

Hot Issue



The Silk Road Fund idea was first proposed on November 8, 2014, as being a way to “break the bottleneck in Asian connectivity by building a financing platform”.

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## Silk Road Fund strengthens connectivity

The Silk Road Fund was set up in December, 2014 to provide investment and financing support for infrastructure construction, industrial cooperation and other projects related to connectivity for countries along the Silk Road Economic Belt and the 21<sup>st</sup> -Century Maritime Silk Road.



By Li Min/China Daily

# Big benefits from China's Silk Road Fund

The Silk Road Fund idea was first proposed by Chinese President Xi Jinping, who was proposing more connected development in the Asia-Pacific region, on November 8, 2014, at a meeting with leaders from Bangladesh, Cambodia, Laos, Mongolia, Myanmar, Pakistan and Tajikistan.

Taking part in the meeting were representatives of the United Nations Economic and Social Commission for Asia and the Pacific and the Shanghai Cooperation Organization, and Xi said that China will contribute \$40 billion to a proposed Silk Road Fund, to be used for investment and financing for infrastructure, resource use, industrial and financial cooperation and other projects.

Xi described the goal of the new Silk Road Fund as being a way to "break the bottleneck in Asian connectivity by building a financing platform" and said that it will be "open" to active participation by investors from both within and outside of Asia.

Now, in the first eight months of 2016, China's trade with Belt and Road countries has exceeded \$600 billion, or 26 percent of China's total foreign trade, according to Fang Aiqin, deputy head of the Ministry of Commerce, who addressed a seminar on the Belt and Road Initiative that opened on September 26, 2016, in Xi'an, capital of Northwest China's Shaanxi Province.

And, in that period, China put nearly \$10 billion into countries along the Belt and Road via the Asian Infrastructure Investment Bank, Silk Road Fund, and other institutions.

The Silk Road Fund Co., Ltd was announced on December 29, 2014, in Beijing, marking the beginning of operations. It was backed by the State Administration of Foreign Exchange, the China Investment Corporation, the Export-Import Bank of China and the China Development Bank (CDB), mainly for infrastructure, resource development, and industrial and financial cooperation.

In the first phase, the company raised \$10 billion worth of funds, with State Administration of Foreign Exchange accounting for 65 percent, the CDB contributing 5 percent, and China Investment Corporation and Export-Import Bank of China each contributing 15 percent.

For the second and third phases, other institutions are welcome to invest if they make a long-term commitment, according to the Governor of the People's Bank of China (PBOC), Zhou Xiaochuan.

The head of the Silk Road Fund, Jin Qi, said that the fund will comply with market and international finance rules and welcomes both domestic and overseas investors, such as the China-Africa Development Fund and the Asian Infrastructure Investment Bank. Jin went on to say that the fund will be used mainly to achieve common development and prosperity.

The Silk Road Fund's first investment project in the Belt and Road initiative was announced in April 2015, involving \$1.65 billion for a Karot hydropower project in Pakistan and other hydropower projects as well to help the South Asian country upgrade its power supply and improve its economy.

In another move, the fund managers signed a memorandum of understanding with the International Company for Water and Power Projects (ACWA Power), at a ceremony in Riyadh, Saudi Arabia, on January 19 this year to explore investment and power project prospects, signaling the fund's first step in investment cooperation in the Middle East and North Africa region, one of the fastest growing areas in the world.

In addition, Chinese investors, including the Silk Road Fund and China Gezhouba Group Corporation (CGGC), signed a memorandum of understanding with the government of Serbia, on June 18 this year in Belgrade, concerning investment and development of Serbia's renewable energy, such as hydropower, wind power, and solar and bio-energy.

The Silk Road Fund will focus on providing more funds and financing supports for countries and regions involved in the Belt and Road Initiative in pursuit of common development and prosperity. President Xi's proposal has already born remarkable fruits in the past two years and will continue to benefit all sides in the foreseeable future.



Chinese President Xi Jinping (L) and Serbian President Tomislav Nikolic attend a signing ceremony for a joint statement to lift bilateral relationship of China and Serbia to comprehensive strategic partnership after they held talks in Belgrade, Serbia, June 18, 2016.

