

The logo features a large '10' with a colorful circular graphic around the '0' containing the letters 'th'. To the right, the words 'UNCTAD DEBT MANAGEMENT CONFERENCE' are written in green, with 'UNCTAD' in a larger font.

10th UNCTAD DEBT MANAGEMENT CONFERENCE

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Financing Options for Development

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD



FINANCE CENTER FOR
SOUTH-SOUTH COOPERATION
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Financing for Development: New Era, New Modality, South-South Cooperation

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November 23th, 2015

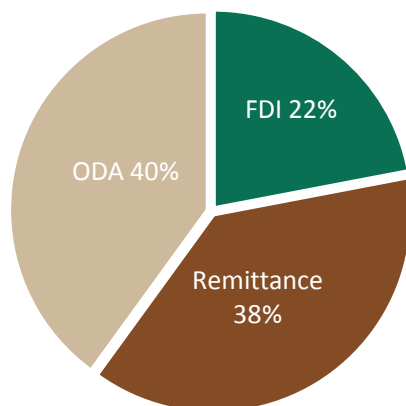
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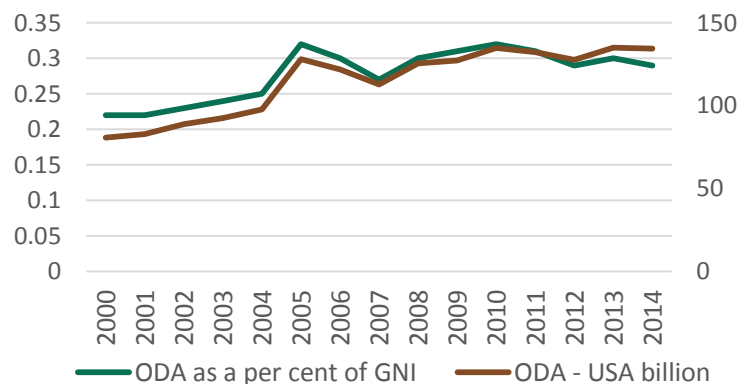
Traditional international credit system in the new era

Gross Financial Flows to Fragile States, 2010



Source: OECD

ODA DAC Member States, 2000-2014



Source: OECD

- **Traditional Models of Financing for Development:**
 - ✓ International Credit System, Foreign Government Loans, Mixed Credit
 - ✓ Bretton Woods System MDBs: the World Bank and the IMF
 - ✓ Official Development Assistance (OECD-DAC)
- **Major Contributions of Traditional models:**
 - ✓ Global Financial Integration
 - ✓ Monetary Cooperation
 - ✓ Sustainable Economic Growth
 - ✓ Crucial Development Financing for Fragile states and LICs
- **However, traditional models are built based on Western post-World War II contexts**
- **Issues:**
 - ✓ Policy conditionality, “a process-driven approach” to development
 - ✓ Debt financing is trade-oriented
- **Need new modality to complement traditional model**



Exploration of new modality of Development Financing in the New Era – South-South Cooperation

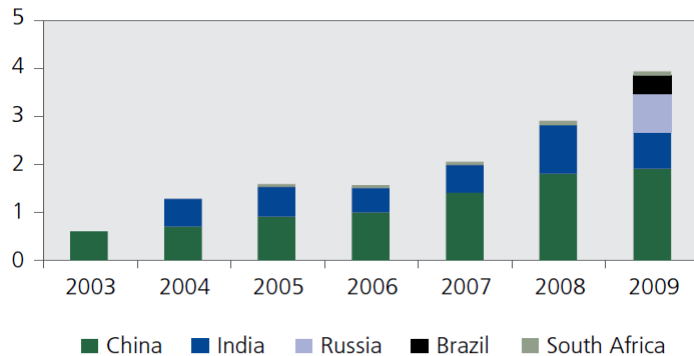
- With the rise of emerging economies, especially the BRICS, developing countries are playing an ever-more important role in global development and world economic order
- This contributes to the increasing prominence of South-South Cooperation in development cooperation and financing landscape
- South-South Cooperation is built upon:
 - ❑ Mutual respect for Sovereign right
 - ❑ Non-interference
 - ❑ Solidarity and equality
 - ❑ Mutual benefit
- South-South Cooperation is more of “a growth-driven approach” to development
 - ❑ Expanding Mutual Investment Areas
 - ❑ Focusing on Infrastructure Development
 - ❑ Enhancing Development Capacity

