China

Hunan Fiscal Sustainability Development Policy Financing
and
Chongqing-Dadukou District Fiscal Sustainability Development Policy Financing

January 10, 2017

Chair Summary*

The Executive Directors approved two loans to the People’s Republic of China in the amount of US$ 200 million each for Hunan Province and Chongqing-Dadukou District Development Policy Financing (DPF) Operations on the terms and conditions set out in the President’s Memorandum. The United States Executive Director abstained for legislatively mandated reasons.

Directors expressed broad support for these two operations, which represent the first World Bank development policy financing ever requested by China. They recognized the importance of current budget reforms in China that aim to strengthen the sustainability, efficiency and transparency of subnational public finance; to improve management of subnational debt; and contribute to macroeconomic stability in China. Directors were pleased that the World Bank’s engagement at the subnational level is pioneering approaches to reform implementation, and they underscored the importance of giving attention to fiscal sustainability and inclusive growth. Directors expressed appreciation for the contribution of these pilot projects to the budget reform process in China.

Directors considered the rationale for choosing a single tranche DPF instrument for each of these operations, and noted the significance of collaboration across the government. They stressed the importance of building local capacity to ensure sustainable implementation and continued attention to the long term needs of Hunan Province and Chongqing-Dadukou District (the beneficiaries). They encouraged policy dialogue with China’s central Government on how the experience of these operations can be leveraged for further progress in budget reform and the potential for scaling up. Directors commended the Chinese authorities for the proactive measures they have taken in addressing subnational government debt, and encouraged the government to continue with effective collaboration, coordination and monitoring of implementation.

Finally, Directors encouraged Management to assess the effectiveness of these two operations in detail. They emphasized the importance of capturing knowledge from the operations and sharing lessons across the World Bank Group and its member states.

*This summary is not an approved record.