

Is the Belt and Road Initiative Sustainable?

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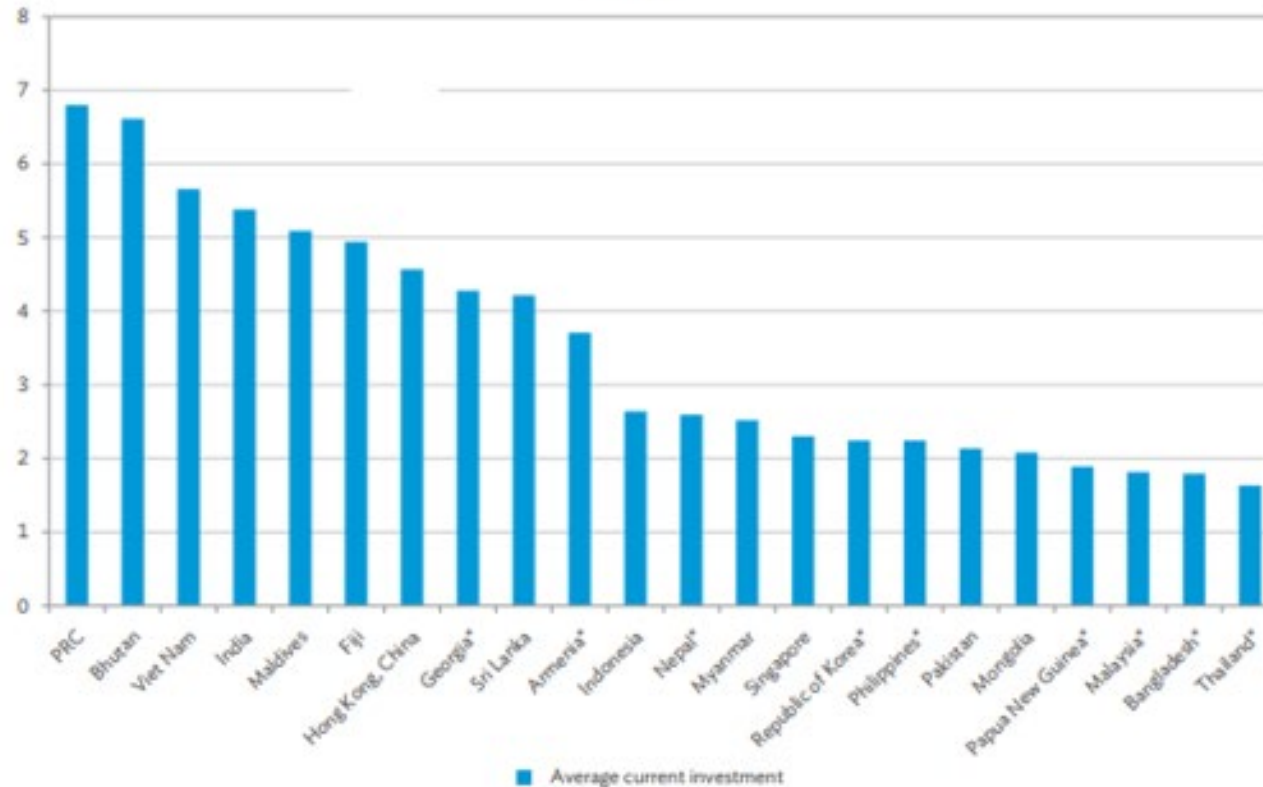
@Morris_ScottA

DEMAND FOR BRI INVESTMENT



ADB estimates 5.9% of GDP infrastructure “need” in Asia, compared with current levels of spending well below that outside of China

BUDGET + PPI Infrastructure Investment Rate, various years
(% of GDP)



GDP = gross domestic product; PPI = private participation in infrastructure; PRC = People's Republic of China.

