



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)

ONE HUNDRED AND ONE MEETING
WASHINGTON, DC – APRIL 17, 2020
(VIRTUAL)

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Statement by

H.E. Kun Liu
Minister of Finance

on behalf of

The People's Republic of China

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101st Meeting of the Development Committee

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The COVID-19 outbreak is spreading worldwide, posing formidable challenges to global public health security, and severely impacting the world economic and social development. The situation is disturbing and unsettling. We are all in this together in fighting the COVID-19. As one of the most important multilateral institutions in the world, WBG should implement its missions and make best use of its comparative advantages to play an active and ambitious role in the response to the COVID-19 outbreak.

I. WBG should promote multilateral cooperation to form a joint response to the impact from the COVID-19 outbreak

We support WBG's effort to mount a financing response to the COVID-19 emergency. We look forward to the effective implementation by WBG of the consensus reached at the Extraordinary G20 Leaders' Summit, while giving full play to its financial and knowledge advantages and to support all countries in need using all instruments to the fullest extent so as to reduce the COVID-19's damages to global health, economy and societies.

The first is to persist in advancing multilateral coordination and cooperation. At such a moment, it is imperative for the international community to strengthen confidence, act with unity and work together in a collective response. WBG should actively encourage its member countries to work together to promote multilateral cooperation, oppose politicizing and stigmatizing COVID-19, foster strong synergy and join hands to win this battle between humankind and the widespread infectious disease. At the same time, WBG should help its member countries strengthen coordination of international macroeconomic policies, reduce tariffs, remove barriers, facilitate the unfettered flow of international trade, fight against protectionism and unilateralism, and call for ensuring the stability of global supply chains and international movement of goods, especially necessities such as medical supplies and PPEs and food to stabilize global market supply.

The second is to persist in serving all clients. The COVID-19 outbreak has brought serious challenges to countries across the income spectrum. WBG should adhere to its Twin Goals of "ending extreme poverty and promoting shared prosperity" and principle of serving all to provide bespoke support programs according to specific national circumstances, challenges and needs of each country. Low-income countries are particularly vulnerable in front of the COVID-19 outbreak and thus need increased financial support. Emerging markets and higher-income countries play an important role in driving global economic growth. WBG should focus on how to support these economies in achieving economic recovery and growth, thereby creating a favorable external environment for the growth in low-income countries.

The third is to persist in combining increased financial support with knowledge and experience sharing. WBG should actively take counter-cyclical measures to further tap its potential to mobilize additional financial support, expand lending and investments, support trade and supply chain financing and

private investment and help developing countries promote foreign investment and increase exports so as to create conditions for economic recovery. At the same time, as a knowledge bank, WBG should advocate scientific attitude and professionalism, promote knowledge exchange and experience sharing on COVID-19 prevention and control, macro-policy responses and public health system development among its members, and summarize and disseminate good practices and useful experience of relevant countries. We expect WBG to play its due role in the prevention and control of COVID-19 and related policy responses.

II. Reduce debt vulnerabilities of low-income countries and help these countries improve their response to the impact of the COVID-19 outbreak

China supports all sides in implementing the consensus reached in the Extraordinary G20 Summit, reducing debt vulnerabilities of low-income countries and mobilizing more resources to help these countries respond to the impact of the outbreak. On the issue of suspending debt service payments, China believes that we should follow three principles.

First, collective action. Multilateral and bilateral official creditors as well as commercial creditors are all stakeholders in this regard and as such should take joint actions to address the issue of debt vulnerabilities. As the world's most influential multilateral development agency, major multilateral creditor, and initiator for suspension of debt service payments, WBG should lead by example in suspending debt service payments from IDA countries and proposing a debt suspension timetable and roadmap. Such debt suspension is net present value-neutral and will not affect IDA's credit rating and financial strengths. If WBG fails to participate in collective actions for suspending debt service payments, its role as a global leader in multilateral development will be seriously weakened, and the effectiveness of the initiative will be undermined. As a responsible bilateral creditor, China will actively engage in bilateral consultations with borrowing countries to put into effect the arrangements for the suspension of debt service payments reached by the G20 through consensus.

