

## Export-Import Bank of China

### China development banks expand links with foreign lenders

Lenders 'actively co-operating' with western institutions to spread funding burden



The Lotus Tower in Colombo was funded by the Ex-Im bank  
James Kynge in London, Lucy Hornby in Beijing and Don Weinland in Hong Kong 15 HOURS AGO

China's development banks — the biggest lenders in the sector worldwide — are ramping up co-operation with overseas financial institutions after problems with their international investment projects.

The [China Development Bank](#) (CDB) and the Export-Import Bank of China (Ex-Im Bank) are seeking to spread the burden of funding international projects, officials and executives said.

CDB is considering combining its lending efforts with western financial institutions that require adherence to “international standards” — including open, competitive tenders for project contracts as well as public studies on environmental and social impacts.

A CDB statement sent to the Financial Times said the institution was “actively co-operating” with the European Bank for Reconstruction and Development (EBRD) with a view to co-lending with the bank. A memorandum of understanding between the two banks is planned but has not yet been signed, CDB said.

People familiar with the issue said that two large-scale infrastructure projects are under consideration for co-financing with CDB and that the EBRD would insist on adhering to international standards. The EBRD is also understood to be in the early stage of discussions with China's [Ex-Im Bank](#).

“If it happens, this would be one of the first times that China’s policy banks concede loans for projects without stipulating that Chinese companies should carry out most of the related works,” said Agatha Kratz, adviser at Rhodium Group, a consultancy.

By the end of 2014, the two Chinese policy banks, CDB and Ex-Im Bank, had outstanding loans to foreign borrowers of nearly \$700bn, much the same as the total outstanding lending of the World Bank and the five leading regional development banks combined, according to research by Kevin Gallagher, a professor at Boston University’s Pardee School for Global Studies.

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**Financing partnerships between Chinese policy banks and various other banks helps to securitise the credit and syndicate the risk**

Henry Tillman, Grisons Peak

AFD, the French development agency, is also preparing to lend together with the CDB, with the two sides “currently working on the identification of a first joint project”, an AFD executive told the Financial Times. “All AFD-CDB projects must be based on counterparty procedures, which logically calls for open markets.”

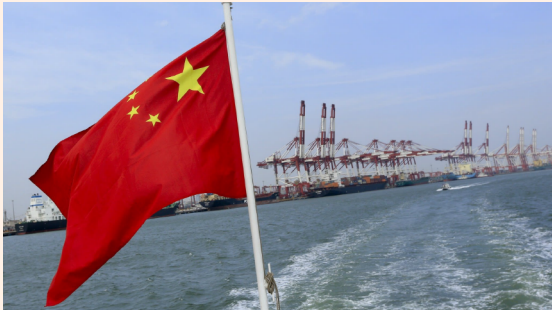
The shift follows an uneven record for Chinese-backed projects in the Belt and Road Initiative (BRI), a grand Beijing-led scheme to build infrastructure across Eurasia and Africa.

A study by RWR Advisory Group, a Washington-based consultancy, shows that some 14 per cent, or 234 out of 1,674, Chinese-backed infrastructure projects announced in 66 BRI countries since 2013 have hit trouble. Some of the problems encountered — such as public opposition to projects, objections over labour policies, performance delays, concerns over national security — derive from governance issues.

China’s policy banks eschew “international standards” when lending to infrastructure projects overseas, preferring to select contractors from a charmed circle of state-owned Chinese construction and engineering companies. They have also drawn criticism for failures to conduct — or make public — environmental and social impact studies.

Some bankers said that Chinese development banks were seeking to control governance risks. Others said that adopting “international standards” would help boost funding by facilitating the syndication of project loans.

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“Financing partnerships between Chinese policy banks and various other banks, including multilateral development banks and international commercial banks, helps to securitise the credit and syndicate the risk,” said Henry Tillman, founder and chairman of Grisons Peak, a London-based investment bank.

The outreach of China’s policy banks is not restricted to western institutions. Bandar Hajjar, president of the Islamic Development Bank, the largest development organisation in the Muslim world, told the FT: “We are planning discussions on co-financing with them (CDB and Ex-Im Bank). We can complement each other.”

This month, Hu Huaibang, chairman of CDB, called upon banks in central and eastern Europe to “strengthen co-operation” with his institution. He said the China-CEEC Interbank Association, which was established late last year with 14 member banks that aim to provide development finance to projects in the region, would play an important role.

The association should become a “new force for multilateral co-operation”, Mr Hu was quoted by Xinhua, the official Chinese news agency, as saying this month.

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