

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Statement by the Hon. **CHRISTIAN NOYER**,
Alternate Governor of the Fund for **FRANCE**,
at the Joint Annual Discussion

Oral Statement of the Governor for France

Plenary Meeting of IMF and the World Bank

Mr. Chairman, Governors, Delegates:

The year 2007 is a pivotal year for the Bretton Woods institutions. It is a pivotal year, of course, because of the election of Robert Zoellick as head of the World Bank, the departure of Rodrigo de Rato—to whom I would like to pay tribute here and thank for the reforms launched during his mandate—and the arrival of Dominique Strauss-Kahn. However, it is also a pivotal year owing to the fresh impetus that must be given to enable the International Monetary Fund and the World Bank to remain, jointly, the guarantors of growth, international financial stability, and poverty reduction.

The Fund and the Bank are in fact faced with three demands: for leadership, legitimacy, and efficiency.

1/. The demand for leadership requires the IMF and the World Bank to mobilize their shareholders in favor of reform.

At the IMF, considerable progress has been made since 2005, such as the radical reform of surveillance. I hope that the future Managing Director benefits to the full from the choices already made, that he continues the efforts made in each area in which reforms have been initiated, and that he implements the priorities adopted. I am convinced that he will be able to modernize and adapt the institution to allow it to respond to the criticisms leveled at it.

At the World Bank, the election of President Zoellick has made it possible to overcome a very difficult period for the institution. That is now behind us. The Bank is now in full working order, ready to complete the negotiations on the IDA 15 replenishment and to conduct the strategic review that has been launched in the Development Committee. Encouraging signals have already been given in an especially important area of work. I am

referring to the transfer of earnings from the World Bank and the IFC to IDA. However, there is still a long way to go, and the personal commitment of the President will certainly be a determining factor in the success of the reforms that the institution needs.

2/. The demand for legitimacy implies continuing to adapt the governance of the Bretton Woods institutions to world economic reality.

Enhancing the legitimacy and governance of the IMF requires quota reform. An important first step was taken in Singapore last year. It defined the framework for the current negotiations. The IMFC and Board discussions have highlighted the basis for compromise.

There is consensus on the principle of a single, simple, and transparent formula. The objective is to increase the share of dynamic economies, many of which are emerging countries, without marginalizing the developing countries. The clock is ticking toward September 2008.

Europe and France, for their part, have entered into these negotiations in an open manner. We have, of course, consistently recalled that this reform should not disregard the principles that underlie the IMF's mission and the role of its quotas; but we have also shown flexibility by agreeing, in a spirit of compromise, to drop some of our demands, in the context of an overall compromise. All of the elements are interrelated. Among the options suggested by IMF staff, the filter approach is the best suited to achieved the objectives of this reform.

I would like to add that, in any event, the reform will succeed only if the poorest countries also gain from it. That is why France supports the option to triple the basic votes. This is a matter of justice, and thus of legitimacy.

The Bank's shareholders cannot disregard the reforms that they are undertaking at the IMF. What is appropriate for the IMF is not necessarily appropriate for the Bank, because the two institutions have their own cultures and carry out distinct missions. However, there is no need to wait for the reform of the IMF to be completed before undertaking a reform of the Bank.

3/. Finally, the demand for efficiency requires that the instruments of the IMF and the World Bank be strengthened.

Surveillance is a core mission of the IMF. Indeed, the Fund should be a contributor to crisis resolution only after it has first exercised its preventive role by identifying economic and financial vulnerabilities nationally, regionally, and internationally.

The positive international economic and financial context should not lead us to conclude that balance of payments crises have been permanently consigned to the past. For this reason, France is promoting the development of an insurance instrument, and wishes therefore that discussions regarding its implementation move forward quickly.

The efficiency of the IMF also presupposes a reform of its financing. The current model has reached its limits. The IMF's income should be diversified so as to make it less dependent on economic cycles. The Crockett Report has laid the foundation for a thorough reform, and France supports the underlying principles. Rapid progress must now be made on these issues.

Efforts to streamline the IMF's budget, which necessarily entail more efficient expenditure, are also required. However, the institution's operational capacity must be maintained. All member countries, including the poorest, must continue to benefit from the advice and support—including financial support—of the IMF.

At the World Bank, the strategic review launched in the Development Committee should redefine the institution's priorities and enhance the effectiveness of its actions and instruments.

Negotiations regarding the IDA replenishment have already allowed this work to begin and the initial results are encouraging, with greater priority placed on support for fragile states, support for regional integration, and greater responsibilities relating to the fight against climate change.

Moreover, the Bank's competitive environment has changed greatly in recent years, and we must draw the consequences from this: the Bank must be more selective in its operations and coordinate more closely with the other donors and lenders; it must listen more closely to its clients, be more flexible in defining its country strategies, and more responsive in preparing its projects.

Finally, as at the IMF, the strategic review of the Bank should also examine its financing model. Recent efforts regarding loan fees are one part of the answer. However, more must be done. This will involve innovation and internal reform efforts and strengthening certain synergies among the different institutions in the group.

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[Now more than ever, therefore, the IMF and the World Bank have an urgent responsibility to reform. To move forward together, thanks to the impetus that their new leaders will bring, is now an opportunity that the Fund and the Bank must seize, for the aim of the two reform efforts is to strengthen both institutions and to sustain the political process that is necessary for reaching compromise and formulating new ideas.]