Statement by

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Peace and development, which cannot be sustained without the other, are the mainstream of the time. Peace is the prerequisite for economic development, and development promotes long-lasting peace. The current unstable geopolitical situation highlights the importance of promoting peace through economic development. The consensus reached by the international community, and the global partnership forged at Monterrey in 2002 in making joint efforts to achieve the Millennium Development Goals (MDGs) through shared responsibilities provide us an unique opportunity to reduce global poverty and achieve equitable economic development. We welcome the discussion at this Development Committee meeting on the issues of implementing Monterrey consensus at the country level and enhancing voice and participation of developing and transition countries. I would like to share with you my observations on the specific issues on the agenda.

1. Implementing Monterrey consensus: accelerating financial support for developing countries.

We are pleased to note that developing countries have made great progress in policy reforms since the Monterrey Conference in 2002. It is especially encouraging to note that many developing countries have achieved impressive economic growth, despite the global economic slowdown, the deceleration of international capital inflows and the external difficulties. The structural adjustment and the adoption of appropriate macro economic policies in the developing countries contribute largely to this superior performance. However, there are still shortfalls in the progress in achieving MDGs. Developing countries, especially the least developed ones, are facing severe shortage of development finance and suffering from very limited trade opportunities. Adding to the existing economic difficulties in these countries, the development gap between the rich and poor are further enlarging. There are formidable challenges ahead for achieving MDGs.

Policy reforms by developing countries and additional financial support by developed countries are two key elements in achieving MDGs. The volume of development aid, the sequence and formality of aid flows should take into account of country specific situation and should be better aligned with the development stage, poverty incidence and structural adjustment agenda of the recipient countries concerned. Additional development assistance can play an important catalytic role in helping countries with continued policy reform to make progress towards MDGs.

The lack of adequate official development assistance (ODA) is one of the biggest hurdles in achieving MDGs. In the short term, even for those developing countries which have put in place sound policies and have stepped up efforts to structural adjustment, there are still shortage of supporting fund which poses severe negative impact on the continuity of policy reform and sustainability of economic growth. In the medium to long term, the development assistance committed by developed countries in Monterrey is far from what is needed additionally to
achieve MDGs, which is estimated at about $50 billion on an annual basis. Additional development assistance is not only necessary but urgently needed.

Developed countries bear unshakable responsibilities to implement Monterrey consensus. The immediate action needed is to increase development assistance, including providing additional and concessional funds for HIPC countries. Developed countries should further study possible mechanism to increase development assistance, including the International Financing Facility proposed by UK. We call on the World Bank and IMF to do further work on the details of possible mechanisms in order to discuss this in a future date. We hope that the international community would make concrete progress in a timely manner.

2. Strengthening monitoring framework for MDGs and ensuring the quantity and quality of development assistance.

We welcome the progress made by the World Bank and other international organizations in improving global monitoring framework of policies and actions for achieving the MDGs. We agree that policies and actions of developing and developed countries should be regularly monitored by relevant international financial institutions according to the IFIs’ comparative advantages. With regard to the monitoring of developing country policies, country ownership should be fully respected and a certain flexibility be applied. There is no better approach to measure aid effectiveness than looking at whether aid has helped economic and social development and stability. The IFIs should step up their efforts to help developing countries to build up institutional capacity and promote policy reforms. With regard to the monitoring of developed country policies, we welcome the emphasis of three policy areas, namely macroeconomic policies, trade and aid. We reiterate that quantity of aid is no less important than the quality of aid. While paying attention to aid effectiveness, developed country should further increase development assistance to achieve 0.7% UN target.

We also welcome the inclusion of monitoring IFIs in the framework and the work program. We support the cooperation and coordination of the two Bretton Woods Institutions in helping countries achieve MDGs. The BWIs should draw on past experience and formulate the appropriate development strategy in accordance with specific situation of developing countries.

3. Implementing the Monterrey consensus: opening up market to developing countries.

Opening trade is key for economic development. However, trade liberalization cannot automatically bring about economic growth if it is not backed by a fair multilateral trade system. We welcome the role the World Bank has played in promoting Doha development round and advocating for a fair, opening, rule-based trade system that addresses the needs of developing countries. It is the due responsibility of the Bank to help developing countries with capacity building in the process of trade liberalization. We attach great importance to the complementarity of opening trade and additional development assistance. The reduction of trade barriers by developed countries, especially in the area of agriculture subsidies, holds the key for the success of Doha development round. This would also be a concrete demonstration for the developed countries to fulfill the commitment they made in Monterrey. We applaud the joint action of the World Bank President Mr. Wolfensohn and the IMF Managing Director Mr. Kohler to send a
letter to Director General of WTO, Dr. Supachai Panitchpakdi, to express the support of the two institutions for the Doha development round and urge developed countries to open up their markets to developing countries, particularly the poorest ones. We regret that the Cancun trade ministers’ meeting failed to reach an agreement due to substantial differences mainly in the agricultural area. At this critical moment, we urge all countries make concerted efforts to promote the Doha development round. Developed countries in particular should take due responsibility to reduce agriculture subsidies and lower trade barriers so as to make concrete progress in trade negotiation and promote global development and poverty reduction.

The forthcoming High-Level Dialogue on Financing for Development during the UN conference this year provides an important opportunity to review the progress in implementing the Monterrey consensus and formulate a detailed program to accelerate the progress, and further strengthen international cooperation and coordination. Such program should be progressive, selective, practicable and measurable.

4. Strengthening dialogue and enhancing voice and participation of developing and transition countries.

We welcome the continued discussion on enhancing voice and participation of developing and transition countries in the decision making of IFIs. The participation of developing countries in world affairs is indispensable to establish a fair and balanced world economic order. The World Bank is the largest development agency in the world. Enhancing participation of developing and transition countries in the decision-making of the World Bank would serve as an important guarantee for the Bank to achieve its objective of poverty reduction through economic development. And this requires necessary institutional back-up. While emphasizing the importance of voice in terms of capacity building and technical support, the voting power of developing and transition countries in the two institutions should be increased accordingly so as to reflect the reality of increasing weight of developing countries in the world economy since the establishment of the Bretton Woods Systems 59 years ago. In addition, we once again call for the two institutions to increase the recruitment of professional from developing countries, and make efforts to assign and promote the staff from developing countries to senior positions.

5. Promoting infrastructure development and accelerating poverty reduction.

The provision of sound infrastructure services is essential to promoting productivity and competitiveness. It is also a prerequisite for achieving sustained economic growth. The past lessons and experience suggest that there are strong correlations between infrastructure development and poverty reduction. Without sound water facilities, there is no way to provide clean and safe water. Without electricity and transportation network, poverty reduction will be an empty promise. We welcome the infrastructure action plan proposed by the World Bank. We expect the plan will be activated on the ground as soon as possible. While stepping up efforts to invest in infrastructure, the role of safeguard policies should be treated in an appropriate way, and due attention should be given to the balance of cost and benefit. The Bank should formulate practicable and feasible safeguard policies that are based on the reality of borrowing countries so as to effectively promote economic growth and poverty reduction.
Last but not the least, I would like to take this opportunity to express our sincere appreciation for Mr. Nicholas Stern, the Chief Economist of the World Bank, for his extraordinary contribution to development, both in theory and practice. I wish him every success in his new career.