The 14th Plan, Sustainable Development and the New Era[1]

Isabella Neuweg and Nicholas Stern

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I. Strategic reforms for a new era

As it looks forward to reforms for a new era of sustainable development in a changing world, China can look back at a transformation that has seen it rise from low-income to upper-middle-income status in just over four decades.[2] This extraordinary achievement is the result of sequential and structured reforms across those decades. Each set of reforms was tailored to the next phase of China's development, taking into account lessons from the experience of earlier phases, current and likely future circumstances, including in relation to technologies and the world economy, and any adjustment of goals.

China will transform itself again in the next 30 or 40 years, when it will move to high-income status, but the dimensions of transformation will not be so focused on output and income. Well-being, quality and sustainability will be at centre stage. All of China's major transformations and sets of reforms have been of great importance, but such are the strengths of past lessons and the magnitude of global changes that this next set of reforms is of special significance, not only for China

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[1] This paper draws on a longer paper prepared for an Asian Development Bank Symposium in October 2018, "A new, high-quality and sustainable economic growth strategy for China: Reflections on issues for the next stages of reform", by Cameron Hepburn and Nicholas Stern with Hannah McNicol and Isabella Neuweg.

[2] World Bank Classifications.

but also the world. Over the last twenty years the China Development Forum has played an important role in international understanding and discussion of China's reforms and it will surely continue to do so in the coming crucial years. The 14th five-year plan, covering 2021-2025 and to be decided next year, is a crucial element in shaping the new era.

The structure of this paper is as follows. In the next section we set out some of the lessons, factors and pressures which indicate that the old growth story is coming to an end, including a changing world economic and political structure and an environment under stress. In sections 3 and 4 we examine the reformulation of objectives as well as the structural change and investments at the heart of a new strategy. The fifth section sets out some of the important policy areas and reforms that could foster these new structures and investments. Section 6 concludes. The focus of this paper lies in the broad strategic and investment framework that can bring about the process of transformation and growth for the new era rather than on the fine detail of particular investments and policies.

II. Old approaches coming to an end

The growth story of the coming decades progresses far beyond the older standard economic models in which growth is shaped largely by physical capital. That approach was encapsulated in the Harrod-Domar idea that growth is the investment rate divided by the incremental capital-output ratio (Harrod, 1939; Domar, 1946). That was the 20th century growth story. Physical capital was at the heart of growth and planning models in the early years of Soviet, Indian and Chinese planning, in a tradition including Feldman in the Soviet Union and Mahalanobis in India (Raj, 1961). The new approach advances beyond Deng

Xiaoping's third development step[3], builds on Jiang Zemin's three represents[4], and encompasses elements of what Hu Jintao called a "harmonious society". It aligns clearly with key elements of Xi Jinping's thought with its emphasis not only on making China prosperous, but also strong, democratic, culturally advanced, harmonious and beautiful (Xi, 2017).

The 21st century growth story will be based on the accumulation of several types of capital, not just physical capital, on structural change towards the service sector, on higher quality outputs and inputs, and on labour and resource efficiency and productivity. All of these changes and advances will in turn be driven in large measure by further institutional and market reforms.

These new forms of growth can and should be sustainable. Sustainability means offering to the next generation opportunities at least as good as those available to the current generation, assuming they behave in a similar way towards those that follow. Sustainability thus depends on the quantity and quality of assets passed to the next generations. These include four types of capital central to well-being: human capital, social capital, physical capital and natural capital (Stern, 2015, chapter 6.4; Hamilton and Hepburn, 2017; Managi and Kumar, 2018; Lange et al., 2018). Investing in and achieving high productivity of these capitals is crucial not only to strong and inclusive economic growth but also to making growth sustainable. Sustainability of this coming process of growth is of fundamental importance not only for the future of China but also for the world as a whole.

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[3] The third stage of Deng Xiaoping's three-step development strategy aims to increase per-capita Gross National Product to the level of the medium-developed countries by the mid-21st century.

[4] Jiang Zemin proposed the Communist Party of China to stand for advanced social productive forces, advanced culture, and the interests of the majority.

The old era or approach to development is coming to an end as a result of fundamental environmental, social and economic change. We highlight eight factors or reasons grouped as follows. The first four of these are issues of natural, social and human capital. The last four concern processes of development which are in large measure associated with transitions towards and through middle- and higher-income economies, together with a changing world economy. The eight are: pressures on the environment; social strains, including inequality; changing technologies and the need for new skills; changing demography; rising wages; shift in demand towards services; changing world economic geography and interactions; pressures on public finances.

