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THE WORLD BANK GROUP

2009 Annual Meetings of the Boards of Governors

Summary Proceedings

Istanbul, Turkey
October 6–7, 2009

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INTRODUCTORY NOTE

The 2009 Annual Meetings of the Boards of Governors of the World Bank Group, which consists of the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), International Development Association (IDA), Multilateral Investment Guarantee Agency (MIGA) and International Centre for the Settlement of Investment Disputes (ICSID), held jointly with that of the International Monetary Fund, took place on October 6–7, 2009 in Istanbul, Turkey. The Honorable Nguyen Van Giau, Governor of the Bank and the Fund for Vietnam served as the Chairman.

The Summary Proceedings record, in alphabetical order by member countries, the texts of statements by Governors, the resolutions and reports adopted by the Boards of Governors of the World Bank Group. The texts of statements concerning the IMF are published separately by the Fund.

Carlos A. Primo Braga
Acting Vice President and Corporate Secretary
THE WORLD BANK GROUP

Washington, D.C.
March, 2010

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ADDRESS BY THE PRIME MINISTER OF TURKEY RECEP TAYYİP ERDOĞAN

I would like to welcome you all to Turkey and Istanbul on the occasion of the 2009 Annual Meetings of the Governors of the World Bank Group and the International Monetary Fund.

Let me remind you that, Turkey and Istanbul had hosted the World Bank–IMF Annual Meetings before in 1955. It is a great pleasure for us to host these meetings once again after 54 years and to have our distinguished guests here.

I sincerely wish that Istanbul meetings will lead to propitious outcomes for our world as we are living extremely critical times in the global economy.

Now, you are on the land where money was used for the first time in the history of mankind.

Likewise, I would like to remind you that the only city in the world which is located on two continents is Istanbul. The Bosphorus lying immediately next to us connects Asia and Europe.

Istanbul is not only a bridge between continents, but also between civilizations, cultures, economies and trade routes.

I believe with all my heart that this city will bring together our strengths, experiences, and be a stage for an organization that will leave a mark on our world and global economy.

Once more I welcome you all to Turkey and Istanbul, and hope that you will enjoy the unique beauties of Istanbul during your stay.

I am aware that the agenda of the IMF–World Bank Annual Meetings have many important issues.

We are living through an unprecedented global crisis and looking for an exit from the crisis.

I believe that we should not draw a pessimistic picture looking at where we stand now. Strong policy measures have started to produce positive outcomes. This is promising. However, we should continue to be prudent and not fall into complacency at this moment.

In the aftermath of the crisis, the international community showed that it can cooperate effectively. Obviously, the cooperation and joint stance against the global economic crisis are very promising for our future.

The international community and the international organizations have proved that when necessary, they are able to act in harmony for our world, build a shared wisdom, and handle the issues decisively in cooperation.

In this regard, emergency measures were successfully implemented with shared wisdom and through consultations. We have started to see the positive results of these measures.

The agenda going forward should primarily focus on medium- and long-term structural reforms. I firmly believe that we will complete this reform process successfully and set up a stronger global economic structure.

The current global crisis has conveyed very meaningful messages to all countries and to the world economy. Many issues that were not seen or not recognized and were neglected for years can no longer be disregarded after the crisis.

It is now inevitable for all major players and organizations steering the global economy to thoroughly think about "where the mistakes were made".

We have already paid, and still continue to pay high prices. If we do not draw the necessary lessons from this experience, we will probably pay much higher prices in the future as well.

First of all, the current crisis has shown that, the risks that were built up in the financial markets in recent years were not monitored well. I regret to say that the financial regulatory and supervisory framework and risk management considerably lagged behind innovations in financial markets.

Second, we saw that global crises could originate from the advanced countries as well. However, the effects are felt all around the globe. So, there is a need to review the allocation of roles and responsibilities in the global economy.

Moreover, the policy makers should demonstrate strong leadership in the years ahead. In the medium-term, strong fiscal effort will be required to ensure the sustainability of fiscal balances. We know that, this will be more challenging in an environment where unemployment is increasing and prosperity is decreasing. However, the governments should follow a transparent approach by explaining every dimension of their policy choices to the public.

Countries should refrain from taking any action that would damage the spirit of global cooperation. Contraction in the global demand has further increased the competition among countries, which is triggering protectionist measures. But, I firmly believe that we should strongly resist all kinds of protectionism to exit from the crisis as soon as possible at a minimum cost. Turkey is one of the few countries which have not resorted to protectionism in this period.

Most importantly the global crisis has resentfully reminded us that despite enormous economic prosperity produced by globalization, we have yet to eliminate poverty.

- While one part of the world consumed without limits, the other fought to survive starvation.
- One part of the world spent recklessly; another hardly found even a handful of rice.

- One part became richer, the other poorer.
- Prosperity increased in one part, poverty in the other.
- While there is a world enjoying 3G and 4G mobile technologies, a considerable population has yet to say “hello” on the phone.
- While in certain parts of the world, children are born to prosperity, peace and security, children in other parts die of hunger, malnutrition, epidemics and armed conflicts before reaching the age of one.

This is obviously not sustainable.

The number of people who suffer from the pain, tragedy and cruelty that they consider as the brutal face of capitalism, is far from negligible. We know that, including capital, everything is for people. Happiness, prosperity and well-being of people are the bases for everything—including the economy.

If economy, politics, culture and art are not viewed from a humanitarian angle; the problems will again take a toll on humankind. In the 21st century, which is expected to be a century of collaboration and solidarity, we unfortunately could not establish a climate of collaboration and brotherhood to the desired extent.

Double standards, material based confrontations, discrimination, intolerance and coercive interventions are still going on. Unfavorable developments taking place in one part of the world can affect the rest of the world, which in fact looks like a “global village”. Terrorism, cruelty, intolerance and poverty in one region can generate global effects. No one could be happy without peace, welfare, humanity and security.

During the last century, injustice turned into wars, armed conflicts, mass migrations, income inequality, urban crimes and unplanned urbanization. We must take every measure today to avoid a similar situation.

We should make the world a place in which no one is devoid of the global welfare and in which every one benefits from the welfare on the basis of justice. We need mutual cooperation and solidarity. We hope that peace and welfare is shared in the 21st century.

I believe that all countries, all non-governmental organizations and all international organizations share the same goal. I certainly think that, everybody wants the 21st century to be a century of opportunities, not threats. In order to achieve that, we have to work more, think harder and lend an ear to the people with different views, including those doing protests outside.

The attention of international institutions to this dissociation and polarization is very important. The world in which people lost their hopes can not be the world of future.

It should be kept in mind that macro economy is not independent from the micro economy. As Adam Smith reminds us in his “The Wealth of Nations”, the effort of every man to better his condition is the basic tenet principle of public and national wealth. Smith certainly was not referring to an economic structure that is solely based on self-interest. In contrast, he thought that the welfare of the society would be increased. Sharing the welfare created in today's competitive environment, is also important in terms of sustaining it.

Our dialogue and cooperation so far to overcome the current crisis is of vital importance and promising in this sense.

The dialogue must be sustained and further strengthened. The organizations such as the IMF and the World Bank which have played an effective role in response to the crisis must play a more effective role in the coming years. Cooperation and dialogue demonstrated in response to the economic crisis must also be effectively pursued for all global issues by other international organizations as well, including, in particular the United Nations. I believe by heart that the world then will become a better place to live in peace and stability.

Providing the IMF and multilateral development banks with more effective structures, through the reform of international financial institutions, has become an important part of the international community's agenda.

The globalization process has de facto increased the role of emerging market economies in the international economic system. With their dynamism, emerging market economies have become critical players of the global economy and have the power to set the pace of global growth. This is the economic reality of the 21st century. If we want to use the dynamism of globalization for the benefit of all and to minimize the potential risks, our actions should commensurate with the conditions of this reality.

Hence, now, we have to restructure the international financial institutions in line with this de facto situation. For this reason, we attach great importance to the work on modernizing the governance and representation structures of international financial institutions. By doing so, these institutions will become more legitimate in the international arena. Only then, we can expect these institutions to perform their tasks and fulfill their responsibilities more effectively.

We are now making rapid progress in solving many issues for reforming the international financial institutions, which usually takes a very long time to address and requires challenging negotiations.

We should maintain our will and the current momentum for reform. Nothing will be the same as before for the world economy in the post-crisis period. In the new period, all countries will need to cooperate more and be more open to listening to the views of others.

So, as the international community, one of our most important responsibilities is to make necessary compromises during the reform process of the IFIs. Otherwise, we will fail to draw the necessary lessons from the current crisis.

We are now in a new period in which responsibility and prudence in the financial markets will have higher priority. Significant progress has been made in improving prudential oversight and risk management, enhancing transparency and strengthening international cooperation in the supervision of financial companies.

The work is also underway to cover all systemic financial institutions, tools and markets under the scope of regulation. The crisis demonstrated the importance of the timely identification of financial sector vulnerabilities. The IMF and the World Bank have significant responsibilities in this regard.

I believe the Financial Sector Assessment Program (FSAP) carried out by these institutions is very important. Turkey has implemented the FSAP and published its findings, which confirmed the significant progress achieved in the regulation, supervision and risk management in the financial sector. We encourage countries that have not yet had an FSAP to do so.

Before concluding my words, I would like to briefly give you some key information on recent developments in the Turkish economy and our future goals.

When we took office at the end of 2002, we made efforts on the one hand to remove the effects of the crises of 2000 and 2001, and on the other hand, to tackle with chronic structural problems of the Turkish economy.

I should also emphasize that Turkey achieved high performance in national and foreign politics and democratization alongside the economy in the past seven years. Our achievements in the economy were synchronized with our reforms in all other areas.

Four years ago, on 3 October 2005, Turkey started the accession negotiations with the European Union. Now we are carrying out the negotiations decisively. I want to underline that, Turkey, though not obliged to, has fulfilled two out of the five Maastricht criteria on budget deficit and public debt burden that the EU member states should meet.

With regard to regional and global peace, we made intensive efforts in the last seven years. We started a dialogue process on all outstanding issues with the neighbor countries. We were elected as a member to the United Nations Security Council. We are co-chairing the Alliance of Civilizations, one of the most significant dialogue projects of our century. We are actively putting effort in addressing many regional issues.

We have seen positive developments in the economy as well. We reached historic high levels in exports, foreign direct investment inflows and tourism receipts.

The Turkish economy achieved a growth rate of approximately 6 percent on average between 2002 and 2008 and per capita income tripled, exceeding 10 thousand dollars. With this performance, the Turkish economy moved up to 17th rank from 21st in the world economy.

We achieved fiscal discipline, reduced the borrowing costs and decreased the ratio of public debt to GDP well below the Maastricht criteria.

Parallel to the reforms in the banking sector, public financial management and taxation, a comprehensive transformation was accomplished in energy, transportation and communication sectors which are very critical for a strong economy. The dynamism, efficiency and resilience of our economy increased.

Turkish economy has inevitably been affected by the global crisis as it is highly integrated with the international system both through trade and financing channels. Nevertheless, the significant progress in the banking sector, the improvement in fiscal balances and our strong international reserves limited the adverse effects of the crisis on our economy. This verifies, once again, the significance of structural reforms and the prudent and consistent policies implemented after 2002.

We announced the Medium Term Program for the 2010–2012 period last month to eliminate uncertainties in the fiscal policy and lay down the medium-term goals of our government.

Our primary goals in the program are to increase the growth gradually to its potential level, to achieve a relative increase in employment, to maintain the disinflation trend, and to restore public balances which have been deteriorated due to the crisis.

In our medium term program, we are planning to begin fiscal rule implementation in order to sustain the improvement in public fiscal balances and to reinforce market confidence in fiscal policies.

Let me emphasize the strategy we have formulated to facilitate our economic recovery and increase the growth potential in the medium term. The main priority of the Medium Term Program is to restart private sector-led growth in Turkish economy. To this end, we give priority to innovative and technology intensive projects that will increase the productive capacity and efficiency of our economy.

The Medium Term Program envisages a reduction in the public sector borrowing requirement; hence the funds available to the private sector will be increased.

Under our new incentive scheme, we support large scale investments and regional investments in certain sectors.

Another important issue is to narrow the development gap between the regions in Turkey in terms of improving medium- to long-term growth dynamics and increasing the living standards of our people. In this regard, we intend to activate regional potential through development agencies to increase production and income.

The basic framework and policies we proposed in the program gained the support of the markets in a short period of time. In fact, major international credit rating agencies demonstrated their confidence in our program by raising the rating outlook of our country.

As I already mentioned at the Institution of International Finance meeting on Saturday, we believe that our credit rating should be higher taking into consideration the sound economic structure of our country, good macroeconomic performance in the recent years, and the resilience of the Turkish economy.

I started my remarks with Istanbul, and I would like to conclude them with Istanbul . . .

Istanbul is one of the leading cities of Turkey and the world not only in terms of history, tourism and culture, but also in terms of trade and economy.

Istanbul Finance Center Project is an important structural reform area as we have mentioned in our Medium Term Program. We are working to make Istanbul first a regional and then a global financial center. Istanbul and Turkey are both ready for such an ambitious project.

Recent steps taken to increase financial deepening, the highly advanced financial regulatory environment and well-established institutional infrastructure all together give significant advantages to Istanbul in becoming a financial center. If we consider the young and dynamic population, well-qualified labor force, geopolitical advantages, rapidly growing and developing economy, strong information technology infrastructure together with the rich culture and history; I believe that the advantages of Istanbul cannot be ignored by the international financial community.

While concluding my words, I wish that the 2009 World Bank–IMF Annual Meetings will reach to an end successfully. I would like to express our great pleasure to host this organization, and welcome all participants.

OPENING ADDRESS BY THE CHAIRMAN, NGUYEN VAN GIAU, GOVERNOR OF THE WORLD BANK AND THE FUND FOR VIETNAM

I would like to welcome all of you to the 2009 Annual Meetings of the World Bank Group and the International Monetary Fund. We are very happy to meet in this beautiful city of Istanbul. It is indeed a great honor for my country, Vietnam, and for me personally, to chair these meetings.

The global economy faced unprecedented challenges this year as the financial market turmoil led to worldwide recession and wider economic and social spillovers affecting people in all countries. This called for coordinated international action, including a near-term response, and a longer-term embrace of collective responsibilities. We are grateful to Mr. Zoellick and Mr. Strauss-Kahn for their determined and pragmatic leadership. Governors also thank Mr. Carstens and Mr. Boutros-Ghali for ably chairing the Development Committee and the International Monetary and Financial Committee, respectively.

Let me also take this opportunity to offer condolences to the government and the family of His Excellency André-Philippe Futa, of the Democratic Republic of the Congo, and a former Chairman of the Board of Governors, who passed away while en route to these meetings. Many of the Governors present worked with him and appreciated his contribution to the work of our organizations.

*Financial Market Turmoil/Global Recession:
A Collaborative Response (Near-Term)*

The Bretton Woods Institutions were called upon to be at the forefront of the near-term collaborative response to the worst global financial and economic crisis since the 1930s, and they have risen to the challenge. The Fund has been at the center of the unprecedented coordinated policy response, and provided significantly expanded financing to countries across the globe. The Bank led collaborative efforts to mitigate the effects of the financial crisis and recession on the world's poorest, while supporting growth.

WBG: Vulnerability Framework

Indeed, the global financial crisis created a human crisis, and we applaud the World Bank Group's advocacy and initiatives to ensure that the poor are kept at the top of the agenda. The Bank proposed the Vulnerability Fund for developed countries to pledge 0.7 percent of their planned stimulus packages as additional aid through any existing mechanisms or agency. On the World Bank Group side, donor contributions to crisis related initiatives under the Bank's Vulnerability Framework have reached over $8 billion. Crisis-response projects have focused on: social protection; long-term infrastructure investment; trade finance; and private sector-led economic growth. The Global Food Crisis Response Program was scaled-up to continue to meet the costs of food imports and seeds to support the hungry—projects currently amount to $1.2 billion. A $2 billion IDA Fast Track Facility was launched to accelerate grants and loans to the poorest countries. The World Bank has also started a Rapid Social Response Program to finance immediate interventions to address social needs.

To provide a foundation for future growth via investments, we note that the Infrastructure Recovery and Assets Platform is providing $45 billion in lending over the next three years to secure job creation. In addition, the IFC established the Infrastructure Crisis Facility consisting of a debt component, an equity fund, and expanded advisory services. The debt-component will provide co-financing for long-term projects and has indicative commitments of over $2.3 billion.

A $3 billion IFC Capitalization Fund was formed to provide additional capital for banks to ensure continued lending to support economic recovery. The leveraged impact of the fund is expected to be as much as $75 billion. The Microfinance Enhancement Facility is supporting institutions that are facing financing difficulties. Investor commitments are expected to bring the facility to its target size of $500 million. We wish to take this opportunity to thank those countries who have contributed generously to these initiatives. These contributions have supplemented the Bank's record-setting commitments of $58.8 billion this past fiscal year.

IMF: Policy Advice and Financial Support

Over the past year, governments have thrown their energies into designing and implementing unprecedented policy responses to support recovery. The Fund has been at the center of this collective endeavor, leading calls for a global fiscal stimulus of 2 percent of GDP, monetary easing, and repair of financial sector balance sheets, while tailoring policy advice to country circumstances. With improving prospects in many regions, the Fund is working with members to design coordinated exit strategies from current policies, to be implemented once recovery is secured. As the recession has inflicted deep scars on economies that may not heal for decades, members must demonstrate strong resolve by implementing appropriate policies going forward.

However, suitable policies alone do not guarantee macroeconomic stability. Developments of the past year have forcefully underlined the need for rapid multilateral provision of financial support to help countries meet financing needs that often stem from factors beyond their control. We therefore welcome members' commitments to increase significantly the financial resources available to the Fund. We highlight the agreements to treble the Fund's lending capacity to $750 billion and to double concessional resources for low-income countries, as well as the $283 billion SDR allocation. Members that have signed borrowing agreements to increase Fund resources are to be commended. Since we met a year ago, the Fund has committed $167 billion to 25 countries, including under precautionary arrangements, and in the same period it has disbursed $41.5 billion to 20 countries.

We applaud the overhaul of the Fund's lending and conditionality framework to ensure that expanded resources are used to provide timely and tailored financial and policy support. We welcome establishment of the Flexible Credit Line for countries with very strong fundamentals and sound policies, and the increased flexibility of Stand-By Arrangements, including High Access Precautionary Arrangements. To combat the impact of the global recession on the poorest countries, the Fund is carrying out major reform of its concessional lending facilities. In addition to a doubling of access limits, we note the agreed $17 billion to support low-income countries through 2014, interest relief on outstanding concessional loans through end-2011, and the increased concessionality of new loans. We look forward to the benefits that low-income countries will derive from the three new lending windows in the new Poverty Reduction and Growth Trust. For all countries, we support modernization of conditionality to ensure greater focus on core objectives.

Regional Developments

The deep-rooted integration of the Asia Pacific region in the world economy has posed challenges during the global financial crisis. With a focus on protecting the most vulnerable, strong financial and institutional reform measures have been taken and international cooperation has been strengthened to assist developing countries. Despite the challenges, it is possible to turn this crisis into an opportunity and restore the economic activity of the Asia-Pacific region through appropriate and timely economic stimulus measures and continued cooperation.

During the past few decades, ASEAN countries have achieved impressive growth and created an attractive business environment. The current crisis has impacted these economies through a substantial reduction in exports, capital flows, remittances, tourism and lack of access to capital in financial markets. However, thanks to strong macroeconomic fundamentals as the result of significant economic and financial reforms during the last decade, we believe in ASEAN's capability to cope with this crisis. In addition, the crisis provides an opportunity to accelerate reform efforts to ensure regional stability and sustainable development. Furthermore, we should look to intensify our global integration by furthering cooperation between ASEAN and its partners, including China, Japan, Korea, Australia, New Zealand, India, the EU and the United States. A recent noteworthy achievement in terms of cooperation is the agreement among ASEAN and the Plus Three Partners, namely China, Japan and Korea, under the Chiang Mai Initiative Multilateralization with a total of up to $120 billion in a regional pool of reserves to effectively confront future crisis. In that sense, ASEAN cooperation has paved a solid foundation in the region and contributed to development and the world economy as a whole.

As an active member of ASEAN, Vietnam is also integrating into the regional and global economy. With appropriate policies and under the motto "Further cooperation for a common wealth and development", for more than a decade, Vietnam has gained impressive socio-economic achievements such as an average GDP growth of 7.5%, a poverty rate reduction from 32% in 2000 down to 12.1% in 2008. In order to minimize the negative implications of the current crisis on the poor, the Vietnamese Government has implemented comprehensive policy measures to prevent an economic downturn, to stabilize the macroeconomy and secure social welfare. These timely measures, together with valuable support from the international community, especially the Bank and the Fund, have allowed Vietnam to record positive economic growth in 2008 and in the first half of 2009. The macroeconomic environment is stable and the Vietnamese Government is applying a wide range of long-term solutions to lay the foundation for sustainable development, notably economic reforms, further integration and delivery of international commitments.

However, the road ahead is challenging for Vietnam and other developing countries. Hence, we call on the Fund and the Bank to further strengthen reform initiatives in line with assistance needs of member countries, especially developing ones, in order to help them effectively respond to challenges in the future and preserve development achievements thus contributing to global economic stability.

Financial Market Turmoil/Global Recession: Collective Responsibilities (Long-Term)

Recovery from financial market turmoil, global recession and wider economic and social spillovers is not the end of the story, since a return to status quo ante is not an option; there are collective responsibilities that have to be undertaken on a long-term basis. The Bretton Woods Institutions must support rebalanced and sustainable growth, and be at the center of efforts to reform the financial system.

WBG: Ensuring Rebalanced and Sustainable Growth

As global trade contracted during the past year, the World Bank Group has emphasized the need for open markets and we recognize this endeavor. The Bank has looked to ensure trade flows via the Global Trade Finance Program, which helps local banks in developing countries support smaller exporters and importers. The Global Trade Liquidity Program, endorsed at the G-20 Summit, has helped to reverse the decline in trade by supporting $50 billion in trade flows over the next three years. We fully support the Bank and Fund calls for members to refrain from protectionism in any form, and for an urgent conclusion of an ambitious and balanced Doha Development Round.

The World Bank Group has continued to address the development challenges of climate change through a Strategic Framework. It is helping countries move toward climate resilient development plans, sharing adaptation lessons, and facilitating global dialogue. The Climate Investment Funds have been established—with over $6 billion in pledges—to help poorer countries gain experience in areas such as forestation, energy efficiency, and technology. They also provide the opportunity to transform development planning by integrating climate change, and complement other funds such as the Global Environment Facility. We encourage the Bank to continue to be a source of innovation and a catalyst for action in this area.

IMF: Strengthening the International Financial System and Enhancing Surveillance

We appreciate the Fund's efforts in working with partners to analyze the lessons of the crisis. The IMF is making an important contribution to the multilateral effort to strengthen the international financial system by working with governments and international financial organizations to help enhance financial sector regulation, improve risk management, and strengthen economic cooperation.

Reform of the international financial architecture must be supported by effective surveillance. We commend the strengthening of the Fund's surveillance framework. To identify upcoming risks, the Fund has reinforced its partnership with the Financial Stability Board on the Early Warning Exercise. Analysis of international spillovers and systemic risk are being improved. We particularly welcome the greater integration of financial sector surveillance into Article IV surveillance, enhanced analysis of macro-financial linkages, and reshaping of FSAPs.

Modernizing the World Bank and the IMF

The Bretton Woods Institutions have resolved to modernize and ensure effective assistance to their members as new challenges arise. The impetus for governance reform reflects the rapid changes in the world economy, their associated challenges, and the enhancement of voice and participation of developing and transition countries. The World Bank Group is committed to advancing the reforms agreed in October 2008. Increased voting power of these members will carry greater responsibility, while bringing broader acceptance for the Bank Group in these countries. The next phase of reforms is on track for agreement by the 2010 Spring Meetings. Work also continues on internal governance, including with the report of the High Level Commission on Modernization of World Bank Group Governance.

The effectiveness of the IMF as a multilateral institution depends, in large part, on its legitimacy among its membership. Continued quota and voice reform is necessary to increase the sense of ownership and encourage policy cooperation. We commend the recent initiation of a new general review of quotas, with an ambitious agreed timetable of January 2011. Since the 2008 quota and voice reform is not yet in place, we urge those members that have not yet done so to take the necessary domestic steps to make the 2008 reform effective as soon as possible. We look forward to further work to determine the appropriate modalities of a further quota reform and the size of a quota increase.

Lessons Learned

For all the commendable multilateral efforts to mitigate crisis, these achievements will be greatly diminished in the long run should we allow such a crisis to occur again. That is why we need to continue to work together to understand what has happened in the global financial system and economy, and apply lessons to avoid a return to what was in place before the financial market turmoil.

It has been a challenging year, with financial and economic uncertainties spreading across the globe. Governments have navigated through uncharted waters, and many are now beginning to see recovery. But the global recession is not over, so we cannot relent in our efforts. We must press ahead with continued robust collective responses to the still-daunting challenges. We urge the Bank and the Fund to continue strong leadership of this unprecedented multilateral effort. With these remarks, I hereby declare open the 2009 Annual Meetings of the World Bank Group and the International Monetary Fund.

OPENING ADDRESS BY ROBERT B. ZOELLICK, PRESIDENT OF THE WORLD BANK GROUP

The World Bank Group Beyond the Crisis

Thank you for joining us at these Annual Meetings. I want to express my particular thanks to the Chairman of the Board of Governors, Nguyen Van Giau, and to Agustín Carstens for his leadership of the Development Committee. Agustín and I have worked ever more closely over the last two years. I have deep respect for his skills as a Minister and as a thoughtful leader, and benefited greatly from his partnership and friendship. This is Agustín's last meeting as Chair of the Development Committee, although I know I will wish to call on his advice and judgment in days to come.

I look forward to working with Minister Al-Khalifa of Bahrain, who has graciously agreed to assume the Chair of the Committee. Minister Al-Khalifa and I have worked together in earlier capacities, and I am delighted he has agreed to join us at this critical time.

I also want to thank my colleague Dominique Strauss-Kahn. Our two institutions have partnered closely over the last year, and I have much appreciated his insight, practicality and good humor.

I am grateful too, to the Turkish Government and the people of Turkey, who have been exemplary hosts for our Annual Meetings this year. We have enjoyed seeing this fascinating city in a country that has accomplished so much. Most of all, we thank the wonderful people of Istanbul and Turkey.

I would like to take this opportunity to recall former World Bank President Robert McNamara. He led and shaped the Bank for 13 incredible years. He brought to this institution enormous energy along with the firm belief that the problems of the developing world could be solved. He left behind him a formidable record: the effort to eradicate and prevent river blindness; the Bank's first loan for nutrition; a focus on the rural poor; increased lending to agriculture; the publishing of the first ever *World Development Report*; and the opening of relations between the Bank and China at a crucial time in that country's development—a reflection of both his foresight and leadership.

Robert McNamara shifted the focus of the World Bank Group toward the goal of overcoming poverty worldwide. It remains our core mission today, and ensures that Mr. McNamara's legacy in international development—and to the World Bank Group—lives on.

In his final years, when I spoke to Mr. McNamara, he remembered fondly the tremendous staff of the World Bank Group, a true collection of talents across cultures and lands. His successors have expressed the same appreciation. I want to add my thanks to theirs. The people of the World Bank Group have risen to the challenge of crisis over the last year—with energy, creativity and strong sense of purpose for the client countries and people we are privileged to serve.

We are also saddened by the recent passing of Minister Futa of the Democratic of Republic of Congo. I would like to join the Chairman in extending my condolence to his family and the government of DRC.

I would also like to express my deepest sympathies to the family of the former Finance Minister of Japan, Mr. Nakagawa.

A year ago, we came together at a time of turmoil. Today, that turbulence is far from over.

As a result of the global crisis, we estimate that 90 million more people will be living in extreme poverty by the end of next year; up to 59 million more people will lose their jobs this year; and an additional 30,000 to 50,000 babies may die in Sub-Saharan Africa.

Behind these numbers lie human stories:

- Aoy Puon is a garment factory worker in Cambodia. Since the crisis hit, her monthly salary has been cut in half. Today she can't make enough to send money home to her family who depend on her income. Forty-eight garment factories have had to close in Cambodia over the past year, and 62,000 workers have lost their jobs—90 percent of them women. Aoy is now worried that *she* will lose her job.
- Zagd is a herder in Mongolia, where the financial crisis has caused livestock prices to plummet. Meanwhile, food costs increase daily, so Zagd can no longer afford to buy flour, rice, or sugar. For herders like Zagd, there is no pension or social benefit money—instead, with decreased income, the only recourse is to cut consumption. As one herder says, "I do not buy sugar because it is expensive. We do not use vegetables. We do not go out, therefore we do not need many clothes. . . . In the winter time, we do not buy wood and coal."
- Lindiwe is 28 and lives in a shanty town in southern Africa. She's HIV positive and has TB. She was turned away from the NGO clinic that provides treatment for these diseases, because donor funding has dried up as a result of the financial crisis, and the NGO has run out of drugs. Prospects for additional funding look bleak: a recent World Bank and UNAIDS survey found that 1 in 5 developing countries have experienced cutbacks on anti-retroviral treatment programs, and 33 countries expect the impact to worsen over the next year. For Lindiwe, time is running out: "I am scared of dying and leaving my little girl alone," she says.

Jobs lost and lives destroyed. Girls forced out of school. Families who need to decide which meal to cut out of their day. Children malnourished. Human progress reversed, often irretrievably.

While we talk of recovery, the personal pain of poverty is all around us.

In cities, villages, valleys, and plains; on Main Streets and communities with no streets we hear a common refrain: "Don't let this happen again."

Sadly, we cannot make that promise. We cannot crisis-proof our world. Indeed, if there is one thing that is assured about the future, it is that there *will* be another upheaval. But with leadership and cooperation, we can learn lessons from the past crisis, and we can look ahead.

We need to look beyond emergency response, to actions to "build back better"—actions that can endure. That work is up to us in this room. Cooperation at times of crisis is the easier part. Cooperation when no longer staring into the abyss is the challenge.

Seeds of Crisis

Before looking to the future, we need to understand the past. Today's upheaval did not occur from nowhere. The seeds were planted earlier.

The last 20 years have witnessed a huge economic shift. The breakdown of the planned economies in the Soviet Union and Central and Eastern Europe, the economic reforms in China and India, and the export-driven growth strategies of East Asia all contributed to a world market economy that vaulted from about 1 billion to 4 or 5 billion people. This shift offers enormous opportunities. But it has also shaken an international economic system forged in the middle of the 20th Century, with patched-up changes in the decades since.

Some seeds of today's troubles were sown by the responses—or lack of them—to the financial crises of the late 1990s. After the Asian financial crisis, developing countries determined they never again wanted to be exposed to the tempests of globalization. Many "insured" themselves through managing exchange rates and building huge currency reserves. Some of these changes contributed to imbalances and tensions in the global economy, but for years governments muddled through amidst generally good growth.

Central banks failed to address risks building in the new economy. They seemingly mastered product price inflation in the 1980s, but most decided that asset price bubbles were difficult to identify and to restrain with monetary policy. They argued that damage to the "real economy" of jobs, production, savings, and consumption could be contained once bubbles burst, through aggressive easing of interest rates. They turned out to be wrong.

Regulators and supervisors of financial institutions were no longer grounded in reality. Financial innovation and competition vastly expanded services—including to companies and families often shunted aside in the past—but the alluringly simple design of "rational markets theory" led regulators to take a holiday from the realities of psychology, organizational behavior, systemic risks, and the complexities of markets and humans.

Even as we learn these harsh lessons, we need to anticipate and build.

In 1944, the delegates at Bretton Woods seized a moment to shape a new global arrangement. They spent three weeks in New Hampshire developing a system of rules, institutions, and procedures for financial and commercial relations in the world economy.

That world has changed enormously over the past 65 years. The current upheaval is changing the landscape yet again.

Already, we can see potential shifts in power and institutions and international cooperation. In part, the shifts will depend upon how the parties adapt to new circumstances; in part, upon the rapidity of the recovery; in part, upon changes in who holds the world's capital, technology, and human resources and what they do with them; in part, upon how countries cooperate—or do not.

The Changing Context

Just over 10 years ago, during the Asian financial crisis, the world's primary concern was whether China would hold its currency peg to help stabilize the falling economic dominoes. Today, China ranks with the world's major economies and acts as a stabilizing force in the global economy. Together, China and India account for 8.5 percent of world output. They and other developing countries are growing substantially more rapidly than developed countries.

The United States has been hit hard by the crisis. But it is a resilient nation. Its future will depend on whether and how it will address large deficits, recover without inflation that could undermine its credit and currency, and overhaul its financial system to preserve innovation while adding to safety and soundness. The United States also needs to help people adjust to change, so that it can maintain its greatest trump card: openness to trade, investment, people, and ideas.

Japan is the first leading industrial power to experience a political upheaval in the wake of the crisis. The election of the Democratic Party of Japan could create a sustainable two-party democracy for the first time in the country's history.

It is not clear that the old export model of growth will meet Japan's and the world's needs or be sustainable in a more "balanced" global economy that does not rely so heavily on the U.S. consumer. An aging

Japan will have new consumption needs. A global economy with more poles of growth could offer Japan new markets, especially for its impressive capabilities to use energy efficiently.

Central and Eastern European economies suffered strong blows. And their problems are far from over. The good strategic news is that the European states, for all their internal debates and negotiations, have recognized their interdependence. Under stress, this time, Europe did not splinter.

South East Asia may also have been given a boost by the crisis—depending on how opportunities are seized. The region lies at a geographic crossroads between India and China, two rising powers. ASEAN seems to have recognized the moment, and has taken actions to deepen its integration even while reaching out to others. Given the sizeable weight of Indonesia and the rising influence of Vietnam, their sound performance amidst economic turmoil has stood in sharp contrast to a decade ago.

For others, the long-term impact of the crisis may depend upon commodities, especially oil prices, which, in recent years, gave high returns. When the oil price is at $100, these countries are strong. When it is at $30, most are in serious trouble. This reliance on oil and commodities is a precarious basis upon which to build an economy in a world that is struggling to reduce its reliance on fossil fuels, and in which commodity prices gyrate as investors move in and out of an "asset class." Will countries use these returns wisely—to diversify and build broader-based economic development? These are the questions for Russia, countries in the Gulf, and some countries in Latin America and Africa.

Prior to the crisis, the growth rates of a number of African countries were achieving impressive levels with consistency. Coming out of the crisis, there could be new opportunities. Some Chinese manufacturing firms are considering shifting their basic production to Africa. China's African prospects—which include resource development and infrastructure—are likely to be complemented by others. Brazil is interested in sharing its agricultural development experience. India is building railways. These are the early days of a trend that will build.

Understanding shifting power relations is fundamental for shaping the future—as the Bretton Woods' delegates appreciated. The political basis for that system was forged through a shared experience in failed responsibility after World War I and a clear assessment of power after World War II. Change those power relations—and the nature of the markets that connect them—and the system looks out of touch.

What Next: Responsible Globalization?

The old order is gone. We should not waste our time and tears lamenting it. Today we must build anew. Today we can put in place the foundations for a "New Normal" of growth and responsible globalization.

Globalization has helped sustain high economic growth in many countries and lifted hundreds of millions out of poverty. Yet the growing linkages between economies have also played a central role in turning a financial crisis in the developed world into a global crisis that is driving millions back into poverty. The pace of climate change is accelerating, with poorest countries hardest hit. Diseases such as SARS in 2004, or this year's H1N1 virus, start as localized outbreaks but quickly become global threats. Their virulence has only been intensified by increased travel and open borders.

We cannot and should not turn the clock back on globalization. Nor are publics demanding that we do so. But we can and must reform it to curb the damage it can wreak while expanding the enormous benefits that responsible globalization can provide to millions.

What Would It Take to Build Responsible Globalization?

First and foremost, we must recognize that developing countries are key to the solution today, progress tomorrow, and prosperity in years to come.

Two weeks ago, in Pittsburgh, world leaders embraced the G-20 as the premier forum for international economic cooperation among the advanced industrialized countries and rising powers. This is a good start. But the G-20 cannot be a stand-alone committee. Nor can it ignore the voices of the over 160 countries left outside. The G-20 should operate as a "Steering Group" across a network of countries and international institutions with a broader membership. It should recognize the interconnections among issues and foster points of mutual interest, without being either hierarchical or bureaucratic. It should be connected to our G-186 here in this room.

Forecasters expect lackluster growth and continued high unemployment for a number of years. The U.S. consumer can no longer be the main engine of economic demand. Europe and Japan appear constrained; China can assist, but its credit growth could pose problems next year. With access to finance, other developing economies can help boost a global recovery. Many have the fiscal space to borrow, but cannot get the volumes they need at reasonable prices without crowding out their private sectors. The World Bank Group and regional development banks can assist. Enhanced financial regulation and supervision that shift incentives from short-term casino capitalism to long-term productive investment will help.

Second, leaders must emphasize that a balanced and inclusive global economy needs multiple poles of growth—and not just adding China and India. Countries in Latin America, Southeast Asia, and a wider Middle East can assist in the future if they invest today. Over time, investments in Africa, a market of almost a billion people, can integrate its markets and become another source of growth.

To build multiple poles of growth, we need to remove bottlenecks and boost productivity through investments in infrastructure and energy, private sector expansion, and regional integration linked to open markets. New poles of growth can be customers for the capital goods, services, and technology of developed countries.

Third, leaders must commit to making growth sustainable. As the World Bank's recently released *World Development Report* on development and climate change points out, developing countries not only face 75–80 percent of the potential damage from climate change, but over 1.6 billion of their people still lack access to electricity. Developing countries—and their interests—must be at the table. They need incentives and financing to encourage low carbon growth by adopting technologies, implementing energy efficiencies, and investing in forestation.

Fourth, we must put in place mechanisms to protect the most vulnerable. Two weeks ago at the Pittsburgh Summit, the G-20 leaders reiterated their support for a new $20 billion food security initiative launched at Italy's G-8 meeting. They called upon the World Bank Group to work with donors and organizations to develop a multilateral trust fund to scale-up agricultural assistance to low income countries. Too often, bilateral aid concentrates resources in specific sectors and countries. But with this more comprehensive, multilateral approach we can pool resources and better support innovative efforts to tackle food security all the way along the food chain and build sustainable agricultural systems. Paper pledges, however, will not put seeds in soil or food in hungry mouths. Hunger and famine—as the present drought in East Africa shows—are an ever-present threat. So we must move quickly to turn this initiative into reality.

Food, fuel, and now financial crises have derailed progress towards the Millennium Development Goals, reversing years of gains. We must fill a gap in the global financial architecture by offering insurance to the poorest countries that they will not be left defenseless in the face of overwhelming shocks. The World Bank Group will work to flesh out the proposal for a Crisis Response Facility, endorsed by the G-20 and the Development Committee, that can be ready to offer quick and effective assistance for the most vulnerable and fragile countries, many of which are just emerging from conflict. From targeted safety nets to

SMEs and microfinance, we can help buffer those with the least cushion from the greatest upheavals.

We must also work toward a hand-off from government stimulus to private sector demand, investment, and trade, by offering a counterweight to financial and trade protectionism. IFC has just launched a new Asset Management Corporation that manages funds to invest in banks, equity, infrastructure, and debt restructuring. We can help build developing country financial markets, while channeling capital from sovereign, pension, and other asset management funds to productive private sectors in developing countries.

The Role of the World Bank Group

Last year, the Bank Group stepped up to the crisis and delivered a record $59 billion of financial assistance. IBRD commitments almost trebled to $33 billion. IDA also reached a record high of $14 billion; over 50 percent of new IFC projects were in IDA countries. Support for infrastructure—critical to recovery and jobs—reached $21 billion; we scaled up assistance of $4.5 billion for safety nets and other social protection programs to cushion the most vulnerable.

IFC combines strong innovation with resource mobilization; we have launched initiatives on bank capitalization, trade finance, infrastructure, and microfinance.

We expect a new IBRD record of $40 billion or more this fiscal year. Demand for IBRD lending is now clearly moving significantly beyond the $100 billion level that the Development Committee called for in its Communiqué last year. IDA countries are also facing significant financing gaps. We estimate that financing shortfalls to cover at-risk core spending on health, education, safety nets, and infrastructure amount to some $11.6 billion for the poorest countries.

I know that budgets in developed countries are constrained. But responsible globalization requires responsible stakeholders. We can and must do more.

What Is the Role for the Bank Group in a New Post-Crisis World?

A well capitalized World Bank Group would be positioned to play a leading role in the global response to the challenges of globalization, development, and financial crisis.

We have a global, local, and cross-sectoral presence with the skills to work with public and private sectors, middle income *and* low income countries. We have a repository of global best practice in development that we continually upgrade; world-class risk management and banking competencies; and the capabilities to leverage our balance sheet. We have a leadership role in the growing global public goods agenda, and a worldwide catalytic and convening power. All these factors make the World Bank Group unique among the multilateral development banks.

Four key drivers are likely to shape the Group's post-crisis role:

Driver 1 will be traditional and innovative development finance. There is strong demand from the Bank Group's clients for the institution to come out of the crisis well-capitalized and to be able to sustain the delivery of a critical mass of financing to support global economic growth and to overcome poverty. The World Bank Group can play this role in several ways. We can contribute to fiscal stimulus and protecting core spending in countries that are not in a position to implement counter-cyclical policies; we can help to boost global demand to support global recovery; we can finance and support trade; we can assist the private sector to assume the critical handoff from the governments' crisis response actions; and through investment, we can help to build multiple poles of growth with responsive, accountable public sectors and dynamic private sectors.

The second driver will be delivering knowledge products. The Bank Group is a repository of global best practice in development, combining implementation experience, research, and learning, drawing on both public and private sectors. As such, clients are looking to us to connect and customize multiple sources of practitioner knowledge and innovation.

The third driver is the global public goods agenda—pressing global challenges such as climate change, and communicable diseases that require an institutional response that is multi-sectoral, combining policy advice and investments with a global reach grounded in country programs. Already the Bank Group is mobilizing significant financing through the Climate Investment Funds. We can play a key role in technology transfer, working with clients on low carbon growth strategies, and in strengthening health systems where we are now scaling-up our work. The Bank Group can also support the public goods of resilient and dynamic trading and financial systems, based on multilateral rules.

The fourth driver is future crises—those that we can't foresee today but know will happen: it might be a pandemic, a natural or man-made disaster, or an economic or social crisis. In response, the Bank can mobilize its full range of skills and instruments for the benefit of its shareholders, as it has done recently in the food crises, or in response to the Indian Ocean tsunami or financial crises in Mexico and East Asia.

The World Bank is pursuing a number of financial measures to make the most of our capital, including a loan price increase; working with countries so we can use the shares they purchased with national currencies; a selective capital increase linked to changes in "voice";

tight budget discipline; and a possible increase in pricing for longer maturity loans. These measures emphasize the mutual responsibilities and contributions of all our members. But they may not be enough. If the IBRD continues its lending at the current rate, by mid-2010 it will be capital constrained. IFC is limited now.

Of course the future is uncertain. If the recovery falters, or simply struggles slowly, should we risk a World Bank Group already stretched to the limit and unable to lead? In the face of the next crisis—another food emergency, the next epidemic—can we afford to have a World Bank Group that has to hold back? I thank the Development Committee for committing yesterday that it will ensure that the World Bank Group has sufficient resources to meet further development challenges, and that it will reach a decision on this issue by Spring 2010. This is an important step forward in the first General Capital Increase for the World Bank in twenty years.

The Reform Agenda

To serve the changing global economy, the world needs agile, nimble, competent, and accountable institutions. The World Bank Group will improve its legitimacy, efficiency, effectiveness, and accountability, and further expand its cooperation with the UN, the IMF, the other Multilateral Development Banks, donors, civil society, and foundations which have become increasingly important development actors. We know well the importance of advancing multiple reforms to address shareholder requests, improve performance, and build support with your legislatures.

Our efforts include:

- Improving development effectiveness, with a focus on the results agenda, decentralization, gender, investment lending reform, and human resources;
- Promoting accountability and good governance, including with our global anti-corruption efforts, an improved transparency and disclosure policy, and the soon-to-be-released recommendations of the Zedillo Commission; and
- Continuing to increase cost efficiency.

But we must go further.

The Bretton Woods system was forged by 44 countries at a time when power was concentrated in a small number of states. The great waves of decolonization were just stirring; the few developing countries were seen as objects, not subjects, of history. That world is long passed. The new realities of political economy demand a different system.

If developing countries are part of the solution, they must also be part of the conversation. The international system needs a World Bank

Group that represents the international economic realities of the 21st Century, recognizes the role and responsibility of growing stakeholders, and provides a larger voice for Africa.

The first phase of the reforms to enhance the voice and representation of developing and transition countries in the Bank Group was completed a year ago, with an additional Board seat for Sub-Saharan Africa and an increase in the voting power of developing countries at IBRD to 44 percent. I am pleased that yesterday the Development Committee stressed the importance of securing a further increase in voting power for developing countries of at least an additional 3 percent—bringing developing countries to at least 47 percent, for final decision at our Spring Meetings next year. We must continue to be ambitious. We should try to see if we can increase the share of the developing countries toward 50 percent over time, even as the emerging economies share the responsibilities of assisting poorer countries with their development. The World Bank Group should more accurately reflect the world around us.

Conclusion

The old international economic order was struggling to keep up with change before the crisis. Today's upheaval has revealed the stark gaps and compelling needs. It is time we caught up and moved ahead.

We need a system of international political economy that reflects a new multipolarity of growth. It needs to integrate rising economic powers as "responsible stakeholders" while recognizing that these countries are still home to hundreds of millions of poor and face staggering challenges of development. It needs to engage the energies and support of developed countries, whose publics carry the heavy burdens of debt, competitive anxieties, and feel that the new powers must share responsibilities. It needs to help offer a hand to the poorest and weakest countries, the 900 million people who still live without access to safe water, and the "Bottom Billion" trapped in poverty because of conflict and broken governance.

Yet it won't happen by itself.

The question is whether leaders can cooperate in steering these changes. They will be drawn to the interests of the national publics they represent, as they should. Yet they will also be challenged to recognize and build common interests, not only case-by-case, but through institutions reflecting a "Responsible Globalization."

Bretton Woods is being overhauled before our eyes. This time, it will take longer than three weeks in New Hampshire. It will have more participants. But it is just as necessary. The next upheaval, whatever it may be, is taking form now. Shape it or be shaped by it.

REPORT BY AGUSTIN CARSTENS
CHAIRMAN OF THE DEVELOPMENT COMMITTEE

It is my pleasure to present to you my report on the work of the Development Committee, which met here on Monday. Full details are provided in our official communiqué.

The Committee expressed its appreciation to the Government of the Republic of Turkey for hosting the Annual Meetings.

We conveyed our sympathy to the people of Asia and the Pacific affected by the recent natural disasters. The Bank stands ready to assist them.

The global economy has shown signs of recovery, but risks remain. In many developing countries, the impact on poverty and the most vulnerable is rising. By end-2010, some 90 million more people risk being forced into extreme poverty. Hard-earned progress toward the Millennium Development Goals is in danger of being reversed. To protect the poor, we urged members to follow through on their commitments to increase aid and its effectiveness. Developing countries have an important role to play in the global recovery. Addressing financing constraints and investing in developing countries is critical for sustainable growth. We also acknowledged that the revival of world trade and investment will drive growth, and urged members to avoid protectionist measures.

We welcomed the vigorous response by the World Bank Group to the crisis. We support the World Bank Group's efforts to tackle long term development challenges in line with its comparative advantage, including investing in infrastructure development, support for private sector-led growth and employment, climate change, food security, fragile states, and governance reform, including the Stolen Assets Recovery initiative. We welcomed the ongoing work on a post-crisis strategy for the Bank and look forward to reviewing it at our next meeting. We called on the World Bank to work with the regional development banks to assess their respective roles and methods of collaboration.

We welcomed the timely and effective efforts of the IMF. We supported the joint efforts by the Fund and the Bank to increase the flexibility of the Debt Sustainability Framework and the Financial Sector Assessment Program.

We encouraged the World Bank to make full use of its existing resources, and are pleased that IBRD is on track to provide over $100 billion in financing over 2009–2011. We welcomed progress in examining measures to improve the World Bank Group's financial capacity and sustainability. We committed to ensure that the Bank Group has sufficient resources to meet future development challenges, and asked for an updated review, including on the Bank Group's general capital increase needs, to be completed by Spring 2010 for decision. The review should also address all possible contingent approaches, as well as keep in mind the infusion of capital that would come from a special capital increase for voice reform. In considering potential general capital increase needs for IFC, the review should also examine the use of hybrid capital.

Core spending on health, education, social safety nets, infrastructure, and agriculture in low income countries needs to be protected, while maintaining debt sustainability. We committed to explore the benefits of a new crisis response mechanism in IDA to protect low income countries from crises in future to be considered as part of the IDA 15 Mid-term Review. We called on the Bank to develop a multilateral trust fund to support the Food Security Initiative for low income countries.

On the issue of voice and Participation of the Developing and transition countries, we stressed the importance of moving toward equitable voting power in the World Bank over time, through the adoption of a dynamic formula which primarily reflects countries' evolving economic weight and the World Bank's development mission. In the next shareholding review, the formula should generate a significant increase of at least 3% of voting power for developing and transition countries. This would be in addition to the 1.46% increase already agreed under the first phase of the voting reform. It would benefit under-represented countries. While recognizing that over-represented countries will make a contribution, it will be important to protect the voting power of the smallest poor countries. We recommitted to reaching agreement on the voting reform by the 2010 Spring Meetings.

