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(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)



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Statement by

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Statement at the 72nd Meeting of the Development Committee
By Jin Renqing, Minister of Finance, PRC
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Mr. Chairman, Governors, Ladies and Gentlemen,

Good Morning,

We welcome the discussion by the Development Committee on the issues closely related to the attainment of the MDGs by developing countries, African countries in particular, namely *Strengthening the Development Partnership for Achieving the MDGs: An Africa Action Plan (AAP)*, *Debt Relief for HIPC*s, and *Doha Development Agenda--Aid for Trade*. I would like to take this opportunity to share with you some of my observations on these issues.

1. Strengthening the Development Partnership for Achieving the MDGs: An Africa Action Plan (AAP)

Reducing poverty and promoting development in Africa are of extreme importance to achieve the MDGs globally. During the past 20 years, the number of poor people in Africa doubled with many social indicators far behind the MDGs. Nevertheless, we should note that African leaders are committed to poverty reduction and economic growth by pressing ahead with structural reform and governance improvement. At present, the economic and social indicators of many African countries have turned around with growing economic recovery and enhanced institutional capacity. It is therefore imperative for the international community to grasp this prime opportunity to help the African countries achieve the MDGs at a faster speed.

It is our view that prompt and sufficient development assistance by the international community is critical to achieving the MDGs in Africa. We therefore welcome the G8's commitment to doubling its aid to Africa, from around \$25 billion in 2004 to \$50 billion in 2010, and expanding debt relief for the HIPC's. Despite the increasing commitment by the international community to assistance from Monterrey to Gleneagles, more actions are still needed to materialize the pledges, to which the World Bank and other IFIs should continue to give a big push.

We appreciate the AAP, which emphasizes on supporting the economic growth in African countries. Two issues ought to be addressed in this regard, namely infrastructure development and advantageous industry nurturing. Strengthening infrastructure will build primary foundation for and alleviate "bottleneck" of economic growth, while cultivating advantageous industries is the driver of economic development, and has a positive bearing on long-term competitiveness. It has been calculated that Africa needs at least US\$20 billion of investment in its infrastructure every year to maintain the 7% growth rate needed for achieving the MDGs. Apparently the pledged financing in the AAP is far less than being adequate. A large amount of additional financial resources are needed for developing infrastructure and nurturing advantageous industries.

Economic growth is the physical prerequisite for poverty reduction. Various growth modalities will bring about different social and economic consequences. We advocate fair, coordinated and universally-beneficial growth. A balanced and coordinated development strategy should be adopted to gradually build an equitable distribution system, protect the vulnerable groups, allow all the population benefit from growth, and continuously lift up people's living standards, while keeping sustained economic growth.

We believe that the capacity building of public governance is a key factor to Africa's economic development. The international community has the responsibility to help African countries gradually build and improve their governance in accordance with their own national conditions. Given that the political, economic and cultural backgrounds as well as the development stages of countries are different, the specific approaches and means to public governance would be various. As for the World Bank, improving governance should be a country-led and long-term process, where no size fits all feet. We believe that strengthening governance is an integral part of a country's overall development process. It can neither be separated from economic development, nor be treated in an artificial sequence of development following governance. It is only in the process of social and economic development, will a country be able to improve its governance. Therefore, the Bank's assistance in helping economic development and enhancing management skills of the developing countries is a substantial contribution to their governance improvement.

Development experience also shows that country-ownership is the foundation of aid effectiveness. Country-owned and country-led poverty reduction strategies should be the guidance in the Bank activities. The Bank's country assistance strategies should always be in close alignment with the countries' own development priorities. Based on this consensus, the Bank should encourage other donors to get familiar with the recipients' circumstances, make use of the country systems and give support to the country strategies.

2. Debt Relief for HIPCs

The G8 Finance Minister's new debt relief initiative presents a very good opportunity for the HIPC, particularly for those in Africa, to achieve the MDGs. We therefore welcome the proposal.

What is critical for the materialization of the G8's initiative is that the donors should provide additional resources to fully compensate the foregone debts by IDA and AfDF. We urge the donors to reach agreements on cost sharing at the earliest date. In the meantime, we hold that maintaining financial integrity and sustainable operation of IDA is not only the important prerequisite for low-income countries to continue receiving support from IDA after the debt relief, but also a guarantee to their long-term interests. Therefore, we are not in favor of any IDA Article amendment to the provision of prohibiting debt exemption.

We support the African countries to follow their own way of development and oppose to any conditionality attached to the new debt relief program, for the sake of African independent growth and the fulfillment of the MDGs.

