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Statement by the Hon. **GONGSHENG PAN,**
Governor of the Fund for the **PEOPLE'S REPUBLIC OF CHINA**

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I. Global Economic and Financial Developments

Several trends in the global economy merit close attention. **First, the momentum of global growth remains weak.** A number of advanced economies are still in the midst of a weak recovery, while the growth of emerging Asia is relatively strong.

Second, the disinflation process has been slower than expected. Inflation in the major advanced economies has fallen at a marginally slower pace since the beginning of the year. Major advanced economies have started to cut interest rates, but their future paths of monetary policy remain highly uncertain.

Third, geopolitical uncertainty remains elevated. 2024 is an election year, with more than 70 countries and regions, including major economies, holding general elections. Potential policy shifts by newly-elected governments may create uncertainty for global trade and investment growth.

Fourth, the risks to the financial system cannot be ignored. Currently, central banks in major economies are still keeping their policy rates elevated, which may further expose the vulnerability of commercial real estate developers as well as small- and medium-sized banks. Uncertain path of monetary policy may add to the risk of volatile global capital flows.

In the face of profound changes in the international environment and multiple challenges to economic development, countries should enhance cooperation to jointly promote global economic and financial stability. First, we should strengthen macroeconomic policy coordination, ensure the safety of international economic and financial system, and foster greater synergies for global economic growth. **Second**, we should promote inclusive economic globalization, support the multilateral trading system, and uphold genuine multilateralism. **Third**, we should strengthen international exchanges and cooperation in science and technology, and better harness technological advancements for the benefits of mankind. **Fourth**, we should enhance cooperation on green development, uphold the principle of common but differentiated responsibilities, and address global climate change together.

II. Economic and Financial Developments in China

Since the beginning of the year, China has strengthened its macroeconomic adjustments, with a focus on deepening reform and opening-up, expanding domestic demand, and optimizing economic structure. The overall economic performance has remained stable with progress. New quality productive forces have grown steadily, the effort to forestall and defuse risks in key areas has made progress, and high-quality development has been advanced firmly. In the first three quarters, China's GDP grew by 4.8 percent year-on-year, laying a solid foundation for meeting this year's growth target of around 5 percent. The CPI rose by 0.3 percent year-on-year in the first three quarters, with a 0.5 percent increase in the third quarter, pointing to a moderate recovery in price levels.

The fundamentals of China's economy, as well as its advantages such as the vast market, strong economic resilience and great potential, remain unchanged. China will effectively implement existing policies, introduce additional policies, and ensure that the policies are more targeted and effective, to achieve its economic and social development goals for the year. The continued stable and positive development of the Chinese economy with an increasingly optimized structure will also provide a strong impetus to the global recovery and sustainable development.

On monetary policy, China has implemented accommodative monetary policy that is flexible, appropriate, precise, and effective. It has strengthened counter-cyclical adjustments and cut interest rates aggressively, creating favorable monetary and financial conditions for economic and social development. In September, the PBOC further unveiled a package of policy measures, including lowering the reserve requirement ratio and policy rates, reducing the interest rates on existing mortgages and unifying the minimum down payment ratios for mortgages, and creating new monetary policy tools to support the stable development of capital market. These measures increased the intensity of monetary policy adjustments and supported the stable growth of the real economy.

On financial stability, China's financial system remains stable and sound, and financial institutions are generally healthy and resilient. Risks related to the real estate market have been gradually addressed and mitigated, and the impact on the financial sector is under control. China's government debt level is in the lower-middle range globally, and policies to resolve local government debt risks are taking effect. The main operational and regulatory indicators of financial institutions in banking, insurance, and securities sectors are all within reasonable ranges.

On fiscal policy, China has implemented proactive fiscal policy and strengthened counter-cyclical adjustments. We have guaranteed necessary fiscal expenditures, improved policy quality and effectiveness, and provided essential support for the high-quality economic and social development. In the first half of this year, China's fiscal operations remained generally stable. We further strengthened counter-cyclical and intertemporal adjustments. By setting sound targets for deficit and local government bond issuance, China has guaranteed necessary fiscal spending. At the same time, RMB1 trillion of ultra-long special treasury bonds were issued. This is not included in the deficit, and will be used for key national strategies and enhance capacities to ensure security in key areas.

