



## EXAMINE THE IMPLICATIONS OF CHINA-AFRICAN FINANCIAL RELATIONS TO AFRICAN ECONOMICS

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### ABSTRACT

This paper examined the implications of China-African financial relationship on the economies of African countries. The study used content analysis approach to identify the nature of Chinese financial relationship to African countries. The study observed that the Chinese model of development financing is the most appropriate model to engender and stimulate growth in African economies. The framework of the Chinese-African financial relationship provides African countries with the opportunity to invest in infrastructure, develop their natural resources, industrialize the economies, and create employment for her teaming population. The China-African financial relation is a Win-Win strategy for both partners. The standby readiness of China to provide African economies with cheap and conditionality free capital and the subsidization of investment in Africa by Chinese state-owned financial institutions will make Africa attractive to Chinese investors and create a cheap and reliable source of raw materials and market for Chinese products. It is recommended that in the face of this cheap capital, and ever-expanding market for Chinese products in Africa.

**Keywords:** Angola Model, Capital Deficit, Conditionality, Development, Resources-Finance, Infrastructure.

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### INTRODUCTION

Over the last decade, the Chinese government has intensified its efforts in forging a new partnership with Africa as part of the "Going Out" strategy adopted in 2000. The return to Africa has been marked by the periodical Forum on China-Africa Cooperation (FOCAC) Inaugurated in 2000 and convened every three years to review the past implementation of economic cooperation between China and Africa, discuss the joint strategy and adopt an action plan. At the highly visible China-Africa Summit held in Beijing in 2006, attended by 48 heads of state of the 53 members of the African Union, the Chinese government promised mutually beneficial economic cooperation and pledged to double its aid to Africa to US\$5

billion within three years (2006-2009b). At the FOCAC, held in Shamel-Sheikh in Egypt in November 2009, China again pledged to double its concessional loans to Africa to \$ 10 billion in 2010-2012, when Africa faces the prospect of dwindling aid "flows from OECD development assistance committee\_(DAC) countries in the aftermath of the global financial and economic crisis of 2007-2009. Traditionally, China had a pattern of doubling or tripling recent FOCAC pledges: from \$5 billion in 2006 to \$10 billion in 2009, to \$20 billion in 2012, and to \$60 billion in 2015.

This recent wave of China's proactive engagement with Africa through a of increased aid, trade and investment, and the resulting emergence of China as a new strategic economic partner for African development, have attracted a considerable amount of attention and debate, receiving mixed reactions in policy circles across the world. Though the actual amount of aid provided by China to Africa is still small compared to the volumes provided by the traditional donors i.e., the members of the DAC - it has been steadily increasing over a short span time. Moreover, it is the form of China's engagement in Africa as well as its sudden surge in activities and the timing of its "return" that has attracted wide-ranging comments from different quarters, echoed in the International press worldwide.

The general tone of the comments that initially appeared in the Western press is one of high anxiety, expressed in the assertion that China's active engagement with African governments would undermine the interests of the international community. It has been argued that China's economic aid, provided with no conditionality attached on economic and governance reforms, would be particularly harmful to Africa's future by allowing repressive, autocratic regimes such as those of Sudan and Zimbabwe to survive and continue suppressing democratic movements and the popular voice in their countries. Serious concerns have been also raised in relation to China's own poor track record in environmental and health and safety regulations in the construction and mining sectors.

Further, China's thirst and aggressive drive for natural resources and oil in the continent. In return for "economic cooperation" through aid, trade and investment is often viewed with suspicion, and termed as nothing more than a new imperialism or neo-colonialism now being exercised from Asia to perpetuate and reinforce the existing international division of labor which is disadvantageous to Africa. Moreover, as Chinese aid for infrastructure projects is provided in the form of preferential loans, the Western donors have accused China of in essence freeriding on the cancellation of US\$43 billion debt granted to the heavily indebted poor countries (JIIPCs) through the Multilateral Debt Relief Initiative (MDRI) in 2005. They have raised questions about the sustainability of Africa's new debt obligations to China and other non-DAC members.

