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# Greener on the Other Side? Mapping China's Overseas Co-financing and Financial Innovation

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**China's global development finance is in a state of transformation. In the context of growing external and domestic risks, this paper analyses how modalities of financing are shifting, with rising trends of co-financing with commercial and development finance institutions. We look at patterns of co-financing between Chinese and international PDBs and its prospects for financing green investments in the global south.**

## Objectives & Research Questions

As China's financial institutions (FI) have internationalized over the last two decades, FIs face growing pressures around risk mitigation and risk management, with risk-sharing modalities of financing such as syndicated lending and other forms of co-financing becoming prominent tools of lending for global south countries. Our analysis dives into recent trends in development finance to ask:

(1) What role do co-financing modalities in China's overseas finance? Who are the key institutions and who are they co-financing with?

(2) Where and how can risk-mitigation through co-financing help support investments in energy transition? What are the challenges and barriers to scale?

## Methodology

We analyse publicly available data on China's overseas financing, supplemented with secondary academic and grey literature, as well as practitioner interviews. To look at patterns of co-financing and partnership, we use a network analysis model to look at patterns of co-financing from Chinese commercial and policy banks. To analyse patterns of sector financing, we use descriptive statistical methods, supported by an AI large-language model to analyse patterns of financing in sectors relevant to energy transition, to analyse patterns of green investments co-financed with international actors.

## Results

We find that, while commercial co-financing is a growing area of business, to date it has not translated to a positive pivot towards financing green projects. Co-financing trends have been dominated by syndicated lending networks involving Chinese state-owned commercial banks with banks from Europe, Japan and the US, but focused on higher-income, traditional commercial sectors, with little activity in transition-relevant sectors. Instead, it is through co-financing with MDBs and PDBs that has supported significant energy transition investments, illustrating the importance of institutional partnerships.  Beyond development finance, we also find growing use of FDI and green bond instruments to support overseas green investments, illustrating a broader diversification in how overseas development finance is evolving.

## Recommendations

There is a clear mismatch in scale, focus and risk appetite for green financing across different co-financing networks, with little overlap between them. First, networks of commercial syndication provide substantial pools of capital, which can be potentially channelled via regional capital markets or locally-embedded financial institutions to enable energy transition investments in the region. Partnerships and co-financing with PBDs should be expanded, and existing co-financing funds replenished. Partnerships with regional commercial and development banks can also help in capacity building and in project pipeline development, which can then tap into pools of capital from commercial syndication networks.