China Development Finance Seminar

27 & 29th March 2023

Summary Paper

May 2023

*The Finance for Development Lab's **first China conference** aimed to build a better understanding of the country's key challenges as a leading provider of finance to developing countries. It took place over **two days**, with Day 1 focusing on the macroeconomic aspects of Chinese lending, and Day 2 discussing the new objectives of China's lending operations and approach to development finance in today's context of increasing debt levels and pressing climate and nature-related challenges.*

DAY 1 | Monday 27th March

1. Keynote Address by Dr Jin Zhongxia, Director General of the International Department of the People's Bank of China

China's external lending has more than doubled in the past decade, contributing to infrastructure development in Africa and accumulating lessons on possible risks. However, the debt issue in developing countries is not solely a Chinese issue. Private sector creditors have become the largest creditors of developing countries, owning 62% of external debt compared to 24% held by MDBs and 14% held by bilateral official creditors. The share of private creditors expanded from 43% to 62% from 2009 to 2020, while MDB and bilateral official creditors' shares shrank.

" Chinese creditors are hesitant to participate in debt restructuring when they feel that privileged creditors and non-creditors are pushing major creditors to pay the bill (...). A timely solution requires a fair and equitable burden sharing by all."

China's perspective on the global debt problem is that its outstanding external lending is less than 1% of the total outstanding credit, both domestic and external combined. Loose financial conditions after the global financial crisis have lured developing countries to overborrow and encouraged risk-taking by international investors. The main pressure is on official bilateral creditors, but they only account for 14% of developing countries' external debt. MDB and private creditors account for the majority, and a fair and equitable burden-sharing by all creditors must be applied. There is a debate over how severe the current debt problem is, with MDBs being reluctant to restructure their outstanding debt, citing credit rating concerns, but Chinese creditors have countered this argument by pointing out that they also issue bonds in the market and that capital increase supported by donor countries could be provided. It should also be noted that new credit financing, even if highly concessional, will add to the existing debt stock of debtor countries unless it is a pure grant.

Chinese creditors are hesitant to participate in debt restructuring when they feel that privileged creditors and non-creditors are pushing major creditors to pay the bill. A timely solution requires a fair and equitable burden sharing by all. Other practical issues include how to treat non-resident holding of domestic currency debt, the definition of public debt, and how to approach debts that have been invested into productive assets. Chinese authorities support multilateral solutions such as the Debt Service Suspension Initiative (DSSI) and the Common Framework under the G20, while ensuring fair and equitable burden sharing. Debt restructuring provides an opportunity for cooperation and trust building between debtor and creditor countries and multilateral institutions.

Read Dr Jin Zhongxia's Talking Points

2. Discussion with Dr Deborah Brautigam, Director of the China Africa Research Initiative (CARI) at Johns Hopkins University

Dr Deborah Brautigam and Dr Jin Zhongxia discussed various topics related to debt restructuring and MDBs. Dr Jin recognised progress in addressing debt restructuring distress issues in low-income countries through the implementation of the Debt Service Suspension Initiative (DSSI) and the agreement on a Common Framework by G20 member countries. Nevertheless, since this kind of cooperation is unprecedented, it will require coordination and time to build up, especially for non-Paris Club member countries with less experience such as China. It may be helpful for multilateral institutions to further study and discuss mechanisms such as the Sovereign Debt Restructuring Mechanism (SDRM) proposed by the IMF, which is based on the rich and longstanding experience accumulated by creditor countries.

Regarding the participation of MDBs in debt treatment, Dr Jin said that if MDBs like the World Bank were to take steps to establish and mobilise resources for debt restructuring, China would be willing to participate. Therefore, if the World Bank were to establish a multilateral debt relief facility, similar to the IMF's Catastrophe Containment and Relief Trust, China would support such an initiative.