3. Doha Development Agenda--Aid for Trade

Trade is essential for development. Both economic theories and history have demonstrated the key role of trade in boosting growth. Developing countries in particular can have a leap-frog growth by combining advanced technologies and management skills embedded in trade flows with their comparative advantages. In recent years, national economies have been increasingly integrated into the global market, with trade playing the most crucial role in this inter-relationship. However, the irrational international trade system and various kinds of trade barriers have prevented developing countries from reaping the economic fruits and giving full play to their comparative advantages. The poor ability of market access has also hindered their development.

The Doha Round of trade negotiation should be an opportunity to promote equitable and fair trade, so that it can be a real Development Round and lay a solid foundation for the MDGs. Therefore, the developed countries should exert their utmost efforts to ensure the success of the Doha Round negotiation, and make sure that the results of the Doha Round can be integrated with their commitment to the MDGs. The developed countries should expand market access, especially for the developing countries in agriculture and labor-intensive industries, abolish agricultural subsidies and establish a fair and equitable international trade system, so as to facilitate the economic development of developing countries, the low-income countries in particular, and achieve the MDGs.

The Doha Development Round should take into full consideration the difficulties of developing countries in trade liberalization. The developed countries should provide the developing ones with more effective special and differential treatments (SDTs), distinguish the SDTs from trade protectionism aiming at protecting the sunset industries and help developing countries nurture advantageous industries with long term competitiveness.

Increasing aid for trade is an integral part to help the Least Developed Countries (LDCs) enter the global market. The IFIs should strengthen cooperation, expand the size of the trust fund under the Integrated Framework (IF), and create a long-term and stable source of funding. We suggest other low-income countries also be included in the IF to enhance the effect of aid for trade. The Bank and Fund should actively coordinate with the developed countries to contribute adequate financing and strengthen cooperation with regional development institutions in this regard.

To attain the MDGs, developing countries need to formulate country-owned development strategies, advance reforms and create a sound domestic environment for sustained and stable economic growth. It is equally important for the international community to reach consensus and provide support in terms of development aid, debt relief and open trade system. Five years have elapsed since the MDGs were first initiated in 2000. The international community has reached a series of consensus on achieving the MDGs and developed countries have made political commitments to financial resources and debt relief. Nevertheless, we believe that opening market to all the developing countries is crucial and will become one of the most effective measures to achieve the MDGs.

We look forward to a successful conclusion of the Doha Round negotiation and hope the WTO ministerial meeting in Hong Kong in December will bring the desired outcome for developing countries and the international community as a whole.

China is a medium-and-low-income developing country, facing a multitude of difficulties and challenges on the road to development. Nevertheless, we will do our utmost efforts to support and assist other developing countries in speeding up their development. China has extended preferential tariff treatment to over 30 LDCs, while writing off or forgiving debts owed by some countries. At China's initiative, such cooperation mechanisms as the Forum on China-Africa Cooperation and the China-Arab Cooperation Forum were established. China has also made contributions to the China Regional Cooperation and Poverty Reduction Fund within the Asian Development Bank. Last May the China International Poverty Reduction Center, an organization devoted to poverty eradication across the world, was formally launched in Beijing. In order to increase assistance to other developing countries, President Hu Jintao announced a series of measures at the UN High-Level Panel on Financing for Development on September 14.

First, China has decided to accord zero tariff treatment to certain products from all the 39 LDCs having diplomatic relations with China, covering most of the China-bound exports from these countries.

Second, China will further expand its aid programs to the HIPCs and LDCs and, working through bilateral channels, write off or forgive in other ways, within the next two years, all the overdue parts as of the end of 2004 of the interest-free and low-interest governmental loans owed by HIPCs having diplomatic relations with China.

Third, within the next three years, China will provide US\$10 billion in concessional loans and preferential export buyer's credit to developing countries to improve their infrastructure and promote cooperation between enterprises on both sides.

Fourth, China will, in the next three years, increase its assistance to developing countries, African countries in particular, by providing them with anti-malaria drugs and other medicines, helping them set up and improve medical facilities and training medical staff. Specific programs will be implemented through such mechanism as the Forum on China-Africa Cooperation as well as bilateral channels.

Fifth, China will help train 30,000 personnel of various professions for developing countries within next three years so as to help relevant countries to speed up their human resources development.

China's development is closely bound up with the development of the whole world, and China is ready to work with all other countries to make the 21st century truly "the century of development for all".

Thank you!