The pressures on environment are both local and global. The air of cities has been severely polluted. So too have soil and water. Climate change is an immense risk. China is particularly vulnerable to climate change for several reasons, including: water stress and dependence of run-off from the Himalayas; large coastal populations exposed to sea level rise and storm surges; vulnerabilities to extreme weather events; and heavily populated areas likely to experience extreme temperatures beyond those of human tolerance.

We know that strong global action is urgently needed, and that China, because of the size of its economy and emissions, must be a central player in climate action. The world economy will double in the next two decades or so and within that China's economy will more than double. In the same period, global emissions will have to be cut by well over 40% and then achieve carbon neutrality by mid-century if we are to have a reasonable chance of meeting the Paris target of well below 2°C (IPCC, 2018). World infrastructure will likely double in around 15

years, much of it associated with urban expansions and a large part of that in China. If this new additional world economy or infrastructure looks anything like the old, then cutting emissions absolutely by well over 40% would be impossible. Indeed we would be headed for well over 3°C with potentially catastrophic consequences. Hence the need for radical and urgent change.

Such change requires decisive action and strong leadership. However, as the New Climate Economy report of September 2018, entitled "Unlocking the Growth Story of the 21st Century" shows, the new path can be a very attractive story, with strong, sustainable and inclusive growth, cities where you can move and breathe and robust and fruitful ecosystems. This new growth story is the only sustainable path towards prosperity; any attempt at high-carbon growth would self-destruct on the very hostile environment it would create. The world and the Chinese economy can grow in a way that both reduces risks for our planet and generates a wave of new innovation and investment which will create a more secure, cleaner and more attractive economy for all.

With success in China and beyond, it will become clear particularly in the developing world, that such growth is not only possible, but that it can also be a productive and efficient route to overcome world poverty. Developing countries now have an opportunity for a much cleaner, more inclusive and more attractive path than that followed by the rich countries. Economic growth and climate responsibility come together and their complementarity can help drive both forward. To portray them as in conflict creates an 'artificial horse race' and misunderstands the lessons of economic development and the opportunities that have emerged in the last two or three decades. If China twenty or thirty years ago

had available the technologies and methods which now exist (in part because of China's own creation), it would surely not have followed the path that it did and which has created the problems of pollution and congestion we see today. That is a lesson not only for China's next stage but also for the developing world as a whole.

China has already begun to pursue an approach to growth which embodies a focus on the quality and quantity of the four types of capital. For example, it has already enshrined 'ecocivilisation' into its constitution, taken action against air, water and land pollution, increased forest cover, and is moving to curb greenhouse gas emissions. All of these involve taking care of, investing in and avoiding the destruction of natural capital. Indeed, in reference to the importance of an intact, resilient natural environment for development President Xi Jinping has pointed out that natural capital 'overrides and promises' material wealth (Xi, 2017). Similarly, on social capital, China has emphasized the importance of a cohesive society, has expressed concerns about inequality, and taken action to promote good governance (Liu, 2017; Shigong, 2018). China has for long invested, through health and education, in the human capital of its people.

Thus, whilst physical capital and human capital have been central in the past, recent years have seen a deepening understanding of the potential dangers for the other two forms of capital if principles of sustainability are overlooked for investment in physical capital. Badly-designed, low-quality, or polluting physical capital can severely damage health, pollute soil and water, and harm forests, in other words, reduce or destroy human and natural capital. Damage to natural capital can itself undermine human health and result in many deaths. Such

damage to natural and human capital can further create tensions which undermine social capital.

III. The reformulation of objectives

Moving sustainability and these four forms of capital to centre stage in the 14th plan will be a natural evolution of the policy and planning direction that China has recognised and taken forward in recent years. But the point is still stronger: the pressures from the past emphasis on accumulating physical capital, and from inadequate attention to its quality and to the implications for the other forms of capital, have made it absolutely vital that the emphasis on sustainability and the four forms of capital is strong and central in the 14th plan. These pressures have also motivated increased emphasis on the key elements of well-being as the foundation for economic and societal objectives, rather than the narrow goal of output or income. These are indeed broadly speaking the dimensions of the Sustainable Development Goals, agreed by the world in September 2015 (United Nations Development Programme, 2015). They embody sustainability much more strongly than the Millennium Development Goals, which were their predecessors, covering targets set for 1990-2015 but with much less emphasis on the environment. That change from the MDGs to the SDGs came as the world realised the increasing pressures of and lack of sustainability of past approaches to growth and development. The SDGs apply to all countries.

