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INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **JEAN-PIERRE ARNOLDI**,
Alternate Governor of the Fund for **BELGIUM**,
at the Joint Annual Discussion

**Statement by the Hon. Jean-Pierre Arndt,
Alternate Governor of the Fund for Belgium,
at the Joint Annual Discussion**

More than ever, all member countries should cooperate with the IMF and the World Bank in promoting financial stability, durable development and poverty reduction. This requires that the Bretton Woods institutions continue to adjust to the rapidly changing structures of the global economy.

The ongoing financial crisis calls for more effective Fund surveillance, which must be conducted evenhandedly. In doing so, the Fund will need the full cooperation of its members.

The statement of surveillance priorities, which the IMFC endorsed this weekend, focuses on the right issues. Special attention must be devoted to strengthening financial sector surveillance. A reshaped Financial Sector Assessment Program must be better integrated in Fund surveillance. In this field, the Fund should fully exploit synergies with all relevant standard-setting bodies.

The Fund should take the lead in drawing lessons from the current crisis and recommend effective actions to restore confidence and stability, in cooperation with relevant fora and partners.

The Fund must act effectively in giving timely financial assistance to countries hit by the crisis and to help improve, as needed, their macroeconomic policy frameworks.

The Fund's lending framework has become too complex and no longer fits the needs of the membership. We welcome the fact that the Fund has launched a major review of its financing instruments. This review should cover all existing lending facilities, conditionality, access limits and the cost of borrowing from the Fund. The objective should be to establish a simpler, more coherent and predictable framework, and enable the Fund to fulfill its mandate effectively. We see merit in a single, flexible facility.

The reform of the Fund members' quotas and voice improves the representation for many countries. The governance of the Fund can also be further improved. The report of the Independent Evaluation Office on the Fund's corporate governance should be carefully considered as part of a more comprehensive review program as outlined by the Executive Board and the Managing Director.

The World Bank Group has embarked on the reform of voice and representation in its various institutions. We support the package that has emerged from the discussions. As we know it from the Fund, this reform is an ongoing process. The objective should be to endow the World Bank Group with a system that will allow regular adaptation to changing relative positions in the world economy while ensuring adequate representation of all members, including the smallest and poorest. This process should be complemented by internal governance reforms, based on the proposed Board effectiveness reform package.

The financial crisis must not let us forget the other crises which affect the poor. We refer, in particular, to the food and energy crisis. Although the prices of these commodities have declined in the recent past, for many commodities prices remain at historically high levels, and continue to affect the poor in low and middle-income countries. The World Bank Group and the Fund must act decisively to promote food security and help overcome the financial consequences for the poor countries.

Climate change is another challenge that calls attention. Whereas until recently the biggest problem was that of inaction, now we are faced with the spectre of multiplicity of actions, bringing with it the danger of fragmentation and ineffectiveness. We strongly favor the full use of the existing financing instruments. The World Bank is well placed to play an important role in shaping the financing mechanisms to combat climate change, which is an integral part of the development agenda.

Poverty reduction remains an unfinished agenda. In a few weeks, in Doha, we will assess the progress made in promoting development since the Monterrey conference. That assessment will show important shortcomings. We must decide how to do better. In this, the World Bank and the IMF, with their unmatched experience and know-how are essential partners.

In closing, I would like to echo what the Managing Director of the IMF told us this morning: strong support for and strengthening the roles of the Bretton Woods institutions, is the best strategy to make our cooperation as effective as it needs to be. In this, we all benefit from the contributions of the institutions' competent management and staff.

Thank you.