China's -Increasing presence in many aspects of Africa's economic lives has stirred very mixed reactions, with some legitimate concerns. This is understandable, as many domestic industries and economic activities such as clothing and textiles face hard competition from cheaply priced imported goods and services from China. There is also anxiety arising out of the non-transparency surrounding the details of the deals the Chinese government strikes with many African leaders, as well as the way in which many Chinese-funded projects have been negotiated and implemented on the ground. In response to various criticisms, often expressed in fear and anxiety, Chinese officials and scholars emphasize that China's engagement with Africa is built on the genuine concept of partnership based on 'political equality, mutual trust, economic win-win cooperation and cultural exchanges.

Since the ever-expanding China-Africa relationship may emerge as one of the critical building blocks in shaping the global economic and geopolitical landscape in the years to come, there is a great need for a balanced evaluation of the China-African relationships beyond the rhetorical reactions often found in the popular press. That is, to examine the implications of China-African financial relationship to African economies. Therefore, the

main problem of the study is to examine the implication of China- African financial relationship on African economies. The significance of the study is that the findings from the study will assist in evaluating the impact of China's expanding relationship in Africa and inform the formulation and implementation of appropriate policy to effectively tap from the expanding influence of China in the continent. The remaining part of the study is structured into four (4) sections as follows. Section two (2) presents the strategies of China financial relationship in Africa. Section three (3) reviews the structure of China financial relationship in Africa; while section four (4) examines the implications of China's financial relation to Africa's economies. Section five is the conclusion and recommendation from the study.

## **CONCEPTUAL CLARIFICATION**

### **Financial Strategy**

Financial strategy of an organization is essentially concerned with procurement and utilization of funds. The basic purpose is to ensure adequate and regular supply of funds fulfilling the present and future requirements of the business enterprise. Financial strategy deals with areas such as financial resources, analysis of cost structure, estimating profit potential, accounting functions and so on. In short, financial strategy deals with the availability of sources, usages, and management of funds. It focuses on the alignment of financial management with the corporate and business objectives of an organization to gain strategic advantage.

According to Thomas, Wheelen and Hunger (n.d) financial strategy examines the financial implications of corporate and business-level strategic options and identifies the best financial course of action. It can also provide competitive advantage through a lower cost of funds and a flexible ability to raise capital to support a business strategy. Financial strategy usually attempts to maximize the financial value of a firm.

### **Aims of Financial Strategy**

Financial strategy aims to maximize the financial value of a firm. Financial strategy can provide competitive advantage through low costs funds. In any financial strategy, achieving the desirable debt equity ratio by borrowing for long term financial needs and generating cash flow internally is a crucial issue. Studies point out that high debt levels lead to improved productivity and improved cash flows. Studies also point out that diversification strategy mainly influences the financial strategy. Equity financing is much preferred for related diversification whereas debt financing is preferred for unrelated diversification. Next dimension of financial strategy is the leveraged buyout.

In a leveraged buyout, a company is acquired in a transaction, which is mainly financed by funds arranged from a third party such as a bank or financial institution. The main problems with leveraged buyout are too much expectations, management burn out, utilization of slack and lack of strategic management and decline of the firm. Dividend management is another dimension of financial strategy. Many computer manufacturers do not declare dividends at all. Instead, they utilize those funds for further growth of the firm, which in turn results in higher sales, high profits, and capital appreciation of stocks.

### **China-Africa Financial Relation Strategy**

China-Africa financial relation strategy has evolved over the years. Basically, significant proportion of Chinese financial relationship with African countries is through invest in

infrastructure or infrastructure development. According to the former World Bank's vice-president for Africa, Obiageli Ezekwesili, Africa's infrastructure deficit is hindering economic growth and sustainable development" In the same vein also, Escribano et al. (2008) maintains that lack and absence of Infrastructure has remained a major constraint to doing business with countries in Africa and is found to undermined output by around 40 percent. This is especially true with lower-income countries. Whereas, in other countries, the negative Impact of infrastructure deficiency is comparable to and as large as that associated with crime, corruption, and financial market constraints. For some other countries, power/energy emerges is one of the most limiting factors, being cited by many firms in more than half of countries as a major business obstacle.

