

Understanding Indian Development Finance: The Data Complexities of EXIM Bank's Lines of Credit

Jai Bhatia

Introduction

Over the past two decades, India has stepped up its economic diplomacy; India is now an increasingly influential global development partner. Central to this is concessional lending through Lines of Credit that India offers to partner countries to promote mutually beneficial trade and investment. The Export Import Bank of India's (EXIM) is the key state institution that provides concessional Lines of Credit¹ (hereafter referred to as LoCs). LoCs are extended by the Government of India (GOI) under the Indian Development Economic Assistance Scheme (IDEAS). As India is not a member of the OECD's Development Assistance Committee (DAC), it does not report on how much 'aid-like' financing that it provides to its recipients in the form of loans, grants and concessional lending. EXIM Bank's role means that it is the primary, although not sole, data source when estimating the scale and scope of concessional lending.

This paper explores complexities in the data published by EXIM Bank on LoCs. It highlights the challenges of using concessional LoCs data to draw

conclusions and points out the problems with missing data. This paper does not advance any arguments as to why the data is missing (for a discussion on the politics of accountability and measurement, see Waisbich 2021a, 2021b), but simply focuses on the technicalities in order to provide a detailed understanding of the current state of the data. This paper provides a guide to the data uncertainties surrounding LoCs. The paper is based on official database analysis, as well as interviews and conversations with EXIM Bank employees, public sector bankers, journalists and academics, and from academic literature and media reports.

EXIM Bank's Lines of Credit

The EXIM Bank of India provides data on their current operative concessional LoCs through their website². This data shows the list of countries for which LoCs are available with a brief description of the projects, the amount of money that is allocated to these projects, and whether these LoCs are still available³ or whether they have been already disbursed. This data is updated monthly. The Ministry of External Affairs (MEA) also releases data on India's concessional LoCs. This paper details the complexities of comparing MEA

¹ Concessional LoCs differ from commercial LoCs in that the former do not carry the risk of doing business, because they are guaranteed by the Government of India and recipient governments. Even commercial LoCs can sometimes be concessional as the GoI may subsidise interest

rates but not risk, as they do for EXIM Bank LoCs. This paper only considers EXIM Bank type concessional LoCs.

² <https://www.eximbankindia.in/lines-of-credit>

³ In other words, when the LoC is approved and ready to use, but has not yet been drawn by the borrower.

and EXIM Bank data, while taking note of other sources of EXIM Bank's LoC data, which are in press releases from EXIM, the MEA, the Reserve Bank of India, and from the recipient governments, where individual new LoCs are announced provide information on individual LoCs and the p. The media is also a source of data through newspaper reports, industry events⁴ and interviews with diplomats, which rejects that are planned and/or funded through them. The main challenge of aggregating data from press releases and media reports is that they provide an incomplete list of LoCs, which can result in the misrepresentation of the actual scale of LoCs.

The Challenge of Missing Data

Allocated vs distributed LoCs: Data available on specific LoC project value amounts are the amounts that are initially negotiated and approved by EXIM Bank, but they do not state project-wise how much of that amount was disbursed. They indicate whether a particular LoC is available for procurement or not, but partial disbursements are not shown. For example, a LoC of US\$ 40 million was allocated for a railway rehabilitation project in Angola. General practice would suggest that the whole LoC will not be drawn at one particular time but as and when needed. The EXIM Bank data does not provide details on partially disbursed LoCs. It only states whether a LoC is available for procurement of goods and services or not, which would mean that either it is yet to be disbursed or it is fully disbursed. It is likely that many of the LoCs listed will be at a point of being partially disbursed for ongoing projects. How much of it is

actually disbursed is not reported. Drawing on EXIM Bank's LoC's project value amounts may overstate the actual amount lent.

Multiple Time Periods: The LoCs allocated are typically for a project period of 15-25 years⁵ (Government of India 2015). However, the data does not indicate the year in which each of the LoCs started (i.e., different projects may have started in different years). Such data provides a picture of the LoCs at a given point in time but calculating annual numbers from this data maybe misleading. EXIM Bank's data does not indicate which projects have longer durations or in which year each of the projects are in their respective lifecycles, hence making it difficult to estimate annual numbers.

