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Statement by the Hon. **JENS WEIDMANN,**
Governor of the Fund for **GERMANY**

Statement by the Hon. Jens Weidmann,
Governor of the Fund for Germany

Mr. Chairman,
Governors,
Ms. Lagarde,
Mr. Kim,
Ladies and Gentlemen

First of all, I would like to thank the IMF, the World Bank and the authorities for their outstanding hospitality and excellent organization of the Annual Meetings.

Five years after the outbreak of the crisis we have tackled many issues and made significant progress. But it is also clear that a great deal remains to be done. One of our main challenges is to build a more stable and resilient financial system which fulfills its task of appropriately servicing the real economy. In the field of financial regulation, achieving the right balance between controlling decisions and assuming liability for the consequences is indispensible.

Of critical importance in this regard are the implementation of stronger capital requirements, as decided under Basel III, and further progress on the "too big to fail" issue. Concerning the situation in Europe, important structural reforms have been and will be undertaken. One important step will be to establish a banking union comprising a single supervisory mechanism and – further ahead – a single resolution mechanism. Moreover, thanks to ongoing consolidation efforts, progress on the fiscal position of the euro area has been steady. Between 2009 and the end of this year, the deficit-to-GDP ratio will have been reduced by well over 3 percentage points.

However, in many countries around the globe, fiscal adjustments remain crucial to restoring lost credibility and strengthening investor confidence. While it might dampen growth in the short term, delaying necessary adjustments will only aggravate future risks. Also, from a medium-term perspective, sound public finances and economic growth do not contradict each other. Rather, without sound public finances, sustainable growth will not be possible.

A word of caution concerning the role of central banks in fighting the crisis: central banks have already contributed extensively to the reduction of stress in financial markets and have bought time to initiate the necessary structural adjustments measures. They should not be overburdened by demands to absorb additional risks or make further contributions to repairing private sector balance sheets. Rather, they must be free to focus on their main task, which is to establish and maintain price stability. Central bank measures cannot eliminate the root causes of the crisis.

Since our last Annual Meetings, the IMF has made some progress towards completing its quota and governance reviews. A timely conclusion of these reviews by the target date January 2014 would further enhance the credibility and legitimacy of the Fund. Taking into account the interests of the broader and quite diverse IMF membership will facilitate the discussions on the 15th review of quotas.

Germany welcomes the current work to further strengthen the Fund's surveillance, which constitutes its primary instrument for crisis prevention. The Fund's strong expertise contributes to improving the resilience of the global economy. We look forward to the upcoming Triennial Surveillance Review with a frank assessment of the implementation of recent measures to strengthen surveillance, and of areas in which further progress is needed.

Among international organizations the Fund has a unique mandate and financing mechanism to support member countries with temporary balance of payments needs. The upcoming review of precautionary financing instruments will provide a good opportunity to examine lending policies and commensurate risk mitigation measures. Both have to ensure, *inter alia*, that access to the Fund's resources is only temporary and that the Fund's financial integrity is preserved.