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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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Statement by **ALI BABACAN**,
Governor of the Fund for **TURKEY**,
at the Joint Annual Discussion

**Statement by the Ali Babacan,
Deputy Prime Minister and Governor of the Fund for Turkey,
at the Joint Annual Discussion**

Dear Mr. Chairman, Dear Mr. President, Dear Mr. Managing Director
Dear Governors and
Distinguished Guests,

I would like to welcome you all to Istanbul. It is a great pleasure for us to host you in this beautiful city.

The world economy is going through a critical process which enhances the importance of this year's annual meetings.

Several important steps have been taken so far in response to the crisis. A strong momentum and a common aspiration for making fundamental reforms have emerged. This should rapidly be turned into concrete action. If we lag behind, we could lose the momentum and may again overlook the problems that caused the crisis. I believe, the Istanbul Decisions which we are now incorporating into the discussions at the 2009 Annual Meetings, will significantly contribute to our efforts to restructure the global economic and financial architecture.

Distinguished Guests,

The fact that all regions were negatively affected by the crisis, demonstrates the extent that the economic and financial integration has reached. Now it seems impossible for any region or any country to stay immune to the impact of the global crises. This underscores the importance of international cooperation in economic policy making. All countries would benefit if the strategies and policies aimed at minimizing the global financial risks are identified and implemented in a concerted manner. These meetings which bring together the representatives of 186 countries provide a good platform for establishing such cooperation.

The current crisis shows that the excessive risk build-up in the financial systems of advanced economies constitutes a problem not only for these countries but also for the stability of the global system. Unfortunately, the developing countries had to bear a significant burden as a result of the problems originated in advanced countries' financial markets. In order to prevent recurrence of such developments, we need to make every effort and take every measure deemed necessary. We should not let the hard-won development gains be swept away easily. To this end, countries of systemic importance should act responsibly and take the necessary steps to timely mitigate their economic imbalances. The IMF, with its mandate for bilateral and multilateral surveillance in the international financial system, assumes an important responsibility.

IFIs should play a bigger role in supporting the economic development of countries. Billions of people around the world are still suffering from malnutrition and are deprived of basic services including health and education. We need to put in more efforts to overcome these challenges.

Distinguished guests,

These institutions need to be stronger, more effective and more legitimate in order to fulfill these important responsibilities they are entrusted with. We need to complete the ongoing reforms in this area without any delay.

These institutions should be able to provide sufficient financing to countries in a rapid and flexible manner. We should support the efforts of the IFIs, in particular the IMF and the World Bank to introduce more flexible lending instruments, review their lending conditions and increase their resources.

Steps have been taken to increase the financing capacity of the IFIs. The IMF has so far raised more than 500 billion dollars through borrowing. However, these borrowed resources cannot be a substitute for IMF quotas, the level of which is currently insufficient. The size of the IMF quotas should at least be doubled promptly in order to increase confidence in the stability of the international financial system.

On the other hand, strengthening the financial capacity of these institutions will not suffice. In particular, representation of developing countries in the IFIs should reflect their true weight in the global economy.

Modernizing the governance structure of the IFIs in line with today's realities will make these institutions more legitimate and will facilitate a well-functioning global economic system.

One of the most important components of the IMF governance reform is achieving a fair quota distribution. In line with the call made in the Istanbul communiqué of the IMFC, the quota shares of underrepresented dynamic emerging market economies should be increased significantly.

Distinguished guests,

There is an unprecedented reform momentum in the international fora. I believe this is indeed an important opportunity. We should use this opportunity and be ready to make compromises to address not only the international economic and financial issues, but also the global challenges such as climate change, poverty reduction and energy security. To avoid encountering similar problems in the future and to ensure a sustainable and balanced growth will depend on our actions.

I wish that our meetings will be very successful.

Thank you.