Second, quick response. The outbreak has created an urgent situation which requires all the parties to adopt a fast, straight-forward and problem-shooting approach to respond, and it is also necessary to distinguish between short-term response and mid- and long-term debt sustainability. The current situation for the COVID-19 is still fast-evolving, resulting in abnormal fluctuations of economic variables which make it difficult to conduct scientific and proper debt assessments. Since the COVID-19 outbreak is yet not under effective control, it might not be an appropriate time to discuss the topic of mid- and long-term debt sustainability. The improvement of debt transparency should abide by the laws and regulations of each country and legal agreements between the concerned parties, and respect commercially sensitive information.

Third, rule of law and balanced concerns. Our actions must be in line with market rules, existing legal frameworks and international practices and drawing lessons from the past. We should maintain the order in the international financial markets to prevent a spree of debt defaults. The interests of both creditors and borrowers need to be duly considered through full and in-depth consultations, so as to avoid moral hazards. Suspension or relief on official bilateral debts should be discussed mainly bilaterally. It is up to creditors and debtors to discuss and agree.

In addition, we praise IMF for acting firstly to provide immediate debt relief for 25 poorest member countries under the Catastrophe Containment and Relief Trust (CCRT) to help them fight the COVID-19. We hope that WBG will play a bigger role in helping IDA countries and other low-income countries respond to the COVID-19 outbreak and improve their fiscal sustainability during the outbreak through various ways such as internal transferring across WBG institutions and borrowing from the capital markets, enhancing the front-loading of IDA financing and helping increase IDA countries' fiscal sustainability for responding to the crisis. At the same time, considering that the structural problems in the international economy and finance are among the major reasons giving rise to unsustainable debt of IDA countries, we call upon all parties to work together to develop an open world economy, creating a more favorable external environment for developing countries. We hope that WBG and IMF, along with other IFIs, take collective actions to

maintain underlying stability in the international financial markets, especially stability in the price of commodities, including oil, with a view to providing a favorable environment for low-income countries' financing activities over medium and long term.

III. China is actively responding to the COVID-19 outbreak and engaging in international cooperation

Faced with a sudden outbreak of COVID-19, the Chinese government and Chinese people braved hardships and persevered in national mobilization, collective prevention and control, and openness and transparency. Through hard work and tremendous sacrifices, the initial results of prevention and control have been further consolidated, and the restoration of normal economic and social life has picked up speed. China is coordinating the COVID-19 prevention and control measures with economic development, promoting the resumption of work and production in an orderly manner, intensifying counter-cyclical adjustments, implementing a more proactive fiscal policy and a prudent monetary policy while keeping it more flexible and appropriate. The Chinese economy has strong resilience, great potential and big room for maneuver as well as abundant policy tools and ample policy space. As for the fiscal policy, the fiscal authorities at various levels have so far allocated more than 140 billion RMB Yuan for COVID-19 prevention and control, issued 1.5 trillion RMB Yuan of new local government bonds and implemented large-scale tax cuts and fee reductions. The next step will be to moderately increase the fiscal deficit ratio by issuing special government bonds and continuing the expansion of local government special bonds. Although the COVID-19 outbreak will have an impact on the Chinese economy, such an impact will be temporary and limited, and will not change the basic trend of steady and long-term improvement of the Chinese economy.

In the face of the global public health crisis caused by the COVID-19 outbreak, China has provided support and assistance to the international community within its capacity while continuing to do a good job in COVID-19 control at home. The Chinese government has so far provided medical supplies to 150 countries and 4 international organizations, donated 20 million US dollars to WHO and sent accumulatively 17 teams of medical experts to 15 countries. At the request of WBG's management, Chinese government is helping WBG work under its Fast Track COVID-19 Facility to purchase medical supplies in China for developing countries. China promotes the resumption of work and production in an orderly manner, and actively deploys policy mix to stabilize trade, playing an important role in stabilizing and unblocking global supply chains and industrial chains. China will also increase its supply of pharmaceutical ingredients, daily necessities, and anti-epidemic and other supplies to the international market. China will unswervingly continue to advance reform and opening up, widen market access, improve the business environment, and expand imports and outbound investment to contribute to stabilizing the world economy. China is willing to share its experience in fighting the COVID-19 with other countries through WBG and other platforms.