SOAS, Thornhaugh Street, Russell Square, London WC1H 0XG, United Kingdom (e-mail to: dataprotection@soas.ac.uk).

If you are concerned about how your personal data is being processed, please contact SOAS In the first instance at dataprotection@soas.ac.uk If you remain unsatisfied, you may wish to contact the Information Commissioner's Office (ICO). Contact details, and details of data subject rights, are available on the ICO website at: https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/individuals-rights/

Copyright Notice

The consent form asks you to waive copyright so that SOAS and the researcher can edit, quote, disseminate, publish (by whatever means) your contribution to this research project in the manner described to you by the researcher during the consent process.

Contact for Further Information

Catherine Tuhirirwe Contact number: Email:

Thank you for reading this information sheet and for considering taking part in this research study.

Survey Participant Consent Form

Consent Form for The impact of Chinese investment loans on sustainable economic development in Sub Saharan Africa: Case studies of Kenya, Senegal, Uganda, and Zambia.

Please complete this form after you have read the Information Sheet and/or listened to an equivalent explanation about the research.

Project Title: The impact of Chinese investment loans on sustainable economic development in Sub Saharan Africa: Case studies of Kenya, Senegal, Uganda, and Zambia.

Researcher Name: Catherine Tuhirirwe

Please tick the appropriate boxes	Yes	No
I have read and understood the project information sheet dated ……………………………….		
I have been able to ask questions about the project		
I understand that there are no potential risks of participating in this research		
I agree to take part in the project and understand that taking part involves answering the questionnaire.		
I understand that I can refuse to answer questions		
I understand that my taking part is voluntary; I can withdraw from the study at any time by notifying the researcher/s involved and I do not have to give any reasons for why I no longer want to take part		
I understand that my withdrawal or refusal to take part will not affect my relationship with SOAS University London		
I understand that that personal information collected about me that can identify me, such as my name or where I live, will not be shared beyond the research team		
I understand information I provide will be stored securely in lockable travel case. Once the researcher returns to the accommodation base here, the data will then be transferred to the cloud storage as mentioned above. Filled in questionnaires and consent forms will be kept in a lockable safe that the only the researcher has access to. On departure, all data will be kept in a lockable case ready for transfer to the United Kingdom.		
I understand that the information I provided will be used for the researcher's PhD thesis which upon completion will be made available to the general public via SOAS Research Online.		

I understand that my information will be anonymised so that I cannot be identified in the researcher's PhD thesis that will be published via SOAS Research Online.		
I agree to waive copyright and other intellectual property rights in the material I contribute to the project		

Contact Information

Catherine Tuhirirwe Email Address:

Postal Address: C/O Department of Finance and Management, SOAS University of London Thornhaugh Street, Russell Square, London WC1H 0XG, United Kingdom.

Alternative contact: Dr Richard Alexander, Email:
Prof Victor Murinde, Email:

Research Participant Declaration

Name of Participant [printed]	Signature	Date

I have accurately read out the information sheet to the potential participant and to the best of my ability, ensured that that participant understands what they are freely consenting.

Catherine Tuhirirwe	CTuhirirwe	
Name of Researcher [printed]	Signature	Date

SOAS Consent Form Adapted from UK Data Archives Model Consent Form and licensed under the Creative Commons Attribution-Non-Commercial-Share-Alike 4.0 International Licence

Please ensure a copy of this document is retained safely for future reference.

Appendix A2 3: Interview Questions

Interview Questions - Chinese Representatives

1. The Sub-Saharan Africa governments source investment loans from different funders for example World Bank. Could you give an insight into how China engages with Sub-Saharan countries in investment loans contracts?

2. There has been some considerable Chinese presence in Sub-Saharan Africa in the recent years. How would you describe the relationship between China and Sub-Saharan Africa?

3. What is your opinion on how China represents itself in loan negotiations with Sub-Saharan African countries?

4. The Sub-Saharan Africa governments have signed some contracts with China in the last few years. Could you explain the types of loan schemes that the contracts have been granted under? What is your opinion on these contracts?

5. Once the loan contracts have been agreed, could you explain how you source sub-contractors in the given country?

6. Based on your opinion, how do you think that the newly constructed infrastructure projects such as highways, railways and airports impact/have impacted on the local residents?

