Statement by

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Mr. Zhu Guangyao, Vice Minister of Finance
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How Resilient Have Developing Countries Been During the Global Crisis?

The 2008 global financial crisis is the most serious one since World War II, and has severely affected developing countries. Thanks to the counter-cyclical economic policies including proactive fiscal policy and accommodating monetary policy, developing economies have gradually stabilized and have been growing. Major developing economies including China have been recovering and growing rapidly, which reinforces the global confidence for recovery and generate strong momentum for the global economy. However, the root causes of the global financial crisis still exist; global economy has not yet embarked on virtuous cycle for sustainable growth. Systemic and structural risks are still relatively pronouncing, and the external environment for developing countries is still precarious.

We appreciate the World Bank’s work in mobilizing more than 100 billion USD for developing countries in fighting against the crisis, and we fully commend the Bank’s role in protecting poor people and consolidating the global recovery foundation. Meanwhile, we should keep in mind that although developing countries are to some extent resilient in the crisis, their economic fundamentals are still weak and their capacities need further strengthening. The poorest countries still need substantial amount of external financial resources in order to achieve poverty reduction and sustainable development targets over a long period of time. As the largest development assistance institution in the world, the World Bank should carefully analyze the evolving global economic structure, take stocks of the lessons learned from the crisis, deepen the research on how to prevent future crisis, explore innovative development approaches and provide support for it, help developing countries to enhance their capacities for self-development, enhance the endogenous driving force of economic growth, and generate long-term benefits for the people in developing countries.

Delivering on Results and Improving Lives: IDA

While some progress has been made towards achieving the MDGs, that progress has been still uneven among regions and sectors. The next five years will be crucial for the attainment of the MDGs. With a greater sense of urgency and responsibility, the international community, including the World Bank, must scale up its support to developing countries. IDA is the largest single source of multilateral concessional resource for low-income countries in the world. The successful conclusion of IDA-16 Replenishment in due time is, therefore, essential not only to help LICs get out of the plight of hunger, disease and poverty, but also to reduce poverty and achieve development across the globe. It will also be critical for the World Bank to play a key role in international cooperation on development.

We call on developed countries to heighten their political will and take concrete actions to honor their commitments to ODA, thereby ensuring a substantial increase of funding to IDA-16. Developing countries, on the other hand, may supplement IDA-16 funding according to their own capacity and on a voluntary basis. We encourage the World Bank to implement measures to assess development
effectiveness for the recipient countries, while enhancing the monitoring mechanism to ensure donor’s fulfillment of ODA commitments.

The Chinese Government appreciates the support and assistance provided by IDA in the past. As a developing country with a large population, China has on its shoulders an arduous task of handling its own domestic poverty reduction. Nevertheless, China is willing to provide support, within its capacity, to IDA funding and thus contributing to global poverty reduction and development endeavors.

World Bank Group Reforms: An Update

At the Spring Meeting in April 2010, we endorsed a package of reform agenda, including the World Bank Group’s post-crisis directions, voice reform, general capital increase and internal reform, which have laid a solid foundation for the World Bank Group’s future work in helping developing countries to meet the challenges of the 21st century.

Taking this opportunity, we would like to make the following 3 suggestions.

Firstly, we call for a timely implementation of the voice reform and general capital increase proposals, which will provide the building blocks for achieving equitable voting power over time between developing countries and developed countries, and for ensuring the World Bank’s financial capability to better accomplish its development and poverty reduction mandates in post-crisis period.

Secondly, the World Bank should emphasize the real needs of developing countries as the starting point of its work. In this connection, the World Bank should lower the cost of its lendings, improve its products, advance its innovative partnership with clients, and enhance business flexibility and adaptability. The ultimate criterion for assessing its development effectiveness should be judged by the World Bank’s contribution to clients’ social and economic development and improved people’s welfare.

Lastly, we urge the World Bank to further advance its internal reform, particularly emphasizing human resource reform as a vital channel to enhance the management representation and staff diversification of developing and transition countries.