Dr Jin also discussed the debates surrounding the classification of Chinese development finance institutions as either official or private lenders. China has been transitioning from a planned economy to a market economy over the past several decades, and state-owned banks have been reformed into market-oriented, commercially operated banks. Many of these banks have become public listed companies, and even though the ordered credit of Exim Bank of China is classified as official financial creditors, only about two-thirds of their credits are subsidised and considered as official balance credit. During the G20 DSSI discussion, the Chinese authority initially categorised the entire lending of China Exim Bank as official financial lending. However, there is no subsidy from the central government for lending made by the China Development Bank. Their lending decisions are based purely on commercial judgment and are audited every year. Therefore, these state-owned banks can be considered private, and their lending, especially that of the China Development Bank, is purely commercially based.

Dr Brautigam also asked Dr Jin about the debates going on within China about debt restructuring, where some believe that there is not yet a systemic crisis and that countries like Zambia and Sri Lanka can recover. Others are looking at China's long-term interests and believe that it may be in China's interest to write down some of the debt. Dr Jin said that whilst the debate within China is still alive, there are also some clear areas of consensus: the government is taking the issue seriously and is willing to work with other countries and institutions to find a solution.

3. Research Papers - Presentations

a. Comparability of Treatment, by Gong Cheng (BIS) and Aitor Erce (INARBE), with a discussion by Diego Rivetti (World Bank)

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The paper discusses debt relief games and the interaction between different types of creditors, specifically the Paris Club, the private sector, and China. It proposes to build indicators or coincidence to investigate historical restructuring data and how different creditors interacted among themselves. The focus is on de facto inter-creditor coordination, rather than on the application of Comparability of Treatments (CoT).

The approach is a two-step sequential game where the Paris Club or Creditor Committee signs a bilateral creditor region agreement with the borrower, and the borrowers are asked to seek comparable treatment from other creditors. The comparability of treatment is assessed based on one or more criteria, which may trigger a non-cooperative game between official and private creditors and may extend the length of the negotiation phase. Additionally, some borrowers may decide to negotiate first with the private creditors, leading to no evidence of reverse compatibility.

The paper suggests three avenues to explore regarding debt restructuring and CoT:

- The first suggestion is to examine whether CoT was actually achieved and enforced in the past. It lists cases where comparative treatment was either not requested or not achieved, such as with the HIPC where some countries issued bonds but their participation in debt relief was not required, or with the de minimis rule where small portfolios could be excluded from the calculation. Exploring these cases could provide insights into why comparative treatment was not achieved and inform future efforts to achieve it.

- The second suggestion is to consider the impact of possible restructuring on the reduction of the net present value (NPV) of debt. It is important to assess the NPV reduction provided by different categories of creditors, such as the Paris Club, Chinese creditors, and private creditors, as they may differ in their approach to rescheduling or reprofiling debt. For example, the Paris Club typically reschedules debt service while Chinese and private creditors may amend the entire stock of the loan or bonds, which could affect the NPV reduction.

- The last suggestion is to examine the CoT among bilateral creditors, as there is dispersion in interest rates among them. While major multilaterals may provide highly concessional loans, other bilateral creditors may offer loans that are not concessional, and in some cases, the interest rate is even higher than 5%, which is the threshold for ensuring NPV neutrality. The question is whether assuming an NPV neutral approach in the reprofiling, as in the case of the DSSI, is a way of achieving comparability of treatment and equal burden sharing among bilateral creditors.

The previewed (and preliminary) findings show that the Paris Club has been a major player in the debt restructuring game since its inception, often serving as the first mover, followed by private sector creditors. However, since 2000, China has emerged as a major sovereign lender and has also participated in debt restructuring, often within a close time window to Paris Club events. The study also finds that coordination between creditors affects the size and terms of debt restructuring, with some competition among creditors for debt relief, but also some emulation in terms of providing principal value reduction. The study suggests that coordinated debt restructuring leads to significant reductions in debt and could have positive macroeconomic implications for growth.

b. Use of SDRs by China for the development of African countries, by Etsehiwot Kebret and Hannah Ryder (Development Reimagined)

Download presentation

The paper discusses China's commitment to reallocate 10 billion US dollars of its Special Drawing Rights (SDRs) to African countries, which accounted for around 25% of its new SDR allocation, the largest proportion of SDR locations committed to reallocate by any country in the IMF. The IMF allocated 650 billion US dollars equivalent of SDRs to respond to the global COVID-19 crisis in 2021 but the allocation is widely unbalanced, with only 5% going to the African continent.