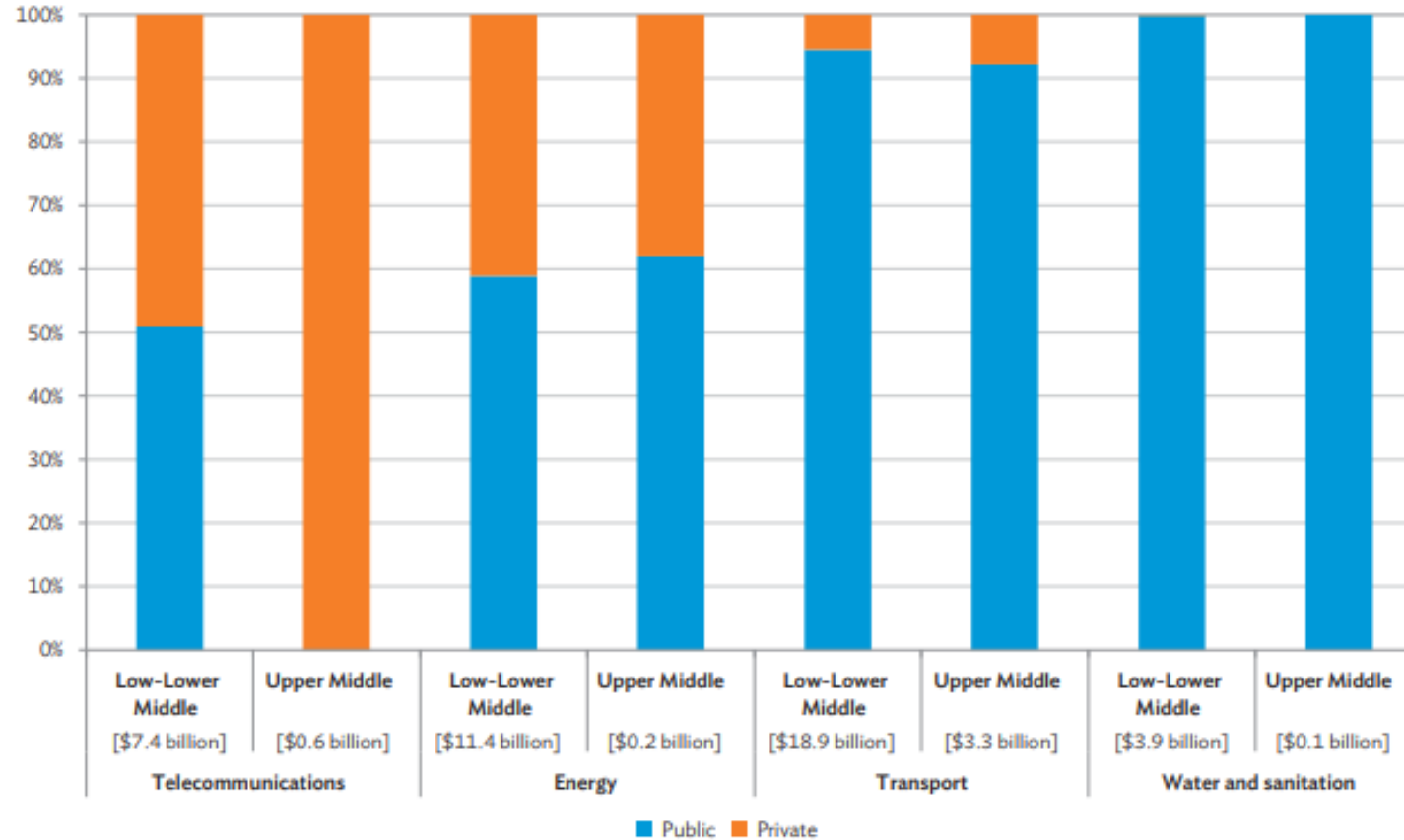
* Central government budget only.

Note: Actual budget investments except Armenia, Bhutan, Georgia, Maldives, Myanmar, and Thailand, which are planned or estimated budget investments. Periods covered are 2010–2013 average for Indonesia; 2010–2014 average for the PRC, Fiji, and Malaysia; 2010, 2011, and 2014 average for Hong Kong, China; 2011 for Armenia, Bangladesh and Georgia; 2011–2012 average for Nepal; 2012–2013 average for India; 2011–2013 average for Maldives; 2011, 2012, and 2014 average for Singapore; 2011–2014 average for the Philippines, Sri Lanka, and Thailand and 2014 for Myanmar.

Source: Country sources; Private Participation in Infrastructure Database, World Bank; World Bank (2015a and 2015b); World Development Indicators, World Bank; ADB estimates.

Outside of telecomms, infrastructure is still largely public, so sovereign debt sustainability is key.

Figure 3.3: Public and Private Infrastructure Investment, by income group, 2011



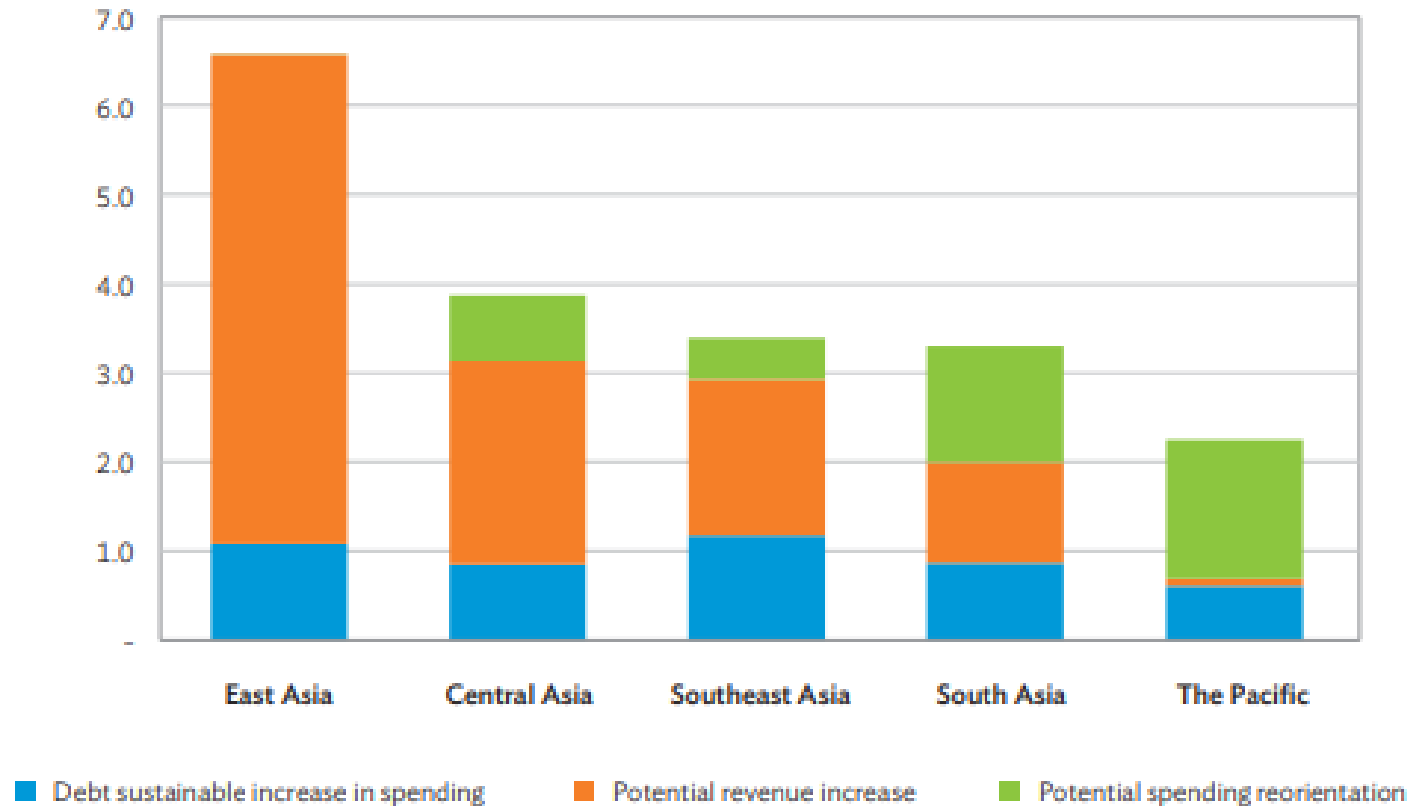
Figures in brackets indicate investment levels in billion (in 2015 prices).

