



By: The Editorial Board

# The debt boomerang – how Africa began to finance China



Over two decades of China's presence in Africa, the perception of Beijing as a key financier of the continent's development took shape.

The approach was presented simply: capital in exchange for infrastructural momentum, without political conditions or interference in the internal affairs of states.

That model characterised the period from the mid-2000s to the end of the last decade.

Today, however, a completely different phase of that relationship is emerging – a phase in which Africa no longer serves as a destination for Chinese capital but as a source of its collection.

This shift was not caused by a political decision but by the structure of the credit cycle itself.

The mass placements by **Chinese development banks** during 2013–2018 have now entered the full servicing phase. Simultaneously, there has been a significant reduction in new loans.

The result of this gap is a negative net transfer: African economies collectively send more money back to China than they receive from it.

## Debt ceases to be an instrument of growth

Quantitative data confirm the scale of this shift. An analysis of net financial flows published by the **Global Development Policy Center** (Boston University) shows that in the period 2015–2019, Africa had a net inflow of Chinese capital of approximately \$30 billion, while in the period 2020–2024 there was a net outflow of about \$22 billion.

In just five years, the financial relationship has changed. Africa has moved from being a net recipient to a net financier of Chinese creditors. This data is not an estimate or projection but the sum of actual flows – new withdrawals minus principal and interest

payments.

The essence of this shift, therefore, is neither ideology, nor a "sudden decision by Beijing". The bottom line is the mathematics of the credit cycle.

When new placements dry up and repayments of old obligations rise, the creditor does not need to withdraw to become a collector. It is enough to stop providing fresh capital while the existing portfolio continues to generate mandatory payments of principal and interest. That is precisely what happened.

**The Chinese credit portfolio in Africa ceased to function as a source of additional liquidity and began to act as a stable channel of fiscal outflow**

At the beginning of this decade, total repayments to China exceeded the amount of new Chinese loans to African countries.

The same pattern is confirmed by data from the **ONE Data initiative** (an international research initiative whose data is used in analyses of public debt and global financial flows), according to which developing countries in 2022 and 2023 returned to China on average about \$3.9 billion per year more than they received through new loans.

Thus, the Chinese credit portfolio in Africa ceased to function as a source of additional liquidity and began to act as a stable channel of fiscal outflow.

This is the moment when "development financing" turns into a structural budget constraint. Debt ceases to be an instrument of growth and becomes a permanent expense, embedded in fiscal projections and political decisions.

## The end of the expansion phase

China's lending to Africa has never been

philanthropic, but it did have a developmental dimension during the previous decade.

Long-term infrastructure projects, often with relatively short grace periods, were based on the assumption that growth in trade, exports and fiscal revenues would enable the seamless servicing of obligations.

That assumption proved too optimistic. Several projects did not generate the expected revenues. Others remained unfinished or faced structural weaknesses in local economies. When principal repayments began to dominate, the fiscal space of African countries narrowed sharply.

### Africa enters a phase of high repayments just as Chinese capital ceases to be abundant

At the same time, China has shifted its own priorities. The domestic economic slowdown, the real estate sector crisis, and the need to stabilise the domestic financial system have led to a more restrictive approach to external placements. New loans are approved selectively, with stricter evaluation of returns and a greater focus on sectors with a clear commercial logic.

Thus, the circle is closed: **Africa** enters a phase of high repayments just as Chinese capital ceases to be abundant.

### 2026 is not "debt wall" – the impact is already here

The term "debt wall" refers to the end of the grace period and the start of principal repayment.

In the case of Chinese infrastructure loans, these periods generally lasted not seven or ten years, but three to five, with maturities of fifteen to twenty years. Therefore, the maturity structure clarifies why the pressure emerged earlier than commonly believed.

### 2025 represents the peak of repayments to China

Massive principal repayments commenced at the start of this decade, as the peak of Chinese lending occurred between 2013 and 2018.

According to estimates by the **Lowy Institute**, 2025 represents the peak of repayments to China: the poorest and most indebted countries paid about \$22 billion, while total repayments by developing countries to Chinese creditors reached approximately \$35 billion annually.

This is why the key financial impact is not in a single symbolic year but in the ongoing pressure that is already present and will continue during the second half of the decade.

### Africa is not just servicing Chinese debt – but Chinese debt is changing politics

It is important to emphasise that Chinese debt is neither the only nor the largest component of Africa's total debt.

By the middle of the decade, total debt service obligations—including external loans, domestic bonds, and bilateral loans—surpassed \$100 billion annually.

The Chinese share of this amount is a minority, but it is a politically highly sensitive segment.

### The core of the problem is the debt that constrains budgetary and political decisions over the long term

This sensitivity gives Chinese debt particular significance. It is concentrated among state creditors, linked to specific infrastructure projects, and directly burdens budgets.

When projects fail to generate the expected revenues, the debt cannot be amortised through growth but is instead passed on to taxpayers.

At that point, debt becomes not only a financial issue but also a political one. Repayment is maintained at the expense of cuts in public spending and the suppression of social and development priorities.

This is why the 'debt trap' narrative is misleading. The core of the problem is not the confiscation of property but the debt that constrains budgetary and political decisions over the long term.

## China's changing role

China has not withdrawn from Africa, but it has changed its approach. Chinese investments are no longer focused on large-scale infrastructure projects with political symbolism but on sectors that offer quick and predictable returns.

Energy, raw material exploitation, logistics, and digital infrastructure are now prioritised, while projects without clear revenue streams are excluded from financing.

**Africa is seen not as a growth market but as a source of stable capital returns**

This transformation does not indicate a loss of interest but rather a consolidation. After a period of expansion, Chinese financial institutions are now focused on protecting their balance sheets and collecting existing claims.

At this stage, Africa is seen not as a growth market but as a source of stable capital returns.

This is where the core of the debt boomerang is found. Capital that entered as a development stimulus now returns to Beijing

as a fiscal flow.

Thus, development loans from the previous decade now function as a permanent obligation of budget payments to Chinese creditors.

## Geopolitical implications

The shift in **China-Africa** financial relations has broader consequences. Multilateral institutions and regional development banks are becoming increasingly important as net sources of finance for African economies, but they are unwilling to fund the servicing of others' claims.

Without debt restructuring, the new development cycle remains constrained.



The central issue in the coming years will not be the availability of Chinese capital, but the cost of maintaining solvency - ICBC

Meanwhile, rising fiscal pressures are increasing political instability. Long-term budgetary constraints in countries with weak institutions can easily lead to social unrest, political divisions, and increased migration pressures.

Africa's debt crisis thus becomes a factor in European and wider international security.

If current trends persist, the negative net transfer to China will become a structural feature of the second half of the decade, rather than a temporary phenomenon.

Without coordinated restructuring – extending maturities, reducing interest burdens, and selective write-offs – African countries will have to repay old Chinese loans, service expensive market bonds, and attempt to maintain basic public functions simultaneously.

China will play a key role in this process, but a different one from before. Not as a driver of development, but as a rational creditor protecting its own interests and balance sheets. There is no longer room for a return to the mass lending model.

The central issue in the coming years will not be the availability of Chinese capital, but the cost of maintaining solvency. That price will be paid not only in money but also through the loss of fiscal autonomy, political space, and development ambitions.

The era of China's construction boom in Africa is over. The era of billing has begun.