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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Opening Address by Governor **ZORAN STAVRESKI,**
Chairman of the Boards of Governors of the Fund and the Bank,
at the Joint Annual Discussion

2008 Annual Meetings of the Boards of Governors of the
International Monetary Fund and the World Bank Group

Opening Address by Governor ZORAN STAVRESKI,
Chairman of the Boards of Governors of the Fund and the Bank

Mr. Strauss-Kahn, Managing Director of the IMF, Mr. Zoellick, President of the World Bank Group, Ladies and Gentlemen:

Introductory Remarks

Allow me to welcome you all to the 2008 Annual Meetings of the International Monetary Fund and the World Bank Group. It is a great honor for my country, Macedonia, to chair these meetings.

At a time of unprecedented challenge and change in the global economy, it is reassuring that the Bretton Woods Institutions have at their helms leaders with outstanding experience and energy. I know that fellow Governors will join me in thanking Mr. Strauss-Kahn and Mr. Zoellick for their wise leadership in addressing immediate and longstanding global challenges through enhanced external engagement and comprehensive internal refocusing. Looking forward, I have full confidence that they will continue these important efforts and remain vigilant toward new risks. Governors will also wish to thank Mr. Carstens for his able chairmanship of the Development Committee, and Mr. Padoa-Schioppa for chairing the IMFC, as well as to congratulate Mr. Youssef Boutros-Ghali on his selection as the new IMFC Chairman.

Global Market Turmoil: New Challenges Call for Timely and Flexible Responses

Fellow Governors,

Events of the past year starkly reminded us of the wide range of pressing challenges facing the global economy. We are currently in the midst of one of the most serious global financial market crises of our time. This financial turmoil, along with the surging food and fuel prices that we have been seeing this year, has forced rapid and flexible reactions from policymakers. At the same time, other challenges—such as climate change, aid effectiveness, and governance of the Bretton Woods Institutions—remain imperative and demand action.

It is vital that we harness the comparative advantage of both the Fund and the Bank Group to tackle immediate threats quickly, while continuing efforts to address ongoing challenges. The Bretton Woods Institutions are well placed to work with member countries and other international and regional institutions to cushion the impact of financial turbulence so as to prevent a further expansion of the crisis. There is also urgent need to improve food security by going beyond an immediate emergency response. Yet, the unparalleled scale and complexity of the challenges we confront today require that global institutions, like the Fund and the Bank Group, devise fast and flexible policy responses so that gains made over the past decade in macroeconomic stability and overcoming poverty are not reversed.

Advancing Surveillance Issues

Fund surveillance is a valuable tool in our efforts to promote macroeconomic and financial stability, but—to remain effective—surveillance needs to be continually updated and enhanced to address new challenges. The Fund's first ever Statement of Surveillance Priorities highlights the key elements of the global macroeconomic changes that surveillance needs to address. In particular, it correctly recognizes the increased potential for disruptive financial sector spillovers into the real economy, and the pace with which adverse macroeconomic impacts spread. To address these developments, the Fund intends to strengthen its analysis of macro-financial linkages, and extend Early Warning Indicators to advanced economies.

This updating builds on other efforts to make surveillance more relevant to changing global macroeconomic dynamics. Governors will recall the refocusing of exchange rate surveillance through the 2007 Surveillance Decision. Steps are now being taken to strengthen observance of the decision, and to improve the underpinning methodological framework. Looking forward, the Fund must build on this progress—and the findings of the Triennial Surveillance Review—and continue to adapt surveillance in line with the changing global economy.

Strengthening Fund-FSF Collaboration

Ensuring the greatest possible impact of Fund surveillance is also of vital importance. In this regard, we commend steps to strengthen collaboration between the Fund and the Financial Stability Forum. The Fund's lead role in macro-financial surveillance and its near universal membership complements the Financial Stability Forum's role in bringing together policymakers of the most systemically important financial centers, international institutions, and standard setting bodies.

Reviewing the Fund and the Bank Group's Lending and Policy Advice Roles

In recent years, positive developments in the global economy and strengthened domestic policy frameworks have contributed to diminishing requests for Fund lending. In the current pressing circumstances, however, the Fund needs to stand ready to provide fast, timely, and flexible financial assistance to its members. In this respect, we are encouraged by the Managing Director's request that the Fund's Board activate its fast-track loan procedure. We are also encouraged by the determination of the Fund to continue adapting its lending instruments to changing circumstances. We welcome the innovative instruments being put in place, including the revamped Exogenous Shock Facility, which will provide faster assistance and in larger amounts to members experiencing a shock, as well as the consideration of a new liquidity instrument for crisis prevention. In this context, the recent review of the Fund's financing role in member countries, which found that Fund facilities have been used flexibly and have provided the needed support to the membership, is noteworthy.

Last year, the World Bank Group saw a record replenishment of $41.7 billion to IDA-15, jumpstarted by a $3.5 billion contribution from the Bank Group's own income. This is an important vote of confidence from the donor community in the Bank Group's work. We are further encouraged by the Bank Group's efforts this year to develop innovative financing instruments and to expand options for its clients. In particular, we welcome the simplification and reduction in IBRD loan charges, the extension in maturity limits, and the initiatives to expand local currency financing and to develop local bond markets.

We are also pleased to note the World Bank Group's strong capitalization and prudent risk management policies that have kept it strong, allowing it to expand finance in response to client demand. In the current environment, the Bank Group's role as a lender cannot be underestimated. We are also encouraged that the Bank has a team of highly experienced financial experts to help assist member countries strengthen crisis preparedness and to respond promptly to crises when they happen.