Note: Low to lower middle income countries include Armenia, Bhutan, Cambodia, Indonesia, Kiribati, Mongolia, Nepal, Pakistan, Philippines, Sri Lanka, and Viet Nam. Upper middle income countries include Fiji, Georgia, Malaysia, and Maldives. Government budget is for central government only in Armenia, Georgia, Nepal and Philippines.

Source: Country sources; Private Participation in Infrastructure Database, World Bank; World Bank (2015a and 2015b); World Development Indicators, World Bank; ADB estimates.

A lot hinges on raising domestic revenues; less debt space otherwise.

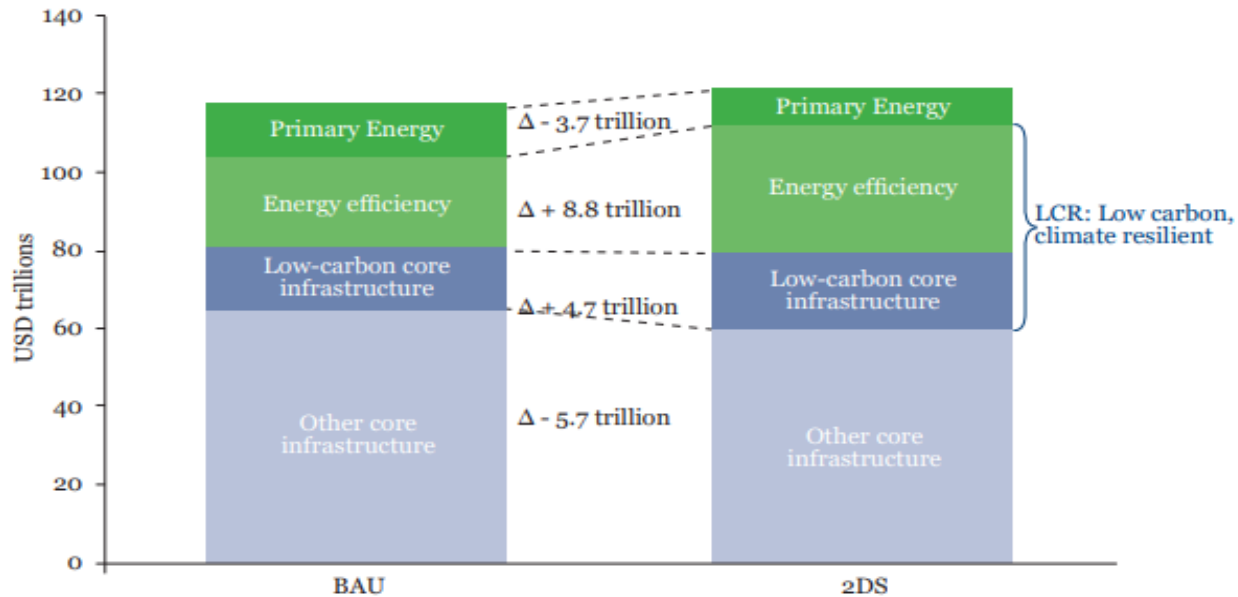
Fiscal Space in Developing Asia
(% of GDP)



Source: ADB estimates; International Monetary Fund (2017).

The need for green infrastructure.

