

**BOARDS OF GOVERNORS • 2009 ANNUAL MEETINGS • ISTANBUL, TURKEY**

**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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**INTERNATIONAL MONETARY FUND**

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Statement by the Hon. **ALISTAIR DARLING**,  
Governor of the Fund for the **UNITED KINGDOM**,  
at the Joint Annual Discussion



**Statement by the Hon. Alistair Darling, Chancellor of the Exchequer,  
Governor of the Fund for the United Kingdom,  
at the Joint Annual Discussion**

As the world starts to emerge from the most synchronised and severe global economic crisis since the Great Depression, these meetings provide a key opportunity for the Fund to discuss and agree what it must do and how it should adapt to ensure it plays a central role in establishing balanced and sustainable global growth in the period ahead.

***World economic prospects and risks***

Since we last met, through the concerted efforts of our countries to boost global demand, combined with the financial support provided by the Fund, we have helped to arrest the precipitous declines in global output seen at the end of 2008 and the start of 2009. We have helped to stabilize the global economy and the financial sector.

In the UK, this action has included strengthening the banks, fiscal support worth 4 per cent of GDP in 2009-10 and a £175 billion programme of asset purchases by the Bank of England. There is growing evidence that the steps taken, at home and internationally, are stabilising the banking system and supporting our economies. These early signs are in line with the Budget forecast for growth in the UK around the turn of the year – and in line with the strength and resilience of the British economy in the medium-term.

We are now at a critical point. Some countries have returned to growth but recovery is not yet assured. All members must continue to work together, implementing the measures that they have committed to. As Leaders of the G20 agreed when they met last week, there remains a wide range of actions required to deliver that recovery, including pushing on with reforms to the regulatory system for financial firms and improvements to the global architecture, as well as taking steps to increase access to food, fuel and finance amongst the world's poorest.

We must also remain vigilant to the risks posed to recovery, such as high and volatile oil prices. This reiterates the need for effective IMF surveillance,

transparency and effectiveness of markets and a strong consumer-producer dialogue. The UK welcomes the commitment by G20 Leaders at the Pittsburgh Summit to phase out and rationalise over the medium term inefficient fossil fuel subsidies while providing targeted support for the poorest. The IMF, working with other relevant institutions, will have a key role to play in supporting countries as they develop appropriately sequenced transition strategies through its surveillance, policy advice and financial support as appropriate.

### ***Framework for strong, sustainable and balanced growth***

Meeting last week the G20 Leaders also set out an ambitious plan to develop a global framework to deliver strong, sustainable and balanced growth. As set out in the Prime Minister's preliminary report on the responsiveness and adaptability of the IFIs, the IMF will play a key role in the G20 framework. In particular, to ensure that this compact is effective, the IMF will need to provide independent, credible and relevant analysis and advice to help prevent future crises. In the near term, it should help advise members on the principles to guide coherent and timely exit strategies. Building on the work undertaken to develop the early warning exercise, which will be launched this weekend, the Fund should continue to work alongside the FSB, to strengthen macro-financial surveillance so that we better understand issues and linkages and can help ensure global financial stability and growth.

### ***IMF crisis response***

The significant resources deployed by the IMF over the past year have also played a key role in steering towards a global recovery. The innovative steps taken by the Fund, through a range of improved lending instruments has helped reduce global risks, and provided extensive resources to stem the crisis in emerging markets and developing countries.

Recognising the important role the IMF has played in responding to the crisis, the IMFC gave its support in April to a substantial package of new resources for the IMF. We recognise the efforts of the IMF and its members to ensure the swift mobilisation of these additional resources, and the timely allocation of Special Drawing Rights. We welcome the announcement at Pittsburgh on delivery of \$500 billion for the IMF's New Arrangements to Borrow (NAB). The priority now is to agree the details of the new, more flexible NAB to ensure that the IMF can access NAB resources when needed. The UK is strongly committed to playing our part, and have announced that we are prepared to contribute up to an additional \$11 billion on top of the \$15 billion we have already contributed in our bilateral loan, bringing our total contribution to the NAB to over \$26 billion.

The global economic crisis has hit hardest many of the poorest nations of the world, who need the IMF's help most. We therefore welcome the ambitious reforms to the IMF's facilities for low-income countries, in particular the decision to waive all interest charges on concessional lending to low-income countries until December 2011. We also welcome the recent agreement at the IMF on a financing package, including the use of proceeds of gold sales, that will enable the IMF to lend up to \$17 billion in total to low-income countries through to 2014.

We recognise that in the current economic circumstances it is proving difficult for the IMF to raise the capital resources it needs to support its lending to low-income countries. All IMF members have benefited from the recent \$250 billion SDR allocation, which has provided a timely injection of liquidity into the global economy. We believe steps should be taken to ensure these SDRs can play a part in supporting low-income countries. We therefore propose that advanced countries should take the lead by lending some of their SDRs to the IMF's Poverty Reduction and Growth Trust.

The crisis makes it all the more important that low-income countries can finance their development without accumulating unsustainable levels of debt. We welcome the Fund and the World Bank's review of the Debt Sustainability Framework (DSF), and the Fund's new debt limits policy for non-concessional borrowing. Implementation of this London Summit commitment will, with a careful approach by Staff, more closely fit borrowing limits to countries' diverse capacities and better base limits on the DSF's analysis. We encourage Staff to promote and explain the policies to ensure full implementation.

Alongside efforts to ensure the IMF has the appropriate resources to fulfill its mandate, the G20 has committed to ensuring the World Bank and the regional development banks have sufficient resources, including through a review of their capital needs. This should be completed by the first half of 2010.

### ***Reforms to IMF governance***

Modernizing the Fund's governance to ensure its credibility and legitimacy is critical to its effectiveness in the months and years ahead. The next stage in quota reform is a key part of that – building on the quota agreement reached in April 2008. We call on all countries to ratify the April 2008 deal as soon as possible. We must then work quickly to deliver the next quota review, no later than January 2011. This should meet the commitment made by G20 leaders last week, using the current IMF quota formula to target a shift in quota share of 5 per cent from over-represented to under-represented countries that will benefit emerging market and developing countries.

However there are other critical governance issues we must address in the coming months, as we deliver the quota reforms. I believe it's important that we as Governors look again at our role in the Fund, and how we engage with it. As those ultimately responsible for the IMF's activities, Ministers should be taking the key strategic decisions on for example, the Fund's surveillance and lending priorities, the appropriate size and mandate of the Fund, and key management appointments. Alongside this, we should also look at other governance reforms to enhance voice and representation, including voting rules, strengthening diversity within the Fund – including at highest levels of appointments.