7. How do Chinese investment projects generally contribute to Sub-Saharan Africa's economic growth?

8. What impact do the Chinese investment projects have on the gap between the rich and the poor in Sub-Saharan Africa?

9. There have been accusations that the Zambian government allows China to bring in imports as part of the loan contract conditions. How do you think this impacts domestic manufacturing in Zambia?

10. Additionally, the contracts agreed usually allow China to bring in a certain level of employees into the country to work on the projects. How do you think this affects the employment opportunities of the local residents? If there are some negative impacts, what measures can China take to ensure impartiality?

11. It is the norm to expect projects to have a system or body that monitors the project progress, expenditure, and expectations. In light of this, there have been claims of funds embezzlement in some of the Chinese projects.

a. Could you tell me about the body that is responsible for project accountability for Chinese loan contracts and the system that is in use?

b. If there was a universal transparent loan accountability framework that every Chinese investment project were to implement and follow, how do you think this would help towards maximising the benefits from these projects?

12. What is your opinion on how well equipped you think the Zambian government is in maintaining timely loan repayments to China?

13. There have been claims of corruption in areas where the Chinese projects have taken place or are planned to take place in Sub-Saharan Africa. If they are true, how can China help in tackling the alleged corruption and any future occurrences?

14. Could you please tell me what you think of the reports that Chinese investment projects benefit some regions in the country more than the others.

15. In the recent past years, the relationship between Sub-Saharan Africa and China has been described as 'China leading Sub-Saharan Africa into a debt trap'. What is your response to this claim?

16. There have also been allegations that China will seize respective country assets in Sub-Saharan Africa if the governments default on loan repayments. What do you know about these allegations and what is your opinion on it?

17. Seeing that China has increased its presence in Sub-Saharan Africa in the last few years, what does it hope to achieve from this engagement on the continent?

18. In your opinion, do you think Chinese loans pose certain economic, social, and political risks for Sub-Saharan Africa? Please elaborate your opinion.

19. In case of any risks, how can China contribute towards mitigating against (ease) such risks?

20. Some reports have suggested that the Chinese government signs off loan deals in Sub-Saharan Africa without considerate regard to environmental issues thereby endangering the future of some of these economies. What is your response to these claims?

21. There have been allegations that China is using investment loans as a way of extending its political influence over Sub-Saharan Africa. What do you make of these allegations?

22. What advice would you have for the Sub-Saharan African countries to work towards maintaining good trade relationships with other trade partners such as Europe and the United States regardless of China's seemingly dominant position in Sub-Saharan Africa right now?

23. There is currently no supervisory body in Africa that oversees aspects such as bilateral lending. Do you think such a body should be proposed? If so, how would China and Sub-Sahan African countries benefit from such a body?

Interview Questions – Country Citizen Representatives

1. The government sources investment loans from different funders for example World Bank. Could you give an insight into how the government here decides on who to source investment loans from and the process of choosing funders?

2. How would you describe the relationship between your country and China?

3. What is your opinion on how your country represents itself in loan negotiations with China?

4. Once the loan contracts have been agreed, are there procedures for choosing sub-contractors in the country?

5. In your opinion, do you think that the newly constructed infrastructure projects such as highways, and airports have led to an improvement or worsening of transport fares for the local residents?

6. Do you think that the newly constructed infrastructure projects such as highways, and airports provide economic benefits to the economy, and do they generally contribute to your country's economic growth?

7. What impact do the Chinese investment projects have on the gap between the rich and the poor in your country?

8. There have been accusations that the government here allows China to bring in imports as part of the loan contract conditions. How do you think this impacts domestic manufacturing here?

9. Additionally, the contracts agreed usually allow China to bring in a certain level of employees into the country to work on the projects. How do you think that this affects the employment opportunities of the local residents?

10. There have been reports of unfair working conditions within some of the Chinese investment projects in Sub-Saharan Africa. If this is true, how is the government handling these issues? What would you propose?

11. More so, there have been claims of funds embezzlement in some of the Chinese projects in Sub-Saharan Africa.

a. Is there a system of project accountability for every loan contract that is signed?
b. If there was a universal transparent loan accountability framework that every Chinese investment project were to implement and follow, how do you think this would help towards maximising the benefits from these projects?

12. There have been claims of corruption in areas where the Chinese projects have taken place or are planned to take place in Sub-Saharan Africa. If they are true, do you know if the government is tackling the alleged corruption and any future occurrences?