This new approach to investment in multiple forms of capital can be structured in ways that are inclusive and reduce inequality. For example, a strong priority for extensive, clean and efficient public transport will benefit poorer sections of the community particularly, since they are much more dependent on public transport,

including in facilitating access to employment. Air and water pollution tends to do greater harm to poorer people. Tackling these challenges with new clean technologies offers many job opportunities (New Climate Economy, 2018).

In emphasizing the importance of the transition to the low-carbon economy and the growth and job opportunities it presents, we should also recognise that the target within 30 to 50 years must be a net zero-carbon economy. Net zero emissions is necessary to stabilise concentrations of greenhouse gases in the atmosphere, and thus temperatures. The earlier it is achieved the lower the stabilised temperatures. Net zero is required within 30 to 50 years if we are to stabilise "well below 2°C". As the recent IPCC report on 1.5°C has shown, the difference between 2°C and 1.5 °C embodies real dangers (IPCC, 2018), including in relation to extreme weather events and droughts. We should recognise that current Paris emissions plans for all countries, taken together, would lead us towards a path heading for 3°C or more, when we now know that going beyond 2°C would be deeply dangerous[5]. Hence the Paris COP21 target of "well below 2°C" is wise and we break it as a world at our peril. China is so large that if the world is to be at net zero, then so too will be China. Achieving this requires an urgent review of all investments in long-lived fossil infrastructure that might outlast a 30 to 50 year time horizon (Pfeiffer et al, 2018).

The innovations and investments of the coming decade will in large measure be driven by the private sector. Private firms are a crucial source of the creativity and new ideas that higher quality, high-tech and sustainable growth requires. That

[5] A rise of 3°C would be extremely dangerous, taking us to a temperature we have not seen on this planet for around 3 million years. It could reshape entire regions and result in mass migration, drought, hunger, disease and conflict.

means that reforms should be market-oriented in ways that encourage that initiative and creativity. Sustainable infrastructure, well-functioning cities and good governance will be vital. In other words, public policy, public institutions and public investment should work to create an investment climate for the innovations and investments of the new era. Research and development, innovation and public research in institutes and universities will play a crucial role.

The changing pattern of activities within China, crudely speaking, “moving up the value chain”, will require changing relationships between China and its trading partners. The countries of the Belt and Road Initiative (BRI) have income per capita and wages, on average and approximately, half that of China. If in two decades time they have similar income per capita to China now and if their economic structure of fossil-fuel use looks like China now than the world would be headed for temperature increases well beyond three degrees and the catastrophic consequences that would involve.

If trade and infrastructure links can be established, and technologies advanced and shared with these countries, then the countries of the BRI could play a powerful and positive role in sustainable development and in a new and changing international division of labour, including in relation to China. This could be analogous to one of the key drivers of change in China in the 1970s to 1990s being, in large measure, China advancing into the world economy through low-cost manufacturing and joint ventures. Now China will, to an increasing extent, with its more advanced technologies, play the role of an external partner to poorer countries.

All this emphasizes very strongly that the 14th plan and the BRI have to be

understood together. Of course, China can and will shape the 14th plan directly, but it does not itself determine the development strategies of the 70 or more countries who may be part of the BRI. Each country will shape and decide on its own strategy. China can be helpful and a good partner but does not decide the future of their economies. This is an interesting and important feature of the new era. China must work on its 14th plan and take its decisions with careful thought as to how its BRI partners will be taking theirs, and what forms the partnerships will take.

The necessary changes to investment, particularly sustainable infrastructure investment, are significant and must happen swiftly. But if carried out well, the investments, innovations and reforms could yield a sustainable and inclusive growth path for China which could be very attractive. And it is growth that can last to take China to high-income status by mid-century but also, and just as important, offer real and major advance, in other dimensions of well-being. And this future is available to partner countries in the BRI; indeed they do not have to go through the severely polluting model of the rich countries and of China over the last 2 or 3 decades.