Extensions and Additions: EXIM data does not mention any extensions or additions (in terms of time and/or value) before or after the LoCs have been disbursed. The LoCs for some of the larger infrastructure projects (with values of over US\$ 200 million) and projects of strategic importance (with values of over US\$ 100 million) may be further extended (Government of India 2015). It is often difficult to estimate how much a project would cost or how long it would take to implement at the outset. Very often, projects do not proceed on time or on budget, especially if the company has been through a bidding process (Chaturvedi and Mulakala 2016; Saxena 2016). In order to bid competitively, companies tend to use their best-case estimates and add a 5% to 7% escalation clause year-on-year for good measure in a standard contract. Projects often go overbudget within one to two years, as the project may encounter unforeseen difficulties that the feasibility study did not pick up on⁶. In such a case, it

⁴ For instance, Exim presentations at CII-EXIM BANK Conclave on India Africa Project Partnership.

⁵ The LoC for countries classified as Category 1 carry an interest rate of 1.5% and are given 25 years. These countries include Afghanistan, Bangladesh, Burkina Faso, Burundi, Central African Republic, Chad, Cote d'Ivoire, Gambia, Ghana, Grenada, Honduras, Kenya, Kyrgyz Republic, Liberia, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Sao Tome, Senegal, Solomon Islands, Tanzania, Uganda, Yemen. LoCs for countries in category II carry an interest rate of 1.75% and is given for 20 years. These countries include Armenia, Mauritania, Benin, Bolivia, Micronesia, Bhutan, Moldova, Mongolia, Cambodia, Morocco, Comoros, Myanmar, Democratic Republic of Congo, Nepal,

Cape Verde, Nicaragua, Pakistan, Cameroon, Nigeria, Guinea, Djibouti, Papua New Guinea, Egypt, Paraguay, El Salvador, Philippines, Eritrea, Samoa, Ethiopia, Seychelles, Georgia, South Sudan, Guatemala, Sri Lanka, Guyana, Sudan, Guinea Bissau, Swaziland, Haiti, Syria, Indonesia, Somalia, Kiribati, Tajikistan, Kosovo, Togo, Democratic Republic of Korea, Timor Leste, Lao PDR, Ukraine, Lesotho, Uzbekistan, Madagascar, Vanuatu, Maldives, Vietnam, West Bank and Gaza, Zambia, Zimbabwe. LoCs for other developing countries fall in category III and carry an interest rate of LIBOR+1.5% and is given for 15 years (Government of India 2015).

⁶ As estimated by an EXIM Bank employee interviewed for this research

is unclear how project cost inflation is treated. Is the LoC amount increased? My research suggests that there is no standard practice to address such a situation and it is up to the two governments involved to negotiate. Such negotiations are not public, and data is not easily available. Not having such data can underestimate the extent of financing from LoCs. Similarly, many projects stall, and it is unclear how a delayed or a stalled project is reported by EXIM Bank. Are the LoCs extended? If so, by how many months or years? There is no data available on the progress of the projects.

Capital repayment and Interest: EXIM Bank does not disclose information on the repayment of an LoC, or whether interest payments have been made. Concessional interest rates can vary from country to country, which makes calculating the benefit from the concessional loan difficult (Government of India; see footnote 4) The conditions for concessional lending also state that a minimum of 75% of the project value must be sourced from India, although the GOI may waive up to 10% of this requirement (Government of India 2015). My research demonstrated that often if the GOI wanted to oblige another government, there would not be a formal process of waiving interest payments or approving a moratorium on the loan, but instead GOI would not pursue capital repayment or interest payments as a diplomatic gesture, which has the same effect of loan/interest waiver without officially recording it in the books. Sometimes the loans are rolled-over several times and interest is capitalised retrospectively, and only some project-specific data on capital repayments and interest payments is available. Not being able to capture the full extent of such data would underestimate the actual concessional financing that India provides as a development partner.

Unfulfilled Contracts: EXIM Bank does not disclose information on whether the Indian company that was given the supply contract actually fulfilled the contract partially or fully. There is no information on how many Indian companies failed to meet their obligations after being paid by EXIM Bank, or how such data is captured and recorded.

Data on Project Status: EXIM Bank does not release data on the status of LoC-funded projects (Dye 2020; Saxena 2016). Matching percentage completion to the budgeted amount would provide an early indication of increasing costs and/or stalling of projects. Not having access to data on project status, a researcher has little choice but to assume that all projects are on budget and on time as indicated in the initial project plan until the project is complete or written-off by EXIM Bank. There is also no data on projects which were written-off and how the amount that was written-off against the LoC was recorded in the books of EXIM Bank.

Unused LoCs: EXIM Bank data does not specify whether the LoC was fully used, and if not, what happens to the unused part of the LoC? Does it lapse or is it extended? Knowing how much or many of EXIM Bank's LoCs are unused would allow for a more accurate estimation of India's concessional lending. Not having access to this data runs the risk of overestimating the actual level of concessional financing.

