

New Development Bank Eighth Annual Meeting

SUMMARY NOTES: High-Level Seminar

“Resource Mobilization for Connectivity in the Digital Era”

June 6, 2023

The New Development Bank (NDB), in collaboration with the Export-Import Bank of China, held a High-Level Seminar on Mobilizing Resources for Connectivity in the Digital Era, a key event on the sidelines of the 8th Annual Meeting of the Board of Governors of NDB.

The seminar aimed at understanding the impact of rapid technological change onto global economic links as well as the broader development landscape. In his remarks, Master of Ceremony, Mr. Leslie Maasdorp, Vice President and Chief Financial Officer of NDB, spoke about scaling up capital mobilization. In his opinion, innovative new financial instruments cannot be used effectively unless they are used at scale. In particular, he stressed upon the importance of unlocking private sources of capital.

H.E. Ms. Dilma Rousseff, President of the NDB, delivered welcoming remarks, in which she stressed upon the importance of connectivity, especially digital connectivity, in achieving sustainable development goals. She stressed upon the need for development finance institutions to step in in order to fill funding gaps, but also to project preparation support, technical assistance, and capacity building. She further stressed upon the NDB's commitment to upgrading digital connectivity in the global south.

Mr. Fulin Wu, Chairman of the Export Import Bank of China, delivered welcoming remarks, in which he highlighted that digitalization will aid connectivity and make supply chains, industrial chains, and investment more secure. He introduced the work done by China Eximbank in the digital sphere, and stressed that collaboration between governments, international organizations, and businesses, would aid in bridging the digital gap.

Keynote speaker Mr. Hanmin Zhou, the Standing Committee member of the 14th National Committee of the Chinese People's Political Consultative Conference, talked about digitization as being key to the next round of the industrial revolution. He underscored the efforts taken by China to push forward the agenda of digitization at the international stage, including agreements signed by the government on the digital silk road cooperation mechanism. He spoke of improving domestic legislation in order to build greater international consensus on a credible system on industrial policy.

Keynote speaker, Mr. Zhongxia Jin, Director General of the International Department of the People's Bank of China, spoke about the importance of domestic currency financing to ensuring continued funding for digitization efforts, including through macroeconomic reforms such as expanding derivatives markets. Diversifying sources of capital deepening paid-up capital and increasing equity investment can be an effective way to mobilize greater resources for development needs, including digital transformation. He also spoke about the importance of not letting fragmentation of international digital payments platforms happen, and promoting digital

settlements in local currency, and emphasized the potential of digital currencies in improving the efficiency of digital payments.

Keynote speaker, former Chief Economist of the New Development Bank and Professor at Tsinghua University, Mr. David Daokui Li, spoke about the unique features of digital infrastructure: the greater positive externalities generated by such infrastructure, and its much faster rate of depreciation, which necessitates consistent investment. He also spoke about what China has been doing well: 1) quick planning; 2) the government acts as an enabler rather than a player in the market; and 3) the incentive structure of profitable companies that use their profits to further invest while also paying taxes.

Keynote speaker Mr. Jonathan Woetzel, Senior Partner of McKinsey and the Director of the McKinsey Global Institute, said that MDBs can play, in his opinion, a turnkey role in providing the financing model in EMDCs, by undertaking risks, and define the playing field, leverage the industry knowledge, policy proficiency, and stakeholder networks to provide long term enablement of capital markets and support projects.

Keynote speaker, Mr. Wensheng Peng, the Chief Economist and Head of Research of CICC, spoke about the complementary nature of NDB member states. He also highlighted the need for global integration, as costs of green transition and digital transformation will go up significantly if global economies grow more isolationist. He also underlined the need to prepare the real economy for digital effects, such as artificial intelligence and its impacts on the macro economy.

The final keynote speaker, Mr. Erik Berglof, Chief Economist of the Asia Infrastructure Investment Bank (AIIB), talked about the digital divide, and the importance of digital infrastructure in combating climate change, promoting resilience, and increasing regional connectivity at a time of growing economic fragmentation. He highlighted that MDBs can also spur innovation and commercialization of technologies that are important contributors to sustainable development.

Mr. Ashwani Muthoo, Director General of the NDB independent Evaluation Office, moderated the panel discussion session with panelists including: Mr. Wencai Zhang, Vice President of Export Import Bank of China; Mr. Alessandro Golombiewski Teixeira, Professor at the school of public policy and management, Tsinghua University; Mr. Xian Zhu, Vice President and Secretary General of International Finance Forum, and former Vice President and Chief Operating Officer of the NDB; Mr. Sergey Storchak, Senior Banker VEB RF; and Mr. Ou Lin, Chairman of Jiangnan Shipyard Group.

Mr. Wencai Zhang linked bridging the funding gap to poverty alleviation, and the importance of partnerships in achieving these development goals and ensuring adequate funding to low-income countries to ensure they do not get left behind in the current digital revolution.

Mr. Alessandro Teixeira spoke of the supply side challenges to digital transformation. He called for a transformation of the manufacturing sector, and building resilient, inclusive, and sustainable

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infrastructure, and underscored its importance as the critical element of any economic transformation.

Mr. Xian Zhu said that EMDCs catching up on the digital divide may not be very feasible. Therefore, they have to work on comparative advantages to make as much progress as possible. He said that MDBs need a cultural change in order to be more lean and more effective in order to embrace innovation. There needs to be more work on some risk sharing with the private sector.

Mr. Storchak spoke of the viability of financial instruments. He spoke of special government programs in Russia called Project Fabric, which help de-risk development projects, and provide stable interest rates, with state subsidies to support the projects.

Mr. Lin spoke of challenges in the ship building sector. He emphasized low profit margins and increasing market concentration. Further, with technology innovations, several traditional industries have been disrupted. Digital transformation is crucial to cost control and increasing efficiencies and quality of products.