



# **BRI Pulse**

## **Q2 2021 Chinese Government Related Loans**

### **Overview**

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Grisons Peak/China Investment Research has been monitoring international loans made by the Chinese Government, its Central Bank (PBOC) and its policy banks (CDB and CEXIM) since 2008. Following the respective launch of the two multi-lateral banks in which China is a minority shareholder in the last decade, AIIB (26%) and New Development Bank (NDB –20%), we expanded to embrace these loans.

We have included this information in our macro data in quarterly releases across M&A/Equity and China Inbound, but believe that this data is important enough to stand on its own.

We therefore have decided to release it separately to the media this quarter to test its interest.

### **Policy Bank Commitments**

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In keeping with the trend of declining credit to fund new BRI infrastructure projects, there was only one policy bank loan commitment this quarter. It was for \$500 million by CDB to Sri Lanka, which was considered to be part of the Foreign Currency Term Financing Facility (FTFF) 2020 signed in March 2020 – terms remains at 10 years with 3 year grace with lower yields.

### **Multilateral Banks**

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#### **AIIB – Macro**

AIIB was involved in 11 total commitments this quarter (up from 10 in Q1), including 5 COVID related loans (up from 3 in Q1), 4 infrastructure loans (down from 5 in Q1) and investments in two funds (consistent with Q1). AIIB total new commitments were \$1.75 billion, a decrease of 13.3% from Q1 \$2.02 billion new commitments.

#### **AIIB – COVID Related**

The 5 COVID related loans in Q2 represented a change from the declines over the past several quarters. 10 COVID related commitments during the Q2 2020 peak, 7 in Q3, 5 in Q4 followed by only 3 in Q1. However, this needs to be examined further, as only 2 were focused on healthcare support (Indonesia for \$500 million and Mongolia for \$21 million), while 3 were related to providing liquidity/capital for SMEs in Turkey (\$250 million), Georgia (\$100 million) and Rwanda (\$100 million). This model is unique to China and will be discussed in detail in an academic analysis in which we are a co-author to be released by end August.

#### **AIIB – Non COVID Related**

In Q2, AIIB made 4 non-COVID related loan commitments totalling \$550 million, a 47.6% decline from the past two quarters. Once again, India led in volume.

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Details are set out below:

- PRC – \$300 million; port linking PRC and Vietnam      AIB 65% of total project cost (TPC)
- Uzbekistan – \$100 million; gas turbine      AIB provided 10%; led by EBRD
- India – \$75 million; gas distribution      AIB provided 13.5% of TPC
- India (Punjab) – \$75 million; sustainable water      AIB provided 25% of TPC

As shown above, all of these AIB non-COVID commitments were multilateral.

### ***Funds Investments – AIB***

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AIB invested into two funds in this quarter, totalling \$230 million, flat from Q1. The largest was a \$150 (\$100 +50) million commitment to Global Infrastructure Partners Emerging Markets Fund I. GIP EM is a closed-end fund with a target size of \$5 billion. It is designed to invest in infrastructure projects in middle income markets in Asia and LAC.

AIB committed \$80 million to an Asia Infra Securitisation through an investment in an issuance of IABS sponsored by Bayfront Infrastructure Management Pte Ltd, a Singapore-based entity with a mandate to invest in and distribute infrastructure debt in the Asia Pacific and MENA.

### ***NBD – COVID related***

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NBD also approved a \$1 billion COVID/CEP loan to South Africa.

We think it worth noting that this loan represented the 9<sup>th</sup> BRICS COVID commitment from the \$10 billion set aside within NBD for COVID assistance dating back to April 2020.