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Statement by the Hon. **ALI BABACAN**,
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**Statement by Hon. Ali Babacan
Deputy Prime Minister and Governor of the Fund for Turkey**

It is my pleasure to deliver this statement on behalf of the Republic of Turkey for the 2013 IMF and World Bank Annual Meetings.

These meetings coincide with a crucial time for the global economy, and members of the IMF and the World Bank from all over the world league together in Washington D.C. with the occasion of these Meetings in search of new solutions to secure a more prosperous and sustainable future.

It has been almost five years since the onset of the global financial crisis; yet, despite significant policy measures by governments that have reduced tail risks in recent years, global economy is still facing several problems and risks which threaten the future well-being of people. Global economic recovery remains subdued –as the global economic growth forecasts for the upcoming years have constantly been revised downward– and uneven, with some countries recovering more quickly than others. While the unemployment is still high in many countries, there have been some good signs of pick-up in growth in some advanced economies.

Global economic prospects will be subject to substantial changes given the envisaged tapering of monetary accommodation in the United States having become more apparent. Anticipated normalization of unconventional monetary policies and the accompanying tightening of financial conditions will pose a challenge for many economies in the upcoming period.

As the new economic environment presents differentiated policy challenges and priorities for each country, no country is immune to risks in our joint struggle to reach desired growth path. In today's highly interconnected world, spillovers stemming from domestic policies can even feed back to its origin. At this juncture, international economic policy coordination is needed now more than ever as the challenge before us is to find solutions for strengthening growth and job creation, and safeguarding economic fundamentals in our economies. Achieving desired coordination will definitely advance all countries' interests.

Bearing this fact in mind, managing exit strategies from the accommodative monetary policies will require anchoring the ongoing process by sound and credible monetary policy frameworks in a spirit of cooperation, coordination and determination, maybe stronger than the one displayed in the aftermath of the Great Recession. Remaining mindful of and containing adverse spillover effects of the exit strategies and pursuing transparent communication strategies is of critical importance. In this context, timing and pace of the exit should be carefully calibrated and countries should be attentive to managing this process without hindering emerging market economies' growth and financial stability.

Herein, an important responsibility falls on the shoulders of the IMF. The Fund should stand ready to effectively support policy decisions of member countries through its bilateral and multilateral surveillance, delve more deeply into policy interconnections and spillovers across the globe, and encourage country authorities to understand how their policies fit into and impact global economic and financial system by benefiting from the new Integrated Surveillance Decision.

In this difficult and challenging time that the world is going through, credible medium term programs have a key importance in swift economic recovery and employment generation. Disciplined and decisive implementation of medium-term fiscal strategies, particularly by the advanced economies is of crucial importance in the upcoming period. It should be noted that the cost of preventing crisis is

much lower than the crisis itself during current period of skyrocketing debt stocks, ballooning budget deficits and deteriorating credibility; hence, fiscal consolidation remains essential for a strong, sustainable and balanced recovery.

In Turkey, well designed and decisively implemented medium term programs played a central role in growth, employment, public finance indicators and boosting market confidence. Turkey has proved that it is possible to achieve fiscal discipline and growth simultaneously through paying utmost attention to maintaining the delicate balance between employment and fiscal discipline while designing the policies. In Turkey, approximately 5 million new jobs were generated since the peak of the global crisis while recording significant growth rates. It should also be noted that Turkey achieved the biggest reduction in unemployment rates among OECD countries, after 2009 when the crisis made its peak.

Alongside the enhanced cooperation against the potential global downside risks, the world needs an effective, credible, legitimate and representative IMF that has adequate resources, effective surveillance mechanism and lending toolkit to assist its members in navigating the road ahead in the current outlook. In addition to maintaining Fund's financial strength and revamping its lending toolkit in line with current needs, swift completion of reforms on the IMF quota and governance structure agreed on in 2010 is indispensable. The process regarding the IMF Quota Governance Reform has now entered into a critical stage. Urgently needed ratification of the 2010 agreement is critical to achieve progress on key elements of the Reform package, namely the agreement on a new quota formula and the completion of the 15th General Review of Quotas. And the deadline set for the completion of 15th General Review of Quotas and quota formula review is just around the corner. The time has come for prompt action.

Our cooperative effort in 2012 significantly enhanced the IMF's resources through temporary sources made available and contributed to safeguarding global financial stability. Yet at this point, while reaffirming that the IMF is a quota based institution, I have to highlight the importance of the fact that the Fund should be provided with permanent resources to play its systemic role in crisis prevention and resolution, including a possible quota increase in the context of the 15th General Review of Quotas. The only meaningful way to reflect changing dynamics of global economy to IMF quotas and governance will be through addressing deficiencies associated with the quota formula and increasing overall quotas. The efforts on this sphere should be undertaken with a view to closing representation gap through addressing the chronic problem of "out-of-lineness".

The IMF's credibility as an institution depends on successful outcome in reforming its governance. It is vital that the international community delivers its commitment on this much needed Reform by swiftly rendering a consensus on key elements. Hence, all stakeholders should use the remaining time until the deadline effectively and take this crucial opportunity to reach a meaningful and broadly acceptable consensus in a cooperative spirit for the good of all. Turkey stands ready to continue to perform its part to ensure that the 2010 Reform enter into force in time with all its elements.