Photo by Xinhua



Chinese President Xi Jinping (2nd L) holds talks with Saudi King Salman bin Abdulaziz Al Saud (3rd R) in Riyadh, Saudi Arabia, January 19, 2016.

Photo by Xinhua



Visiting Chinese President Xi Jinping (L) and Pakistani Prime Minister Nawaz Sharif attend an inauguration for cooperative projects between the two sides after their talks in Islamabad, capital of Pakistan, April 20, 2015.

Photo by Xinhua



# Silk Road Fund

● Market-oriented ● International ● Professional

## TIMELINE OF SILK ROAD FUND

**November 8, 2014, Beijing**  
Chinese President Xi Jinping announced that China would invest 40 billion dollars to set up Silk Road Fund on the Dialogue on Strengthening Connectivity Partnership.

**December 29, 2014, Beijing**  
Silk Road Fund Co., Ltd was registered and established and was formally put into operation.

**April 20, 2015, Islamabad**  
Silk Road Fund, China Three Georges Corporation and Private Power & Infrastructure Board of Pakistan jointly signed a memorandum of understanding and cooperation on developing the water and electricity project of Pakistan, which is the first project that Silk Road Fund invested in since its establishment.

**September 3, 2015, Beijing**  
Silk Road Fund, Russian Bank for Development and Foreign Economic Affairs, Russian Direct Investment Fund signed the memorandum of carrying out investment and cooperation.

**December 14, 2015, Beijing**  
Silk Road Fund invested 2 billion dollars to set up Special Fund for China-Kazakhstan Production Capacity Cooperation, which is the first special fund since its establishment.

**January 19, 2016, Riyadh**  
Silk Road Fund and International Company for Water and Power Projects (ACWA Power) signed a memorandum of understanding concerning jointly investment and development of United Arab Emirates and Egyptian power stations.

**June 13, 2016, Beijing**  
Silk Road Fund, EEW Energy from Waste GmbH (EEW) and Beijing Enterprises Holdings Limited (BEHL) signed the three-party framework cooperation agreement concerning green and environment-friendly energy utilization.

**June 15, 2016, Beijing**  
Silk Road Fund and European Bank for Reconstruction and Development signed memorandum of understanding for strategic and operational cooperation.

**June 18, 2016, Belgrade**  
Chinese investors including Silk Road Fund and China Gezhouba Group Co., Ltd. (CGGC) signed the memorandum of understanding with the government of Serbia concerning joint investment and development of the Serbian Renewable Energy Projects.

## INTRODUCTION

The Silk Road Fund was established on December 29, 2014, in Beijing, and officially began operations.