The paper argues that the international financial system is no longer fit for purpose. Countries in least need of SDRs received most of the allocation. Its role of liquidity provision is important, especially during times of crises. The multilateral system is not strong enough to provide the necessary funds to address long-term problems and strategic considerations. Using SDRs in a strategic way can address these issues and provide an opportunity to reimagine development finance.

The paper explores five options for reallocating SDRs to African countries:

1. bilateral transfers; 2. allocation through the African Development Bank (AfDB); 3. reallocation through IMF instruments; 4. reallocation through the World Bank; and 5. reallocation through non-prescribed holders. Each option is assessed based on five criteria: the number and types of countries that will benefit, the distribution of financing towards growth-inducing projects, the SDR reallocation process, results monitoring, and maintaining sovereignty. The article also provides information on China's commitment to SDRs and the African continent, as well as the key views of China on SDRs.

Taking into account all criteria, the African Development Bank's proposed hybrid capital would be the best channel for passing on SDRs. It would support specifically the African continent, and its financial engineering has addressed all concerns that it would retain reserve status for rechannelled SDRs. Looking beyond this, the SDR system can be improved and the perspectives of African countries and China crucially need to be taken into account in the next phase of research to reform the system.

Discussant 1: Gyude Moore, Center for Global Development

The paper on the SDR argues that the international financial system has become structured and is no longer fit for purpose. Countries in least need of the SDR tend to receive most of it during times of crisis, leaving those in need without adequate support. The system has also become more complex, with globally systemic important banks (GSIBs) that are too big to fail and are sources of risk to the international system. The paper suggests innovative ways to reform the system, such as SDR-denominated bonds, to benefit the countries most in need. The recommendations are coming from outside the international financial system, and the African Development Bank has addressed all concerns to retain SDR Reserve status. African countries can use this system to benefit and set an example for other actors in the system. The perspectives of African countries and China need to be taken into account in the next phase of research to reform the system.

Discussant 2: Ying Qian, Boston University

The paper offers a comprehensive analysis of the issues involved in SDR allocation and provides adequate coverage of the background of SDR allocation under on-channelling process. The five specific options reasonable and suggest interviewing more people from different perspectives in the next phase of research.

China would follow a comprehensive long-term programming process to allocate the SDR, considering factors such as development objectives, financing means, and impact on debt sustainability. One option is looking at the equity contribution and hybrid capital instrument, but also considering issuing subordinate debt as a CR2 capital. IMF facilities are doable with the Poverty Reduction and Growth Trust (PG), Poverty Reduction and Growth Trust-Interest Rate Subsidy (PRGT-IRS), and Rapid Financing Instrument and Rapid Credit Facility (RST), and suggested earmarking some of China's SDR allocation through these funds to specific countries, sectors, and policy settings.

4. Policy Panel

The panel discussions covered the following topics: the treatment of MDB debts to ensure fair burden sharing; how to handle the restructuring perimeter; what to do with SOEs with domestic debt held by non-residents, how to apply comparability of treatment (COT); and how to use SDRs to promote innovation and progress productively.

Hanan Morsy, Deputy Executive Secretary and Chief Economist, UN Economic Commission for Africa:

⇒ The African high-level working group on Global Financial Architecture, including ministers and key stakeholders, discussed various issues during the African Ministers of Finance, Planning, and Economic Development conference. They emphasised the need to overhaul the G20 common framework, expand eligibility to include middle-income countries, and incorporate private sector creditors to accelerate restructuring.

⇒ Other issues discussed were legal and regulatory framework reforms, collective action clauses enhancement, and implementation of anti-vulture fund legislations. A sustainable debt coalition was also presented, which proposes new approaches to managing existing debt, promoting efficient use of financial resources, and aligning SDGs and Agenda 2063.