Continuing improvements in the corporate governance, accountability and operational effectiveness of the World Bank Group are essential for confronting the development challenges of the 21st century. We welcomed progress to date and asked for a report for our next meeting on progress and proposals for advancing these reforms.

Finally, as this is my final appearance as Chairman of the Committee, let me thank you all for the excellent support that Governors and others have provided to me over this period. I feel confident that you will provide the same degree of support to my successor as Chairman, Mr. Ahmed bin Mohammed Al Khalifa, Minister of Finance of Bahrain.

STATEMENTS BY GOVERNORS AND ALTERNATE GOVERNORS

AFGHANISTAN: OMAR ZAKHILWAL

Governor of the Bank

It is my distinct pleasure to address this meeting today. I would like to join others in expressing our gratitude to the Government of Turkey for its warm hospitality here in Istanbul.

I also take this opportunity to express our sincere appreciation to the World Bank (WB) and the International Monetary Fund (IMF) for their continued support for the economic development of Afghanistan, as a result of which our country has gone from decades of almost total isolation to the point today where we are gradually more engaged in the world economy.

One of our greatest challenges is to develop the capacity of the Afghan Government to manage our development. A critical step in this is increasing the amount of aid that passes through the Afghan budget.

The World Bank administers the Afghanistan Reconstruction Trust Fund (ARTF) that pools over $3 billion in donor funding through our Government systems in an efficient and transparent way, funding important projects and programs from community led development to large infrastructure to institutional reform and development.

Similarly, the Poverty Reduction and Growth Facility (PRGF) of the IMF is a key driver in economic reform, and has helped Afghanistan to implement important structural improvements.

Despite challenges, we are on track to finalize the PRGF by March 2010 and have implemented the wider social and economic reforms required to finish the Heavily Indebted Poor Countries (HIPC) Initiative. With the help of WB and IMF we are looking forward to reaching these significant milestones in the very near future.

However, the completion of our key reform programs does not mean that the Bretton Woods institutions have a lesser role to play in our country in the years to come—on the contrary.

New national programs, underpinned with clear and coherent approaches, are needed to effectively implement the Afghanistan National Development Strategy (ANDS)—our Poverty Reduction Strategy Paper (PRSP).

ANDS reflects our top national priorities, including strengthening human resource development, investing in infrastructure for a viable economy and increasing the productivity of our agriculture to improve the livelihoods of the great majority of Afghans.

Our efforts to introduce economic and social reforms will also continue. Domestic revenue collection is being set on a sustainable, long-term path.

At the same time, a strong enabling environment for the private sector needs to be put in place while state-owned enterprises are being corporatized or privatized.

Important steps are also being taken to strengthen public sector institutions in order to improve the delivery of services to the Afghan people. This requires that significant progress is made in reducing corruption.

But in turn, fighting corruption is not only about developing anti-corruption plans or setting requirements for Cabinet members to register their assets. The Government is moving to significantly reduce the incentives for any mismanagement of funds by ensuring our institutions are fit for purpose.

For example, we at the Ministry of Finance are working to build a credible internal audit capacity across all of Government, development projects and non-tax revenue collection alike.

Success in all these efforts will depend upon sustained assistance through investments, technical assistance and policy advice from the WB and IMF.

At a time when Afghanistan is moving into the next stage of its development, we must reassess how donors in general, and the WB and IMF in particular, can provide assistance more effectively, so that it contributes to the sustained economic growth and development envisioned in the ANDS.

In this context, we strongly support the G-20 efforts to examine the mandate and instruments of the IFIs to ensure they are as relevant and responsive as possible. Afghanistan's experience certainly demonstrates that for aid to be effective, more ownership and increased capacity are necessary on the part of the recipient country.

A challenge that all donors face is how to give a country such as Afghanistan its own voice and a credible role in the reform and policy making process. This issue will continue to be discussed during the WB and IMF Annual Meetings:

We agree that stronger voice and participation is critical to increase the legitimacy of the IFIs, to broaden acceptance for their work, and to allow them to meet their development mandate.

Greater ownership plays an important role for Afghanistan, as we now start preparing for a successor to the PRGF program—a program that we believe can only be successful if Afghans drive the reform agenda.

Currently, 80% of aid funding in Afghanistan is delivered outside of the Government budgetary systems. It is difficult to ensure that this aid is appropriately aligned with Government priorities. The result is a system of development assistance that is not well managed or coordinated, and is certainly not reflective of Afghan ownership.

However, without a reasonable degree of ownership, accountability for our own development is not possible.

Having benefitted from several years of assistance, and supported by recent donor assessments, the Ministry of Finance believes it is now in a position to manage on budget contributions to government programs. Our immediate goal is for donors to increase the amount of on-budget aid to 40% in the coming fiscal year.

But good progress has been made in other areas to demonstrate strengthened Government ownership. Increasing domestic revenue, continuously exceeding IMF targets, has not only been a remarkable achievement, but also a critical step towards fiscal self-sustainability.

This has only been possible because the Afghan Government has been both willing and able to assume a leadership role, enabling us to find our own solutions to the challenges set out in our revenue action plan.

For example, we have implemented management changes; strengthened capacity; improved internal audit and anti-corruption functions; and importantly, made revenue collection a Government-wide priority.

But donors have also played a critical role supporting these efforts by responding directly to requests for assistance by the Afghan leadership, resulting in better coordination in aid that is more in line with our needs.

Genuine ownership also requires capacity—capacity to identify, lead and implement priorities that are complex, challenging and intertwined. We readily acknowledge that this capacity does not exist in many areas. As a result, efforts to substantially increase capacity are a priority for all of our development partners.

With this in mind, the Afghan Government has proposed a new initiative, a national program for civilian technical assistance, to ensure that technical assistance is effectively meeting our most urgent needs. Technical assistance is to be demand led and an integral part of the Government structures—not a parallel system.

In conclusion, the work of the WB and IMF is instrumental in helping Afghanistan as we seek to increase economic growth and reduce poverty.

We welcome an expanded role for the WB and IMF—but a role in close partnership with donors, and most importantly with the Afghan Government.

I encourage that the IMF, WB and relevant governments come together to discuss how they can effectively work together, particularly in more volatile and insecure environments. In this way the WB and IMF can continue to play their renewed leadership roles in assisting the world's developing economies.

AUSTRALIA: NICHOLAS SHERRY

Governor of the Bank and the Fund

Global Outlook

The outlook is improving and it appears that the worst of the global recession may have passed. The global economy is now in the early stages of recovery—a recovery that has been underpinned by the unprecedented fiscal and monetary stimulus and financial support provided around the world in response to the economic crisis. This is a recovery, however, that remains fragile and one that will be slow.

The tentative signs of recovery are evident from financial markets and macroeconomic data. In recent months we have seen equity prices rebound and credit spreads narrow reflecting both a perceived decline in system-wide risks and expectations of stronger global growth. We have seen confidence improve, and production and trade are rising around the world.

Signs of the recovery are varied across regions. Emerging East Asian economies recorded the steepest falls in GDP at the onset of the recession, but are now leading the recovery. Advanced economies, while also improving, show a more sluggish recovery underway.

A return to strong economic growth is, however, not yet assured. Growth in demand is likely to be constrained by the necessary, and persistent, deleveraging by firms and households, and by rising unemployment. And while conditions in financial markets have stabilized, they are still far from normal. Significant risks to financial stability remain over both the short and medium term. Most immediately, still-increasing default rates amongst household and corporate borrowers, combined with the ongoing likelihood of write downs, will continue to place pressure on bank balance sheets in a number of countries. There is still the downside risk of a possible re-intensification of the negative feedback loop between the real economy and the financial system that could undermine the recovery.

In this environment, the near-term continuation of global stimulatory policy settings is crucial to sustain the recovery in 2010. Consistent with the G-20 Leaders' commitment at Pittsburgh, Australia supports maintaining announced policy stimulus for as long as necessary to support the global economy and jobs.

While the worst may be over, there remain policy challenges. The process of withdrawing from public interventions in financial markets in the medium term, while necessary, will entail significant risks to financial stability. Similarly, withdrawal of stimulus once global recovery is assured will be important to long-term growth. It is also important that individual countries establish credible frameworks for fiscal consolidation as growth resumes. Such challenges to the global recovery can be managed through a coordinated and timely approach to policy action by world economies.

In the longer term, Australia believes that a key challenge to the sustainability of global growth will be the successful rebalancing of demand between advanced and emerging economies.

The recent G-20 Leaders' Statement asks the Fund to play an active role in this regard, by developing a forward-looking analysis of whether policies pursued by individual G-20 countries are collectively consistent with more sustainable and balanced growth trajectories to inform a process of mutual assessment.

Australia strongly supports the continuation of coordinated work through forums such as the G-20 to help ensure a sustainable recovery.

Reform of the International Financial Institutions

The recession from which the world is now emerging, the worst in the 65 years since the inception of the Bretton Woods Institutions, provides a strong reminder that we need them to be truly effective if we are to meet the challenges, and reap the benefits, of globalization. As countries emerge from this period of economic and financial turbulence, it will be critical to strengthen these institutions to reduce the likelihood of such a crisis recurring and to mitigate the damage that future financial market fluctuations have on developing countries.

Among the first priorities must be reforming the international financial institutions' governance structures. Australia strongly supports efforts by the institutions to pursue governance reforms within the agreed accelerated time frames. All members will benefit from a Fund and Bank that have greater legitimacy and relevance and are therefore more effective in fulfilling their respective mandates for promoting international financial stability and poverty reduction.

These reforms must include changes to the institutions' ownership structures. The global economy is evolving rapidly and it is important that their ownership is representative of the current global economic environment.

At the IMF, the reforms agreed by Governors in April 2008 will make an important contribution to the realignment of quotas. A simpler formula placing a higher weight on GDP was agreed to guide a realignment of quota towards under-represented countries, particularly dynamic emerging market economies. Australia has accepted this amendment and looks forward to its prompt acceptance by the membership as a whole.

The April 2008 agreement was designed as a first step in what would be a more dynamic process of quota reviews. More remains to be done as part of the review of quotas to be agreed by January 2011. Australia supports a further significant redistribution of quota shares and the G-20 call that this should include a shift to dynamic emerging market and developing countries of at least 5 percentage points from over-represented to under-represented countries based on the current IMF quota formula.

A significant and fair realignment of quota shares will be easier to achieve if it is part of a substantial increase in quotas. Australia considers that the review of the size of quotas should take account of significant changes in the world economy, the increased demands on the IMF, and the importance of the IMF remaining a quota based organization. This last point is also a key one, and one that was recognized by G-20 Leaders in Pittsburgh.

At the World Bank, the timeframe is shorter and the task more complex. Australia supports a move away from reliance on historical IMF quotas as the basis for World Bank shareholding. This will require agreement to a simple, credible and transparent formula that primarily reflects countries' evolving economic weight and the World Bank's development mandate. Australia supports the G-20 call for a shareholding reallocation focused on increasing the shareholding of countries underrepresented compared to such a formula and that this should result in a significant increase of at least 3 percentage points of voting power for developing and transition countries. However, the formula should also be designed to provide a fair basis for future shareholding reallocations, which may be expected to result in further increases in the shareholding of developing and transition countries as their weight in the world economy continues to grow.

Development of a new shareholding formula was considered in a first phase of reforms but agreement was not achieved in the time available. Achieving consensus by April 2010 will result from pragmatic negotiations directed to improving the long-term interests of the Bank and of the shareholders as a group.

Australia considers that an important objective of the governance reforms at both institutions will be enhancing the voice of the poorest countries and this goes beyond shareholding reforms. The previous rounds of reforms made progress. The voting power of many of the poorest countries was increased through the doubling of basic votes at the World Bank and the tripling of basic votes at the IMF. The representation of Sub-Saharan African countries was strengthened through the addition of a third chair at the World Bank and an additional alternate Executive Director for each constituency at the IMF. Australia supports further reforms to increase the voice of the poorest countries through consideration of a further increase in basic votes, restructuring of the Executive Boards and through reforms to make the institutions more responsive to their needs.

Internal governance reforms to improve the effectiveness and efficiency of the Executive Boards and their responsiveness to Governors are still needed. Changes being introduced to make the IMFC less formalistic are an important first step, but further reforms should ensure: it has a strategic agenda, owned by Governors; that Governors are more involved with surveillance, for example by giving them explicit accountability for following up on the early warning exercises; and that Governors exercise greater oversight over the collective performance of the Executive Board as a whole. The Bank's Executive Board should continue to review and implement measures to improve internal governance, including the oversight, strategy and effectiveness of the Executive Board, as outlined at the 2009 Spring Meetings.

The institutions' legitimacy has also, and for too long, been undermined by conventions that constrain selection of their heads and senior management to candidates of certain nationalities. Australia supports the development of an open, transparent and merit-based selection process.

The crisis has also made clear the need for more fundamental reform of the international financial institutions. Australia welcomes the initiatives that the institutions themselves have already begun pursuing. The IMF has implemented important reforms to its lending instruments and conditionality framework, including the introduction of the Flexible Credit Line and a more flexible range of instruments for low-income countries. Considerable progress has been made in strengthening its surveillance tools, including by improving expertise on macro financial linkages and through closer collaboration between the IMF and the Financial Stability Board. The Bank has undertaken reforms to streamline procedures and improve flexibility, enabling it to front-load and fast-track lending resources to protect the most vulnerable.

These important changes have been backed by substantial increases in resourcing—together equipping the Fund and Bank to respond rapidly and effectively to the crisis. It will be important that lending instruments and policies continue to be adapted in response to global economic circumstances and members' needs.

Deeper changes may require reconsideration of the roles, responsibilities and mandates of the institutions in the light of the crisis, particularly the IMF. Important aspects to sustain a future of balanced and sustainable growth will be reducing the pressure for countries to self-insure through the holding of large foreign currency reserves and improving the breadth, clarity and traction of surveillance. Consideration should be given to whether the lending role of the IMF should be extended beyond addressing balance of payments need, options for strengthening surveillance, the role and flexibility of the SDR system, the obligations of members under the IMF's Articles of Agreement and clarifying the roles of the IFIs with respect to each other as well as with respect to other regional organizations and the private sector. There is merit in considering a thorough and wide-ranging review of the Fund and its Articles of Agreement, taking full account of the growing integration of the global economy with respect to both international trade and capital flows.

Development Challenges

Since the onset of the food and fuel crises nearly two years ago and the subsequent financial crisis and global recession, donors and development agencies have mobilized significant additional resources for low-income countries. However, low-income developing countries have been hit hard by crises not of their making, and face daunting challenges that jeopardize years of progress in combating poverty. As a result of the global recession, 89 million more people will be living in extreme poverty, on less than US$1.25 a day, by the end of 2010.

Over four billion people remain undereducated, ill-equipped with capital and technology, and insufficiently integrated into the global economy. As G-20 Leaders noted in Pittsburgh, we need to work together to make the policy and institutional changes needed to accelerate the convergence of living standards and productivity in developing and emerging economies to the levels of the advanced economies.

Australia applauds the efforts of the World Bank Group in stepping up its financial assistance to help developing countries mitigate the impact of the crisis over its past fiscal year. For the World Bank Group as whole, the result has been record levels of activity—with US$58.8 billion committed in 2009 to support countries hit by the global crisis, a 54 percent increase over the previous year.

Other multilateral development banks have also responded to the crisis by increasing lending and introducing new and flexible instruments to respond to the downturn. We commend these efforts by the multilateral development bank community.

The hard-hitting impact of the crisis on the IMF's low-income country members has emphasized the need for an effective Fund, one that can support its members in dealing with the consequences of the global recession.

Australia commends the IMF's response. It has gone beyond G-20 calls at the London summit, more than doubling concessional lending capacity by mobilizing new resources to boost the Fund's medium-term concessional lending to US$17 billion.

Australia wants to be a good international citizen. That reflects a key Australian characteristic: a commitment to help people less fortunate than ourselves, a belief in a fair go for all.

As such, Australia is actively seeking to support developing nations in this time of turmoil. Within the G-20 we have argued for a clear focus on development issues and the implications of the global recession on the poorest of the poor. We continue to commit our resources towards development, and will increase our official development assistance program to 0.5 per cent of gross national income by 2015–16.

Australia has made major new multi-year commitments to improve food security and build community resilience through rural development (US$400 million over four years) and support high priority infrastructure needs (US$391 million over four years).

We recently committed US$216 million over 20 years to the expanded International Finance Facility for Immunization to help the world's poorest countries to deliver better health care to their people. Many countries do not have the resources to provide even the minimum of essential health services. Poor countries need accelerated assistance to provide these health services now if we are to achieve the health Millennium Development Goals by 2015. The expanded Facility, with support from Australia and other donor countries, will help meet this need.

Australia has been a long-time contributor to the interest subsidy account of the IMF's Poverty Reduction and Growth Facility—we provided US$26 million over the past 12 years. In support of the Fund's new concessional financing facilities, Australia will shortly advise the IMF of a commitment to the general subsidy account of the new Poverty Reduction and Growth Trust.

Australia values its close working partnership with the Fund and Bank and we look forward to further ongoing productive dialogue with both institutions to promote global stability and sustainable development. Australia congratulates and thanks the IMF and the World Bank for their work in stabilizing and assisting world economies through the crisis.

BANGLADESH: ABUL MAAL A. MUHITH

Governor of the Bank and the Fund

I consider it a privilege to participate in the 2009 Annual General Meeting of the Board of Governors of the World Bank Group and the International Monetary Fund in this historical city of Istanbul at a challenging time for the global economy. It is a privilege because we are at the threshold of restructuring of global financial and monetary institutions as well as of the development enterprise of post-world war period. It is a matter of special personal privilege for me to return to such a meeting after a lapse of 26 years. What impresses me most is that I find after more than a quarter century that we are still grappling with many issues which have remained with us for almost all of the post-War period. First of all, however, let me acknowledge the hospitality of Istanbul and our hosts the Turkish Government for their tradition of warm welcome at such gatherings. I recall with pleasure the hospitality of Turkey in 1983 when I attended the annual meeting of a sister DFI—the Islamic Development Bank.

In 1972 the Stockholm conference brought the issue of environment and limits to growth to the forefront, although in a very feeble manner. In 1973 World Bank President McNamara, whose death a few months ago I sincerely condole, brought the issue of eradication of poverty and the crisis of existence of the lower 40 percent to the centre stage of the development dialogue. At that time (1972–74) we also confronted the issue of the new architecture of the global financial and monetary system and IMF for the first time assumed a development role. In 1981 we faced the issue of structural adjustment soon to be buttressed by an emphasis on private sector development. Then we stressed on macroeconomic stability, identified as an important issue possibly in the WDR of 1981. Later we moved on to the virtues of open economy and invisible hand of competition with a lean public sector that dominated the last two decades. The issues of most concern today are the same issues mentioned here.

The interesting development is the re-emergence of these issues in the wake of financial market turmoil in some of the developed countries and the consequent global economic recession in a vastly globalized and integrated world economy. Since October last we witnessed a spate of proactive steps by leading economies, both developed and developing, and a number of high level consultations to chart a course of action to reduce the impact of the crisis. In an environment different from that of the 1930s we noticed coordinated global action, activism of the public sector with stimulus packages in all countries and avoidance of competitive devaluations. The G-20 Meetings in London (April 09) and Pittsburg (September 09) and the UN Conference in June 2009 were welcome initiatives and surely they contributed to the air of confidence that has really thwarted the earlier pessimism about a long and deep recession. It is important that this optimism prevails without, however, giving quarters to a sense of complacence. It is important that stimulus packages are not given up early because it is not only employment that is adversely affected in the developed world, but it is more the dramatic thwarting of the growth and poverty reduction undertakings of the weak economies, and especially of the least developed countries who are the worst victims of the crisis.

The current global economic crisis has led to heavily reduced capital and investment flow, which has in its turn adversely affected the investment decisions by the domestic private sector in the developing countries. It has substantially reduced global trade including a decline in manpower export that has turned into the main export earner for many countries. The unemployment rate in the weaker economies is a matter of serious concern and the consequent need for safety net expansion is a Herculean task. The fall in revenues, due to both external and domestic contractions, is further limiting the fiscal space available to the weak economies to tackle the crisis. This slowdown will impede the fight against poverty and jeopardize the achievement of MDG targets by 2015.

The situation is further complicated by the threat of climate change and environmental hazards being faced especially by the low-income countries. Huge populations are likely to be rendered homeless and put out of work in a number of vulnerable countries. Climate change symptoms have already created impossible challenges in my country where devastating effects of successive cyclones and tidal surges have obliterated habitations and warranted investment of billions of dollars for rehabilitation of embankments, agriculture and shelters. The financing needs for adaptation and mitigation of the impact of climate change has assumed critical dimension and additionality of financial commitment is the key issue there. In all likelihood administration of funds for climate change purposes also calls for a new approach. Above all we are left with too little time for agreement on emission levels in unequivocal terms as we look forward to a global compact at Copenhagen in December. We reiterate our call to address the climate change issues on the basis of the principle of "common but differentiated responsibility" as articulated in the UN Framework Convention on Climate Change. We urge the global community to consider at the forthcoming Copenhagen Summit to forge a post-Kyoto financing architecture which should take into account the special needs of the low-income countries to undertake adaptation and mitigation programmes.

As we consider the response of the global system to the present crisis of recession we find it to be extremely slow and very limited. The World Bank has yet to start operations directed at anti-cyclical measures in its member countries. There is very little of trade financing from any quarter although global liquidity is at very comfortable levels. The regional development banks, however, are doing much better in holding the hands of the low-income countries. The IMF has at least allocated the new issue of SDRs and the flexible credit facility is proving to be helpful to some countries. The debt reduction initiative is proceeding in its traditional slow motion as if the crisis is nothing new. But the systemic problem of what I would term punishment for good performance and prudent debt policy is an issue that cannot be neglected any further. The economies such as Bangladesh, who are doing better by being cautious in their trade transactions and prudent in their debt management are, indeed, being punished. They cannot qualify for debt reduction nor can they get any IMF support for trade financing as they have no balance of payment crisis. They are forced to borrow costly short-term money to finance essential imports such as fuel, fertilizer or food and undertake their development effort at a lower level of their potential. This is a problem that defies any explanation or justification and only alternative ways of budget support or sector lending for infrastructure investment or social protection can possibly find some solution. Such economies need firstly grants and concessional loans that are available now at much reduced levels and secondly rapid commitment of external assistance without elaborate conditionalities. IFIs have to consider a "minimum convergence criteria' principle in place of the antiquated conditionalities to guide their programmes in low-income countries. This principle will entitle countries to receive IFI funding provided their macro-economic policies are sound and the funding must support effective policies in the real sectors.

You must have realized by now that the point I am making is that the development enterprise anywhere is a long term undertaking. Keeping this in mind it is wrong for a DFI to withdraw from any critical sector such as agriculture and water sector, transport and road sector or energy and power sector in any developing member country. Mercifully the World Bank has realized the folly but needs firmly to confirm a policy of continuous engagement in various sectors of its member countries. World Bank group's withholding of support in growth-inducing areas such as roads, railways and power on a plea of institutional deficiencies in a particular country context does not augur well for unimpeded growth and development. We must stem this tendency towards stop-go kind of interventions in the credit recipient countries.

We must renew our commitment to further improve the predictability and effectiveness of development assistance. An effective implementation of the Paris Declaration principles is needed to strengthen donor harmonization and alignment with country systems. Promoting country ownership of the development agenda must be the common recurring theme in WB and IMF's operation under a mutual accountability framework. Country ownership should not be viewed as synonymous only with local consultation with the civil society and other interest groups, it must entail buy-in of the people's representatives and a fuller involvement through a political process. Domestic capacity building for policy formulation and speedy implementation of programmes must be given priority. Procurement disciplines must be attuned to country requirements only ensuring transparent practices relevant to the economies.

While we appreciate the G-20 initiative to almost triple the IMF resources for supporting developing countries to fight the economic slowdown, we also note that a large part of this support will be earmarked for middle-income countries leaving little leeway to underwrite balance of payment and fiscal deficits in the LDCs. The LDCs have neither received any substantial support so far from the WB group to ride out the crisis. While IBRD has almost tripled its annual lending operation in recent times, IDA has not made any provision for providing additional resources to the LDCs other than 'front-loading' its regular resources. When additional development financing is needed to face the economic crisis, it is not clear how this 'front-loading' without any additional allocation can sustain the development momentum. We strongly urge that a special fund be created with core resources of the WB for the LDCs to provide quick disbursing budget support.

We would like to extend support to a general capital increase for the IBRD to ensure capital adequacy for its operation. In the same vein, we would also ask the donor countries to consider a special replenishment of IDA resources to help the LICs address the stresses being generated by the current economic crisis and climate change. We urge the global community to revive the stalled Doha negotiations and consider duty and quota free entry of all exports from LDCs under a simplified rule of origin.

It is imperative that the voice and representation of the developing countries in the decision making of the Bank and the Fund is enhanced to improve the legitimacy and credibility of the World Bank and IMF as multilateral development institutions. The voice, visibility and participation of LICs/developing countries must also be substantially increased in the informal decision-making fora as well. The total voting weight of the developed and developing countries should be equal and no veto power should be applied by any one member. Besides contributions/shareholdings, LICs may be allowed a greater participation in the Bretton Woods Institutions based on population size, poverty level, good macro-economic management and the volume of borrowing. This change is critical for bringing a sense of 'ownership' by the developing countries, as opposed to a mere passive participation by them.

I would like to say a few words on the restructuring of the global public sector for the financial and monetary system of the future. The architecture of the international financial institutions and the global economic system as drawn up in Bretton Woods still survives with some significant modifications. This system when it was shaped took into account the experience of the Great Depression of 1930s and the urge for a Post-World War II economic order enshrining equity, peace and prosperity. In recent times Bank-Fund collaboration has flourished and the much expected third institution of WTO has come into existence. IMF has taken up a larger role as development financier and as supporter of economies in sudden and enormous balance of payment crisis. With the sudden arrival of a severe depression and near-collapse of the financial sector in course of the last two years new ideas are in the air about a restructuring of the international financial institutions. These ideas need to be carefully and systematically pursued and not put under the carpet once the crisis is temporarily contained. On the one hand we need a regulatory body on greater and asymmetric monitoring of the global economy, more comprehensive regulation of the financial sector and the capital market (in particular OTC innovative instruments) and development of an effective early warning system. On the other hand, we need to consider institutions for special financial assistance programmes for poverty alleviation in low-income countries, for protection of the environment in the developing countries and for survival of small and vulnerable economies while continuing with some institution for facilitating financial intermediation globally. If poverty is considered a disgrace for humankind and we are really committed to its eradication and we are determined to save the vulnerable communities then the tackling of development issues on two separate plains is perhaps unavoidable for the future. It will take some time for a new order or system to evolve but it demands unflinching attention and devoted exercise. Meanwhile rapid reforms of the international financial institutions as touched on earlier should be undertaken.

In conceptualizing the new architecture the leadership provided by the G-20 is appreciated but in order to carry out the restructuring it has to become more inclusive a forum. It must be acknowledged that new global actors are emerging and centres of attention are shifting. It must also be recognized that growth through export promotion must be tempered with domestic demand generation and creation of regional markets. Further, the intervening role of the public sector must be constructed with care without adversely affecting the creative role of the invisible hand but not giving in to the orthodox notion of complete freedom.

Before concluding let me say a few words about my country Bangladesh. A new Government came to power nine months ago with a huge mandate through a peaceful and smooth transition to democracy. We are committed to ending illiberal democracy and upholding parliamentary system of governance. Our election manifesto promises to eradicate poverty and transform Bangladesh into a digitalized and middle-income country by 2021—the 50th year of the country's independence. The present Cabinet led by the Honorable Prime Minister Sheikh Hasina has committed all its energy and labour to achieving this goal. This calls for good governance involving public service reforms, control of corruption more through systemic reforms rather than intimidation, upholding of human rights and the rule of law, devolved implementation of development programmes, social mobilization in a big way, and above all regular parliamentary debate on national issues, systematic consultation with people and effective public private partnership. A number of steps have already been taken to live up to the above commitment although I shall not deny that containment of explosive expectations have, indeed, frustrated slowed down some good efforts. With speed the new Government has recast a three year poverty reduction strategy while long term vision and medium term indicative planning are being worked out in details. The PRS is now ready for negotiation as it is being discussed widely in the country. This is a programme that calls for immediate engagement of the Bank and the Fund.

Bangladesh has been fortunate in keeping up its growth prospect in the current crisis by emphasizing agriculture, employment programmes and social safety net expansion. The stimulus package sought to keep the export industries from going under, accelerate domestic demand and fine-tune banking policies. The limited exposure of the country to the international financial and capital markets helped the economy to largely escape the first-round effects of the global economic slowdown and we did achieve an economic growth of nearly 6 percent. But it seems unlikely to get away with the second-round effects unless the turnaround in the global economy is rapidly achieved. Bangladesh has been experiencing now a gradual decline in export earnings and in the volume of manpower export. Remittance receipts are not affected yet mainly because of improvement in the system of money transfer. Revenue collection has slowed down and investment is not moving at all. The efforts of the government in deepening tax system and expanding tax net will take a while to show results. Investment partnership with the private sector holds the key to further growth. But unfortunately infrastructure bottlenecks of the past and the dismal situation with the supply of energy and power is holding the economy back. Gigantic moves and bold undertakings in the area of infrastructure development demand the support of the development partners and FDI. The Government is committed to ambitious targets and programmes as there is no other alternative for a population of 150 million with one of the heaviest concentration of poverty on earth. Yes, implementation weakness is the Achilles' heel next only to the energy crisis. Here all that the popular and determined Government that I have the honour of serving can do is to put its best efforts and best style of inspired management. In this we seek the support of the global community.

Let me conclude with the assurance to you all and to the World Bank and IMF of my Government's strong support and commitment to achieving the common goals of poverty reduction and inclusive development. I am confident that we would be able to translate our commitments into concrete actions to build a world free of poverty.

Thank you, ladies and gentleman, for your kind attention. Thank you all for your indulgence for some harsh comments and out of the way recommendations for which my only explanation is very extended period of observation from the sidelines after an early period of deep involvement.

BARBADOS: DAVID J.H. THOMPSON

Governor of the Bank

It is an honour, as Governor for Barbados, to address this Joint Meeting on behalf of the Member States of the Caribbean Community, (CARICOM), namely Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Lucia, St. Kitts and Nevis, Montserrat, St. Vincent and the Grenadines, Trinidad and Tobago, and Suriname.

Our delegations wish to express gratitude to the management and staff of the Fund and the Bank and to our host, the Government and people of the Republic of Turkey, for the exceptional arrangements and outstanding hospitality during these meetings.

Global Economic and Financial Crisis

Last year when we met, our small states were being challenged by exorbitant rises in food and fuel prices. These challenges were further compounded by the global economic and financial crisis, which gave rise to precipitous falls in tourism earnings, remittances and foreign direct investment, along with contracting credit markets.

This confluence of circumstances contributed to severe job losses, failure of businesses and declines in government revenues. These conditions have reversed many of the recent gains of our countries in removing a significant percentage of our populations from the threat of poverty. If these conditions continue, the economic and social environment in our countries will deteriorate significantly.

With limited fiscal space, and high debt to GDP ratios, countries in our region have, nonetheless had to make significant borrowings to provide critical productive and social infrastructure to ensure productive capacity to grow and to provide basic services required by our people. In recent times, we have had to borrow to implement some limited counter-cyclical measures to shore up domestic demand and preserve macro-economic stability.

We are therefore very happy when we hear that the recession is ending in some countries but we know that it will take some time before it ends in the Caribbean. We therefore urge developed countries not to exit from their fiscal stimulus programs too rapidly but to give their economies this necessary assistance for some time more to make sure that recovery is consolidated globally. Only then do we know that the developed countries will turn their attention fully to the increased capitalization of the multilateral development banks. Neglect of developing countries and their critical needs in terms of capital to increase our national output would be fatal to a genuine global response.

The views expressed by developed and developing partners that a resolution to the financial crisis must be coordinated and comprehensive accords with our view as vulnerable small states. Our policies alone can never allow us to prevail. The Task Force of CARICOM Heads agreed to several proposals that complement the strategies emanating from recent fora of world leaders and we are developing a coordinated response in response to this crisis including mobilization of resources through the CARICOM Development Fund.

Access to Resources

With external credit markets effectively closed to developing countries, the role of the international financial institutions and other development partners in assisting us with implementing short- and long-term financial and macroeconomic policy is vital.

It is in this context that we raise the issue of access to the resources of the Bretton Wood Institutions. Limited access to World Bank funding by middle income Caribbean countries has forced many of us to make borrowings in the private capital markets of the world at substantially higher rates and on repayment terms that are painfully shorter. We have therefore had to increase our debt service much above what it would otherwise be were we able to access more funds from the multilateral institutions. Small middle income countries of the Caribbean now need your assistance in designing, establishing and executing debt sustainability programmes.

A recent study by the Commonwealth Secretariat found that the impact of the current world economic crisis has been especially severe on Caribbean states which are among the world's most vulnerable—using vulnerability factors such as economic openness, diversification possibilities, transport costs among others—to external shocks.

It also found that Caribbean countries are also quite resilient based on their macroeconomic stability, micro-market efficiency, political governance, social development and environmental management. This resilience is seriously threatened with the fall in export and tourism revenue, remittances, foreign capital flows and government revenues.

We therefore recommend that further consideration be given to this issue of access by middle income countries to financing from the multilateral financial institutions. Ironically, many of the financing facilities created by the international financial institutions to help countries deal with the current crisis exclude many Caribbean nations because we are classed as middle income without regard to our vulnerabilities.

At the same time, we wish to express our appreciation for the discussions which the World Bank and the International Finance Corporation have been holding this year with those Caribbean countries that had been unable to access these multilateral resources; and we look forward to positive results from these talks. In particular at this time, we want publicly to give our support to the IFC's Caribbean Crisis Management Facility for the tourism sector. We fully support this initiative and a number of our major companies in tourism are actively working with the IFC to prepare projects for IFC consideration. The IFC will need the support of the major donor countries, donor agencies and financial institutions to provide the level of funding required for what is a creative, commercially oriented and absolutely needed facility in our region. I urge you to give this initiative your full support.

Even as we look to international partners to assist us through this crisis, we have taken steps in the CARICOM Region to address the needs of the smaller and more disadvantaged Member States of our Community. At great national sacrifice, we have all contributed financially to the operations of our CARICOM Development Fund. In its first phase of operations, this new institution will only deal with the concerns of the less well-endowed countries in our region. We look forward to partnering with the international development community to strengthen this institution into a viable and successful mechanism which is supportive of the development of our CARICOM Region.

Tax Information Exchange Agreements

In April of this year, the London Summit of the Group of Twenty (G-20) countries noted the OECD report in respect of exchange of tax information. This report pointed out that Barbados, made the OECD "white" list for having more than sufficient signed and operational double taxation treaties and tax information exchange agreements.

Further, another nine (9) countries in the Caribbean were categorized as "gray," or jurisdictions that have introduced the required tax information exchange legislation but have not negotiated a sufficient number of related treaties. The overwhelming majority of Caribbean countries were therefore either more than fully compliant with OECD standards in this matter, or were on the verge of being fully compliant. As sovereign nations, we wish to emphatically state that our regulated financial services sectors promote transparency and financial integrity. We will not encourage clients from other jurisdictions to evade tax policies promulgated in sovereign nations.

We would like to stress, that the approach to addressing guidelines governing cross border financial transactions should be inclusive of small states and not relegated to a clique of developed and emerging countries as international cooperation and knowledge dissemination are critical to eradicating international illicit activities in the financial services sector. Our region stands ready to provide any assistance deemed necessary to protect the international financial system.

Climate Change

Our region remains steadfast in our efforts to implement comprehensive measures to sustain economic development and protect our environment from the effects of Climate Change. As small developing island states, we are especially vulnerable to the effects of climate change, particularly sea level rises, which erode our beaches and cause structural damage to our beachfront tourism plant. Recent World Bank Reports estimated that the potential impact of Climate Change to our region would approximate 11% of GDP.

Our interventions to mitigate the emissions of Green House Gases (GHG), and adaptation to Climate Change can only achieve success if our international partners remain committed to the principles of the United Nations Framework Conventions for Climate Change (UNFCCC). We are optimistic that the appropriate actions on Climate Change will be undertaken and additional financing to complement the Global Environment Fund (GEF) and other grant facilities will be forthcoming. When these funds become available, we hope and fully expect that all countries in the Caribbean, irrespective of per capita incomes, will be granted access to the concessionary funding available.

We continue to encourage an inclusive dialogue in the international community towards a Green Global Economy to mitigate the effects of Climate Change on our region.

Bretton Woods Institution Activities

We are aware of various issues unfolding in the Bank and IMF to ensure that these institutions maintain their relevance, legitimacy and effectiveness. We commend progress and actions taken to advance Voice and Participation and welcome the opportunity to increase the voice of developing countries in these institutions which should ultimately lead to finding a way to provide a seat at the table for each of the major island groupings.

As for the Fund, we call for completion of the quota review to increase voice and representation of emerging markets and developing countries, to ensure that the institution adequately reflects the changing economic weighting in the global economy.

Finally, we wish both the Bank and Fund every success in executing their respective roles in addressing the financial and development challenges that we are currently encountering.

BELGIUM: GUY QUADEN

Governor of the Fund

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 members' 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.

BOLIVIA: NOEL AGUIRRE LEDEZMA

Governor of the Bank

While 2010 is shaping up to be a better year for the economies of the developed countries, with some seeing "the light at the end of the tunnel," the outlook could be somewhat more somber for the economies of the low-income countries, which will have to deal with scarce resources and higher interest rates. Once again, the poor will pay for the mistakes made by the "more developed" countries, and their efforts to improve growth rates and to reduce poverty, inequality, and exclusion will continue to be thwarted.

Consequently, the costs represented by the fiscal stimuli in the developed economies ought not to serve as an argument for reducing or postponing support for the low-income economies. Nor should the cost of the crisis be shifted onto the backs of those who did not bring it about.

Although the majority of the representatives of the more advanced economies are in agreement as to the need to increase capital and balance voting power in order to improve the governance of the Bretton Woods Institutions, such assertions would appear to be more words than they are actions aimed at realizing such changes soon. Timely responses are extremely important, as we have learned in this crisis, and we hope that the rapidity and force with which they were forthcoming will be emulated when it comes to solving the problems of poverty and inequality that have yet to be addressed.

It bears recalling as well that crisis situations are not just short-term problems, but rather structural and systemic problems. It is conceivable that they can occur in cycles that become shorter each time, for which reason we must be prepared and, fundamentally, must construct a new development model that has more sustainable benefits for the general public. Joint actions are necessary, but we also take it as given that the actions we can take individually are important as well.

In Bolivia we shy away from continuing to repeat the errors of the past. Within the framework of a development model headed up by the State and a pluralistic organization of the economy, Bolivia has made profound changes in recent years that, in sum, include the nationalization of the oil and gas sector, improved income distribution, and enhanced social protection policies, without disregarding the preservation of macroeconomic stability in a context of democratic progress.

The numbers reflect this: in the past three years, per capita GDP has doubled, growth in 2008 was the highest in the past 17 years, and in 2009 our country will have one of the highest growth rates in Latin America. After more than 50 years of fiscal deficits, in the past three years we have recorded surpluses totaling over 10 percent of GDP. In the same period, we had a current account surplus amounting to 35 percent of GDP, and our international reserves were increased to 50 percent of GDP, the highest level in our economic history and probably one of the highest levels in the world.

We are well aware of the fact that economic growth by itself is not enough, and even less so if nature and labor of individuals are exploited. Our Government accords high priority to policies on income redistribution and access to basic services; this year we were declared to be a country free of illiteracy, and there was a significant broadening of healthcare services. Direct transfers served as an important mechanism for social protection even as the long-term measures were being consolidated.

Along these same lines, the exploitation of natural resources must preserve a balance between the generation of the resources needed for development with concern for Mother Nature, or as we say in Bolivia, “la Pachamama.” In the final analysis, when the natural environment is sick, the life of the individual becomes pointless. Accordingly, regulations have been introduced for the sustainable management of natural resources, and the people have been encouraged to participate in decision making.

The development policies of the low-income countries require the support of the multilateral organizations, which must adapt to these needs. To this end, to achieve more effective development, the international community should encourage the World Bank and the IMF to:

- Increase their capital with capital from countries and organizations that brought about this crisis period;
- Improve the democratic nature of their internal functioning, increasing the capacity of the developing countries to influence decision making;
- Adopt flexible, swift, effective, and timely procedures and mechanisms; and
- Accord priority to supporting the lower-income countries in addressing their development problems and decreasing the asymmetries that exist in the global economy.

CHINA: XIE XUREN

Governor of the Bank

I am very pleased to participate in the World Bank/IMF Annual Meeting today on behalf of the Chinese government. Please allow me to express my sincere appreciation for the Turkish government's warm hospitality and excellent arrangements for this Annual Meeting.

Through joint efforts of the international community, we are seeing some positive signs in the world economy. However, the foundation of recovery is not yet solid. Uncertainties still remain. It will be a long and winding path toward a fully installed global recovery. In order to promote global economic recovery and balanced development, countries should continue to strengthen macroeconomic coordination, maintain economic stimulus, implement appropriate and responsible fiscal and monetary policies, oppose and resist trade protectionism in any forms.

In response to impacts from the global financial crisis, China has implemented a package of policies since the fourth quarter of 2008, which centers on expansion of domestic demand, a combination of consumption and investment, a coordination between economic growth and restructuring, a balance between current objectives and long-term goals. We are seeing more positive signs and an upward trend in the Chinese economy. However, we are also soberly aware that the economic rebound is yet to be stable, firm, and balanced. In this connection, China will continue with the proactive fiscal policy and moderately eased monetary policy, further implement and improve the policy package, and ensure the achievement of our social and economic development goals.

The World Bank and the IMF are integral parts of the global economic governance structure. They play important roles in promoting world economic recovery and sustainable development as well as maintaining stability of the global monetary and financial system. Taking opportunity of this Annual Meeting, I would like to share with you a few points on how the two institutions should enhance the legitimacy of their governance structures and better fulfill their mandates.

I. The Governance Reform of the Two Institutions

The G-20 Summit in Pittsburg explicitly put forward that developing countries' voting power and quota in the two institutions should be increased respectively by least 3% and 5%. We call on all parties to work even more closely together and take actions to push for substantive progress in reform of the two institutions.

We emphasize that in the second phase of this reform, the World Bank's shareholding realignment must reflect the evolving weight of all members in the world economy, adhere to the principle of non-involuntary dilution for DTCs voting power, and protect the voting power of the smallest poor countries. We welcome all proposals that are conducive to significantly increasing DTCs' voting power for the benefit of completing the Phase 2 reform on time. We also look forward to continued input of reform momentum by all parties toward achieving the ultimate goal of parity voting power between developed and DTC members as early as possible.

IMF should speed up its quota reform. Before January 2011, IMF should complete its 14th General Quota Review, and undertake a significant transfer of quota and voting power to emerging markets and developing countries so as to enhance its legitimacy and effectiveness. Meanwhile, IMF should move forward to a broader governance structure reform, and enhance the Board's effective supervision on major decision making and the management. IMF should fully play its role in stabilizing the global economy and financial market. IMF should ensure its surveillance is fair, equitable, and independent. IMF should strengthen its surveillance on developed economies with important financial centers and their spill-over effects, so as to maintain the stability of international monetary and financial system.

We reiterate that the selection process the leaders of the two institutions should be open, transparent and merit-based. We look forward to specification of relevant procedures as soon as possible. The two institutions should continually increase developing countries' representation in its staffing structure, in particular the senior management, and achieve a good geographic balance.

II. The Future Direction of the World Bank and IMF

We believe the two institutions should follow the principles below in drafting their future strategic directions:

First, the World Bank should adhere to and strengthen its mandate of poverty reduction and development, maintain its core role in providing financial and technical assistance for developing countries. The Bank should ensure its capital adequacy in order to expand its financial assistance to developing countries. We oppose shifting the pressure of financial deterioration and shortage of concessional funds onto developing countries by increasing IBRD lending price.

Second, exerting its institutional comparative advantage, the World Bank should provide support to developing countries' bottleneck sectors and key areas for economic and social stability. When expanding its operation, the World Bank should follow the principle of demand-driven and clients' ownership, and consider coordination with other institutions. We support the World Bank's further engagement in the areas of infrastructure, food security, and energy security. Meanwhile, we encourage the Bank enhance its support for regional cooperation and south-south cooperation.

Third, IMF should continuously improve its governance structure in order to ensure its legitimacy and representativeness. IMF should set up an automatic adjustment mechanism for its quota in mid-term and long-run in order to timely reflects the evolving weight of each member in the global economy. As the core institute of international monetary system, IMF should start to work on the reform agenda for international monetary system, with a view to fundamentally fix its intrinsic defects, and provide a stable monetary environment for global growth and financial stability.

As a member of international community, China is willing to deepen its cooperation with the World Bank and IMF on the basis of mutual benefit to achieve a balanced and sustainable global development.

CROATIA: IVAN ŠUKER

Governor of the Bank

It is my pleasure and privilege to address the 2009 Annual Meetings of the Boards of Governors of the World Bank and the Fund here in Istanbul.

A year has passed from the beginning of the financial crisis which has led the world to the biggest economic slump since World War II. The crisis has been strongly felt in all countries of the world but its impact has been especially pronounced in developing and transition countries as well as middle income countries. In these conditions the Bank and the Fund are affirming their leadership by providing liquidity to the credit markets in most vulnerable countries and also by representing the needs of these countries in the coordinated global effort to fight the crisis and mitigate its consequences. I am sure the Bank and the Fund will remain faithful to their mission next year, which should be the year of recovery.

In my statement, allow me first to outline major economic developments related to the Republic of Croatia. Thereafter, I will touch on Croatia's cooperation with the Fund and the Bank, and finally, I will discuss current policy issues from the Bank/Fund agenda.

Concerning major economic developments in the Republic of Croatia, there are a few facts which need to be mentioned.

The global financial crisis' effects have been felt in CROATIA since the second half of 2008. The Government, as well as the Croatian

National Bank (CNB) reacted quickly to the liquidity squeeze and adverse depositors' and investors' perceptions. Since October 2008 the Government has introduced several measures to address measures aimed at consolidating public finances.

As the first reaction to crisis, CNB has removed Marginal Reserve Requirement. Subsequently, the Government increased a household deposit guarantee to EUR 56,000 to secure depositors' trust and prevent a bank-run. A fund for non-bank financial institutions was established by 8 major capital market players in order to retain confidence in the financial system through smooth exit of illiquid funds.

In parallel, the Croatian National Bank (CNB) was sequencing countercyclical measures with an aim to ensure adequate kuna and f/x liquidity in the market in timely fashion, which facilitated refinancing in the domestic market at the time when markets effectively shut down and helped preserving exchange rate stability, crucial for the maintenance of the overall banking system stability in a highly *euroized* environment. It also needs to be underlined that countercyclical measures that the Croatian National Bank had been undertaking well before the emergence of the global crises made the Croatian banks well prepared for the crises times, and the banks continue to be adequately capitalized at average capital adequacy ratio of 16.1 percent in mid-2009.

The Government Budget for 2009 year has been amended several times to appropriately address revenues underperformance due to the effects of crises.

Looking at this year's data, it is evident that we measure output decline.

GDP fell by 6,7% in the first three months of 2009, while the drop for the next three months is expected to be 6,3%. Inflation continues to remain low and stable at roughly 3,0% in the first seven months of 2009. Industrial production fell by 9,8% in the first eight months of 2009. Recently introduced anti-crisis measures: so called *crisis income tax* has started to show positive results.

Croatia's relations with the Fund and the Bank are excellent and I want to stress that Croatia continues to have an open discussion with the Fund/Bank staff. Also, I wish to thank both the Fund and the Bank for providing us with expertise and technical assistance in specific areas, which is very much appreciated.

Lastly, I am going to touch on a couple of current policy issues from the Fund/Bank agenda.

First, let me welcome this year's World Development Report as an important effort in raising climate change to the focus of the global community. I do hope WDR will prepare the ground for a successful agreement at the forthcoming UN Climate Change Conference in Copenhagen.

Second, a flexible IBRD graduation policy proved useful during the current financial crisis. Moreover, recent examples of graduate financing point to the need of developing permanent diversified financing instruments which may be needed in times of economic and financial distress.

Third, the fruitful debate on enhancing IBRD's and IFC's financial capacity—including a potential capital increase—should be backed by more analysis of the demand for Bank's financial products, linking it, at the same time, with the overarching discussion regarding Bank's future role and size.

Fourth, related to the Fund agenda, let me note that Croatia has recently welcomed and supported the general SDR allocation, the Fund's timely response to global financial crisis, which should help the most affected member countries to overcome financial strains. I do hope that this initiative will not weaken the pursuit of prudent macroeconomic policies, neither that it will postpone decisions on needed policy adjustments.

Fifth, on quota realignments, I find existing quota formula adequate for the next round of quota realignments for most underrepresented members, as any change of quota formula should restrain from including new variables for which data availability and reliability is questionable.

In conclusion I would like to thank our hosts for their hospitality and excellent organization of these meetings. Allow me also to express my appreciation to Mr. Strauss-Kahn and Mr. Zoellick for their dedicated leadership in times of global financial and economic downturn. I wish the Fund and the Bank success in their further work and thank them for their assistance to my country.