13. Could you please tell me what you think of the reports that Chinese investment projects benefit some regions in the country more than the others.

14. Additionally, some reports have said that the government here does not fully consider the long-term vision of some of the proposed and undertaken investment projects for example, will the local residents make regular use of the infrastructure such as roads? What is your view on these reports?

15. What is your insight into the reports that describe the relationship between Senegal and China as 'China leading Senegal into a debt trap'?

16. Seeing that China has increased its presence in Sub-Saharan Africa in the last few years, what do you think it hopes to achieve from this engagement on the continent?

17. In your opinion, do you think Chinese loans pose certain economic, social, and political risks for Senegal? In case of any risks, how can the governments mitigate (ease) such risks?

18. Some reports have suggested that the Chinese government signs off loan deals without considerate regard to environmental issues. Do you think that this may cause problems for Senegal in the future? Please explain your opinion with some examples.

19. What do you make of the allegations that China is using investment loans as a way of extending its political influence over Sub-Saharan Africa?

20. How can the government work towards maintaining good trade relationships with other trade partners such as France, and the United States regardless of China's seemingly dominant position in Sub-Saharan Africa right now?

21. There is currently no supervisory body in Africa that oversees aspects such as bilateral lending. Do you think such a body should be proposed? If so, how would Sub-Sahan African countries benefit from such a body?

Appendix A3: Field study documents

Appendix A3 1: SOAS Doctoral School Field study authorisation letter

SOAS, University of London
Thornhaugh Street
Russell Square
London WC1H 0XG
www.soas.ac.uk

Ms Catherine Tuhirirwe
27 September 2021

CERTIFICATE OF STUDENT STATUS AND FIELDWORK AS MPHIL/PHD CANDIDATE

This document certifies the following information about the student's current status at SOAS, University of London, as of 27 September 2021. The student below is enrolled at SOAS for the academic year 2021/2022 and is undertaking periods of approved overseas fieldwork from 1 October 2021 until 31 May 2022, in Senegal, Zambia, Kenya and Uganda. We would be most grateful for any assistance you could provide.

Institution details

Name and address of the UK Higher Educational Institution:	SOAS, University of London Thornhaugh Street, Russell Square, London, WC1H 0XG

Student details

Student reference:	675587
Student name:	Ms Catherine Tuhirirwe
Date of birth:	
Term time address: UK (excluding Channel Islands & Isle of Man)	**Home address:** UK (excluding Channel Islands & Isle of Man)
Programme title:	MPHIL/PHD FINANCIAL AND MANAGEMENT STUDIES (FT))
Type of attendance:	Full-time
Date of first registration on programme:	28 September 2020
Thesis submission deadline:	15 September 2024

Student Experience & Engagement Directorate, SOAS, University of London
This certificate is provided as evidence that the above student is registered at SOAS, University of London for the period shown. For full-time students this provides evidence for Council tax exemption. Students registered on a full-time mode of attendance are

expected to study for at least 21 hours per week during term time. We confirm that the address whilst studying with us is not provided by the School. SOAS is registered with the Home Office as a Tier-4 Sponsor and is currently listed on the appropriate Home Office Register as a Registered Education Establishment. This letter may be used to support an application to open a Bank Account when supporting identification documents e.g. passport or National ID Card.

Research Degrees at SOAS, University of London

Research Degrees are Continuous
Research degrees are continuous and therefore the 2019/20 academic year covers the period from 23 September 2019 until 27 September 2020. Taught course term time dates do not apply to research degrees.

Transcripts Not Available
Research degree students at SOAS are not subject to formal examination or assessment during their degree programme and the School is unable to provide transcripts of academic performance for research candidates.

MPhil/PhD
In SOAS, University of London, all students admitted to a PhD programme are registered initially for the degree of MPhil. In their third full-time term, or sixth part-time term, students are considered for transfer to PhD. If their work is of an appropriate standard, and transfer is recommended by their supervisory committee, the date of registration for the PhD is then backdated to the beginning of the research registration.

Extension of Writing-Up (Continuation)
Some SOAS students are permitted a period of Extension of Writing-Up (Continuation) status following completion of full-time or part-time enrolment. Eligibility for this status is subject to satisfactory academic progress and is for a maximum of one year or until the thesis submission deadline (whichever is sooner). Students enrolled on Extension of Writing-Up status (Continuation) at SOAS are normally expected to be based at SOAS, London and undertaking a minimum of 21 hours per week of study and research for the minimum of 24 weeks per year.