⇒ The issue of MDB debt is an institutional issue beyond individual countries. It is important to avoid holding back progress and restructuring due to these issues, as the majority of countries in distress are African countries.

⇒ There is a need to ensure that these issues do not impede progress in an orderly and timely manner. At the meeting with the Ministers of Finance, the concern raised was about making lending more affordable and on concessional terms with longer tenors to support recovery, development needs, and SDG investments in the changing global financial environment.

⇒ IFIs and MDBs can play a role by taking more risk on their balance sheets and providing better rates. Re-channelling of SDRs through multilateral development banks was also discussed to enhance leverage and enable such lending.

- ⇒ The need to enhance the re-channelling system and use incentives such as official support, guarantees, and de-risking instruments to tap national markets at more affordable rates was emphasised.
- ⇒ There is a need to fix the current paradigm and make the global system more equitable, especially for developing countries and African countries.

Simon Cueva, Vice Rector, Universidad Internacional del Ecuador and former Minister of Economy and Finance of Ecuador:

- ⇒ Ecuador faced weak fiscal position and limited financial alternatives as a dollarized country even before the COVID-19 crisis. The country engaged in efforts to obtain support from IMF, engaged with private creditors and negotiated with Chinese authorities resulting in a significant debt relief.
- ⇒ However, China was not the main creditor and its debt relief component was relatively smaller. Parallel discussions with Chinese banks and the government were crucial for negotiation success.
- ⇒ To address similar issues, transparency in efforts is important, along with early publication of the fund-supported agreements for local understanding and building policies that can be politically difficult.
- ⇒ Technical issues like comparability of treatment, inclusion of debt service, and burden-sharing component, beyond simple positive net transfer policy for developing countries, are relevant.

> **"(There is) increasing difficulty of developed countries to access markets at reasonable rates, leading to more competition for capital flows. The World Bank has announced more flexible lending policies and the use of guarantees to access formal markets, but there is still little appetite for recapitalising or changing the rules in some Asian countries."**

- ⇒ Regarding concerns around new money and new lending, the first issue is the increasing difficulty of developed countries to access markets at reasonable rates, leading to more competition for capital flows. The World Bank has announced more flexible lending policies and the use of guarantees to access formal markets, but there is still little appetite for recapitalising or changing the rules in some Asian countries.
- ⇒ The second issue is about negotiating with China. There needs to be a lot of back and forth between different political and technical parties, and IFIs should be clear and put information out earlier. China also needs to ensure a clear approach to discussions so that developing countries can better understand and address these issues.

Guillaume Chabert, Deputy Director, SPR Department, International Monetary Fund:

- ⇒ There needs to be a greater understanding among stakeholders. There is a strong geopolitical divide, and some solutions may be out of reach in the current context. The findings of a recent IMF working paper on the debt situation in low-income countries suggests that there is still time to act before a dire situation arises.

> " The Common Framework, being a case-by-case approach to debt restructuring, cannot be industrialised like the Heavily Indebted Poor Countries (HIPC) Initiative. There needs to be a win-win approach to the debt crisis (...), a consensus on what constitutes a cut-off date for a country in default and for a process to define a capital state."

- ⇒ There are various measures that can be taken, including cross-enhancing reforms, mobilisation of domestic resources, and scaling up international support. The Common Framework, being a case-by-case approach to debt restructuring, cannot be generalised like the Heavily Indebted Poor Countries (HIPC) Initiative. There needs to be a win-win approach to the debt crisis and a better understanding of key concepts and approaches is necessary. There is also a need for a consensus on what constitutes a cut-off date for a country in default.
- ⇒ Finally, the IMF and World Bank could do better in sharing information early in the processes to provide data on debt frameworks, parameters, and accessibility analysis. The progress of implementing the government framework for dealing with debt concerns is slow, and debt concerns are growing faster than progress. This creates a sense of urgency to find a way to accelerate the approach to deal with debt concerns for the benefit of the adapting country and its population.
- ⇒ IFIs must decide on their role in providing relief to countries with debt concerns. They must weigh the risk of being hurt in the future by providing that relief against the need for more concessional financing for these countries. Zambia, Ghana, and Sri Lanka have made progress, and the use of SDRs to channel unused funds could be one way to provide relief.