DENMARK: ULLA TOERNAES

Governor of the Bank
(on behalf of the Nordic and Baltic Countries)

It is with great pleasure that I am addressing the 2009 Annual Meetings on behalf of the eight Nordic and Baltic countries. I am honoured to represent a constituency, which consistently has supported the World Bank's development mandate. Let me begin by thanking the Government of Turkey and in particular the city of Istanbul for hosting the Annual Meetings. We are all aware of what a huge task it is to host such big international gatherings. As an upcoming host for the international climate change negotiations—the COP15—my own country is particularly appreciative of the efforts you have put into organizing these Annual Meetings.

Our constituency has decided to focus this statement on one theme only: Climate change—and how it interlinks with other key development issues. I strongly believe, that we still need to stress that climate change represents an unprecedented challenge to development, growth and poverty reduction. However, if done right climate change efforts can also reinforce development objectives.

Climate Change and the Economic Crisis

The current economic crisis presents us an opportunity for change. We need to move away from the notion that carbon emissions are an inescapable by-product of economic growth. We do have alternatives. In the humanitarian field you have an expression—to "Build Back Better"—meaning that reconstruction after a disaster should be of better quality compared to what was destroyed, to prevent similar damages in the future. I see a clear parallel to our current economic crisis and recovery: For me to "Build Back Better" in this context means to "Get Greener Growth".

I do realize that the path to greener growth is not without serious obstacles. Huge amounts of dollars have been invested in finding, transporting and using fossil fuels. Renewable energy sources and techniques need yet to be scaled up in order to offer a viable alternative—not least to developing countries. However, we all know by now that the cost of inaction on climate change is higher than the cost of action—actually, I would argue costs are so high, they can hardly be estimated in economic terms. We also need to ensure that investments made today are sustainable in a tomorrow's climate, that they are adapted to a changing climate.

As governments we have the responsibility to set the path and lead the way for greener growth. We have seen some interesting initiatives in many of the stimulus packages. But we need more than that. We need to include those countries not able to afford stimulus packages. We need public–private partnerships. We need to activate the markets; and we need to attract more venture capital to make the kind of large-scale investments in low-carbon energy that will truly change our energy patterns, and thereby the way we generate economic growth. We also need sustainable forest management and agriculture which can contribute significantly towards carbon emissions reductions.

The World Bank has a key role to play in this endeavour both as provider of finance and as distributor of knowledge and capacity building. We have already seen proof of the Bank's ability to mobilize climate finance through the Climate Investment Funds. The CIF and its governance structure provide us with important lessons for the future climate finance architecture under the guidance of the UNFCCC. On the capacity building side we commend the Bank for its accelerated climate activities, which are especially needed on the adaptation issues. It is encouraging to note that 60% of this year's new Country Assistance Strategies substantively address climate-related activities. This bears witness to the fact that climate change is being built into national development efforts—the best way to ensure long-term, sustainable economic growth.

Climate Change and Energy

As I have already highlighted green growth is closely connected to energy policies. And when it comes to energy policy advice the World Bank has a key role to play. We do acknowledge that the Bank now seems to move into a less-carbon intensive energy portfolio. We strongly support this process and would like to stress the urgency of the matter, since energy investments usually have a long lifespan and thereby "lock" energy patterns for years to come. We thus welcome the Bank's initiative to establish a Trust Fund under CIF to increase the dissemination of less carbon intensive technologies and scale up renewable energy in low-income countries.

We also do recognize that the World Bank's financing for renewable energy has increased over previous years and that its target set in 2004 has been successfully met. However, now is the time to set new and more ambitious targets. We would like to see an even more accelerated growth in renewable energy investments. In fact, we would like to see the Bank reverse its portfolio of energy investments within the next 3 to 4 years so that renewable energy reaches an average for all countries well above the current 40%. The Bank should be a vanguard of renewable energy investments—leading the way for large scale investments from the private market. In this context the Bank's policy advice should also focus on removing distortionary price signals and increasing energy efficiency. Such changes adapted to each country's particular conditions are important both for development and the climate.

However, despite an increase in the Bank's investment in renewable energy, we know that the global energy mix still will be heavily dominated by coal and other fossil fuels in the foreseeable future. Thus the Bank also needs to explore and support clean technology options to make coal plants and heavy industry plants cleaner.

Climate Change and Food Security

Climate change will have serious repercussions on agriculture and the possibility to feed the growing population of the world.

We commend the Bank on the new Agricultural Action Plan, putting operational activities behind the World Development Report we discussed two years ago. With food prices reaching a peak last year we are perhaps hearing less about the food crisis today. But the impact at country level is becoming more and more visible—and it has yet to peak. There is an urgent need to adapt agriculture to climate change, and action must to be taken as an integral part of each country's development strategy. We are looking forward to working closely with the Bank in setting new standards for integrating land and water resource management in the wake of climate change to help building resilience among the poor and vulnerable communities in the developing countries.

There are potential controversies between sustainability and productivity. We need to address this in a manner where we don't jeopardise future generations' access to food production. Agricultural productivity must therefore be increased while minimizing the associated environmental damage.

Climate Change and Gender

In many developing countries women provide up to 80% of agricultural labour and produce 45–90% of domestically consumed food. As managers of household resources—such as water, food and fuel—women are often at the forefront experiencing climate change affecting daily life. This makes women vulnerable, but it also often provides women with first-hand knowledge and solutions regarding climate change.

I believe this pool of knowledge is currently underutilized. The gender aspects of climate change are more often forgotten than included.

On the mitigation side, discussions are often of a more technical nature where recognizing gender implications seem to be an intellectual challenge. However, women often play a central role in determining their household's emission pattern, as they make 70 percent of households purchasing decisions. They decide on what kind of fuel that is used, how much meat that is consumed. Also women have proven over the years to be crucial players regarding the conservation of forests, reforestation and management of local resources. It is therefore important to ensure that women are included in the decisions on utilizing new green technology.

On the adaptation side, links to gender seems more evident since there is focus on the effects of the most vulnerable (and usually poorest) people. However, there seems to be a need for a more systematic compilation of adaptation solutions created by women at community level. The World Bank could play a lead role here.

For our constituency, it is important to ensure that gender equality is included in the final COP 15 agreement in Copenhagen.

We also need to build gender aspects into existing tools related to climate change. A concrete proposal would be to more systematically incorporate gender into national actions for adaptation and mitigation—the so-called NAPAs and NAMAs. The World Bank could be helpful in this matter. So far only Bangladesh and Uganda have included gender in their NAPA.

Another concrete proposal would be to ensure that gender sensitive criteria are included in climate finance mechanisms, including the CIF.

Conclusion

Before concluding I would like to stress that an important condition for achieving an ambitious agreement at COP15 in December is the recognition of the need to support the poorest and most vulnerable countries in their efforts to adapting to climate changes. It is essential that we unleash significantly scaled-up finance and action on adaptation, both now, up to and beyond 2012. The Nordic-Baltic constituency is already providing substantial contributions in the area of climate change, to initiatives administered by the World Bank and beyond.

Mr. Zoellick, on behalf of our constituency, I would like to thank you for your energetic leadership of the World Bank Group. We have had many close areas of cooperation—not least regarding women's economic empowerment, where you championed the MDG3 campaign so enthusiastically. I appreciate your hard work on the climate change agenda and I am confident that with the help of you and your skilled organisation we will make major progress when we meet again for the climate summit in Copenhagen.

ECUADOR: GUSTAVO DIEGO BORJA CORNEJO

Alternate Governor of the Fund

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.

FIJI: JOSAIA VOREQE BAINIMARAMA

Governor of the Bank and the Fund

It is an honor to address you on behalf of the delegation of the Republic of the Fiji Islands, on the occasion of the International Monetary Fund and the World Bank annual meeting. I congratulate you on your appointment to Chair this joint annual discussions. We also warmly welcome The Republic of Kosovo, which became the newest member of the five World Bank Group Institutions on July 29, 2009.

The past twelve months, Mr. Chairman, have been characterized by the slow emergence of the world economy from the worst financial and economic crisis in the post-war period. Coordinated policy action by the world's leading industrialized economies has helped pull the global economy from the verge of collapse. While the worst of the recession may be past, the healing process is far from over. Positive prospects for growth next year are hugely dependent on major policy support.

While financial markets are stabilizing and the global economy is improving, the pace of recovery is sluggish as the risk of a jobless recovery remains. Despite positive economic data on advanced and emerging market economies showing an end to recession as well as lower rates of decline and positive growth, the global financial system is expected to take a long time to normalize, as many markets are highly reliant on public support. Therefore, Governments need to continue with economic stimulus plans to combat the crisis. Going forward, we reiterate the call for governments to develop exit strategies which should be cautiously implemented only once full economic recovery is seen and unemployment fallen.

There is no doubt that a key part of the IMF's mandate is the promotion and maintenance of monetary and financial stability, both in individual countries and at the international level. Stability is the foundation for sustained economic growth, and crisis prevention and resolution is an integral part of the Fund's work. In this respect Mr. Chairman, I wish to comment on four critical and unique operations of the Fund in the context of the crisis. The first is on surveillance. Surveillance, in my view, is a central instrument for maintaining monetary and financial stability.

The crisis heightens the need for enhanced and deeper understanding of financial stability issues by the international community. It is critical that this be an area of increasing focus of the Fund's surveillance. The crisis has again brought to the fore the need to continue to strengthen the Fund's Article IV consultations. But more importantly, the Fund should be aggressive in ensuring that sources of contagion risk that the surveillances reveal are mitigated through redressing measures.

In this respect, I strongly advocate the need for even-handedness. Equal regard should be given to thoroughly and comprehensively assessing members' performance during surveillance, and implementing the findings, irrespective of size. Oversights on the financial stability front and ignorance of the obvious can have catastrophic developments as we have now experienced.

Could the crisis have been avoided? I believe so, but only if early warning signs had been detected and addressed through surveillance. Surveillance has the opportunity to correct anomalies. Otherwise, the whole world stands to suffer when imprudent practices are allowed to continue in influential and advanced economies. The demise of their financial institutions has rippling effects across the globe. We urge that steps be taken to strengthen and modernize surveillance, in particular, to ensure its effectiveness in order to avoid future crisis.

Second, relating to Technical Assistance (TA). As I alluded to earlier, the global financial crisis has caused great distress in advanced and developing countries across the globe. This is particularly so for small and open island economies like us. To survive, we have limited choice hence we are forced to make painful adjustments. Reforms have been undertaken in areas such as public financial management, public service, and financial sector to better absorb the external shock.

As we undertake policy maneuvering to sustain ourselves during this turbulent period, we will increasingly look to the Fund for TA. In light of this, we express our strong reservations about the Fund's intention to charge for TA. Whilst we fully understand the rationale for the TA reforms undertaken by the Fund, we believe that it is inappropriate for the Fund to be charging for TA particularly at this difficult time, and including the rehabilitation period following the crisis.

The impact of this external shock was not fully comprehended at the time when the Fund determined to start charging TA. The global scenario has changed since, with increased vulnerability of developing and small island countries. Against this background, we would urge that the Fund reconsider and withdraw this policy until such time that developing countries have recovered from the global financial crisis. To do otherwise would derail our efforts to formulate sound macroeconomic policies and carry out capacity building through Fund TA, in order to better insulate us from the impact of current and future crisis, and build stronger and sustainable economies.

The third issue is about the funding assistance provided by the Fund. In the recent past, we have seen unprecedented intervention and assistance by governments, donors, multilateral institutions and central banks to sustain ailing financial systems. In most cases, this has been necessary to avoid economic collapse, the impact of which would have extended well beyond the borders of these economies given the global chord that binds us.

We believe that a global response to the crisis through the coordination of policies between countries is critical. In this regard, the Fund in cooperation with G-20 countries, has championed the cause of recovery through its rapid action to provide financial support and encourage commitment from donor countries towards a coordinated global strategy. Total loans committed or disbursed in excess of US$165 billion since the beginning of the crisis, and the additional US$250 billion worth of new Special Drawing Rights (SDR), have gone a long way in containing the crisis and helping prevent a possible catastrophe. Further to the Fund's efforts, the Bank has also scaled up its operations, confirming support for a total lending of up to US$100 billion in external financing for developing countries, over a three-year period. Additionally, the Bank has reviewed its financial capacity given the possibility of a slow recovery and the possible need to deploy additional resources. As the third wave of the crisis unfolds with rising unemployment levels, concerted and strong policy actions to arrest joblessness through structural reforms, active labor market policies, training and education, must continue.

I wish to acknowledge the financial assistance rendered by the Fund recently to sustain members through these trying times. Delivery by the Fund in helping countries counter the negative impact of the crisis is commendable. Over the last six months, Fund resources have been tripled to around US$750 billion as a financial safety net to cushion any further global fallout from the crisis. Small developing economies like ours are grateful to countries which have internationally cooperated through their pledges of financial support. Furthermore, the allocation of SDRs in August and September, to boost member country reserves has been timely in supporting external stability for many developing economies. Moreover, the provision of US$6 billion to help low-income countries over the next 2–3 years is critical in enabling our poorer countries of the world pull through during this global economic crisis.

The availability of IMF funds to assist in economic adjustment gives confidence to members and the international system as a whole. The timely assistance of the Fund during adverse periods helps lowers the incentive for countries to take adjustment measures which can have devastating effects to national and international economies. I place emphasis on the timeliness of such assistance. In my view, such assistance to members should see beyond political developments. As long as members are progressing on measures that in the immediate, medium or long term will bring about sustained economic progress, the Fund and the World Bank should be supportive. Especially when it is not in the interest of the Fund to see one of its members fail.

In addition to the three pointers I have discussed above, let me now turn to governance. We agree that the Fund and the Bank should remain quota-based organizations. Moreover, as part of continuing reforms, a huge milestone to be achieved for emerging and developing economies like us, would be significantly raising our voice and representation to reflect changes in the world economy. We applaud the Fund in reaffirming its vows to improve accountability, reinforce the participation of Fund Governors in strategic supervision, and agree with the shift towards an open, transparent and merit-based selection of international financial institutions management. Improving the role and long-term effectiveness of the Fund and the Bank to build stronger cooperation and ensure a sustainable global economy and international financial system is needed.

Fiji has not been immune to the impact of the global financial crisis. Similar to other developing countries, the Fiji economy has been adversely affected by the crisis, whose effect was compounded by the worst floods experienced in the country's history in January this year. This dual impact on the economy resulted in a downward revision in Gross Domestic Product forecast for this year, to a negative 0.3 percent. Furthermore, the balance of payments came under severe pressure as foreign reserves levels fell to below 2 months of imports at around US$250 million, on account of lower export earnings, remittances and tourism receipts.

To help cushion the negative impact of the global downturn on the domestic economy, Fiji authorities responded with various monetary policy measures aimed at boosting liquidity levels in the banking system. The local currency was devalued by 20 percent in April, necessitated by sharp appreciations of the Fiji dollar against the A$ and NZ$. Foreign reserves have steadily increased since then. Recently, foreign reserves have further increased, boosted by a total injection of around US$95 million in SDR allocation by the Fund. In this instance, Mr. Chairman, we kindly express our sincere appreciation to the Fund for this timely financial assistance to member countries, which has hugely supported our balance of payments position, and will engender more confidence in the economy and financial system. Current foreign reserves levels are around US$510 million, equivalent to over 3.5 months of imports.

In tandem with the devaluation, the Fiji authorities implemented other policy measures to support the growth recovery process in the economy, including a lending interest rate cap for commercial banks and licensed credit institutions, maximum interest rate spread for banks and oversight of the setup of specialized micro finance centers by banks. Support by our local financial institutions has been critical in creating a stable interest rate environment which will support economic activity and employment creation in the economy. The authorities also more recently, removed the credit ceiling on banks, to support economic recovery, in light of the adequacy of foreign reserves and modest inflation outcomes. Furthermore, regulations on bank lending rates and interest margins will be reviewed regularly and phased out as the economy improves.

On other developments, Fiji recognizes the need to have a clear and predictable path for the restoration of democracy in the country. In this regard, the Government has formulated a Road Map which sets out a framework for the achievement of sustainable democracy, good and just governance, socio-economic development and national unity. This 5-year plan is founded on the basis of the Peoples Charter for Change Peace and Progress—a platform which has been set for political and social reforms, and is the fruit of an unprecedented nation-wide consultation process including the private sector, civil society and the Government. The Government is bolstering its efforts towards entrenching a dominant culture of democratic good governance in the nation. This should ensure that corruption is minimized, minority view recognized, and the voices of the vulnerable in our society heard.

Importantly as well, the Road Map aligns with the Government's Strategic Framework for Change announced in July this year. This framework forms a mandate for the Government to ensure that true democratic, non-communal, equal suffrage based elections for parliamentary representation are held by September 2014. Key principles and pertinent time frames have been clearly set to guide the nation on this path. In the next three years, the Government is focused on rebuilding the economy and restoring it to a sustainable growth level. Beginning in 2012, a new constitution will be formulated, based on common and equal citizenry, eliminating ethnic-based voting, to be ready a year prior to the planned elections.

The Government is committed to the maintenance of law and order, and will undertake a reform of its penal code, in alignment with strengthening its law enforcement institutions. In addition, it will also strengthen the infrastructure of the judiciary and build up its capacity. We invite and welcome any international assistance from relevant development agencies and our development partners to help facilitate these reforms so our country can achieve greater transparency, access to justice and riddance of corruption.

Having said this I wish to highlight an issue that I find concerning. That is, the continued hesitancy of the Bretton Woods Institutions to engage with Fiji despite the progress we have made since the political events of December 2006.

During our leadership, we have reformed the financial system, adjusted the exchange rate, which is something that the Fund has been advocating in its surveillance, we have weaned corrupt and racial policies and built up strong governance, we have progressed on right sizing the civil service and have promoted financial inclusion so that the rural population would benefit from the extension of financial services to these areas and facilitate the establishment of small and medium enterprises schemes.

We have also strengthened our customs and tax department and reformed the public financial management and similarly the public sector enterprises. Mr. Chairman, we have also pursued structural reforms in areas that have stifled our economic performance over the past years. At the same time Mr. Chairman, we have progressed on constitutional and electoral reforms in order to build a system that will ensure that political instability, which had been fuelled by bad governance in the past, will be a thing of the past.

These, are areas that the Fund and the Bank normally champion, to ensure social and economic progress. It therefore baffles me, Mr. Chairman, that despite these positive initiatives, the two institutions have not been forthcoming to assist us. This is true even when we applied for assistance, based on humanitarian grounds, following the devastating flooding that ravaged our country at the beginning of this year. It resulted in loss of lives, destruction of our agricultural sector, which threatened food security and trade, and loss to our tourism and business sectors. We were left to pick up the pieces alone whilst the institutions that are normally concerned about our well-being, both economically and socially, stood at a distance. This request for assistance is still with the Fund. Again, I emphasise the need for timeliness and equal treatment of members on this front. I look forward to a change in stance soon by the Fund and World Bank towards us through re-engagement that will be critical for our sustainable performance.

Given our current political status our country remains committed to the process of engagement and/or re-engagement with our neighbors and development partners. Our country upholds the principles of internationalism and sovereign dignity, and we seek the understanding and support of the international community to help us move forward. At this juncture, we would like to thank our international partners and multilateral agencies who have continued to engage or have re-engaged to provide assistance to our objectives and facilitate infrastructure development and reform. Apart from the timely assistance given by the Fund, we also extend our sincere appreciation to the Asian Development Bank for its emergency loan of around US$18 million this September, to help rebuild damaged infrastructure and revive economic activity in areas affected by floods early this year.

Our Government is determined to bringing an end to our country's history of political instability, by removing racially-based policies, addressing governance challenges and putting in place a stable platform for growth. With the help of our Bretton Wood Institutions, we will be able to more successfully address the structural challenges which currently inhibit our progress. We cannot do it alone. We need you—the Fund, Bank, donors, development partners and multilateral institutions, to engage and/or re-engage with us. Only then can we achieve substantial progress towards a future of peace, prosperity and justice for our nation.

We accord our sincere appreciation to the Fund for the Technical Assistance Fiji continues to receive, as well as the work done by the IMF Pacific Technical Assistance Centre in Suva. We also thank the Bank for the assistance provided through the World Bank Regional Office in Sydney, to Fiji and its Pacific Island neighbours.

Finally, we wish both institutions every success in their future endeavours and look forward to their continued engagement.

FRANCE: CHRISTIAN NOYER

Alternate Governor of the Fund

France has always insisted on the necessity of a central role for the international financial institutions. Their decisive contribution since the start of the crisis has demonstrated the relevance of that viewpoint. Strengthening them is now imperative if we wish to build a more effective system of global governance. Clear and bold targets were set by the community of member countries, particularly in response to the impetus provided by the G-20 heads of state and government.

Meeting our international commitments to give the IMF and the World Bank the means to fulfill their mandate completely remains a key objective.

Facing a rapidly deteriorating world economic situation, the IMF and the World Bank demonstrated their ability to adapt and react, with one major objective: to respond urgently to the mounting financing requirements of some of their members and to help them meet the global economic challenges ahead.

Evincing strong collective support, the international community, with the help of firm action by the G-20, trebled the resources of the IMF to enable countries to address their balance of payments problems. I would stress that France was one of the first countries to sign a bilateral loan agreement with the IMF. We must now build on these efforts by incorporating all the contributions into the expanded and more flexible New Agreements to Borrow, an overall arrangement that reflects our joint commitment.

The Fund was also successful in making swift changes to its lending framework and instruments, in particular by introducing the Flexible Credit Line (FCL), which represents a major step forward. Three countries—Mexico, Poland, and Colombia—were granted access to funds under this facility without actually having to use them, which shows that the instrument was well designed and effectively met the needs of the member countries.

In this same vein, the reform of the framework for aiding the poorest countries provided a timely means of mitigating the effects of the crisis on the most vulnerable.

I also applaud the renewed efforts of countries that have joined us in participating in the voluntary SDR trading mechanisms, which will maximize the effectiveness of the special SDR allocations for balance of payments financing.

Against the background of a globalized crisis, we believe it is crucial and urgent to step up our action to help the poorest countries.

France, together with the United Kingdom, has announced that it would redistribute the equivalent of US$2 billion of its SDR allocation to the IMF facility for lending to poor countries. It urges its partners to do their part in this effort and to join the group of donors and lenders. I am convinced that the World Bank will manage to accelerate its commitments in Africa in the light of last months' dynamics. In this regard, I wish to welcome the IFC's exemplary action in favor of private sector development in Africa.

The recent crises—energy, food, financial, and economic—have also shown us the limitations of the international financial community's current operating methods. The reform of the IMF's instruments was one response to this. The World Bank should now also redefine its approach and put in place specific protections for the most vulnerable countries and population groups; it should reform its intervention policy and instruments to make the best use of its resources. To that end, the World Bank could quickly consider four avenues: first, create flexible, reactive, and sustainable intervention capacity within the International Development Association (IDA) with a view to deploying rapid, large-scale budgetary assistance; second, enhance the promotion of regional projects by making the IDA an instrument of regional integration; third, reform the instruments of the International Bank for Reconstruction and Development (IBRD) to adapt them to the specific characteristics of the crisis; and, finally, update the resource allocation and client country eligibility strategy, especially the rule governing graduation of the Bank's high-income countries.

The efficient use of funds is a matter of utmost importance, as it would be vital—especially if fresh resources were to be provided to the Group—to ensure that they are indeed used to strengthen its balance sheet and thus its commitment capacity, and not to subsidize its operations. It is important that this issue, as well as the reforms undertaken, be kept in mind in the process of reviewing the capital of the IBRD and the International Finance Corporation (IFC) and reformulating their strategies. Furthermore, there must be no competition between the IBRD and the IDA for new resources.

The governance of the international institutions must be reviewed from an overall perspective.

Strengthening the legitimacy of the IMF and the World Bank has become an essential step in the reform of these institutions, which must adapt, going forward, to a new world order.

The reform of the IMF should now be approached from the standpoint of the various aspects requiring review. All topics should be addressed together: quota realignment and increase, activation of the Ministerial Council, effectiveness of the Executive Board, staff and management diversity, and improving the decision-making process, including voting thresholds. More specifically regarding quotas, we will participate actively in the work to be done in the context of the agreement reached in Pittsburgh, which calls for a shift of quotas from over-represented countries to under-represented countries, based on the current calculation formula, and with a view to achieving better representation of dynamic emerging markets and developing countries.

This effort is, however, only one item on the agenda. We must include other issues in our review if we are to maintain the relevance of our institutions. Viewed from this perspective, the issue of expanding the IMF's mandate to include financial stability and capital account surveillance appears to me essential. This would be consistent with the central role assigned the IMF in the G-20's new "framework for strong, sustainable, and balanced growth." Indeed, global imbalances have grown, and the crisis has shown that the resources for dealing with them are limited, and that they are deeply intertwined. The IMF should be in a position to participate fully in meeting the two challenges that lie ahead: the coordination of crisis exit strategies and the strengthening of long-term growth potential.

It is also important for the World Bank to continue reforming its governance. One of the issues we must address is how to ensure that the financial assistance provided to emerging countries and to the poorest countries is balanced, while keeping in sight the prime objective of poverty reduction. With the forthcoming spring meetings in mind, voting rights within the World Bank Group (IBRD, IFC) should be rebalanced in accordance with the Bank's mandate. In other words, it should benefit to under-represented developing countries, through dilution of over-represented countries, whatever their income level. We should also strive to maintain a balanced division of responsibilities among the Group's shareholders, particularly within the IDA; its financial resources are now dependent on too small a number of member countries, mainly European, whose share in the share in capital is, moreover, decreasing. This is not a sustainable situation.

We have made a collective, unified response to the most serious financial crisis since the 1930s. It is essential that this international momentum be maintained and intensified. The initiatives we launched within the framework of a comprehensive reform to increase the financing capacity of these institutions, to adapt their methods of intervention, and to improve their governance must be continued.

GERMANY: AXEL A. WEBER

Governor of the Fund

First of all, I would like to thank the Turkish government and the authorities of this beautiful city for their outstanding hospitality and excellent organisation of these Annual Meetings. I would also like to extend special greetings to the newest member country of the IMF, Kosovo.

The Annual Meetings take place amidst increasing signs that the world economy is recovering. This achievement, coming on the heels of the sharpest recession in the post-war era, owes much to the resolute and wide-ranging support measures taken by decision makers around the world. However, the challenge of building a sounder and more resilient global economy remains daunting:

First, we are only seeing green shoots of recovery, and considerable downside risks remain. Until the upturn becomes self-sustaining, it will need support from the policy stimulus currently in place. Second, the extraordinary policy measures are leaving behind a vast legacy. If the world economy of the future is to enjoy macroeconomic stability and sustainable public finances, these policy measures must be unwound in due time. This is no easy task and requires exit strategies that are credible and well-coordinated, as well as being attuned to country-specific circumstances. Third, the financial excesses that led to the crisis must not re-occur. We therefore need to bring the ongoing work to repair the financial sector and build a robust regulatory framework to a successful conclusion. Finally, prudent macroeconomic policies, entitlement reforms and growth-enhancing structural reforms are the best way to guarantee robust and sustainable global growth in the post-crisis era. In addition, this calls for greater exchange rate flexibility in some emerging market economies.

The results of the recent G-20 summit are encouraging. At the meeting, members signalled their strong will to make headway on all four fronts mentioned above, including, in particular, the ongoing close cooperation in financial regulatory reform.

Developments since we last met underscore the importance of effective crisis prevention. In this context, the IMF takes on a key role. Much has been done in recent years to improve Fund surveillance. Germany welcomes the ongoing efforts to take this work forward, including in the area of financial sector surveillance. More generally, Fund surveillance should support a constructive process of peer review, both within the IMF and other forums such as the G-20. To do so, the Fund should continue to provide high-quality, candid, and even-handed analysis, while staying true to its role as trusted advisor.

As regards IMF lending, the Fund's increasing buffers of resources should not tempt this institution to look for business beyond its genuine monetary mandate, which sets it apart from all other IFIs. The IMF is financed by the currency reserves of its members. Its mandate stipulates that its lending activities are directed to the provision of balance of payments support. Hence, proposals to extend the Fund's lending activities to include direct budget support raises questions whether it is in line with the Fund's mandate and whether member countries could, in this case, still treat Fund resources as currency reserves.

Furthermore, we are not convinced that the IMF should assume a general insurance function for public sector liabilities. This would risk setting the wrong incentives both for borrowers and investors.

Taking a longer-term view, moral hazard issues also arise from the vast increase in Fund resources that is currently taking place. This increase should be viewed as a temporary measure, taken in response to extraordinary developments in the world economy. Hence, just as a sustained economic recovery will call for an unwinding of exceptional policy support, so the Fund should eventually prepare the "exit" from its exceptional resources. By the same token, the liquidity created by the recent generous SDR allocations should be re-examined once the global financial system has recovered fully.

A fair representation of all members is crucial for the legitimacy of the Fund. We therefore call upon those members that have not already done so to expeditiously ratify the 2008 quota and voice reform. Going forward, Germany will work constructively to conclude the next quota review by January 2011. The quota review should be based on the equal treatment of all members, and the necessary close link between financial contributions and representation in the IMF needs to be maintained. Furthermore, the review should be based on the current quota formula, as agreed by the G-20. Quotas and Board representation should continue to reflect the relative economic weight of a country in the global economy. Under the current quota formula, dynamic economies—in particular emerging market and developing countries—have experienced a marked increase in their calculated quota share according to recent data updates. As for the size of the quota increase, this should be determined by the long-term liquidity needs of the IMF, while allowing for a meaningful increase for underrepresented countries.

As regards the decision-making structure of the Fund, we would welcome appropriate steps to streamline the format and procedures of the IMFC, while maintaining transparency about IMFC deliberations. Any reform must ensure that the IMF Executive Board remains fully involved, on a daily basis, in all strategic and operational decision making.

Turning now to the World Bank, we stress the importance of enhancing the voice and participation of emerging and developing countries through a dynamic shareholder formula based on objective criteria to be developed by spring 2010. A selective capital increase would be an appropriate way to ensure that under-represented countries are adequately represented. It would also help strengthen the World Bank's capital.

Another important question is how to finance the crisis-related increase in lending by the World Bank since fall 2008. Here, we urge the World Bank Group to make full and prudent use of its balance sheet and to consider additional measures, including a review of possible further interest rate adjustments. Moreover, the World Bank Group's shareholders should reaffirm their commitment to ensure that the Group remains appropriately funded. Finally, we support the ongoing analyses of the need for a general capital increase to strengthen the Bank's role beyond the present crisis.

Looking ahead, we agree that reducing poverty must remain central to the World Bank Group's mission. In addition, the World Bank should also deal with new global challenges, such as climate change, in cooperation with other multilateral development banks and institutions. In particular, the Bank should contribute to financing the transition to a green economy through investment in sustainable clean energy generation and use, energy efficiency, and climate resilience. The recent establishment of the Climate Investment Fund is a noteworthy step in this direction; Germany has committed about US$900 million to this Fund.

Finally, one comment on the joint IMF-World Bank Debt Sustainability Framework. We should avoid interpreting debt sustainability overly generously—and thereby setting off a new wave of borrowing. The greater financing needs of LICs with low debt management capacity and high debt distress risks can only be met through additional grants and concessional finance. The hard-won debt sustainability must be preserved, as this sustainability is a necessary precondition for a country's healthy and sustainable development. While further refinements of the DSF are welcomed, it is also very important to preserve its integrity.

GREECE: GEORGE A. PROVOPOULOS

Governor of the Fund

The global economy is now emerging from its most severe crisis since the Great Depression of the 1930s. Why was this crisis so severe? Because the financial system was at its epicenter, the ramifications of the crisis were quickly transmitted to all sectors and countries. The effects of the crisis were magnified by a collapse in business and consumer confidence. History shows that financial crises are more likely to be followed by severe economic downturns when they are centered in the banking system and occur in the context of rapid build-ups of credit and fast-rising asset prices. This has also been the case with the present crisis.

The policy responses to the crisis have been rapid, bold, and unprecedented. These responses reduced uncertainty and improved economic sentiment.

With the global recovery in its initial stages, and economic activity still far below pre-crisis levels, it is too soon to begin withdrawing the stimulus measures. However, the formulation of a medium-term macroeconomic framework for the post-crisis period will be crucial. It will facilitate the achievement and maintenance of a sound fiscal position and enhance the ability of the monetary authorities to deliver price stability. It will also help foster financial stability. The challenge will be to choose the correct timing for the withdrawal so as to avoid: first, a premature unwinding of public interventions; second, jeopardizing what has been achieved in stabilizing economic and financial conditions; third, letting these measures continue for too long, at the risk of distorting incentives and damaging public balance sheets. Safeguarding the sustainability of public finances will be a key objective in many advanced economies, the deficit and debt ratios of which have reached levels unseen in peacetime.

The IMF has played a key role in helping the global economy weather the storm. The tripling of IMF resources has significantly increased the Fund's lending capacity, and the new SDR allocation has provided additional liquidity to the global economy. At the same time, the launch of the Flexible Credit Line will add flexibility to the Fund's lending framework.

The best way to manage a crisis is to prevent it. The present crisis has revealed that macro-prudential factors play an important role in determining the size, nature, and propagation of systemic risk. Therefore, it is essential to establish an effective framework for macro-prudential supervision that will ensure both the systematic analysis of risks and the formulation of policies to address such risks.

The State of the Greek Economy

The economic slowdown has been less severe in Greece than in many other European countries. However, this outcome reflects factors that, if left untreated, will reduce growth potential in the medium term. Specifically, the performance of the Greek economy during the crisis reflects the relatively-low level of openness and the deterioration of public-sector balance sheets from a position that was already worrisome prior to the onset of the crisis.

A factor that has, however, supported the Greek economy has been the soundness of its banking system. Greek banks have been free of toxic assets and their exposure to the emerging economies of South-Eastern Europe has remained within manageable limits. A recent stress test conducted in close cooperation with the IMF has reaffirmed the soundness of the Greek banking system.

The relatively-high growth rates experienced by the Greek economy since its entry into the euro area reflect a catching-up process. To sustain a robust growth rate in the future, Greece will need to address several key challenges, reflected in persistently very large current-account imbalances, high fiscal deficits, and worrisome debt levels. These imbalances are the result of structural rigidities, which have undermined competitiveness over time.

To restore competitiveness and remove the imbalances, a dual agenda needs to be concurrently implemented: first, a multi-year program of fiscal consolidation, which can reduce risk premia and crowd-in private investment, raising the growth potential of the economy; second, bold and wide-ranging institutional reforms in the public sector and structural reforms in product and labor markets, which can enhance productivity and raise the employment rate.

Only by undertaking these reforms will the Greek economy be able to become more competitive and increase its growth potential and the prosperity of its citizens.

The broad support received by the newly-elected government will greatly facilitate the implementation of the reform agenda.

HAITI: DANIEL DORSAINVIL

Governor of the Bank

I would first like to begin by expressing my thanks to the Turkish authorities for their hospitality and my heartfelt gratitude to the people of Istanbul for their patience and the welcome they have accorded to the various delegations. I would, of course, also like to commend the World Bank and the International Monetary Fund for the excellent organization of these Annual Meetings.

1. Some will agree that the crisis currently facing the global economy is rivaled only by the 1929 crisis. Thankfully, we learned from the past, and it was only through the adoption of appropriate countercyclical measures that the worst was averted. The crisis has, nonetheless, caused significant damage and, against this backdrop, I would like to focus on the impact of the crisis on small economies such as that of my country, Haiti, or of our fellow CARICOM countries: a reduction in unrequited transfers, a decline in export receipts and tourism revenue, a significant drop in direct investment, and job losses. While our concerns and fears have been triggered by this latest crisis, but only in part, our attention is firmly focused on the future.

2. A brighter outlook is beginning to take shape. There are signs of recovery, but the process has been sluggish. And we trust that efforts being made by the IMF to develop new instruments such as the Extended Credit Facility (ECF) reflect a commitment to ensure that our economies benefit fully from this recovery. Furthermore, this facility includes a poverty reduction program and thus a certain complementarity, if not to say some synergy, between the World Bank and the Fund. It is our fervent wish that concerted and, in particular, coordinated actions be conducted between these two institutions in order to guarantee achievement of the desired impacts.

3. We must not overlook the fact that the crisis laid bare the shortcomings in the regulation of the international financial system. In view of the negative impact of the system's shocks on our economies, we urge IMF Management to intensify efforts to strengthen the mechanism for the oversight and regulation of financial institutions.

4. The economy of Haiti, like those of other Caribbean countries, was also unable to shield itself from the contraction of the global economy. In Haiti's particular case, however, we also had to recover from the impact of four hurricanes that wreaked significant economic damage in 2008. I wish to take this opportunity to acknowledge the efforts put forward by the World Bank and all our partners to come to the assistance of our country in these circumstances.

5. Even in this difficult situation, in June of this year we reached the completion point under the HIPC Initiative. Simply put, we were not only able to preserve a stable macroeconomic framework, but could implement a relatively cohesive menu of reforms or actions in the areas of government finance and the social sectors. Without question, while reaching the completion point frees up precious resources for our economy and for the implementation of our national poverty reduction strategy, the resources to support the continuation of this strategy have yet to be lined up. In this context, it should be noted that the dearth of resources in recent years has, to some degree, slowed the pace of government action.

6. This said, however, the Government of Haiti made a commitment, which it has honored, to engage in reforms pursuant to an agreement reached with the IMF under the Poverty Reduction and Growth Facility (PRGF). This three-year program, which came to an end last September, led to significant achievements, including in the areas of public finance management, transparency in budget execution, and the modernization of monetary policy.

7. Over the past five years, the Haitian economy has returned to a path of growth, and the authorities remain supportive of all the policies that were able to produce this result, both socially and at the political level. In view of the shocks experienced, in 2008 our economy had its lowest rate of growth in the past four years, at 1.2 percent, significantly below the 3.4 percent recorded in 2007. Thanks to the public investments made, particularly in agriculture and infrastructure, our GDP growth could prove to be in the range of 2 to 2.4 percent here in 2009, and if the necessary resources are available we could anticipate growth of 4 percent for 2010.

8. The challenges to be met in order to reduce poverty are great, and, while we are in the process of creating the conditions for mobilizing private capital in support of our development objectives, it is important that an adequate amount of public resources be available. We

are counting on the World Bank, the IMF, and all of our partners to guarantee that Haiti has access to the external resources needed to meet these challenges. In conclusion, I would like to mention a number of these challenges:

(i) Strengthening food security by increasing agricultural production and productivity;
(ii) Improving access to basic social services, particularly in the areas of safe drinking water, health, and education; and
(iii) Obtaining the infrastructure investment needed to reduce vulnerability to natural disasters, on the one hand, and to facilitate private investment, stimulate growth, and create jobs, on the other.

INDIA: PRANAB MUKHERJEE

Governor of the Bank and the Fund

We meet in an atmosphere which is more hopeful than it was a year ago. The coordination demonstrated at the global level has generated hope that we can overcome the worst. It appears that recovery will be unsteady and long-drawn, with growth in employment lagging behind. Maintaining policy stimulus is crucial for anchoring the recovery. Balancing the stimulus against the risks of inflation and threats to fiscal viability is a key short term challenge. The timing and sequencing of exit strategies assume importance. Further, there is an unfinished agenda on repairing the financial system. The perimeter of regulation has to be expanded. Supervision needs to be intensified in systemically important financial centers.

Lingering effects of the crisis on the poor may continue for many years. The medium-term imperatives are returning output to pre-crisis levels, recovering jobs, and to continue the fight against poverty. Developing countries face fiscal constraints in maintaining their investments in education, health and infrastructure. The struggle to achieve the MDGs has suffered a serious setback. The demand for World Bank assistance would remain high for many years to come. The Bank needs to be well capitalized to meet this demand.

The Fund and the Bank cannot emerge from the crisis unchanged. They have to enhance their legitimacy to perform their expanded roles and mandates effectively. Far reaching changes to the governance structure of the IFIs are needed to reflect the changing dynamics of the global economy. Role of developing countries as drivers of future global economic growth needs to be recognized. Resistance to the overdue change will only detract from the legitimacy, credibility and effectiveness of these institutions.

As a first step, the early ratification of the April 2008 package of quota reforms for the Fund is an urgent requirement. The next quota review should be completed by January 2011. To preserve the Fund as a quota-based institution, at the minimum there should be a doubling of quotas.

Parity in the vote shares of developed and developing countries would greatly enhance the legitimacy of the Fund. This can be achieved through a 7 to 8 percent shift in quota shares. Even to achieve the shift of at least 5 percent called for by the G-20 leaders in Pittsburgh, we would have to work beyond the current quota formula.

Other aspects of governance reform should follow and flow from the quota rebalancing. Enhanced political engagement of Ministers in IMF related issues is best achieved through improvements in the functioning of the IMFC. The chairs in the Executive Board should be redistributed on a more equitable basis amongst the regions of the world. Any changes to the size of the Board should protect the representation of developing countries.

A year ago, we agreed on two phases of Voice reform in the Bank. The first Phase enhanced the voice of Sub Saharan Africa and gave greater representation to smaller members. But the shift in vote share was a miniscule 1.4 percent. It is time for us now to deliver a significant shift, effectively raising the voice of DTCs. This is possible only with an additional shift of 6 percent and not by some mechanical exercise.

The realignment should be based on Bank specific parameters. Economic weight with primacy to GDP-PPP should be the main criteria. We also need to preserve the voice of small countries by ring-fencing their vote share.

We need an ambitious outcome from the governance reform processes in the IFIs. We are prepared to constructively engage to arrive at a satisfactory conclusion on these issues. Let us not miss this opportunity of strengthening the credibility, legitimacy and effectiveness of the Fund and the Bank.

INDONESIA: SRI MULYANI INDRAWATI

Governor of the Bank

The past year has presented remarkable challenges. All member countries have made a concerted effort to address the financial crisis, and together with the large-scale G-20 interventions we are hopefully seeing the early stages of recovery. The proactive approach of the Bank and the Fund has made a positive contribution to the cooperative international efforts to avoid a prolonged global recession. On behalf of the Indonesian government, I express our appreciation of the

Bank and the Fund's staff for their dedicated efforts, and for the leadership of President Zoellick and Managing Director Strauss-Kahn.

In past years Indonesia has been prone to financial upheavals, but not on this occasion. Learning from the devastating effects of the 1997/98 crisis, over the past decade Indonesia implemented a deep and ambitious structural reform program to strengthen our economic fundamentals, to balance growth, to accelerate development goals, and to address poverty. These ongoing reforms left us well positioned to combat the current crisis. We are expecting 4.5 percent growth in 2009 and 5.5 percent in 2010. Multilateral and bilateral cooperation has, and continues, to assist Indonesia's endeavors to build for the future.

Indonesia was pleased to take a leadership role in the G-20's efforts to guide the globe out of crisis. We co-chaired with France a working group on reform of multilateral development banks. We also worked closely with Australia and South Africa who co-chaired the working group on reform of the IMF. The working group outreach programs ensured the subsequent recommendations incorporated wide ranging views, and we thank the many members for their contributions. The Working Group recommendations have helped map a path to ensure the Fund and Bank have the management arrangements, governance structures, and products to meet ever changing needs.

In cooperation with the Bank, the ADB, Australia and Japan, we designed and implemented a new instrument, the Deferred Drawdown Option (DDO) standby loan facility. The facility provides a form of insurance against a worsening economic situation and bolstered market confidence in Indonesia, which in turn helped Indonesia meet its financing needs via commercial sources. This type of instrument could assist other countries with good track records of reform.

We encourage the Bank to strengthen coordination with related multilateral and bilateral institutions, and to ensure recipient countries have a clear voice in the development of strategies and programs. The proposed review of the general capital increase scheduled for the first half of next year should ensure the Bank has the resources to fulfill its mandate. We support the Bank in its efforts to pursue innovative strategies to address poverty, climate change, food security issues and infrastructure needs.

The G-20 Leaders' pledge to contribute over US$500 billion in IMF New Arrangements to Borrow will provide the flexibility to face the current and future challenges. The Fund's flexible credit line is a welcome corrective step from past efforts to manage crisis, and the willingness to support the ASEAN+3 Chiang Mai Initiative Multilateralisation is a welcome measure to support regional liquidity endeavors. Efforts such as this will help address perception problems that the Fund experiences in various regions of the world.

The Bank and the Fund must continually strive to ensure governance and management arrangements reflect international best practice and demonstrate the highest levels of credibility and legitimacy. Members must cooperate to ensure quota shares and voting rights reflect equitable representation for developing and transition countries. Indonesia supports the IMF and World Bank quota and voting proposals and timelines as suggested in the G-20 Pittsburgh Leaders' statement.

In the absence of any concrete evidence to suggest we are indeed out of crisis, over the coming year we must remain vigilant with our post-crisis efforts. Indonesia is committed to work with fellow members to ensure the World Bank Group and the IMF remain organizations that meet the needs of our times. In closing, on behalf of the Indonesian delegation, I wish to express my sincere appreciation to the Turkish Government for hosting this year's annual meetings.

ISLAMIC REP. OF IRAN: SEYED SHAMSEDDIN HOSSEINI

Governor of the Bank

I am very pleased to have this opportunity in the beautiful city of Istanbul to address this august gathering. I wish also to express my sincere gratitude to the Government of Turkey for its hospitality and convening these meetings.

As you are well aware, the deepening of financial crisis placed the Global economy in a difficult situation. Notwithstanding its dire consequences on the world economy, this crisis resulted in some worthy lessons on the management of the global economy as well as lessons for international institutions.

For years, IMF has underscored the importance of "proportionality of liquidity growth to the growth of the real output." However the proportionality of the paper assets and derivatives to the real assets has not been given due consideration. While developing economies were constantly monitored and directed, under inappropriate theoretical framework, there was no such treatment in place for the advanced economies in the world. As a result the Bank and the IMF proved incapable of predicting this crisis. Therefore, we are at a crossroad where the fundamental roles and operational profiles of these institutions need to be reviewed and revamped.

While the crisis began in the financial sector, it quickly spread to an economic crisis through the insolvency of economic enterprises and the growth in unemployment and poverty which eventually led to social tensions and humanitarian problems.

In this context, the dimensions and impacts of the crisis deserve further scrutiny. The concentration of the main economic activities and benefits in a few economies in the world and the systemic integration of these economies increased the risk potentials and vulnerability to global economy. Therefore, besides developing balanced programs to confront the crisis, long term solutions require that the global financial architecture be redesigned to ensure an equitable distribution of economic transactions and activities. Therefore the fundamental question before us is whether the plans and programs prescribed can address the impacts of the crisis in an equitable manner.

The short term response to the crisis was indeed, as I believe, through putting in place stabilization policies and stimulating demand. However it should be emphasized that theoretical framework has to be redressed to tackle this problem. The criticism of excessive deregulation has been truly welcomed by scientific circles and policy makers. But the question is: what is the blueprint according to which the regulations should be redesigned?

Our explicit proposal is to pay greater attention to Islamic banking and finance models, which has successfully practiced in this crisis, where emphasis is put on the balance between financial versus the real sector of the economy, illusory earnings such as usury transactions are forbidden and the imbalance expansion of paper assets is discouraged. In this context the Islamic Development Bank has been demonstrated to be a resilient model.

On the issue of reform for Enhancing the Voice of Developing and Transition Countries in the IMF and the World Bank, we welcome the emerging consensus that the Developing and Transition Countries should have significant growth in their voting powers. We believe that this can only be done equitably when the developed countries would accept to transfer close to 6 percent of their collective voting powers to Developing and Transition Countries. Otherwise, we do not think it is fair or sensible to reshuffle the voting powers of DTCs among themselves since the purpose of this whole revision from its outset of proposal in the Monterrey consensus has been to enhance the voice and participation of DTCs.

We strongly believe that the second phase of voice reform should logically complement the first phase and it should not nullify what is already accomplished and gained for the developing countries in the first phase. Therefore, the gains made in the first phase have to be preserved, and the voting powers of no single DTCs should be involuntarily diluted.

We also believe that selected capital increase will be the simplest and most appropriate way to achieve realignment of the voting powers of DTCs in the second phase.

Last but not least I would like to draw your kind attention to a very important issue. Section 10 of article 4 of the Articles of Agreements of the World Bank clearly stipulates that the Bank should base its decisions on a member country programs and projects only on its economic merits.

In spite of this unequivocal legally binding agreement, we observe the World Bank's discriminatory and double standard by withholding the approval of the Country Assistance Strategy of the Islamic Republic of Iran. This is the 4th year that the management of the Bank, relying on political excuses, and contrary to the opinion of the legal advisor to the Bank and United Nations, has refrained from the presentation of Iran CAS. It should be noted that I. R. Iran is one of the founding members and shareholders of the Bank Group. This is absolutely unacceptable and legally unfounded practice, which must be corrected.

For years, the Bank has been proposing and promoting "Good Governance" approach for the management of the countries and "Corporate Governance" strategy for the operations of the firms, but at the same time its own operations are severely undermined by Political Governance, and this global institution has ignored the rights of Islamic Republic of Iran as a member country.

IRELAND: MARTIN MANSERGH

Governor of the Bank and the Fund

First of all, I would like to thank sincerely the Turkish Government and the Turkish people for hosting the 2009 Joint Annual Meeting in this historic city.

We meet here today in a global economy, which is in transition from crisis to recovery, and starting to show signs of stabilization. More than ever now, it is important to nurture this recovery, to have a legitimate, credible and effective IMF and World Bank Group, working strongly in co-operation with their members, to promote global economic growth and stability and reduce global poverty. We must all strive to maintain as much as we can the progress made in recent years towards achieving the Millennium Development Goals.