Financial support is only one aspect of the Fund's and the Bank Group's assistance to member countries. Policy advice is increasingly requested by governments as they face a more testing external environment and manage growing and complex economies. In this respect, the Fund is playing its part, helping countries assess the macroeconomic impacts of the food and fuel crisis, design targeted measures to alleviate its effects, and calculate the fiscal costs of the necessary policy responses. The Bank Group has already played an active role with the launch of a New Deal for Global Food Policy, which focuses—among other initiatives—on providing support to the World Food Program to facilitate food access to the poor, increasing investment in agricultural research, and acting to remove export bans and to reduce distorting subsidies and trade barriers. The Bank Group has established a $1.2 billion Global Food Crisis Response Program, which provides the overall framework for a comprehensive and rapid response. We urge the Bank to continue its engagement on this matter and provide policy advice and financing to the neediest countries in coordination with donors, stakeholders, and civil society.

Regional Developments

Fellow Governors,

While downside risks to the global economy and their impact on the Western Balkans cannot be underestimated, our region is better positioned than ever before to absorb these shocks. After a decade of reforms, rapid growth and stronger domestic institutions bode well for a progressive integration of the Western Balkan countries into the European Union. The Fund and the World Bank Group have been valuable partners in this respect. The World Bank Group's lending and advisory services are increasingly supporting activities in improving investment climate and infrastructure, in particular by developing power and transport networks that will ensure reliable energy supply and facilitate regional trade. In addition, several projects dealing with climate change and disaster-risk mitigation are also underway. I call on the governments of Western Balkans countries to work together to ensure the success of these efforts.

In line with the region, Macedonia has made considerable progress in recent years. Growth increased rapidly in the last two years, macroeconomic stability was secured, and a range of important reforms were undertaken. The government program “Rebirth in 100 steps” includes a multi-sectoral approach encompassing sound economic and regulatory policies to improve the investment climate, strengthen the labor market, promote high-quality education and training systems, and create an efficient social safety net. Macedonia’s progress in the World Bank Group’s Doing Business rankings reflects the improvements achieved so far in the business climate thanks to bold regulatory reforms. A number of efforts to modernize and improve the infrastructure are also ongoing, but major additional investments in infrastructure remain critical for future growth prospects. Macedonia’s overarching goal is to complete the EU accession process and to achieve rapid convergence with EU member states’ income levels in a fiscally, socially, and environmentally sustainable fashion. The Bank Group and Fund have been Macedonia’s trusted and reliable advisors in its successful transition, and we look forward to a continued effective partnership.

Ongoing Core Challenges

My fellow Governors,

Helping member countries respond to pressing short-term threats should not divert the Fund and the World Bank Group from confronting other ongoing core challenges. Addressing these core challenges will strengthen legitimacy and enhance effectiveness, thus increasing the chances of successfully tackling short–term threats.

Strategic Framework on Climate Change

The World Bank Group has rightly supported developing countries’ efforts to integrate climate change considerations into their core development strategies while maintaining economic growth. The current discussion of the Strategic Framework on Climate Change and Development is testament to that challenge, and will allow the Bank Group to scale up plans going forward and further foster international collaboration on this important global public good. The World Bank Group has a catalytic role to play in helping to mobilize private sector funding, and in complementing existing and new financing mechanisms. The new financing instrument established via the Climate Investment Funds is a step in the right direction.

Aid Effectiveness: Accra Agenda for Action

Scaling-up of aid to low-income countries is another pressing challenge. Despite the welcome endorsement of the Accra Agenda for Action (AAA), more can be done to increase aid effectiveness. I urge all development partners to keep moving the agenda forward. In particular, I encourage donors to continue efforts to share good practices, harmonize monitoring systems, and scale-up capacity building efforts.

Enhancing Voice and Participation of Developing and Transition Economies

The Fund and the World Bank Group are pragmatic institutions and must adapt to a changing international environment. It is critical to ensure fair representation of all members and adequate participation of low-income countries in the governance of both institutions.

In April 2008, the Fund approved a forward-looking package of governance reforms that increases the representation of dynamic economies and strengthens the voice of low-income countries. I call on you—fellow Governors—to show leadership in speeding up domestic approval of this reform. Keeping in mind the distinct nature of its development mandate, the ongoing efforts to explore concrete options on voice and participation within the Bank Group are also a step toward enhancing the legitimacy, credibility, and accountability of its operations. We urge the Bank to reach a consensus on a comprehensive package of reforms as soon as possible.

But more remains to be done. I thus welcome the establishment of a joint steering committee of Executive Directors and Fund Management and the appointment by the Managing Director of a Committee of Eminent Persons, chaired by Trevor Manuel, to assess the adequacy of the Fund's current decision-making framework. I also welcome the work underway at the World Bank Group in the area of internal governance; including the recent announcement by the President of a High Level Commission, led by Ernesto Zedillo.

Closing Remarks

Fellow Governors,

This has been a tumultuous year; unprecedented in many ways. The global economy is grappling with an acute financial crisis and a surge in commodities prices, which are undermining confidence in a globalized financial system and the open trading system. The challenges of globalization are stark, the threat is a retreat to protectionism, and solutions are not simple. At times of distress, however, great opportunities arise. We need to seize them through a more effective Fund and World Bank Group, and a strong commitment by member countries to pursue difficult economic and political reforms. For the world to successfully rise to this challenge, bold statements need to be followed by even bolder actions.

With these remarks, I hereby declare open the 2008 Annual Meetings of the International Monetary Fund and the World Bank Group.