Under Examination
Once a student has submitted their thesis for examination they are enrolled Under Examination for a period of six months. During this time, they are expected to undertake their viva and, if required, make necessary revisions.

Verification of this Document
To check the authenticity of this document, please send a scanned copy to
doctoralschool@soas.ac.uk

Regards

Head of Student Strategic Initiatives
SOAS University of London
Russell Square, London WC1H 0XG

020 7898 4241

Appendix A3 2: Kenya-Kenyatta University Affiliation Letter

KENYATTA UNIVERSITY

OFFICE OF THE DEPUTY VICE-CHANCELLOR RESEARCH, INNOVATION AND OUTREACH

Office Phone: (+254-20) 8703026
Office Cell: +254 772 296748
Website: www.ku.ac.ke

P. O. Box 43844-00100
Nairobi, Kenya
Email: dvc-rio@ku.ac.ke

Ref: KU/DVCR/AFF/VOL. 1/62

Date: 21st February, 2022

Ms. Catherine Tuhirirwe
SOAS University of London
School of Finance and Management
10 Thornhaugh St.
London WC1H0XG
United Kingdom

Dear Ms. Tuhirirwe,

RE: REQUEST FOR AFFILIATION TO KENYATTA UNIVERSITY

This is to inform you that your application for affiliation to Kenyatta University dated 18th February, 2022 for the purposes of undertaking research on the topic: ***'The impact of Chinese investment loans on sustainable economic development in Sub Saharan Africa: Case studies of Kenya, Senegal, Uganda and Zambia'*** has been considered and approved. It is noted that your affiliation period will be from 16th February to 16th July 2022 and you wish to be affiliated to the Department of Applied Economics.

With this approval, you are requested to proceed and pay affiliation fees and complete the process of requesting for a research permit from the National Commission for Science, Technology and Innovation (NACOSTI). Please contact my office on arrival to enable us arrange fo your identity card.

We look forward to interacting with you during the period of your affiliation.

Yours sincerely,

Prof. Vincent Onywera Ph.D., ISAK 2
Ag. Deputy Vice-Chancellor Research, Innovation and Outreach

cc: Vice-Chancellor
Chairman, Department of Applied Economics

transforming Higher Education... Enhancing Lives
Kenyatta University is ISO 9001:2015 Certified

Appendix A3 3: Kenya-Research License

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 707522

Date of Issue: 01/March/2022

RESEARCH LICENSE

This is to Certify that Miss.. Catherine Tuhirirwe of Soas University of London, has been licensed to conduct research in Nairobi on the topic: The impact of Chinese investment loans on sustainable economic development in Sub Saharan Africa: Case studies of Senegal, Zambia, Kenya, and Uganda. for the period ending : 01/March/2023.

License No: NACOSTI/P/22/16021

707522

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

Appendix A3 4: Senegal-Cheikh Anta Diop Affiliation identity card

Appendix A3 5: Uganda-Economic Policy Research Centre Affiliation letter

51 Pool Road, Makerere University Campus
P. O. Box 7841 Kampala, Uganda
Tel: +256414541023/4
Fax: +256414541022

4 March 2022

Ms. Catherine Tuhirirwe
C/o Finance & Management
SOAS University London
10 Thornhaugh St,
London WC1H 0XG
UK.

Dear Ms. Tuhirirwe,

Offer of Internship placement at EPRC

Reference is made to your letter dated 3 March 2022 expressing interest for internship placement at the Economic Policy Research Centre (EPRC). After reviewing your application and accompanying documentation, Management has decided to offer you the position.

Your internship will be for three (3) months commencing March 10, 2022 and ending June 10, 2022. You will work under the guidance of Mr. Corti Paul Lakuma, Research Fellow/Head of Department Macroeconomics during your internship period. However, you are also expected to work with other EPRC staff where required to enable you to have a wider exposure.

Please note that EPRC has no budget line for this internship. However, you will be entitled to break tea and lunch from the EPRC canteen while at the Centre.

You are required to prepare a report at the end of your internship and submit a copy to EPRC Management through the Head of Department Macroeconomics.