We welcome the positive role played by the IMF in addressing the challenges posed by this current global economic and financial crisis and the initiatives undertaken to promote recovery.

IMF Reforms

Further reforms of the Fund's mandate, quota and governance will be necessary to strengthen the Fund's legitimacy, effectiveness and credibility. We welcome the progress that has been made to date on the reform agenda, and I can assure you that Ireland will contribute constructively in this process as we have done in the past.

Globalization requires greater global cooperation to address mutual problems. To do so means increasing the resources available to the IMF. This is essential, if the Fund is to address the financial needs of members who have been hit hardest by the financial crisis. We support the Managing Director's ongoing commitment in this regard. Ireland is committed to playing our part in contributing to the EU's share in supplementing the IMF's financing capacity.

Surveillance

IMF surveillance continues to be particularly important in the current economic and financial environment. We fully support measures to strengthen the Fund's bilateral and multilateral surveillance and to increase the traction of surveillance with a view to strengthening the IMF's crisis prevention role. However, this must be matched by effective and evenhanded implementation of the measures in question.

Irish Developments

I would like to briefly say a little on economic developments in Ireland.

As you know, Ireland strongly endorsed the Lisbon Treaty in a referendum last Friday, which will lead to a stronger EU as well as making a confidence-building contribution to domestic economic recovery.

The Irish economy is in the midst of a very deep recession. The deterioration in the external environment has compounded the correction in the domestic construction sector, with the result that activity has fallen sharply. We expect a peak-to-trough decline in output of around 15 percent. It is worthwhile mentioning, however, that in Ireland, as elsewhere, a consensus is emerging that the rate of deterioration is beginning to slow.

The sharp fall in activity has had severe implications for the labour market, the public finances, as well as the banking system.

The authorities have responded rapidly and decisively to address these issues. In relation to the banking sector, a number of important steps have been taken, including the establishment of a National Asset Management Agency, the purpose of which is to remove the riskiest portfolio of assets from the banks' balance sheets in order to channel credit to the productive sector of the economy, to support activity and underpin employment.

To stem the deterioration in the public finances, a range of taxation increases as well as expenditure reducing measures amounting to 5 percent of GDP this year have been taken. For instance, average public sector pay has been reduced by 7 percent this year, while pay in the private sector has fallen, demonstrating the authorities' commitment to implement difficult decisions and public acceptance, to some degree of the need for adaptation.

It is worth highlighting that the measures taken by the authorities have been commended by various international organizations, including the IMF, in its most recent Article IV review and the European Commission.

Development and Aid

Turning to the global arena, the impact of the global financial crisis has been more far-reaching and unpredictable than originally feared. We know it is affecting every family and community across the world, but those in the least developed countries are suffering most. These countries are facing significant difficulties in financing basic services, in addition to their responses to the global financial crisis. The response to the crisis needs a sharp focus on the poorest countries. We welcome and fully support the recent reform of the IMF's lending facilities and financing framework for low income countries.

We in Ireland have had to take very difficult decisions to keep up our ODA levels as far as we can in the circumstances we find ourselves in. We will still spend at least 0.48% of our GNP on development this year. Our commitment and focus on the poorest and most vulnerable remains strong.

The crisis demands that we focus more clearly on key priorities. In our case, we have designated the fight against global hunger as a cornerstone of Ireland's aid programme. The reality today is that one billon people are suffering from hunger, and the number is rising, despite the commitment of the first Millennium Development Goal to halve the proportion of people living in poverty and hunger by 2015. The High Level Task Force on the Global Food Security Crisis, of which both the World Bank and the IMF are members, needs to scale up its response, as the financial crisis compounds the impact of the food crisis. It must continue to meet urgent hunger and humanitarian needs by providing food and nutrition assistance and safety nets, while focusing on improving food production and smallholder agriculture.

Ireland welcomes the World Bank's efforts to address effectively the additional challenge that climate change presents for developing countries. We encourage the World Bank to ensure that its Climate Investment Funds continue to support the work of the United Nations Framework Convention on Climate Change and complement the new global agreement on climate change to be agreed in Copenhagen in December.

Finally, debt sustainability has to remain a priority. The aim of the IMF's and WB Debt Sustainability Framework should continue to be to help low income countries meet their developing financing needs without reaccumulating unsustainable levels of debt.

Voice and Participation at the World Bank

Ireland welcomes the second phase of the reform process in the World Bank. We commend the Bank for its continuing commitment to this issue, and for the progress that has been achieved to date. We remain confident that an agreement will be reached, which will result in more equitable and transparent representation in the Bank's governance.

Conclusion

In conclusion, I would like to refer to the contributions made by Managing Director Strauss-Khan and President Zoellick in this morning's (yesterday's) opening session. It is clear we face enormous challenges going forward in restoring global economic and financial stability. We have a global crisis that requires a global response. In recent months, we have seen that we can, as nations, all work together with the Fund and the World Bank in responding positively to this crisis. I can assure the institutions of Ireland's continuing support for these efforts.

ISRAEL: YUVAL STEINITZ
Governor of the Fund

Last year governments around the world were alarmed by a threatening global crisis. Today we stand here with cautious optimism.

It is widely agreed that the IMF and the WB have reacted promptly, and with proportionate measures, to the global financial and economic crisis. It should be noted that the IMF, with it strong analytic capacity, should play a key role in the future development of international standards for financial surveillance.

Remarks on the Essence of the Crisis

I believe that the *very essence* of the recent economic crisis is yet to be understood; until then, it would be quite premature to draw final conclusions.

Although we might identify the *causal sequence* of the extraordinary events that led us into the crisis—starting a year and a half ago with the bursting sub-prime bubble, through the collapse of Lehman-Brothers, and until today's early signs of recovery—we shouldn't ignore the fact that *this causal sequence looks inevitable only in retrospective*. We have to admit that this unique kind of encompassing global recession was unpredictable just two years ago; and the best testimony for this is that nobody predicted it.

True, few experts have managed to predict some elements of the forthcoming crisis, but none of them did foresee that these elements would have culminated into such a global economic earthquake.

From a philosophical point of view, one should consider the possibility that unlike the natural sciences, the science of economy is immanently imperfect. This is due to the high gravity of the psychological aspects of the field, which means that a widely accepted theory might change our behavior to the extent of refuting the underlying theory, and so on and so forth.

Even the immediate effects of the current crises on recent consumer and corporate behavior and leaders' decisions, in case of encountering future global challenges or possible aftershocks of the current crisis, are extremely hard to predict.

Indeed, economic and financial crisis of *that magnitude* provides us with a rare opportunity to further development of the economic theory, and we should not be surprised to see some shifts in the economic paradigm in the very near future.

Some Remarks with Regard to Israel

The current crisis has found Israel's economy holding steady in a turbulent environment: high growth rates, public debt on a downtrend, budget deficit lower than planned, and thriving hi-tech industry abundant with start-up companies and venture capital activities.

Most relevant were the conditions of the Israeli real estate market and the financial system: the first proved to be realistically priced, and hence not subject to the bursting bubble phenomenon. The financial system showed resilience, strong enough to avoid the risk of collapsing banks, insurance companies, and other financial institutions.

Despite the strong fundamentals mentioned above, the crisis did have serious negative effects on our economy, due to the global nature of our real economy and financial institutions: export figures have sharply declined, risk premiums soared, the well-known credit crunch occurred, thus influencing the real economy and investments, suppressing the stock exchange and the growth rates.

These negative implications, which in turn started to diminish state revenues and to raise unemployment rates, motivated the government to act in three major directions:

- An inclusive *economic stimulus plan*
- Unprecedent *biennial budget*
- A *package deal* with the employers and the unions

Additional measures are being taken nowadays on the regulatory level of the capital market. They include, increasing capital requirements from insurance companies, and reorganizing capital markets regulations in order to prevent aggressive destabilizing marketing of pension funds and other long term savings vehicles.

The government has taken steps to ease the credit crunch by providing guarantees for exporters and banks, and by creating leverage funds and credit funds for businesses. Government actions have also included billions of shekels injected into Research and Development programs, in order to support the hi-tech industries.

We can say with satisfaction, that the last three months have finally shown clear signs of recovery, as most macro-economic indicators have shifted direction: exports have risen 25 percent, tax revenues expanded again, and the Composite State-of-the-Economy-Index rose significantly. For the first time in 15 months manufacturing production and trade and services revenues significantly increased, while some improvement in the labor market was also indicated.

We believe that the latest developments resulted mainly from:

1. The government initiatives in the real market: expanding public expenditure and support for the credit market while cautiously keeping a *declining trajectory of the fiscal balance* for the medium and long term.
2. The positive psychological effect of consolidating a comprehensive economic plan, the responsible and coherent monetary policy of the Bank of Israel, the approval of a unique biennial budget, and the successful resolution of the tri-party package deal.

The expansionary monetary policy was another important component of the overall reaction to the crisis.

The Bank of Israel, under the leadership of governor Stanly Fischer, reduced interest rates and conducted an expansionary monetary policy as well as acting in the foreign exchange market by discretionary purchases. Its policy reflects the need to return inflation to the target range of price stability, to support the recovery in economic activity, and to maintain financial stability.

Despite the positive developments mentioned above, I strongly suggest that caution is still essential in this time of uncertainties. I want to emphasis that while the increase in unemployment in Israel seems to be currently contained, employment will remain one of the most challenging issues.

Israel and the IMF

Finally, I would like to confirm Israel's support of the recent G-20 initiative to increase the resources available to the IMF in order to support emerging markets and developing countries.

Israel is willing to play its part in contributing to the IMF's resources and will participate in the two main funding programs—the NAB (New Arrangement to Borrow) and the Voluntary SDR Allocation—that were recently announced. Upon demand, the IMF would be able to get a loan, up to 500 million SDR, that would be paid from Israel's foreign exchange reserves.

In addition, Israel will be committed to purchase its allocated SDR. This will be implemented as an investment from our foreign exchange reserves.

Israel is proud to be part of the global effort to strengthen the global financial and economic system, and recognizes the importance of coherent policies to support growth in developing countries.

To conclude, I would like to express my deep appreciation to our hosts, the Republic of Turkey and the local authorities of the beautiful city of Istanbul, for the well planned and executed Annual Meeting and the warm welcome we have all received.

JAPAN: NAOKI MINEZAKI

Temporary Alternate Governor of the Bank and the Fund

It is my great honor to have this opportunity today to address the World Bank-IMF Annual Meetings, representing the Government of Japan.

To begin, I would like to express my sincere respect to Mr. Robert B. Zoellick, President of the World Bank, and to Mr. Dominique Strauss-Kahn, Managing Director of the IMF, for their excellent leadership at their respective institutions.

Recognizing the Current Economic Situation and Japan's Policy Response

Although the world economy is showing some signs of recovery, they appear to contain various risks, thus we should remain cautious about future prospects.

With regard to the Japanese economy, while it is showing movements of picking up, we should cautiously monitor economic developments. For instance, for the first time since the first quarter of 2008, Japan's GDP returned to a positive growth, at an annual rate of 2.3 percent in real terms, and the Industrial Production Index has increased steadily for 6 consecutive months. At the same time, while the unemployment rate in August dropped slightly to 5.5 percent, it remains in a severe condition. Furthermore, although the downward pace has become moderate, in August, the rate of decline in exports was still as large as 36 percent compared to a year ago.

Under these circumstances, our basic thoughts for economic and fiscal management are as follows. First, it is critical to put the Japanese economy back on a track of firm recovery, thus we will continue to implement necessary fiscal and monetary policies. While it is necessary to discuss exit strategies, at this moment, their implementation is still premature. In addition, the priority of fiscal expenses will shift from public investments to support for household spending and human capital development, focusing on expenses for child rearing and education based on the idea that "putting people's lives first." Moreover, Japan has set a target for achieving a greenhouse gas emissions reduction of 25 percent by 2020, as compared to the 1990 level, based on the premise that all the major economies are part of a fair and effective international framework and are in agreement regarding their joint ambitious targets. In that context, we will foster new industries that contribute toward developing a low-carbon society. By all these measures, we will promote domestic demand-led and stable growth for the Japanese economy.

In addition to paying sufficient attention to the economic situation, we must clearly take a medium- to long-term policy stance to secure fiscal consolidation in a manner that builds market confidence. Hence it is necessary to set concrete targets regarding fiscal consolidation such as the ratio of public debt to GDP.

Strengthening the IMF and the World Bank to Secure Sustainable Economic Growth and Develop a Robust and Stable Global Financial System

Our present priority issues are to overcome the crisis, and to achieve balanced and sustainable growth, as well as to develop a robust and stable global financial system in order to prevent financial crises of this size from happening again. In addressing these issues, the roles that the IMF and the World Bank play are significant, and it is indispensable that the Fund's functions be strengthened. In what follows, I will present my thoughts on three important points regarding the strengthening of the Fund's functions: strengthening surveillance, supporting low-income countries, and reforming governance.

Strengthening IMF Surveillance

With regard to the Fund's surveillance, let me describe three key points to further enhance its effectiveness in the future, based on the idea that the current surveillance functions did not produce the desired effects on crisis prevention in the run-up to the current crisis.

First, in view of the significant impact on the global economy posed by problems in systemically important countries, it is important that the Fund enhance its capability to provide more elaborate analyses of the channels through which risks can transmit to other countries, and the impact they would pose by means of repeatedly conducting multilateral surveillance, with a focus on specific important issues, such as budget deficits and impaired assets held by financial institutions.

Additionally, in view of the significant impact on the macro economy posed by vulnerabilities derived from the financial sector, it is important to strengthen the Fund's analyses of the linkages between the macro economy and the financial sector, by effectively integrating into Article IV Consultation reports the findings vulnerabilities related to the financial sector that were recognized in the "Financial Sector Assessment Program."

Furthermore, with regard to the Early Warning Exercise carried out through the collaboration between the IMF and the Financial Stability Board (FSB), it should be aimed at achieving a mechanism that can forestall a crisis, by shaping a common understanding among policy makers in each country regarding its purpose and methodology in the course of repeated trials.

Supporting Low-Income Countries

The second issue is to support low-income countries. We must not forget that the current crisis has seriously affected low-income countries. The recent report of the World Bank presented an estimate that nearly 90 million people would plunge into poverty by the end of next year due to the impact of the current crisis. Under such circumstances, we need to strengthen our support to low-income countries.

The World Bank Group should provide continuous support for the coming months by making available sufficient financial resources through the International Development Association (IDA), under IDA 15, and by accelerating the process of IDA 16 negotiations. We should mark a de facto launch of IDA 16 negotiations in conjunction with the mid-term review of IDA 15, as well as intensively discuss a post-crisis IDA strategy, and make efforts to reach conclusion of the negotiations as early as possible. I wonder if, before the official start of the IDA 16 period, some donor countries might be able to, and would wish to, make use of part of their commitment under IDA 16 even within the IDA 15 term.

The IMF should also play an active role in supporting low-income countries, and we welcome the Fund's recent decision to ease the conditions in order to more actively provide its support. I think each major member country, as a donor, should support such active efforts by the IMF. Japan, as the country that has been making the largest contribution to the Fund's lending program to low-income countries, commits to providing significant support both for loan and subsidy resources.

Moreover, Japan will continue to make contribution to the Fund's technical assistance to low-income countries in the field of macroeconomic policies. At the same time, it is important that, as a donor country, Japan's accountability to tax payers be sufficiently fulfilled.

Governance Reforms

The third issue that both the IMF and the World Bank need to address to effectively contribute to securing stable growth and preventing crises is governance reforms.

In this regard, it is necessary to put into effect the agreements, regarding IMF quota increases and raising basic votes reached in April 2008, and the first step of the World Bank voice reform, including the doubling of basic votes, agreed to in October 2008. Japan has already finalized its amendment of domestic laws and ratified the proposed amendment of the Articles of Agreement. I urge other countries to finalize their domestic procedures as soon as possible.

In terms of the next IMF quota review, due in January 2011, political guidance became clear in the Pittsburgh Summit. In line with this guidance, we need to accelerate the process, aiming to "a shift in quota share to dynamic emerging market and developing countries of at least five percent from over-represented to under-represented countries," so that quota shares appropriately reflect the current global economic reality.

With regard to the voice reform of the IBRD, the reform should aim at better reflecting the views of developing countries and transition countries on the management and operations of the World Bank Group. Needless to say, at the same time, the reform should ensure that those members that provide financial support to the World Bank Group continue to have an appropriate stake in its management and operations.

I would like to remind you that Japan has been a key major donor of the IDA for almost half a century, since it was established in 1960, having contributed more than 34 billion U.S. dollars. In the early days of the IDA, we were still in the process of reconstructing our country after World War II, and were far from being prosperous. We had to rely on external assistance, and were actually borrowing money from the IBRD. Despite this situation, the Japanese people, or I should say Japanese taxpayers, knew well, how important it is to help poor countries, and they made a serious decision to contribute to the IDA. The unremitting contributions by Japanese taxpayers have now formulated the solid and indispensable financial base of the IDA, accounting for as much as 19 percent of the IDA's total resources.

Here, I would like to stress that voice reform should take into full consideration the cumulative contributions to the IDA of current major donors, as this would prove to be an appropriate acknowledgement of the long-standing will of donor countries' taxpayers, and thus it is essential for the World Bank Group to continue to secure contributions from donors.

I firmly believe that voice reform will reach a conclusion which fully addresses these concerns. This conclusion will provide a supportive basis for Japan to increase its contributions to the general capital of the IBRD and the forthcoming 16th replenishment of IDA, when these occur.

Last but not least, in order for the IMF and the World Bank to become truly global institutions, securing geographically balanced diversity in the composition of senior management and staff is also important.

Conclusion

Under the current global financial and economic situations, the IMF and the World Bank should address the issues stated above in order to play significant roles in preventing a recurrence of crises and securing balanced and sustainable growth. When addressing these issues, two institutions will face contentious problems among various member countries. Nonetheless, I would like to emphasize that we, as governors of these institutions, are the ones who have to deal with and resolve these problems. Let me conclude my speech by emphasizing that it is critically important for us to maintain a sense of ownership and to tackle difficult challenges with a view to bringing benefits to global society as a whole rather than pursuing individual interests. This would enable us to effectively utilize both institutions to achieve our shared goals under a rapidly changing global financial and economic situation.

KOREA: JEUNG-HYUN YOON

Governor of the Fund

I would like to extend my sincere appreciation to the Turkish Government and the citizens of Istanbul for their excellent work in organizing the IMF and World Bank Annual Meetings and the warm hospitality they have shown us. It is my great honor to be here representing Korea.

Before I begin my official speech, I would like to deliver deepest sympathies of the Korean government to the people of Asia and the Pacific who have suffered so greatly from the destructive earthquakes and severe flooding.

We still remember the sense of dread and despair that hung over last year's Annual Meetings, due to the worst global economic crisis in recent memory.

This year, however, we meet with hope, as the global economy begins to show signs of recovery. This is brought by the unprecedented international policy coordination led by the G20, and active support from the IMF and the World Bank.

However, the global economy has only recently emerged from the worst of the crisis, and still has a long way to go until it recovers fully.

There are also major tasks ahead of us, including revitalizing the growth potential that was damaged by the crisis, and generating sustainable and balanced growth.

At this juncture, I would like to make the following suggestions to overcome the crisis and ensure sustainable growth.

First, exit strategies need to be prepared, but they should be implemented when recovery becomes fully secured.

The premature implementation of exit strategies may impede the emerging recovery and cause the economy to fall into a double-dip recession. Too late an implementation may give rise to market uncertainties and bring about another bubble. In this regard, the strategies should be developed in a concerted manner based on internationally agreed principles, and we should recognize that the scale, timing and sequencing of implementation will vary across countries.

To this end, I call on the IMF to promptly establish the criteria for exit strategies, and come up with specific solutions to provide even-handed, candid and independent surveillance on member countries.

Second, sustainable and balanced economic growth should be pursued by our elaborated and coordinated efforts.

For the global economy to return to a pre-crisis level of trend growth, we have to reject protectionism and develop orderly policy coordination.

Countries with a current account deficit should increase government and private savings while keeping the market open. Those with a current account surplus should take further actions to increase domestic demand and openness.

To make these successful, it is essential that we expand the global safety net for developing and emerging economies, particularly vulnerable to external shocks. Specifically, currency swap arrangements and regional financial cooperation should continue to be pursued.

Along with these efforts, we need to engage in active promotion of green growth in order to secure a new economic growth engine.

Green growth will not only improve living standards but also create new growth opportunities through the green conversion of the current energy and resource-based economy into a more environment-friendly one.

Korea laid out a new national vision of "Low-Carbon Green Growth," and plans to invest around 2 percent of GDP in the green growth sector annually.

At the same time, Korea will increase support for developing countries by participating in the World Bank's Scaling-up Renewable Energy Program (SREP)*, and will do its part to enhance international cooperation for green growth.

Third, the IMF and the World Bank need to be reformed for effective response to fundamental changes in the international financial system.

It has been more than 60 years since the IMF and the World Bank were established under the Bretton Woods system. In the Asian tradition, 60 years are seen as a period for ending the old and beginning the new.

With the global crisis resulting in significant changes to the world economic order, the IMF and the World Bank need to improve credibility and legitimacy through reforms.

In particular, the IMF needs to secure sufficient resources to respond to the economic crisis through a quota increase of at least 100 percent. Also, as agreed at the Pittsburgh G20 Summit, at least 5 percent of IMF quota shares should be realigned to under-represented countries based on the economic weight of member countries.

The World Bank should also reflect countries' evolving economic weight in its share-holding realignment, which has not been carried out for a decade. In addition, the shareholding of member countries should be periodically reviewed.

Last but not least, I would like to emphasize continued interest and increased support to low-income countries.

Low-income countries are suffering tremendously from the economic crisis, even though they are not directly responsible for the crisis.

In advanced countries, the crisis raises the issues of unemployment and income reduction. In low-income countries, however, it threatens the livelihood of the people.

In this context, I welcome the IMF's recent decision to strengthen support measures for low-income countries and significantly increase the size of loans provided to them. I would like to encourage member countries to actively participate in the efforts by the IMF and the World Bank to increase financial resources for assisting low-income countries.

Korea will also take active part in the IMF's Poverty Reduction and Growth Trust (PRGT)* and the World Bank's Vulnerability Framework, totalling about 780 million dollar loans and 24 million dollar contributions.

There is a saying that "One swallow does not make a summer."

We are beginning to see a glimmer of light in the global economy, which had been in a deep tunnel. To make this light grow brighter, "A Sense of Togetherness" we have built so far must be further enhanced.

I hope the IMF and the World Bank will play a central role in enhancing the global coordination under the spirit of the sense of togetherness.

As the Chair of the G20 in 2010, Korea will earnestly support the IMF and the World Bank in fulfilling their roles.

KYRGYZ REPUBLIC: MARAT A. SULTANOV
Governor of the Bank

Allow me on behalf of the Government of the Kyrgyz Republic to greet all the participants in the Annual Meetings of the Boards of Governors of the IMF and the WB. It is a great honor for the KR delegation and for me personally to participate in these meetings.

These meetings of the leaders of financial institutions are taking place at a critical time for the global economy. The crisis has affected practically every country, regardless of their size or their values. Therefore, these meetings are an excellent forum for an exchange of experiences among our countries in overcoming the adverse effects of the crisis.

Allow me to familiarize you with our country's experience.

We are a small, mountainous, post-Soviet country that does not have abundant oil and gas reserves. After the breakup of the USSR we experienced an enormous shock because of the destruction of common economic links and the loss of state transfers from Moscow which resulted in a huge increase in poverty. We carried out reforms with the support of the IMF and the WB and, for all intents and purposes, built a completely different model of a state. From the beginning of this century until the crisis hit, we had a stable annual growth rate of 5–7 percent; a small budget deficit of 1–2 percent of GDP; a low, single-digit inflation in the 4–5 percent range; a stable exchange rate; good tax revenues; a stable banking system; and a significant inflow of remittances (more than USD 1.3 billion). We have pursued a liberal trade policy and maintained full convertibility in our current and capital accounts.

The first shockwave hit Kyrgyzstan in the middle of 2007, when prices for basic farm products increased and we faced the threat of a shortage of basic food stuffs normally imported from other countries. For the first time we received very prompt assistance from multilateral and bilateral donors in solving this problem.

The second shockwave involved a sharp rise in energy prices and again we received very timely and high-quality assistance from the World Bank.

But the third wave of the crisis was already looming. The government immediately adopted a package of anti-crisis measures to prevent harmful effects for the economy. Its plan consisted of the following:

1. Reducing taxes for the real sector of the economy. A VAT decrease from 20 to 12 percent proved especially effective. We believed this approach was fairer than targeting assistance to specific companies;
2. Freezing the planned electricity tariffs increase, as an additional subsidy for the private sector;
3. Adopting a program to improve the business climate, in terms of which, incidentally, we became one of the top three countries in the world that have achieved the greatest progress in this respect;
4. Sharply increasing the budget for development and the national investment program;
5. Bolstering market mechanisms for providing assistance to agriculture and social protection for the most vulnerable, specifically raising pensions by 50 percent;
6. Establishing a deposit insurance fund and guaranteed depositors protection of their deposits up to KGS 100,000 [soms] (USD 2,300);
7. Capitalizing banks where the state had a stake;
8. Deciding to capitalize the National Bank.

All these measures led to an increase in the budget deficit.

But in order to successfully carry out this plan, we had to seek out additional external financial assistance. And we are thankful to Great Russia for providing support in the amount of USD 150 million and USD 300 million in credit, virtually on IDA terms. We are also grateful for the very rapid and high-quality assistance from multilateral donors (especially the WB, the IMF and the ADB) and our old, traditional donors from the EU, Switzerland, Japan, UK, etc.

While drawing up the anti-crisis plan we proceeded from the premise that the crisis created problems but also offered new opportunities. For instance, we import oil products, grain, building materials and process equipment, which fell in price. This enabled us to make efficient use of the development budget and even to achieve some economic growth, while keeping down inflation which had become a problem after the first two shocks that I referred to earlier.

As a result we were able to substantially mitigate the effect of the global crisis on our economy, and are now preparing a recovery strategy, the essence of which is as follows:

1. To prevent the external debt from ballooning to more than 45–47 percent of GDP and to reduce it to 40 percent of GDP over the course of the next three years;
2. To reduce the budget deficit annually by 1–1.5 percent and reach pre-crisis levels by 2013;
3. To eliminate the quasi-fiscal deficit in the energy sector within a year to 18 months, to privatize distribution companies and to create conditions for an inflow of private investment in generating companies;
4. To reform state administration, especially enhancing the effectiveness of investments in agriculture by developing market-based financial institutions;
5. To sharply increase the country's attractiveness as an investment destination by establishing a public-private partnership and creating institutions responsible for this;
6. To strengthen our partnership with international institutions and bolster regional cooperation in order to support food-safety programs and global environmental programs related to climate change.

As is clear from the foregoing, the Kyrgyz Republic fully supports the initiatives that have been adopted by the international community lately and appreciates that these programs are not just aimed at solving the problems of future generations but are also relevant today.

The assistance from the WB and the IMF helps low-income countries to increase their economic and resource capacity, develop their human resources and, most importantly, to successfully reduce poverty through economic growth. This is the main objective both for the donor community and for the recipient countries.

In closing, I join my colleagues in expressing deep appreciation to the Government and people of Turkey, the leadership of the WB and the IMF, the Executive Directors and the Secretariat for their hard work and hospitality in preparing these meetings, and in wishing everyone success and the best of luck!

LAO: PHOUPHET KHAMPHOUNVONG

Governor of the Fund

First of all, I would like to congratulate the Government of Turkey on hosting this very important meeting in a very beautiful and historical city of Istanbul. Our delegation would like to thank the Government and people of Turkey for their warm hospitality extended to us.

As we have known, 2008 and 2009 have witnessed the start and deterioration of global financial crisis that has caused economic recession, high unemployment and rapid aggregate demand contraction in both developed and developing countries. This has urged Governments and international organizations to closely cooperate to tackle the crisis by directly injecting funds into the economies, expanding the liquidity of the banks and financial institutions, restoring public confidence, such as by raising threshold of deposit guarantee, reducing interest rates and taxes with an aim to stimulate domestic consumption and thereby help to stimulate the economy.

Impact of the global financial crisis has also inevitably impacted on Lao PDR since Lao economy is increasingly linked to the region and the world. However, general stability of the country politically and socially, combined measures introduced by the government as well as the strong effort made for the implementation of the Socio-Economic Development Plan as well as strong policy responses made by various sectors and locality, Lao Economy continued to maintain steadily GDP growth at 7.9 percent in 2008, and the estimated growth of 2009 will be 7.5 percent. Macroeconomic fundamentals remain sound, creating an environment conductive to investment and national development. In this connection, allow me to update you on the fiscal and monetary situation of Lao PDR. For the FY2008–2009, it is estimated that total revenue would be short of its target and achieve only 95.5 percent of the plan, due to lower tax collection as a result of decreasing commodity price. On the expenditure side, the Government maintains the same level as planned, and therefore, budget deficit would increase from 3.3 to 4.5 percent of GDP. In the wake of budget deficit, the Government issued Treasury bonds, and receives increased budget support grants through Poverty Reduction Support Operations 5 (PRSO 5) from the World Bank from USD 10 to USD 20 million, in addition, AusAID, and European Commission have committed to provide about USD 6 million through the same operations. Furthermore, the Government of Japan has pledged to provide Budget Strengthening Support Loan in the amount of Japanese Yen 1,500 million. In this regard, allow me to thank the World Bank, Australia, European Commission, Japan and other development partners for their generous support to Lao PDR in this difficult time through Poverty Reduction Support Operations 5 (PRSO 5).

On the monetary policy side, the Bank of Lao PDR (BoL) implemented an expansionary monetary policy, mainly using indirect monetary tools in maintaining the national economic stability as demonstrated as follows:

1. Adjusted downward short term policy interest rate (BOL rate) three times in 2008 from 12 percent per annum to 7 percent (at present at 5 percent).
2. Maintained reserve requirement ratio (RR) at 5 percent for Kip and 10 percent for foreign currencies and also allow to include 2 percent of eligible securities (bonds) into RR ratio.
3. Improved the activities of open market operations to run actively.
4. Strived to elevate the international reserves to cover more than 5 months of imports of goods and services.
5. Continued to implement a managed floating exchange regime.
6. Implemented a policy to ease the foreign exchange transactions to create favorable conditions for the public to be able to access to foreign exchange with banks and foreign exchange units.
7. Improved better the coordination mechanism between sectoral level and local level, especially, fiscal policy and monetary policy.

On the conduct of various policies over a year, BOL was to play its role in a good manner. The most salient features, are able to maintain a sound monetary stability, a single digit inflation rate and lower than economic growth rate (annual average inflation rate was 7.63 percent in 2008), while in 8 months of 2009 the average inflation was minus 0.33 percent. Exchange rate continued to stabilize, having higher purchasing power, creating more public confidence and became to use more domestic currency. International reserves can cover 5.9 months of imports. Banking sector significantly expanded and its service was improved and developed toward modernization.

Nevertheless, there are still uncertainties with regard to the recovery of the global economy in 2009–2010; it is therefore encouraged that all of us put stronger efforts to turn this crisis into opportunity for developing national economic fundamentals. The Government will try to achieve the GDP growth at 7.5 percent. In particular, on the fiscal side, for 2009–2010 fiscal year, it is targeted to increase revenue collection to 20 percent of GDP and expenditure to 23 percent of GDP. Moreover, the Government will take measures to tackle the crisis, such as the strict and efficient enforcement of relevant laws and regulations, with the aim to increase transparency, accountability of the public financial management both at the central and local levels, utilize resources to priorities projects and programs in order to maintain growth and to safeguard spending in social sectors, i.e. health and education.

With regard to the monetary side, it is needed further to gradually develop the sound and robust banking sector in the wake of international integration, steadily maintain the monetary stability and stable exchange rate and keep the international reserve to cover more than 5 month of imports. Banking sector aims to actively contribute better in supporting economic growth and poverty reduction of the people as determined by the government.

In conclusion, we can assure that the Government will continue its reform efforts, such as improvement of business environment, including enhancing efficiency of the financial sector, as well as integration to the world market by accessing to WTO. I, on behalf of the Government of Lao PDR, would like to express sincere thanks to the Bank and the Fund for supporting the Lao PDR in implementing its national socio-economic plan, eradicating poverty and moving toward the achievement of the Millennium Development Goals by 2020.

MALAYSIA: AHMAD HUSNI MOHAMAD HANADZLAH

Governor of the Bank and the Fund

It is my pleasure and privilege to address this esteemed gathering of the 2009 Annual Meetings of the World Bank and the International Monetary Fund.

I stand with my fellow Governors from the developing and transition countries in support of reforms in the global financial architecture. The proposed reforms on global financial regulation and oversight on all systemically-important institutions, instruments and markets, including hedge funds, must be put in place to ensure that there will be no repeat of this crisis that has caused such a profound negative impact on the lives of so many.

In this context, I want to share with you Malaysia's experience. In the 1997 Asian financial crisis, Malaysia chose to move away from the IMF's prescription. We administered an unorthodox antidote of our own device. In the following years, we continued to strengthen our finance and banking sector and we put in place a robust prudential regulation and supervision framework. Compared with most countries, we have virtually no toxic assets in our system. This we did because we were confident of our diagnosis. We ourselves know how our economy works.

The time has come that recognition be given to the developing countries. I ask you, my fellow Governors, to allow the developing countries stronger voice and representation.

Global economic growth rests on the fundamental premise that goods, services and capital flow freely across borders. We are indeed disappointed that the advanced nations are now putting up walls of protectionism. We share the developing nations' fear of such protectionist measures. Our fears are not unfounded. Protectionism will reverse the progress in global trade we have attained thus far.

In Malaysia's case, we began liberalizing our economy in the early 1990s on a gradual basis. We started with the manufacturing sector and progressed to the services sector by raising foreign equity from 49 percent to 100 percent. Notably, with regard to the banking and finance sector we progressively reduced the number of our domestic financial institutions from more than 70 banks to just nine. We first provided resources to our institutions to build their capacities to face competition. Only then did we open our market to allow the phased entry of foreign players. Our financial sector is now benefiting from healthy competition, adding breadth and depth to the domestic market.

The process of recovery from the present crisis will be long and painful. We must prepare ourselves for the post-crisis multipolar world. We will face great challenges. To succeed, there must be political will and leadership from all nations. Let us all collaborate for a better future.

MALTA: DAVID A. PULLICINO

Governor of the Fund

It is an honour for me to address the Annual Meetings of the International Monetary Fund and the World Bank that are being held in this beautiful city of Istanbul. On behalf of the Maltese delegation I wish to thank the Turkish Authorities for their generous hospitality and the excellent arrangements they have made for these meetings.

I also take this opportunity to welcome Kosovo as a member of the IMF and World Bank Group, and Mexico as a member of the Multilateral Investment Guarantee Agency.

This year's meetings take place amid tentative signs of stabilisation in economic and financial conditions. The recent improvement in economic and financial market indicators partly reflects the unprecedented macroeconomic and financial support measures implemented by national authorities across the globe. The IMF has also responded appropriately to the intensification of the global economic and financial crisis, in particular in terms of mobilising new resources available for lending to countries hit by the crisis and rendering their lending instruments more fitting to systemic crises and the special circumstances of low-income countries.

We welcome global efforts to increase the resources available to relieve countries from the immediate effects of the crisis, and note with satisfaction the progress that has been made in terms of implementing the financial pledges made since Spring 2009. However, it has to be acknowledged that beyond the pledges and contributions of the major economies, a truly global burden sharing has not been achieved. Malta, on its part, is willing to contribute to strengthening the IMF's financial resources even though it is itself limited in what it is able to contribute. The Maltese Authorities have approved a new contribution to the newly established Poverty Reduction and Growth Trust and are in the process of negotiating with the Fund the terms of a bilateral loan agreement. In addition the Central Bank of Malta has expressed its willingness to participate in voluntary SDR trading arrangements under certain conditions.

The recent General Allocation of SDRs should supplement existing reserve assets and provide an additional source of liquidity to countries reliant on external finance. This notwithstanding it is necessary to highlight the fact that there are implications, in terms of monetary and exchange rate conditions, reform incentives and debt sustainability in the use of allocated SDRs. We thus encourage the IMF to closely monitor their effects and to leave open the possibility of a partial cancellation if warranted by developments in the global economic outlook and availability of reserves.

While the IMF is better equipped than it was months ago to respond to difficult situations such as those experienced in recent months, its credibility and effectiveness hinges to a very large extent on the availability of quota resources that are commensurate with the potential long-term needs of its members and on a governance framework that is perceived to be fair and inclusive.

In this regard, we take note of the work that has already taken place in the area of IMF governance reforms, including that in relation to the fourteenth quota review. We consider that these efforts stand a greater chance of delivering the expected changes if the different streams continue to work in parallel. Thus with regard to last year's IMF quota and voice reform specifically, this would appear to offer a good basis for future work. In this regard we support use of the current quota formula which ensures equal treatment of all IMF member States.

On the other aspects of governance reforms, and in particular the proposals concerning the composition and role of the Executive Board, it is arguable whether a smaller Board would function better than one of 24. While there might be merits in reviewing the role of the Executive Board to render it more efficient, its authority should not be diluted. The Executive Board should remain closely engaged in matters falling within its competence in terms of the Articles of Agreement, and in decisions of operational and strategic importance. Its relationship with the other decision making bodies and consultative organs within the Fund should be clarified.

We also look forward to the advancement of the ongoing reform within the World Bank. In both cases, we expect that the reform will be inclusive, and based on transparent and objective criteria. This also applies to the selection of the senior officials and staff of the two institutions.

The crisis has highlighted numerous vulnerabilities in the regulatory and supervisory framework in the financial sector, as well as, weaknesses in the accounting and statistical frameworks, the preemptive assessment of risks to systemic stability, and the co-ordination of macroeconomic policies. The IMF has been at the fore in terms of drawing the lessons from the crisis and cooperating with other international organisations and standard setters to avoid a recurrence of past excesses and slippages. It can in particular be commended for its efforts to enhance early warning capacities in cooperation with the Financial Stability Board, to fill the identified data gaps and to better integrate its macro and financial analyses. There is probably scope for further work in this sense, but the success of these measures ultimately also requires the full cooperation of members in terms of their readiness to be evaluated and in terms of transparency. Malta stands ready to continue to fulfill its responsibilities in this sense.

I wish to conclude by assuring the management and staff of the Fund and the Bank of our continued support as these two important institutions restructure and reorganise themselves to respond effectively to the challenges of the new economic and financial landscape.

MAURITANIA: OUSMANE KANE

Governor of the Fund
(on behalf of the African Governors)

The global economy appears to be emerging from a deep financial crisis and economic contraction. We are witnessing and welcoming signs of a recovery in the global economy, anchored on improved financial conditions, accommodative fiscal and monetary policies through coordinated international response. These policies may need to be sustained until recovery is on a firm footing, which will require restoring financial sector health, maintaining supportive macroeconomic policies, and continuing with preventive measures.

The global financial crisis and economic contraction has taken a heavy toll on the remarkable gains African countries made in recent years—achieving stable and robust economic growth, reducing fiscal and external current account deficits, and lowering unemployment and poverty. These gains have been supported by strong macroeconomic policies, a favorable external environment, and financial assistance and debt relief from our development partners. African countries have been taking measures to weather the adverse impact of the global crisis, including tightening nonpriority spending, using available fiscal space for priority investment and poverty reduction, easing monetary policy, letting exchange rates adjust to external realities, and closely monitoring financial vulnerabilities.

Our countries continue to face multiple challenges and constraints. These challenges include:

- Restoring sustainable high economic growth;
- mitigating the adverse impact of the global economic contraction and other external shocks;
- streamlining spending while preserving priority investment and protecting the vulnerable groups in society;
- scaling-up resources for investment;
- timely design and unwinding of stimulus macroeconomic interventions; and
- increasing the voice of African countries in the governance structure of the BWIs.

These challenges are being addressed within the framework of maintaining supportive macroeconomic policies and structural reforms. The main constraints lie in closing Africa's large investment financing gap and improving flexibility of donor conditionalities.

Prospect for Global Economic Recovery

While we welcome signs of rebound in the global economy, the impact of the rebound on Africa has been wide-ranging. Some countries have shown early signs of recovery. But for countries facing unfavorable external conditions such as drought, the pace of recovery has been stalled, and exerting further pressure on the fiscal and external balances. We consider exiting the accommodative fiscal and monetary policies to be too early, not only for our countries but for developed and emerging market economies as well. We welcome commitments made by the G-20 members to, inter alia, restore confidence and lending in their financial system, undertake exceptional and coordinated fiscal and monetary actions, and strengthen the national foundation of their financial market regulations. We further recognize the IMF's and the World Bank's efforts in helping member countries weather the crisis and in facilitating the global policy coordination.

On our part, we remain committed to consolidating macroeconomic stability and implementing sound policies, while maintaining sustainable debt levels in pursuit of achieving our development objectives. To this end, we require the International Financial Institutions, particularly the IMF, to support our policy frameworks, provide guidance, and give us the needed policy space, and help in formulating realistic exit strategies.

Closing Africa's Large Investment Financing Gap

Africa is lagging behind other continents, despite its abundant human and natural resources as well as sound macroeconomic framework. Africa's investment deficit is estimated to be more than 85 percent of the estimated need, which manifests itself in all key sectors—agriculture, manufacturing, transport, water, energy, and information and communication technology. As a result, our countries are highly vulnerable to economic and climatic shocks resulting in loss of competitiveness. The poor state of infrastructure also undermines progress toward achieving the MDGs. Closing Africa's large investment financing gap is fundamental to both accelerating economic recovery in the short term and establishing high sustained growth over the long term.

In this regard, we welcome the timely response of the IMF to put in place a new architecture of facilities for low income countries and to reform the concessional financing frameworks. Also, we are encouraged by the responses of the WBG to scale up and frontload lending resources, and the commitments by the G-20 members to enhance the capital base and liquidity of the BWIs. We are committed to prioritizing investment into key sectors. We solicit support from the international community and in this regard call for:

- adequate funding of the infrastructure multidonor trust fund to help address the infrastructure financing deficit in our countries;
- the IMF to make its policies and conditionality more flexible to accommodate increased investment;
- the WBG to foster its joint intervention of all its members (IBRD/IDA/IFC/MIGA), to increase its own financing in Africa; and
- the BWIs to swiftly revise the debt sustainability framework, particularly the thresholds, so as to accommodate the new financing needs.

We are mindful that closing the financing deficit will not be possible without the important role played by the private sector. To this end we call on the IFC and MIGA to strengthen innovative mechanisms to crowd-in private sector financing.

Given Africa's large investment deficit, we draw the development partners' attention to the importance of meeting their aid commitments, starting with the pledges made at the Gleneagles G8 Summit to double aid to sub-Saharan Africa. In this regard, it is necessary that development partners expeditiously honor pre-crisis aid commitments and pledges, and deliver assistance in a timely manner. Moreover, in light of the adverse impact of the current crisis on Africa, there is an urgent need to strengthen the WBG financing capacity to adequately support the increasing financing needs of Africa.

Improving Flexibility of Donor Conditionalities

Notwithstanding the reforms the IMF has made in overhauling its LIC financing framework, the concessional lending through a trust-fund facility is relatively inflexible whereby baseline conditionality for members accessing these concessional resources are determined by a trust-fund committee that is outside the governance structure of the IMF. This makes operational and access conditionality not responsive to the changing financing needs of LICs. Moreover, the overall concessional envelope is determined by supply factors rather than the financing needs of the LICs. We call on development partners to address these shortcomings by bringing the concessional facilities within the IMF's General Resources Account. This would be the most appropriate route to align these facilities with LIC financing needs.

We also urge development partners to support our call to make lending facilities even more responsive to the evolving financing needs of our countries. We note the positive contribution that the country assistance strategy (CAS) has made, but there is a need for the WBG to further ensure that it is in line with the principles enshrined in the Paris Declaration. The WBG should give countries more say in choosing financing options for their programs, and shorten the financing procedures and schedules. The WBG should also allow more flexibility in the use of IDA resources by adopting innovative mechanisms for financing regional projects.

Given the complexity of post-conflict LICs, the WBG should put in place a financing instrument tailored to this group of countries' specific circumstances and provide them with budgetary support. Also, since many African middle-income countries are unable to benefit from the IBRD resources to which they are entitled, the WBG should soften its lending terms and introduce more innovative means that better suit the needs of this group of countries.

Voice and Representation Reform

We welcome the progress made so far on the voice reform agenda in the WBIs. Achieving a significant outcome in the second phase will be critical to truly strengthen the legitimacy of the WBG and the voice of African countries. It is vital that the gains made in the first phase are enhanced rather than reversed. At the IMF, we are committed to completing the ratification of the IMF 2008 reforms on voice and representation to facilitate a meaningful start on the next round of reforms. We call for enhancing the quota and representation of emerging and developing economies at the next general review of quota.

We reaffirm our commitment to work with the IMF, WBG, development partners and the rest of the international community to attain our development objectives.

MONGOLIA: PUREVDORJ LKHANAASUREN

Governor of the Fund

Twenty years have passed since Mongolia made a transition toward democracy and market economy. Nevertheless, during this transitional period when it faced numerous difficulties in economic and political reforms, with the help and assistance of donor countries and international financial institutions, Mongolia was able to successfully overcome those difficulties. Mongolia has abundant reserves in gold, copper, uranium and coal, and we are further developing our economic cooperation with China and Russia, two of the biggest mineral users of the world.

This Annual Meetings of the Boards of Governors of the IMF and the World Bank is specific, in the sense that it is taking place during a period when the global financial and economic crisis is losing its grip on the global economy and the effects of the crisis are subsiding. Even though the global financial crisis has affected each country differently, we feel that it is crucial that all countries cooperate with one another and join together to overcome this crisis. I would like to take this occasion to express our sincere appreciation to the IMF, World Bank and the Turkish authorities for allowing us the opportunity to come together to have open discussions and assist each other.

During 2007 and 2008, the prices of Mongolia's main exporting products, copper and gold, had risen significantly, increasing our fiscal revenue that consequently caused our economy to overheat. During this period, the economy and the budget of Mongolia relied heavily on the mining sector, making us more vulnerable to global commodity price fluctuations and having negative effects on the resilience of our economy. Drawing a lesson from this, we recognized the need for better and improved fiscal management and the need to reform our social welfare system.

The rapid development and the overheating of the economy coincided with the global financial crisis, causing our boom to burst, which noticeably deteriorated the macro-economic indicators of Mongolia in 2008. These caused the loss in livelihood of our people.

Mongolia lost no time in facing the challenges and has taken appropriate policies and measures with the assistance of a Stand-by Program with the IMF, the Social Sector Support Program with the World Bank, Asian Development Bank and the Government of Japan. The Government of Mongolia together with the Bank of Mongolia, is certain that, with the help of the measures taken under these programs and with the assistance from the international financial institutions, we can overcome the crisis. As of current situation, the authorities are confident to achieve successful outcomes to eliminate the adversities of a crisis and to foster economic recovery. Looking ahead, Mongolia is taking measures to achieve the goals set by the Millennium Development Objectives, by consolidating fiscal policy with monetary policy aimed to reduce the poverty level, lower unemployment rate, and to develop our financial and capital market, thereby increasing investment in the real sector, developing local manufacturing, and to diversify the fiscal revenue.

Finally, I would like to reiterate, Finance Ministers, Governors and delegates, that to overcome the global financial and economic crisis, international financial institutions and partner countries must work for each other, as well as work with each other. I wish you success in all your endeavours.

MYANMAR: HLA TUN

Governor of the Bank

I have much pleasure to have the opportunity to represent Myanmar and address the 2009 Annual Meetings of the International Monetary Fund and the World Bank.

I would like to express our appreciation to the host government and the people of the Republic of Turkey for the hospitality extended to our delegation since our arrival. I would also like to thank the managements of the Bank and the Fund for the excellent arrangements made for this meeting.

At this point, I wish to congratulate Mr. Zoellick and Mr. Strauss-Kahn for their able leadership. Under their leadership and guidance, the institutions have made considerable contribution to the promotion of international cooperation and development, especially at this time of the global crisis.

Due to the recent financial turmoil, the global economy remains weak. There is no denying that there is still much to be done in order to have the global economy on the path to sustainable growth. In this context collaboration and cooperation, not only between advanced countries, but also between advanced countries and emerging economies, are essential for global macroeconomic stability and prosperity. The present issues of importance are to maintain the pace of growth, lower inflationary pressures and maintain the pace of recovery from the financial turbulence.

At this juncture, I would like to take the opportunity to brief the meeting on recent developments of the Myanmar economy. As have been stated in previous years, we have been formulating and implementing short-term plans since 1992–1993 and 2008–2009 was the third year of the Fourth Five-Year plan. Although the growth rate slowed down somewhat compared to previous years, we have been able to maintain the momentum of the growth rates. Owing to increase in production of agricultural and mineral products, the volumes of exports have increased year after year.

On the external front, the current account is in surplus, due mainly to surplus in the trade account. The surplus can be attributable to increases in exports and remittances from abroad. As such our foreign exchange reserves have also risen considerably.

In the fiscal front, although the budget is still in deficit, the deficit is on a declining trend. We intended and were trying to have a balanced budget this year. However, as we have to spend more for relief, rehabilitation and prevention of contagious diseases for the victims of the cyclone, as well as for Influenza A (H_1N_1) we expect this year's expenditure would be quite large. We are making efforts and taking necessary measures to increase revenue which we hope will help us to offset some of the increase in expenditure.

