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Statement by the Hon. **DIDIER REYNDERS**,
Governor of the Bank for **BELGIUM**

**Statement by the Hon. Didier Reynders,
Governor of the Bank for Belgium**

I thank Dominique Strauss-Kahn for his inspired leadership of the IMF during a challenging period in the world economy and I congratulate Ms. Christine Lagarde with her selection as the new Managing Director and I ensure her of my full support.

The IMF has responded decisively to the problems posed by a turbulent world economy. But we need to reflect on ways to improve the Fund's capability to address the challenges posed by today's international monetary and financial system. How can we improve the Fund's surveillance? Are the lending instruments of the Fund up to their task? What is the best response to systemic liquidity crises? What should be the future role and composition of the SDR? Are the current resources of the Fund sufficient? These are but some of the important questions that require our attention during the coming months.

I cannot elaborate on all of these issues. Let me just pick out one: surveillance. Surveillance remains our first line of defence against crises. Therefore, the Fund must continuously strive to improve its surveillance performance, in dialogue and collaboration with its members. Bilateral, regional and multilateral surveillance must feed into each other: policy recommendations at different levels of surveillance must be consistent and mutually reinforcing. We, as shareholders, must ensure that the legal framework is adapted to the evolving nature of surveillance. The introduction of a unified surveillance decision could be a first step to clarify and formalise an enlarged surveillance mandate.

Recently, we have taken important steps to increase the legitimacy, credibility and effectiveness of the IMF. These steps are part of a process, aimed at adapting the Fund to the continuously changing economic environment. Rebalancing quota and voting rights is one way of keeping the Fund up to date and fit to execute its mandate. Another aspect is respect for the Fund's policy making bodies. Major decisions concerning the governance and mandate of the Fund should be taken within the Fund, not in other forums. At the same time we must ensure that the Fund's policy making bodies are up to their task, ready and able to take swift and forceful decisions and accountable for their implementation. This implies that we should strengthen the IMFC and enhance its decision-making powers.

In line with what I just said, the discussion on the review of the quota formula should take place in a transparent and inclusive manner within the Fund's institutions. The quota formula should be based on economic criteria reflecting the Fund's mandate. This mandate concerns the interconnectedness between national economies. Therefore, a

variable reflecting openness, including financial openness, should have a prominent role. Also, the quota formula should ensure a fair distribution of quotas between large and smaller economies.

The World Bank Group has also responded timely and decisively by helping developing countries address the consequences of the global and regional crises. It needs to continue to be vigilant to the economic risks and imbalances affecting some client countries and to assist them in obtaining inclusive growth and development. An important challenge is how to create more and better jobs in these countries, especially in countries with a large and young population. So, I welcome the Bank's intention to look in more detail into this issue.

I particularly support IDA's efforts in responding to the present drought emergency in the Horn of Africa, which was caused by a combination of factors such as adverse climatic conditions, a weak agricultural sector, governance problems and conflict. I urge all development partners to strengthen cooperation and coordination in order to cope with this and other emergency situations.

IDA has been gradually directing more of its financial resources to the poorest countries, particularly in Sub Saharan Africa. In order to free up more resources for these countries, IDA should look into some options to enhance its long term financial sustainability.

The World Bank is in the process of preparing and implementing some important internal reforms. It has clearly demonstrated that it became a more flexible and responsive institution, responding to the diverse needs of its client countries. In particular, I welcome the suggested corporate scorecard. While serving as a system for measuring and monitoring development results, it should also be used as an accountability mechanism in a strategic discussion with shareholders on the Bank's performance. I also urge the Bank to speed up work on some of the other ongoing internal reforms, such as the issue of decentralization and the need to move more qualified staff to the field.

I support the conclusions of the 2012 World Development Report on Gender Equality and Development, which clearly demonstrates that gender equality is a key component of economic growth and poverty reduction. The Bank should engage in an ambitious campaign of communicating the findings of this report. In addition, gender equality should be scaled up by further strengthening the World Bank Group policies.

Finally, I urge the Management to come forward with an appropriate strategic response to the 2012 World Development Report.