On the economic developments in the Hong Kong Special Administrative Region (SAR) and the Macao SAR, the Hong Kong SAR's real GDP grew by 3.3 percent year-on-year in the second quarter of 2024. Exports of goods grew strongly and investment expenditure continued to rise. The Macao SAR's real GDP grew by 15.7 percent year-on-year in the first half of the year. Exports of services are expected to rise further, and the economy is projected to maintain steady growth in 2024.

III. About the Work of the World Bank Group (WBG) and the IMF

China highly appreciates the efforts made by the WBG and the IMF to support their members, especially the developing and low-income countries, in promoting their growth and stability, containing inflation, and addressing climate change challenges. China also commends them for their efforts in promoting global multilateral cooperation, safeguarding international financial system and multilateral trading system, and reducing the negative impact of economic and financial fragmentation.

It is imperative to continue efforts to align quota shares in order to enhance the IMF's legitimacy, effectiveness, and representation. The 16th General Review of Quotas (GRQ) was concluded with an equiproportional quota increase for all member countries, which ensures that the IMF remains a quota-based institution. China calls on all parties to complete their domestic procedures as soon as possible so that the quota increase can be achieved promptly. However, the current quota shares of IMF members still cannot reflect their relative weights in the global economy. The IMF should accelerate the preparation for the 17th GRQ, including starting without delay the discussions about a new quota formula, so as to honor its solemn commitment to establishing an overall arrangement to guide the realignment of quota shares by June 2025. The preparatory work for the 17th GRQ does not have to wait for the entry-into-force of the resolution on the 16th GRQ.

The IMF should ensure fairness in treating its members. Fairness is the cornerstone of member's trust in the IMF and is also key to consolidating its central role in the global financial safety net. The IMF should continue to advance its governance reforms and respond equitably to the demands of all members. Achieving a meaningful realignment of quota shares as soon as possible is also crucial to ensure fair treatment of its members.

China welcomes the IMF's addition of a third Executive Director chair for Sub-Saharan African countries. This is an important step in improving the IMF's governance and enhancing the representation of emerging market economies and low-income countries. However, in order to fundamentally address the IMF's representation and governance issues, the key is still to carry out a meaningful quota share realignment.

China welcomes the IMF's Review of Charges and the Surcharge Policy and the related reforms. The adjustment of charges and surcharge policy will help strike a better balance between reducing the cost of borrowing and safeguarding the IMF's own financial sustainability. It will further enhance the IMF's capacity to provide financial support to its members.

China also supports the IMF's efforts to reform the interest rate structure of the Poverty Reduction and Growth Trust (PRGT). The PRGT is one of the IMF's main lending facilities to support low-income member countries. The reform will improve the financial sustainability of the PRGT and ensure its long-term capacity to support its low-income members.

China commends the progress achieved by the World Bank Group (WBG) in the Evolution Roadmap. China supports the WBG's efforts to implement reforms in line with the principles of client-country led, demand-driven and result-oriented. China encourages the WBG to enhance its country engagement model and develop a strategy to help middle-income countries (MICs). China commends the WBG for implementing the new Corporate Scorecard. China welcomes the development of the six Global Challenge Programs (GCPs) and encourages that the WBG strengthen consultation with client countries. China welcomes the WBG to further streamline the project approval process and create a Grant Facility for Project Preparation (GFPP) Trust Fund.

China urges the WBG to promptly mobilize adequate resources for new financial instruments, including Hybrid Capital, the Portfolio Guarantee Platform and Livable Planet Fund, to facilitate the implementation of the International Bank for Reconstruction and Development (IBRD) Framework for Financial Incentives (FFI). China welcomes the IBRD to reduce the loan spread to reduce borrowing costs.