However, inefficient functioning of ports and associated customs clearance is an equally significant constraint for a second group of countries. On the contrary, deficiencies in broader transport infrastructure and infrastructure for information and communication technologies (ICT) are less prevalent but nonetheless substantial in some cases. Estache and Fay (2009) suggest that increasing empirical agreement exists regarding the growth-enhancing effect of infrastructure. Romp and de Haan (2005) studies on OECD countries find a positive effect of infrastructure on some combination of output, efficiency, productivity, private Investment, and employment. The most conventional channel, first described in Aschauer (1989) and Barro (1990), is that public infrastructure investments enhance private sector productivity.

Agenor and Moreno-Dodson (2006) identify two additional conventional channels through which infrastructure may affect growth, namely complementarity and crowding out effects. The first channel promotes growth through private capital formation. That is, public infrastructure raises the marginal productivity of private inputs, thereby raising the perceived rate of return on private capital and possibly also increasing private sector demand for physical capital. The second channel, crowding out, captures the idea that, in the short run, an increase in public capital stocks may displace or crowd out private investment. This negative crowding out effect of infrastructure may turn into a long-term negative effect if the decrease in private capital formation persists over time.

Estache and Fay (2009) suggest that, in addition to the channels mentioned above, investment in public infrastructure can also impact Investment adjustment costs, the durability of private capital, and both the demand for and supply of health and education services. In the same vein, Agenor and Moreno-Dodson (2006) argue that infrastructure may reduce investment adjustment costs via two channels: through complementarity between public capital and private investment and through the decreased costs associated with capital reallocation between sectors following a shock Moreover, Agenor and Moreno-Dodson (2006) add labor productivity as another channel whereby public infrastructure indirectly increases growth. Better access to infrastructural facilities means that workers can get to their jobs more easily and perform their job-related tasks more rapidly. Other studies have also found evidence of various positive externalities induced by public infrastructure, including increased competitiveness, greater regional and International trade, expanded FDI, and finally higher profitability of domestic and foreign investment flows which raises investment ratios and boosts growth in per capita income (Fourie 2006; Fedderke et al. 2006; Richaud et al. 1999).

Generally, China's international aid is classified into three types: grants (aid gratis), interest-free loans, and concessional loans. There Into, "Concessional loans are mainly used to help recipient countries to undertake productive projects generating both economic and social benefits and large and medium-sized Infrastructure projects, or to provide complete plant, mechanical, and electrical products, technical services, and other materials.

Chinese aid in infrastructures has many forms: "constructing roads, dams and government buildings; upgrading power distribution systems; Installing methane generating plants. Chinese assistance concentrates on these basic infrastructures and education, areas where Western donors have cut back substantially (Lyakurwa, 2008: 17). "Chinese aid is often dispensed in such a way that corrupt rulers cannot somehow use it for their selfish Interest. It is often in the form of infrastructure, such as railroad network in Nigeria or roads in Kenya and Rwanda" (Sautman, 2006). Huge Infrastructure projects are costly, but also effectively welcomed by the African people. From a broader perspective, Chinese aid in infrastructure has improved the manufacturing environment, attracting more foreign direct investment (Anyanwu, 2012).

### **China-Africa Financial Commitment**

China's commitment to set up a \$ 10-billion special fund for development financing is reflecting China's changing model of financial engagement in Africa. Initially, evolving away from the previous "resources for infrastructure "model, China has been increasingly keen on utilizing financing provided by Chinese development finance institutions, such as China Development Bank and China-Africa Development Fund, to support Chinese companies' equity investment in Africa. From the establishment of the People Republic of China in 1949 to 2000 remarkable changes took place in china.

Specifically, in 2000, a Program for China-Africa Co-operation in Economic and Social Development was adopted at a Sino-African ministerial-level conference in Beijing. At the same time, the Chinese economic policy of "Going Out" was adopted in 2000. The "Going Out" strategy was partly also motivated by China's large trade surplus and capital accumulation. There was a need to take away the pressure on the Chinese Yuan. President Hu Jintao in the action plan announced at the Beijing FOCAC in 2006 a promise to double assistance to Africa by 2009. The action plan stipulates that US\$3 billion of preferential loans and US\$2 billion of preferential credits should be provided on favorable terms, and a China-Africa Development Fund (CADE) was set up to encourage Chinese companies to invest in Africa. By 2020 the Fund's capital should have reached US\$5 billion.