**Cumulative infrastructure investment needs, 2015-2030
(2014 USD trillions)**



- Primary Energy: Extraction of oil, gas and coal
- Energy efficiency: Buildings, energy and transportation
- Low carbon, core infrastructure: Renewable energy, nuclear, CCS, low-carbon transport (e.g. light rail and Bus Rapid Transit systems), climate-proofed water and sanitation, including some adaptation infrastructure (e.g. sea walls and flood protection)
- Other core infrastructure: Standard water and sanitation, high-carbon transport (e.g. roads), energy production, and telecommunications

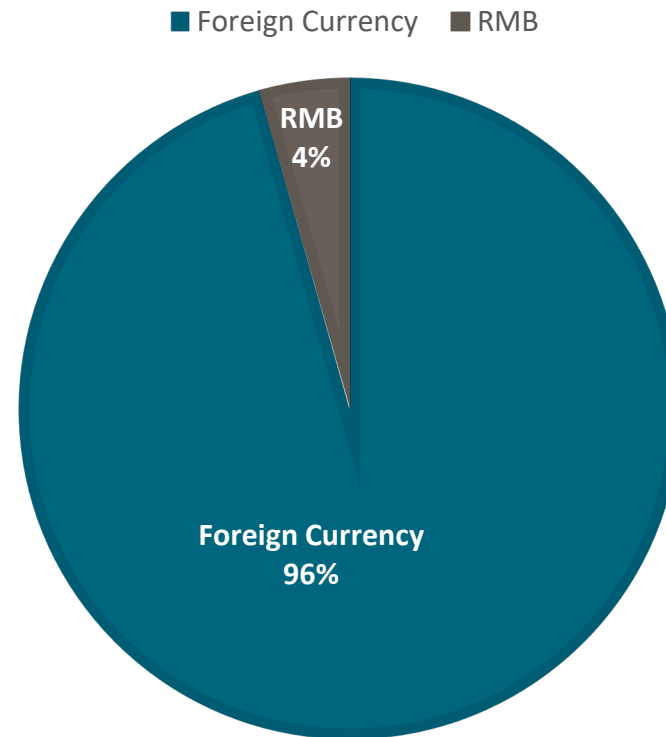
Note: Computed estimates and projections based on information in GCEC 2014, IEA 2012, OECD/IEA 2013, UNEP 2016, WRI 2015 and CPI 2015a.

Source: Brookings, 2016.

SUPPLY CONSIDERATIONS



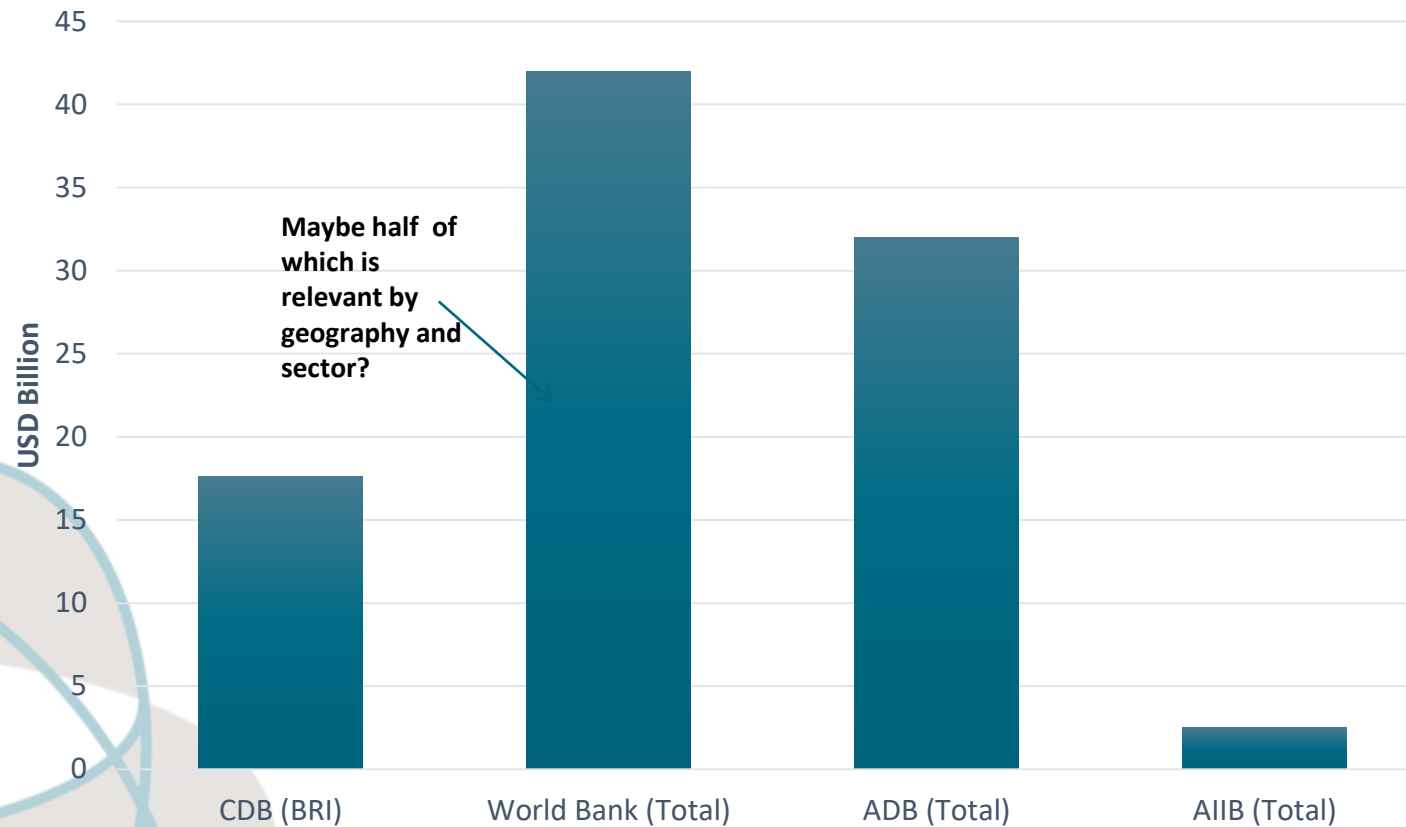
BRI lending still overwhelmingly dollar dependent, evidenced by CDB's cross-border portfolio.



