

WORLD BANK GROUP

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

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Statement by the Hon. **MEHMET SIMSEK**,  
Governor of the Fund for **TURKEY**,  
at the Joint Annual Discussion



**Statement by the Hon. Mehmet Şimşek,  
Governor of the Fund for Turkey,  
at the Joint Annual Discussion**

Mr. Chairman, Fellow Governors,  
Ladies and Gentlemen,

Let me at the outset extend our thanks to Mr. de Rato for his achievements as the Managing Director of the Fund and congratulate Mr. Strauss-Kahn on his appointment as the new Managing Director. We also warmly welcome Mr. Robert Zoellick as the new President of the World Bank Group. We believe that his very high qualifications and strategic vision will bring a strong transformational leadership to the institution in its fight against poverty.

We welcome the progress made in the quota and voice reform issues in the Fund. We view quota reform process as a historic opportunity to enhance the ownership and credibility of the Fund. In this regard, a desirable outcome should be the one which increases both the calculated and actual quota shares of developing and dynamic emerging market economies in the Fund.

We continue to favor a simple, linear and transparent formula with a PPP blended GDP. As also adopted in the IMFC communiqué, GDP should have the highest weight in the new formula. We also support an increase in the weight of “variability” to better reflect the demand-side functions of the quotas. I should add that the needs of seriously under-represented countries must be addressed by adoption of specific mechanisms at the distribution stage of the quota increase.

Needless to say, Turkey will remain supportive of the process and will continue to cooperate with all member countries to reach a viable and satisfactory result in quota reform.

We welcome the work on developing a new income model for the Fund. The cooperative nature of the Fund should be the guiding principle for the new model. New model should avoid cross-subsidization and involve the whole membership in the financing of the Fund. New model should also prevent shifting of the cost of the expanding activities of the Fund to emerging market economies that would be borrowing from the Fund. We also call for a substantial revision of the existing burden sharing mechanism with this understanding.

On the Bank side, we share the President's strategic vision. We commend him, among others, for his clear understanding of importance of strengthening the Bank's engagement with the IBRD client countries in eradication of poverty. We welcome the renewed emphasis put on MICs in World Bank strategic directions. To attain our dream of a world free of poverty and Millennium Development Goals, continued and enhanced engagement of World Bank with MICs is crucial. We have convincing reasons for that: 70 percent of the world's poor lives in the IBRD client countries, and even in those with relatively higher income levels, there remain large pockets of poverty where the social and economic challenges are no less difficult than the challenges we see in the poorest countries. Moreover, experience and knowledge gained in MICs will help World Bank to serve better in low income countries.

We highly appreciate the Bank Management's efforts to respond to the needs of MIC clients. We are pleased to see that some important progress is being made. The recent reduction in the loan charges and the simplification of the pricing structure was an important step in the right direction. We believe that it will contribute significantly to the Bank's efforts to strengthen its engagement with IBRD partner countries. However, the task is not completed yet. The Bank should redouble its efforts to reduce the non-financial cost of engaging with the Bank.

Finally let me briefly touch upon the most recent developments in the Turkish economy. Turkey's economic performance remains strong. The economy grew by 6 percent last year. Annual average growth rate was 7.4 percent during the last five years, making Turkey one of the fastest growing economies in the world. 2007 growth is projected at 5 percent.

Fiscal discipline continues to be the cornerstone of our economic policy. The primary surplus for 2007 is expected to be 4.3 per cent of GNP. We aim at reaching a primary surplus target of 5.5 percent of GNP for 2008. As a result of fiscal policy implementation net public debt fell to 45 percent of GNP in 2006 and expected to below 40 percent of GNP this year. Inflation is on a downward path to converge towards our 4 percent medium term target. The current account deficit is stabilizing and FDI inflows remain robust.

Strengthened economic fundamentals helped Turkey to weather well the most recent turmoil in global financial markets. Prudent policy implementation and commitment to a structural reform agenda should further enhance the growth potential of the economy and provide the necessary buffer against any adverse shocks. Thank you.