Another domestic Chinese motivation behind the increased cooperation with Africa was the abundance of natural resources on the African continent. China's need for raw materials, including metals and oil, increased substantially with its economic development. While historically China relied on coal for most of its energy needs, its demand for oil has increased enormously and it has now become the second-largest consumer of oil in the world after the United States. This paucity of investment in Africa has presented an opportunity for China to engage with the continent on the promise of delivering mutual benefits.

The first strategy adopted by the Chinese was the resources for infrastructure (RFI) model. Under an REI arrangement, a loan for current infrastructure construction is securitized against the net present value of a future revenue stream from oil or mineral extraction, adjusted for risk Loan disbursements for infrastructure construction usually start shortly after a joint infrastructure-resource extraction contract is signed, and are paid directly to the construction company to cover construction costs. The revenues for paying down the loan, which are disbursed directly from the oil or mining company to the financing institution, often begins a decade or more later, after initial capital investments for the extractive project have been recovered. The grace period for the infrastructure loan thus depends on how long it takes to build the mine or develop the oil field, on the size of the initial investment, and on its rate of return. Infrastructure financed through RFI arrangements includes power plants, railways, roads, information and communication technology (ICT) projects, schools and hospitals, and water works (Foster et al., 2009; Korea Exlm Bank, 2011; Alves, 2013).

Oil-backed lending remains a common format for several banks that do business in Africa (Alves (2013)). Typically, under this strategy, known widely as the Angola Model, the Chinese provide aid for infrastructure projects in the form of preferential loans from the China EX-IMI Bank with the use of Chinese contractors. The loan and the interest are repaid from revenue generated from the resources. As soon as official loan agreements are concluded at the government levels, it is Chinese firms (usually state-owned companies), after winning contracts either in infrastructure projects or in resource extraction, who get direct access to funds on preferential terms from the EX-IMI Bank with sovereign official credit guarantees. Hence, the financial lists are in practice completely underwritten for Chinese companies.

The Chinese government claims that this formula can produce "win-win" outcomes for both parties. On the one hand, China can secure a stable supply of resources through long-term trade contracts, probably mitigating to some extent the high price volatilities that are characteristic of most primary commodities in world markets- On the other hand, this modality potentially allows African countries to relieve critical infrastructure bottlenecks for development in exchange for Africa's abundant natural resources. Unfortunately, the details of the actual negotiated terms of the contracts, and in particular the shadow relative prices used in the calculations for long-term barter arrangements implicit in "resources for infrastructure" contracts, are not disclosed. Hence it is difficult to ascertain the actual distributional outcome from these deals between the contending parties, including the benefits accruing to Chinese companies and stakeholders in Africa.

China has changed her strategy from that of REI to Concessional loans. Under this strategy, the China EX-IMI Bank provides lines of credit to Chinese state-owned enterprises and foreign governments wishing to purchase Chinese made goods. The China Exim Bank supports the overseas expansion of Chinese firms in line with the country's "Go Global" strategy, whose long-run goal is to increase the productivity and competitiveness of these enterprises' vis-à-vis their global competitors. Interest rate is between 2% to 3% and repayment period is from 15 to 20 years, including 5 to 7 years' grace. In the case of concessional loans, there is a requirement that a Chinese enterprise be selected as the contractor or exporter. Moreover, no less than 50 percent of the equipment, materials, services, or technology needed to implement the project should be secured from China.

The China-African Development Fund (CADF) was created in 1994. Its main objective is to provide a mechanism for Chinese companies to establish and maintain business networks across the continent, by providing them with low interest-bearing loans and on-site facilitation services. It provides commercial loan to Chinese businesses and special loan for the development of African small and medium sized enterprises. The CADF provides a major incentive for Chinese companies to come to Africa. In addition, the CADF, backed by official links, will assist Chinese companies in overcoming the many challenges of doing business in Africa. The fund is now well positioned to assist Chinese companies to fill the vacuum left by retreating Western businesses, especially mining houses such as Rio Tinto, as Western economies contract. The specific objectives of the fund have been identified as investing directly in Chinese companies which have set up operations in Africa, or plan to invest in Africa. The CADF co-operates alongside Chinese government and diplomatic initiatives to strengthen China-Africa relations and strategic partnerships. It is intended to Improve Chinese corporate capacity, without further burdening African countries' debt profiles. CADF is fully funded by the stated China Development Bank-(CDB), which has been a key institution in supporting China's infrastructure development and the promotion of basic industries and strategic industries.