CDB Annual Report, 2017. \$262b in foreign currency loans; RMB 83.4b.

Looking for BRI Partners

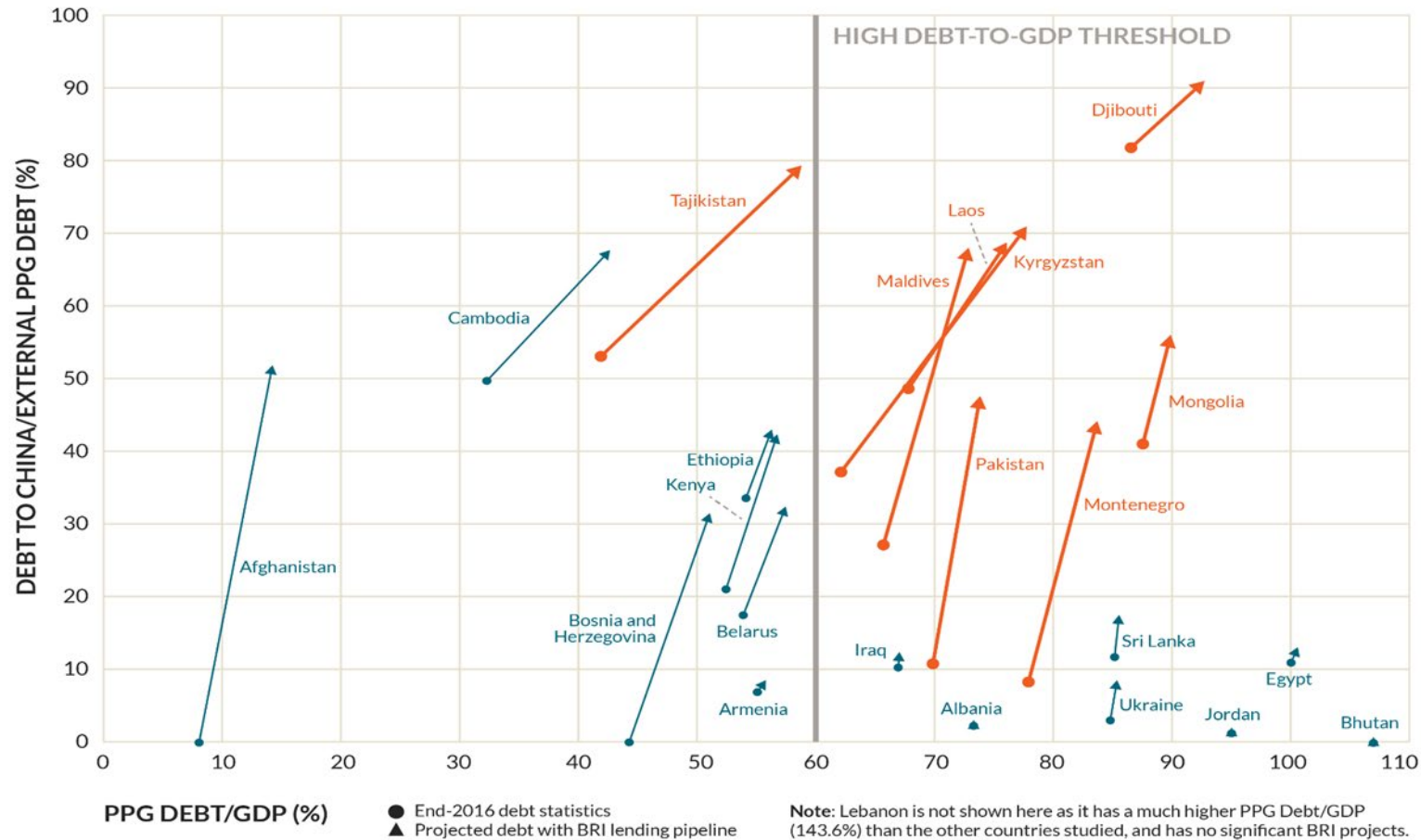
2017 Commitments



POLICY RISKS/REFORMS

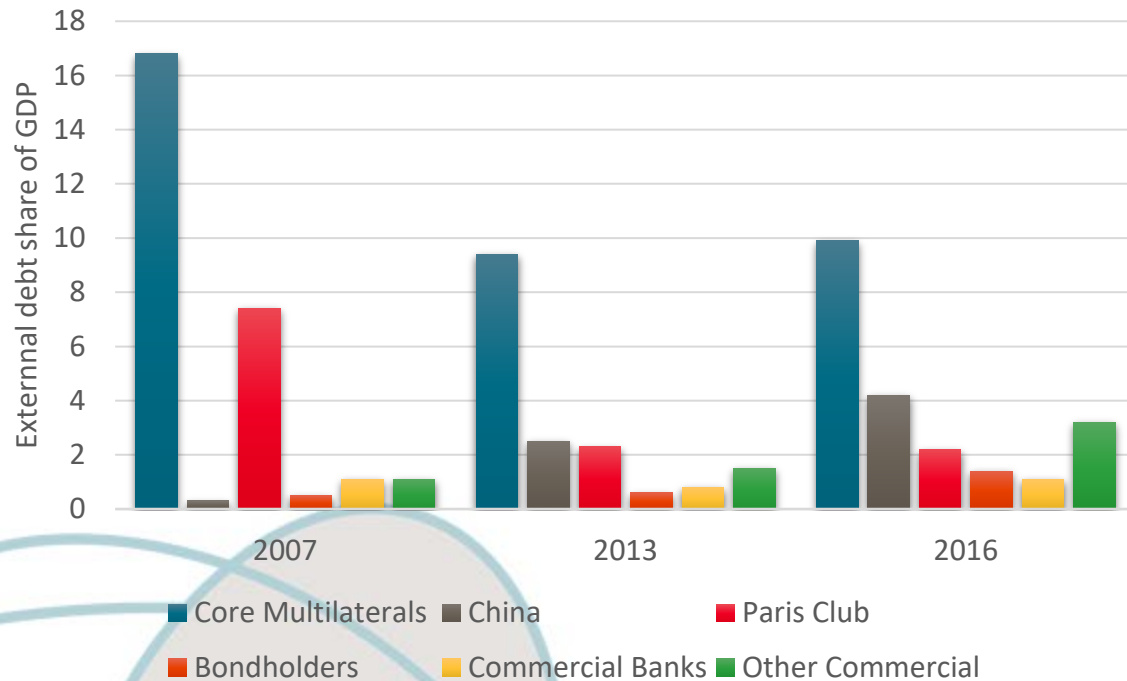