On the monetary front, supervisory and regulatory powers of the Central Bank have been strengthened and due diligence and care had been taken to ensure that the banking sector is not used for improper transactions, including money laundering and financing of terrorism.

We have been lucky in one way, as we do not have developed capital or financial markets yet and therefore we did not have direct impact of the recent financial crisis on our economy. However, in this globalized world where a country cannot stand alone, there has been some indirect impact on Myanmar mainly through trade, tourism, labour (migrant workers) and remittances. We have taken necessary measures to prevent adverse impact on the social well being of our nationals. We stand ready to cooperate with all the countries in the region in order to overcome whatever challenges and risks that we may face in the future.

In the past few years, we have noted that there has been continuity in the composition of the Article IV consultation missions. We do appreciate the due consideration given by the IMF management for the convenience of both the Fund and Myanmar. We wish to have this practice continued and look forward to it. It is better to have more than (2) previous mission members included in the forth coming mission so that there would not be any need to explain the same issues time and again.

Myanmar has been a member of both organizations for over (57) years. We have always worked closely with these organizations and we will continue to do so in the future.

NEPAL: SURENDRA PANDEY

Governor of the Bank

When we last met in Washington DC a year ago, economies around the world were struggling to cope up with rising commodity prices and food crisis. Major stock markets were beginning to shed asset values and a greater financial crisis was brewing in the background. In a few months since then, financial markets virtually collapsed in an astonishing speed. The contagion quickly spread to other sectors resulting into massive loss of jobs. International trade plummeted in a scale never seen before in our lifetime.

Nepal, just as many other developing countries, was worried that the remittance and tourism income will nosedive; aid receipts and already low-volume exports will suffer. These anticipations were frustrating particularly in the context of additional financial resources required for a country just emerging from a decade-long conflict to carry out relief, rehabilitation and reconstruction.

A year on, the world is much wiser. We have seen countries implementing fiscal and monetary stimulus in an unprecedented scale and in a much coordinated manner. The result thus far has been impressive. At least the further erosion in economic activities is averted. Recession seems to be over. But much remains to be done to secure a durable recovery and a new order is needed so that we do not confront a similar tragedy in the future.

As for Nepal, contrary to our worst fears, remittance remained robust, tourism did not decline, aid commitments and exports did not suffer much. Domestic financial market remained stable although we have our own worries of property and stock market bubbles, high credit-to-deposit ratio in the banking sector and, above all, a serious unemployment problem. At the same time fiscal burden created due to rising petroleum prices in the past is yet to be made up. In this connection, we welcome the G-20 commitment for improved regulation, functioning, and transparency of financial and commodity markets to address excessive commodity price volatility.

I greatly acknowledge the World Bank's tremendous job in global crisis response. I appreciate the record high lending commitments and the different instruments such as the Global Food Crisis Response Program, the Infrastructure Recovery and Assets Platform, the Rapid

Social Response, as well as IFC-led initiatives for the private sector. I also commend for President Mr. Robert Zoellick's strong leadership to lead the Bank ahead enabling the institution to encounter various global challenges.

There is much needed to be done to make the Bank and the Fund more responsive to the needs of emerging and developing economies, however. This includes other International Financial Institutions, as well. At the macro level, the issue of Voice and Participation Reform is important. It is equally important to enhance the financial capacity of Bank Group and the Fund. In this context, we welcome the recent resolve of G-20 leaders to implement measures to increase responsiveness and adaptability of IFIs. We particularly welcome the proposed surveillance and regulatory mechanism for global financial stability and the need for a more legitimate and effective IMF.

At the micro level, particularly the Bank's lending instruments to developing countries need to be more flexible allowing quick transfer of committed resources from under-performing projects to others in the recipient country. In case of IDA-eligible countries either in conflict or just emerging from conflict, the country context needs to be considered in making allocation decisions.

I am sure under the leadership of President Zoellick and Managing Director Strauss-Kahn, major reforms in these institutions will be successfully implemented.

I would like to take this opportunity to briefly highlight the key challenges that Nepal is facing today, which we alone cannot deal with quickly and effectively. The first is achieving sustainable peace. We are in the process of drafting a new constitution and expect complete in the timeline that all political parties agreed through the interim constitution. The making of the new constitution is one element of the peace deal, the other two important elements are reintegration of Maoists combatants who are for nearly two years inside the cantonments. The other major element is the relief, rehabilitation and reconstruction. We thank the international community and the United Nations for their support in the peace process, but still need more support to complete relief, rehabilitation, reconstruction and reintegration.

The second is the widening disparity between the rural and the urban economies. While Nepal was able to reduce headcount poverty level, the poverty level in the rural area has not declined much. Much of the rural area does not have access to roads and modern energy and standards of basic social services, such as health and education, remain very poor. Without these, we cannot expect rural economy to improve and create new jobs. There is a need for massive investment in basic infrastructures and in improving social services. Without these, we cannot reduce the disparity and without economic prosperity there is a danger of country relapsing into another violent conflict.

The third is the adverse effects of suspected climate change. We have been experiencing the effects in the form of erratic rains and snowfall. There have been floods and droughts at the same time in the country. The immediate effect of this has been on the agriculture production. We faced food shortage last year and, in 2009, the production is expected to go down further. Food prices are soaring. The government has to ensure that poor people get food supplies and at prices they can afford. While the food crisis is immediate, climate change is also bringing catastrophe at an unprecedented level. Nepal is yet to complete rehabilitation and reconstruction of damages caused due to Koshi basin floods last year that inundated a large area in Nepal and much larger area in neighboring India. While global efforts are required to fight against climate change, we in Nepal see that unless we provide reliable and affordable source of renewable energy to more than 60 percent of the population that still depends upon forest fuelwood for household energy requirement, our forest will thin out. Protection of forest in Nepal is necessary to protect the glaciers and the flow of the river systems that provide water for irrigation, livelihood and hydropower potential for Nepal and significant portion of India and Bangladesh.

While I am talking about Nepal's challenges due to climate change, I am saddened to hear the news of human tragedy due to typhoons in the Philippines and unusual floods in South India. Indonesia for over a week is struggling to minimize the loss of human lives due to earthquake. We need to have concerted efforts to avoid the occurrence of such catastrophes.

Recently, the Government of Nepal hosted the South Asia Regional Climate Change Conference: From Kathmandu to Copenhagen: A Vision for Addressing Climate Change Risks and Opportunities in the Himalaya Region. We are hopeful that the upcoming Copenhagen Meeting will be meaningful and the developed countries will largely support developing countries being affected by climate change.

I would like to thank the Bank and the Fund for their continued support for Nepal's overall development in the past and hope for the enhanced support in the future.

Before I close, I would like to express my sincere appreciation to the Government and the people of Turkey for the excellent hospitality accorded to me and my delegation and also for the excellent arrangements made for these meetings in this historic city of Istanbul.

NETHERLANDS: JOHANNA BRANDT

Temporary Alternate Governor of the Bank and the Fund

The world economic outlook has improved since the last meeting, with some signs of recovery in many developed and emerging countries and markets. The recovery seems particularly strong in developing Asia, notably in China, which grew by almost 15% in annualized terms in the second quarter. However, much of the global economic recovery can be attributed to massive monetary and fiscal stimuli, which will need to be wound down at some point. In addition, financial conditions remain vulnerable and the monetary transmission mechanism has not yet recovered. This makes it hard to predict the extent to which this recovery will be sustainable, once these measures are unwound, while levels of output growth and financial intermediation will in any case be lower in the medium term.

Many middle as well as low income countries are severely hit by the global economic downturn, and LICs show no sign of recovery yet. The channels, through which countries are affected, differ.

A number of middle income countries are affected by the higher cost of financing, as a result of the flight to safety and the drop in private capital flows. Many middle income countries are affected by the decline in exports, caused by the drop in world trade and lower commodity prices.

As world demand has plummeted, for low income countries (LICs) the financial crisis has rapidly transformed into a socioeconomic crisis. Even though the crisis is not of their making, and they are the least prepared, LICs are severely impacted by the crisis. These countries, still struggling with the legacy of the food and oil crises and dealing with the consequences of climate change, are forced to make large macroeconomic adjustments while under pressure to invest in order to mitigate the impact of the economic downturn. Most LICs have only limited capacity for countercyclical (including social) spending, which means that the crisis will have profound and long-lasting effects, especially on the poor.

Unemployment is likely to rise further in 2010 in many economies, which will give further downward pressures on the global economic outlook. Developing Asia's strong recovery can impact the world economy in two different ways; if their growth leads to higher import demand, it would have positive spill-overs, the extent to which depending on a rebalancing of domestic and external demand.

On the other hand, this could also push up key commodity prices and translate into a negative supply shock. The crisis and specifically lower oil prices have had a strong downward effect on inflation. In the longer term, risks to inflation and imbalances more generally could well be upward if the expansionary policies taken in many countries are not exited at the right time.

Ensuring timely availability of finance is crucial. In particular for social spending and investments in areas that affect long-term growth, such as technology and infrastructure. And for ensuring adequate food security, social safety nets, microfinance and trade finance. Many initiatives have already been launched; effective implementation and follow up are needed.

IMF Resources

In view of the current crisis and in accordance with the call made by the IMFC earlier this year, members are striving to supplement the available lending capacity of the Fund. The Fund is currently in the process of finalizing bilateral loan arrangements with many members in order to quickly mobilize the necessary resources in the short term. Having these bilateral loan agreements in place will serve as an important additional buffer for the Fund to absorb unexpected large shocks. The second step will be to expand the Fund's back stop credit capacity available under the existing multilateral credit facility of the *New Arrangements to Borrow* (NAB) as called for by the IMFC earlier this year.

In light of the crisis, the large scaling up of resources provides confidence in the capacity of the Fund to provide temporary balance of payment assistance and to make sure the necessary adjustments continue to take place in individual countries, as to avoid a re-emergence of imbalances.

Surveillance

The ongoing crisis shows scope for improving the practice of surveillance in the interest of international monetary and financial stability. The IMF should further work to sharpen financial sector surveillance and to focus on regional and group levels as well, including developing countries. In following up to the request of the G-20, the Fund has, in cooperation with the FSB, introduced an *Early Warning Exercise* (EWE), intended to take place every six months. We welcome this initiative since we believe that this kind of exercise can contribute to a more timely identification of macroeconomic and financial risks and the actions needed to address them. As such, we view the EWE as an ongoing systemic risks' assessment that focuses both on short-term risks and long-term, potential high impact events.

The insights from the exercise should also feed back into multilateral and bilateral surveillance. Nonetheless, such a process is only complete if members are truly receptive to surveillance. We therefore call for a better use of the surveillance instruments through transparent and clear communication of policy advice by the IMF, good follow-up, and a monitoring and peer-pressure system, including in the IMFC.

In addition, the crisis has also put in evidence the need to look at the interconnectedness between the macro and financial sector analyses and between the country and international levels. In this regard, we support further efforts to integrate financial sector surveillance and recommendations in Article IV reports. In addition, we welcome the commitment by G-20 countries to undergo FSAPs. Nonetheless, more should be done, to increase the coverage of FSAP and FSAP updates, in particular for systemically relevant countries. An important step would be to make FSAPs mandatory for all systemically relevant member states and to presume publication of FSAPs. Such a step would signal true ambition and commitment of the membership.

Governance

This global crisis must lead to global policies and a strengthened international system. Here the crisis offers an opportunity, also for sustainable development. It is positive that the G-20 has succeeded the G7/8 as the premier forum for international economic cooperation. This represents a significant improvement for developing countries, even if low income countries are still not permanently represented. The quota and vote shifts at the IMF and World Bank that were discussed in Pittsburgh will also benefit developing countries that are currently underrepresented, while protecting the position of low income countries. I hope that the increased legitimacy of these institutions will help to make global growth more balanced and sustainable, for instance by reducing the perceived need for emerging economies to build up unproductive reserves as self-insurance.

We underline the importance of the IMF governance reforms that continue to ensure the legitimacy and efficiency of the Fund and welcome the discussion taking place. In recognizing the strengths of the Fund's decision-making structures, we should continue to work towards practical improvements to make the IMF a more effective institution. In this regard, we would like to stress that the various governance issues under consideration should be treated as much as possible together, including the discussion on quota-review scheduled for January 2011.

We especially welcome proposals to strengthen the IMFC, where we think much of the effectiveness can be achieved, as well as the suggestion that the Board should have a more strategic and less operational role. For example, limiting the number of delegates that can attend the IMFC meeting might lead to more engagement of the IMFC members through better interaction and more open discussions.

To further enhance the legitimacy of the Fund, voice and representation of the IMF should continue to reflect economic reality as well as the Fund's mandate, with due regard to small countries, including low income countries. We support bringing forward the next quota review to 2011, which automatically leads to a larger share—for dynamic economies, including emerging countries. This upcoming review should be based on the formula agreed in 2008.

We support reducing the threshold for qualified majority voting to 70–75 percent, possibly in combination with double majorities applied to a small set of key decisions. An example of the latter could be the selection of Senior Management. Concerning this selection, we believe that it should be based on an open and transparent process, and on individual merits, regardless of nationality. On the same note, we welcome more diversity in the backgrounds of staff.

World Bank: Voice and Representation

We support the agreement reached by the G20 in Pittsburgh on voice reform. We recognize the importance of moving towards equitable voting power over time through the adoption of a dynamic formula which primarily reflects countries' evolving economic weight and engagement with the World Bank's development mission. We also support the decision that the next shareholding review will lead to a significant increase of at least 3 percent of voting power for developing and transition countries, to the benefit of underrepresented countries. While recognizing that overrepresented countries will make a contribution, it will be important to protect the voting power of the smallest poor countries.

A dynamic formula should reflect member's engagement with the World Bank's development mission, by incorporating development contributions by client countries, as well as financial contributions by donor countries. Client countries contribute through sustainable development and poverty reduction, as well as through their contribution to the enhancement of the development experience and knowledge of the World Bank. This contribution should be taken into account, for example by introducing a measure for borrowing volume or by introducing an additional, fixed number of shares for IDA and IBRD clients. We would welcome further work by World Bank staff on overcoming any practical obstacles to including client contributions.

Furthermore, we believe contributions to IDA as well as trust funds reflect donor engagement. Contributions to trust funds can give Bank policy, research and implementation a boost, as long as their earmarking is focused on development effectiveness and supports the other activities of the Bank. Moreover, trust fund contributions should concern strategic themes of the Bank. Not incorporating these types of trust funds into the shareholding framework would simply deny an important aspect of shareholder engagement.

V&R reforms should be accompanied by voice-enhancing reforms in other aspects of Bank governance. As a first step, we should send an important signal by introducing a merit-based and transparent selection process for the president and senior management, irrespective of nationality or geographic preference.

World Bank: Capital

We recognize the importance of the four drivers for demand—traditional and innovative development finance, knowledge products, public goods and future crises—that will shape the role of the World Bank Group in the period after the crisis. In order to be able to respond to these drivers for demand and to play a leading role in addressing global development challenges in the medium and long-term, we believe that the World Bank Group should have sufficient capital and concessional resources at its disposal. In response to the crisis, IBRD and IFC have made effective and efficient use of existing capital. However, we recognize that possibilities for further leverage are limited and that an increase in the World Bank Group's capital is probably warranted.

Support to Low Income Countries

We are concerned about the fact that the low income countries (LICs) are severely being affected by the current crisis, and welcome the initiatives to increase the resources aimed towards these countries. At the same time, we note that these resources need to become available on a timely basis, and with enough safeguards for the general resources of the IMF as well as its income model.

Moreover, we support a further refinement of the facilities available for LICs and the streamlining of conditionality. The latter should be directed towards a responsible macroeconomic policy in line with achieving the MDGs. As such, we welcome the more tailored approach of LICs by the IMF, as this will give LICs much needed space during this crisis period.

In a world where crises may increasingly have a global impact, affecting developing countries in particular, we also welcome the World Bank Group to further explore its counter cyclical role. We would like to further encourage work on possible temporary crisis response facilities and the need for an adequate countercyclical capital buffer as part of IBRD's strategic reflections with respect to future crises.

It is crucial that concessional resources for low income countries are—and remain—sufficiently available. While low income countries are severely affected by the crisis, we recognize that a counter cyclical response beyond IDA's *fast track facility* is difficult to establish, since concessional resources are limited. With respect to IDA-16, we support a bringing forward and speeding up of the process of replenishment, if needed. Furthermore, the focus of IDA-16 should be on the mitigation of the effects of the economic crisis in IDA countries.

Although grants and concessional loans are preferable, the options to extend access to less concessional loans to those LICs with good fundamentals should be considered. In this regard, we support using the flexibility within the *Debt Sustainability Framework* and welcome the ongoing discussion on this topic.

Progress made towards eliminating poverty and achieving the *Millennium Development Goals* (MDGs) is under threat, with women and children in particular carrying the burden. A robust and rapid resumption of sustainable economic growth across the world is of utmost importance if we are to safeguard our poverty reduction efforts and the attainment of the MDGs.

The International Financial Institutions need to be able to respond today but also to maintain the capacity to respond to the challenges of tomorrow, with particular emphasis on the climate and food crisis affecting the long-term development agenda of countries worldwide.

NEW ZEALAND: JOHN WHITEHEAD

Governor of the Bank

Firstly, I would like to extend my sympathies on behalf of all New Zealanders toward those affected by the devastation caused by the tsunami in Samoa, American Samoa and Tonga. A substantial recovery and rebuilding effort will be required in the weeks and months ahead. Priorities emerging include the need for clean water and sanitation; housing, and restoration of the affected area's infrastructure. New Zealand has committed to short-term emergency relief and long-term support to aid the reconstruction. This will be a major task and the international community will have a role in providing support and assistance in the recovery and rebuilding efforts. Our sympathy is also extended to others in the region that have been hit by natural disasters.

Developments in the Global Economy

The Annual Meetings this year are taking place at a time when member countries are faced with significant challenges. The implications of the global financial crisis, and the subsequent downturn in economic activity, have been very serious for member countries. Sustaining a global recovery will require the concerted efforts of our governments, with support from the Fund and the Bank.

To date, member countries have focused considerably on short-term policy responses designed to stabilize the economy and contain the fall-out from the crisis. Like others, New Zealand has used fiscal and monetary policy measures to support our economy and now faces the challenge of exiting from these measures.

Looking ahead, member countries will need to consider longer-term policy responses. These responses must be guided by the underlying causes of the economic crisis, which were substantial domestic and global imbalances that had built up over several years, reinforced by weak regulation and lack of sufficient discipline in some aspects of financial markets. Advice from some international financial institutions highlighted some of these risks, but insufficient action was taken by economies, including those which are systemically important.

Imbalances remain a key risk to the medium-term global economic outlook, but the importance of resolving imbalances has to date arguably been underplayed relative to improving financial regulation. Without resolution, there is a risk of an unbalanced and unsustainable recovery, which may increase the risk of protectionist responses. We welcome the recent statement by the G-20 to strengthen its commitment to policy changes needed to generate strong, sustainable and balanced growth. Translating this commitment into concrete advice and actions will be difficult, but necessary, for the global economy.

The challenge for policymakers has been summed up as shifting from public demand to private demand and shifting the balance between surplus and deficit countries. A focus on one or two countries with high external savings will not be sufficient to support the rebalancing of demand. Rebalancing will need to come from changes to structural policy which will have to progress quickly to provide meaningful support to demand in the next few years.

Changes are required in countries with low savings, not least to ensure fiscal sustainability. For some large countries at the heart of the crisis, fiscal stimulus programmes also create some difficult challenges. As a result of the stimulus packages, structural deficits are persistent and there are currently limited plans in place to close them. New Zealand agrees that any precipitate withdrawal of stimulus would be risky due to the fragile nature of the recovery, but countries will need to turn their attention toward setting out a path to fiscal sustainability as soon as possible.

Protectionist responses remain a risk to both the shorter term recovery and, more importantly, the longer-term trend toward international integration. New Zealand believes that avoiding recourse to protective trade measures and working towards a successful outcome to the Doha WTO trade round remain critical. We encourage the IMF and World Bank to support these aims.

There has been discussion internationally of coordinating withdrawal of the extraordinary stimulus and support measures put in place over the last year. We see that a degree of coordination is potentially useful in some circumstances, though national circumstances differ greatly and so coordination would be best to focus on principles that might guide national authorities.

Response to the Crisis by the IMF and World Bank

New Zealand is pleased with progress to date in responding to the crisis. This has shown that the Fund can be effective and move quickly on measures that have helped to limit the fall-out from the crisis. The overhaul of lending facilities—including the introduction of the Flexible Credit Line—and mobilizing the needed resources has helped in crisis management. The IMF has also moved quickly to provide liquidity in the form of SDRs and simplified and increased its lending to low-income countries

On the Bank side, there has been swift movement over the past year to expand and speed up lending, assistance and advice to developing countries in this time of crisis. We commend the World Bank on its quick response to the global financial crisis which has threatened the progress towards the Millennium Development Goals for many countries. We note that the Bank worked quickly to almost double lending to IBRD countries and to front load IDA spending in response to the global crisis. The Bank has also worked to introduce new mechanisms and enhance existing ones in order to protect the most vulnerable and maintain investments in infrastructure and support for small and medium-size enterprises.

Future of the IMF and World Bank

We must now ensure that the IMF and the World Bank are best placed to support the world's economies as they emerge from the current crisis. To date these organizations have been focused on containing the fall-out from the crisis. We need to shift our effort to ensuring the IMF is better-placed to prevent a reoccurrence.

Progress needs to be made to ensure that the Fund plays an effective role in warning about risks and developing advice that is acted on to address these risks. New Zealand welcomes the intention to prepare the Fund for the post-crisis environment and agrees with the Managing Director's statement that we need to focus on surveillance and macro stability.

In the context of crisis prevention and to pre-empt a potential build-up in reserves, we agree that more needs to be done to provide insurance against shocks. One option is to revisit the degree of contingent support provided by the Fund. Alongside this option we need to consider the nature of the policy frameworks that already provide insurance to some countries and other potential mechanisms to share risks, such as pooling.

The last three significant crises have had at their heart weaknesses in the financial sector and its interaction with cross-border imbalances and macro-economic policy weaknesses. Strengthening surveillance should focus on making financial stability concerns a more regular and integral part of surveillance. Changing the focus of the Fund's efforts to a more strategic surveillance agenda would require a risk-based approach that emphasizes critical issues over broad coverage. Mutual assessment mechanisms, such as that announced by the G20, may help engender the political support needed to ensure surveillance can influence decisions.

Part of the challenge of surveillance is to ensure that the economic and financial policy lessons are reflected in policy change once economic growth resumes. This will require progress on issues where the policy solutions are unclear. In what conditions should fiscal policy deviate from its medium-term focus in order to support demand? How, and when, should monetary policy respond to asset price developments? How, and to what extent, should other tools be used to assist monetary policy, such as macro-prudential regulation? How will the changes in financial regulation deal with the fact that events have clarified that large parts of the financial sector are now too large and systemic to fail?

Over the next year the Bank faces two internal challenges. First; to enhance voice and participation of developing and transition countries with the World Bank Group and secondly to work through issues surrounding the financial capacity of IBRD and IFC to ensure they are positioned to respond to developing needs in a post-crisis environment.

At the same time the Bank has a sizeable task ahead of it to continue to make progress towards the MDGs given the millions of people pushed back into poverty as a result of the crisis. Significant commitments will be required from donors to reach these goals.

The Bank needs to continue to build on its comparative strengths to be best able to respond to the aftermath of this crisis and any future crises. New Zealand is supportive of the Bank's work on global public goods, and welcomes in particular the focus on climate change within that agenda. The Bank is well placed to fund global public goods with large social benefits but low market returns such as the implementation of environmental standards and disease eradication programmes. The Bank is also uniquely placed to provide technical assistance and expertise to developing countries. We recognize that this disbursement of knowledge is for many countries the most valuable thing the Bank can do to assist with their development.

IMF and World Bank Quota Reform

The effectiveness of the IMF and the World Bank would be enhanced by resolving long-standing concerns regarding their governance and legitimacy. New Zealand supports using the current IMF quota review to reduce the under-representation of dynamic economies.

New Zealand is actively engaged on World Bank voice and participation reform and supports a reallocation of shareholding which recognizes both the increased economic weight of dynamic economies and the particular nature of the Bank as a development institution. We favour a shareholding formula which incorporates: members' economic weight; donors' contribution to the Bank group; and a further increase in basic votes which allows all members—including those who are primarily recipients of the Bank's services, even the smallest and most vulnerable—to be adequately represented. Such a formula should be consistently applied across countries and reviewed regularly in order to maintain the legitimacy and accountability of the Bank.

Internal Governance Reform at the IMF and the World Bank

Further progress on governance reform is also central to addressing concerns around the legitimacy and efficacy of the Fund and the Bank. Changes to governance should include the open and meritocratic selection of heads of the institutions and senior management positions. In the case of the IMF there should be fewer chairs at the Board to support the needed realignment of quotas.

Ambitious progress on quota reform could, along with supporting changes in governance, provide for a more legitimate and hence more effective Fund.

Well-targeted Official Development Assistance (ODA) will continue to have an important role to play in ensuring a speedy global recovery and in protecting the most vulnerable. Recent increases to the IMF resources are certainly welcome. Without additional support for developing countries there would be a real risk of tens of millions of more people slipping back into poverty, along with the impact this would have on the wider global recovery process. We would encourage the IFIs and MDBs to work even more closely together, and with other donors, to ensure these increased resources are used as effectively as possible to boost sustainable economic growth, protect the poorest and help achieve the Millennium Development Goals.

New Zealand is committed through its ODA to supporting sustainable development in developing countries in order to reduce poverty and to contribute to a more secure, equitable, and prosperous world. We consider ODA has an important role to play in ensuring that the poorest are protected from the worst of the crisis and that developing countries are better placed to take advantage of any global recovery.

For its part, New Zealand is increasing its development assistance to the Pacific, and particularly stepping up the focus it gives to initiatives likely to enhance sustainable economic development. This reprioritization will promote Pacific economic development through significantly increased support for business development, private sector investment, and trade, as well as support to the transport, energy, tourism and fisheries sectors. At the same time we are also supporting programmes that will help mitigate the recession's impact on some of the region's disadvantaged people, for example through support for a school grant programme designed to help keep children from disadvantaged families in school.

We have a collective international responsibility to help developing countries weather the recession, lay the foundations for more resilient, sustainable growth, and achieve the Millennium Development Goals. New Zealand will continue to play its full part in these efforts.

PAKISTAN: SHAUKAT FAYAZ AHMED TARIN

Governor of the Bank

I would like to thank our Turkish hosts for their warmth and hospitality, and for the generous support provided by the Turkish people for Pakistan over the years.

It also gives me great pleasure to address the Annual Meeting at such a delicate stage in the recovery from the global crisis. We remain concerned that the global economic recovery remains fragile, and that the prospects for a resumption of activity levels and trade are subject to considerable uncertainty. In addition, the food and energy price fluctuation have severely affected developing countries, like Pakistan, increasing the vulnerability of the tens of millions of poor in our region and in other poor countries. We are also deeply affected by the war on terror, and the battle that has been joined on our soil—leading to millions of internally displaced people.

We are grateful to the Friends of Pakistan and the international community for their expressions of support at this critical juncture in our history, and in providing for the humanitarian needs for the refugees. The international financial institutions, including the IMF, the World Bank, the Asian Development Bank and the Islamic Development Bank have all played a role in helping to stabilize the economy and in addressing key constraints that continue to hold back growth, development and poverty reduction.

Adequate policy responses in the systemically important countries should also ensure that there is no global spike in inflation or interest rates that tend to have a disproportionately negative impact on poor countries. Thus, a premature end to stimulus packages should be avoided, but at the same time structural adjustments are needed in all economies to prevent a buildup of unsustainable fiscal positions that might threaten global inflation and interest rate hikes. Better global regulation of financial markets should also help to prevent a build up of incipient crises in the future.

We see increasing markets for developing countries exports as critical in mitigating the effects of the crisis and sustained poverty reduction—this includes reductions of trade barriers in developed countries, as well as enhanced trade and investment in the region and among the developing countries, particularly in East and Central Asia. Indeed, we would like to see enhanced regional cooperation for enhanced trade, growth, and also a more significant voice in the international financial institutions (IFIs). We would like to see greater international and IFI support for projects that relieve infrastructure and trading bottlenecks—in particular, oil and gas pipelines and electricity grids, as well as transportation networks, that would better link Pakistan with neighbors in West, Central and South Asia, as well as with China.

We agree that the large remaining financing gaps facing developing countries, engendered by the crisis, will require concerted efforts, including by the IFIs. While the temporary increases in the resources of the Fund are welcome, these should be adequately channeled together with bilateral support, to address the difficulties of the poor countries. While the streamlining of conditionality in IMF programs, as well as new lending instruments, are steps in the right direction, reliance on traditional debt sustainability analyses pose straight jackets for countries that lack reserves, and also lead to diverging advice for countries in the same region and facing similar problems.

For the longer term, the quota increase in the IMF should be concluded expeditiously and equitably, building on the 2008 formula. While we support the emphasis on giving the larger G24 members a greater voice in the institution, this should not be at the expense of other developing countries.

We would also like to see increased resources made available to the World Bank to enable it to better address the needs of the vulnerable affected by the crisis, in addition to the long term poor, and also to assist in meeting the critical infrastructure needs of developing countries.

Let me turn now to the specific issues relating to Pakistan and its role at the gateway to the Middle East and Central Asia and also its pivotal role in the war on terror and extremism.

Pakistan has been one of the countries most severely affected by the crisis that has swelled the ranks of the poor, and made their livelihood increasingly precarious. Yet the government has put in place a determined stabilization and growth program that has been supported by the Friends of Pakistan and the IFIs. Despite the global slowdown leading to declining trade and revenues, we have made a fiscal adjustment of over 2.5 percent of GDP during the past 12 months. Over the medium term, our strategy remains predicated on strong domestic resource mobilization, based on a full VAT and effective tax coverage and administration. We are committed to tackling the challenges posed by vested interests and narrow parochial perspectives that bedevil many developing (and some developed) countries.

The cornerstone of the program is the resumption of sustainable growth and employment for a country of 170 million inhabitants with a relatively young demographic profile. We bear the burden of providing for public services for the population and in meeting the Millennium Development Goals, establishing an effective social safety net and countering the influence of the extremists. In order to generate sustained growth for productive employment opportunities, investments are needed in critical sectors, particularly energy, agriculture and industry to build on our pool of resources and comparative advantages. The assistance of the Friends of Pakistan in addressing critical bottlenecks will be a great help.

Although high-quality growth should address the needs of a growing population, we are aware of the need to provide effectively and in a timely manner for those who have been affected by terrorism, including the 3 million refugees due to the military action in the Swat valley, as well as the unfortunate victims of the global crisis facing unprecedented increases in prices of food and energy. Social safety nets to support such victims of the crises, as well as the long term poor are being established with international support. We are also committed to streamlining governance and ensuring that services are effectively provided to ensure household food and economic security.

Pakistan is cognizant of the challenges posed by Climate Change, and sees the opportunities for growth out of the restructuring of outmoded and inefficient industrial structures. We have taken the positive step of imposing a Carbon Tax, and hope very much that the international community will assist those countries helping themselves in the enormous task of industrial restructuring towards a more environmentally friendly and sustainable growth path.

Pakistan benefits enormously because of remittances from its citizens working in the Middle East and other parts of the world. We would also like to expand the opportunities that would arise through the expansion of trade and investment links with regional neighbors, including Turkey and the Central Asian region—though gas and oil pipelines and electricity grids. Similarly, road and rail links with these countries, including with Afghanistan, should be of mutual benefit and strengthen employment opportunities and growth prospects.

PAPUA NEW GUINEA: LEONARD WILSON KAMIT

Governor of the Bank and the Fund

I would like to thank the President of the World Bank Group, Managing Director of the IMF, and the Government and people of Turkey for hosting the 2009 Annual Board of Governors Meeting. I thank you all for the warm welcome and hospitality extended to the Papua New Guinea delegation. We look forward to a fruitful round of meetings here in Istanbul, sharing and discussing experiences and issues pertinent to all of us during this time of unprecedented financial, economic and social crisis.

Papua New Guinea, as a small open economy, has experienced its share of the adverse effects from global developments in 2008. High international prices of food and fuel resulted in annual inflation reaching 13.5 percent in the September quarter of 2008. The Government recording a deficit of K478 million in 2008, mainly attributed to lower-than-expected revenue collections as a result of the sharp decline in commodity prices and the onset of the global financial crisis. Whilst domestic economic activity continued to remain strong in 2008, with real GDP growing by over 7 percent, this has contributed to the high inflation outcomes. In response to the high inflation outcomes in 2008, the Central Bank tightened monetary policy in June 2008.

The pass through of lower international food and fuel prices and the appreciation of the kina exchange rate in the second half of 2008, combined with declines in prices of seasonal produce, resulted in inflation declining to 6.7 percent in June 2009. The Central Bank has however maintained the tight monetary policy stance due to on-going inflationary pressures associated with strong domestic demand, a weaker kina exchange rate, and a rapid draw down of Government trust funds.

Our banking system was not adversely affected by the immediate effects of the global financial crisis because almost all their funds are raised through deposit takings domestically. The domestic banks are generally sound with high capital adequacy ratios with no exposure to sophisticated financial products linked with the sub-prime mortgage market. In addition, the high level of liquidity in the banking system provides sufficient funds for the banks to operate without resorting to borrowing from the international financial system. Our banks also remain well managed and closely regulated. However, the companies and financial institutions that have been affected are the superannuation funds and Papua New Guinean companies with exposures in overseas stock markets. The two major superannuation funds have some of their funds invested in offshore equities, while the rest are invested in commodity-based stocks that are dual-listed in PNG and overseas markets. They however reported positive returns in 2008 and expected positive, but lower returns in 2009.

Though we have not been adversely affected by the global financial crisis, we will be by the follow-on second round effects through the global economic slowdown that stem from it. Our major trading partners have recorded negative GDP growth rates in the first half of 2009. Whilst there has been a recovery in international commodity prices in recent months, they are still lower than their high levels in the first half of 2008. During the first half of 2009, we recorded a deficit in our current account as a result of lower exports of our major commodities. The Government has also recorded lower tax revenues during this period. The other likely effects would be reduction in borrowers' capacity to service their loans which would increase non-performing loans of commercial banks and a fall in foreign direct investments for new resource-based projects.

All these developments would mean a slowdown in economic activity in 2009. The authorities have revised downwards our GDP growth rates for 2009 from 7 percent to between 4 and 5 percent. Whilst the growth rates are higher that our population growth rate of 2.5 percent per annum, a stronger and sustainable growth is needed to ensure there is marked improvement in income per capita growth and the general living standards of our populace.

The Government remains committed to its medium term strategies—the *Medium-Term Fiscal Strategy*, the *Medium-Term Development Strategy* and the *Medium-Term Debt Strategy*—which provide a coherent medium term policy framework and sets out our future plans.

Inflation has progressively declined over successive quarters to June 2009 since the high of 13.5 percent in September 2008. However, interest rates were high, reflecting the tight stance of monetary policy. The kina depreciated against the US and Australian dollars due to higher import demand. Despite this, foreign exchange reserves remained at historical high levels. The country will maintain its floating exchange rate regime and the role of the Central Bank remains smoothening out short-term exchange rate volatility. We will also maintain our liberalized exchange control regime to help encourage easy cross border flow of funds and improve investment in the country.

Papua New Guinea still faces several risks to our economic outlook. The risks include: any further down-turn in the global economy and continued declines in export commodity prices; a larger-than-expected depreciation of our currency, especially against the Australian dollar; high imported inflation; managing the impact of the LNG project, including the 'Dutch' disease; and natural disasters such as pests, frosts, floods, landslides, cyclones, and volcanic eruptions.

On the fiscal side, the Government recorded a surplus of K387 million over the six months to June 2009. This was however due to the use of K423 million from the Gas Commercialisation Trust Account. In its Mid-Year Economic and Fiscal Outlook Report in June 2009, the Government revised upwards its budget deficit to 1.2 percent of GDP due to lower-than-forecasted revenue. Government debt has declined from 72 percent of GDP in 2002 to 32 percent of GDP in 2008 where additional revenues have been used to repay outstanding debt and other liabilities, and to invest in priority infrastructure projects. However, this ratio may increase in 2009 with the projected fiscal deficit.

The windfall revenues in recent years from the then high mineral prices were placed in trust funds for public infrastructure maintenance, district improvement programs and the priority areas of education, health and justice. We have also used funds previously allocated for the Gas Commercialisation project this year.

The proposed US$10 billion LNG project has immense benefit to the country. Reaching a timely successful financial closure to the financing agreements and on relevant Government and landowner issues would enable this project to start. Whilst the project would be a boost to our country, we are also mindful of the limited capacity constraints that may be placed on our human and physical infrastructure.

Our development prospects however remain challenging. HIV/AIDS continues to be a threat to our population. We recently experienced a cholera outbreak in parts of our country. The improvements to our public health and education facilities and rehabilitation of our transport infrastructure are however limited by the capacity of our implementing agencies, which need improvements themselves. We continue to face the challenge of raising the efficiency of the utilities which provide important and affordable, reliable and efficient services to businesses and homes. Competition has also improved the delivery of telecommunication services throughout the country. Other services such as electronic banking and payment of some utility charges have taken advantage of the impressive take-up by the population of the mobile telephone services.

We acknowledge our limitations and are therefore grateful for the continued assistance of our development partners in terms of technical assistance, funding and advice. Working together, we can ensure that our efforts complement each other and are directed in the most effective way for the benefit of all of us.

Papua New Guinea is not immune to natural disasters and, in recent years, we have experienced several. In 2007, tropical cyclone Guba devastated a couple of our maritime provinces. In 2008, we also experienced high sea levels with king tides washing away shorelines in several of our provinces. This year, we had a cholera outbreak in several provinces. We continue to deal with the cocoa borer disease which has affected our cocoa industry. We therefore express our condolences and sympathy to the Government and people of our neighbouring countries who are now experiencing natural disasters—earthquake and tsunami in Samoa and Tonga, flooding in the Philippines, and earthquake and landslides in Indonesia.

As we work towards building on our gains and growing the economy, we seek the support, understanding and counsel of the World Bank Group, IMF and our other development partners. I therefore look forward to the discussions at this meeting and the insights of the participants.

In conclusion, I would like to acknowledge and express my country's sincere gratitude to the management and staff of the World Bank and the Fund for their continuous support in Papua New Guinea's development efforts.

PHILIPPINES: MARGARITO B. TEVES

Governor of the Bank

We would like to express our gratitude to the Bank, the Fund and our hosts—the Government of Turkey for their warm and gracious hospitality, and the outstanding arrangements for these meetings.

Global Economic Outlook and the Bank's Response to the Crisis

It has been a challenging year for all of us but signs of incipient recovery provide encouragement to work harder since much remains to be done to sustain the recovery. Thanks to concerted efforts and scaled-up assistance from the international community and more importantly, timely and unprecedented policy responses of Governments, prolonged global recession was avoided. As in previous episodes, the crisis leaves behind useful lessons particularly the importance of continued and resolute efforts towards macroeconomic stability and prompt actions to firmly established well-functioning financial markets.

We appreciate that the Bank and the Fund have been instrumental and active in providing new instruments that address the varying requirements of their clients. We note a huge increase in the volume of lending and technical advisory operations of the two institutions to support counter-cyclical measures and support programs of Governments. Moreover, we have seen how the quality and efficiency of the Bank's assistance strongly benefited from the coordination among the international financial institutions and donors.

In the medium term, we expect the demand for financing facilities by the World Bank Group's client countries to remain large and varied. As the global economy faces a fragile path to recovery, it is imperative that the Bank maintain its relevance and enhance its capacity to be able to adequately respond to the evolving needs of developing countries. We strongly urge the donor community to support these additional financing needs and deliver on their earlier commitments to provide assistance needed for the attainment of the Millennium Development Goals.

On the Voice and Participation Reform Program

The new breed of development and structural challenges brought to light by the crisis calls for a stronger and a more effective Bank. With this in mind, it is has become more critical than ever, that the Bank move forward in instituting the second phase of its governance reform program, allowing developing and transitioning countries greater voice and participation in the Board. We caution, however, that the shift of voting powers from developed countries to the developing countries should be achieved without sacrificing the gains of the first phase of the Reform Program and putting the burden on developing countries.

Strengthening the Bank's Capital Adequacy

To assist its member countries, the Bank has leveraged its balance sheet to be able to service the crisis-induced incremental demands. The surge in financial assistance and the projected financing requirements of developing countries in the medium term put the Bank's capital adequacy at risk. In this light, we strongly urge the shareholders to take a serious view on improving financial capacity of the Bank through capital increase to avoid sub-optimal lending capacity in the post-crisis period.

POLAND: JAN VINCENT ROSTOWSKI

Governor of the Fund

When we met a year ago, the global economy was entering a severe downturn, with the meltdown destabilizing financial markets, with a dramatic loss of confidence as well as with considerable uncertainties regarding further developments of economic and financial activity. The 2009 Spring Meetings witnessed major deterioration of the global economic performance but also showed some signs and hopes for a turnaround which was expected as a result of the firm and comprehensive policy responses. Today the world economy has indeed rebounded and is beginning to stabilize and to pull out of recession. However, the timing and the pace of the expected recovery remain uncertain. The unprecedented severity of the recession should encourage us to thoroughly analyze its anatomy and consequences, to draw lessons and to increasingly consider the post-crisis outlook.

We see several relevant lessons from the current financial and economic crisis:

- both markets and policies may trigger a crisis. Financial markets are not free from inherent flaws, mainly those related to the asymmetry of information. This is the ground which may aggravate the negative consequences of wrong policies and result in meltdowns which require determined policy responses, including those with unorthodox measures;
- booming financial markets encourage complacency and contain seeds of major reversals. Long term optimism, excessive liquidity as well as low risk aversion create incentives to build up leverage, often in ways which are not sufficiently transparent. These risks are reinforced by an environment containing a broad range of extremely complicated and sometimes insufficiently tested financial products;

- links between macroeconomic and financial stability as well as between individual risks and their aggregate implications have not been comprehensively explained. Macroeconomic and financial stability were, to a large extent, treated separately whereas rising risks from an excessive performance of the asset markets and of credit growth were not adequately translated into macroeconomic effects;
- policy measures designed to prevent asset bubbles and credit booms are needed. Beyond monetary policy which is focused on price stability, the asset market developments could be addressed by financial regulation providing for financial stability;
- emerging economies are no longer the major and independent source of international financial vulnerability and instability. The current global crisis originates from the advanced economies and has spilled over, through trade and financial channels, to the emerging world. Due to improved fundamentals and prudent policies, several emerging economies have turned out to be relatively resilient to the crisis;
- with the turnaround from the crisis on the horizon, consistent and internationally coordinated exit strategies designed to unwind extraordinary policies in a timely manner, have to be carefully prepared. Otherwise, expansionary monetary and fiscal policies as well as significant public support of the financial sectors can produce excessive inflation and public debt as well as policy distortions. It is important that policy measures employed to contain the crisis are not interpreted as permanent deviations from well established policy positions;
- there is an obvious need for an internationally coordinated policy response. Globalization leads to a considerable exacerbation of externalities: decisions taken in one country have effects on other countries; individually rational decisions may prove to be irrational from a collective standpoint. Appropriate policies in a country do not necessarily mean that there are no international systemic problems, as domestic factors which trigger crisis situations are amplified and propagated by global financial markets.

An extraordinary expansion of financial innovations and markets as well as their globalization are among the major drivers of the robust, yet volatile, economic growth during the last two decades. These factors highlight the critical role of international financial institutions, and of the IMF in particular, in the context of the current crisis. While admitting that building up systemic vulnerabilities was not addressed in a timely manner and that the IMF policy advice lacked some traction, we strongly emphasize that the Fund's response to the crisis is, to a considerable extent, adequate and increasingly focused on a proactive attitude.

The governance reform agenda is broad, and progress is already visible. The Fund should permanently adjust its governance to the changing conditions in the world economy. However, we think that the current size and composition of the Executive Board strikes the right balance between legitimacy and efficiency of the Fund. Improved governance, together with other assets such as abundant resources, intellectual credibility and global membership should define the central role of the IMF in the international financial system. We welcome the emerging consensus in favour of a merit-based and transparent process for the selection of senior management, both for the IMF and the World Bank, irrespective of nationality. We welcome measures to further strengthen the IMF bilateral and multilateral surveillance. In several GFSRs and WEOs the Fund has correctly identified and foreseen different risks to financial stability, including those stemming from global imbalances. In the area of surveillance, the issue of linking macroeconomic analysis and financial surveillance, which has been neglected in the past, is now brought to the fore on the IMF agenda. The strengthening of FSAPs and GFSRs allow the Fund to use its comparative advantage in macro-financial analysis. We note that multilateral surveillance faces significant challenges in transition from design to actual implementation as exemplified in the case of multilateral consultations on global imbalances or of the 2007 Surveillance Decision. However, we believe that a joint early warning exercise by the IMF and FSB will further enhance the quality of multilateral surveillance. Bilateral surveillance could emphasize the issue of the post-crisis outlook advising country authorities on exit strategies from robust policy responses to the crisis and lend credibility to their commitment to return to balanced positions. A strengthening of the surveillance of systemic countries seems desirable.

Tripling the Fund's financial resources and redirecting them to emerging countries which are most affected by the crisis is the appropriate decision. This move is supported by reforms in the lending framework. These measures should be critical in restoring global financial stability.

PORTUGAL: FERNANDO TEIXEIRA DOS SANTOS

Governor of the Bank

It is a great pleasure for me to be here at the annual meetings in Istanbul and I would like to thank the Turkish authorities for their warm hospitality and the Bank and Fund Staff for their efforts in organizing the Annual Meetings.

Over the last year and a half, the coordinated response to the global financial and economic crisis has come to reinforce the central role of the Bretton Woods institutions to recover and sustain confidence and global macroeconomic stability and mitigate the social and economic impacts of the crisis worldwide.

Despite some positive signs in the last months, it will take some more time before robust economic growth can pick up in the world economy. Policy makers and international institutions must remain vigilant and active to assure a complete recovery and a subsequent orderly and coordinated exit from the financial and economic rescue measures taken by governments.

The Portuguese economy, within the euro zone and the European Union, was obviously not immune to the impacts of the global crisis. Recent data indicates that Portugal reached the lowest point in the economic cycle in the first quarter of 2009 and is now in the process of gradual recovery, expected to continue in 2010, translated already into a significant upward revision of growth forecasts.

These recent positive signs in Portugal reflect already the beginning of world trade recovery, combined, at the national level, with the measures taken by the Portuguese authorities. In fact, supported on a resilient domestic financial sector and on the structural reforms and unprecedented fiscal consolidation implemented in the years just prior to the crisis, we have taken, within the context of a coordinated European Union response, a set of measures to reinforce financial stability and launched an anti-crisis program in the beginning of 2009—the Initiative for Investment and Employment (with a budget impact of around 0.8 percent of GDP). International financial markets seem to share a positive evaluation of these economic and financial policies, as public debt markets have shown very favorable dynamics over the year, actually with lower spreads for Portugal than for other higher rating countries.

Looking ahead, the signs of recovery, reinforced now by the more favorable outlook released by the reference international institutions, suggest the need to start coordinating exit strategies in terms of financial and economic policies.

The first component of a successful exit is that public support measures should not be withdrawn until uncertainty is substantially reduced and the economy recovery proves to be sustained.

The second key component is the subsequent return to sustainable public finances, which will require a swift correction of budget deficits and a gradual correction of the public debt ratio. The correction must be sustained by improvements in the quality of public finances, with increased efficiency and effectiveness, and by continuing to pursue structural reforms, fostering potential output growth. Following this path will be the best way to avoid aggravating macroeconomic imbalances and, in that sense, our best contribution to the "Framework for

Strong, Sustainable and Balanced Growth," recently agreed at the G-20 summit.

The third, but not the least, component for successful exit is the reform of the international financial system. We have been working hard, namely at the European Union level, in advancing with the necessary institutional changes in regulation and supervision.

In conjunction with the political leadership headed by the G-20, the IMF played a commendable role as the crisis unfolded, namely when it clearly started to spread from the financial system to the general economic activity. It showed an adequate response capacity on financing, including by coordinating efficiently with other regional institutions.

In a joint effort with other European countries, Portugal will contribute to the increase in IMF resources with a total of up to 1.77 billion euro, representing about 1.2 percent of our GDP, in the context of the European Union pledge to the NAB.

This engagement in responding to the financing needs of the IMF cannot be separated from the wider reform in the governance and the role of the IMF. In addition to the continued efforts to increase the legitimacy of the Fund through the Quota and Voice reform, Portugal fully supports the recent G-20 commitment to reinforce the IMF role on macro-prudential surveillance at the global level.

The IMF, in close coordination with the Financial Stability Board and other national and international relevant institutions, like the soon to be implemented European Systemic Risk Board, should play an important role in assessing macro-financial risks and financial system vulnerabilities, and by issuing effective risk warnings.

In this context of macroeconomic surveillance, I would like to stress, in particular, the importance of continuing to pursue and improve, in practice, the crucial coordination established between European institutions and the Fund.

The events of the past year produced and threaten to continue producing devastating effects on poverty, seriously jeopardizing the achievement of the Millennium Development Goals.

We commend therefore the World Bank Group's rapid and vigorous response to the global crisis, translated into the tripling of its lending to up to USD 100 billion until 2012, thus helping governments to set in place essential counter-cyclical efforts.

