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Entering into the new millennium, the world is advancing with new development prospects but confronted with daunting challenges as well. Characterized by high tech, the knowledge-based economy is growing daily and making global economy more dynamic. The rapid globalization marked by the increasing integration of economy and trade is bringing unprecedented opportunities and hopes to the mankind.

However, development has been uneven across the world -- the rich countries are getting richer and the poor poorer. Addressing this issue calls for the concerted efforts by members of the international community. In this context, the World Bank, as a multilateral development institution, must make its contribution more effective and efficient in its support to developing countries. I, therefore, welcome discussions on Bank’s role and related issues at this Development Committee.

I. On Global Public Goods

On this issue, first and foremost, there must be a clear definition of global public goods. And in providing global public goods, the World Bank and other multilateral institutions should adhere to the principle of political neutrality and represent equally the interests of each and every member country. They should participate in the process in light of their own mandates, charters and comparative advantages with a view to promoting balanced development in the world economy and poverty reduction. Given the fact that provision of global public goods covers a wide range of activities, the World Bank simply cannot involve itself in all of them, but instead should start with undisputed areas, such as environment and communicable diseases.

Due to their special features, the global public goods have to be financed by concessional resources. In doing so, the international community should mobilize additional concessional resources, instead of tapping already over-stretched existing funding mechanism for development. The industrialized countries have undeniable obligation to provide new resources for the global public goods.

2. On Poverty Reduction and Development in Low- and Middle-Income Countries

It is our consistent position that the World Bank’s assistance strategy should be adapted to different stages of development and specific circumstances of individual recipient countries. We fully support the Bank’s continued assistance to IDA countries, and its efforts to help address economic development issues in IBRD countries. The per capita income of many IBRD borrowers, which are the home to the majority of poor people in the world, is still very low. Even though some of them have access to international capital markets, such access is still very limited and unstable, far from sufficient to meet their tremendous financing need for poverty reduction and long-term development. Meanwhile, private sector development in these countries still has a long way to go. The Bank’s mission to promote economic development and poverty reduction in these countries is far from fulfilled.
It is of great importance that the Bank must strike a right balance in its assistance to member countries between: (1) private sector vs. public sector; (2) programmatic lending vs. project lending; and (3) reform vs. development.

The recipient countries should enjoy full ownership in formulating their reform and development agenda. The Bank’s assistance strategy should not only be based on the strategies of recipient countries, but more importantly also be prepared and developed in collaboration with respective recipient countries, so as to avoid imposing unilaterally formulated strategies on recipient countries.

3. On Comprehensive Development Framework (CDF)

Every country that is committed to long-term social and economic development needs to formulate its overall strategies in a comprehensive approach. While we endorse the principle of CDF, we think that it is also critical to strike an appropriate balance between full ownership of recipient countries and the role of international aid agencies in formulating and implementing country assistance strategies.

Despite the progress made in the CDF pilot phase, many challenges have yet to be addressed. It is not realistic to push pilot countries to implement within a short period of time a comprehensive agenda on economic, social and structural reforms and development, due to their political, economic, developmental, and institutional constraints.

It is our view that social and structural change is a long and complex process. Therefore, implementation of CDF should not be rushed and it is unrealistic to expect developing countries to meet all requirements over night. We agree that at macro and strategic level, countries should set forth an overall, systematic and long-term strategy. However, in its implementation, countries should be allowed to decide on appropriate sequencing and pacing on the basis of their specific country situations. The ownership and choice of recipient countries should be fully respected, and for those countries with weak institutional capacity, assistance should be provided in this regard.

Moreover, aid agencies, multilateral and bilateral alike, must take concrete actions to improve coordination among themselves. They should take the lead in implementing CDF by harmonizing their respective procedures in their aid activities.

It is necessary to stress broad public participation in decision-making process. However, the rule of games for the process and procedures of participation must be worked out first, objectives and accountabilities must be clearly defined, and the effective way must be explored in dealing with the situation when consensus fails to be reached and views remain divided. Effectiveness of consultations should be stressed, different approaches to consultation should be encouraged and different social and political systems of countries should be fully respected.
4. On Politicization

In recent years, under the complex international circumstances, politicization of the World Bank has been intensified. The Bank has been increasingly involved in internal political affairs of its borrowing member countries. In its decision making, the Bank tends to give way more and more to the pressures from some shareholders and politically motivated NGOs, but respond less and less to the concerns and legitimate interests of developing countries.

Such politicization of the Bank has seriously jeopardized the interests of developing countries, especially small ones. Given the organizational and voting structure of this development institution, the Bank is not in a position to represent the political interests of member countries on an equitable basis. Therefore, the Bank should not involve itself in any political affairs. Otherwise, politicization will eventually lead the Bank towards a political tool for a few countries and adversely affect the legitimate rights of developing countries especially, the small ones. A case in point is the China’s Western Poverty Reduction Project, as well as a number of projects of other countries, which are victims of politicization.

In applying its assistance strategies, the Bank should not be obsessed with the intention to resolve such issues as governance and institutional reforms which should be handled by developing countries themselves. Otherwise, the Bank’s focus would be diverted from essential issues about development and resources transfer.

In recent years, we have been greatly concerned over the continuous decline of official assistance and mounting conditionalities which are hard to meet. The Bank’s resources have been less and less allocated to address the real and concrete concerns of developing countries, but more and more to over-sophisticated but often ineffective institutional assessments, diagnosis and consultation. And the issue of distorted international order has not been given adequate attention while unfair criticism more frequently has been directed against developing countries with regard to their existing social and institutional weakness.

Experience shows that the World Bank could best fulfill its developmental mission when it fully follows its mandate. We call on the Bank Management and all member countries to strictly adhere to the Bank’s Articles of Agreement, particularly with regard to the principle that only economic considerations are relevant in serving its borrowers. The Bank must not make concessions to political pressures from some members. Instead, it must stand firm against politicization and maintain its political neutrality.

5. On Cost of Doing Business with the Bank

In recent years, the cost of doing business with the Bank for the borrowing countries has been rising considerably, even to the extent of unaffordable level. The major causes for high cost include: (1) Safeguard policies which have often been arbitrarily interpreted and the standard have been raised unrealistically high; (2) Rapid proliferation of assessments and diagnosis; (3) High loan charges, despite strong objections from all developing countries. All these have contributed to high cost of doing business with the Bank and added to burdens borne by borrowing countries directly or indirectly.
The high cost of doing business has restricted Bank’s ability in helping developing countries, undermined Bank’s developmental effectiveness and led in part to dramatic decline of lending last fiscal year which was even lower than that of Pre-Crisis period.

The issue of high cost of doing business deserves urgent attention of all member countries. As a development financial institution, the Bank should take concrete steps to simplify and streamline its safeguard policies, diagnosis and assessments. It is Bank’s high priority to improve the quality of its products and reduce the cost of delivering of its services and ensure competitiveness of its lending.

Facing the rapid globalization, the Bank is expected by the international community to address many new issues. To this end, the Bank must listen more to developing countries and help them resolve specific issues in their development course. Only by so doing, will the Bank be able to make greater contribution to global poverty reduction and long-term development.