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WORLD BANK GROUP

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

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Statement by the Hon. **GUSTAVO DIEGO BORJA CORNEJO**,
Governor of the Fund for **ECUADOR**,
at the Joint Annual Discussion

**Statement by Minister Diego Borja Cornejo,
Alternate Governor of the Fund for Ecuador
to the Joint Annual Meetings of the IMF and World Bank**

Thousands of people worldwide are suffering the effects of one of the worst crises in history. This crisis, which originated in the financial markets of the developed countries, spread around the globe.

Although we, the less developed countries, are not in any way responsible for this crisis, we have now become its main victims.

The International Monetary Fund failed in its duty to anticipate and correct the economic imbalances of various developed countries through structural adjustment programs, which, however, were stringently applied to the less developed countries.

The current economic situation has highlighted the need for structural change in the international financial system in order to move toward a new global and regional financial architecture. Accordingly, Ecuador, along with other South American countries, supported the creation of Banco del Sur, designed to promote economic and social development in the region. Similarly, Ecuador is working with the countries of the Bolivarian Alliance for the Peoples of Our America (ALBA) to establish a trade settlement system in domestic currencies that will relieve the pressure on countries with extremely limited dollar holdings to trade in dollars. We are also promoting the establishment of a common reserve fund so that the US\$500 billion in reserves deposited in international banks by the countries of South America can be used for their own development and to alleviate the pressure to seek external financing.

The Mongolian shepherd, the young mother suffering from AIDS in South Africa, and millions of people living in favelas, shanty towns, poor neighborhoods, and high in the Andes will not be effectively heard if we fail to take action immediately to make slogans such as “Creating a world without poverty” a reality.

I would therefore like to use this time to reiterate and officially confirm the proposal put forward by the President of the Republic of Ecuador, Rafael Correa, in the United Nations General Assembly in June of this year, reflecting the recommendations of the Committee of Experts appointed by the President of the U.N. General Assembly, Father Miguel D’Escoto, and chaired by the winner of the Nobel Prize in Economics, Professor Joseph Stiglitz.

First, the resources promised by the industrial countries should be funneled into a truly flexible line of credit or window, to allow for the delivery of real, effective, and immediate support to developing countries hit hardest by the crisis. Consequently, inappropriate conditionality requirements that ignore the specific social and economic realities of each of our countries should be discarded.

Second, the SDR (Special Drawing Rights) allocation should be increased to break the liquidity and seigniorage monopoly. The allocation should be channeled to the developing countries most affected by the crisis, through alternative multilateral organizations at the regional level or agencies entrusted with urgent U.N. work, such as the Food and Agriculture Organization (FAO) or the United Nations Environment Organization. This will require a change in the distribution mandated by the rules of the IMF, so that the developed countries' 60 percent share of the allocation can be used to fulfill the 0.7 percent of GDP offered since the 1970s as support for development and poverty reduction. This is also a good time to mention that Ecuador is opposed to any change in the original principles governing the allocation of SDRs, and we wish to voice our extreme concern about certain initiatives requiring their replenishment.

Third, we believe that an arrangement should be put in place to restructure the sovereign debt of a number of countries through mechanisms designed to reduce the country risk unjustly assigned to countries in the markets. Consideration should be given to the possibility of issuing a new bond that is not affected by the country risk component, and then using those resources to restructure the sovereign debt of developing countries.

Fourth, efforts should be made to promote international audits of foreign debt, which could be institutionalized through International Debt Tribunals. The possibility of declaring debt moratoriums and, if necessary, partial debt forgiveness would also have to be considered. We therefore support the creation of an International Bankruptcy Court to forestall the difficulties that many countries could have in fulfilling their foreign debt obligations.

Fifth, in the current environment of financial instability, it is now more than ever necessary to curtail and monitor the speculative market. The Tobin tax should therefore be applied to all financial transactions. Similarly, short selling, especially on foods, should be prohibited as it is harmful to the market, prevents correct price formation, and increases the volatility and instability of the financial system.

With these daunting challenges in mind, it is worth stressing once again how important it is that solutions to the international economic crisis and the restructuring of the global financial and economic system be based on a full, concerted agreement of all the parties

concerned. The G-20 initiatives are important, but the solution to the crisis must be sought through complete consensus among the G-192, which recognizes that in a globally integrated world, the actions of one country have significant effects on others.

Thank you very much.