The fight for poverty eradication and sustainable and inclusive growth stands as the most important priority of the World Bank. Honoring our long-lasting commitment to Africa's future, namely as an IDA donor, Portugal calls on the international community to explore alternatives to mobilize funding for the poorest countries in the world. We urge the World Bank Group to lead this effort.

In this context, the role of the private sector as an engine of growth and sustainable job creation remains paramount. We recognize this role not only on our domestic policy but also elsewhere, and therefore we have recently established the *IFC-Portugal Lusophone Advisory Services Trust Fund*.

It is also our challenge here today to help shape a World Bank Group which reflects more closely the current international economic panorama.

Portugal actively supports the ongoing process of reform of the Voice and Participation of Developing and Transition countries toward building not only a more legitimate but also a more representative global institution.

In addition to the stronger and improved participation of emerging economies, we particularly welcome the creation of the third African chair. It is of the utmost importance the commitment by all parties to achieve an agreement in Voice and Participation by the next Spring Meetings, which reflects not only countries' economic weight in the world economy but also their longstanding contribution to the Bank's mandate.

I would like to conclude by thanking the Bank's and Fund Staff and Management for their excellent work during these difficult times, and Managing Director Strauss-Khan and President Zoellick for their vision and leadership.

RUSSIAN FEDERATION: ALEKSEI L. KUDRIN

Governor of the Bank and the Fund

Our Annual Meetings are taking place at a time when global economy is starting to gradually emerge from the unprecedented crisis. We welcome the nascent signs of recovery. Nevertheless, the current situation continues to be marked by significant uncertainty. The recovery could be a reaction to the extraordinary level of public intervention without corresponding support by the private demand. In addition, the situation in the financial sector of advanced economies remains very difficult, with the size of impaired assets continuing to grow, thus forcing banks to limit their lending to the economy.

In the context of the large-scale fiscal and monetary interventions implemented in many countries, the main risk factor is seen in premature withdrawal of stimulus, which could lead to a renewed slump. However, we should also not lose sight of the risks of inflation and of the erosion of fiscal sustainability in the medium to long-term, which may emerge if stimuli are maintained longer than necessary.

Significant monetary stimulus, including so-called "quantitative easing," could lead to inflating new bubbles in asset prices besides traditional inflation risks. In fact, zero interest rates and massive liquidity injections into the global economy have already resulted in overheating of equity markets, especially in a number of middle-income countries. We are concerned by the emerging pattern in monetary policy of advanced economies, where significant monetary easing in response to the "bursting" of another bubble is helping to inflate new asset price bubbles, thus laying the basis for a next financial crisis.

It has now become obvious that the present model of global growth, based on debt-financed consumption and exports in exchange for accumulation of reserves, is unsustainable. Large and growing imbalances inherent to this model are generating increasingly larger capital flows that ultimately destabilize the global economy. We welcome the intention to strengthen international coordination of macroeconomic policies on the basis of the Framework for Strong, Sustainable, and Balanced Growth, approved by the G-20 leaders in Pittsburgh. We expect that within this framework due consideration will be given to such pressing problems as the economic impact of large and volatile capital flows as well as influence of policies in major financial centers on the other countries' economies.

Achieving the necessary rebalancing of global demand will not be easy. Surplus countries would need to increase the level of household consumption, which depends on demographic and social factors and traditions that yield reluctantly to government regulation. In deficit countries the situation appears a little easier, inasmuch as savings by households grew dramatically as a result of the crisis. Any further reduction in deficits will be determined by successes in fiscal consolidation, which depends directly on government policies. It is well known, however, how difficult fiscal consolidation is, especially if it involves tax increases and cuts in social spending.

The situation in the financial sector remains complex notwithstanding the recently observed recovery in equity prices. Banks continue to suffer losses from defaults on earlier loans, which prevent them from maintaining the level of lending to the private sector needed for resumption of sustainable growth. This is why recapitalization of the banking sector continues to be the most urgent task in the short term. Recapitalization of banks and resolving the problem of "toxic" assets are not enough, however, to restore confidence in financial institutions and in regulatory authorities, which has been deeply shaken by the crisis. Without serious reforms of regulation and supervision, financial institutions, especially the largest ones, could get the wrong signal—that excessive risk-taking is rewarded—because they assume that in a crisis the government will invariably bail them out.

We deem it necessary to step-up our efforts in this area because, as the global conditions stabilize, fundamental reforms of financial regulation will become increasingly difficult to implement. It seems to us that the Fund could make a more substantial contribution to reforms of financial regulation. For this, it should not only enumerate the necessary reforms in its reports but also track their implementation. This could enhance transparency of the entire reform process, and possibly accelerate it somewhat.

Realigning of quota shares continues to be the main issue for us in Fund governance. The prevailing perception that important decisions in the Fund are mostly taken by a small group of advanced economies severely undermines confidence in the Fund and puts in question the very legitimacy of its decisions. We, therefore, welcome the compromise language concerning the redistribution of quota shares adopted at the G-20 Summit in Pittsburgh.

Now about the so-called other issues of Fund governance. Our premise is that the founding fathers of the Bretton Woods institutions thought out the entire system of Fund governance well, including in particular the distribution of powers between the Board of Governors, Executive Board, and Managing Director. We know that this system has worked rather well in the 65 years of the Fund's existence. We feel generally comfortable with it, and we do not see an urgent need for any radical changes in this area.

This does not mean that we are opposed to all changes in the Fund's system of governance. We would welcome, for example, a transition to the open and merit-based selection of Managing Director, irrespective of nationality. We are also prepared to discuss the size and composition of the Executive Board. In addition, we welcome the aspiration of the Executive Board and Fund's management to enhance effectiveness of the IMFC process.

We strongly support current efforts by the World Bank to tackle the negative impact of financial, energy and food crises, including through tripling of lending to the middle-income countries. We applaud the introduction of innovative forms of financing provided to the poor countries, be it within the framework of IDA, or through targeted programs and trust funds, launched at the initiative of President Zoellick. World Bank contribution government enhancing food security is particularly visible—it ranges from development of agriculture to removal of trade barriers and to extending direct budget support to the countries that are most affected by the food crisis. The Russian Government has made a decision to participate in these Bank-led programs and allocated $50 million for that purpose. These activities present yet another argument for strengthening the financial capacity of the World Bank.

We have to explicitly recognize constrained financial capacity of the IFC and the IBRD. Our position in this respect can be summarized as following:

1. Firstly, we see the rationale for a *Capital Increase* in order to preserve the IBRD and IFC financial capacity. Such increase should ideally be synchronized among these two institutions.

2. Secondly, we believe that a *Selective Capital Increase* should be an integral part of any package designed to boost the financial capacity of the World Bank Group. Once the *Selective Capital Increase* is implemented, the parameters of the *General Capital Increase,* if still warranted, could be assessed. Progress on this front is linked to a discussion on greater voice and participation by the developing and transition countries in the World Bank. Besides, such an approach offers an advantage of attaining multiple objectives in a concerted manner. These considerations make us strong supporters of both the *Selective and General Capital Increases* as a single package, but with the above sequencing.

3. Thirdly, we have to express our serious opposition to an emerging idea of continuous *Price Increases* as the major method for achieving certain pre-determined income generation benchmarks and maintaining desired Equity-to-Loans ratio. The *Price Increase* option is not a substitute for the *Capital Increase* as these two processes are completely different in nature and have divergent

objectives. The 20 basis points increase has just been approved in IBRD and any further upward revision is counterproductive under the current circumstances.

4. Fourthly, given the overall economic uncertainties, *Income Allocation* within the World Bank Group should focus more on preservation of financial capacity, so the boosting the reserves has an absolute priority over other uses. This objective is clearly stated in the legal framework of the World Bank, and the present environment makes it even more relevant than ever.

We fully support the objective of strengthening the voice and participation of developing and transition countries in the World Bank. While some important elements of reform have been addressed under Phase 1—this includes measures protecting the rights of small shareholders and enhancing Board representation of Sub-Saharan Africa, a big outstanding agenda remains. We must secure the results of Phase 1 and move further. Phase 2 should result in a significant increase of developing and transition countries' voting power. In this context we welcome the decision of the G-20 leaders to redistribute at least 3% of the voting power in favor of the developing and transition countries. At the same time we consider this but an interim step towards parity between them and the developed countries.

We also support a provision formulated in the final statement of the Pittsburgh summit that supports a movement towards a more equitable distribution of voting power in the World Bank through development and adaptation of a dynamic formula, based on which distribution of voting power would be calculated. Distribution of voting power based on a flexible periodically reviewed formula would allow timely response to evolving role and weight of countries in the world economy in a manner that takes into account continuously evolving priorities of the World Bank.

Since Russia joined the World Bank in 1992, it has not only grown as an economy, but has also made a major contribution to the development mandate of the Bank as a donor of IDA and other Bank-sponsored initiatives. Based on GDP-PPP, Russia's share in the world economy exceeds 3%, which is greater than its current voting power in IBRD. We strongly believe that Russia's voting power should increase as a result of reform rather than decease, as implied by some calculations that fail to capture the full scale of Russia's role in the world economy and development.

We consider the above-mentioned selective capital increase focused on developing and transition countries as the most practical way to make progress on the shareholding dimension of the Phase 2 of reform. The general capital increase can follow. Such sequencing will reconcile the reform objectives with the capital needs of the Bank.

The objectives of the voice and participation reform cannot be achieved by a shareholding review alone. The developing and transition countries' representation at the Board and the World Bank's responsiveness to their views on development are also of high importance. We do not support any measures that may lead to a change in the permanent status of or in other way weaken the Executive Board, which is vital for the accountability, integrity and good governance of the World Bank.

SAMOA: NICKEL LEE HANG

Governor of the Bank

(on behalf of the Federated States of Micronesia, Kiribati, Marshall Islands, Republic of Palau, Samoa, Solomon Islands and Vanuatu)

Let me, at the outset, acknowledge with heartfelt appreciation the condolences expressed by the Bank and Fund as well as the many delegations in the aftermath of the tsunami that devastated Samoa and Tonga last week. We are also grateful for the willingness and commitment on the part of the donor community to help with the relief and reconstruction efforts.

It is a great honour for me to address the 2009 Annual Meetings of the International Monetary Fund and the World Bank Group, on behalf of the Pacific states comprised of Kiribati, Republic of the Marshall Islands, the Federated States of Micronesia, the Republic of Palau, Samoa, the Solomon Islands and Vanuatu.

Financial Crisis

We meet at a time when the global financial crisis has reached unprecedented levels and having a devastating impact on the daily lives of our people as well as posing a real threat to the achievement of our Millennium Development Goals. The crisis has also threatened to undo all the gains that we have achieved over the years as a result of the reforms that have been implemented to restructure our economies, placing at risk the achievement of our medium- to long-term objectives. But the crisis is an external shock that is no fault of ours.

From that perspective, we call on the World Bank and the Fund to be responsive to our needs as a top priority. Most of us are now running mounting fiscal deficits in an attempt to stimulate economic activity. We have resorted to heavy borrowing to prop up the substantial decline in revenue we now face and this has raised the issue of debt sustainability and our ability to meet our debt obligations in the future. We acknowledge a lot has been done to address the impacts of the crisis including the enhancement of the roles of the Fund, the World Bank and other multilateral institutions for more effective surveillance of financial markets to avert future financial and economic crisis of such devastating impact that the world has encountered. The question remains though if enough has been done to prevent a crisis of such nature repeating itself.

Fortunately, some promising results are beginning to emerge. But for small island economies it remains a significant uncertainty as we do not have the economic resilience to bounce back quickly from the lagged effects of such a phenomenon.

The question is, what more can the Bank and the Fund do to help us?

Are there lessons we could take from this experience? For our part, we want to see more analytical work to understand what we could do better to ease the impact of similar economic disasters. We would also like to see more flexibility on the part of the Bank in terms of the types of assistance they can give. In this vein, we call on the Bank to seriously consider the possibility of providing direct budget support in a timely and flexible manner as emergency assistance. As well, the Bank should seriously consider innovative and practical measures to assist small economies ease the burden imposed by such disasters.

Climate Change

We would like to emphasize the importance of not losing sight of the climate change agenda in the current economic environment. The visible effects of climate change we are now witnessing on a global scale is frightening for the Pacific and in particular the low-lying atolls. The earthquake and tsunami that struck the Samoa Islands and Tonga last week clearly demonstrates how vulnerable we are to such disasters. Without immediate, comprehensive and concerted action by the international community, the future of our countries is greatly at risk. In that context, we cannot overemphasize the fact that effective development and implementation of adaptation and mitigation initiatives is absolutely critical for our survival. We acknowledge the work on the Climate Investment Funds and the Pilot Program for Climate Resilience as well as the GEF process but accessibility to these funds remains an issue. How can we better access these facilities?

Bank/Fund Presence in the Pacific

We acknowledge the increased Bank decentralization process in our region through the establishment of the country office in Solomon

Islands, two liaison offices in Tonga and Samoa and in Vanuatu soon, as well as the placement of Bank staff at the Pacific Financial & Technical Assistance Centre (PFTAC) office in Fiji. We believe the Bank can do a lot more for the Pacific and this increased engagement will no doubt enhance the quality of service and responsiveness to our particular needs.

In the same context, we look forward to hosting the World Bank Managing Director when he visits the Pacific later this month. I would also like to acknowledge the efforts in processing Tuvalu's membership of the Fund and call on the Fund and the Bank for assistance to ensure this becomes a reality soon.

Voice and Participation

On Voice and Participation, we agree that this is important, and acknowledge the symbolic value of increased voice which has warranted a larger number of basic votes for the Pacific member states. However, the real issue from our perspective is the quality and effectiveness of Bank and Fund services to the Pacific. How responsive is the Bank and the Fund to the issues most important to the PICs? We have seen a great improvement over the last few years and commend the authorities for this positive development. However, we contend that there is room for improvement.

Regional Cooperation

Regional cooperation offers potential gains for the Pacific island countries. Unfortunately, we do not see a practical partnership between the Banks regional programs and the regional initiatives such as the Pacific Plan. We believe there are opportunities for real impact to take place with improved collaboration between the Bank, other multilateral institutions, and bilateral donors operating in the Pacific with our regional institutions. We, therefore, urge the Fund and the Bank Group to coordinate their regional programs closely with the Pacific Plan initiatives to ensure complementarity to deliver optimum outcomes.

Private Sector Development

Private sector development is essential for sustainable economic growth in our region. But, unfortunately, private sector growth has been disappointing. After creating a conducive business environment and putting in place appropriate governance structures by some of our member states, there are still only a few businesses established and not many foreign investors show interest. We call on the Bank Group and the Fund to do more analytical work to determine what we could do more in terms of policies to attract foreign investment to our region. This could include examining the appropriate investment incentives framework that will make a difference in attracting foreign investment. The IFC should also consider the viability of a multi-country project framework to overcome the challenge of the lack of economies of scale.

We welcome the focus by the IFC on improving access to credit, ranging from micro finance to reviewing support of our infrastructure needs in telecommunications, transport and renewable energy. We would also like the Bank and IFC to provide guidance and support to the development of public/private partnerships in those sectors where governments would best play a policy and regulatory role, or else share with the private sector, the operation of para-statal enterprises on a more sound commercial basis.

Remittances

Remittance is a life line for most of our economies. The Recognized Seasonal Employment Schemes currently offered by Australia and New Zealand have created the opportunities for short term-employment for many Pacific Islanders. They have provided expanded opportunities for our people to work overseas and remit a portion of their income to their families at home thereby raising the level of foreign exchange to help meet our external payments. Unfortunately, the economic downturn in the source markets have seen the level of remittances slow down. This is the reality we face which means we have to look at ways to encourage the level of remittances as well as policy options to make best use of these funds in the recipient countries. In that light, we would like the World Bank to examine the use of new technologies (e.g mobile phones, bank cards, internet banking, etc.) as a means to remit funds, which, hopefully, will reduce the cost of remittances. As well, the viability of establishing a facility to encourage and facilitate the productive use of remittances could also be looked into.

Pacific Regional Infrastructure Facility (PRIF)

We welcome the establishment of the PRIF and the augmentation of resources this facility will bring to supplement, as well as complement, infrastructural programs of our respective member countries. The Bank and other donor agencies involved such as AusAID, NZAID and ADB will ensure there is more efficient application and improved coordination of resources.

Conclusion

I would like to conclude by expressing our appreciation to the management and staff of the World Bank through the Sydney Office, and the Fund through the Pacific Financial Technical Assistance Centre for their ongoing commitment and support of our development objectives. We continue to benefit from the financial and technical advice provided especially from the offices located in the Pacific. We look forward to an enhanced partnership to complement our efforts to improve socio economic development of the people we serve and achieve better outcomes for sustainable development of our small island economies.

SPAIN: ELENA SALGADO

Governor of the Bank and the Fund

International Economic Outlook

I am speaking to you at a difficult time for the world economy—an economy that is starting, after a very turbulent period, to show a few signs of recovery due to unprecedented government intervention that has shored up demand and reduced the uncertainty and the systemic risk directly associated with the financial markets.

Our economic policy actions continue to be essential. It is not yet time to withdraw the fiscal stimuli or the measures supporting the financial system. However, we do need to design coordinated exit strategies that address not only the withdrawal of these measures, but also the development of instruments that can help generate the confidence and the environment needed to promote growth that is sustainable, balanced, and conducive to job creation, as well as the strengthening of public accounts in the medium term.

In the case of the financial sector in particular, it is crucial that governments that have intervened directly take into account the necessity and the importance of restoring fair and open competition, as well as furthering restructuring and the quest for solutions by the private sector. It is in this context that the new regulation of the sector must be designed, to ensure that the problems that led us into this situation never recur.

The Spanish Economy

The Spanish economy has begun to show signs of improvement. Although the main indicators of growth, consumption, and investment remain in negative territory, their rate of decline has slowed. This development is in line with the forecasts of gradual recovery leading to positive growth from the first half of 2010.

We expect that the external sector will continue to play an important role in stabilizing our economic variables. The imbalance in the Spanish current account is very quickly correcting itself, and our external financing requirement is decreasing significantly.

The rapid rise in unemployment is what differentiates the crisis in Spain from the situation of our neighboring countries. It is also our greatest concern. The destruction of jobs in Spain is fundamentally linked to the ongoing adjustment in the real estate construction sector, where there was a high level of surplus capacity. Furthermore, the characteristics of our labor market are such that the burden of adjustment falls on the number of jobs more than on other adjustment mechanisms, such as wages or the partial reduction of working hours.

Despite this, the labor market has not seized up; over a million contracts are being signed each month, and more than 800,000 unemployed persons found jobs in the last quarter. Nevertheless, it will still be several more quarters before we see net job creation.

The Spanish government's policy is therefore focused on restoring sustainable growth as quickly as possible, while laying the foundations for stable job creation in the future. In the meantime, we will continue to combat job destruction and protect the unemployed. In view of the steep rise in unemployment, we considered it urgent to adopt additional measures to support the unemployed, related to vocational education and training. In the short term, such measures have a high budgetary cost that must be reconciled with the health of our public accounts in the medium term.

This is the setting for the start of the fiscal consolidation effort reflected in our 2010 budgets, including a moderate increase in some elements of taxation and, on the expenditure side, a decrease in discretionary current spending as well as the decision to reduce various support measures adopted at the very beginning of the crisis that have already served their purpose. We continue to believe in the need to maintain investment in infrastructure, education, and innovation. We are also working on structural reforms to promote the recovery and a new era of sustainable future growth. We are promoting the rental market and housing refurbishment, which will help to reorient the construction sector without the risk of creating new bubbles. We are also maximizing competition in the service sectors, which account for two thirds of our GDP. Finally, the government is working to prepare a Sustainable Economy Law that will set the stage for the development of a new productive model that is environmentally, socially, and economically more sustainable.

IMF Reform: Its Mandate and Governance Structure

The international crisis has highlighted the need to reform the functions and structure of the International Monetary Fund. We have made significant progress in adapting the Fund's lending instruments and increasing its resources. However, there is still much to be done in two areas: surveillance and governance structure.

High-quality surveillance capable of influencing the economic policy decisions of all members requires a far-reaching review of the institution's mandate. In my opinion, it is necessary to do away with the separation of the financial and macroeconomic areas and to incorporate them fully into the bilateral and multilateral surveillance instruments. Achieving this should be our main priority, and it will consequently be necessary to strengthen the financial area of the IMF and provide it with the required resources.

Moreover, it is imperative to carry out a substantial reform of the Fund's governance structure, and in particular, a change in the quota structure to increase the voice of the most under-represented members, such as Spain. A significant increase in capital would facilitate consensus and enable the emerging and developing countries to be more fully and better represented.

World Bank

The World Bank has also had a difficult year. We applaud the Bank for the role it has played in helping emerging and low-income countries mitigate the impact of the crisis. Thanks to its solid capitalization at the outset of the crisis, the Bank was able to increase its lending considerably and to set in train new initiatives. The latitude that these measures afford is limited, however, and we believe it is time to inject additional resources by means of an increase in capital.

The World Bank should be prepared not only to meet the needs of its clients, but also to play a countercyclical role to ward off potential shocks while continuing to take the lead in the provision of global public goods, particularly with regard to climate change and food security.

Spain favors a selective capital increase that will enable emerging and developing countries to increase their voice and representation in the institution while at the same time opening up an opportunity for other countries, such as Spain, to correct their underrepresentation.

I would like to close by reiterating the support that Spain has always given to these two institutions that are essential for the stability and sound development of the world economy. As we strive toward sustainable growth, the strength of our commitment to the reform and improvement of both institutions is all the greater as Spain prepares to assume the presidency of the Council of the European Union in January 2010.

Finally, allow me also to express my gratitude for the hospitality of the city of Istanbul and the host country, Turkey, which joined with Spain in sponsoring the Alliance of Civilizations initiative.

SRI LANKA: SARATH AMUNUGAMA

Governor of the Bank and the Fund

When we met in Washington last, we were in the grip of the global crisis. The economic crisis was unfolding in advanced countries and most of the emerging market and developing countries were begun feeling its spillover effects. The period since late 2007 has been extremely challenging and we collectively and individually as country authorities, had to focus on measures and strategies for crisis prevention.

Today, we are witnessing a gradual slowing down of the pace of decline in global economic activity. This is no doubt a favorable development. However, we are most concerned that the recovery will be slow and protracted.

We are encouraged by the initiatives taken by the IMF with regard to developing Countries. Mr. Chairman, these countries were affected by the worst ever external conditions at a time when the vast majority were showing improved performance and making strides toward macro-economic stability. At the onset of the current crisis, many of these economies were becoming increasingly open and integrated to the global economy.

We are glad to note that both, the IMF and World Bank responded swiftly and effectively to face this situation by making more money available to the countries that were in dire need of liquid funds. Changes effected to the Exogenous Shocks Facility by the IMF in late 2008 to make it more flexible benefited a number of countries affected by the crisis. We appreciate the steps taken by the IMF to double the LIC access limits under this borrowing window on concessional terms. We take positive note of the new financing architecture that was put in place in July 2009 and consider it as a progressive step by the IMF. The US$250 billion allocation of Special Drawing Rights is another important milestone. I am hopeful that the proposed tripling of Word Bank assistance to developing countries also will materialize soon.

That said, I wish to reiterate a key point that I underscored in my statement last year, that is the issue of strengthening IMF governance. There is widespread belief that both the Bank and the Fund have missed the current crisis as it was emerging and failed to issue early warnings. However, we believe that these two international institutions should remain center stage of the global financial architecture while they undergo comprehensive reforms.

Let me now turn to my own country, Sri Lanka

Under the leadership of President Mahinda Rajapaksa, Sri Lanka, has comprehensively defeated LTTE terrorism, and established an environment for enhanced growth and development. Law and order has been restored in the formerly conflict ridden areas in the Northern and Eastern Provinces of the country. Development activities in these areas have been accelerated. Extensive demining of areas which were mined by the terrorists have been undertaken with both state and international donor assistance. The resettlement of internally displaced is now being undertaken. By the end of this year, we hope to resettle over 100,000 IDPs in their villages. We are confident that with the end of violence the growth performance of Sri Lanka will bounce back. With the prospect that global economy will recover, even though at a slow pace, we expect the Sri Lankan economy to grow by about 6.5 percent in 2010.

With the implementation of development programs growth was accelerated, regional disparities declined and unemployment and poverty levels dropped to historic low levels.

The highest priority of the country at present is the reconstruction and development of the previously conflict affected areas and resettlement of internally displaced persons. A high powered institutional structure including a Presidential Task Force and a Consultative Committee on Humanitarian Assistance was set up immediately after the war ended in May 2009. The government is accelerating the reconstruction and development activity in the Northern province of Sri Lanka to ensure that the benefits of development accrue to all communities living in these areas and to improve linkage with the rest of the country and the world economy. We appreciate the assistance extended by the World Bank, Asian Development Bank, UN agencies and many other donors in support of this endeavor.

I am also pleased to state here that my country has received IMF assistance in July this year under a Stand-By arrangement of US$2.6 billion. This facility is very much more in money terms than we usually receive from the IMF. It has contributed to a strengthening of confidence in Sri Lanka's development policies among the international community. All on all, we can now look forward to a better future for all our people.

SWITZERLAND: JEAN-PIERRE ROTH

Governor of the Fund

It is a great honor for me to have the opportunity to address you today. I have the pleasure of doing so in an economic environment that has become calmer in recent months. We seem to be approaching a turning point. The unprecedented economic crisis we have experienced over the past two years seems to be abating. However, this does not mean that the risks have dissipated. On one hand, the improved economic outlook is driven by factors that exert a limited impact over time, such as fiscal stimulus measures and inventory depletion. On the other hand, the financial sector is still recovering. Consequently, I think it would be too early to abandon the special monetary, fiscal, or financial sector assistance measures adopted to cope with the crisis.

It is clear, however, that these measures cannot remain in place over the long term. Central banks and governments must take steps to hand off these measures. To do so, credible exit strategies must be crafted. The International Monetary Fund can play a significant role in this regard. It can and must serve as a forum for communication among member countries. It must allow all member countries to ensure that these exit strategies are mutually compatible.

However, what I would really like to underscore here is the role played by the International Monetary Fund in combating this crisis. The IMF is to be highly commended for its contribution. It has measured up to the expectations of the international community. The volume of loans provided proved commensurate with the magnitude of the crisis. New lending instruments have been established or adjustments made to those already in place in order to contain the scope of the crisis.

The work of the Fund is, nevertheless, far from over. The Fund must act on at least three fronts:

First, it must have a financial cushion. This cushion should be sufficient to allow it to meet potentially higher demand for funds in a flexible manner. To this end, the New Arrangements to Borrow must be extended and broadened. The Swiss central bank stands ready to contribute to this effort.

Second, the Fund must enhance the quality and relevance of its member country surveillance. Specifically, this means that financial sector surveillance should be conducted more systematically and frequently than is presently the case. The same attention paid to monetary and fiscal policy surveillance should be accorded to financial sector surveillance.

Third, governance of the Fund must be adjusted to meet the expectations of many members of the international community. This adjustment involves at least two areas:

The first area pertains to the role and operating procedures of the bodies of the Fund. A review of these bodies is needed. In particular, the capacity of the International Monetary and Financial Committee to provide clear guidance with respect to the Fund's policies should be enhanced. In addition, the capacity of the Executive Board to assume its surveillance responsibilities should be strengthened. The changes necessary to achieve these objectives call more for practical reforms than for fundamental change. I realize that initial steps have been taken in that direction. The work of the International Monetary and Financial Committee here in Istanbul stands as a testament to this.

A second area of governance reform of the Fund entails increasing and reallocating quota shares. The increase in quota shares should be driven by the liquidity needs of the Fund. It should be based on long-term needs rather than on such short-terms needs as those that we have recently seen. Extending and broadening the New Arrangements to Borrow offer a suitable way of meeting short-term needs. The reallocation of quota shares should facilitate a readjustment that favors the most underrepresented emerging countries. Although the latter is an indisputable objective, it seems to me that readjustment should also take other factors into account, in particular the capacity and willingness to finance the activities of the Fund as well as financial openness.

As to the World Bank Group we have analyzed the submitted capital adequacy reviews of both IBRD and IFC, and we would like to comment as follows:

(a) Management, in close consultation with the Board, should formulate as a matter of high priority a comprehensive but succinct strategic framework that provides the necessary vision and direction to inform the forward-looking decisions expected from the Governors. Such a strategic framework has to address the Bank's comparative advantages, its capacity to deliver scaled-up programs without compromising the quality of its lending operations, and the capacity of the clients to implement effectively such programs and to service the corresponding debts.

(b) More attention should be given to the situation of the low-income countries. While appreciating the announced review of IBRD enclave lending policy to IDA countries, the sustained IFC and IBRD transfers to IDA despite the crisis, and some progress in implementation of the Vulnerability Framework for LICs, we consider that more concrete steps are now needed to move this agenda forward and to better take into consideration the forthcoming IDA-16 replenishment in the analysis of the overall discussion on WBG financial capacity and capital adequacy. We acknowledge the Bank's proposal to establish a Crisis Response Facility and ask to use the opportunity of the IDA 15 Mid-Term Review to analyze and discuss the benefits and constraints of such a facility.

(c) The Selective Capital Increases at IBRD and IFC that may result from the Voice & Participation agenda should be fully—even if tentatively—factored in the analysis of any need to strengthen the capital basis. The volume of such SCIs, but also the share of "paid-in capital" would be directly relevant to the decision making process by the Governors. We call on the Bank to fully consider these elements in the work ahead, with the view to providing a comprehensive basis to consider options necessary to strengthen the long-term financial sustainability of the WBG.

(d) Finally on IFC capital adequacy, we acknowledge the very responsive, responsible and innovative approaches implemented by IFC to face the crisis. We expect more in-depth review of different scenarios regarding IFC growth path, that are realistic and sustainable. To this end a more detailed analysis of the priorities beyond the countercyclical role of the corporation, are necessary, particularly to avoid a crowding out of the private sector once the crisis is over.

We welcome the update on progress to date on the first phase of the Voice and Participation reform process, as well as the proposals for discussion under the second phase. This work is an essential contribution that should facilitate progress towards a consensus on the enhancement of the voice and participation of developing and transition countries (DTC) in the decision making at the World Bank Group, and an agreement at the 2010 Spring Meetings.

As regards the proposals for the IBRD shareholding review and realignment, we reaffirm our commitment to a process aimed at considering the evolving weight of all members in the world economy and other criteria consistent with the Bank's development mandate as the basis for such realignment. Solid principles and criteria will be required in this regard, to provide a robust benchmark for measuring members' severe under-representation and for fostering agreement in 2010 on a Selective Capital Increase.

With respect to measuring economic weight, we hence believe that the IMF actual quotas or elements of its underlying formula should be used as a reference for IBRD shareholding. To reflect on the Bank's development mandate and the need to ensure long term financial sustainability of the institution, a significant weight should be given to countries' demonstrated track record on the last three IDA replenishments, on a burden share basis. Providing the right incentive for future contributions to IDA will also be important, and we are prepared to consider modalities to reflect on clients' engagement as well, in particular for smaller members.

We are convinced that the rigorous application of these criteria will provide a solid and sustainable basis for regularly reviewing IBRD shareholding at five years intervals. The review process will permit to take stock of evolving country situations and related classification, as well as of the dynamic move towards equitable voting power between developed and developing countries. In the meantime principles and criteria have to be developed and approved in 2010. We would however be prepared to join a consensus on considering a shift of voting power, in the order of 3%, in addition to the 1.46% increase under Phase 1, subject to confirmation that the "non-dilution principle for each and all DTC members" is not applied and to clearly defined criteria and principles. We would also be ready to consider additional measures to protect the progress achieved under Phase 1 for the low-income countries.

SYRIAN ARAB REPUBLIC: MOHAMMAD AL-HUSSEIN

Governor of the Fund
(on behalf of the Arab Governors)

It gives me pleasure to deliver this year's joint Arab speech on behalf of the IMF and World Bank Arab governors. At the outset, I would like to thank the Government of the Republic of Turkey on behalf of the Arab Group for hosting these Meetings and for ensuring their success. I would also like to commend the efforts of our two institutions in addressing the exceptional challenges of the global financial and economic crisis.

The global financial and economic crisis which originated in the developed countries continues to affect the developing countries through various channels, including lower commodity prices, sharp export contraction, reduced workers' remittances and capital inflows, as well as a subsequent decline in growth rates and increasing unemployment. At the same time, many developing countries still face mounting difficulties in accessing funds, with potential spillovers to developed economies. Undoubtedly, the Arab economies have been hit by the crisis as have the other developing countries, albeit relatively less severely.

While welcoming the projections indicating signs of global economic recovery from the worst recession since the 1930s, thanks to exceptional public support and central bank measures, we note the uneven pattern and expected slow pace of recovery. Tightened bank lending and prolonged retrenchment of foreign funds are expected to persist. The global recession is not yet over, and the financial systems remain weak and unable to support the economy. Moreover, public support will decline over time, and domestic demand is expected to be subdued in the countries affected by lower asset prices as households strive to revert to saving at a time of income reduction due to higher unemployment.

Therefore, we stress the need for the developed countries to continue to maintain policies that are aimed at stimulating domestic demand, restoring confidence in the financial system, and addressing weaknesses in financial market regulation. We call for the concerted and accelerated fulfillment of the international commitments made by the G-20. In this context, we welcome the discussion of the global economic and financial issues in the G-20 instead of the G-7 because of the inclusion of developing countries in the former. The responsibility for addressing the consequences of the crisis should mainly lie with the developed countries whose systems and policies, particularly in the financial and banking sectors, were the source of the crisis. This should be done in a way which minimizes the impact on the developing countries and reduces the likelihood of future recurrence. We believe that restoring financial sector health, including continued management of nonperforming assets and promotion of credit which has already declined despite the significant turnaround in solvency ratios. Financial supervision and regulation should be strengthened and the decisions of the Basel Committee and the G-20 should be implemented to ensure financial market stability and avoid a repeat of the crisis. In general, we stress the need to strike a balance between short-term measures aimed at supporting the financial system and the long-term objectives of providing better incentives and introducing more market discipline. We also believe that supportive macroeconomic policies should be pursued, while paving the way for an orderly withdrawal of public sector intervention which has already reached unprecedented levels. We call upon all countries to resist protectionist measures in trade, investment, and labor services, and underscore the importance of bringing the Doha Round of trade negotiations to a successful conclusion to ensure positive outcomes in cushioning the impact of the crisis on the developing countries.

We also note, in particular, the pledges made to assist the developing countries which have received significantly lower resource inflows which has caused a decline in growth and deeper poverty. Supporting the developing countries will certainly help restore economic and trade activity in those countries, promoting growth in the global economy. In this respect, we look forward to a follow-up by our colleagues in both the Development Committee and the International Monetary and Financial Committee of those commitments, especially as the consequences of the crisis for many developing countries may not recede in the foreseeable future.

Our oil-exporting countries have had an essential contribution to the stability of international energy markets at a high cost to the countries which have maintained excess capacity. Therefore, we expect a fair treatment of oil vis-à-vis other sources of energy, particularly in the Copenhagen Climate Change discussions and other similar fora.

I now turn to the developments in our Arab region which has not been spared by the financial and economic crisis. Growth is expected to slow down in the region compared to 2008 before it picks up again in 2010. But the impact of the shock on our region, in comparison with the other regions, has been cushioned by strong economic fundamentals; prudent economic and financial management; overall financial sector strength; appropriate measures and policies; adequate foreign exchange reserves, particularly in oil exporting countries; and the positive role assumed by regional institutions.

The crisis has affected the oil exporting countries in our region through a decline in oil revenues and tightened credit conditions. Nevertheless, the oil exporting countries have maintained high levels of government spending, creating a strong incentive for domestic and international demand, which may help mitigate the implications of the global slowdown for neighboring economies with which they have strong economic ties, including through continued availability of job opportunities and more workers' remittances.

For the oil-importing countries, the impact has been reflected in lower economic growth rates; higher budget deficits; and reduced exports, foreign direct investment, tourism receipts and workers' remittances.

In this context, we would like to note the decisions and conclusions of the Economic and Social Development Summit held in Kuwait early this year, which highlighted the efforts of the Arab countries and the attention they give to improving the investment climate, upgrading the infrastructure, and increasing the opportunities for integration into the global economy. The large spillovers of the financial and economic crisis have generated emergency measures in the Arab countries whose financial systems are integrated into global markets. Governments and central banks intervened to stabilize interbank markets, provide liquidity, and support commercial banks, with a view to offsetting the impact of lower asset prices and tight liquidity.

In the area of economic policy, the aim is to maintain the pre-crisis levels of public spending in support of demand in countries with moderate debt levels. The Arab countries are also pursuing accommodative monetary policies given the subdued inflationary pressures, in order to support investment and growth. The countries in our region are determined to strengthen their policies to protect the poor and the most vulnerable segments of the population at this time of economic slowdown and increasing unemployment.

We recognize the need for further reforms in the Arab economies, particularly in improving the investment climate, liberalizing trade, and boosting economic growth. The main challenge still remaining is to support job creation to meet the needs of a growing and young workforce. In this respect, we look forward to intensified support by our two international institutions for the ongoing reform efforts in our countries.

We support the role of the IMF in achieving global monetary and financial stability, particularly in light of the impact of the current financial crisis on the global economy. We also welcome the Fund's overhaul of its lending framework, including the streamlined loan conditionality and the increased loan resources to help member countries overcome the crisis. We believe that the Flexible Credit Line introduced by the Fund is a useful addition to its toolkit, and feel encouraged by the interest expressed so far in this tool. With respect to low-income countries, we welcome the support provided by the Fund to those countries through an unprecedented increase in concessional loans, comprehensive reform of Fund lending instruments, particularly in terms of its response to country needs for short-term emergency support, and an exceptional zero-interest rates on outstanding loans through 2011.

We also welcome the new loan resources provided to the Fund to enhance its capacity to support member countries and increase global liquidity. In particular, we welcome the SDR allocation to member countries in the context of a general distribution equivalent to $250 billion in order to inject liquidity into the global economic system by boosting countries' foreign exchange reserves.

To enhance the role of the Fund, developing and emerging countries should have a clear role and a heard voice. We stress that Fund efficiency and legitimacy critically depend on bold steps to be taken in this respect. We welcome the commitment to accelerate the agreed quota reform for completion by early 2011, and believe it should ultimately lead to a shift over time to a system of equal distribution of voting power between developed and developing countries by increasing the voting power of developing countries as a group without diluting the share of any individual country.

We reiterate our call for an enhanced surveillance mandate for the Fund through equal treatment of member countries and more effective surveillance over systemically important countries, as well as international capital flows and financial markets. We also reiterate our request for a review of the decision to charge for Fund technical assistance, as it could hamper developing countries' access to critically needed support.

With respect to the role of the World Bank Group, we welcome the measures it has taken to address the impact of the financial and economic crisis on developing countries, particularly the large expansion of loans, credits, and efforts to limit the impact on the private sector. We call for boosting the Bank Group resources and developing medium-term plans to strengthen growth and reduce poverty. The Bank Group implemented sound policies with a focus on protecting the most vulnerable to the global crisis, developing long-term programs for investment in infrastructure, and continuing support for the role of the private sector in development. We particularly commend the doubling of World Bank lending, and the enhancement of IFC's investments and MIGA's ability to meet the increasing demand on its guarantees. The deep implications of the global crisis on developing countries' opportunities for development and poverty reduction require more ambitious programs to meet the urgent needs of low- and middle-income countries.

We attach particular importance to the need for maintaining the solid financial position of the World Bank Group to enable it to meet the increased demand on its resources, especially in view of the significant decline in flows from financial markets. In this respect, we welcome efforts made by World Bank Group Board of Executive Directors to address a possible stress on the financial position. We note the decisions taken by the Board in respect of lending rates and its consideration of possibility reasonable increases in World Bank capital. We call for a fair burden share in strengthening the financial capacity of the World Bank Group. This should not be at the expense of borrower countries already suffering from the current circumstances.

The Arab countries—along with all developing countries—look forward to increased support from the World Bank Group in various areas. Conditions in the countries of our region are diverse. Some are facing difficult circumstances and stubborn challenges, which calls for special attention to their needs while strengthening efforts for regional activities. This requires the World Bank management to devise creative solutions in order to enable achievement of meaningful progress. Therefore, we call for providing the MENA regional vice presidency with the needed financial resources and for strengthening its human resource capacity by recruiting highly qualified professionals. We appreciate the achievements made so far in the areas of lending, technical assistance, and investments in the private sector. We look forward to the wider activation of the Arab World Initiative which was launched by the World Bank Group President, which requires clear objectives, regular monitoring, and compliance with World Bank rules on the exclusion of all political considerations in extending assistance. Areas in need of further efforts include tackling the problems of water scarcity and desertification in all our countries, and supporting the private sector by taking advantage of the ample opportunities created by these countries' investments which have expanded under the south/south cooperation established within and outside the region.

We call for increased attention to the Arab countries in conflict situations, and recommend greater flexibility in dealing with such countries. We call for continued effective IMF and World Bank support for the Palestinian people to cope with the adverse impact of the economic blockade imposed on Palestine as well as support for the accession of Palestine to IMF and World Bank membership. We also call for continued assistance in the reconstruction of Iraq, a renewed involvement with Somalia, and debt relief for the Sudan. Development and stability in those countries will undoubtedly be beneficial both regionally and globally.

The global financial crisis has again underscored the need for close cooperation among all international groupings in order to address existing challenges, thereby contributing to progress in enhancing the participation of developing country in decision making. Progress in this respect is still limited despite the lapse of several years since this principle was adopted at the Monterrey Summit. It is time for the developed countries to have the political will to make the necessary changes in a manner that is conducive to a stronger position for the developing countries in the Bretton Woods institutions. We particularly call for an accelerated process to come up with a specific format which does not dilute the position of any developing country, and look forward to the present discussions in the Development Committee, including the representation of developing countries in the management of both institutions—an area where Arab countries are the most underrepresented.

We reiterate our persistent call on the IMF and the World Bank to recruit and appoint appropriate numbers of Arab country nationals in all levels of management, particularly the high levels of management. It is important to provide Arab country nationals with appropriate opportunities for advancement. Current opportunities for recruitment and appointment and career advancement are much lower than other regions, particularly after a substantial reduction of Arab staff in the context of last year's IMF reorganization.

The Arab countries and their institutions maintained close cooperation with the IMF and World Bank Group over the past decades, and we look forward to further cooperation in facing the new challenges.

THAILAND: KORN CHATIKAVANIJ
Governor of the Bank

It is an honor for me to have an opportunity to address at the 2009 Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund. I would like to express my sincere appreciation to the Government of Turkey for the excellent arrangements. Istanbul also deserves our congratulations for being the only City outside Washington, DC. that has been chosen twice as the venue for the Annual Meetings, reflecting its excellent facility, unique location and warm and generous hospitality of its people.

Global Economy

We are meeting here at the turning point of the world economy. From the global financial crisis that erupted in the final months of 2008 resulting in a drastic collapse of global demand and global trade, we can now have some relief that the worst of economic crisis is behind us.

Recovery is still fragile and uncertain. We must continue to be vigilant and ensure that appropriate fiscal and monetary policies are in place, and that our respective economic stimulus programs are being maintained to secure sustained recovery.

The crisis also brought a new era of economic cooperation with more balanced and inclusive voice of developing and emerging countries. In this connection, we welcome the efforts by G20 to play a leading role in coordinating forceful response and setting the agenda for a more balanced and sustainable economic growth. We must also rebuild the financial system and reform the international financial architecture to meet the challenge of the 21st century. The International Financial Institutions (IFIs) must be equipped with sufficient resources to enable them to play a key role in supporting global economic stability and development. Only through international cooperation can this ambitious agenda succeed.

At the recent G20 meeting and other economic forums, there has been much talk of the need for the net-saving emerging economies of Asia to switch from their role as the supplier of goods to a role of the world's consumer and investor. Nonetheless, this is not an easy adjustment, especially since the Asian economies need to prepare for a rapidly aging society. The International Financial Institutions' role in advising and funding this economic shift is crucial and must be done in a way that do not create unsustainable fiscal burden on already tight budgets.

Thai Economy

Like many other countries, Thailand has also implemented expansionary fiscal and monetary policies. The current government has introduced two successive economic stimulus packages. From early 2009, we introduced the first package focusing on promoting domestic demand through private consumption and extending supports for the poor and low-income groups. We also recently launched the additional stimulus package equivalent to 42 billion USD or 16 percent of GDP on top of normal annual budgets over the next three years to invest in infrastructure development in order to upgrade the country's competitiveness.

As a result of government action and a more stable global environment, the Thai economy in the second quarter of 2009 grew at an annualized rate of 9 percent compared with the first quarter. We believe that the recovery is gaining some traction. Together with the improvement in infrastructure, we hope the Thai economy will return to its sustainable growth path in the medium term.

Regional Economic and Financial Cooperation

We recognize that regional cooperation remains critical. Indeed, Thailand is proud to be the Chair of ASEAN this year and we believe the ASEAN nations and its 550 million people can significantly contribute to the world economy. In order to enhance the effectiveness of the regional liquidity support mechanism, Thailand together with the ASEAN plus three regional partners, namely Japan, China, and South Korea, has agreed to strengthen the Chiang Mai Initiative Multilateralisation (CMIM) and enlarge the liquidity pool. We are now working towards completing a new and more effective framework with greater financing options by the end of this year that would enable the ASEAN plus three to systematically support each other and in the event of liquidity shortfalls and balance of payment difficulties.

Thailand has also played an active role in promoting South-South cooperation. Recognizing the importance of infrastructure development, the Finance Ministers' of ASEAN have made significant progress in creating an infrastructure development fund to further develop connectivity and linkages within the region. We hope that the World Bank and the IMF could provide relevant supports for this new financing innovation. Within the Greater Mekong Sub-region (GMS), Thailand has also been providing development assistance to our neighbors through our Neighboring Countries Economic Development Cooperation Program. Greater Mekong projects funded by this program would help to improve trade facilitation, enhance capacity, and build infrastructure in our neighboring countries to support their development. We invite the World Bank to also work with us to jointly support this South-South cooperation.

Reform of International Financial Institutions (IFIs)

IMF

On the issue of the IMF reform, we stress the importance of enhancing the Fund's legitimacy and governance by ensuring fair representation among members. The representation of the emerging economies, which have played an increasingly important role in the world economy, must be enlarged. The commitments made by the G-20's leaders in their meeting in Pittsburgh to shift quota share by at least 5 percent to dynamic emerging and developing countries is only the first step. We also urge that the criteria to allocate the shift among members must be established and the new quota shares be agreed upon in a fair and transparent manner. In addition, the members' representation in the Executive Board must be reviewed to reflect the new quota distribution—and thus reflect the economic realities.

World Bank

We also support the G20's call for the World Bank and the regional development banks to have sufficient resources to address the challenges and fulfill their mandates. To enable the World Bank to retain its AAA status and meet the needs of member countries in dealing with the crisis and beyond, the Bank must have strong capital base. We urge that all shareholders play their parts in sharing the burden of the Bank's capital needs and that the agreement on the issue of capital increase be reached as soon as possible.

In addition, we strongly support significant increase in the shareholding of the Developing and Transition Countries (DTCs) in the World Bank Group. The shareholding realignment with a significant shift to DTCs to reflect the evolving and growing weight of these countries must be realized as soon as possible. In this respect, we agree with the proposal to institute regular shareholding review and favor using GDP blend as the main criteria for the realignment.

Finally, we must not forget our poorest members whose the economic development has been adversely impacted by the crisis and the additional concessional financial supports will be needed. We urge that donor countries double their efforts to provide additional resources to IDA to cushion the impact of the crisis on these most vulnerable countries.

Thailand looks forward to co-operating with both agencies and all nations in the months and years to come.

TIMOR-LESTE: EMILIA PIRES

Governor of the Bank and the Fund

It is an honor and pleasure to address you all today.

First of all, let me take this opportunity to congratulate the World Bank and the IMF for organizing this successful meeting. On behalf of my country, I would like to extend my gratitude to Turkey for hosting this meeting again after several decades.

Last year when we met at this distinguished gathering the topic of concern was the rising energy cost, the growing demand for oil from industrialized countries and emerging economies, rising food prices, and the scarcity of land for agriculture and for water in many regions. However, a challenging 2008 was made more difficult by near meltdown in the global financial markets at the end of the year.

Going into 2009 on the back of such turbulent economic times was always going to be a challenge. Many countries are now facing the prospects of severe economic downturns, which in some part have been partially alleviated by fiscal stimulus packages. Growing debt, rising unemployment and reduced confidence are major challenges for any generation. But for our generation, they are not all we face.

As we have seen recently following the devastation by earthquakes in Samoa and Indonesia or the flooding in the Philippines, nature can be as volatile as the financial markets. Whether it be caused by the movement of tectonic plates or by the impact of global warming we as an international community cannot ignore the impact of these events. We had not planned for the financial crisis and it may be the case that we remain ill equipped to deal with the climate crisis.

Let us not also forget that these tragic events tend to impact more heavily on the poorer and more disadvantaged nations and members of society. There is research to show that vulnerable groups like women and children can suffer disproportionately more during time of crisis than other members of society and so for example gender mainstreaming of policies is not just about keeping one part of the liberal agenda off our backs, it is yet another important facet of planning that we have failed to adequately consider in the past but must now address. At the same time we need to therefore understand that development strategies need to serve the dual purposes of not only alleviating poverty but also mitigating some of the effects of these very crises.

For Timor-Leste, the main fallout from the ongoing global financial crisis has been a drop in crude oil prices. Otherwise, we have been fortunate in that we have few links to international trade and financial markets, the main effects being indirect. With resources in the Petroleum Fund providing an effective cushion against volatility in the price of its primary export commodity, Timor-Leste is in a good position to weather the storm. Over the coming year the benefits for growth of careful government spending should outweigh the negative impact of the international downturn.