Jianye Wang, Professor of Economics and Co-Director of the Volatility Institute at NYU Shanghai:

- ⇒ The Paris Club, a group of OECD creditors, played a significant role in developing the sovereign debt of African countries in the 1990s, which was much larger than all others combined. Nowadays, this has reversed: most debt is owed to bondholders, and multilaterals hold a big share of debt. However, the burden of seeking debt relief is still on the debtor countries.
- ⇒ The composition of debtors has changed a lot, and non-Paris Club powers, such as China, have become the largest official creditor in many cases. However, the identification or separation of official and non-official claims is not clear, and there is a need to sort out and separate them.
- ⇒ Additionally, it is important to take into account domestic financial stability for China, and accountability of state-owned institutions. Chinese lending institutions need to coordinate better among themselves, as well as improve communication and consultation with the IMF and World Bank.
- ⇒ On a range of topics, those domestic problems will raise major hurdles to deal with external debt restructuring. However, debt resolution should be multilateral, and institutions should make progress on both at the same time.
- ⇒ At the global level, in the short run, there should be a use of grants and short-term solutions for affordable funding from MDBs, instead of relying too much on new lending flows.

DAY 2 | Wednesday 29th March

Keynote speech by Dr Justin Lin, Dean, Institute of New Structural Economics

Professor Lin shared his thoughts from a "New Structural Economics" perspective and highlighted three key points related to public debt and economic development:

- The first point is that public debt is desirable for development as it can be used to finance the necessary infrastructure, such as electricity, roads, ports, and telecommunications, thus allowing a structural transformation from an agrarian to an industrialised economy.
- The second point is that economic development relies on the ability to export. Infrastructure will not provide direct export revenues, but they should facilitate the development of industries with latent competitive advantages, consistent with the effective endowments of the country.
- The third point is the desirability of providing more debt to a highly inductive country to facilitate dynamic economic growth through rapid structural transformation. However, Professor Lin noted that public debt is only sustainable if it is used to support sectors that are consistent with a country's latent competitive advantages and target areas with adequate infrastructure to facilitate growth. Otherwise, the debt may trigger a crisis.

Dialogue with Bert Hofman, Director, East Asia Institute, National University Singapore

In the discussion, Bert Hofman questioned the analysis. In this perspective, was the World Bank's initial loan to China for university education improvement a mistake? Another difficulty is that countries often make mistakes in determining their latent comparative advantage.

He also discussed how the IMF and World Bank's debt sustainability framework accommodates for disappointments. Hofman suggested that foreign assistance often focuses more on social and knowledge building rather than infrastructure building. He argued that a financing structure for a world with rational actors deciding on a framework is needed. Flexible repayment options can allow countries to borrow more but equity financing may be needed for ventures with uncertain or long-term returns.

Dr Justin Lin responded to comments by suggesting that investments made to enhance growth and capacity must be separated for sustainable development and reaching SDGs. He also discussed the challenge of identifying sectors with comparative advantages, but notes that more research and practice can help us understand them better and also measure them. Lin mentioned that the New Structural Economic Institute has been set up to develop new metrics and indices to identify these sectors. He suggested that managers and entrepreneurs can also be consulted to determine areas where a country can excel, and provide support to scale up and turn a secondary economy into a growing one.

In response to a question about the less clear aspects to consider in infrastructure financing, Lin noted that in the past, the private sector was believed to be able to handle infrastructure development without necessarily needing government involvement or public debt. However, the success of private investments in the infrastructure sector has given mixed results, with some projects receiving more attention than others. He emphasised the essential role of governments in supporting infrastructure development, which requires significant investment and has a large externality. Lin suggested that more flexible financing options, such as indexing repayment with GDP growth, could help mitigate uncertainties. He argued that financing models need to change to address global public goods, such as climate change, with a subsidised lending. Green growth will offer opportunities to rethink these modalities.

