China’s strategic realignment of financing in Africa

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The structural break in China’s lending to Africa deepened significantly in 2024, with pledges reaching less than 10% of the 2016 record at just USD 2.1 billion. Beijing is undergoing a rapid transformation from a state-owned lender for mega-infrastructure to a selective investor that outsources risks to bilateral partners. This "new reality" is forcing African states to adopt stricter fiscal discipline – but how can Western actors fill this vacuum without provoking new debt crises?

Statistical collapse: The end of broad-based financing

The latest data from the Global Development Policy Center (January 2026) show a further 46% decline in Chinese loans compared to the previous year. Only a fraction of the historical peak in 2016 (USD 28.8 billion) remains. While more than USD 10 billion flowed annually between 2012 and 2018, the level has now settled permanently in the lower single-digit billion range. This contraction is not a cyclical low, but rather a fundamental departure from state-guaranteed wholesale loans for rail and road infrastructure.

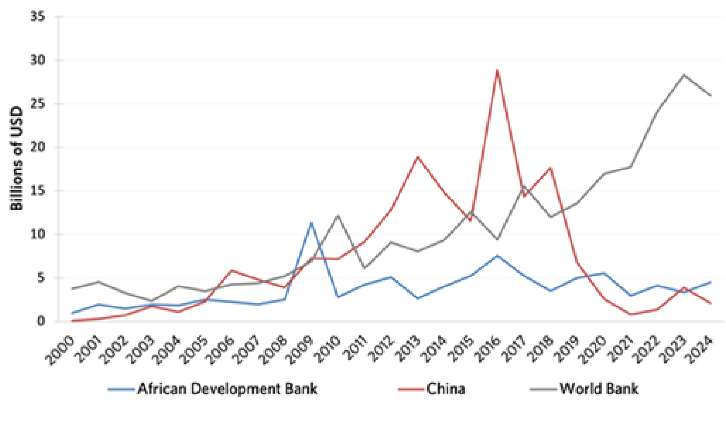
Strategic reorientation: "Small is Beautiful"

Under the guiding principle of *Xiao er mei* ("Small is Beautiful"), China is rarely financing projects above USD 1 billion through state loans. Instead, there is a shift toward foreign direct investment (FDI) and trade finance. In doing so, Beijing is avoiding the direct risk of default on state balance sheets and focusing on commercially viable projects, especially in the areas of energy infrastructure and ICT. A novelty is that loans are more frequently made in RMB (e.g., in Kenya), allowing China to avoid US dollar exchange rate risks. The extreme geographic selectivity is particularly striking: in 2024, all loans were concentrated in just five countries, with Angola alone absorbing almost 70% (USD 1.45 billion).

Causes: Lessons learnt from "Debt Distress"

Behind this retreat are painful experiences with sovereign defaults in Zambia, Ghana, and Ethiopia. The Chinese "policy banks" (CDB, ExImBank) have drastically tightened their due diligence checks. Credit flows now go exclusively to resilient sectors such as water, waste management, and energy networks, as well as directly to financial institutions via credit lines, as seen recently in Egypt. The focus is now on protecting asset quality and promoting Chinese technology exports, rather than pursuing geopolitical expansion at any cost.

Comparison of loan commitments 2000-2024



Source: Boston University Global Development Policy Center (2026)

The funding gap as a driver of reform

This marks a turning point for the African continent, which received a total of USD 180.87 billion from China over 25 years (2000–2024). The infrastructure gap is growing, but at the same time, the era of non-transparent indebtedness is ending. This forces African finance ministries to adopt "healthier" fiscal policies: projects must now be assessed based on their economic profitability rather than their prestige or sheer scale. The Chinese shift from "client" to "investor" also requires partner countries to provide a more stable framework for private capital.

Conclusion

The Chinese retreat marks the end of an era in which infrastructure projects were often financed in isolation from market-based profitability criteria. This turning point offers the opportunity for a qualitatively new beginning. However, for this to succeed, a mutual rethink is required: Western donors must make their instruments more flexible and competitive in order to be perceived as a genuine alternative. At the same time, African partner countries have a duty: anyone seeking to attract investment in times of scarce global liquidity must demonstrate transparent fiscal policy, improved governance, and a reliable legal framework. Only by mobilizing domestic resources and crowding in private capital can the looming infrastructure gap be closed sustainably. ■

One Pager

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