South-South Cooperation



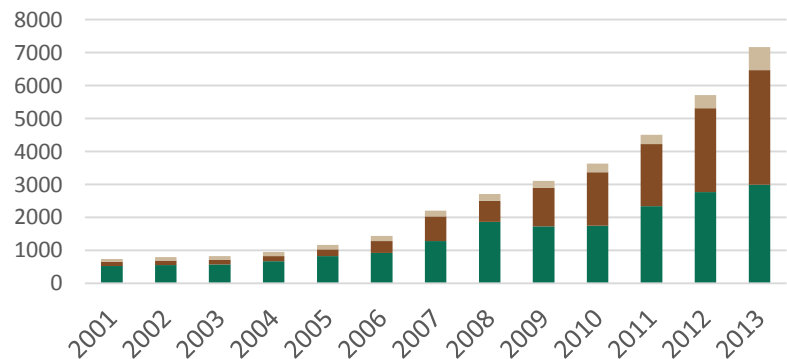
Exploration of new modality of Development Financing in the New Era – BRICS and China experience

Estimated Aid from BRICS, 2003-2009 (US\$ Billion)



Source: World Bank Database

Estimated China's Net Foreign Aid, 2001-2013 (US\$ Million)



Source: JICA Research

■ Multilateral International organizations
■ Bilateral: Net disbursement of concessional loans
■ Bilateral: Grants and Interest-free loan

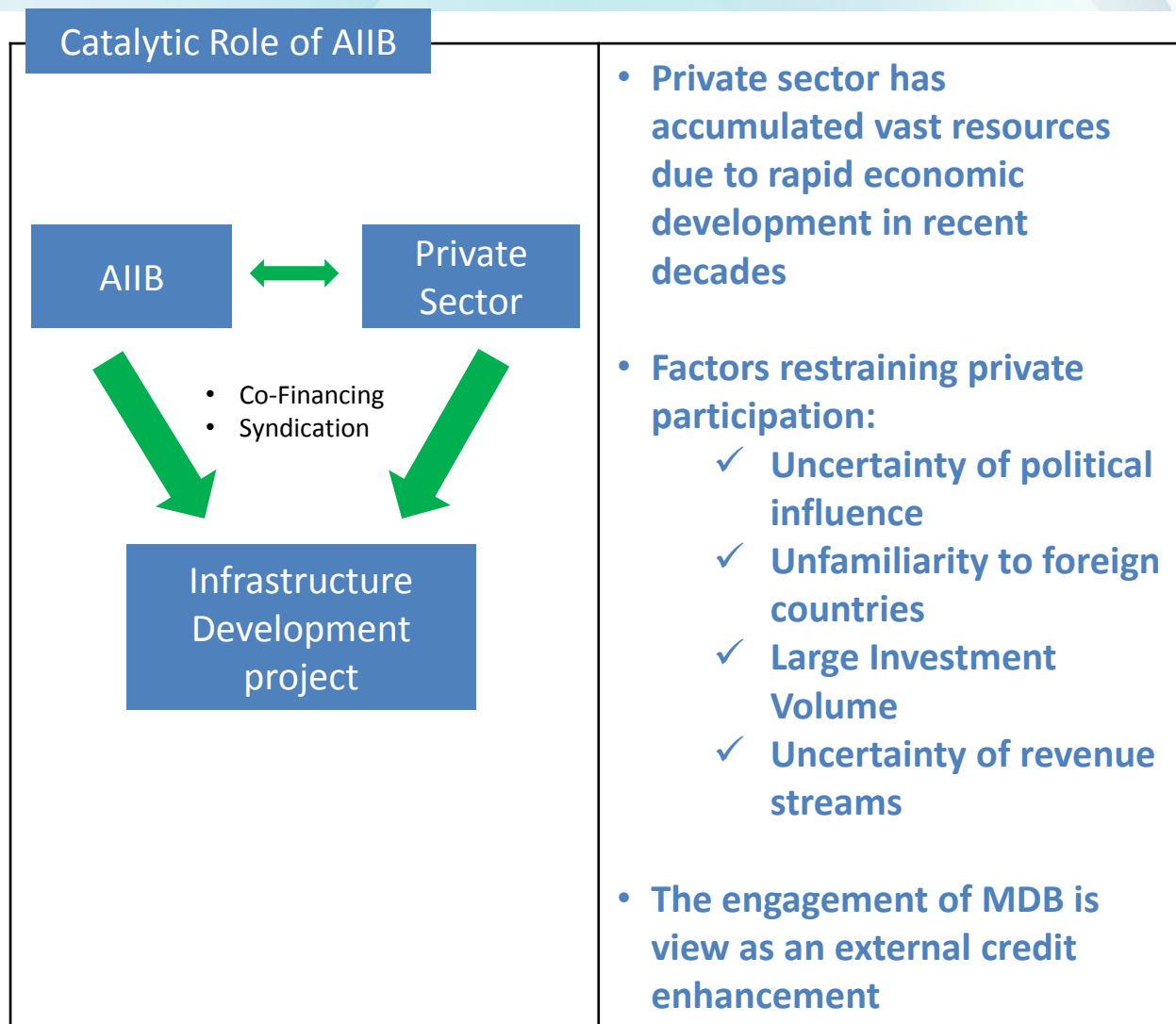
- Emergence of new development partners, notably the BRICS group of countries (Brazil, Russia, India, China, South Africa), as the new sources of financing for Development
- China is largest foreign aid provider among developing countries, estimated net amount in 2013 is roughly \$7 billion, with its net foreign aid ranking on DAC members' net ODA increased from 16 in 2003 to 6 in 2013
- Continuous efforts of China to support the development of the global South:
 - ✓ 2 billion aid fund for SSC and 3 billion fund to address climate change issues
 - ✓ Exemption of Outstanding Debts
 - ✓ 40 billion Silk Road Fund
- China's experience in utilizing international credit system to develop infrastructure is worth drawing on
 - Development-oriented
 - Investment-driven
 - Using Hong Kong as a window to connect with the international capital market, facilitating PPP



