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**WORLD BANK GROUP**

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INTERNATIONAL FINANCE CORPORATION  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
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Statement by the Hon. **XIE XUREN**,  
Governor of the Bank for the **PEOPLE'S REPUBLIC OF CHINA**,  
at the Joint Annual Discussion



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Mr. Chairman, Governors, Ladies and Gentlemen:

I am very pleased to participate in the World Bank/IMF Annual Meeting today on behalf of the Chinese government. Please allow me to express my sincere appreciation for the Turkish government's warm hospitality and excellent arrangements for this Annual Meeting.

Through joint efforts of the international community, we are seeing some positive signs in the world economy. However, the foundation of recovery is not yet solid. Uncertainties still remain. It will be a long and winding path towards a fully installed global recovery. In order to promote global economic recovery and balanced development, countries should continue to strengthen macroeconomic coordination, maintain economic stimulus, implement appropriate and responsible fiscal and monetary policies, oppose and resist trade protectionism in any forms.

In response to impacts from the global financial crisis, China has implemented a package of policies since the fourth quarter of 2008, which centers on expansion of domestic demand, a combination of consumption and investment, a coordination between economic growth and restructuring, a balance between current objectives and long-term goals. We are seeing more positive signs and an up-ward trend in the Chinese economy. However, we are also soberly aware that the economic rebound is yet to be stable, firm, and balanced. In this connection, China will continue with the proactive fiscal policy and moderately eased monetary policy, further implement and improve the policy package, and ensure the achievement of our social and economic development goals.

Colleagues,

The World Bank and the IMF are integral parts of the global economic governance structure. They play important roles in promoting world economic recovery and sustainable development as well as maintaining stability of the global monetary and financial system. Taking opportunity of this Annual Meeting, I would like share with you a few points on how the two institutions should enhance the legitimacy of their governance structures and better fulfill their mandates.

I. The governance reform of the two institutions

The G20 Summit in Pittsburg explicitly put forward that developing countries' voting power and quota in the two institutions should be increased respectively by least 3% and 5%. We call on all parties to work even more closely together and take actions to push for substantive progress in reform of the two institutions.

We emphasize that in the second phase of this reform, the World Bank's shareholding realignment must reflect the evolving weight of all members in the world economy, adhere to the principle of non-involuntary dilution for DTCs voting power, and protect the voting power of the smallest poor countries. We welcome all proposals that are conducive to significantly increasing DTCs' voting power for the benefit of completing the Phase 2 reform on time. We also look forward to continued input of reform momentum by all parties towards achieving the ultimate goal of parity voting power between developed and DTC members as early as possible.

IMF should speed up its quota reform. Before January 2011, IMF should complete its 14<sup>th</sup> General Quota Review, and undertake a significant transfer of quota and voting power to emerging markets and developing countries so as to enhance its legitimacy and effectiveness. Meanwhile, IMF should move forward to a broader governance structure reform, and enhance the Board's effective supervision on major decision-makings and the management. IMF should fully play its role in stabilizing the global economy and financial market. IMF should ensure its surveillance is fair, equitable, and independent. IMF should strengthen its surveillance on developed economies with important financial centers and their spill-over effects, so as to maintain the stability of international monetary and financial system.

We reiterate that the selection process the leaders of the two institutions should be open, transparent and merit-based. We look forward to specification of relevant procedures as soon as possible. The two institutions should continually increase developing countries' representation in its staffing structure, in particular the senior management, and achieve a good geographic balance.

## II. The future direction of the World Bank and IMF

We believe the two institutions should follow the principles below in drafting their future strategic directions:

First, the World Bank should adhere to and strengthen its mandate of poverty reduction and development, maintain its core role in providing financial and technical assistance for developing countries. The Bank should ensure its capital adequacy in order to expand its financial assistance to developing countries. We oppose shifting the pressure of financial

deterioration and shortage of concessional funds onto developing countries by increasing IBRD lending price.

Second, exerting its institutional comparative advantage, the World Bank should provide support to developing countries' bottleneck sectors and key areas for economic and social stability. When expanding its operation, the World Bank should follow the principle of demand-driven and clients' ownership, and consider coordination with other institutions. We support the World Bank's further engagement in the areas of infrastructure, food security, and energy security. Meanwhile, we encourage the Bank enhance its support for regional cooperation and south-south cooperation.

Third, IMF should continuously improve its governance structure in order to ensure its legitimacy and representativeness. IMF should set up an automatic adjustment mechanism for its quota in mid-term and long-run in order to timely reflects the evolving weight of each member in the global economy. As the core institute of international monetary system, IMF should start to work on the reform agenda for international monetary system, with a view to fundamentally fix its intrinsic defects, and provide a stable monetary environment for global growth and financial stability.

Colleagues,

As a member of international community, China is willing to deepen its cooperation with the World Bank and IMF on the basis of mutual benefit to achieve a balanced and sustainable global development.

Thank you.