IV. Investments for the new growth strategy within China and beyond

Ensuring that new investments are steered into productive, high-quality, well-managed, sustainable capital and infrastructure requires clear strategies, strong policies and the right kind of finance. The 14th plan can provide the strategic framework that can help China find sustainable and inclusive growth and development. This will involve diversifying away from fossil fuels by committing

to alternative energy sources, and rethinking some key economic directions such as city planning, infrastructure, management of land use, water resources, future revenue streams, workforce skills, and education and training institutions. There are various policies and initiatives that can help support this transformation, including carbon regulation and pricing policies, new city designs, improving efficiency and cutting waste, funding research and development for zero-carbon technologies and setting air pollution standards. The details are not elaborated here. The key objective in developing these policies will be an investment climate that fosters strong and sustainable innovation, entrepreneurship and investment.

We will focus on the broad frameworks for investment and finance. China's Belt and Road Initiative is interwoven with China's shift towards the growth model of the 21st century. And China can also contribute to the creation of an investment climate for the innovations and investments of the new era in partner countries. Two broad types of interventions are explored briefly here:

1. Integrating sustainability and a long-term perspective into government and investment planning;
2. Strengthening and enforcing sustainable investment principles for projects and programmes.

Governments themselves can wield influence over financial flows through their public investments in shifting away from fossil fuels by building environment, social and governance criteria and considerations and climate objectives into their own investment strategies. This in turn requires a rethink of planning at all levels of governments to align current infrastructure project plans with long-term climate, environmental and social development objectives. It can avoid carbon lock-in and

make resilience the norm in infrastructure decisions. This in turn can attract institutional investors and other sources of private capital. China's financial system, including its development finance institutions will play a central role. With registered capital of more than RMB 400 billion, the China Development Bank is the largest development finance institution in the world (China Development Bank, 2015). The decisions it makes can help redirect financial flows within China and throughout the world into sustainable infrastructure projects. It should be clear both on overall sustainable strategy and on sustainable investment principles.

The sense of direction created by government, including its strategies, policies and institutions will be key to the integration of long-term planning into financial decision-making. Amongst investors there is still too little understanding of, and demand for, long-term financial analysis of the potential financial risks posed by climate change. In order to avoid mispricing of assets, misallocation of capital, and stranded assets it is crucial to close this gap in information and awareness.

Increasingly, investment and analytical principles are being developed that help foster a shift of finance towards sustainable projects. Notable examples are the principles proposed by the Task Force on Climate-related Financial Disclosure and the Green Investment Principles for the Belt and Road[6]. Further, the multilateral development banks, through decades of expertise on the ground, have tested and refined standards for fiscal and environmental sustainable investments.

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[6] These were developed by the City of London's Green Finance Initiative in partnership with China's Green Finance Committee and launched in November 2018. Ma Jun of Tsinghua University and former Chief Economist of the People's Bank of China has been a leading figure in their development.

Many now use internal shadow-carbon prices in the range of USD 40-80 per tonne of CO2 by 2020 and USD50-100 per tonne by 2030 for their energy investments, in line with recommendations by the High-Level Commission on Carbon Prices (Stiglitz and Stern, 2017; EBRD, 2019; The World Bank, 2017). Chinese financial institutions can help integrate and promulgate these principles in financial decision-making. It could have a profound influence. The Asian Infrastructure Investment Bank (Stern serves on its international advisory panel) has placed sustainable infrastructure at the top of its strategic priorities. It can help influence other development banks, in a very constructive way, both with China and across the world.

China itself can be more transparent about planned investments and also its investment criteria. This can help partnerships with others who bring their expertise and tested standards, for example the multilateral development banks. Such collaboration can strengthen not only the financial sustainability of these projects, both important for the recipient country and China, and lower their environmental impact, but also raise the understanding and perceived attractiveness of sustainable infrastructure investment within partner countries. This in turn can lead to strengthened energy and climate policy as well as investment frameworks in the countries of the Belt and Road.

V. Driving change through systemic reforms

In the previous section we have set out the importance and mutually reinforcing character of investing in the four capitals for a growth strategy that can build China into the great modern country the Chinese leadership aims to create by mid-century (Xi, 2017). We have also stressed the elements of an investment

framework that is conducive to sustainable infrastructure and its finance. Reforms in seven areas will drive the transformations of the new era. The principal elements concern policies, finance and governance. We illustrate three key aspects of policy, two of finance and two of governance.

i. Policies

(1) Rapid and efficient change towards growth which embodies high quality, high-tech, greater services and sustainability will require strong and clear price and regulatory signals. If private sector investment and innovation are to be fostered within a strong and sound investment climate, then both price signals and regulation should take account of potential market failures. An example would be a strong carbon price, and thus it is important to make sure the new carbon markets work well. This could include possible consideration of carbon price floors and carbon taxes. But carbon prices do not by themselves redesign cities, reduce congestion or promote compactness. Nor do they by themselves ensure that products, systems and buildings are designed in a way that the components can be reused or recycled. These key features will require in addition direct public action, including for the design and reform of cities.