Sinosure, another major state-owned enterprise, serves as the lead provider of export credit insurance to Chinese exporters. It also insures overseas investments into China.

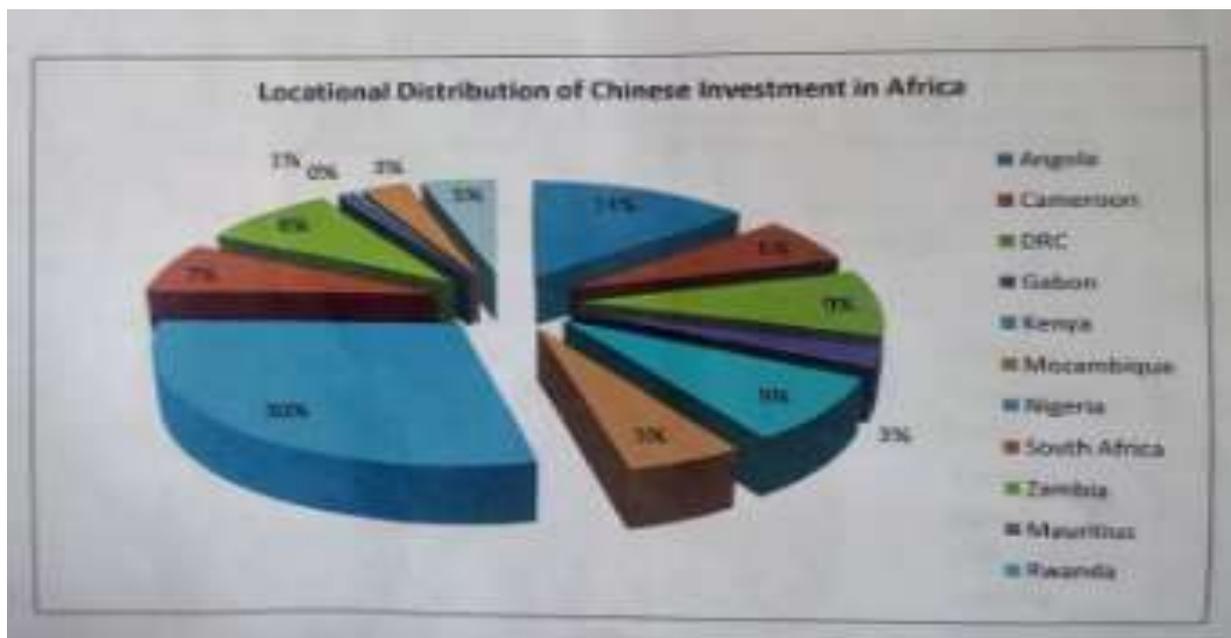
Sinosure was established in 2001 through the merger of the Export Credit Insurance Department of the People's Insurance Company of China and the export credit insurance division of C-EXIM (a requirement of China's entry into the WTO). Sinosure is funded directly by the PRC Government. For example, in 2011 the PRC Government injected \$3.1 billion into Sinosure via Central Huijin Investment designed as a clear move to bolster Sinosure's ability to support China's state-owned enterprises ("SOEs") in their export efforts. By the end of 2013 Sinosure had supported exports, domestic trade and investment totaling \$1.48 trillion. Its policies cover thousands of exporters and hundreds of projects, many involving high tech electronic and mechanical exports. It had also facilitated the lending of \$180 billion by 190 banks. Sinosure provides Insurance coverage against political, commercial and credit risks through the following products:

- Medium and long-term export credit insurance: a 'policy' Insurance designed to encourage Chinese exporters to participate in international contract bids, especially those involving export of high-tech mechanical and electronic products. Buyer's Credit Insurance underwrites payment default by a bank's borrower or by an exporter's counterparty (payment default, dishonor, bankruptcy, etc.), while Supplier's Credit Insurance underwrites an exporter's contracts
- Investment guarantees: Insures Chinese exporters against economics losses caused by political events, e.g. currency and remittance restrictions, expropriation and nationalization, sovereign breaches of contract and war
- Bonds and guarantees: designed to improve Chinese exporters' credit ratings and therefore assist them in obtaining finance Sinosure also offers extensive information services, including country risk reports and credit reports on potential counterparties.