Overall, our domestic economy is poised for continued growth despite difficult conditions elsewhere in the world, with projected growth for 2009 somewhat lower than 2008 but still strong at approximately 8%. As budget allocations shift toward much needed infrastructure development, each dollar of public spending will have a greater positive impact on growth.

However, we realize that careful planning is important as is the coordination of our efforts with our international partners be they bi-lateral or multilateral. We value our relationships with our multi-lateral agencies like the World Bank and the IMF even if we disagree from time to time on policies. Our overall agenda is to reduce poverty and this is a passion we both share.

At the same time we also value our bi-lateral Government relationships both with major regional neighbors like Australia and Indonesia as well as with others further afield in Europe, America and the Pacific. We believe that Timor-Leste has successfully taken its place on the global stage and that whilst we have much to benefit from our bi-lateral partners we also have much to share with the world.

We do this not out of a sense of pride or need or desperation but out of duty and a feeling of shared understanding and responsibility. In Timor we realize we are fortunate that we are somewhat insulated from the winds of market failures currently blowing around the world. This is because we have revenue from natural resources that have so far shielded us. But we know that as a global partner what affects our partners ultimately affects us and therefore we too, even though we may be a small nation, have our role to play.

Let me share with you some of our experiences in the face of crisis. Since our Independence in 2002 and in the space of less than 10 years, we seemed to experience crisis every two years. The current government mandate started in late 2007, precisely one year after the most serious crisis in 2006 which placed our country on the brink of becoming a failed state. 150,000 people became refugees in our own country, former military renegades roamed the mountains as a constant threat to our national stability, the economy contracted by 6%, poverty had increased from 36% in 2001 to a staggering 50% in 2007.

With concerted efforts, the new government (a coalition of 5 political parties) put together some measures to address the immediate problems and kick-start the economy. Our dollarized economy proved effective for price stability. Expansive fiscal policies were adopted to address the key problems, resulting in an economic growth of approximately 13% in 2008, preceded by a growth of 8.4% the year before.

Our Economic Stabilization Fund, something akin to the stimulus packages of the world, helped staved-off inflation and ensured food security. By mid 2009, all the 50 refugee camps around the country were closed down, military renegades were successfully reintegrated into the society, all vulnerable people assisted in one form or another.

Due to these fast track and short-term measures, we can now look forward to improving the management of our economy in a more efficient and competitive manner. We do look at international market to raise our economies of scale to promote prosperity and reduce poverty. Our ambition is to achieve parts, if not all the MDGs by 2015. Therefore, in 2009, with the support of our American friends we have started to address one of the key challenges in Timor-Leste. We aim to introduce a system to start registering land ownership.

Timor-Leste's development needs are enormous. Our infrastructures are poor beginning with roads, ports, airports, water and sanitation, and telecommunications. We intend to address these challenges as pre-conditions to promoting sustainable economic growth, reducing poverty and achieving prosperity. For the first time in our short history, we are exploring ways of borrowing from multi-lateral and bilateral partners to develop our infrastructure needs.

Ultimately the global crisis like the current financial, economic and environmental crisis will have to be dealt with by re-looking at global institutions to better prepare them for the challenges of the 21st century.

2009 has shown us that market failure deeply affects us all. Be it in the field of financial economics, the environment or gender we realize that we need to plan carefully. We need to have short term strategies that shield our most vulnerable people and long term solutions that can hopefully ensure these problems do not beset future generations.

Therefore, it is up to all of us in this room to look both collectively and individually at what actions we have taken in the past, what worked and more importantly what did not work so that we can be better prepared in the future and work collectively to create a more prosperous world for all our citizens.

TONGA: 'OTENIFI AFU'ALO MATOTO

Governor of the Bank and the Fund

It is an honor for me to address the Boards of Governors of the International Monetary Fund and the World Bank Group on behalf of the government of the Kingdom of Tonga at the 2009 Annual Meetings. I wish to extend my appreciation to the government of the Republic of Turkey for their hospitality, excellent arrangements and organization of this important gathering. I also wish to take this opportunity to welcome the Republic of Kosovo as the newest member of the Fund and the Bank.

One year ago, the financial crisis started to unfold in the advanced economies and it was not long before it reached every corner of the globe. The landscape of the global economy has changed significantly. We have witnessed billions of financial assets that have been lost and millions of jobs had been shredded in the course of a few months. This has reversed major development gains that had accumulated over the last decades and the progress towards achieving Millennium Development Goals as well as poverty reduction in developing countries.

Although recent indicators show that the global economy is beginning to recover, uncertainties remain. We need to ensure that any form of complacency is avoided. We commend the action taken by the Bank to mitigate the impact of the crisis by establishing facilities under the Vulnerability Financing Framework. We also note the instruments introduced by the Fund to enable effective response to the needs of member countries. We appreciate the receipts of the general and special allocation of Special Drawing Rights (SDR) which provide much needed support. We acknowledge the continuing cooperation and coordination between these two institutions in their efforts to support financial stability and economic growth.

We note the demand for greater financial resources to be made available from both institutions. We support the strengthening of their capital adequacy and financial resources. We also note the progress report on the second phase of the voice and participation reform to achieve equitable voting power between developed countries and developing and transition member countries. We acknowledge the generosity of donor countries in contributing financial resources towards IDA, and we encourage member countries to subscribe to their IDA shares.

Domestic Economic Development

The revised GDP projection in September 2009 indicated that Tonga's economy contracted by 0.4 percent in the financial year 2008/09. This is largely a result of the global economic crisis which came at a time when Tonga's economy was struggling with the impacts of rising food and fuel prices. The global financial crisis caused remittances to decline by 16 percent which in turn impacted on the whole economy and adversely affecting government revenue.

The outlook for 2009/10 is a projected growth of 0.4 percent. The main drivers of this growth will be infrastructure development, construction and private sector activity. At the same time, a number of reform initiatives are continuing in the public and economic sectors as well as in social and political areas which should all contribute to maintaining macroeconomic stability, developing favorable business environment and achieving future economic growth.

The government of Tonga responded to the global economic crisis through fiscal and monetary stimulus measures. To encourage economic growth and full cooperation with its donor development partners, the government has developed a National Strategic Planning Framework (NSPF), which sets out its priorities for medium and long term development goals. This includes ongoing effort on structural reforms to improve government efficiency and service delivery with greater participation by the private sector.

The government of Tonga recognizes the significant social and economic implications of climate change. Small island states like Tonga are very vulnerable to natural disasters and external shocks. The recent tsunami that struck Tonga, Samoa and American Samoa is a case in point for the vulnerability to natural calamities. The government has established a National Emergency Disaster Fund in order to better adapt and respond to natural disasters and national emergency situations. The current work undertaken by the Bank in developing the Pacific Catastrophe Risk Financing Initiative, in addition to other climate change initiatives, will provide a complementary support to our own effort.

Tonga is highly dependent on fossil fuel for its energy requirement. To reduce its vulnerability to adverse price movements of oil, the government has accorded high priority to developing an energy roadmap to reduce its dependency by 50 percent over the next three years. The World Bank and donor partners are all cooperating in assisting Tonga with this initiative.

The government of the Kingdom of Tonga acknowledges with gratitude all the assistance and support received from the Bank and the Fund and their agencies towards our development endeavors in order to achieve prosperity for all Tongans. In this regard, we acknowledge with pleasure the establishment of the joint Asian Development Bank/World Bank focal office in Tonga in April 2009, and report that it is now in full operation. This development is indeed deepening the working relationship between the government of Tonga and these two institutions.

To conclude, the government of Tonga highly values its partnership with the Bank and the Fund and appreciates all the support it has received from both institutions and their agencies. We look forward to the successful continuation of this partnership in addressing our challenges, strengthening our institutions and building capacities, and supporting economic, social and political development.

TURKEY: ALI BABACAN
Governor of the Fund

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.

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.

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 under-represented dynamic emerging market economies should be increased significantly.

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.

UNITED KINGDOM: ALISTAIR DARLING

Governor of the Fund

As the world starts to emerge from the most synchronized 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 percent 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 stabilizing 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 rationalize 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 advice 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.

Recognizing 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 recognize the efforts of the IMF and its members to ensure the swift mobilization 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 has 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 recognize 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 percent 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.

UNITED STATES: MARK SOBEL

Temporary Alternate Governor of the Bank and the Fund

On behalf of Secretary Geithner and the U.S. delegation, thank you to the people of Istanbul and our host country Turkey. It is fitting that we meet today in this great country—a land at the crossroads of history and civilization.

During the Great Depression, the global economy faced a crossroads, and it chose the path of unilateralism and inwardness. Over the last year, we faced the deepest challenge since then. Standing at another crossroads, the international community chose the path of unprecedented cooperation and multilateralism. We took decisive action to restore growth, boost employment, and repair financial systems. We mobilized nearly $1 trillion in support for emerging markets, helping to slow a serious capital drain.

The United States is doing and will do its part. We supported U.S. and global growth through our stimulus plan, restored confidence in the U.S. financial system through our stability and regulatory reforms as well as our transparent stress tests, and helped stem the loss of confidence facing emerging markets through President Obama's successful call for rapidly mobilizing $500 billion through a renewed New Arrangements to Borrow at the IMF.

We are now witnessing stabilization of the global economy and the beginnings of recovery. But we cannot be complacent. Conditions remain fragile. The international community must implement its critical agenda to sustain the recovery and help create jobs, to strengthen regulatory frameworks, and to begin preparing cooperative exit strategies. We also need to pursue additional trade liberalization, including an ambitious and balanced conclusion to the Doha Development Round.

Together, we recognize that the world cannot return to a pattern of uneven growth, characterized by an excessive reliance on a single engine of consumption-led growth, while others relied heavily on external demand. First and foremost, the responsibility for tackling these problems rests with sovereign governments, including my own.

But as we build a strong, sustained and balanced global economy, we must advance a forward-looking agenda so that the IMF and World Bank can enhance their legitimacy and update their missions to meet future challenges.

For the IMF, this means that rigorous surveillance must help us shed light on trends that could lead to the next unsustainable boom. Under the new G-20 Framework for Strong, Sustainable and Balanced Growth, the IMF must provide forward-looking analysis of whether the world's major countries are implementing economic policies, including exchange rate policies, which are collectively consistent with G-20 objectives. The IMF will need to be a truth-teller.

The World Bank will need to focus more on building resilience to crisis and foundations for prosperity. As the world emerges from crisis, the poorest will require strong and sustained support from the multilateral development banks. With concessional financing deploying more quickly, donors must commit to successful and timely replenishments of IDA and the African Development Fund. When considering the MDB capital requests, we must recognize the importance of maintaining the IBRD's financial soundness. As the centerpiece of the multilateral development system, the World Bank is best positioned to address challenges that require globally coordinated action. In particular, the Bank must more actively prioritize work on three emerging global priorities, agriculture and food security, support in the most fragile environments, and facilitating the transition to a green economy.

For the IMF and World Bank to be effective in these tasks, their broad membership must consider them legitimate and representative. We are delighted that the international community is now committed to achieving a 5% shift in IMF quota share toward dynamic underrepresented countries by January 2011 and the call to shift at least 3% of the Bank's voting power to developing and transition countries and the recommitment to reach an agreement by the 2010 Spring Meetings.

The past six months have plainly demonstrated the benefits of stronger Ministerial engagement in setting strategic policies and priorities at the international financial institutions. To sustain this, we must find a way to enhance the effectiveness and efficiency of both the IMFC and the Development Committee. Furthermore, we need far more efficient and strategic Executive Boards, which better reflect the realities of the global economy.

In closing, the international community has rarely shared such a sense of common purpose and urgency. All of our countries—developing, emerging, or advanced—want to avoid a repeat of the worst economic crisis in decades. So let us press forward on this path of multilateralism to offer greater hope and prosperity for people in every corner of the world.

VIETNAM: NGUYEN VAN GIAU

Governor of the Bank and the Fund

First of all, on behalf of the Government of Vietnam, I would like to express our sincere thanks to all of you here today for appointing Vietnam as the Chairman of the 2009 IMF/WB Annual Meetings. This chairmanship shows international community's confidence in Vietnam and is a great honor for us.

The global financial and economic crisis is having dramatic effects on the world economic growth. As currently projected by the World Bank, the global output is expected to shrink by 2.9 percent in 2009, global trade by 10 percent. Growth in developing countries is projected to fall at the rate of 1.2 percent. GDP of these countries except China and India is also expected to fall at the rate of 1.6%. Meanwhile, private investment flows to developing countries plummeted by more than 40% in 2008 as access to international capital markets dried up. Unemployment in industrial countries shows an increasing trend.

Under such circumstances, countries have called for unprecedented policy responses which aimed at reversing the adverse impacts of the global crisis, recovering economic growth and ensuring the socioeconomic achievements. Through unilateral and multilateral actions, governments have drawn on monetary policy, fiscal stimulus and guarantee programs to shore up the banking sector, thus contributing to the economic growth and job creation. Those actions are beginning to have a positive impact on financial markets, where liquidity conditions in global interbank markets have begun to ease, credit risk premiums has narrowed and equity markets have staged to tentative revival. However, the policy agenda for stabilizing financial markets and fostering global economic recovery is broad and complex; therefore, major challenges still remain. This situation calls for both short-term and longer-term coordination of actions at the global level of the Bretton Woods institutions such as the WBG and the IMF.

Now, let me highlight very briefly the main contributions of the two institutions over the last year to help member countries cope with adverse impact of the global crisis, restore growth and maintain the global efforts in fighting against poverty.

In order to support developing member countries to deal with adverse impact of global financial crisis and restore economic growth and social security, we highly appreciate the WB's call for a "0.7% of stimulus packages pledge" of its developed countries to the global Vulnerability Fund to help these developing countries. This Fund has a very significant role in supporting developing countries to implement their economic stimulus as well as to cover their budget deficits.

We particularly appreciate the Bank's recent initiatives to focus on three priority areas, including (i) safety net programs to protect the most vulnerable; (ii) maintaining investments in infrastructure; and (iii) support for small and medium size enterprises and microfinance. These initiatives include the Global Food Crisis Response Program (GFRP) with total value of US$2 billion, the rapid social response programs (RSR), the IDA Fast Track Facility, the Infrastructure Recovery and Assets Platform providing US$45 billion for infrastructure over the next three years and other IFC's private sector support programs including the Global Trade Finance Program (US$3 billion), the Microfinance Enhancement Facility (US$500 million) and advisory services programs etc.

In order to ensure a balanced and sustainable growth, we also welcome the Bank's initiatives in maintaining trade flows, advising against protectionism and ensuring financing. Particularly, the Global Trade Liquidity Program of the Bank will support up to US$50 billion to preserve trade flows over three years. Over recent years, the Bank has had very encouraging efforts in initiating and coordinating actions to mitigate risk of the climate change. We support the role of the Climate Investment Fund under which the donors have successfully pledged US$6 billion, complementing the Global Environment Fund and others.

In modernizing the WBG to meet with increasing demand, we appreciate very much the Enhancing Voice and Participation of Developing and Transition Countries in the WBG. This program has created positive impacts to help increase voice and participation of these countries in the operations of the Bank.

We highly appreciate the major timely changes in operational policy of the IMF in the common efforts to respond to the global economic and financial crisis. In face of new developments in world economic conditions, the Fund has reformed its lending framework towards increasing access limits, renovating lending facilities responsive to the demand of member countries, and application of more focused and flexible program conditions, allowing for higher pro-poor spending. This enhancement of lending facilities has been highly appreciated by the international community. Furthermore, the Fund has adjusted its policy advice to give more attention to monetary support, develop exit strategy and consider practical situation of the member countries, thereby raising effectiveness and appropriateness of the Fund's programs. Especially, the general SDR allocation has greatly support international reserves of member countries, in particular the developing ones.

We also commend the Fund for augmenting its financial support for crisis resolution and prevention, which reached the record-setting level of US$167 billion. We call on the attention of donors to implementing the G-20 commitments on generating additional lending resources for the Fund in support of the developing members' efforts in resolving adverse impacts of the global crisis.

Concerning post-crisis direction, we hold that the Fund's initiation of reforming international financial architecture and governance, in which quota and voice is a focal component, is of great importance to preventing future crisis and laying solid foundation for sustainable global development.

Taking this opportunity, I would provide you with a briefing of the latest developments in my country since our last meeting. Over the last year, Vietnam was affected directly by many unfavorable factors from the global financial crisis, resulting in the downsizing of export and production and adversely impacting employment and living of the people.

Under such circumstances, the Government of Vietnam has asserted that all efforts should be required to actively prevent economic downturn, promote production and export, stimulate investment and consumption and ensure social security. To this end, we mainly focus on implementation of expanded fiscal and flexible monetary policies.

For fiscal policy, we continue to implement expanded fiscal policy by increasing budget expenditures for development and investment, introducing interest rate subsidy schemes, exemptions and deferrals of tax payments for enterprises. Personal Income Tax (PIT) has been deferred during first five months of 2009, together with reduction of 30% of Corporate Income Tax (CIT) for small and medium enterprises in the last quarter of 2008 and 2009 etc. In addition, the Government also focuses much on mobilizing and disbursing FDI and ODA funds, especially for infrastructure projects, high-tech production projects with large value of exports and job creation.

For the first eight months of this year, we also implemented cautiously relaxed monetary policy and flexible exchange rate policy in line with close monitoring and projecting of the movements of both global and domestic economic and financial conditions, with a view to reversing economic downturn, preventing recurrent inflation and maintaining macro stability. In addition, we closely monitor the movements in domestic money markets and forecasting effectively money supply—demand, establishing management information system to make forecasts on movements of the markets; strengthening banking supervision activities, especially the offsite supervision in combination with monitoring actual business activities of each commercial banks in order to timely deal with problems arised and secure the system stability.

Thanks to above-mentioned uniform and bold stimulus actions, economic downturn was reversed successfully, macroeconomic indicators were stabilized and the confidence of the people and both domestic and foreign business was restored. Macroeconomic trend showed positive sign with economic growth of 4.5% for the first 9 months of 2009, slowed down but with higher growth by each quarter and still higher than those of other countries in the region and the whole world; inflation contained at a lower level of 4.11% for the first 9 months of 2009 in comparison with that of 21.87% for the same 9 months of 2008; trade deficit is much lower than that of 2008; foreign direct investment totally registered at US$12.5 billion with total disbursement of US$7.2 billion showing the confidence of foreign investors in Vietnam's medium and long-term economic perspective; better production and business activities; and recovered real estate and securities markets.

However, we see that from now on until the end of 2009, the world economy and domestic economy might have complicated movements. In this context, Government of Vietnam will continue to focus on implementation of the "5 groups of measures," which include: (i) continuing to implement announced solutions to stimulate domestic demand and consumption; (ii) gradually restructuring our economy; (iii) furthering the exploitation and expansion of markets for exports; (iv) actively preventing the recurrence of inflation; and (v) continuing to make good progress in poverty reduction.

In addition to our own efforts, the support from WBG and IMF is always appreciated by the Government of Vietnam. Particularly, the financial support of the WBG and the advisory assistance of the IMF have contributed significantly to building up the key fundamentals for economic development of Vietnam. Over the past 15 years, the Bank and the Fund have proved their significant role in helping Vietnam in its economic development and poverty reduction. As of September 2009, the WBG has provided more than US$9.83 billion of concessional funds, thus becoming one of the biggest ODA providers for Vietnam. The Government also has frequent effective macroeconomic policy consultation and discussion with the IMF.

In conclusion, I would like to convey our sincere thanks to the management and staff of the Fund and the Bank for efficient support extended to Vietnam thus far. I wish the Meetings a splendid success.

CONCLUDING REMARKS BY THE CHAIRMAN NGUYEN VAN GIAU

As we reach the end of these Annual Meetings, let us briefly take stock of our discussions, and consider the implications for the Bank, the Fund, and member countries, as we continue to strive to improve the lives of those we represent.

We welcomed the Bretton Woods Institutions' leadership of the collaborative near-term response to the most serious international economic crisis since the 1930s. We commended the Bank's efforts to keep the poor and vulnerable at the top of the agenda through crisis-related projects focused on social protection programs and safety nets, long-term infrastructure investment, and private sector led economic growth. We recognized the Fund for driving the immediate international policy response to the crisis, and for rapidly providing financing to countries in need through vastly augmented resources and comprehensive overhaul of the Fund's financing framework. We noted that the efforts of both institutions and member governments have helped pull the global economy back from the abyss, but emphasized that recovery depends on continued policy support before implementing exit strategies.

We agreed that the Bank, the Fund, and member governments must press ahead with cooperative longer term efforts to restore confidence and tackle pre-existing vulnerabilities. We resolved that we will work together diligently to support growth, and improve the standard of living in developing countries. We urged steps to revive trade flows, including by avoiding protectionism in any form, and successfully concluding an ambitious Doha Development Round. We highlighted the need to tackle the effects of climate change, including through continued Bank emphasis on helping countries move toward climate-resilient development plans, sharing adaptation lessons, and facilitating global dialogue. Governors called on the Fund to continue working with member governments as they reform the financial system, improve regulation, and strengthen risk management. We urged further efforts to strengthen surveillance of the global economy, including through the Fund's partnership with the Financial Stability Board on the Early Warning Exercise, and greater analysis of macro-financial linkages.

Governors underscored that the Bretton Woods Institutions must continue to modernize if they are to remain effective. We urged further governance reforms to enhance the voice and participation of developing and emerging market economies in order to augment their role and encourage policy cooperation.

It is in the face of the daunting challenges we confront today that we are reminded once again of why the World Bank and the International Monetary Fund were established over 60 years ago. It is clear that multilateral cooperation is the only way to manage the problems of today's interdependent world.

It has been a privilege to serve as Chairman of the Board of Governors of this year's Annual Meetings. I thank you for your support and cooperation, which have resulted in fruitful meetings. Allow me to reiterate my deep appreciation to Mr. Zoellick and Mr. Strauss-Kahn for their outstanding leadership at this critical time. I also commend the staffs of the Bank and the Fund for their expertise and dedication, particularly in light of the heightened demands on both institutions.

I would like to thank Ms. Georgieva and Mr. Kincaid and the staff of the Joint Secretariat, particularly the Assistant Secretary for Conferences, Ms. Yeo, for the successful organization of the meetings. I would also like to thank the two Vice Chairmen, the Governors of Lithuania and Tunisia, who ably assisted me in my role of Chairman. Let me reiterate my deep gratitude to the people and authorities of Turkey, and especially to our very gracious hosts in this lovely city of Istanbul.

Finally, to my successor as Chairman of the Boards of Governors, the Governor for Nigeria, I extend my best wishes for a successful year.

Before adjourning I wish all the Governors and delegates a safe journey home. I look forward to seeing you next year in Washington, D.C.

NIGERIA: MANSUR MUHTAR

Governor of the Bank and the Fund

It is a great honor for Nigeria to accept the chairmanship of the Board of Governors for 2010. Fellow Governors, please join me in thanking Dr. Nguyen Van Giau for the remarkable manner in which he has conducted this year's meetings.

As you will all agree, these meetings have been driven by our shared conviction that unprecedented global challenges require unprecedented global solutions. We recalled that, as the financial crisis led to the worst global recession in three-quarters of a century, affecting people in every country, the Bretton Woods Institutions were called upon to lead a strong collaborative response. We commended the Fund's leadership of the coordinated policy actions, and the provision of rapid, large-scale, and flexible financing to countries in all regions, including by overhauling its lending and conditionality framework. We also recognized the Bank's leadership in addressing the human crisis that has resulted from the financial and economic crisis through continued measures to tackle poverty via projects focused on social protection, long-term-infrastructure investment, and private sector led economic growth.

We agreed that eventual recovery from the financial turmoil and global recession will not, by any means, mark the end of our efforts. We have to ensure that a crisis of these dimensions—so costly in human, as well as financial, terms—does not occur again. To this end, we need to address the underlying vulnerabilities. The Fund must continue working with national and multilateral partners to reform the international financial system, and further strengthen its surveillance of the world economy. The Bank must press forward with actions to revive global trade and address climate change effects. We called on both these institutions to work closely with member governments to better understand the causes of the crisis, and apply lessons drawn from these experiences, to support financial and economic stability and broad-based prosperity.

Recognizing that the world continues to change at a rapid pace, we underscored the need for continued modernization of the Bretton Woods Institutions in order to enhance their effectiveness and meet emerging challenges. At the center of these efforts, we called for continued quota and voice reform to increase policy ownership and encourage cooperation.

We thank Mr. Strauss-Kahn and Mr. Zoellick for their visionary leadership of the International Monetary Fund and the World Bank at this crucial time. Let us thank the staffs of the Fund and the Bank for rising to the demands of the current challenges through their hard work and dedication. We thank the people and authorities of Turkey for hosting the meetings, and we particularly express our gratitude and deep appreciation to the people and authorities of Istanbul.

I look forward to working with all of you to tackle the important challenges ahead, and to seeing you at our Annual Meetings next year in Washington, D.C.

DOCUMENTS OF THE BOARD OF GOVERNORS SCHEDULE OF MEETINGS[1,2,3]

Tuesday October 6	10:00 a.m.	Opening Ceremonies Address from the Chair Annual Address by President, World Bank Group[4] Annual Address by Managing Director, International Monetary Fund Annual Discussion
	2:30 p.m.	Annual Discussion (continued)
Wednesday October 7	9:30 a.m.	Annual Discussion (continued)
	2:30 p.m.	Annual Discussion (continued)
Following the conclusion of the Annual Discussion		Procedures Committees Reports Closing Adjournment

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[1] *The Meetings were held at Istanbul Congress Center and all sessions were joint.*

[2] *The morning sessions adjourned at 1:00 p.m., and afternoon sessions adjourned at 6:00 p.m.*

[3] *The International Monetary and Financial Committee and the Development Committee met on Sunday, October 4, and Monday, October 5, respectively.*

[4] *The World Bank Group consists of the following:*
International Bank for Reconstruction and Development (IBRD)
International Finance Corporation (IFC)
International Development Association (IDA)
International Centre for Settlement of Investment Disputes (ICSID)
Multilateral Investment Guarantee Agency (MIGA)

PROVISIONS RELATING TO THE CONDUCT OF THE MEETINGS[1]

ADMISSION

1. Session of the Boards of Governors of the World Bank Group and the International Monetary Fund will be joint and shall open to accredited press, guests and staff.
2. Meetings of the Joint Procedures Committee shall be open only to Governors who are members of the Committee and their advisers, Executive Directors, and such staff as may be necessary.

PROCEDURES AND RECORDS

3. The Chairman of the Boards of Governors will establish the order of speaking at each session. Governors signifying a desire to speak will generally be recognized in the order in which they ask to speak.
4. With the consent of the Chairman, a Governor may extend his statement in the record following advance submission of the text to the Secretaries.
5. The Secretaries will have verbatim transcripts prepared of the proceedings of the Boards of Governors and the Joint Procedures Committee. The transcripts of proceedings of the Joint Procedures Committee will be confidential and available only to the Chairman, the President of the World Bank Group, the Managing Director of the International Monetary Fund, and the Secretaries.
6. Reports of the Joint Procedures Committee shall be signed by the Committee Chairman and the Reporting Members.

PUBLIC INFORMATION

7. The Chairman of the Boards of Governors, the President of the World Bank Group and the Managing Director of the International Monetary Fund will communicate to the press such information concerning the proceedings of the Annual Meetings as they may deem suitable.

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[1] *Approved on March 19, 2009, pursuant to the By-laws, IBRD Section 5(d), IFC Section 4(d), and IDA Section 1(a).*

AGENDA

BANK[1]

Annual Report
Financial Statements and Annual Audit
Allocation of FY09 Net Income
Administrative Budget for FY10
Annual Report of the Development Committee
Selection of the Members of the Joint Procedures Committee and its Officers for 2009–2010

IFC[1]

Annual Report
Financial Statements and Annual Audit
Use of IFC's FY09 Net Income: Retained Earnings and Designated Retained Earnings
Administrative Budget for FY10

IDA[1]

Annual Report
Financial Statements and Annual Audit
Administrative Budget for FY10

MIGA[2]

Annual Report
Financial Statements and Annual Audit
Selection of the Members of the MIGA Procedures Committee and its Officers for 2009–2010

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[1] *Approved on August 11, 2009, pursuant to the By-Laws, IBRD Sections 5(a), IFC Section 4(a), and IDA Section 1(a).*

[2] *Approved on August 11, 2009, pursuant to Section 4(a) of the MIGA By-Laws.*

JOINT PROCEDURES COMMITTEE

Chairman . . . . Vietnam

Vice Chairmen . . . . Lithuania
Tunisia

Reporting Member . . . . Liberia

Members

The Bahamas
China
Côte d'Ivoire
Czech Republic
Djibouti
France
Germany
Haiti
India
Iraq
Japan
Liberia
Lithuania
Montenegro
New Zealand
Nigeria
Saudi Arabia
Spain
Tunisia
United Kingdom
United States
Uzbekistan
Vietnam

REPORTS OF THE
JOINT PROCEDURES COMMITTEE
REPORT I

October 5, 2009

The Joint Procedures Committee approved on October 5, 2009, submission of the following reports and recommendations on Bank and IDA business to the Boards of Governors:

1. *2009 Annual Report*

   The Committee noted that the 2009 Annual Report and the activities of the Bank and IDA would be discussed at these Annual Meetings.

2. *Financial Statements, Annual Audits, and Administrative Budgets*

   The Committee considered the Financial Statements, Accountants' Report, and Administrative Budgets contained in the 2009 Bank and IDA Annual Report, together with the Report dated June 24, 2009.

   The Committee recommends that the Boards of Governors of the Bank and IDA adopt the draft Resolutions. . . .[1]

3. *Allocation of FY09 Net Income*

   The Committee considered the Report of the Executive Directors, dated August 5, 2009, on the Allocation of FY09 Net Income. . . .[2]

   The Committee recommends that the Board of Governors of the Bank adopt the draft resolution. . . .[3]

[1] *These resolutions were subsequently approved. See pages 201 and 210.*
[2] *This resolution was subsequently approved. See page 223.*
[3] *This resolution was subsequently approved. See page 201.*

The Committee further approved submission of the following reports and recommendations on IFC business to the Board of Governors:

1. *2009 Annual Report*

   The Committee noted that the 2009 Annual Report and the activities of the IFC would be discussed at these Annual Meetings.

2. *Financial Statements, Annual Audit, Administrative Budget and Designation of Retained Earnings*

   The Committee considered the Financial Statements and Accountants' Report, the Administrative Budget and the Designation of Retained Earnings based on IFC's FY09 Net Income contained in the 2009 Annual Report, dated June 24, 2009.

   The Committee recommends that the Board of Governors of IFC adopt the draft resolution. . . .[1]

   Approved:

/s/ Nguyen Van Giau	/s/ Augustine Kpehe Ngafuan
Vietnam—Chairman	Liberia—Reporting Member

(This report was approved and its recommendations were adopted by the Board of Governors on October 5, 2009)

[1] *This resolution was subsequently approved. See page 205.*

JOINT PROCEDURES COMMITTEE
REPORT III[1]

October 5, 2009

The Joint Procedures Committee approved on October 5, 2009, submission of the following reports and recommendations:

1. *Development Committee*

The Committee noted that the Report of the Chairman of the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee) would be circulated to the Boards of Governors of the Bank and Fund pursuant to paragraph 5 of Resolutions Nos. 29-9 and 294 of the Bank and Fund, respectively . . .[2] and subsequently entered into the record.

The Committee recommends that the Boards of Governors of the Bank and Fund note the report and thank the Development Committee for its work.

2. *Officers and Joint Procedures Committee for 2009/2010*

The Committee recommends that the Governor for Nigeria be Chairman, and that the Governors for China and Jamaica be Vice Chairmen, of the Boards of Governors of the World Bank Group and the Fund, to hold office until the close of the next Annual Meetings.

It is further recommended that a Joint Procedures Committee be established to be available, after the termination of these meetings and until the close of the next Annual Meetings, for consultation at the discretion of the Chairman, normally by correspondence and, if the occasion requires, by convening; and that this Committee shall consist of the Governors for the following members: China, Colombia, Democratic Republic of the Congo, Denmark, France, Germany, Hungary, Jamaica, Japan, Mexico, Morocco, Nigeria, Papua New Guinea, Poland, Portugal, Saudi Arabia, Sri Lanka, Thailand, Ukraine, United Arab Emirates, United Kingdom, United States and Uruguay.

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[1] *Report II related to business of the Fund.*
[2] *See page 25.*

It is recommended that the Chairman of the Joint Procedures Committee shall be the Governor for Nigeria and the Vice Chairmen shall be the Governors for China and Jamaica and that the Governor for Poland shall serve as Reporting Member.

Approved:

/s/ Nguyen Van Giau Vietnam—Chairman	/s/ Augustine Kpehe Ngafuan Liberia—Reporting Member

(This report was approved and its recommendations were adopted by the Board of Governors on October 5, 2009)

MIGA PROCEDURES COMMITTEE

Chairman	Vietnam
Vice Chairmen	Lithuania Tunisia
Reporting Member	Liberia

Members

The Bahamas
China
Côte d'Ivoire
Czech Republic
Djibouti
France
Germany
Haiti
India
Iraq
Japan
Liberia
Lithuania
Montenegro
New Zealand
Nigeria
Saudi Arabia
Spain
Tunisia
United Kingdom
United States
Uzbekistan
Vietnam

REPORT OF THE
MIGA PROCEDURES COMMITTEE
REPORT I

October 5, 2009

The MIGA Procedures Committee approved on October 5, 2009, submission of the following reports and recommendations on business on the agenda of the Council of Governors of MIGA:

1. *2009 Annual Report*

   The Committee noted that provision had been made for discussion of the 2009 Annual Report and the activities of MIGA at this Annual Meeting.

2. *Financial Statements and Annual Audit*

   The Committee considered the Financial Statements and Accountants' Report contained in the 2009 Annual Report.

   The Committee recommends that the Council of Governors adopt the draft Resolution. . . .[1]

3. *Officers and Procedures Committee for 2009/2010*

   The Committee recommends that the Governor for Nigeria be Chairman and the Governors for China and Jamaica be Vice Chairmen of the Council of Governors of MIGA to hold office until the close of the next Annual Meeting.

   It is further recommended that a Procedures Committee be established to be available, after the termination of this Annual Meeting and until the close of the next Annual Meeting, for consultation at the discretion of the Chairman, normally by correspondence and, if the occasion requires, by convening; and that this committee shall consist of the Governors for the following members: China, Colombia, Democratic Republic of the Congo, Denmark, France, Germany, Hungary, Jamaica, Japan, Mexico, Morocco, Nigeria, Papua New Guinea, Poland, Portugal, Saudi Arabia, Sri Lanka, Thailand,

[1] *This resolution was subsequently approved. See page 214.*

Ukraine, United Arab Emirates, United Kingdom, United States and Uruguay.

It is recommended that the Chairman of the Procedures Committee shall be the Governor for Nigeria and the Vice Chairmen shall be the Governors for China and Jamaica, and that the Governor for Poland shall serve as Reporting Member.

Approved:

/s/ Nguyen Van Giau	/s/ Augustine Kpehe Ngafuan
Vietnam—Chairman	Liberia—Reporting Member

(This report was approved and its recommendations were adopted by the Board of Governors on October 5, 2009)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF THE BANK BETWEEN THE 2008 AND 2009 ANNUAL MEETINGS

Resolution No. 596

Enhancing Voice and Participation of Developing and Transition Countries

WHEREAS the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (the Development Committee) reviewed, at its October 2008 meeting, proposals from the Executive Directors of the Bank for a first step of reforms to enhance the voice and participation of developing countries and countries in transition in the World Bank Group, and has called for prompt action to implement these reforms;

WHEREAS the Report of the Executive Directors sets forth the actions needed by the Board of Governors for approval of the proposals; and

WHEREAS the Executive Directors have requested the Board of Governors to vote on the following Resolution without meeting, pursuant to Section 12 of the By-Laws of the Bank;

NOW THEREFORE, the Board of Governors, noting the recommendations and the said Report of the Executive Directors, hereby resolves as set forth below.

(A) *Increase in Basic Votes.* The Board of Governors hereby resolves that:

1. Article V, Section 3(a) of the Articles of Agreement of the Bank shall be amended to read as follows:

Section 3. *Voting*

"(a) The voting power of each member shall be equal to the sum of its basic votes and share votes.
  (i) The basic votes of each member shall be the number of votes that results from the equal distribution among all members of 5.55 percent of the aggregate sum of the voting

power of all the members, provided that there shall be no fractional basic votes.

(ii) The share votes of each member shall be the number of votes that results from the allocation of one vote for each share of stock held."

2. The amendment above shall enter into force for all members as of the date three months after the Bank certifies, by formal communication addressed to all members, that three-fifths of the members, having 85% of the total voting power, have accepted the amendment.

(B) *Allocation of Shares.* The Board of Governors hereby resolves that, pursuant to Article II, Section 3(b) of the Articles of Agreement of the Bank, the Bank is hereby authorized to accept additional subscriptions to shares of its capital stock upon the following conditions:

1. Each of the members of the Bank listed below may subscribe up to the maximum number of shares of stock of the Bank set forth opposite its name:

Member Country	*Maximum Number of Shares*
Argentina	269
Brazil	708
China	1,036
India	1,036
Indonesia	185
Iran, Islamic Republic of	434
Korea, Republic of	209
Kuwait	136
Mexico	294
Nigeria	119
Poland	69
Russian Federation	1,036
Saudi Arabia	1,036
South Africa	142
Ukraine	69
Venezuela, Republica Bolivariana de	339

2. Each subscription authorized pursuant to paragraph 1 above shall be on the following terms and conditions:
   (a) The subscription price per share shall be par;
   (b) No member may subscribe to any shares until the amendment in Part A of this Resolution shall have entered into force; and

(c) A member may subscribe within six months after such amendment shall have entered into force, or until such later time as the Executive Directors may determine, up to one year after such entry into force.

3. The Bank shall call the 2% and 18% portions of subscriptions made pursuant to this Resolution only when required to meet obligations of the Bank for funds borrowed or on loans guaranteed by it, and not for use by the Bank in its lending activities or for administrative expenses.

4. Prior to subscribing to the shares in the Bank authorized under paragraph 1 above, a member authorized to make additional subscriptions to the International Development Association under replenishment resolutions of the Association's Board of Governors prior to the Association's Fifteen Replenishment shall have completed such additional subscriptions; provided that this requirement shall not apply to additional subscriptions of members who were Contributing Members under any of such replenishment resolutions.

5. Before any subscription shall be accepted by the Bank, the following actions shall have been taken: (i) the member shall have taken all action necessary to authorize such subscription and shall furnish to the Bank such information thereon as the Bank may request, and (ii) the member shall have made the payments provided for in paragraph 4 above.

6. After the subscription deadline set pursuant to paragraph 2(c) above, shares authorized for subscription pursuant to paragraph 1 above that have not been subscribed shall become part of the Bank's authorized and unallocated capital stock.

(C) *Increase in Elected Executive Directors.* The Board of Governors hereby resolves that, in order for the Bank's member countries in Sub-Saharan Africa to be represented by three Executive Directors:

1. In accordance with Article V, Section 4(b) of the Articles of Agreement of the Bank, the number of elected Executive Directors shall be increased to twenty (20) for the Regular Election of Executive Directors in 2010.

2. If the Executive Directors, having been so requested by such member countries, consider earlier action appropriate, the Executive Directors shall transmit to the Board of Governors for approval a

mechanism to add an Executive Director for the interim period ending October 31, 2010.

(Adopted January 30, 2009)

Resolution No. 597

Membership of the Republic of Kosovo

WHEREAS, the Government of the Republic of Kosovo has applied for admission to membership in the International Bank for Reconstruction and Development in accordance with Section 1(b) of Article II of the Articles of Agreement of the Bank;

WHEREAS, pursuant to Section 19 of the By-Laws of the Bank, the Executive Directors, after consultation with representatives of the Government of the Republic of Kosovo, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Kosovo shall be admitted to membership in the Bank shall be as follows:

1. *Definitions:* As used in this Resolution:
   (a) "Bank" means International Bank for Reconstruction and Development.
   (b) "Articles" means the Articles of Agreement of the Bank.
   (c) "1979 Additional Capital Increase Resolution" means Board of Governors' Resolution No. 347 entitled "1979 Additional Increase in Authorized Capital Stock and Subscriptions Thereto" adopted on January 4, 1980, as amended by Resolution No. 419 adopted on August 17, 1987.

2. *Membership in the Fund:* Before accepting membership in the Bank, the Republic of Kosovo shall accept membership in and become a member of the International Monetary Fund.

3. *Subscription:* By accepting membership in the Bank, the Republic of Kosovo shall subscribe to 716 shares of the capital stock of the

Bank at par on the terms and conditions set forth or referred to in paragraph 4 hereof.

4. *Payments on Subscription:*
   (a) Upon accepting membership in the Bank, the Republic of Kosovo shall pay to the Bank under Article II, Section 7(i) of the Articles on account of the subscription price of each of the 716 shares subscribed pursuant to paragraph 3 of this Resolution:
      (i) United States dollars equal to 0.6% (six-tenths of one percent) of the said subscription price; and
      (ii) An amount in its own currency which, at the appropriate prevailing exchange rate, shall be equal to 5.4% (five and four-tenths of one percent) thereof.
   (b) The Bank shall call the amounts of subscription under paragraph 3 of this Resolution payable under the said Article II, Section 7(i) which are not required to be paid under paragraph 4(a) above only when required to meet obligations of the Bank for funds borrowed or on loans guaranteed by it and not for use by the Bank in its lending activities or for administrative expenses.

5. *Acceptance of Subscription:* Before the Bank shall accept the Republic of Kosovo's subscription to the shares set out in paragraph 3 of this Resolution, the following action shall have been taken:
   (a) The Republic of Kosovo shall have taken all action necessary to authorize such subscription and shall furnish to the Bank all such information thereon as the Bank may request; and
   (b) With respect to and on account of the subscription price of the said shares, the Republic of Kosovo shall pay to the Bank the amounts set forth in paragraph 4(a) above.

6. *Representation and Information:* Before accepting membership in the Bank, the Republic of Kosovo shall represent to the Bank that it has taken all action necessary to sign and deposit the instrument of acceptance and sign the Articles as contemplated by paragraphs 7(d) and (e) of this Resolution and the Republic of Kosovo shall furnish to the Bank such information in respect of such action as the Bank may request.

7. *Effective Date of Membership:* The Republic of Kosovo shall become a member of the Bank with a subscription as set forth in

paragraph 3 of this Resolution as of the date when the Republic of Kosovo shall have complied with the following requirements:

(a) become a member of the International Monetary Fund;
(b) made the payments called for by paragraph 4 of this Resolution;
(c) furnished the representation, and such information as may have been requested by the Bank, pursuant to paragraph 6 of this Resolution;
(d) deposited with the Government of the United States of America an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this Resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this Resolution; and
(e) signed the original Articles held in the archives of the Government of the United States of America.

8. *Additional Subscription on Terms and Conditions of the 1979 Additional Capital Increase Resolution:* The Republic of Kosovo may subscribe 250 shares of the capital stock of the Bank on the terms and conditions specified in paragraphs 2 and 3 of the 1979 Additional Capital Increase Resolution, provided, however, that notwithstanding the provision of paragraph 2(b) of the said Resolution, the Republic of Kosovo may subscribe such shares up to December 31, 2009, or such later date as the Executive Directors may determine.

9. *Limitation on Period for Fulfillment of Requirements of Membership:* The Republic of Kosovo may fulfill the requirements for membership in the Bank pursuant to this Resolution until December 31, 2009, or such later date as the Executive Directors may determine.

(Adopted June 3, 2009)

Resolution No. 598

Amendments to the Statute of the World Bank Administrative Tribunal

RESOLVED:

(a) THAT the Report of the Executive Directors dated April 21, 2009 on “Amendments to the Statute of the World Bank Administrative Tribunal” is hereby accepted;

(b) THAT the amendments to the Statute of the Administrative Tribunal of the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation, set out in Attachment I to said Report, are hereby adopted, with effect from the date of adoption, for applications filed after that date.

(Adopted June 18, 2009)

Resolution No. 599

Transfer from Surplus to Replenish the Trust Fund for Gaza and West Bank

RESOLVED:

THAT the Bank transfer from surplus, by way of grant, US$55,000,000 to the Trust Fund for Gaza and West Bank, such transfer to be drawn down by the International Development Association as needed; provided, however, that the amount of such grant may at any time be changed by the International Development Association into an equivalent amount in other currencies.

(Adopted July 10, 2009)

Resolution No. 600

Forthcoming Annual Meetings of the Boards of Governors of The World Bank Group and the International Monetary Fund

2010 and 2011 Annual Meetings in Washington, D.C.

RESOLVED:

THAT the 2010 Annual Meetings shall be convened in Washington, D.C., on Monday, October 11, 2010; and

THAT the 2011 Annual Meetings shall be convened in Washington, D.C., on Monday, September 26, 2011.

(Adopted September 28, 2009)

Resolution No. 601

Forthcoming Annual Meetings of the Boards of Governors of The World Bank Group and the International Monetary Fund

2012 Annual Meetings

RESOLVED:

THAT the invitation of the Arab Republic of Egypt ("Egypt") to hold the Annual Meetings in 2012 be accepted;

THAT the 2012 Annual Meetings be convened in October 2012; and,

THAT the selection of one of two proposed sites for the Meetings in Egypt and the precise dates thereof be made by the Executive Directors following a further assessment.

(Adopted September 28, 2009)

RESOLUTIONS ADOPTED
BY THE BOARD OF GOVERNORS OF THE BANK
AT THE 2009 ANNUAL MEETINGS

Resolution No. 602

Financial Statements, Accountants' Report and Administrative Budget

RESOLVED:

THAT the Board of Governors of the Bank consider the Financial Statements, Accountants' Report and Administrative Budget, included in the 2009 Annual Report, as fulfilling the requirements of Article V, Section 13, of the Articles of Agreement and of Section 18 of the By-Laws of the Bank.

(Adopted October 7, 2009)

Resolution No. 603

Allocation of FY09 Net Income

RESOLVED:

1. THAT the Report of the Executive Directors dated August 5, 2009 on "Allocation of FY09 Net Income" is hereby noted with approval;

2. THAT the addition to the pension reserve of $25 million for the reasons given in the Report of the Executive Directors is hereby noted with approval;

3. THAT the IBRD transfer to the International Development Association, by way of a grant out of the FY09 allocable net income of the IBRD, $500 million (plus or minus any rounding amounts of less than $1 million), which amount may be used by the Association to provide financing in the form of grants in addition to loans, such transfer to be drawn down by the Association immediately upon approval by the Board of Governors of the IBRD; and

4. THAT the IBRD transfer from surplus, by way of grant, $283.3 million, which amount may be used by the Association to provide financing in the form of grants in addition to loans, such transfer to

be drawn down by the Association immediately upon approval by the Board of Governors of the IBRD.

(Adopted October 7, 2009)

Resolution No. 604

Resolution of Appreciation

RESOLVED:

That the Boards of Governors of the World Bank Group and of the International Monetary Fund express their deep appreciation to the Government and people of Turkey for their gracious and warm hospitality during these Annual Meetings;

That they express their gratitude for the excellent facilities at the Istanbul Congress Valley that were made available for the Annual Meetings; and

That they express particular appreciation to the Governors and Alternate Governors for Turkey and to their associates for the many contributions they made toward ensuring the success of the 2009 Annual Meetings.

(Adopted October 7, 2009)

RESOLUTION ADOPTED BY THE BOARD OF GOVERNORS OF IFC BETWEEN THE 2008 AND 2009 ANNUAL MEETINGS

Resolution No. 249

Membership of the Republic of Kosovo

WHEREAS, the Government of the Republic of Kosovo has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of the Republic of Kosovo, has made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Kosovo shall be admitted to membership in the Corporation shall be as follows:

1. *Definitions:* As used in this Resolution:
   (a) "Corporation" means International Finance Corporation.
   (b) "Articles" means the Articles of Agreement of the Corporation.
   (c) "Dollars" or "$" means dollars in currency of the United States of America.

2. *Subscription:* By accepting membership in the Corporation, the Republic of Kosovo shall subscribe to 1,454 shares of the capital stock of the Corporation at the par value of $1,000 per share.

3. *Payment of Subscription:* Before accepting membership in the Corporation, the Republic of Kosovo shall pay $1,454,000 to the Corporation representing payment in full for the 1,454 shares of the capital stock subscribed.

4. *Information:* Before accepting membership in the Corporation, the Republic of Kosovo shall furnish to the Corporation such

information relating to its application for membership as the Corporation may request.

5. *Effective Date of Membership:* The Republic of Kosovo shall become a member of the Corporation with a subscription as set forth in paragraph 2 of this Resolution as of the date when the Republic of Kosovo shall have complied with the following requirements:
   (a) become a member of the International Bank for Reconstruction and Development;
   (b) made the payment called for by paragraph 3 of this Resolution;
   (c) furnished such information as may have been requested by the Corporation pursuant to paragraph 4 of this Resolution;
   (d) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this Resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this Resolution; and
   (e) signed the original Articles held in the archives of the International Bank for Reconstruction and Development.

6. *Limitation on Period for Fulfillment of Requirements of Membership:* The Republic of Kosovo may fulfill the requirements for membership in the Corporation pursuant to this Resolution until December 31, 2009, or such later date as the Board of Directors may determine.