Regulation and standards are likely to play a powerful role. In an economy with uncertainty, increasing returns to scale, and networks, price signals alone do not necessarily constitute the most efficient policies. Building codes for efficiency and the banning of vehicles with the internal combustion engine from city centres could produce powerful, rapid and cost effective change. Note how fast the LED light bulb came through when Europe banned incandescent bulbs.

Further, reform is also likely required for state-owned enterprises so that they are not sites of inefficiency or kept alive artificially when their activities or methods

of work are obsolete. That practice works against resource productivity and sustainability and can make eventual adjustment costs more severe. China will be dependent on creativity and entrepreneurship in the new era and a clear, sound, transparent and supportive investment climate is crucial.

(2) Sound city planning and management will be at centre stage. Cities will be the focus of most of the investments, particularly infrastructure investments, of the new era. They have the majority of the population and the big majority of output, pollution and greenhouse gas emissions. Their relative importance will grow. Hence how they are managed in physical, human, social, environmental and financial terms will be critical to China's future. It is important that the design, taxation and infrastructure of cities fosters compactness. At present, China's cities are sprawling, creating severe problems of congestion, pollution, and waste (New Climate Economy, 2018). City planning is crucial for the functioning of cities, so is the investment climate within cities; we therefore refer back to cities in the section on financial reforms below.

(3) Major change inevitably involves some dislocation. Such issues arise more strongly as China is now an established producer in many sectors. Some of these sectors will contract, such as coal-mining, steel and some parts of low-cost manufacturing. The impact might be particularly large in specific geographical locations. This type of change, if badly managed, can damage social cohesion and create lack of hope or a sense of injustice. There are a number of actions governments, national and local, can take, and we will not go into detail here. However, key elements include: training and retraining; support and finance for local entrepreneurship; moving mobile government activities to the affected localities; helping people in moving - if they wish to; and social safety nets. Local

dialogue can contribute strongly to the effective working of these policies. Much of major structural change in developed countries over the last few decades has been badly managed. The movement in the balance of economies towards services, labour-saving technical progress, globalisation and then the global financial crisis have led big groups in the population, and many locations, feeling, understandably, diminished and ignored. The political, social and economic consequences can be severe. It is very important to learn from the mistakes of others.

ii. Finance

(1) Investment in all four forms of capital will require a combination of private and public finance. The nature and combination of these finances will be a vital part of systemic reform. We cannot go into great detail here but it will range from bank loans, angel investments and crowd funding for small enterprises, to capital markets for major private sector firms to raise debt and equity finance, to large-scale finance, including development banks for major infrastructure projects. "Green finance" can be an important part of the story. So too will be the policies and strategies of major mortgage, insurance and pension institutions as Chinese individuals and households buy houses and plan for old age.

Transparency, sound banking standards and regulation of individual institutions and the system as a whole will be of increasing importance in the financial sector. As the sophistication of the economy and financial system grows, the danger of financial crises increases. Crises cannot be wholly avoided but their probability, intensity and impact can be reduced by sound investment decisions, coherent policy, and strong institutions. Investment, and especially overinvestment, in unproductive infrastructure carry severe risks to economic and financial stability.

This can be alleviated by careful assessment of infrastructure costs, their financing structure and the actual benefits they generate. Sound, sustainable investment criteria can be strengthened and their use mandated. Their wide-spread application could help avoid the problem of "building more" instead of "building right". Wise regulation is of great importance, both avoiding the problems of excessive risk-taking and of the potential distortions and risk of directed credit. Managing systemic risk is always important but particularly so at a time where growth strategies are changing strongly.