### Structure of Chinese-Africa Financial Relationship

In this section we present the structure of China- Africa financial relationship in the form of Chinese commitment in Africa. The structure of Chinese financial is presented using two indicators of locational and sectoral distribution of Chinese investment- in Africa.

#### Locational Distribution of Chinese Investments in Africa



The locational distribution of Chinese investment in Africa shows that most of Chinese investment goes to ten African countries out of the 54 countries. The figure from AEI China Investment Tracker from 2005 to 2018 shows that Nigeria, Angola, Ethiopia, Zambia, Congo Democratic Republic, the Cameroon, Kenya, South Africa, and Mozambique receive the largest proportion of the Chinese investment in Africa. Nigeria is the largest recipient of Chinese financial investment in Africa. Angola is the second highest receiver in the last 13 years. Rwanda, Gabon and Mauritius are at the bottom. In terms of geographic distribution, Chinese finance has been highly concentrated, with about 70 percent going to just four countries: Nigeria, Angola, Ethiopia, and Sudan. China's involvement in Nigeria, dating back to 2002, began relatively modestly with a number of projects in the telecom and power sectors.

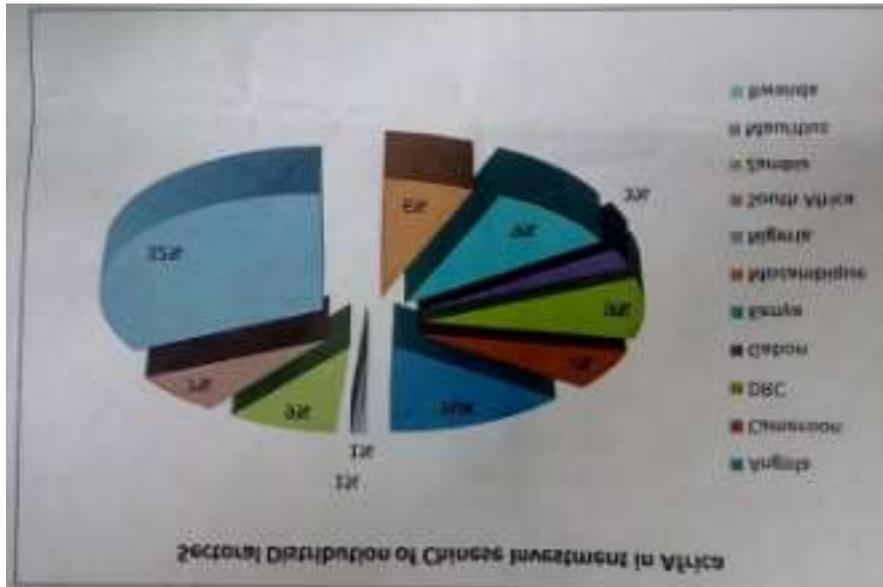
In 2006, Nigeria received a total of \$ 9,380 million from Chinese investors. The figure for 2010 is \$ 2,040 million and \$5,080 for 2015. Year 2017 and 2018 had \$2,650 and \$7,900 respectively.

Angola in the year 2006 received \$ 740 million worth of financial assistance in form of various investments from china. The level of Chinese investment increase to \$1190 in 2011 However, the figure dropped to \$120 million in 2014. The highest level of investment came in 2016 \$ 3,790 worth of investment. Chinese engagement in south Africa in 2006 amounted to \$230 million. The figure increases to \$5, 600 million in 2007 and dropped to \$ 2,330 in 011. It dropped further to \$1290 in 20136 and to \$1330 million in 2018. The Democratic Republic of Congo has experience substantial inflow of Chinese fund. The total flow for the year 2006 was \$ 2000 million. The figure jumped to \$2,500 in 2008. The DRP reached the highest level of \$3,790 in 2016 and it reduced to \$410 million in 2018.

