

Yi Gang: Deepen investment and financing cooperation for quality development of the Belt and Road Initiative

Opening remarks by Mr Yi Gang, Governor of the People's Bank of China, at the Thematic Forum on Financial Connectivity of the Second Belt and Road Forum for International Cooperation (BRF), Beijing, 25 April 2019.

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Ladies and Gentlemen,

Distinguished Guests,

Good morning and a warm welcome. Taking this opportunity, I would like to give an update on what the financial sector has done to support the BRI in the past two years and look forward to the future of financial connectivity.

I. The Progress Thus Far in Financial Support for BRI

First, the funding support system has been improved and financing has become increasingly market based and diversified. According to our statistics, Chinese financial institutions have provided more than US\$440 billion for BRI, among which, more than RMB320 billion were channeled through RMB Overseas Fund Business. China's capital market provided over RMB500 billion yuan in equity financing for the relevant enterprises. The BRI countries and enterprises raised more than RMB65 billion by issuing panda bonds in our onshore market.

Second, financial services have become more sophisticated. At end 2018, 11 Chinese banks have established 76 branches and subsidiaries in 28 countries along the Belt and Road and about 50 banks from 22 Belt and Road countries have business operations in China. They are providing a larger variety of financial products and services including credit, guarantee, bond underwriting, merger and acquisition, risk management, clearing, and etc.

Third, international cooperation has deepened. The People's Bank of China has signed bilateral local currency swap agreements with 21 central banks along the Belt and Road. We have deepened third-party cooperation with the International Finance Company, European Bank for Reconstruction and Development, Inter-American Development Bank and the African Development Bank. The Asian Financial Cooperation Association has strengthened exchanges among financial institutions and improved financial resource integration. The Belt and Road Inter-Bank Regular Cooperation Mechanism has worked continuously to improve cooperation among financial institutions. Cooperation mechanisms, such as China-CEEC Interbank Association and SCO Interbank Association, have been keeping making progress.

Fourth, the concept of green development takes priority. The China Society for Finance and Banking and City of London jointly released the BRI Green Investment Principle to promote green development along the Belt and Road. Nearly 20 financial institutions from 10 countries and regions have signed up to the principle.

Fifth, more efforts has been made in capacity development. The IMF-China Capacity Development Center, established last year, has provided training courses for nearly 400 participants from about 40 Belt and Road countries on important topics in macro-economic and financial governance, such as macro-economics, monetary and fiscal policy, financial regulation, inclusive growth, and etc.

2. Considerations on Further Deepening Investment and Financing Cooperation under BRI

Going forward, to promote quality development of the Belt and Road, we will, in the principle of joint consultation, contribution and shared benefits, continue the approach of engaging enterprises in market-based operations as major players to achieve win-win outcomes, and build an open and market-oriented investment and financing system.

First, we will follow the market principle and let market play a major role. To meet the need of market-based operation in BRI, commercial funds will take up a major share in funding support while concessional funds will be kept low. Government money will play a catalyst role to mobilize funds from the private sector. The private sector will be the major player in investment whereas government investment will serve as a lever to catalyze and guide private investment.

Second, a multiple of stakeholders can participate in the investment and financing system. While the BRI originates from China, its opportunities and results belong to the world. The Belt and Road countries, advanced economies, developing countries, international financial institutions, international financial centers, each with their own comparative unique advantages, work together in investment and financing for the BRI to complement one another's strength, produce synergy, and realize the principle of joint consultation, contribution and shared benefit.

Third, measures will be adopted to enhance debt and risk management to achieve sustainable development. It is necessary to have an objective view of the debt problem of developing countries. If debt expansion happens at the same time with improvement in infrastructure and people's livelihood, higher labour productivity, lower poverty rate and other indices of economic development, it is conducive to long-term debt sustainability. On the one hand, investment and financing decisions should fully consider the capital constraint of market entities and design a reasonable financing structure and effective risk management; on the other hand, there should be full consideration of overall debt affordability of a country and enhanced coordination in investment and financing to ensure debt sustainability.

Fourth, the opening-up of China's financial sector can play a role in supporting and promoting BRI development. In particular, the development and opening-up of local currency bond market effectively mobilize long-term capital and mitigate currency mismatch risk. Increased use of local currency helps reduce exchange rate and currency mismatch risks.

Fifth, the green development philosophy will be practiced. We welcome the endorsement and signing of BRI Green Investment Principles by enterprises and financial institutions and hope to see more green projects that are ecologically, environmentally and climate friendly and the development and increased use of green financial instruments. At the same time, it is necessary to enhance transparency and information disclosure of data on carbon emission, emission reduction, and etc.

Financial connectivity supports the smooth and sustainable development of BRI, and quality development of the BRI requires an open and market based investment and financing system. I invite you to contribute your proposals and wisdom, participate in and promote investment and financing cooperation for the Belt and Road. I wish the Forum a success.

Thank you.