(2) Interwoven with city planning, our second issue above, and with sound and sustainable investments, is the public finance of cities. To create a stable investment climate and to carry through the infrastructure and other investments necessary to function in a clean, efficient and sustainable way, the public finances of cities must be managed well. To do this they will need strong revenue streams from local taxation and payments for services. Local taxation can take a number of forms including taxation of land and property, pollution or carbon taxes, local additions to income tax and so on. It is important that these taxation powers are clear and well-executed, and are not contradictory or confusing relative to taxation from national authorities[7]. Transparency and efficiency of local taxation, as well as expenditures, will be vital for delivery of the next stages of China's development.

iii. Governance

[7] One simple effective rule here is for local taxes either to have a completely separate base from higher level taxes or to piggy-back on them.

(1) Private investment is at the heart of the growth model of the new era and it is very sensitive to the quality of governance, as well as the quality of infrastructure services. Governance, our sixth issue, is the "manner of governing" and societies function much better if that is transparent, honest, and as simple as possible. The quality of governance has a profound influence on how easy it is to get things done and the confidence of the investor in the returns to investment.

We can identify three elements of the quality of governance in relation to investment: the soundness of policies; the predictability of policies; the functioning and behaviour of institutions. Sound policy helps markets to give better signals, by overcoming market failure. Predictability reduces government-induced policy risk. Such risk is a major deterrent to investment round the world. We do, of course, learn over time about new possibilities; new evidence appears; experience teaches lessons. Thus policy cannot be set in stone. But if investor uncertainty is to be managed the criteria for policy change must be understood, and, as far as possible, be set out in advance. Government policy should be "predictably flexible".

Another source of both cost and uncertainty lies with the functioning and behaviours of institutions. Sometimes institutions and officials can be bureaucratically heavy, intrusive or obstructive. And sometimes they are corrupt. The more licences and permissions that are required, the greater the likelihood that these problems or obstacles can arise. In creating a good investment climate it is important that unproductive and unnecessary intervention is reduced. That does not mean, of course, abandoning regulation and standards, for example, on pollution or safety; far from it. The argument here is that governance should focus

on the important and make the application of the regulation and standards as user-friendly as possible.

(2) Our final subject on systemic reform concerns global governance. As the world's largest economy (in PPP terms), China is already a major influence on the world stage, even though its per capita income is still considerably lower than many rich countries. Thus it not only acts on the world stage, it also, inevitably, shapes that stage. What happens to world trade and investment, to the global commons and to the future of the international financial institutions is of vital importance for China and the world. On all these, the world as a whole, including China, will benefit greatly from a well-functioning, rules-based, and equitable world order. And China is increasingly influential in shaping that order.

VI. Concluding remarks; China and the world

The challenges of the global commons, particularly climate change, are of great urgency, as we have argued. China played a leading role in creating the Paris agreement, COP21, in 2015. China has begun to stabilise its emissions. It will likely begin to reduce them in the 14th five-year plan. China is now, inevitably, in the vanguard of action and international collaboration on climate change. There are great opportunities here for China, not only in terms of its own new model of growth and its technological advances but also in terms of global leadership. Investments along the BRI can help China's trade partners achieve the Sustainable Development Goals and in turn accelerate the realization of the SDGs within China.

The world's international institutions, the UN, the IMF, the World Bank, the regional development banks, the WTO and so on will increasingly look to China for leadership. China's role in the G20 will be crucial – its Presidency in 2015 and the Hangzhou Summit were an important example. As the report of the G20 Eminent Persons Group (October 2018) argued, the IMF is in urgent need of more resources if future financial crises are to be better managed and their frequency is to be reduced. That report also argued that the multi-lateral development banks could be still more effective if they functioned better as a group. Working as a group would, for example, involve leadership and pressure from the main shareholders as each bank is likely to be comfortable if it operates independently and the creation of country platforms for better co-ordination of action in support of a country's development programme. China, which is increasingly important as a supporter of development in other countries, could play an important role here. Functioning better as a group would also involve countries and MDBs working together for the management of risk to get stronger multipliers for private investment. And it would involve bringing sustainable infrastructure to the core of all the work of the MDBs.

This brief discussion of systemic reforms has covered: policy and sustainable infrastructure to create an investment climate to foster private sector innovation and investment; strengthening the financial system for strong, productive and stable financing; better functioning cities, including their public finances; local governance and global governance. Together, these systemic reforms could foster the investments in physical, human, national and social capital which will drive forward China's new era of high-quality, sustainable and inclusive growth and development. And at the same time China can provide great support for its partner

countries in the BRI as they also seek sustainable and inclusive development.

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