One thing is discernable from the geographical distribution of Chinese investment in Africa. Most of the investment goes to countries with huge natural resources deposits. Chinese investment does not demand for democratization and structural reforms as the prerequisite for investment and financial assistance. China is being severely accused by the West of misconduct and unfair trade. The Chinese model is seriously a threat to the Washington Consensus and multilateral financial institutions. It is equally noteworthy to point out that Chinese financial commitment in Africa is the least when compared to other regions

### **Sectoral Distribution of Chinese investment in Africa**

In terms of sectorial distribution, a large share of the Chinese finance is allocated to general, multisector Infrastructure projects, within the framework of broad bilateral cooperation agreements under the FOCAC that allow resources to be allocated in accordance with government priorities and developmental needs of the state. However, it is clear that the two largest beneficiary sectors are power and energy, and transport (mainly railroads). The sectoral distribution of the Chinese investment in Africa is depicted as a pie chart in figure 2 below.



**Source: Chinese Investment Tracker AEI 2019**

Energy and power sector receive 35% of the total Chinese investment in Africa. In the power sector, China's activities is focused on the construction of large hydropower schemes, and china has invested about \$3.300 million in constructing 12 hydropower project that adds about 6,000 megawatts (MW) worth of power. when completed the total installed capacity will increase the power generation capacity in Africa by about 30% (Omoruyi et at.2016). china is making huge inroad in the oil and gas sector through its China National Petroleum Cooperation. (CNPC) the China State Construction, and Shenzen Energy.

The China State Construction invested \$ 8000 million in the energy sector in Nigeria in 2010. For example, in July 2006, CNPC obtained four oil blocks (two in the Lake Chad Basin and two in the Niger Delta) in return for its willingness to invest in the construction of a 1 000 MW capacity hydropower plant in Mambila (now pushed to 3 000 MW), Plateau State, as well as taking up a controlling stake in the 110 000 barrels per day (bpd) Kaduna refinery for US\$4 billion. A reprioritization of its energy supply sources, has seen China aggressively enter the offshore oil industry in heavyweight oil producing African countries such as Angola and Nigeria, Venture into high-risk areas such as Chad, Sudan, Mauritania, Niger and Equatorial Guinea, and looking for new exploration opportunities in Ethiopia, Kenya, Madagascar and Uganda.

Establishing joint ventures with local state-owned oil companies is another facet of Chinese engagement to remain strategically close to political decision makers in the energy arena. This has been evident with joint ventures established with Sudapet (Sudan), Sonatrach (Algeria), Sonangol (Angola) and the Nigerian National Petroleum Corporation (Nigeria). Leading the charge into Africa has been the China national petroleum Corporation (CNPC), China National Offshore Oil Corporation (CNOOC) and Sinopec, backed by an array of affiliated groupings including China National Oil and Gas Exploration and Development Com (CNODC), PetroChina, BGP International, and the China Petroleum Engineering & Construction Group (CPECC). They have gone head-to-head with the world's largest oil majors in securing oil reserves in offshore deep-water blocks in countries like Angola and Nigeria. On 9 January 2006, the Chinese oil company, CNOOC Ltd, announced a US\$2,3 billion purchase of a 45 percent stake in Nigeria's OML 130 deep water oilfields. This was CNOOCs first venture into Africa and the single largest Chinese investment made on the

continent at the time. A few months later, Sinopec beat off global competitors to lay claim to oil rich offshore deep-water prospecting blocks in Angola in deals worth US\$2,4 billion.

Transportation is the second largest beneficiary of the Chinese infrastructure financing schemes in Africa. The sector has received about \$ 7000 million between 2002 and 2018 from china -The china communication construction, China Railway Corporation, and CITIC are leading the Chinese incursion in the African transportation sector. The China Railway invested \$990 million in Nigeria in 2008, and \$2000 in Lybia. It Invested \$2,570 million in Algeria. Real estate investment comes third, technology, comes forth while agriculture comes fifth. From the figure, it is clear that Chinese capital is, mainly going into infrastructural development.