China supports the WBG's efforts of reinforcing its role as a knowledge bank. China looks forward to strengthening knowledge partnership with the WBG and fostering two-way exchange of knowledge and experiences. China commends the WBG for implementing the One-WBG approach. China encourages the International Finance Corporation (IFC) to evolve its strategy.

China welcomes the establishment of the WBG Guarantee Platform to expand use of guarantees to facilitate international investment and trade. China encourages the WBG to expand its global network of partnership, strengthen cooperation with new institutions including the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB), and better synergize with international development initiatives including the Global Development Initiative (GDI) and the Belt and Road Initiative (BRI).

China has always been supporting low-income countries (LICs) development with concrete actions, and became the sixth largest donor to the International Development Association (IDA) Twenties Replenishment (IDA20) as well as the largest donor among developing countries. China stands ready to support a successful IDA21 within its capacity. China encourages IDA to: Firstly, help LICs to achieve rapid economic growth. IDA should prioritize jobs and economic transition, strengthen infrastructure development, and explore the potentials of digital economy. Secondly, keep pace with the WBG evolution to streamline operational process, improve operational efficiency, and scale up financing. China supports IDA's efforts to further explore new financial measures while maintaining its AAA credit rating. Third, expand global partnerships. China welcomes the alignment of IDA with development initiatives and programs, including the BRI, GDI and Ten Partnership Actions between China and Africa, to strengthen complementarity and resource-sharing, thereby creating synergy in supporting IDA countries.

No matter how the world changes, China always supports the multilateralism spirit of the Bretton Woods system guided by the principle of cooperation. China also supports the important role of WBG in the global economic architecture. The current shareholding structure of the WBG is misaligned with the evolving global economic landscape and contributions of emerging market countries, which is a factor the WBG needs to consider for fulfilling its potential role more effectively. China calls on the WBG to uphold multilateralism, enhance the voice and representation of developing countries, and better leverage the role of developing countries. China acknowledges the ongoing technical preparations for the 2025 shareholding review, welcomes the determination of the shareholding benchmark for the IFC review, and looks forward to substantive progress in shareholding realignment in line with the Lima Principles after the timely launch and conclusion of the review for both the IBRD and IFC.

China has played an active role in addressing global debt distress. China has actively implemented the G20 Common Framework and made significant contribution to the debt restructurings of Zambia, Chad, Ethiopia, and Ghana. Beyond the Common Framework, China has also contributed to the debt treatment of Sri Lanka, Suriname, and Malawi. China also actively participates in the Global Sovereign Debt Roundtable (GSDR) and works with relevant parties to enhance mutual understanding on key debt issues.

In order to address debt problems in a timely manner, it is important to uphold the principle of "joint action with fair burden sharing". Private creditors should participate in debt resolution on a comparable basis in a timely manner. We support the IMF as it explores ways to assess and implement comparable treatments. Multilateral Development Banks (MDBs) should also play a crucial role in debt restructurings, in particular by providing sufficient grants and making substantial contribution to debt relief efforts. We call on the IMF to accelerate its lending support to members in need of debt restructurings, and encourage it to share as early as possible its macroeconomic forecasts and Debt Sustainability Analysis (DSA). As the IMF and the WBG are currently reviewing their low-income country debt sustainability framework (LICs-DSF), we call on their staff to listen to emerging creditors and debtors and come up with plans for improving analytical approaches to reflect new features and new changes in the international sovereign debt landscape. We also call on borrowers, MDBs and private creditors to act collectively on a case-by-case basis to address potential liquidity challenges.

On the 80th anniversary of the Bretton Woods system, economic globalization is facing unprecedented challenges. As key global multilateral financial institutions, the WBG and the IMF should faithfully support the genuine multilateralism, call for the removal of arbitrary barriers to free flows of trade, investment and technology, oppose deglobalization and abuse of security concept, and prevent global economic fragmentation. We encourage the WBG and the IMF to pay more attention to the voice of emerging markets and developing countries, and to promote fair and just global governance.