BRI debt risks are significant, but not endemic.

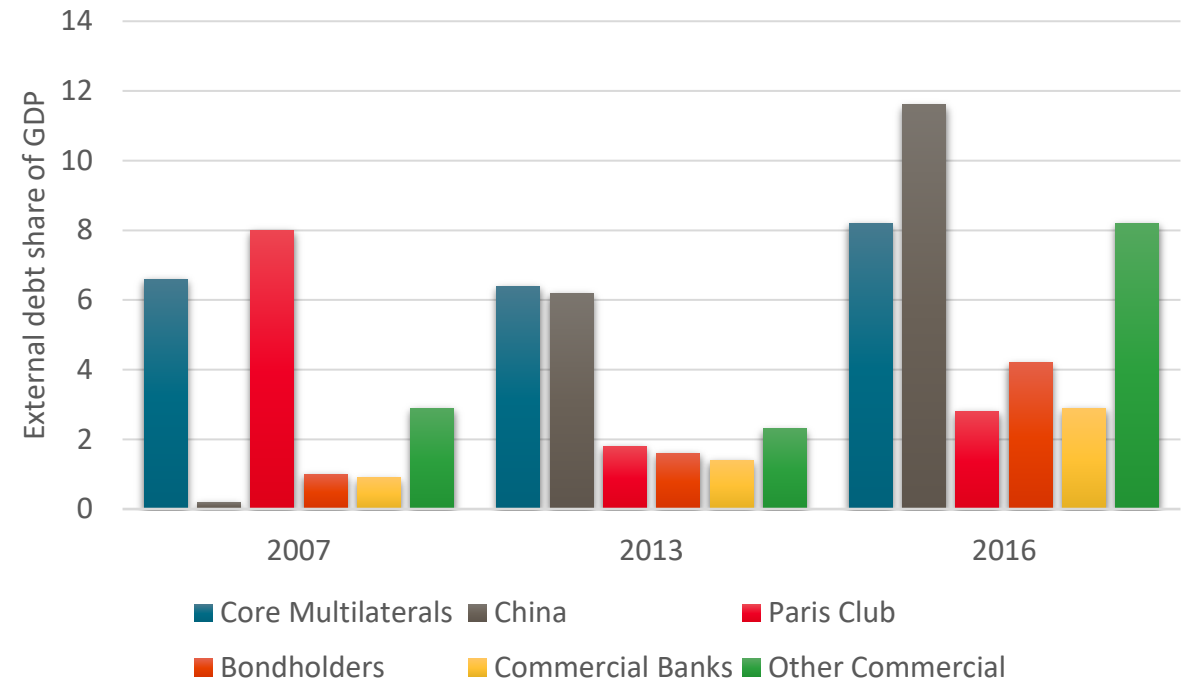


China is an important creditor to low-income countries and a REALLY important creditor to the riskiest low-income countries

