Statement by

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We welcome the discussion of the Global Monitoring Report 2005, Financing Modalities toward Achieving the MDGs, and Enhancing the Voice of Developing Countries in the Bank and Fund. All these items are closely related to achieving the MDGs. I would like to take this opportunity to share with you my observations on those issues.

I. Global Monitoring Report 05

We appreciate the five-point agenda articulated in the Report, namely anchoring MDG efforts in country-led development strategies; spurring and sustaining economic growth, scaling up delivery of human development service, realizing the development promise of trade, and increasing the level and effectiveness of aid.

It is our view that the choice of development approach must primarily draw upon development practices in the developing countries. In this context, formulation of a development strategy must fully reflect the ownership of the developing countries. Sustainable economic growth is central to the overall social development in the sense that it gives powerful impetus to the progress in social indicators. In addition to economic growth, upgrading public sector management, improving efficiency of public services, ameliorating investment climate, as well as increasing spending on human development services will also have a positive bearing on achieving the MDGs.

In this connection, we recognize that development is a process of economic growth associated with overall improvements in a multitude of social indicators, including education, health, environment, etc. Only by adopting a comprehensive, balanced and coordinated development strategy can prosperity and benefits from the economic growth reach every citizen.

Mr. Chairman, while developing countries are formulating their own development strategies and pressing ahead with reforms in key economic development areas, it is important, however, to have the consensus and support from the international community, especially, in terms of ODA flows and real openness in trade.

It has been 5 years since the MDGs were set by the UN in 2000. International community reached consensus in Monterrey, where developed countries committed themselves to providing sufficient funding for realizing the MDGs. But according to the estimates of the Report, a doubled increase of ODA in the next five years would be required to finance necessary progress. For that reason, mobilizing sufficient ODA has become an essential task for the international community.
Since Monterrey, the international community has made positive efforts in this regard. IDA14 replenishment negotiations have been completed with a significant increase over IDA13. However, we cannot overlook the fact that some developed countries still fall way short of the target of increasing the ODA to 0.7% of GNI. The lack of resources remains the bottleneck for meeting the MDGs. To increase development financing will require doubled efforts and tangible actions by the international community, and the developed countries in particular.

Trade has an important impact on economic development. The development promises must be fully realized in the Doha Round. A multilateral, reciprocal and non-discriminatory world trade system is the best way for realizing development promises of trade. Given their weight in the world trade system, the developed countries should set an example in ensuring the success of the Doha negotiations. Increasing market access for the developing countries, opening agricultural product markets, and eliminating agricultural subsidies would be a huge boost to economic growth in developing countries.

II. Financing Modalities

Sufficient development financing is key to meeting the MDGs. We support the Bank and Fund’s efforts to study innovative financing modalities. However, financing modalities could only solve the technical aspects of development financing and will not automatically warrant its additionality without the political will of developed countries. Therefore, the political commitment of developed countries to raising the level of ODA is the prerequisite for financing modality innovation. To that end, we call upon developed countries to take concrete actions in this regard while increasing ODA at the same time. Fundamentally speaking, no matter which modality is adopted it should eventually result in a substantial increase of the level of ODA.

We should give full play to the MDBs in mobilizing global development financing, with the World Bank as the major platform. IBRD and IDA themselves are important financing channels, which ought to be strengthened. To this end, we hold that the IBRD should enhance its viability by reducing financing and operating costs in order to mobilize more stable resources for MICs to reduce poverty and achieve harmony in economic and social development. To support poverty reduction and economic development in LIC’s, we call for increased contribution by developed donor countries to ensure the financial sustainability of IDA. The Fund also has its own role to play in this regard. We encourage the Fund to give more serious considerations to strengthening the role of SDRs in the context of the financing modality innovation and international monetary system reform.

We support the IFF proposed by the UK and welcome the progress in preparation of pilot IFF for Immunization. And we expect it will be launched this year so as to provide experience in terms of legal infrastructure, management structure, market operation and cost risks, etc for the larger IFF to draw upon. We have to be aware that there is no perfect aid mechanism that would satisfy every country. It is our hope that countries with due willingness and readiness
would take collaborative actions first and reach agreement on implementation, so as to encourage more countries to join in.

We fully support blending arrangements with grants/loans/guarantees. It enhances the responsiveness and flexibility of development aid, and increases the leverage of development funds. Development aid should be tailored to fit different country circumstances. We urge the Bank to set up a specialized “third window” so as to scale up this blending strategy in low and middle income countries.

In short, the Bank should act immediately to set specific objectives and timetable with regards to promoting implementation of financing modalities. To provide sufficient, sustainable and effective development aid to achieving the MDGs, it is vital for the Bank to maximize its role as a global development institution by pursuing a comprehensive approach which features in mobilizing political support, testing pilot program, and focusing on implementation.

III. Enhancing the Voice and Participation of Developing Countries in IFIs

Full participation by developing countries is imperative for establishing a fair and just international economic order. Increased participation of developing countries in decision-making is a prerequisite for the Bank and Fund – as an important component of the global economic governance - to fulfill their mandate of economic development and poverty reduction. To enhance the voice of developing countries, it is critical to increase their voting power. We support the efforts of this Development Committee to work continuously on this issue. We urge the two institutions to come up with feasible options to enhance the representation of the developing countries.