Finally, Lin responded to a question on whether or not incorporating climate change management into financing for development could be productive going forward. He believes that developing countries require electrification and infrastructure, which can be achieved through green industrialisation to combat climate change. However, the cost for developing countries is higher, and the developed world must provide green technology and funding for green infrastructure. Lin suggested that green finance is one way for the developed world to contribute funds to soften the cost for adopting green technology and infrastructure in developing countries.

Academic Session and Research Papers Presentations

a. Christoph Nedopil Wang, Director of the Green Finance and Development Center, Fudan University: "Can tripartite cooperation with China mobilise green project finance in the global South?"

The research examines the intersection of project infrastructure and finance, with a particular focus on green infrastructure finance. The paper feeds into the broader discussion on how to accelerate green infrastructure project funding in emerging countries, with an emphasis on addressing the environmental, social, and governance (ESG) challenges for tripartite cooperation between China, international institutions, and host countries.

The context is the major energy and infrastructure investment gap in Asia, with a projected shortfall of $4.6 trillion until 2040. The research argues that there is a pressing need to support the green transition by investing in green infrastructure development. To this end, there has been strong top-down signalling from the Chinese government that green should be the colour of the Belt and Road Initiative (BRI), with support for the Belt and Road Industry Green Development Coalition. The government has also put forward the idea of applying international standards for projects and development since 2020, a significant change from before, when the principles applied where those of the host country.

> The researchers conducted over 20 interviews, desk research, and in-depth case studies to determine what project finance looks like and why it is particularly challenging for tripartite cooperation. The research sought input from Chinese financial institutions, private corporations, SOEs, and international partners to determine how to accelerate tripartite cooperation.

Eight major ESG project steps have been identified: 1. how projects are initiated; 2. the environmental and social impact assessment; 3. environmental and social management systems; 4. how to manage risks proactively or reactively; 5. Transparency; 6. grievance mechanisms; 7. relevant stakeholder engagement; and 8. reporting and disclosure. Each of these steps have gaps which make it difficult to implement ESG standards, particularly when projects are in less developed countries with higher risks and very long-time frames.

The research provides two examples of Chinese projects that apply these international standards: a hydropower project in Pakistan, which was China's first "Equator principles" project, and the Kenya Road annuity project awarded to Sino Hydro in 2015. The paper notes that in order to secure funding from international financial institutions, it is essential for project developers to demonstrate that they have done their research, understand the risks involved, and have a management plan in place.

The paper points out that one of the reasons why it is challenging for China to accelerate green finance is that large infrastructure projects are often financed by state-owned enterprises (SOEs) and policy banks. Green energy projects, such as solar and wind, have a different financing structure with less SOE involvement and more private companies, making them closer to a finance and transfer (FT) model. This shift requires a rethink of project structures and governance, which takes time.

In conclusion, the paper notes that there has not been a significant uptick in green energy investments from China over the past few years due to these challenges. However, the authors have expressed hope that with more private company involvement, an increase may be expected in future.

Discussion by Muyang Chen (Peking University): the questions raised by Muyang Chen related to the form of financing for green or renewable energy projects. One challenge is that project financing for country projects in developing countries requires generating sufficient cash flow or revenue streams to repay loans, which limits the type of projects that can be financed. This may result in financially challenging projects attracting fewer financiers, particularly in lower income economies. Another issue is the competition between Chinese finance and investors from advanced industrial economies, with the possibility of tripartite cooperation. The principle of host countries' preferences is also important to consider, particularly whether host countries will adopt green standards or prioritise traditional resources.

