



BRI Pulse

Q2 Government Related Loans – COVID Dominated

Executive Summary

Q2 was dominated by COVID-19 Emergency Programme (CEP) Loans by AIIB⁽¹⁾ and NDB⁽²⁾, two multilateral development banks instead of Chinese policy bank loans focused on BRI projects. Together, these two institutions were involved \$14 billion CEP loan commitments; \$12 billion by AIIB and \$2 billion by NDB. AIIB also saw \$1.9 billion committed loans for non COVID projects. Conversely, there were less than a handful of committed policy bank loans, totaling circa \$2 billion, consistent with the declining trend over the previous several quarters.

COVID (CEP) Loans

AIIB was involved in 10 COVID related loans involving 8 different countries (2 CEP loans each to Indonesia and India) totaling circa \$12 billion. AIIB provided \$4.3 billion, representing 35.8% of total commitments, in these 10 facilities. However, the largest aggregate commitments were from ADB⁽³⁾, which provided \$5.6 billion or 46.7%. Local financial institutions provided \$1.84 billion (15.4%), while the remainder was funded by the World Bank. India was the largest recipient with \$3.75 billion (31.3%) followed by Indonesia with \$3.5 billion (29.1%). Pakistan, Mongolia, the Philippines, Georgia, Bangladesh and PRC were the other country recipients.

NDB also approved two CEP loans, each for \$1 billion, one to South Africa and one to India (when combined with AIIB India saw a Q2 total of \$4.75 billion out of \$14 billion). The June loan to South Africa came days after NDB priced its inaugural \$1.5 billion 3-year COVID Response Bond in international capital markets, which saw strong participation from central banks and major institutions. Geographically, the final investor distribution was 56% Asia, 29% EMEA and 15% Americas.

Non COVID AIIB Commitments

There were 4 non COVID AIIB loans in Q2 and one AIIB equity investment in an Asian infrastructure fund. The projects involving the four loans totalled \$1.72 billion; of which AIIB loans represented \$1.1 billion or 65% of the total. The World Bank contributed \$170 million while local financing sources approved \$452 million. Two of these loans were to Bangladesh projects and two to Uzbekistan projects. All four were multilateral. The one (\$100 +50 million) equity investment was into an Asian multi-country infrastructure fund based in Singapore which we flagged in Q1.

Policy Bank Commitments

Policy bank loan commitments continued their quarterly decline with less than 5 committed facilities in Q2, totaling circa \$2 billion. The largest, by CEXIM, was for \$1.785 billion, which represents 85% of the cost of the 150 km Hungarian portion of the 370 km Budapest–Belgrade railway (under discussion since 2014). CDB also completed a \$150 million bilateral facility with Bank Muscat to be used to fund domestic Oman growth. In early May, the Sri Lanka Govt Cabinet approved an \$80 million CDB loan to develop a number of roads within the country. This paucity of new Chinese policy bank loan commitments continues as China rapidly moves to digitise prior BRI infrastructure projects.

Footnotes:

- (1) China is the leading shareholder in AIIB with a stake of 26.06%. India is the 2nd largest shareholder with 7.5%. As at May 2020, AIIB, which was launched by China, had 102 approved members. AIIB is separate from the BRI.
- (2) All five BRICS countries are equal 20% shareholders in NDB.
- (3) ADB's largest shareholders are Japan and the USA with 15.6% each; China has 6.4%, India 6.3% and Australia 5.8%.

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