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Concluding Remarks by **HORST KÖHLER**,
Chairman of the Executive Board and
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Mr. Chairman, Governors, ladies and gentlemen, I would like to express again my thanks on behalf of the IMF to President Havel, the government of the Czech Republic, to Mr. Hrubý, Mr. Vodička and whole Planning Team, the Police President Mr. Kolář, and to the Mayor, and citizens of Prague. Thank you for the extraordinary efficiency and hospitality you have demonstrated, in spite of the sad events outside, as hosts for these Millennium Annual Meetings. I deplore the injuries, particularly of policemen, and plan with Jim Wolfensohn to visit a number of them this evening.

For me, these have been very productive meetings—not just in the formal sessions, but in many personal encounters and discussions with constituencies within the IMF. The theme that has resonated in these meeting is clearly the need to make globalization work for the benefit of all. In this context, I would like to thank President Havel for reminding us, in his opening address, of the broader context of international economic policy and the need for ethical and spiritual dimensions. The President stressed that it is a dangerous mistake to view humanity as permanently divided into rich and poor. We need to act together in partnership and solidarity, mindful of our common humanity.

This principle is at the heart of my vision of the future role of the IMF. If I may use your words, Mr. Chairman, the institutions that provide the anchor to the global economic system have a responsibility to ensure that globalization translates into a better life for all. We must help our member countries take advantage of the opportunities of the global economy while finding better ways to contain the risks, so that they can achieve sustained growth and reduce poverty. Jim Wolfensohn and I have emphasized that these are objectives toward which the IMF and World Bank will work together, as partners to our members and to one another.

I have been heartened by Governors' overwhelming support for the vision of the future of the IMF outlined in my opening statement. I felt that you shared the view:

- that the IMF should strive to promote non-inflationary economic growth that benefits all people of the world;
- that it should play a central role in safeguarding the stability of the international financial system;
- that it should further focus its activities on macroeconomic stability, working in a complementary fashion with other international institutions; and

- that it should be an open institution, learning from experience and dialogue, and adapting continuously to changing circumstances.

Mr. Chairman, Governors, ladies and gentlemen, we all came to Prague for wide-ranging deliberations on crucial problems facing the global economy. Unfortunately, these days were marred by the violent and destructive behavior of a few, who are not interested in dialogue and democratic processes. I am deeply saddened that the people of this beautiful city have suffered damage and even injury. The authorities have shown admirable composure and restraint under the circumstances. And thanks to their efforts, our meetings have continued. They demonstrated the strongest support of the membership for the mandate and work of the IMF.

In the multilateral surveillance discussion at the International Monetary and Financial Committee (IMFC) last weekend, we examined the risks to the sustainability of the current global economic expansion, particularly the imbalances among the economies and currencies of the largest industrial countries and the situation in world oil markets. There was a common understanding that the current level of world oil prices is not in the interest of either oil-consuming countries or of oil producers. High oil prices are particularly harmful for the poorest countries. There was also broad interest in a producer-consumer dialogue aimed at promoting greater stability in oil markets. I would agree with Gordon Brown, the Chairman of the IMFC, who described this as the IMF at its best—a cooperative institution bringing together oil producers and consumers, developed and developing countries, rich and poor. On the whole, Governors expressed confidence in a further positive outlook for the world economy.

Governors also agreed on the need for more ambitious reform in the industrial countries. In that context, they welcomed the recent commitment to deepen structural reform in Europe, as well as the actions by the ECB and other major central banks to support the euro.

I think we can all agree that the mandate of the IMF demands that the Fund speak up not only on exchange rate issues, but on trade issues as well. These are of importance for the global economy. The discussions at these meetings have underscored the urgency of providing developing countries with greater access to markets in developed countries, as a key element in the fight against poverty. Jim Wolfensohn and I have asked our staffs to explore ways in which our two institutions can help to move this forward.

It was the clear sense of these meetings that our architecture initiatives have already helped to make the international financial system stronger. But it is also clear that we cannot stop here. We must do more to put crisis prevention at the heart of Fund surveillance. You have noted that the IMF must help its members to build up data systems, identify sources of vulnerability, and strengthen their domestic financial systems. Many Governors have stressed the important role of regional surveillance initiatives. You have called for further efforts to safeguard the stability of the international financial system, which requires a deeper understanding of the dynamics of international capital markets and constructive engagement

of private capital market participants. In this context, Governors have welcomed my initiative to establish a Capital Markets Consultative Group.

But many of you also noted the importance of tailoring the implementation of these initiatives to the particular circumstances of individual member countries and the stage of development of their financial markets, as well as the need for expanded and better coordinated technical assistance. And you have also underscored the importance of widespread consultation in the design of these initiatives.

The recently concluded review of the IMF's financing facilities has helped to sharpen our tools for temporary assistance to members, crisis prevention, and crisis resolution. It is clear that members recognize the need to preserve the revolving character of Fund resources and thus, the need for conditionality. Governors, I am gratified that you have also encouraged our efforts to streamline and focus the conditionality of the IMF, in order to enhance program ownership. I trust that ownership is promoted when the Fund's conditionality focuses predominantly on the measures that really matter most for the achievement of macroeconomic stability and growth. In applying this approach, the IMF will need to work closely with other institutions, particularly the World Bank. Finally, you have welcomed the progress that the IMF has made in developing a framework for involvement of the private sector in crisis prevention and resolution, and encouraged us to continue refining that framework and making it operational.

Mr. Chairman, the membership wants the IMF to stay strongly engaged with its poorest member countries. We will do so, and we will continue working closely with the World Bank to implement the participatory Poverty Reduction Strategy approach. I took note of the importance that you attach to this approach as a way to ensure broad input in the design of poverty reduction strategies—including by those who know the most about poverty, the poor themselves—but also of the burdens that this approach is placing on administrative capacities. It is clear that the Fund, Bank, and donors need to mobilize additional technical assistance to build institutional capacities for this purpose. And it is clear that the industrial countries must provide a much more appropriate level of official development assistance.

Governors, in reviewing the progress in implementing the enhanced Heavily Indebted Poor Countries (HIPC) Initiative, you have grappled with the complexity of balancing our desire for maximum speed with the need to ensure that debt relief contributes effectively to poverty reduction. I can assure you that—consistent with this goal—Jim Wolfensohn and I will be doing our utmost to ensure that debt relief is provided to as many countries as possible, as rapidly as possible under the HIPC Initiative. I took note of the statements of many Governors, calling for deeper debt relief. But it is also clear that difficulties remain with the financing of the existing enhanced HIPC Initiative, and that we need to focus on securing additional contributions so that no deserving country is refused assistance as a result of lack of funding for the multilateral institutions, including the IMF. And we must continue our efforts to ensure the appropriate participation of all creditors in the Initiative.

Mr. Chairman, Governors, my overall sense of these discussions is that there is agreement that now, more than ever, globalization requires cooperation, and it requires institutions that organize this cooperation. Its 182 members make the IMF a truly global institution, and the cooperative nature of the IMF is built deeply into the work of its Governors, Executive Board, management, and staff. Your comments during these meetings underscored the value that you attach to the cooperative nature of the IMF and your desire to strengthen it. This has been reflected in many aspects of your remarks, including those on representation and quotas.

Finally, as these meetings draw to a close, I would like to thank Governor Trevor Manuel for his effective chairmanship of these meetings. I wish you, Governors, a safe journey home, and look forward to our meetings next year under the chairmanship of the Governor for Costa Rica, Mr. Eduardo Lizano Fait. And I look forward to working with you to make our shared vision of the future role of the IMF a reality.