### **Implications of china-Africa financial relationship on African Economies**

China financial relationship with Africa countries has a lot of implications on African economies. first, African countries will have access to capital and foreign exchange to invest in infrastructural development. This will accelerate the development of African countries economies. Investment in infrastructure, including in transportation (e.g. and rails), power generation, and telecommunications (e.g. Internet) is essential to alleviate supply-side impediments to African integration. The flow of capital to the power and energy sector will address the continent's current power supply crisis that is hindering Africa's growth potential.

It is estimated that the increase in power could add 2 percent of GDP per year and raise business productivity by 40 percent. Chinese finance with African countries can make an important contribution to improving African infrastructure. Recent examples are roads and bridges in Democratic Republic of Congo (DRC), railways in Angola, and power stations in Zambia, and Nigeria. China is building high-voltage power transmission lines to interconnect countries in Southern Africa, thereby strengthening African integration.

In the rail sector China's largest deals include the construction of mass transit systems as in Nigeria, and the construction of new lines linked to mining developments in Gabon and Mauritania. The largest ICT project with Chinese involvement comprises the rollout of a national communications network in Ethiopia. The focus of the Chinese model is on infrastructure development and agriculture. These are critical areas and the source of bottlenecks in the development process. The bridging of this gap will stimulate growth in Africa, create jobs, as well as political stability.

The financial relationship of china to African countries is opening African market to the world. China will source it raw materials from Africa, including the development of the resource. This has a lot of forward and backward linkage in the economy that will generate income and create employment for the teaming African population. African countries stand the chance of acquiring and developing technological capabilities in several areas. The vast invest in infrastructure will reduce cost of transactions, time, and risk, and improve the competitiveness of African goods and services. The Chinese model reduces the debt burden on African countries. The concession loan and the resources finance infrastructure will enable poor African countries to develop their infrastructure. It is cheaper than conventional loan from the any of the multilateral financial institutions.

It is also Important to point out that the opening up of African economies to Chinese firms through the clauses contained in the concession loan, and other trade finances will reduce may worsen the unemployment problem in the continent. the clause that the material must be bought from Chinese suppliers and that the contractor must come from china will reduce our contractors to spectators. China has bad environmental responsibility record. Africa may become a dumping ground and Pollution Heaven for Chinese firms. The issue of

national security is also important- China's financial relationship to African countries may create tension between the country and other world powers. The handing over of national wealth to China in the form of will put the security of the country in danger. It has been empirically proven that RFI is more expensive than using loan.

Overall, China's engagement in Africa is positive. and will be critical to meet the growing needs of the continent and promote regional economic development. However, it is important for national governments to ensure that China's assistance and investments are aligned to national and regional strategies. This stance adopted by China would offer African countries an opportunity to gain a policy space that is desperately needed for exploring their own path of economic development.

## **CONCLUSION AND RECOMMENDATIONS**

This objective of the study was to examine the implications of China-Africa financial relationship on the African economies. The study used content analysis approach to analyze the effect of Chinese investment in Africa on Africa's growth and development path. The study linked Africa's growth and development challenges to infrastructure deficit worsen by inadequate capital. Chinese model of financial relationship to African countries which is built around the Angola model provided African countries the opportunities to invest in critical infrastructure that are capable of bridging the development gap, creating jobs and stimulating overall development. The Chinese international development finance model which has state backing provides alternative and cheap sources of financing development in the Sub-Saharan region. It creates the much-needed avenue for attracting FDI developing infrastructure and market expansion which are the critical obstacles to African economic development effort. China is standing by to provide up to \$60 billion to African countries through the China- Africa Development Fund (CADF) and more than \$ 200 billion through her development financial institution to development of infrastructure in Africa.

The Chinese Go- Out strategy is indeed a Win-Win model for Africa and china. China has access to African raw material, especially, energy resources to sustain her growing economy. Create employment at home and expanded and preserved international market. African countries get fund to finance capital project, attract world class firms to fast tract their industrialization goals. While this is noble symbiosis relationship, African countries must not lose focus of developing indigenous technology, human capital as well as preserving their environment and natural resources for future generation. Sustainability is important in this relationship. African countries should guide the level, structure and coordinate infrastructure investment practices in terms of economic, social and environmental sustainability Related to the issue of coordination and collaboration is the issue of standards for infrastructure investments, especially regarding economic, social, and environmental sustainability as well as integrity.

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