New Modality under the South-South Cooperation framework

Intergovernmental effort – AIIB

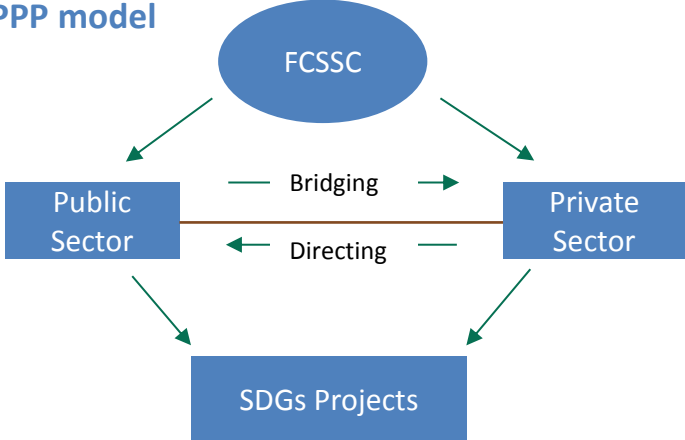
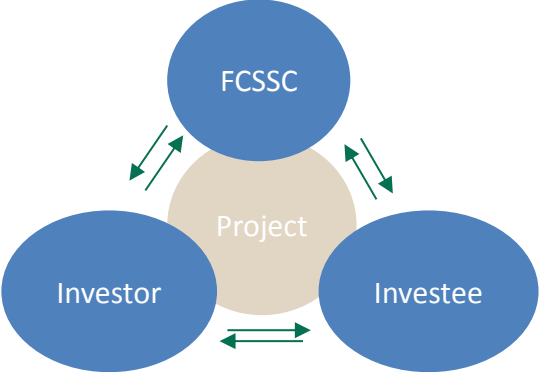
- AIIB aims to promote interconnectivity and economic integration
- AIIB especially stresses the important of no political interference
- AIIB will concentrate its firepower on infrastructure investment-driven projects. Estimated Capacity of AIIB is 60%-70% greater than ADB in infrastructure areas, boosting potential GDP of non-China Asian Developing Countries by 1% - 1.5%
- The catalytic role of AIIB is of great significance – leveraging and mobilizing private resources



New Modality under the South-South Cooperation framework

NGO - the Finance Center for South-South Cooperation

◆ Innovating Financial platform

<ul style="list-style-type: none"> • PPP model  <pre> graph TD FCSSC((FCSSC)) --> PS[Public Sector] FCSSC --> PRS[Private Sector] PS -- Bridging --> PRS PRS -- Directing --> PS PS --> SDGs[SDGs Projects] PRS --> SDGs </pre>	<ul style="list-style-type: none"> • Directing private capitals to supplement the public sector capacities to meet financing demands for development • PPP is a way of introducing private sector technology, management and operation experiences into development projects • Enhance operational efficiency and returns for all stakeholders
<ul style="list-style-type: none"> • Triangular Cooperation  <pre> graph TD FCSSC((FCSSC)) <--> Investor((Investor)) FCSSC <--> Investee((Investee)) Investor <--> Project((Project)) </pre>	<ul style="list-style-type: none"> • Conventional bilateral business relationship lacks effective channel for communication and resolution of misunderstanding • Promote synergies between both parties by actively participating in the project • Provide financial supports and services to both parties

New Modality under the South-South Cooperation framework

NGO - the Finance Center for South-South Cooperation

◆ Development Think Tank

- FCSSC is one of 43 founding members of the Silk Road Think Tank Network established last month in Madrid.
- FCSSC provides strategic consultancy and propagates successfully development experiences of the global South
- FCSSC incorporates the underlying political, socio-economic and culture conditions of developing countries when formulating strategic consultancy

◆ Resources and Solutions database of South-South Cooperation

- FCSSC is establishing partnership with UN agencies to create a demand and supply matching and solution exchange platform
- Accessing the demand and supply of resources and solutions for development
- Categorizing into predetermined priority areas based on the impact to sustainable development
- Facilitating the matching of supply and demand
- Linking solutions and resources to seed funding and financial mechanism





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Thank You