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WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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October 13, 2008

Statement by the Hon. **HERMAN REMSPERGER,**
Temporary Alternate Governor of the Fund for **GERMANY,**
at the Joint Annual Discussion

Statement by the Hon. Hermann Remsperger, Member of the Board of the Deutsche Bundesbank on behalf of the Governor of the Fund for the Federal Republic of Germany, at the Joint Annual Discussion

Mr. Chairman, Governors, Mr. Zoellick, Mr. Strauss-Kahn, Ladies and gentlemen,

I

At the current juncture, restoring the stability of the financial system must be a top priority for policymakers around the world. We should continue to cooperate closely to this end. We commend the U.S. administration for its resolute efforts to reduce stress in the U.S. financial system as the epicentre of the current crisis.

The European Action Plan of the euro area countries – set up this Sunday – facilitates the funding of banks, allows for an efficient recapitalisation of banks and ensures sufficient flexibility in the implementation of accounting rules. These unprecedented measures reflect the severity of the crisis and the willingness to restore confidence and the proper functioning of the financial markets.

In the longer term, fundamental questions of financial regulation must be addressed at an international level in order to enhance the resilience of the global financial system. In this context, the ongoing initiatives to globally implement the recommendations of the Financial Stability Forum are welcome and must be sustained.

II

Given its unique mandate and expertise, the Fund has an important role to play in supporting policymakers with its advice and expertise in these times of financial stress.

Fund surveillance has benefited considerably from efforts to strengthen the multilateral perspective and financial sector analysis. These efforts must be sustained, along with more candid and systematic risk assessments. The Fund should also continue its close cooperation with the FSF and help members implement the lessons drawn from the financial crisis.

In our view, the Fund's lending framework has proven effective and flexible enough in the past to support members in need. We are confident that this will continue to be the case. Some improvements to the tool-kit, such as a new pure signalling instrument for middle-income countries, should nonetheless be envisaged. The lending framework must, however, remain firmly based on the Fund's fundamental lending principles. These include in particular the concepts of conditionality, balance-of-payments need, and the exceptional access criteria. They are essential to safeguarding the Fund's resources and they have not hampered the provision of financial support in times of crisis.

We welcome additional efforts to further strengthen the governance framework. There is some room to further raise the efficiency and efficacy of the Fund's main bodies of governance. However, their respective roles and responsibilities, as laid down in the Articles of Agreement, continue to serve the institution well. We are therefore opposed to fundamentally alter this balance.

III

The financial crisis will dampen growth in many developing countries. This comes on top of the burden imposed by high food and fuel prices. As many of the poorest countries will suffer most from high commodity prices, rapid and workable solutions are called for. We therefore warmly welcome the "Global Food Crisis Response Program" of the World Bank. We also appreciate the "Energy for the Poor Initiative". It is an effective mechanism to deal with the high vulnerability of poor countries.

Climate change will impede developing countries' ability to eradicate poverty. It is therefore crucial that the International Financial Institutions, within their respective mandates, help find effective and efficient ways of reducing greenhouse gas emissions and mitigating the consequences of climate change. We are pleased to see the recent establishment of the Climate Investment Fund as an important step in this context.

Germany has committed about US$900 million to the Climate Investment Fund. We expect the World Bank to play a major role in mobilizing financial resources to contribute to poverty alleviation and economic growth in the context of climate change.

As to the Voice agenda, there is now a solid basis for reaching an agreement on enhancing the participation of all developing countries and countries in transition. The Voice reform should take into account results of the IMF reform. We welcome the additional chair for Africa in the World Bank board. And we also welcome the broad consensus to increase basic votes as this will serve best to provide increased weight for smaller countries.

Going forward, we believe that a selective capital increase is an appropriate way to ensure that dynamic emerging countries are adequately represented. A meaningful voice reform should also lead to improved participation in formulating and implementing World Bank programs and projects.