



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



SIXTY-SIXTH MEETING
WASHINGTON D.C. – SEPTEMBER 28, 2002

DC/S/2002-0049

September 28, 2002

Statement by

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The theme of this meeting can be characterized by two words, i.e. “ACTION” and “RESULT”. I would like to make my observations in the context of these two words.

1. Monterrey Consensus

Our objective has become much more distinctive since the Monterrey Conference and the Johannesburg Summit. What we need now is action, rather than slogans. The developed countries should build on this momentum and take immediate actions to realize their commitment, increase official development assistance (ODA), open up the market and reduce/exempt the debt of the least developed countries (LDCs).

We appreciate the efforts of the Bank and the Fund in this regard. We support the Bank, under the framework of Monterrey Consensus, to place the Millennium Development Goals (MDGs) on the high agenda as the direction for future efforts. At the same time, we also hope that the two institutions will further strengthen their cooperation and coordination with relevant agencies of the United Nations and make full use of their respective comparative advantages, and thus provide more effective assistance to the developing members, including, among others, urging the developed countries to open up their domestic markets and helping the developing countries improve their trade capacities .

Another major approach to improve the assistance effectiveness is to enhance the cooperation and coordination between the multilateral institutions and the bilateral donor countries. The two institutions are expected to make future endeavors to assist the developing countries in mobilizing more concessional bilateral aid.

Development effectiveness and scale-up

We hold the opinion that development ownership is the premise for achieving development result. Countries differ from each other, such as with the development priorities and strategies. Whether or not a country could formulate its own development strategies in line with the local conditions will determine its ultimate development result. In order to achieve favorable results, the recipient countries should be entitled to choose and establish rational and feasible objective, which should harmonize with the clients’ actual situations of the reform and development and with their project implementation capacity. There is no doubt that, when setting out a country’s development strategy, valuable experience should be adopted from other countries.

We welcome the Bank’s case studies in Education for all (EFA), prevention and treatment of HIV/Aids and other communicable diseases and rural community water supply. Education, public health and water supply are closely-related issues, the resolutions of which will directly affect a country’s poverty reduction and sustainable development. We have learned from these studies that to address these three issues is a heavy task and requires prolonged efforts. However, so long as continued efforts are being made regarding these issues, we can eventually reached these targets. While the

recipient countries' own efforts are indispensable in achieving these goals, the assistance from the international community is equally critical.

For a relatively low-income developing country like China, with a large population and vast land, the challenge to address the above-mentioned three issues is obvious. These objectives can only be achieved through sustained economic growth, continued increase of inputs, and the joint efforts of the whole society, including the promotion of international cooperation. To maximize the development effectiveness, the approach should be tailored in light of the local conditions in different regions.

The recipient countries, multilateral institutions and donor countries should further consolidate relevant experience and explore ways and measures for better and broader development results.

Measuring, monitoring and managing for development result

We, too, believe that there should be better measuring, monitoring and managing for development results, and that the development strategy should be based on results. The key issue is how to measure the results and how to make sure that it will not become another layer of unnecessary conditionalities. A proper approach to measuring, monitoring and managing for results will play a guidance role in the formulation of future policies, and any mishandling of this approach would be counter-productive to the improvement of development effectiveness.

Firstly, we stress that “*practice is the sole standard for measuring the truth*”. To measure the effectiveness of development strategy and development projects, attentions should be paid to measuring whether people's living has been improved and whether social harmony and stability been fostered. Equal considerations should be given to the financial benefit as well as the economic and social benefit. The achievement of development goals is relatively a long-term process. One cannot expect to reach the target only through the implementation of one or two projects.

Secondly, the people in the developing countries are the final judges of the development results. The recipient country should play a leading role in the project implementation and result-based measurement, with the participation of all the related parties. Development agencies could assist the clients in capacity building for project monitoring and evaluation and for defining measurement indicators.

Thirdly, when measuring development effectiveness, adequate consideration should be given to various external and contingency factors so as to ensure its objectivity and fairness.

We encourage the two institutions to provide the clients with more capacity-building support, help improve their capacity in data collection, processing, analysis and utilization, and thus enhance their overall project management capacity.

2. Heavily Indebted Poorest Countries (HIPC) Initiative

Chinese Government supports as always the HIPC initiative. We appreciate the efforts made by the two institutions. We are happy to see that 26 HIPC countries have reached the decision point and the actual debt relief commitment stands at US\$26 billion. We have noted with regret, however, that only 6 countries have reached their completion points. We therefore hope the two institutions and the international community will continue their efforts so that more countries could benefit from this Initiative.

Meanwhile, we are also concerned with the adverse impact upon HIPC countries by the global economic slowdown, commodity prices decline and regional conflict. We endorse the extension of the “**sunset clause**” until end-2004, so that more countries could have opportunities to reach the decision point.

3. Poverty Reduction Strategy Paper (PSRP)

Since the approval of PRSP approach in December 1999 by the two institutions, 18 countries have completed their full-PRSPs and 45 countries finished their interim ones, which has laid a foundation for obtaining prompt assistance from the international community.

We noted that the preparation and implementation of PRSP has, to a large extent, been constrained by the weak institutional capacity in the low-income countries. And in this connection, we call on the donor community to provide more effective and more-in-quantity technical assistance, improve the institutional capacity of the low-income countries, hence making PRSP a real client-led process with the full participation of all stakeholders.

The success of the low-income countries' poverty reduction mainly depends on their own effort. Nevertheless, the donor countries also have their due responsibility and obligation. We urge the donor countries to increase their assistance in accordance with the PRSP, coordinate their policies and procedures, minimize project cost, open up their domestic market and create a favorable external environment for poverty reduction of the low-income countries.

4. Anti-Money Laundering and Combating Financing of Terrorist (AML/CFT)

The Chinese Government resolutely supports and implements the UN Security Council's Resolution relating to AML/CFT. China has signed the International Convention for Suppression of Financing for Terrorist, set up the specific unit for AML/CFT and formulated relevant laws and regulations. China has also actively participated in the international cooperation in AML/CFT and would like to work with the Financial Action Task Force on Money Laundering (FATF). We call for an increased representation of developing countries in FATF so as to enhance the rationality and authoritativeness of its proposals.

We are of the view that AML/CFT work should be led by the United Nations, and that the Resolution should be implemented by national governments. The Bank and the Fund should make use of its own comparative advantage to conduct relevant undertakings within their respective mandates. We support the two institutions to provide more technical assistance, including training, to the members for the purpose of improving their institutional capacity. However, this should not pose an additional conditionality for lending programs.

5. Harmonization of Operational Policies, Procedures and Practices

We appreciate the efforts made by the Bank and all the other development agencies since the Spring Meeting in respect of harmonization of operational policies, procedures and practices. In the next phase of harmonization work, the role of the recipient countries should get into full play, and attentions should also be paid to the coordination and consultation between the donors and the clients, so as to achieve the anticipated targets and results.

The harmonization of policies and procedures at the country level should be carried out on the basis of the results from pilot programs, taking into full account the country-specific situations. The key to the success of the next phase lies in streamlining policies and procedures, reducing duplicative and cross conditionalities, minimizing project implementation cost and focusing on results.