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1. Introduction
UNIQUE FEATURES OF EMF STUDIES

- Focus on economics, not geopolitics
- “Inside-out” perspectives
- How to maximize benefits, avoid pitfalls
- Review of 8 countries in the Central Asia and South Caucasus region and 6 countries in sub-Saharan Africa, within context of global evolution of BRI
2. BRI globally – status and prospects six years after its launch
Massive undertaking — from 65 to 133 countries in 6 years (60% of global population)

China is placing a huge bet on future prospects of BRI countries

No known master plan or central list of projects

No official data on investments (to date or planned)

Anecdotes about individual projects dominate news (Sri Lanka, Malaysia, Pakistan)

Yet, many examples of successful projects and some countries with transparent programs (Kyrgyz Republic)
MAJOR EXPANSION IN 2018 INTO AFRICA, LATIN AMERICA

The bar chart shows the expansion into different regions from 2013 to May 2019. The regions are categorized as Africa, Americas, Central Asia & S. Caucasus, Middle East, Rest of Asia, and Europe. The values indicate the number of expansions in each region over time.
BY NOW, ALMOST A GLOBAL INITIATIVE
CONCLUSIONS FROM EXTERNAL DATA ON BRI INVESTMENTS

• Total Chinese exposure (equity and loans) to BRI countries is very significant; rising through end-2018
• FDI outflows to BRI countries: $96.3 billion (2013-18)
• Total cumulative loan disbursements & commitments by major Chinese banks: $580-600 billion
• For reference, $490 billion lent by WBG, ADB, AfDB, IDB (2013-17)
• Most BRI investments outside traditional Silk Route
• Energy sector received most support; transport next
3. BRI in Central Asia and the South Caucasus – an “inside-out” perspective
Two key corridors
OUR STUDY OF BRI IN CASC

- Eight countries, two sub-regions
- “Inside-out” assessments by national experts (5 country/regional chapters)
- Based on a structured questionnaire (scale, composition and terms, impact, benefits and costs/risks, perceptions, policy implications, future research)
  - Complemented by expert chapters for major partner perspectives (China, EU, India, Japan, Russia, US)
POTENTIAL BENEFITS ARE SIGNIFICANT...

• Connectivity and productive investments are critical for the future growth and prosperity of CASC

• BRI supports increased connectivity and investments and hence potential economic growth for CASC
  • reduced transport cost and time
  • transit revenue and resource rents
  • domestic production, exports and employment
  • technology transfer and skills development

• Great differences across countries
  • Different BRI engagement across countries (much more in CA, so far less in SC)
  • More positive assessment for KAZ/UZB than for KYR/TAJ
1. Lack of complementarity with national and regional plans (all except KAZ, UZB)
   • integrate with national plans/execution and with regional initiatives (CAREC), and subject investments to rigorous cost-benefit analysis (all countries)
2. Weak border management, logistics and business climate (all countries, esp. Kyr, TAJ)
   • focus on improvements in soft infrastructure and business climate
3. Lack of focus on O&M (all countries)
   • balance investments with O&M
4. Lack of investment in secondary and tertiary infrastructure (all countries)
   • focus on economic corridors
5. Limited employment impact, technology and skills transfer (Kyr, TAJ)
   • more explicit focus on these dimensions
6. Negative economic, social and environmental impacts – (Kyr, TAJ)
   • increased attention to these impacts
7. Debt burden (Kyr, TAJ, ARM)
   • assess and manage debt exposure along with improved fiscal management
8. Lack of transparency and potential for mismanagement and corruption (all countries)
   • transparent planning, procurement, implementation and evaluation
• Work with neighbors to ensure regional coherence, learning and leverage

• Strengthen and effectively use regional institutions in support of BRI investments

• Work with other international partners (multilateral and bilateral) in implementing BRI-related activities
A SUMMARY

- We have pulled together the key benefits, risks and policy recommendations in a single framework for ready reference (see Policy Paper).
4. Findings of further research on BRI in six sub-Saharan African countries

(Cameroon, Djibouti, Ethiopia, Ghana, Kenya, Zambia)
COMPARING CHINESE PROJECTS IN CASC AND SSA

- CASC and SSA studies produced similar findings
- In-depth reviews of mega-projects in E. Africa (Nairobi-Mombasa SGR, Addis Ababa-Djibouti railway) concluded that projects are technically well designed and executed
- But, many are unlikely to generate revenues capable of servicing the debt
- SSA countries started with more serious macroeconomic and institutional weaknesses, lower debt and fiscal sustainability
- Due to poor ex ante project feasibility reviews, SSA countries selected some unaffordable (but technically sound) mega-projects
5. Reforms to the BRI announced at the Second Belt and Road Forum (April 2019)
IMPROVEMENTS ANNOUNCED BY THE CHINESE AT THE 2ND BRI FORUM, 2019

China will:

- Conduct and take into account the results of debt sustainability analyses (DSA) in its future lending decisions and encourage recipient countries to publish the results
- Ensure economic/financial viability of future BRI projects through rigorous due diligence
- Ensure that BRI projects are environmentally and socially sustainable
- Increase consultations with local communities to ensure they benefit from BRI projects
- Share more project information and not tolerate any corruption in BRI projects
- Partner with IFIs to multilateralize the BRI
- Encourage its companies and banks to co-finance projects with IFIs and the international private sector

These improvements should help allay the problems and concerns raised by the study.