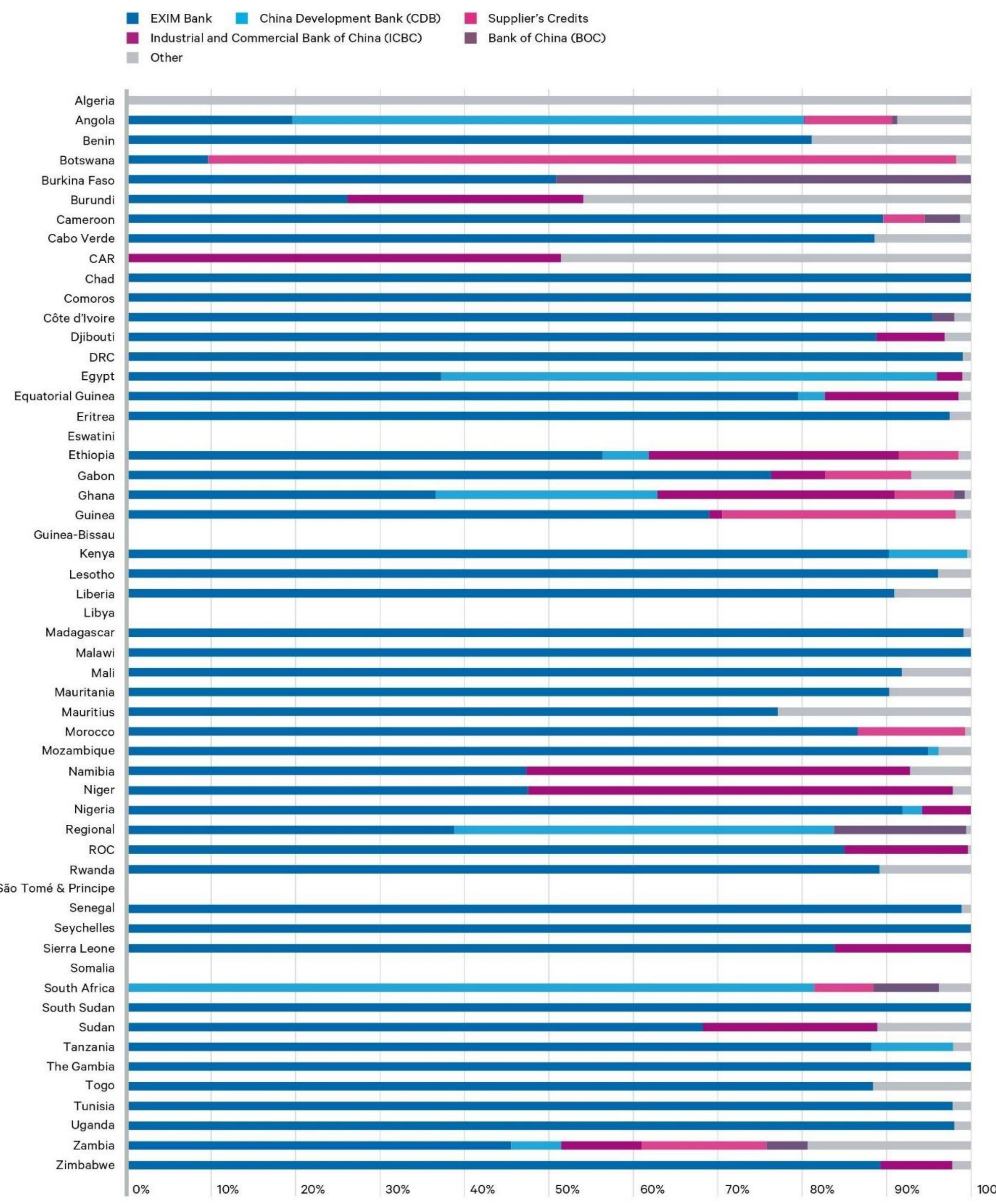
Yours Sincerely,

Sarah N. Ssewanyana, PhD
Executive Director

Cc. Corti Paul Lakuma, Head of Department, Macroeconomics
Ibrahim Kasirye, Director Research

Appendix A4: Chinese loans to African governments by financier

Composition of Chinese loans to African governments, 2000 – 2020 by financier



Source: (Vines, Butler, and Jie, 2022); based on data from BUGDP