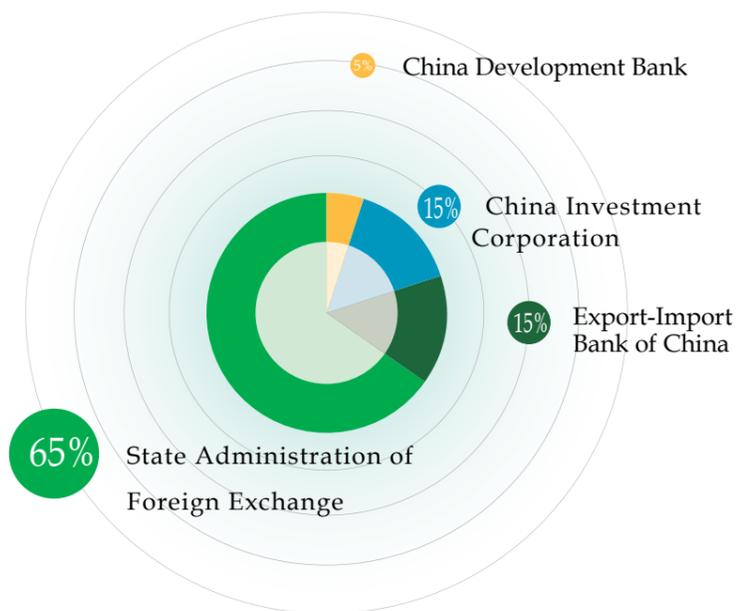
Name: Silk Road Fund

Authorized Capital: \$40 billion

What is it?: A mid-to-long-term development and investment fund

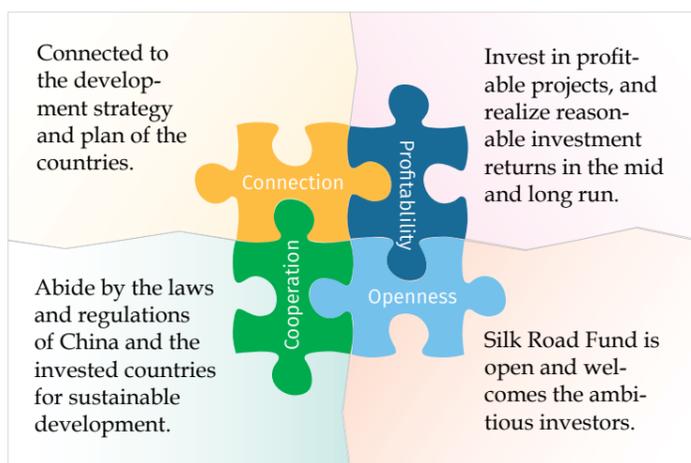
Headquarters: Beijing

## MAIN SHAREHOLDERS



## OBJECTIVES

Following "Connection, profitability, cooperation and openness" principles, the fund mainly provides investment and financial support for trade and economic cooperation and multilateral connections within the "Belt and Road" framework, and works with Chinese and foreign enterprises and financial institutions to promote common development and prosperity of China and countries and regions along the Belt and Road.



## INVESTMENT TYPE

The fund can provide investment services in a multitude of ways, such as equity, debt, funds, and loans. It can also set up joint investment funds with domestic or foreign financial institutions or international organizations for capital management.



## INVESTMENT SCOPE



### Infrastructure

To boost the interconnected construction of infrastructure, pay attention to the connection between the infrastructure construction planning and technical standard system, and construct the all-round, multi-layer inter-connection network.



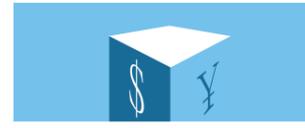
### Resource development

Enlarge the exploration, development and cooperation of the traditional energy resources, boost the multi-layer interaction in the clean and renewable resource field and form the widespread cooperation of energy and resources.



### Capacity cooperation

To boost the combination between domestic advantageous capacity and foreign demand, help the equipment, technique, standard and service to go out and boost the local economic and social development.



### Financial cooperation

To perfect the investment and financing cooperation framework, innovate the financial cooperation mode, strengthen its cooperation with the international financial organizations and jointly set up the open, diversified and win-win financial cooperation platform.

## HEAD OF THE SILK ROAD FUND

"The Silk Road Fund will focus on mid-to-long-term stock investment and support the 'going out' of domestic advanced technology and capacity."



**Jin Qi**, Chairwoman of the Silk Road Fund Co., Ltd

## BENEFITS THAT THE FUND WILL BRING



## DIFFERENCES BETWEEN SILK ROAD FUND AND AIIB

The fund and the Asian Infrastructure Investment Bank (AIIB) differ in one significant way. The AIIB is an intergovernmental multilateral organization for Asian development, with all member countries required to make an investment and focus on loans. The fund is similar to a private equity fund that cooperates with other investors with both capital and investment will and focuses more on equity investment.





The China-initiated Asian Infrastructure Investment Bank (AIIB) and Silk Road Fund are crucial for Asia's developing countries that need capital for connectivity and infrastructure development. Efficient connectivity is vital to economic and trade growth.

According to the Asian Development Bank estimate, ASEAN needs about \$70 billion a year in the next 5 to 10 years

to carry out the Master Plan on ASEAN Connectivity, and Asia needs between \$8 trillion and \$10 trillion over the next 5 to 10 years to invest in the infrastructure projects to improve connectivity.

The AIIB was formally established in Beijing, capital of China, in December 2015, and the Silk Road Fund with China's contribution of \$40 billion was announced in November 2014 in Beijing.

These two sources of funding are meant to provide financial support to regional infrastructure projects in the framework of the Silk Road Economic Belt and the 21<sup>st</sup>-Century Maritime Silk Road, known as Belt and Road Initiative.

