



DEVELOPMENT COMMITTEE  
(Joint Ministerial Committee  
of the  
Boards of Governors of the Bank and the Fund  
on the  
Transfer of Real Resources to Developing Countries)



**SEVENTY-FIFTH MEETING**  
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Statement by

**Mr. Li Yong**  
Vice Minister of Finance  
People's Republic of China

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**at the 75<sup>th</sup> Meeting of the Development Committee  
April 15, 2007, Washington D.C.**

Mr. Chairman, Colleagues, Ladies and Gentlemen,

We welcome the discussion by the Development Committee of the two agenda items of 2007 Global Monitoring Report, and Africa Action Plan. I would like to share with you our positions on the agenda items as well as other items in the background papers.

**1. Global Monitoring Report and Aid Architecture**

We are glad to note the further progress towards MDGs achieved by the developing countries in 2006, and that poverty incidence declines somewhat in the low-income developing countries. However, progress varies in different regions. The overall population of the poor hardly diminishes, while the Sub-Sahara Africa and South Asia remains off the track of most MDGs. As the year of 2015 approaches, we are facing the huge challenge of achieving MDGs.

**Aid Architecture**

Official Development Assistance (ODA) plays a key role in facilitating developing countries to achieve the MDGs. In terms of the overall ODA volumes, the huge financing gaps still lie as the binding constraints for development. While debt reduction has enhanced the developing countries' capacity for self-development, its direct impact on fiscal revenue is limited. Therefore, the developed countries should make concrete efforts to raise the ODA levels to the target of 0.7% of GNP. In terms of the ODA flows, the current tendency of the traditional donors' withdrawing from the infrastructure and productive sectors should be rectified; more ODA resources should be shifted to infrastructure development and productive sectors, promoting growth and development in a more direct and effective way.

We maintain that a core role for the multilateral development institutions under the global development system is to facilitate the transfer of resources to the developing countries. Currently, it is critical for the IDA 15 Replenishment to mobilize more ODA resources. Thus we urge the developed countries to step up efforts to support IDA. We welcome the progress achieved on the innovative financing mechanisms, which should focus on increasing the overall level of ODA and ensure additional resources.

With enhanced economic development and growth, some developing countries are participating more actively in the international cooperation to provide assistance to the extent possible to other developing countries, adding fresh vigor to the “South-South Cooperation”. Such mutual assistance among developing countries represents equal development partnerships rather than the traditional donor-recipient relationships.

### **Gender Equality**

The essence of gender equality requires full and equal participation in the social and economic life by all human beings. Therefore, it should be applied as a principle to every specific area through the whole process of development, taking into consideration the different historical and cultural context in various countries. Being one of the MDGs itself, the gender equality delivers a great impact on the overall goal system. We believe that empowerment of women in the process of development will contribute to the improvement in education and health, which will speed up the pace towards economic growth and MDGs. While we support the adoption of the additional indicators to better monitor the gender issue, we believe more importantly, the role of women in social and economic life should be reflected in country and project level.

### **Fragile Countries**

The fragile countries deserve more attention and support. We believe that: First, the international community should scale up ODA to these countries. Second, the assistance strategy should be based on the country context and be aligned with the recipient country’s own development strategy. Third, attention should be given to rehabilitating and strengthening the country’s capacity both in public management and sustainable development on its own initiative so as to ensure the nation’s long term stability and prosperity. Fourth, the focus on basic economic and social infrastructure services should be maintained to promote the economic stability and growth, reduce poverty and improve human development indicators.

## **2. Progress and Changes in the Africa Action Plan**

Holding a key position to the global development, the African region especially the Sub-Saharan region faces substantial challenge in achieving the MDGs. The World Bank Group’s Africa Action Plan plays an active role in promoting the economic growth and social development in Africa. And we consider it necessary to review and adjust the Plan in the context of the changing situation and demand.

The implementation of Africa Action Plan should respect and support the ownership and leadership of the African countries in their own development. We fully support the country-based model adopted by the World Bank. The Africa Action Plan should also be consistent with the priority areas identified by the country-owned Poverty Reduction Strategy.

We concur with the vision of fostering shared growth of the Plan, and support the eight flagships and three cross-cutting objectives. While the critical development impact of infrastructure and agriculture should be emphasized in the new Plan, industrialization and private sector deserve more support to develop new growth impetus for a country's economy. By doing so, economic stability and sustainability can be greatly enhanced to realize a growth with improved equality, which will lay a sound foundation for MDGs.

The Plan should also highlight the special role of regional cooperation and South-South cooperation in the development of the African region. Economies of scale could be achieved through regional cooperation, while South-South cooperation will add to the necessary development resources for the African countries. Also, South-South cooperation will contribute to the knowledge sharing and the formulation of new, equal and mutually beneficial development partnership among developing countries. We believe that the regional cooperation and South-South cooperation are feasible approaches for Africa to further participate in and benefit from the globalization, which should be advocated by and integrated in the Africa Action Plan.

### **3. Bank's Action Plan of Clean Energy for Development Investment Framework**

Addressing climate change and the related clean energy issue is an urgent global task ahead of us. The international community should take concrete action to push for substantial progress in the Clean Energy for Development Investment Framework (CEIF) proposed by the Bank.

Clean energy is a development issue as well as an environment issue, but first of all, it is a development issue. Only when meeting energy demand for development of all countries, can the human beings effectively arrest environmental issue related to energy. CEIF should be devoted to address such development-relevant key issues as energy supply, incremental cost, alternative energy and clean energy technologies.