(Adopted June 3, 2009)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IFC AT THE 2009 ANNUAL MEETINGS

Resolution No. 250

Financial Statements, Accountants' Report, Administrative Budget and Designations of Retained Earnings

RESOLVED:

1. THAT the Board of Governors of the Corporation consider the Consolidated Financial Statements and Independent Auditors' Report included in the 2009 Annual Report and the Administrative Budget contained in the Report of the Board of Governors on IFC's FY10 Business Plan and Budget (the "Report"), as fulfilling the requirements of Article IV, Section 11, of the Articles of Agreement and of Section 16 of the By-Laws of the Corporation;

2. THAT the Report is hereby noted with approval;

3. THAT the Corporation's FY09 Net Loss of $151 million shall be transferred to undesignated retained earnings;

4. THAT the reversal of previous designation of $200 million of retained earnings for IFC's Performance Based Grants Initiative/IFC Infra-Ventures/IFC SME-Ventures is hereby noted with approval; and

5. THAT the Board of Directors' authorization to make an exception to the principles-based distribution policy requirements previously approved by the Board of Directors (IFC2007-0079) and the designation of $200 million of retained earnings in IFC's Fiscal Year 2010 financial statements for grants to International Development Association for use by the Association in the form of grants in furtherance of IFC's purpose, which, as set forth in Article I of the Corporation's Articles of Agreement, is "to further economic development by encouraging the growth of productive private enterprise in the Corporation's member countries, particularly in the less developed areas, thus supplementing the activities of the International Bank for Reconstruction and Development," is hereby noted with approval.

(Adopted October 7, 2009)

Resolution No. 251

Resolution of Appreciation

RESOLVED:

That the Boards of Governors of the World Bank Group and of the International Monetary Fund express their deep appreciation to the Government and people of Turkey for their gracious and warm hospitality during these Annual Meetings;

That they express their gratitude for the excellent facilities at the Istanbul Congress Valley that were made available for the Annual Meetings; and

That they express particular appreciation to the Governors and Alternate Governors for Turkey and to their associates for the many contributions they made toward ensuring the success of the 2009 Annual Meetings.

(Adopted October 7, 2009)

RESOLUTION ADOPTED BY THE BOARD OF GOVERNORS OF IDA BETWEEN THE 2008 AND 2009 ANNUAL MEETINGS

Resolution No. 221

Membership of the Republic of Kosovo

WHEREAS, the Government of the Republic of Kosovo has applied for admission to membership in the International Development Association in accordance with Section 1(b) of Article II of the Articles of Agreement of the Association;

WHEREAS, pursuant to Section 9 of the By-Laws of the Association, the Executive Directors, after consultation with representatives of the Government of the Republic of Kosovo, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Kosovo shall be admitted to membership in the Association shall be as follows:

1. *Definitions:* As used in this Resolution:
   (a) "Association" means International Development Association.
   (b) "Articles" means the Articles of Agreement of the Association.
   (c) "Dollars" or "$" means dollars in currency of the United States of America.

2. *Initial Subscription:*
   (a) The terms and conditions of the membership of the Republic of Kosovo in the Association other than those specifically provided for in this Resolution shall be those set forth in the Articles with respect to the membership of original members listed in Part II of Schedule A thereof (including, but not by way of limitation, the terms and conditions relating to subscriptions, payments on subscriptions, usability of currencies and voting rights).

(b) Upon accepting membership in the Association, the Republic of Kosovo shall subscribe funds in the amount of $560,000 expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960, that is to say, pursuant to the decision of the Executive Directors of the Association of June 30, 1986 on the valuation of initial subscriptions, $675,556 in current United States dollars, and shall pay the latter amount to the Association as follows: (a) ten percent either in gold or in freely convertible currency, and (b) ninety percent in the currency of the Republic of Kosovo. As of the date the Republic of Kosovo will become a member of the Association, 612 votes shall be allocated to the Republic of Kosovo in respect of such subscription, consisting of 112 subscription votes and 500 membership votes.

3. *Effective Date of Membership:* The Republic of Kosovo shall become a member of the Association with a subscription as set forth in paragraph 2(b) of this Resolution as of the date when the Republic of Kosovo shall have complied with the following requirements:
   (a) become a member of the International Bank for Reconstruction and Development;
   (b) made the payments called for by paragraph 2 of this Resolution;
   (c) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this Resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this Resolution; and
   (d) signed the original Articles held in the archives of the International Bank for Reconstruction and Development.

4. *Limitation on Period for Fulfillment of Requirements of Membership:* The Republic of Kosovo may fulfill the requirements for membership in the Association pursuant to this Resolution until December 31, 2009, or such later date as the Executive Directors may determine.

5. *Additional Subscriptions:* Upon or after acceptance of membership, the Republic of Kosovo shall also be authorized at its option to make an additional subscription in the amount of $199,400, comprising subscriptions corresponding to the Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth and Fifteenth Replenishments, and to the Multilateral

Debt Relief Initiative, which shall carry 48,398 votes, calculated on the basis of 7,198 subscription votes and 41,200 membership votes, and which shall be subject to the following terms and conditions:

(a) Payment of such additional subscription shall be made in the currency of the Republic of Kosovo within 30 days after the Republic of Kosovo notifies the Association of its intention to make such additional subscription.

(b) The rights and obligations of the Association and the Republic of Kosovo with regard to such additional subscription shall be the same (except as otherwise provided in this Resolution) as those which govern the 90 percent portion of the initial subscriptions of original members payable under Article II, Section 2(d) of the Articles by members listed in Part II of Schedule A of the Articles, provided, however, that the provisions of Article IV, Section 2 of the Articles shall not be applicable to such subscription.

(Adopted June 3, 2009)

RESOLUTIONS ADOPTED
BY THE BOARD OF GOVERNORS OF IDA
AT THE 2009 ANNUAL MEETINGS

Resolution No. 222

Financial Statements, Accountants' Report and Administrative Budget

RESOLVED:

THAT the Board of Governors of the Association consider the Financial Statements, Accountants' Report and Administrative Budget, included in the 2009 Annual Report, as fulfilling the requirements of Article VI, Section 11, of the Articles of Agreement and of Section 8 of the By-Laws of the Association.

(Adopted October 7, 2009)

Resolution No. 223

Resolution of Appreciation

RESOLVED:

That the Boards of Governors of the World Bank Group and of the International Monetary Fund express their deep appreciation to the Government and people of Turkey for their gracious and warm hospitality during these Annual Meetings;

That they express their gratitude for the excellent facilities at the Istanbul Congress Valley that were made available for the Annual Meetings; and

That they express particular appreciation to the Governors and Alternate Governors for Turkey and to their associates for the many contributions they made toward ensuring the success of the 2009 Annual Meetings.

(Adopted October 7, 2009)

RESOLUTIONS ADOPTED BY THE COUNCIL OF GOVERNORS OF MIGA BETWEEN THE 2008 AND 2009 ANNUAL MEETINGS

Resolution No. 82

Enhancing Voice and Participation of Developing and Transition Countries

WHEREAS the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (the Development Committee) reviewed, at its October 2008 meeting, proposals from the Executive Directors of the Bank for a first step of reforms to enhance the voice and participation of developing countries and countries in transition in the World Bank Group, and has called for prompt action to implement these reforms;

WHEREAS in order to address the need for greater representation of the member countries in Sub-Saharan Africa, there is consensus of members to strengthen the representation for these countries on the MIGA Board, so that three Directors would represent these countries, rather than two;

WHEREAS Article 32(b) of the Convention Establishing the Multilateral Investment Guarantee Agency ("the MIGA Convention") provides that the number of Directors may be adjusted by the Council;

NOW THEREFORE the Council of Governors resolves that, in order for MIGA's member countries in Sub-Saharan Africa to be represented by three Directors:

1. In accordance with Article 32(b) of the MIGA Convention, the number of Directors shall be increased to twenty-five (25) for the Regular Election of Directors in 2010.

2. If the Board, having been so requested by such member countries, considers earlier action appropriate, the Board shall transmit to the Council of Governors for approval a mechanism to add a Director for the interim period ending October 31, 2010.

3. Any increase under paragraph 1 or 2 above shall take effect only if the Board of Governors of the International Bank for Reconstruction and Development shall have approved a similar increase in the

number of elected Executive Directors as provided for in Part C of the IBRD Board of Governors Resolution entitled, "Enhancing Voice and Participation of Developing and Transition Countries."

(Adopted January 30, 2009)

Resolution No. 83

Membership of the Republic of Kosovo

WHEREAS, the Government of the Republic of Kosovo has applied for admission to membership in the Multilateral Investment Guarantee Agency in accordance with Article 4(a) of the Convention Establishing the Agency;

WHEREAS, pursuant to Section 17(c) of the By-Laws of the Agency, the Board of Directors, after consultation with representatives of the Government of the Republic of Kosovo, has made recommendations to the Council of Governors regarding this application;

NOW, THEREFORE, the Council of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Kosovo shall be admitted to membership in the Agency shall be as follows:

1. Definitions: As used in this resolution:
   (a) "Agency" means Multilateral Investment Guarantee Agency.
   (b) "Convention" means Convention Establishing the Multilateral Investment Guarantee Agency.

2. Before becoming a party to the Convention, the Republic of Kosovo shall accept membership in and become a member of the International Bank for Reconstruction and Development.

3. Upon deposit of its instrument of ratification, acceptance or approval of the Convention, the Republic of Kosovo shall be obligated to:
   (i) subscribe at par to 96 shares of the capital stock of the Agency; and
   (ii) pay in full to the Agency the paid-in portions of the subscription price of such shares in accordance with Articles 7 and 8 of the Convention.

4. With effect from the date of the fulfillment of the conditions set forth in paragraphs 2 and 3 above, the Republic of Kosovo shall be admitted to membership and shall be classified as a Category Two (developing country) member for the purposes of the Convention.

(Adopted June 3, 2009)

RESOLUTIONS ADOPTED BY THE COUNCIL OF GOVERNORS OF MIGA AT THE 2009 ANNUAL MEETINGS

Resolution No. 84

Financial Statements and the Report of the Independent Accountants

RESOLVED:

THAT the Council of Governors of the Agency consider the Financial Statements, and the Report of Independent Accountants included in the 2009 Annual Report, as fulfilling the requirements of Article 29 of the MIGA Convention and of Section 16(b) of the By-Laws of the Agency.

(Adopted October 7, 2009)

Resolution No. 85

Resolution of Appreciation

RESOLVED:

That the Boards of Governors of the World Bank Group and of the International Monetary Fund express their deep appreciation to the Government and people of Turkey for their gracious and warm hospitality during these Annual Meetings;

That they express their gratitude for the excellent facilities at the Istanbul Congress Valley that were made available for the Annual Meetings; and

That they express particular appreciation to the Governors and Alternate Governors for Turkey and to their associates for the many contributions they made toward ensuring the success of the 2009 Annual Meetings.

(Adopted October 7, 2009)

REPORTS OF THE EXECUTIVE DIRECTORS OF THE BANK

November 25, 2008

Enhancing Voice and Participation of Developing and Transition Countries

1. The 2002 Monterrey Consensus encouraged the Bank and the International Monetary Fund ("the Fund") "to continue to enhance participation of all developing countries and countries with economies in transition (DTC) in their decision making and thereby to strengthen the international dialogue and the work of these institutions as they address the development needs and concerns of these countries." Since then, the World Bank Group has continued its progress on aspects of enhanced Voice and Participation for its DTC members. In October 2008, the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (the Development Committee) reviewed proposals from the Executive Directors of the Bank for a first step of reforms to enhance the voice and participation of DTC members in the World Bank Group, and called for prompt action to implement these reforms.

2. The Executive Directors are therefore recommending the reforms set out below for approval by the Board of Governors, by an eighty percent majority of total voting power in accordance with Article V, Section 4(b) of the Articles of Agreement of the Bank. If approved by the Board of Governors, the proposed amendment to the Articles of Agreement in paragraph A.1 of the attached resolution would be transmitted to the Bank's member countries for acceptance in accordance with Article VIII(a).

3. *Increase in Basic Votes.* The voting power of each Bank member is composed of 250 votes per member (Basic Votes) and one vote for each share of IBRD capital stock held (Share Votes). (Article V, Section 3(a)) At present, Basic Votes represent 2.86% of total IBRD voting power, compared to 10.78% at the time of the Bank's founding in 1944. The Executive Directors recommend an increase in Basic Votes to 5.55% of total votes for all members (an effective doubling from current levels), which would strengthen the relative voting power of members with a smaller shareholding, many of which are part of the DTC group. An amendment to the Articles

that sets Basic Votes at this percentage of 5.55% would prevent future reductions in the proportion of total voting power that Basic Votes represent. For calculation purposes, rounding would be used to avoid fractional Basic Votes.

4. *Allocation of Shares.* The proposed increase in Basic Votes would raise the voting power of the smaller IBRD shareholders, most of which are members of the DTC group, and reduce the voting power of larger shareholders, some of which are also members of the DTC group. The Executive Directors recommend an exceptional allocation of available IBRD shares to mitigate that decline, for sixteen members. These members would be offered the opportunity to subscribe to IBRD shares as listed in paragraph B.1 of the draft Resolution, within six months (and no later than one year) after the effectiveness of the amendment to increase Basic Votes. Subscriptions to these shares would, on an exceptional basis and not as a precedent, be made fully callable, with no paid-in portion but with full contingent liability for them. Participating non-donor members would be required to be current on their regular IDA subscriptions prior to IDA15.

5. *Increase in Elected Executive Directors.* The countries of Sub-Saharan Africa (SSA) are now represented by two Executive Directors, in the two largest Board constituencies with over twenty countries in each. The Bank Group has placed considerable emphasis on development in Africa in recent years, with active programs of Bank Group activities in these countries. Recognizing the constraints on voice and representation in the current configuration, the Executive Directors recommend that the number of elected Executive Directors be increased to 20, starting with the 2010 Regular Election of Executive Directors. If, before then, the Executive Directors, having been so requested by the SSA member countries concerned, consider earlier action appropriate, the Executive Directors shall transmit to the Board of Governors for approval a mechanism to add an Executive Director for the interim period ending October 31, 2010.
6. Consequently, the Executive Directors recommend that the Board of Governors adopt the draft resolution. . . .[1]

(This report was approved and its recommendation was adopted by the Board of Governors on January 30, 2009)

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[1] *This resolution was subsequently approved.* *See page 193.*

April 21, 2009

Membership of the Republic of Kosovo

1. In accordance with Section 19 of the By-Laws of the International Bank for Reconstruction and Development, Section 9 of the By-Laws of the International Development Association and Section 17 of the By-Laws of the International Finance Corporation, the applications of the Republic of Kosovo for membership in the Bank, IDA and IFC are hereby submitted to the Boards of Governors.

2. The attached draft Resolutions on membership in the Bank, IDA and IFC conform substantially to the pattern for such Resolutions.

3. Representatives of the Republic of Kosovo have been consulted informally regarding the terms and conditions recommended in the attached draft Resolutions and they have raised no objection thereto.

4. The draft Resolutions . . .[1] are recommended for adoption by the Boards of Governors of the Bank, IDA and IFC, respectively.

(This report was approved and its recommendation was adopted by the Board of Governors on June 3, 2009)

April 21, 2009

Amendments to the Statute of the World Bank Administrative Tribunal

1. The World Bank Administrative Tribunal was established in 1980 by the Boards of Governors of the International Bank for Reconstruction and Development (the Bank), the International Development Association and the International Finance Corporation to provide Bank Group staff with a forum for redress of grievances under their contracts of employment. Tribunal access was also afforded to staff of the Multilateral Investment Guarantee Agency after its establishment in 1988. The Tribunal has rendered decisions in nearly 400 cases brought by staff, and has achieved an international reputation for the quality of its jurisprudence and its role in articulating a code of fair treatment of staff.

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[1] *These resolutions were subsequently approved. See pages 196, 207, and 203.*

2. In 2001, following extensive consultations, several changes were made to the Tribunal, some of which involved amendments by the Board of Governors to the Statute of the Tribunal. Further changes are proposed to further enhance the effectiveness and independence of the Tribunal. These proposals originated in a number of assessments commissioned by the Bank's Management, and have been evaluated and developed in consultation with the World Bank Group Staff Association. Some of the changes include amendments to the Statute of the Tribunal, which, pursuant to Article XVI of the Statute, require the approval of the Board of Governors of the Bank.

3. The Executive Directors have approved the draft amendments to the Statute set out in Attachment I hereto, and have authorised the submission of these amendments to the Board of Governors for approval. These amendments consist of new provisions dealing with three matters.
   (a) A new article is proposed that states explicitly that the Tribunal functions independently of the management of the Bank Group.
   (b) With respect to the status of the members of the Tribunal, the amendments would confirm that they enjoy the same immunities enjoyed by Bank staff with respect to their judicial functions.
   (c) With respect to the day-to-day operations of the Tribunal and its Secretariat, the amendments would confirm that the preparation and management of the Tribunal's budget are to be handled independently.

4. In addition, the Executive Directors have endorsed, for the consideration of the Tribunal, procedural changes to further expedite the processing of applications filed with the Tribunal and to enable the Tribunal to conduct more oral proceedings when it deems it necessary.

5. Accordingly, the Executive Directors recommend that the Board of Governors adopt the draft Resolution. . . .[1]

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[1] *This resolution was subsequently approved. See page 198.*

Proposed Amendments to the Statute of the Administrative Tribunal of the International Bank for Reconstruction and Development, International Development Association and International Finance Corporation

A. Article I shall be amended to read as follows:

ARTICLE I

1. There is hereby established a Tribunal of the International Bank for Reconstruction and Development (hereinafter referred to individually as the "Bank"), the International Development Association and the International Finance Corporation (together with the Bank hereinafter referred to collectively as the "Bank Group") to be known as the World Bank Administrative Tribunal.

2. The Tribunal is a judicial body that functions independently of the management of the Bank Group. The independence of the Tribunal shall be guaranteed and respected by the Bank Group at all times.

B. Article IV shall be amended to read as follows:

ARTICLE IV

1. The Tribunal shall be composed of seven members, all of whom shall be nationals of Member States of the Bank, but no two of whom shall be nationals of the same State. The members of the Tribunal shall be persons of high moral character and must possess the qualifications required for appointment to high judicial office or be jurisconsults of recognized competence in relevant fields such as employment relations, international civil service and international organization administration. Current and former staff of the Bank Group shall not be eligible to serve as members of the Tribunal and members may not be employed by the Bank Group following their service on the Tribunal.

2. The members of the Tribunal shall be appointed by the Executive Directors of the Bank from a list of candidates nominated by the President of the Bank after appropriate consultation. For this purpose, the President shall appoint an advisory committee composed of four members with relevant experience.

3. The members of the Tribunal shall be appointed for a term of five years; they may be reappointed for one additional term of five years.

However, of the seven members appointed in 2001, the terms of three members shall expire at the end of three years. Any member who shall have served one or more full terms of office as of October 1, 2001 shall be eligible for reappointment for one additional term.

4. A member appointed to replace a member whose term of office has not expired shall hold office for the remainder of his or her predecessor's term, and may be appointed and reappointed in accordance with the provisions of paragraphs 2 and 3 of this Article IV.

5. The members of the Tribunal shall hold office until replaced.

6. Members of the Tribunal shall enjoy the same immunities that apply to officials of the Bank Group with respect to acts performed by them in the exercise of their functions.

C. Article VI shall be amended to read as follows:

ARTICLE VI

1. The Tribunal shall elect a President and two Vice-Presidents from among its members.

2. The President of the Bank shall make the administrative arrangements necessary for the functioning of the Tribunal, including designating an Executive Secretary who, in the discharge of duties, shall be responsible only to the Tribunal.

3. The expenses of the Tribunal shall be borne by the Bank Group. The Tribunal shall prepare and manage its budget independently.

(This report was approved and its recommendation was adopted by the Board of Governors on June 18, 2009)

May 28, 2009

Transfer from Surplus to Replenish the Trust Fund for Gaza and West Bank

1. On October 19, 1993, by the terms of Resolution No. 93-11 and IDA 93-7, the Executive Directors of the International Bank for Reconstruction and Development (Bank) and the International Development Association (Association) approved the establishment of the Trust Fund for Gaza. On November 11, 1993, by the

terms of Resolution No. 483, the Board of Governors of the Bank approved the transfer from surplus, by way of grant, of US$50 million to the Trust Fund for Gaza. On August 1, 1995, by the terms of Resolution No. 95-6 and IDA 95-3, the Executive Directors of the Bank and the Association amended Resolution No. 93-11 and IDA 93-7 by (a) expanding the territorial scope of the activities to be financed out of the Trust Fund for Gaza to include such areas, sectors and activities in the West Bank which are or will be under the jurisdiction of the Palestinian Authority pursuant to the relevant Israeli-Palestinian agreements; and (b) changing the name of the "Trust Fund for Gaza" to "Trust Fund for Gaza and West Bank." On October 12, 1995, by the terms of Resolution No. 500, the Board of Governors approved the transfer to the Trust Fund for Gaza and West Bank, by way of grant out of the Bank's FY95 net income, of US$90 million. On December 19, 1996, by the terms of Resolution No. 96-11 and No. IDA 96-7, the Executive Directors of the Bank and the Association further amended Resolution No. 93-11 and IDA 93-7 by (a) introducing flexibility to the terms under which resources may be provided out of the Trust Fund for Gaza and West Bank; and (b) requiring that the repayment of trust fund credits made out of the Trust Fund for Gaza and West Bank accrue to the Association as part of its resources. Additional funding was provided by transfers from surplus or net income approved by the Bank's Board of Governors on February 3, 1997 (US$90 million, Resolution 511), July 13, 1998 (US$90 million, Resolution No. 519), September 30, 1999 (US$60 million, Resolution No. 529), February 4, 2004 (US$80 million, Resolution No. 556), January 31, 2007 (US$50 million, Resolution No. 584), and June 17, 2008 (US$55 million, Resolution No. 589).

2. In view of the material contribution that the Bank's financial assistance makes to Palestinian economic welfare, the Executive Directors consider that the Trust Fund for Gaza and West Bank should be replenished. They recommend that the Board of Governors authorize the transfer from surplus of the amount of US$55 million to the Trust Fund for Gaza and West Bank.

3. Accordingly, the Executive Directors recommend that the Board of Governors adopt the draft Resolution. . . .[1]

(This report was approved and its recommendation was adopted by the Board of Governors on July 10, 2009)

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[1] *This resolution was subsequently approved. See page 199.*

Forthcoming Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund

2010 and 2011 Annual Meetings in Washington, D.C. and 2012 Annual Meetings

September 4, 2009

The Annual Meetings of the Boards of Governors of the World Bank Group (Bank) are held in accordance with Article V, Section 2(c) of the Bank's Articles of Agreement and Section 2(a) of the Bank's By-Laws, Article IV, Section 2(d) of the IFC's Articles, Article VI, Section 2(d) of the IDA's Articles, and Article 31(c) of the MIGA Convention and Section 1(a) of the MIGA's By-Laws.

Further to the foregoing, the Executive Directors of the Bank and the International Monetary Fund (Fund) recommend to the Boards of Governors the dates and venues for forthcoming Annual Meetings. These recommendations are made well in advance due to the contractual obligations that are required in connection with the arrangements for the Meetings.

With respect to the 2010 and 2011 Annual Meetings, it is recommended that the Annual Meetings be convened in Washington, D.C., beginning on Monday, October 11, 2010, and Monday, September 26, 2011, respectively, and that the Board of Governors adopt the attached Resolution (Annex I).

With respect to the 2012 Annual Meetings, the Governors of the Bank and the Fund for the Arab Republic of Egypt have invited the World Bank Group and the Fund to hold the 2012 Annual Meetings of the Boards of Governors in Egypt in October 2012. The Executive Directors have considered the assurances given by the Government of the Arab Republic of Egypt and have noted that acceptance of the invitation would be in accordance with the traditional practice of meeting elsewhere than in Washington, D.C., every third year. The Government of the Arab Republic of Egypt has proposed two possible sites for the Meetings. The Executive Directors consider that both sites are acceptable. However, before one of the sites is selected, a further assessment of the more suitable location will be carried out by the Bank/Fund Conferences Office. The Executive Directors recommend that the Governors delegate to the Executive Directors the selection of one of the two proposed sites and the precise dates for the 2012 Annual Meetings.

Accordingly, the Executive Directors recommend that the Board of Governors adopt the draft Resolution. . . .[1]

(This report was approved and its recommendation was adopted by the Board of Governors on September 28, 2009)

August 5, 2009

Allocation of FY09 Net Income

1. The General Reserve (including cumulative exchange rate translation adjustment) of the IBRD as of June 30, 2009 was $26,127 million. As of that date, the surplus of the IBRD was $595 million, and the Special Reserve created under Article IV, Section 6 of the IBRD's Articles of Agreement totaled $293 million. The IBRD's reported net income for the fiscal year ended June 30, 2009 (FY09) amounted to $3,114 million. IBRD's Operating Income (referred to as "Income before fair value adjustment on non-trading portfolios, net and Board of Governors-approved transfers" in the FY09 external financial statements) is used as net income for annual net income allocation purposes. For FY09, Operating Income was $572 million, of which $11 million that has been transferred to the Externally Financed Outputs Adjustment Account and $36 million that has been transferred to the LTIP Adjustments Account are excluded from allocable net income.

2. The Executive Directors have considered what action to take, or to recommend that the Board of Governors take, with respect to FY09 net income. The Executive Directors have concluded that the interests of the IBRD and its members would best be served by the following dispositions of the net income of the IBRD:
   (a) the addition of $25 million to the pension reserve representing the excess of the SRP and RSBP contribution amounts over the accounting expense;
   (b) the transfer to the International Development Association, by way of a grant of $500 million (plus or minus any rounding amounts of less than $1 million), from FY09 allocable net

[1] *These resolutions were subsequently approved. See pages 199 and 200.*

income, which amount would be usable to provide financing in the form of grants in addition to loans; and

(c) the transfer to the International Development Association, by way of a grant of $283.3 million, from surplus, which amount would be usable to provide financing in the form of grants in addition to loans.

3. Accordingly, the Executive Directors recommend that the Board of Governors note with approval the present Report and adopt the draft. . . .[1]

(This report was approved and the Board of Governors adopted its recommendations on October 5, 2009)

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[1] *This resolution was subsequently approved. See page 201.*

REPORT OF THE BOARD OF DIRECTORS OF IFC

April 21, 2009

Membership of the Republic of Kosovo

1. In accordance with Section 19 of the By-Laws of the International Bank for Reconstruction and Development, Section 9 of the By-Laws of the International Development Association and Section 17 of the By-Laws of the International Finance Corporation, the applications of the Republic of Kosovo for membership in the Bank, IDA and IFC are hereby submitted to the Boards of Governors.

2. The attached draft Resolutions on membership in the Bank, IDA and IFC conform substantially to the pattern for such Resolutions.

3. Representatives of the Republic of Kosovo have been consulted informally regarding the terms and conditions recommended in the attached draft Resolutions and they have raised no objection thereto.

4. The draft Resolutions . . .[1] are recommended for adoption by the Boards of Governors of the Bank, IDA and IFC, respectively.

(This report was approved and its recommendation was adopted by the Board of Governors on June 3, 2009)

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[1] *This resolution was subsequently approved. See page 203.*

REPORT OF THE BOARD OF DIRECTORS OF IDA

April 21, 2009

Membership of the Republic of Kosovo

1. In accordance with Section 19 of the By-Laws of the International Bank for Reconstruction and Development, Section 9 of the By-Laws of the International Development Association and Section 17 of the By-Laws of the International Finance Corporation, the applications of the Republic of Kosovo for membership in the Bank, IDA and IFC are hereby submitted to the Boards of Governors.

2. The attached draft Resolutions on membership in the Bank, IDA and IFC conform substantially to the pattern for such Resolutions.

3. Representatives of the Republic of Kosovo have been consulted informally regarding the terms and conditions recommended in the attached draft Resolutions and they have raised no objection thereto.

4. The draft Resolutions . . .[1] are recommended for adoption by the Boards of Governors of the Bank, IDA and IFC, respectively.

(This report was approved and its recommendation was adopted by the Board of Governors on June 3, 2009)

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[1] This resolution was subsequently approved. *See page 207.*

REPORTS OF THE BOARD OF DIRECTORS OF MIGA

November 25, 2008

Enhancing Voice and Participation of Developing and Transition Countries

1. The 2002 Monterrey Consensus encouraged the International Bank for Reconstruction and Development (the Bank) and the International Monetary Fund "to continue to enhance participation of all developing countries and countries with economies in transition (DTC) in their decision making and thereby to strengthen the international dialogue and the work of these institutions as they address the development needs and concerns of these countries." Since then, the World Bank Group has continued its progress on aspects of enhanced Voice and Participation for its DTC members. In October 2008, the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (the Development Committee) reviewed proposals from the Executive Directors of the Bank for a first step of reforms to enhance the voice and participation of DTC members in the World Bank Group, and called for prompt action to implement these reforms.

2. The countries of Sub-Saharan Africa (SSA) are now represented by two Directors, in the two largest Board constituencies with over twenty countries in each. The Bank Group has placed considerable emphasis on development in Africa in recent years, with active programs of Bank Group activities in these countries. Recognizing the constraints on voice and representation in the current configuration, the Board of Directors recommends that the number of Directors be increased to 25, starting with the 2010 Regular Election of Directors. If, before then, the Board of Directors, having been so requested by the SSA member countries concerned, considers earlier action appropriate, the Board shall transmit to the Council of Governors for approval a mechanism to add a Director for the interim period ending October 31, 2010. The additional Director for MIGA will be added only if an additional Executive Director for

the Bank is added in accordance with the draft Resolution to the Bank's Board of Governors, entitled "Enhancing Voice and Participation of Developing and Transition Countries."

3. Consequently, the Board of Directors recommends that the Council of Governors adopt the resolution. . . .[1]

(This report was approved and the Board of Governors adopted its recommendations on January 30, 2009)

April 21, 2009

Membership of the Republic of Kosovo

1. In accordance with the By-Laws of the Multilateral Investment Guarantee Agency, the application of the Republic of Kosovo for membership in the Agency is hereby submitted to the Council of Governors.

2. Representatives of the Republic of Kosovo have been consulted informally regarding the terms and conditions recommended in the attached draft Resolution and they have raised no objection thereto.

3. Accordingly, the Board of Directors recommends that the Council of Governors adopt the draft Resolution. . . .[2]

(This report was approved and the Board of Governors adopted its recommendations on June 3, 2009)

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[1] *This resolution was subsequently approved. See page 211.*
[2] *This resolution was subsequently approved. See page 212.*

ACCREDITED MEMBERS OF DELEGATIONS AT THE 2009 ANNUAL MEETINGS

Afghanistan

Governor
Omar Zakhilwal

Alternate Governor
Mohammad M. Mastoor

Adviser
Patrick K. Asea
Gretchen Biery
Samiullah Ibrahimi
Shah Mehrabi
Azim Nasser-Zia

Albania

Governor
Ridvan Bode

Alternate Governor
Fatos Ibrahimi

Adviser
Arjana Cela
Xhentil Demiraz

Algeria

Governor
Karim Djoudi

Alternate Governor
Abdelhak Bedjaoui

Adviser
Hadia Amrane
Mohamed Benhocine
Sid Ahmed Dib
Soraya Mellali

Angola

Governor
Ana Afonso Dias Lourenco

Alternate Governor
Antonio Gomes Furtado

Adviser
Silvino Bento
Manuel Neto da Costa
Manuel Dias
Ana Maria Oliveira
Antonio Manuel Ramos Da Cruz
Licinio De Freitas Vaz Contreiras

Antigua and Barbuda #

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Whitfield Harris

Alternate Governor
Rasona E. Davis

Argentina

Governor
Amado Boudou

Alternate Governor
Martin Redrado

Adviser
Mauro Alem
Juan Carlos Barboza
Arnaldo M. Bocco
Felix Alberto Camarasa
Martin Chojo
Matias Collavini
Gabriela Costa
Guadalupe del Valle
Gonzalo Etcheverry
Carlos Guberman
Juan Guinazu
Jose Antonio Hanna
Carlos Hourbeigt
Mario Cesar Huck
Matias Kulfas
Fernando Meanos
Eduardo Patitucci
Sergio Poggi
Pedro Rabasa
Alejandro Robba
Hector Romano
Walter Saracco
Fabiola Vela Velazquez

* Temporary
<> Not a member of IFC
\# Not a member of IDA

Carlos Vittori
Ricardo Zuberbuhler

Armenia

Governor
Vahram Nercissiantz

Alternate Governor
Artur Nakhshikyan

Australia

Governor
Nicholas Sherry

Alternate Governor
Geoff Francis *

Adviser
Philippa Brown
Robert Christie
Gina De Pretto
Peter Doyle
Tibet Drabble
Damien Dunn
Jim Hagan
Toni Harmer
Katrina Harrigan
Geoff Rea
Christopher Tinning
Adam Wand
Michael Wight

Austria

Governor
Josef Proell

Alternate Governor
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Guenther Schoenleitner *

Adviser
Sigrid Berka
Marco Garcia
Elfriede Geissler
Gerhard Goetz
Heidemaria Guerer
Gerhard Gunz
Michael Hoellerer
Konstantin Huber
Paul Jenewein
Daniel Kapp
Thomas Mayer
Walter Mayr
Franz Rabitsch
Harald Waiglein
Thomas Wieser

Bahamas, The

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Alternate Governor
Zhivargo Laing
Ehurd Cunningham *

Adviser
Robert Henry
Carl Oliver
Simon D. Wilson

Bahrain #

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Alternate Governor
Yousif Abdulla Humood

Adviser
Kamal Ahmed
Salman Al Khalifa
Omer Duran
Zakaria Ahmed Hejres
Ahmed Jasim Farraj Othman
Hamad Sayyar
Trevor Stokes
Boyd Winton

Bangladesh

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Abul Maal A. Muhith

Alternate Governor
M. Musharraf Hossain Bhuiyan
Kazi M. Aminul Islam *
A.K.M. Masihur Rahman *

Adviser
Nayem Uddin Ahmed

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* Temporary
<> Not a member of IFC
Not a member of IDA

Barbados

Governor
David J.H. Thompson

Alternate Governor
Grantley W. Smith

Adviser
Winston Cox
Patrick McCaskie

Belarus #

Governor
Andrei V. Kobyakov

Alternate Governor
Gennady Medvedev *

Adviser
Sergei Aleinik
Andrei Ermolovich
Valery Kolesnik
Evgeny Lipen
Vadim Sergeevich Misyukovets
Evgeny Nesterenko

Belgium

Governor
Didier Reynders

Alternate Governor
Luc E.J. Coene
Bernard Andre Clerfayt *
Franciscus Godts *

Adviser
Gino Alzetta
Frederic De Coninck
Anthony De Lannoy
Ronald De Swert
Erwin De Wandel
Philippe Gerard
Olivier Henin
Willy Kiekens
David Marechal
Johan Rosseel
Stephane J.M.E B. Rottier
Dirk Slaats
Peter Van Acker

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Adviser
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Martin Nani Gbedey

Bhutan

Governor
Lyonpo Wangdi Norbu

Alternate Governor
Nim Dorji

Adviser
Pema Wangyel

Bolivia

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Alternate Governor
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Hernando Larrazabal Cordova

Bosnia and Herzegovina

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Mirsad Colic
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Aleksandar Dzombic
Kemal Kozaric
Radmila Mihic
Ljiljana Milicevic

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<> Not a member of IFC
\# Not a member of IDA

Mustafa Mujezinovic
Burhan Saban
Lejla Simon

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Keganele Malikongwa

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Alvir Alberto Hoffmann
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Carlos Augusto Vidotto

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Adviser
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Alternate Governor
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Adviser
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Rumyana Kyuchukova
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Svetlana Dimitrova Panova

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Francois M. Zoundi *

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<> Not a member of IFC
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Leon Nimbona

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Vissoth Vongsey

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Touch Eng
Se Ly
Kresna Tauch Chan

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Diane Jacovella *
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Mohamad Amine Ben Barka
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Jose Mardones *
Raul Saez *

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\# Not a member of IDA

Adviser
Dante Contreras

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Wang Yanning *
Wang Zhongjing *
Yang Shaolin *
Xiaosong Zheng *
Ciyong Zou *

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Li Fangwang
Xudong Li
Weijie Liu
Zhenyi Tang
Wei Wang
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Licheng Yao
Tianwei Zhang
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Patricia Moreno
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Mulangu PONGOLA Honore
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Numbi Lumbila
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Vladimira Ivandic
Hrvoje Radovanic

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<> Not a member of IFC
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Andreas Trokkos *

Czech Republic

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Eduard Janota

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Miroslav Singer

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Eva Anderova
Eva Filipi
Pavel Frelich
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Miloslav Kubicek
Petr Polacek
Petr Prochazka
Jan Schmidt
Petr Sedlacek
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Susanne Rumohr Haekkerup
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Alternate Governor
Garth P. Nicholls

Dominican Republic

Governor
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Alternate Governor
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Adviser
Iman Ahmed
Mohamed Abdel Gawad Allam
Mongy Badr
Alaa Eldin El Hadidi
Mohamed Hammam
Ghada Ahmad Waheed Ismail
Nader Saad
Mohamed Farid Saleh
Ibrahim Sultan
Yasser Tawfik
Mona Zobaa

El Salvador

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Carlos Acevedo

Equatorial Guinea

Adviser
Luis Ondo Obono

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Berhane Ghebreslassie

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Jurgen Ligi

Alternate Governor
Mart Kivine

Adviser
Ulle Lohmus
Martin Poder
Helen Popp
Andres Sutt

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Sufian Ahmed

Adviser
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Gebre-ad Newaye-Christos
H.E.Mulatu Wirtu

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Josaia Voreqe Bainimarama

Alternate Governor
John Prasad

Finland

Alternate Governor
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Ritva Koukku-Ronde *
Velipekka Nummikoski *

Adviser
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Inkeri Hirvensalo
Tuuli Juurikkala
Olli K. Kantanen
Pauli Kariniemi
Satu-Leena Santala
Kristina Sarjo

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Ambroise Fayolle *

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Laurence Arnould
Burcu Ayhan
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Christophe Bonnard
Julien Bouchard
Bruno Cabrillac
Guillaume Chabert
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Helene Dantoine
Aude de Amorim
Helene Djoufelkit
Corinne Dromer
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Bertrand Marie Jean Dumont
Bernard Emie
Emmanuelle Gardille
Herve Gonsard
Sylviane Guillaumont
Zafer Guldasi
Francois Pascal Haas
Ilgi Hayda
Anselme Imbert
Pierre Jaillet
Frederick Jeske-Schonhoven
Thierry Klockenbring
Jean-Pierre Landau
Marc Lautre
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Christian Masset
Sylvie Matherat
Philippe Mongars
Stephane Pailler
Patrick Pillon
Jean-Guillaume Poulain
Julien Rencki
Luc Rigouzzo

* Temporary
<> Not a member of IFC
\# Not a member of IDA

Cyril Rousseau
Jean-Michel Severino
Bruno Silvestre
Marc-Olivier Strauss-Kahn
Serge Tomasi
Anne Touret-Blondy
Jean Maurice Verbois
Jean-Patrick Yanitch

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Anacle Bissielo

Alternate Governor
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Adviser
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Symphorien Engone Mve
Sonia Melissa Kwaou
Jean Philippe Ndong Biyogho
Yvonne Thevenet
Rene Ziza

Gambia, The

Governor
Abdou Kolley

Alternate Governor
Serign Cham

Adviser
Ismaila Jarjue

Georgia

Adviser
Kakhaber Albutashvili
George Chelidze
George Chikvaidze
Irakli Ezugbaia
Nika Gilauri
Tamar Kovziridze
Tariel Lebanidze
Ivane Nadashvilli
Zviad Nikolaishvili
Mariam Valishvili
David Zantaraia
Sulktian Zumburdze
George Zurabashvili

Germany

Governor
Erich Stather

Alternate Governor
Joerg Asmussen
Michael Hofmann *
Adolf Kloke-Lesch *
Klaus D. Stein *
Stephan von Stenglin *
Juergen Zattler *

Adviser
Georg Michael Blome
Sabine Brickenkamp
Klaus Flosbach
Uwe Gehlen
Qays Hamad
Claus Happe
Bettina Kellersmann
Ute Koczy
Hans Ulrich Schimpf
Joachim Steffens
Mario Stumm
Gerhard Thiedemann

Ghana

Governor
Kwabena Duffuor

Alternate Governor
Yvonne Odoley Quansah *

Adviser
Michael Ayesu

Greece

Alternate Governor
Dimitrios Tzanninis

Adviser
Petros Kontos
George Politakis

Grenada

Governor
V. Nazim Burke

* Temporary
<> Not a member of IFC
\# Not a member of IDA

Alternate Governor
Timothy Antoine

Guatemala

Governor
Juan Alberto Fuentes

Alternate Governor
Maria Antonieta Del Cid de Bonilla

Adviser
Juan Carlos Castaneda

Guinea-Bissau

Governor
Helena Nosolini Embalo

Alternate Governor
Romao Lopes Varela, Jr. *

Adviser
Didier Acouetey
Vasco Da Silva
Paulo F. Gomes
Alfredo Paulo Mendes

Guyana

Governor
Bharrat Jagdeo

Alternate Governor
Ashni Singh

Haiti

Governor
Daniel Dorsainvil

Alternate Governor
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Adviser
Alfred Fils Metellus

Honduras

Governor
Rebeca Patricia Santos

Alternate Governor
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Hugo Noe-Pino *

Hungary

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Zsuzsanna Szablyar *

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Jozsef Kovacs
H.E.Istvan Szabo
Nemeth Szekelyne

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Skafti Jonsson
Anna Katrin Vilhjalmsdottir

India

Governor
Pranab Mukherjee

Alternate Governor
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Pulok Chatterji *
Anup K. Pujari *
Arvind Virmani *

Adviser
Sohan Lal Arora
Subrahmanyam Bhamidipati
Aydin Gezginci
Raminder Singh Jassal
Narinder Karir
Saranyan Krishnan
A.K. Misra
Deepak Mohanty
Maddirala Nagaraju
Manoj Pant
Michael Patra
Partha Ray

* Temporary
<> Not a member of IFC
\# Not a member of IDA

Jugnu Saglik
Rajev sharma
Dipak Kumar Singh
Paramjeet Singh
Jawed Usmani
Vanlalhuma Vanlalhuma
Sanjay Kumar Verma
Vikas Yadav

Indonesia

Governor
Sri Mulyani Indrawati

Alternate Governor
Lukita Dinarsyah Tuwo *

Adviser
Adriyanto
Irfa Ampri
Bradley Joseph Armstrong
Gontnor Ryantori Aziz
Adi Cahyadi
Erry Firmansyah
Andin Hadiyanto
Mochamad Imron
Ahdi Luddin
Dewo Broto Joko Putranto
Ahmad Fuad Rahmany
Rionald Silaban
Mahendra Siregar
Ceppie Kurniadi Sumadilaga

Iran, Islamic Republic of

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Seyyed Shams Al-din Hosseini

Alternate Governor
Behrouz Alishiri

Adviser
Seyed Rahmatolah akrami
Hamid Reza Anousheh
Karim Asgharnejad
Hassan Azimzadeh
Farid Ghaderi
Akbar Ghahremani
Mahoud Heydari
Bahman Hosseinpour
Majib Khoeiniha
Nader Mafi asl
Esmaeil Mahdavi Nia
Mostafa Matorzadeh
Seyed Hossein Mir jalili
Omid Moradi
Masoud Mozayani
Youssef Najafi
Ahmad Nourani
Ezatollah Yousefian Molla

Iraq

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Adviser
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Mudher Al-Alwani
Emad Al-Nasrallah
H. E. Hussein Alshahristani
Hussein Esam Al-Uzri
Zaid Baker Al-Zubaydi
Hasan Khazaal Hussein
Nazdar Sherzad

Ireland

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Alternate Governor
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Marianne Nolan *
Michael J. Somers *

Adviser
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John Corrigan
Fiona Nic Dhonnacha
Anne Donegan
Brian Finn
Thomas Linehan
Thomas Tichelmann
Thomas Whelan

Israel

Governor
Stanley Fischer

Alternate Governor
Yarom Ariav

* Temporary
<> Not a member of IFC
Not a member of IDA

Adviser
Nathan Doron Abrahami
Eddy Azoulay
Michal Finkelshtein
Izhak Frankovits
Tal Gat
Ronit Kapuya
Stella Kucukbarokas
Kamhi Moshe
Albert Yalman

Italy

Governor
Mario Draghi

Alternate Governor
Carlo Monticelli

Adviser
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Canan Atilla Tumer
Carlo Baldocci
Alessandro Bianchi
Manuela Bravi
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Angelo Carriero
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Nemika Ciantra Yuksel
Luigi Cucca
Adolfo Di Carluccio
Luigi Di Santo
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Giannandrea Falchi
Patrizia Falcinelli
Francesco Galietti
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Giorgio Gomel
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Maurizio Pacelli
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Francesco Pensabene
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Luigi Russo
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Osman Ruhi Sabuncu
Arrigo Sadun
Chiara Salabe
Filippo Scammacca
Lucia Senofonte
Eugenio Sgriccia
Basilio Antonio Toth
Tiziana Vecchio
Ignazio Visco
Vincenzo Zezza

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Barbara Scott

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Alternate Governor
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Mitsuhiro Furusawa *
Nobumitsu Hayashi *
Akinari Horii *
Daisuke Kotegawa *
Naoki Minezaki *
Toru Shikibu *
Rintaro Tamaki *

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Kazuhiko Ejima
Ender Epceli
Daiho Fujii
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Gihan Gurses
Takashi Harada
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Keiko Kawano
Daisaku Kihara
Tomonori Kimata
Naohisa Konita
Tsuneo Kurokawa
Tsutomu Maeda
Takahito Marushima
Tamami Matsuka
Chishiro Matsumoto
Takashi Miura
Takashi Miyahara
Atsushi Miyanoya
Kohei Mizuno
Takashi Mori
Kazuto Muraguchi
Kazuhide Nagasawa
Yoshinori Nakata
Kenichi Namimatsu
Yasuhiro Nippashi
Takeshi Nishino
Kenji Okamura
Shinsuke Okawa
Jun Ono
Hidenori Onuki
Yuji Osawa
Motoko Otake
Ritsuko Otomaru
Masafumi Sasaoka
Nobuki Sato
Yoshihiro Shimoi
Naoyuki Shinohara
Hideo Shinozuka
Hiroshi Someya
Yoshihiro Sugimoto
Kazuo Sunaga
Yuji Suzuki
Yasuo Takamura
Tomoko Tanabe
Masaru Tanaka
Nobuaki Tanaka
Akihiro Tsuchiya
Yu Tsukui
Atsushi Uchida
Akiko Yamada
Junichi Yamada
Keishi Yamada
Tatsuo Yamasaki
Shizuka Yoshiwaka

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Adviser
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Kazakhstan

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Adviser
Zhamanov Adlet
Helmer Catullus
Kayrat Nematovich Kelimbetov
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Alternate Governor
Atanteora Beiatau

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Oh Hyoung Kwon
Hyoung Ryoul Lee
Jun Kyu Lee
Kang Ho Lee
Kyung Suk Lee
Cheol Kyu Park
Eun-Suk Park
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Driton Qehaja

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Panama

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Hussain Al-Abdulla

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St. Vincent and the Grenadines <>

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Saeed Al-Qahtani
Khaled AbdulRahman Al-Rajhi
Abdulaziz Rashed Al-Rashed
Rashed Abdulaziz Al-Rashed
Salah Al-Rashed
Mansour Al-Saawi
Fahed Alshathri
Alwaleed AlSheikh
Saeed Abdullah Al-Sheikh
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Slobodan Ilic
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Rick Nelson Houenipwela

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Tarig Khalafalla Elkhidir
Abdel Halim I. Elmutafi
Abdalla Ibrahim Ali Ismail
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Ngosha Said Magonya
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Suchart Liengsaengthong
Ekniti Nitithanprapas
Chakkrit Parapuntakul
Kaival Pongnontakul
Saranpat Sangsingkaew
Siribha Satayanon
Chularat Suteethorn
Sethaput Suthiwart-Narueput
Benjarat Tanongsakmontri
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Hatedheema Nonon Saa

Tonga

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Alternate Governor
'Aisake V. Eke

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Tarik Akin
Efkan Ala
Muzaffer Alacaogullari
Funda Altun
Volkan Arslan
Serkan Ata
Muhammet Atabey
Burak Sencer Atasoy
Mehmet Ates
Halil Aydogan
Bahri Gurkan Aydogdu
Emin Haluk Ayhan
Sureyya Sadi Bilgic
Berrin Bingol
Kasim Bostan
Nur Boyacioglu
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Hatice Belkis Culcu
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Ali Ibrahim Gur
Hasan Haner
Ufuk Hazirolan
Teoman Ata Inci
Mehmet Fatih Kacir
Burcu Kahyaogullari
Bilge Kaplan
Ali Karakose
Gokhan Kayali
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Hasan Fehmi Kinay
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Dolunay Tomak
IIyas Tufan
Begum Tuzun
Turgay Tuzuner
Serdar Ulker
Mahmut Salih Unlu
Mehmet Unsal
Meltem Unsal
Yusuf Uzunpostalci
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Gulsum Yazganarikan
Tugrul Yemisci
Levent Yener
Yasin Yikar
Nazli Ipek Yildiz
Taner Yildiz
Cevdet Yilmaz
Dursun Murat Yilmaz
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Turkmenistan #

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Abeer Aljassim
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