Xinhua

**Sun Chanthol**, Cambodian Transport Minister

We welcome the Chinese decision to create \$40 billion Silk Road Fund, which could alter the economic landscape of a vast area stretching from Asia to Europe.

There is no doubt that China's initiative of reviving the ancient Silk Road will boost cooperation between China and various regional blocs. It will also

help to reinforce the ancient ties with countries in the region, including Bangladesh.

We well understand the importance of such a mega-project and the cost involved in implementing it. No doubt to say that Chinese contribution will make things easy for the participating countries across the world. It will also

pave the way for bolstering economic ties between China and the countries in the region as many ancient seaports will regain their lost glory.

Xinhua



**Ashfaqur Rahman**, former Bangladesh ambassador to China



The Silk Road Fund will target mid-to-long-term projects that have strategic significance for the Belt and Road Initiative. The fund, which has started operating, is similar to the China-African Development Fund, which focuses on stimulating and facilitating Chinese investment in Africa.

But unlike private equity funds, which

usually focus on investment periods of 7 to 10 years, this fund will have an investment horizon of 15 years or longer to support infrastructure such as road and rail projects in developing economies.

The initiative is far-sighted because it is flexible in its geographic boundaries and will cover a large number of developing countries and it will prompt

China to further open up to the outside world and promote the development of all economies. China's economic strategy will not focus just on its own interests, but will put more emphasis on opening-up and the common interests of developing countries and emerging markets.

China Daily

**Zhou Xiaochuan**, People's Bank of China Governor

The Australian higher education institutions must chart a course to Asia as China's ambitious "Belt and Road" initiative offers a pathway to the future.

The "Belt and Road" and the Asian Infrastructure Investment Bank (AIIB) were intrinsic in education as well as their other stated aims. Putting the AIIB to one side, China is separately investing

more than \$50 billion in a New Silk Road Fund designed to build capacity and further integrate regional economies.

China has also embarked on the largest investment in R&D in human history as the Organization of Economic Cooperation and Development forecasts that China will overtake the United States as the world's largest spender on science and technology by the end of the decade.

But, blockages in the Australian parliamentary system have caused challenges, Australia's task is to suspend the parochialism of its current higher education debate before it plunges us into the depths of another Canberra winter, and take that bold first step along the new Silk Road.

Xinhua



**Laurie Pearcey**, Director of China Strategy and Development at the University of New South Wales



The Pakistan-China friendship is the cornerstone of Pakistan's foreign policy and the Pakistani people treasure the relationship with China and the Pakistan-China friendship is higher than mountains, deeper than oceans, sweeter than honey, and stronger than steel.

Pakistan supports China's proposed

initiative of the Silk Road Economic Belt and the 21<sup>st</sup>-Century Maritime Silk Road and will also take an active role in building China's Asian Infrastructure Investment Bank.

There is significant meaning for Sino-Pakistani relations since the Karot Hydropower Station in Pakistan was chosen as the first investment

project by China's Silk Road Fund [established in December]. And the two countries should make steady progress in developing the Gwadar Port and building the CPEC, bringing benefits to people and setting an example for other major projects of interconnectivity in this region.

Xinhua

**Nawaz Sharif**, Prime Minister of Pakistan

Lithuanian business communities are very positive towards the Belt and Road Initiative, and are looking forward to cooperating in real terms. Our companies would like to know more about how they can participate, with Chinese companies, in specific projects.

As we understand it, the initiative is a starting point for junctions in infrastructure, and of course, spreads out into other sectors.

We know that the Asian Infrastructure Investment Bank (AIIB) and a new Silk Road Fund have been created, but we need much more information for our companies because they would like to analyze the real terms, real conditions, and how they can participate with Chinese partners.

In my view, Chinese companies could start with small businesses in the Baltic country, including buying some companies here. This experience could cultivate

trust between the two sides, and help build teams for Chinese companies in Lithuania.

I believe it's the right moment to talk about specific cooperation projects. The year 2016, the 25th anniversary of establishment of diplomatic relations between the two countries, will be a very good opportunity for the two sides to cooperate.

Xinhua



**Osvaldas Ciuksys**, Chairman of Lithuania-China Business Council