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Statement by the Hon. **JOHN HURLEY,**
Governor of the Fund and the Bank for **IRELAND,**
at the Joint Annual Discussion

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It is a pleasure to attend our annual gathering in Singapore.

We would very much wish to thank the people and government of Singapore for their welcome. Asia is well on the way to meeting the Millennium Development Goal targets and has also shown the way to other countries in offering very different, but usually successful, paths to economic and social prosperity for their citizens. The approaches to economic development on this side and on the other side of the Causeway differ, but both create jobs and prosperity. China too offers a different vision. The Asian model warrants close study by those who are in search of the MDGs. As the newest members of the Asian Development Bank, Ireland looks forward to assisting in the future development of this region.

Turning to the business before us, this year has seen a renewed focus on the role of some of the international institutions that were established in the aftermath of the Second World War. What is the future direction for the BWIs? What role can the IMF and World Bank play in an increasingly interdependent international economy? Where should they focus their efforts to make best use of their strengths. Can we ensure that they continue to play a role consistent with the changing needs of their members, who are mostly but not always, far more prosperous and much more inter-connected than when the BWIs, were first founded?

Surveillance

At the IMF, Mr de Rato has produced a carefully prepared Medium Term Strategy setting out his vision as to the future direction of the organisation.
Ireland fully subscribes to much that is set out in the Strategy. We welcome the emphasis on strengthening the role of the IMF in multilateral surveillance; it is an appropriate role for the organisation in light of developments in the modern global economy. We also support consideration of a possible framework for assessing the effectiveness of surveillance with a view to streamlining and improving the focus of the process, building on the existing strengths of the IMF. There is also a strong case for looking at the Article IV process, with a view to seeing how it can be enhanced.

Quota Voice and Governance

We agree that it is time for a review of the issues of quota and voice and support the resolution. Not that these are the only problems to be addressed and there may be a tendency to over emphasise quota changes as a route to better decisions.

Ireland fully supports the proposition that the voice of weaker member states should be strengthened. We do support an increase in basic votes.

On the question of an ad hoc increase in quota, clearly we understand the need for movement. But it is also to be recognised that, if countries, like Ireland, already substantially and demonstrably under-represented, are to accept a further decrease in their quota, while others currently over-represented remain so, the under-represented countries are effectively being asked to shoulder a disproportionate share of the burden. Against this background, we very much hope that during stage two the substantial under-representation of countries that fail to benefit from an increase in quota in the first stage will be seriously addressed.

We would also emphasise that in matters relating to future critical decisions to be taken by the BWIs, such as decisions to withdraw support from some countries, the Boards of the institutions must be fully involved in that process.

Debt Cancellation Issues

If the MDRI process is to be meaningful, it must result in a reduction in poverty.

It is important that the MDRI results in increased useful development expenditure in the beneficiary countries. We need to ensure that IDA is fully compensated and in a timely manner for the costs of MDRI implementation and that this is in addition to maintaining our aid flows to countries receiving relief. We have always had reservations about the uncertainty that overshadows future IDA income streams from donor countries, though we know that many donors will make good on their promises. Forty years, however, is a long time for donors to maintain payments to IDA. Governments change, economic conditions alter. Ireland has decided to address this issue by opting not to use the ‘pay as you go’ approach.

We have now paid our entire share of the MDRI costs, up-front, as a once off payment of 58.6 million euros to the World Bank. Thus we have thus now fully met upfront and in total our obligations in relation to the MDRI. We are glad to do so because we have long supported debt cancellation as one of the necessary measures to achieve the MDGs.

As for the recipients, failure to manage well the MDRI windfall could have profound implications with donors. We must be alert to the danger of re-accumulation of unsustainable levels of debt by countries that have benefited from HIPC in the past and the MDRI in the present. Several actions are needed here.

In particular MDRI beneficiaries should be encouraged not to engage in future unwise non-concessional borrowing. Taxpayers will wish to see their funds well used, in making swift progress towards the MDGs. This is a major test case of debt relief and upon the success, or failure, of the MDRI initiative much depends.

Increased net resource flows to HIPCs for poverty reduction will be the measure of success of the MDRI. Reporting on MDRI implementation should include the impact on the resource flows - volume and terms - to individual MDRI beneficiary countries from IDA and other official sources.

IDA

Lending through the IDA arm of the Bank has brought about notable successes in terms of poverty reduction. IDA loans are crucial to the attainment of the Millennium Development Goals. However, the trend towards grant financing has called into question the longer-term security of funding for IDA when coupled with weak contributions to IDA by certain donors. Ireland has voiced concern about this in the past. It is imperative that, in future IDA replenishments, appropriate steps are taken, and donors step up to the mark. While the level of grants may have increased, we must ensure that IDA will be in a position to continue to also provide interest-free loans to the poorest of developing countries.

For the poorest and weakest countries, the MDRI may well not always free-up the expected additional resources for the beneficiary countries to use in their efforts to achieve the MDGs. The review of Debt Sustainability Framework in the context of the IDA 14 Mid Term Review should address this issue to ensure that such a situation does not arise. And steps must be considered to limit opportunities for creditors to free ride on debt relief.

We commend the continuing achievements of the IFC and we would favour having recourse to their continuing profits as a source of finance for IDA.

Conclusion

It is time too to say farewell formally to Marcel Massé, our Executive Director at the World Bank, and before that at the IMF, who will leave us shortly. Ireland has always valued your advice and admired your diplomacy. We wish you well and we look forward to working with your successor in future.