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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 the Hon. **GUY QUADEN**,
Governor of the Fund for **BELGIUM**,
at the Joint Annual Discussion

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I would like to warmly thank the Turkish authorities for their hospitality shown during these annual meetings.

The past 12 months have demonstrated the importance of a strong and effective IMF. The Fund reacted appropriately to the unfolding financial and economic crisis, by giving substantial financial support and advice. In this regard, I welcome that important modifications to the Fund's instruments were implemented, improving its capacity to help its members.

Moreover, I welcome the major initiatives that are being taken to improve the Fund's surveillance capacity. All member's full cooperation is needed to ensure surveillance traction. The Fund must retain the central surveillance role and should not be subordinated to any outside process.

The financial resources of the IMF were significantly enhanced, reassuring its members that the Fund has enough ammunition to fight any crisis. I expect that the money raised under the bilateral loan agreements and the IMF notes programme will be folded into the new and expanded NAB.

The Fund's legitimacy follows from its almost universal membership combined with adequate governance arrangements. As the world changes, the Fund must adapt to those changes. The governance reform being discussed is therefore important to improve the Fund's legitimacy, as well as its effectiveness. I fully support the general quota review to be concluded by January 2011. This review should be based on objective economic and financial parameters, relevant for the Fund's mandate and applied in a uniform manner. It should be guided by the long term resource needs of the Fund, ensuring the Fund remains a quota-based institution and should at the same time realign quotas with countries' economic position and their responsibilities in the world. This also implies that there cannot be a disconnect between representation and financial contributions.

The oversight role of the Executive Board should be strengthened and the Board should focus more on the Fund's strategy. But there is no reason to fundamentally change the responsibilities of Board and management.

The current number of seats on the Board, 24, is appropriate for an institution the size of the IMF. A reduction by a few seats will not significantly improve its effectiveness. Moreover, the freedom of the members to form constituencies should be respected.

The strategic guidance provided by the IMFC could be improved. But more political involvement should not lead to politicized decisions. Also, the composition of the Board and the IMFC should remain aligned.

The mandate of the Fund should be updated. I favour the formal extension of the Fund's jurisdiction over capital account transactions.

The World Bank Group has shown its commitment to assist developing and transition countries in dealing with the aftermath of the multiple crises they face in a more flexible fashion, by stepping up its lending capacity and by speeding up the delivery of its assistance.

However, the World Bank Group's capacity to respond to crisis situations should be further enhanced. Responding to a rapidly changing environment requires some important institutional and organizational changes. The Bank needs to evaluate and reshape its lending toolkit and its decentralization policy in order to be able to respond more efficiently and effectively to these challenges. Work is ongoing, but it needs to be accelerated.

During the past year, the Bank has been stretching the use of its capital in order to increase its lending capacity in response to the crisis. The question is whether a capital increase at this stage is necessary. Therefore, the Bank should analyze and assess in more detail post-crisis demand for World Bank lending and explore other options before resorting to a general capital increase.

As a result of the crises, the number of people living in extreme poverty has increased significantly. The Bank Group should not lose focus on this vulnerable group.

In this respect we call upon all donors to secure a sufficient replenishment of IDA-16, for which negotiations will start soon.

The second phase of voice and participation reform should be concluded within the agreed timeframe. This reform should be based on a widely accepted measure for

countries' relative economic weight, but should also take into account members' contributions to IDA.

Other ongoing institutional reforms related to decentralization, workforce diversity and country ownership, should receive proper attention in the debate.

To conclude, a successful reform of the Bretton Woods Institutions is important to keep the institutions in the vanguard of the effort for a more prosperous and equitable world. Decisions on the reform of the institutions must be taken by their members. No other international institution is better placed to execute their mandate.