In response, Christoph Nedopil Wang acknowledged that there is a long debate about whether good projects will attract all the good finance and bad projects will not get any finance at all. He believes that there are a lot of nuances on this whole spectrum. He gave the example of the Kenya Road Project, where Sinohydro agreed to pay for the road to be built under the condition it would own it for 10 years, before transferring it back to the government of Kenya or to the people of Kenya. Regarding the competition between Chinese finance and international finance, he wishes there were a real level of competition, and that financial corporations could actually collaborate. He thinks there is already a good level of cooperation between the Chinese and the IFIs, both on the purely commercial side but also in development finance. He believes that the competition should ideally lead to cooperation. Regarding the third question, he thinks the idea of having an Environmental and Social Impact Assessment (ESIA) license is not enough to understand the risks or to have a risk management system. International standards are needed to reduce risks on the balance sheet, as well as better cooperation between different international financial institutions and private financial institutions.

Within comments from the audience, Thomas Melonio (Agence francaise de Développement, AFD) highlighted the cooperation between AFD and China Development Bank (CDB). Despite important differences in procedures, financing rules and project management, these institutions managed to set-up a joint project in Senegal.

b. Tianshu Sun (CAITEC) and Wei Shen (Institute for Development Studies) on: "Horizontal Fragmentation and Coordination Vacuum in China's Foreign Aid System"

The paper focuses on the integration of climate and nature considerations into public financing. It examines the fragmentation and coordination vacuum in China's foreign biodiversity aid.

Protection of nature as a focus of Chinese development assistance really took off in the run-up to the 15th Conference of the Parties for biodiversity hosted by China in 2021 and co-hosted by Canada in 2022. The initial goal of this research was to look at what China has been doing in terms of international development supporting biodiversity. Interviews were conducted with institutes involved in such projects.

Two major facts were highlighted: one, there were many related projects and efforts, and two, very few entities were aware of what other entities were doing, even if they were working on the same issue or with the same implementation partner. This led to question why this was the case, especially given that China's foreign aid decision and policy-making is highly centralised. The direction of China's foreign management system reform is to unify decision-making and strengthen centralised management, characterised by the establishment of the China Aid Agency, the China International Development Corporation Agency (CIDCA).

> The research seeks to describe and conceptualise what engaging with global environmental governance issues means for China's international development corporation. Specifically, the research seeks to answer questions such as whether China's biodiversity aid is consolidated or fragmented and who governs aid in this field. The research has collected 142 data projects, the earliest of which was found in 2004, and 19 records on coordination between different stakeholders on biodiversity issues. The database includes projects that are concessional, government-funded, and explicitly demonstrate contributions to biodiversity targets.

Discussion by Dr Coraline Goron (Duke-Kunshan University): she provided the broad context of biodiversity policies in China. First, she questioned the assumption that fragmentation is necessarily a bad thing. In a field like biodiversity conservation, there are different types of cooperation that need to take place on science, technology, training, and other areas. Specialised knowledge in these areas is actually better handled in a fragmented way. Instead of centralising everything, having systems in place to learn and bring knowledge back to decision-makers may be another way to approach the issue. Secondly, she noted that all the projects identified in the study were grants rather than loans. This is interesting because in previous presentations, there was a lot of focus on loans and the role of development banks like the China Development Bank and the EXIM Bank, as well as the World Bank and ADB. She suggested that smaller, targeted budgets for training and knowledge transfer can have a high leverage in biodiversity conservation. Overall, Dr Goron's remarks suggested a nuanced perspective on the benefits and challenges of fragmentation in biodiversity conservation in China, and they raised important questions about the role of different agencies and funding sources in the field.

In response, Wei Shen added that the question was raised about whether fragmentation is good or bad, and if some level of centralisation is necessary for a massive system to work: the evaluation of whether fragmentation is helpful is not black and white. Learning among different actors is important, and the current level of fragmentation may be a source of problems. For example, data collection and analysis can be difficult, and there may be vested interests and a lack of innovative capacities. A steering agency to coordinate and facilitate learning is needed in an ideal world. Case studies need to be analysed to further improve our understanding of the issue.

General discussion by Ms Zhang Minwen, Deputy Director General of the International Economy and Finance Institute (IEFI): in her closing remarks, Zhang Minwen made three observations regarding the Belt and Road Initiative (BRI): its positive contribution to investment in developing countries and trade volume; its shift towards greener projects; and its adoption of sustainability standards. High quality projects can continue to be developed.

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