CHINA

Written statement of China by

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At the Annual Meeting of the EBRD in Bosnia and Herzogovina

I would like to extend my sincere thanks to our host, the Bosnia and Herzogovina Government and the EBRD, for the great arrangement of this annual meeting.

The global economy experienced a headwind last year due to negative factors such as subdued international trade and investment as well as rising protectionism, and shown some sign of significant slowdown. Against such unfavorable conditions, the EBRD, under the leadership of President Suma Chakrabarti, has made continuous efforts to address the external difficulties and challenges faced by its member countries. The EBRD made more investment among its total portfolio in the private sector and projects in small economies, providing financing support for the economic and social development as well as industrial upgrading of those countries of operations. The EBRD also extended its influence in 2018 with its member countries increasing and business coverage expanding.

The full-fledged cooperation between China and the EBRD yielded concrete results in 2018. The Central Asian Investment Forum was co-hosted by the PBC and EBRD in Beijing in November 2018. The China-IMF Capacity Development Center (CICDC) and the EBRD launched a Joint Training Program in the Joint Vienna Institute (JVI), which gained a good response from the trainees. The Chinese financial institutions co-funded more projects with the EBRD, with the total co-financing reaching 605 million euro at the end of 2018, up by more than 20% compared with that in 2017. China also enhanced the third-party market cooperation with the EBRD, which helped both sides to complement each other and create synergy.

The EBRD Countries of operations nowadays still face some economic and social challenges. Structural reforms have been delayed in some countries, leaving the economy vulnerable to external shocks. Infrastructure development still lags behind. Policymakers find it more difficult to strike a balance between environmental protection and economic development. To address these issues, we think the theme of this annual meeting, "Connecting

Economies for Stronger Growth", provides an answer. The key to connecting economies is to have sufficient and sustained development financing in place, and to provide such financing is the EBRD's mission. China supports the EBRD's "Strategic Implementation Plan 2019-2021", and welcomes the management's efforts in using funds more efficiently, expanding business scales and supporting regional economic transition and development. Based on that, we would like to make the following suggestions on the EBRD's future development:

First, to build a green economic system as well as a supporting financing system. Climate change is a global challenge. We welcome the EBRD's efforts in investing in green areas, and support the EBRD to provide more funds for low carbon transition, including expanding operations under the Green Cities Initiative and creating new investment vehicles. China has been advocating and promoting green finance for years. Last year China and UK had jointly launched *the "Belt and Road" Green Investment Principles*, which were already signed up by 26 financial institutions from 13 economies. Looking forward, we will continue to strengthen our cooperation with the EBRD in this area to contribute to the sustainable and green development across the globe.

Second, to focus more on equity investment and fill up the financing gap. Equity investment has multiple advantages. It has a more efficient decision-making mechanism, and could mobilize external resources to provide stable financial support in the medium and long term. The EBRD countries of operations usually are unable to attract global equity capital and thus there is a significant equity investment gap. We support the EBRD to develop an enhanced equity approach, strengthen both direct investment and fund investment, and develop targeted measures in terms of personnel arrangement, execution procedures and information system, to further increase the share of equity ABI in the total ABI.

Third, to broaden the use of local currencies and promote the development of local financial markets. The EBRD has been committed to supporting countries of operations in developing their local currency bond markets and extending more loans in local currencies, which has helped mobilize domestic savings, lower exchange costs and contribute to financial stability. We encourage the EBRD to expand the use of local currencies in countries of operations and focus more on financial infrastructure development, so as to better meet the demands of economic development.

Forth, to make better use of Fintech to support SMEs. With the rapid development of FinTech, financial services could be provided at lower costs and expanded to more companies and a larger population. Currently about 60% of EBRD projects go into SMEs in small and medium-sized countries, playing an important role in facilitating economic transition in Central Asia, Eastern Europe, the Caucasus and Balkans regions. Yet maintaining such a large investment in SME projects also means higher costs and lower profitability. The EBRD could make better use of Fintech to create innovative financial products to serve those small and medium-sized companies while lowering costs. China has accumulated experience in using Fintech to reduce financial service costs and promote financial inclusion, and we are willing to share such experience with other EBRD member countries.

Fifth, to enhace knowledge sharing and technical cooperation so as to promote capacity building of countries of operations. The EBRD's policy proposals and country risk analyses for economies in transition are highly relevant and valuable. The EBRD also has rich experience in project screening, financing plan design and risk control. China supports the EBRD to use such expertise and experience to strengthen the capacity building of countries of operations through various means including the joint training program with the CICDC. This could improve the policy and governance framework of countries of operations, and contribute to the sustainable and inclusive growth.