The international community should pay close attention to expanding energy supplies to meet the demand in low-income countries. We support the Africa Energy Scale-up Plan outlined in the Bank's Action Plan. We call on the international community to mobilize additional resources and innovate financial instruments so as to better meet the energy demand in developing countries.

A long-term and stable global clean energy policy framework should reflect the principle of "common but differentiated responsibilities. This principle not only demonstrates developed countries' responsibilities to compensate for their greenhouse emissions to date, but also ensures that developing countries will be able to contribute to the global emission reduction without sacrifice of their economic development and achieve clean development. We support the proposed Carbon Continuity Fund in the Bank's Action Plan and urge the international community to reach the consensus as soon as possible.

One of the most important roles of CEIF is to mobilize additional resources and compensate the incremental cost of developing countries during the process of clean

energy development and emission reduction. We encourage the Bank to further explore new financing mechanisms and take the lead in contributing to CEIF.

We urge the international community to enhance the technology transfer so as to help developing countries develop clean energy. The international community should fully consider and respect the fact of the dominant role of the traditional energy in the next decades and support the developing countries in transfer, utilization and development of the clean energy technologies, and help improve their energy efficiency.

#### **4. Voice and Representation of the Developing and Transitional Countries (DTC)**

Enhancing the Voice and Representation of DTC in the decision-making process of the World Bank Group is a fundamental requirement of the Bank as a multi-lateral development agency, an important safeguard for fulfilling the Bank's mandates of poverty reduction and development and a major measure in promoting democratization in global economic relations. The primary principle and aim of the Bank's reform is to increase the share of overall voting power of the developing and transitional countries and realize ultimately the allocation of 50% of the Bank's capital to DTC. We do not advocate the Selective Capital Increase which reallocates the shares among the developing countries. Based on this, we are open to all specific options on reforming capital structure and voting power.

We support other ways of enhancing the participation of the developing countries in decision-making process. We encourage the Bank to reinitiate the discussion on the selection process for the heads for the BWI. The Bank should increase the transparency of the selection process so that DTC nationals can also be considered. We support the increase of additional chair in the African constituencies in the Board. We also support a higher representation of DTC nationals in senior management positions, and to this end, we hope the Bank can work out as soon as possible specific action plan.

Given the differences in mandates and priorities of the Bank and the Fund, there is no need for the Bank to copy mechanically the process of the Fund. However, we believe that the Bank can build on the success of the Fund reform and that principles followed by the Bank and the Fund should be fundamentally consistent.

#### **5. Strengthening Bank Group Engagement on Governance and Anticorruption**

We welcome the document on *Strengthening World Bank Group Engagement on Governance and Anticorruption* that has been endorsed at the meeting of the Executive Directors and broadly support that the Bank further reinforces its governance and anticorruption (GAC) work. We appreciate some of the guiding principles outlined in the GAC document. Given the importance, complexity and sensitivity of this work, the Bank must unswervingly conform to its Articles of Agreement and Mandate, stick to development as Bank's core mission, abide by the principle of non-politicization, respect country ownership and leadership of its members, treat governments of its member countries as the principal counterparts, focus on areas where the Bank has comparative

advantage, help developing countries strengthen and improve governance in an equal manner.

We appreciate the Bank's good practices during the process of formulating the GAC paper. We particularly appreciate the Management for conducting the extensive and inclusive consultation process, and respecting and heeding to all different messages according to the guidelines governed by the Development Committee Communiqué at the Annual Meetings in Singapore. Looking ahead, the GAC work will move on to the important task of implementation. We encourage the Management to apply the guiding principles laid down in the GAC paper and pay close attention to different views and suggestions of parties concerned to ensure Bank's GAC work is always on the right track.

## **6. Fiscal Policy for Growth and Development**

Fiscal policy is one of the major tools for macroeconomic adjustment. It plays an irreplaceable role in stimulating economic growth while maintaining macroeconomic stability. We support the Bank's role as a knowledge bank. We encourage the Bank to do more research and analytical work, and explore continuously fiscal policy which helps maintain economic stability and contributes to growth and development. We encourage the Bank to improve its policy advice so as to help promote economic and social development of the developing countries, scale up the process of poverty reduction and achieve MDGs.

We reiterate, when helping the developing countries in designing fiscal policy, the Bank's advice should be tailored to their specific situations and different stages of development, and complement other macroeconomic policy package of the client countries.

## **7. External Review Committee on Bank-Fund Collaboration**

We commend Mr. Malan and the External Review Committee for the tremendous efforts and effective work undertaken to produce the useful report.

We believe that as a prerequisite to enhance the Bank-Fund collaboration, both institutions should conduct a comprehensive review of its core business and responsibilities and their changes to date, and make a clear and realistic redefinition of its roles and business scopes in accordance with its own Articles of Agreement, so as to enhance its own core competencies and competitive edges and better meet the different demands of the developing countries under the new situations. In collaborating work together, both institutions should adequately address the concerns of the developing countries, facilitating their roles in setting the rules and regulations of the international economic system, protecting the benefits of the developing countries, and promoting the establishment of a fair and equitable international economic order.

In line with the comparative advantages of the two institutions delineated in its Articles of Agreement and reinforced through years of experiences, the Fund should focus its role

in providing stable monetary and financial environment, maintaining macroeconomic stability, enhancing surveillance on member countries, particularly international reserve currency countries, and strengthening the crisis prevention and management capacity of the member countries. The Bank should focus its role in promoting the effective allocation of productive factors such as domestic and international capital, labor, technology and natural resources, creating favorable conditions for sustained and balanced social and economic development, and playing an enhanced role in stocktaking of development experience and promoting diversified paradigms of development.