All Low-income Countries



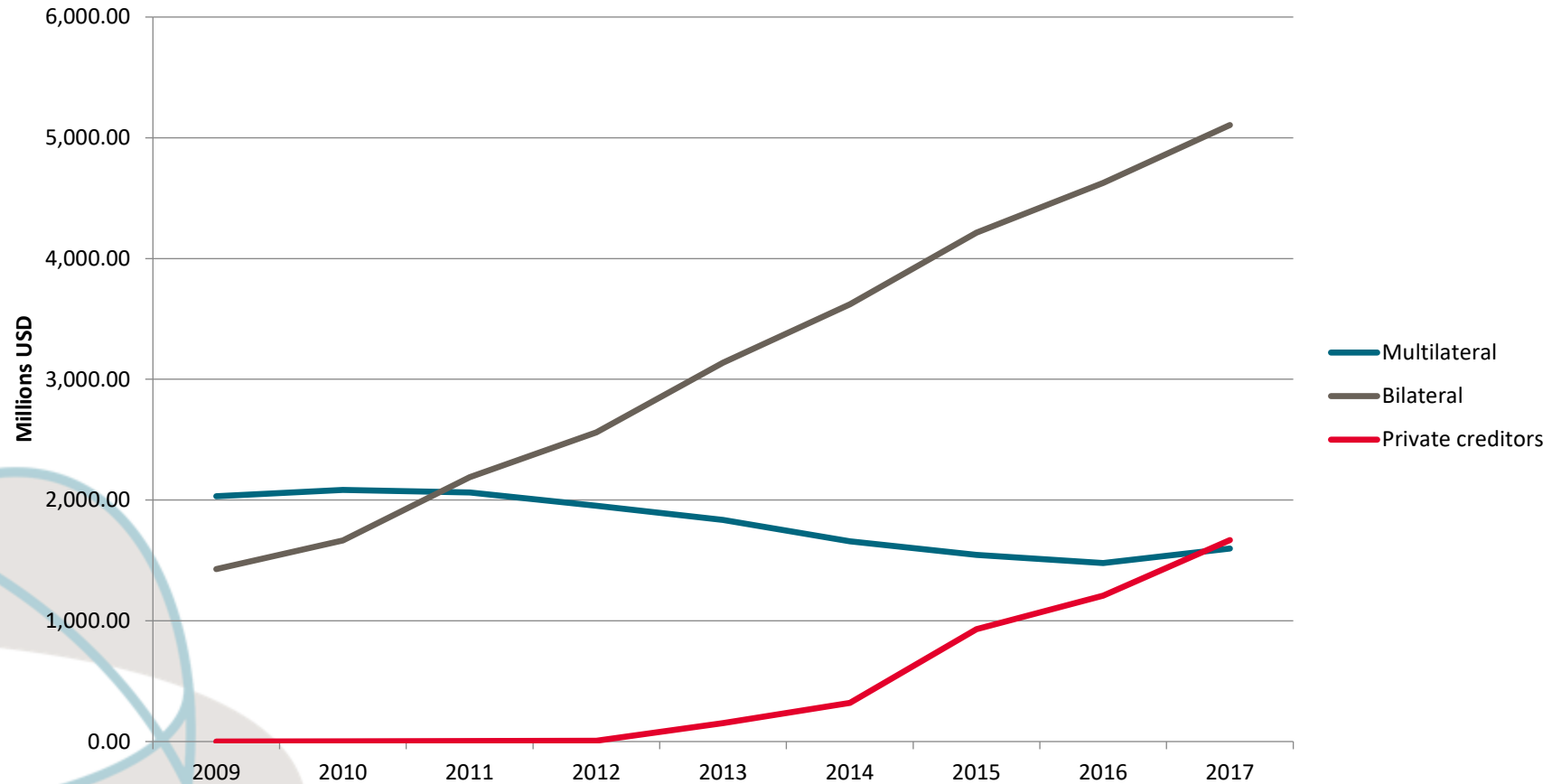
Riskiest Low-income Countries



Source: IMF. "Post-HIPCs" includes Cameroon, Chad, Congo, Ethiopia, Ghana, Mauritania, Mozambique, and Zambia.