Bad Debts and Fraud: EXIM Bank does not report on the incidents of fraud or the level of bad debt, which makes it difficult to estimate the effectiveness of India's concessional lending. There is also no report or data on currency exposure or how foreign exchange rate risk is managed. Because currencies in the Global South, especially in some of the countries in Africa, tend to be quite volatile – running a project in such a country could have an impact on the level of capital needed to complete the project and may require further funding from EXIM Bank. Having access to such data could greatly enhance the estimation of India's concessional financing.

Partner Development Financial Institutions (DFIs): Very often, a large project will require financing from multiple sources as funds from EXIM Bank's LoCs may not be sufficient. In such a case, other DFIs may decide to co-fund it. It is important to know who the funding partners are, how much is funded by them, and what the instruments of funding are as such will have an impact on implementing the project and its overall impact in the recipient country. If the other sources of funding dry up, then the project may be at risk of

stalling. Data on partner DFIs is one of the key aspects in estimating the real impact of EXIM Bank's LoCs.

Past data and Mapping Trends: EXIM Bank only provide data on the current operative LoCs and the LoCs that are in the pipeline or that are being negotiated. Previously released data on operative LoCs from past years is not directly available on their website in the same form, which makes it difficult to aggregate across years and to compare over time. Only aggregate yearly data listed project-wise is available, but it does not provide the status of the project or how much LoC was initially approved, which makes it difficult to analyse the actual quantum of the LoCs approved – it is unclear whether these numbers take into account undistributed LoCs, or LoCs for which the project has stalled indefinitely (see above). Using the available data to examine trends over time can be misleading as it might under-report the actual amount of LoCs that the GoI provided in the past.

Concessional LoCs from Public Sector Banks: Although EXIM Bank is the primary bank through which the GoI provides concessional LoCs, it is not the only bank. The GoI has used other public sector banks for concessional LoCs, especially the State Bank of India (SBI), which is not only India's largest bank but also the bank with the largest number of international branches. UCO Bank and ICICI Bank have also been used for concessional LoCs in the past. Relying solely on EXIM Bank data may underestimate the actual number and scale of concessional LoCs provided by the GoI.

MEA Data and EXIM Bank Data: The MEA also publishes data on concessional LoCs. Very often this data does not match EXIM Bank data. There can be several reasons why. First, LoCs may have been announced by the MEA, but the details are yet to be finalised by EXIM Bank. In this case, the MEA data will show the LoC but not the EXIM Bank data. Once EXIM Bank completes the initial negotiations it will show in EXIM Bank's 'LoC in the Pipelines' list. The LoC amounts may vary depending on detailed project report and the project's feasibility study (if conducted). Second, the MEA publishes data on concessional LoCs in its annual reports in a

consolidated format whereas EXIM Bank provides an ongoing monthly database of its current operative LoCs (see Waisbich 2021a). Third, as mentioned in the previous point, an LoC does not necessarily have to be with EXIM Bank - sometimes one of India's many public sector banks could also provide the concessional LoCs. In this case, the MEA data would have the LoC but not the EXIM Bank data. Using only MEA data also has its own challenges – it does not provide a comprehensive picture as MEA data only states the number and the country-wise total amount of LoCs agreed on. The MEA also does not provide details in terms of which projects were invested into or how much was actually disbursed.

Conclusions

EXIM Bank's concessional LoCs have grown in scale and scope over time, and these have come to be an important instrument in India's diplomatic efforts to forge development partnerships and strengthen economic relations globally. This paper has pointed to some of the challenges in deriving conclusions from the publicly available data. These challenges include not having access to detailed data, such as: how much of the allocated LoCs are actually disbursed; how much is unused, how long the LoCs were open for; whether any of the LoCs were extended; if any additions or changes were made in terms of time and or amounts; whether there was any capital repayment or interest payments; how project delays and modifications were recorded, or; if there were any instances of fraud and bad debts. With such critical data missing, there is no systematic over or under estimation: any estimations of concessional LoCs are simply unreliable to some degree. In addition to these 'quantitative' issues, not having details on the status of the ongoing projects makes it difficult to evaluate the LoCs' development impact. •

**Dr Jai Bhatia**

Jai is a political economist with expertise in development finance. She is based at Newnham College in the University of Cambridge. Her research focuses on India's international relations with the Global South especially, the financing of development partnerships and India's efforts towards international cooperation.

University of Cambridge

jai.bhatia@newn.cam.ac.uk

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