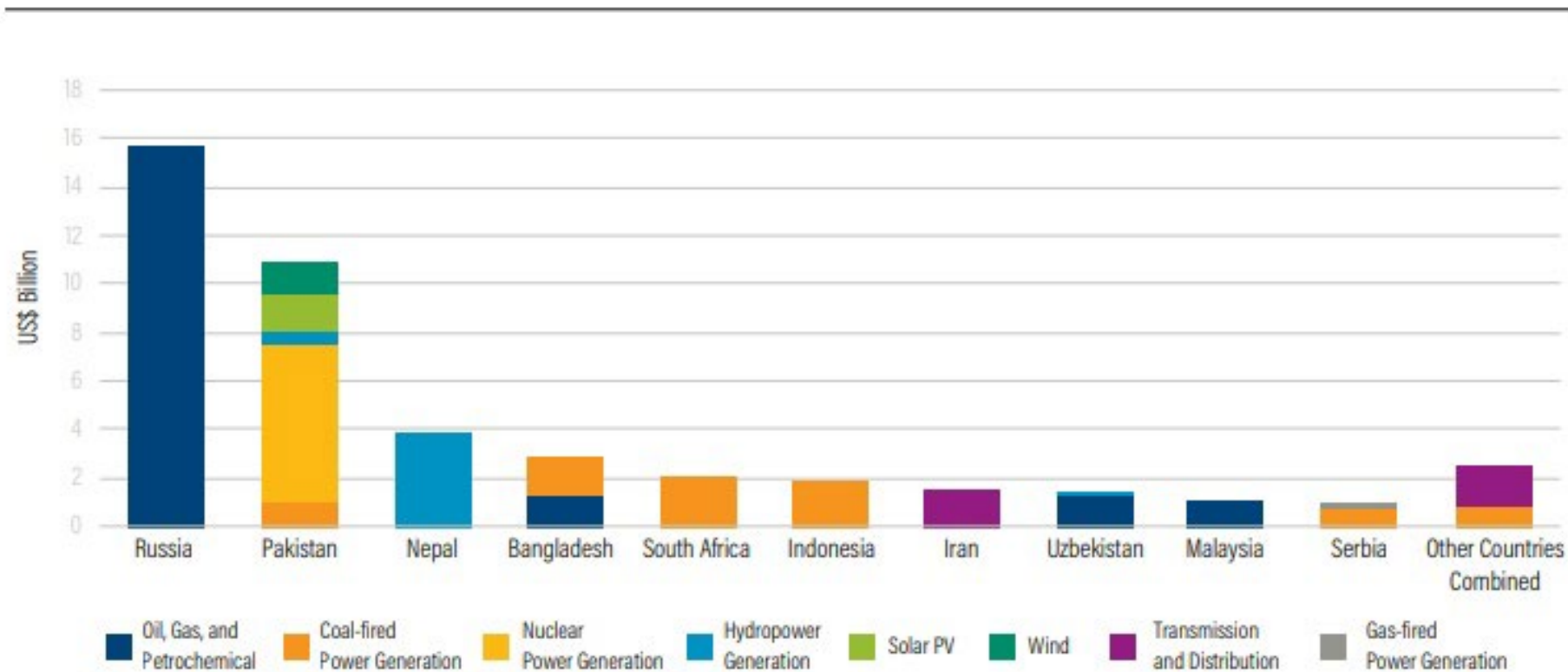
The case of the Lao Railway.

Lao PDR External Debt Stock



Not yet a green BRI.

Energy-Sector Loans Provided Exclusively by CDB and China Eximbank to BRI Countries, by Country, in US\$ Billion, 2014-2017



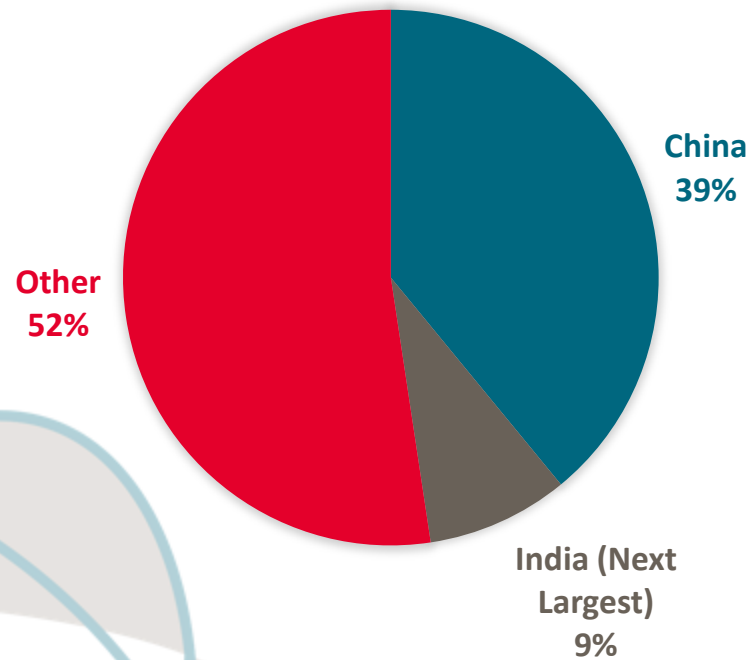
Source: World Resources Institute and Boston University Global Development Policy Center, 2018.

China's policy banks are not well-aligned with global project standards.

	World Bank	AIIB	AFD	JBIC	China Exim	CDB
Who sets the standards?	<i>World Bank + national laws, employing the more stringent of the two</i>	<i>AIIB + national laws, employing the more stringent of the two</i>	<i>AFD w/ reference to World Bank and other international standards</i>	<i>JBIC w/ reference to World Bank and other international standards</i>	<i>Mostly deference to national laws</i>	<i>Deference to national laws</i>
Is there an independent consultation/complaint mechanism?	✓	✓	✓	✗	✗	✗
Is there consultation with affected parties?	✓	✓	✓	✓	✓	✗
Safeguard Coverage	<i>Expansive</i>	<i>Expansive</i>	<i>Expansive</i>	<i>Expansive</i>	<i>Narrow</i>	<i>Narrow</i>
Are projects risk-rated?	✓	✓	✓	✓	✓	✓
Is relevant information published on the institution's website?	✓	✓	✓	✓	✗	✗
Efforts to avoid involuntary resettlement	✓	✓	✓	✓	✗	✗
Compensation standards for resettlement	✓	✓	✓	✓	✗	✗

Chinese firms can compete without tied procurement.

WORLD BANK PROCUREMENT



WORLD BANK LENDING

