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INTERNATIONAL DEVELOPMENT ASSOCIATION
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Statement by the Hon. **BOSSE RINGHOLM**,
Governor of the Bank for **SWEDEN**,
on behalf of the Fund and Bank Nordic Countries,
and the Fund Baltic Countries,
at the Joint Annual Discussion

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Introduction

Mr. Chairman, I am pleased to address the joint annual meetings 2000 on behalf of the Nordic-Baltic constituency for the Fund and the Nordic members in the Bank. Let me begin by thanking the Czech authorities for hosting the Annual Meetings in this beautiful and historical city.

Current prospects for the world economy are favourable. Strengthened implementation of sound policies in many countries around the world, as well as the progress achieved in addressing weaknesses in the international financial architecture, have improved our preparedness to deal at an early stage with financial, macroeconomic and structural threats. Despite this encouraging progress, continued efforts are called for in order to secure stability over time. While important gains have been made in poverty reduction and in advancing the social agenda of the world's poor, the number of people living in poverty has increased. The Bank and the Fund face an enormous task in addressing poverty and social issues and the renewed emphasis thereon is welcome.

The concerns that are manifested in the streets constitute a challenge for us as members of the Bretton Woods and other multilateral institutions. To meet this challenge, we must engage in a constructive, clear and balanced debate. We must better explain to our constituents the crucial role of the institutions in assisting countries in their endeavours to exploit the opportunities and avoid the pitfalls that globalisation entails. We must underline the Bank's and the Fund's contributions in leveraging private capital flows for productive investments and in diminishing the low and middle income countries' vulnerability to financial crises. The Bretton Woods Institutions are also significantly contributing to the implementation of nationally-owned poverty reduction strategies and in assisting countries to better integrate into the world economy.

The HIPC initiative is a good example of how the Bretton Woods institutions have taken the lead in tackling a difficult issue in a way that assists poverty reduction efforts. The contributing countries in my constituency recently decided to provide more than 100 million USD in an additional contribution to the HIPC Trust Fund over the next two years. The Nordic countries have so far provided a fair share of the burden and we are waiting for all the G7 countries to provide theirs.

We support the establishment of a formalised replenishment process for the HIPC Trust Fund. Our credibility is at stake. Our recent contribution to the World Bank HIPC Trust Fund was triggered by the agreement reached at the IDA meeting in Lisbon that a replenishment process would soon be put in place. We urge the Bank to ensure that such a mechanism is established.

Mr. Chairman, I am convinced that globalisation of capital markets brings considerable opportunities for growth and development for poor and rich countries alike. However, adaptation, so as to reap the benefits of today's globalised world, must be dealt with in a careful and sequenced manner. The Bretton Woods institutions need to be reformed in order to sharpen their tools to promote stability and to prevent large scale crises.

Reform of the Bretton Woods Institutions

This leads me to focus on two particular areas with respect to reform of the IMF and the Bank: the increased role of standards and private sector involvement.

The development of internationally accepted and well designed standards and codes is an obvious and important task for the Fund. They should - have an increasingly important role in IMF policy advice and lending arrangements. The Fund as well as the Bank should, within their present mandates, also continue to actively promote member countries' implementation of agreed standards, such as ILO Core Labour Standards.

Appropriate measures must also be taken to prevent the abuse of the international financial system. It should be an important element in the work of the international financial institutions. Where applicable, the IMF should include in its surveillance and program reports a specific section on market integrity and corruption, including the fight against money laundering on the basis of information and assessment supplied by national authorities and relevant organisations like the Financial Action Task Force on Money Laundering and the OECD. The Executive Board could be asked to consider the possibilities for such involvement.

The financial crises of 1997 and 1998 led the Bank to a welcome focus on structural issues in the financial sector at the country level. We are particularly supportive of the joint approach the Bank and Fund have taken to resolve problems in a number of countries through the Financial Sector Assessment Programme.

The Fund is responsible for crisis management and surveillance. The Bank has the lead in providing policy advice on structural reforms including governance issues in the financial sector. This will assist in reducing country vulnerability to crises.

The Bank's poverty focus also entails a responsibility to assist countries to mitigate the effects of a financial crisis. My constituency welcomes the Bank's focus on social protection within that context. It also welcomes the Fund's efforts to reduce the social costs linked to financial crises.

Private sector involvement in the prevention and in the handling of international financial crises is crucial. Appropriate participation by the private sector has become all the more important given its dominant role in global financial operations. Furthermore, insufficient participation from the private sector might over time lead to a reduction in official financing, including from the Fund. In fact, private sector involvement should be a regular feature in all Fund programs, with details worked out on a case-by-case basis.

Against this background, it is important that we continue to explore all possibilities to secure constructive contributions by the private sector. One way forward could be to establish legal formalities for orderly standstill arrangements, including considerations regarding a possible role for the Fund.

Let me turn now to Bank's future role and instruments. The declining trend in World Bank lending poses questions regarding the relevance of the Bank's loan instruments. The consequences regarding the Bank's financial strength and ability to finance a number of important initiatives should not be neglected.

The Bank must examine how it can better assist middle income countries that often face severe problems of inequality and poverty. We wish to see flexible instruments that are priced and tailored to meet these countries needs. We are anxious to see a renewed and deeper commitment to promoting private sector development notably in the transition economies. IFC has a particular role to play in providing equity financing and in leveraging foreign private capital flows.

There is also a need to examine the role and instruments of the Bank in the poorest countries. IDA-lending has declined and we are not reaching the 50% target for Africa. Regional integration and emerging regional markets are fragile and support is needed.

Against this background the discussion that has been initiated regarding the Bank's future role and strategic directions is critical and we look forward to innovative proposals from Management as a basis for the next DC-meeting.

Transparency

Another central issue with respect to the functioning of the international monetary and financial system is transparency. I welcome the impressive moves forward that have been undertaken by the Bretton Woods institutions as well as by member countries during recent years, for example by the publication of IMF evaluations of individual economies, the Bank's governance strategy and the World Bank Institute's country work on corruption. These measures are important in order to facilitate participation by the private sector and to make the contents of economic reform programs known to the general public.

One aspect of transparency - or rather lack of transparency - is the recent cases of misreporting to the Fund. These cases underline the need for further efforts to safeguard

the resources of the Fund. It should be a requirement for financial support from the Fund that annual financial statements, audited by independent external auditors according to internationally accepted standards, are published.

The Bank has improved

Turning back to the issue of reforming the Bank let me say that the Bank has recognised certain shortcomings and worked hard to overcome them. My constituency strongly supports the new focus on poverty reduction and partnerships through the principles of the Comprehensive Development Framework and the Poverty Reduction Strategy Papers.

In particular we support the notion of country ownership of the development process, the interplay between economic structural and social dimensions of development, and finally the increased importance attached to donor co-ordination. We now have a broader understanding of what poverty is, reflected in The Voices of the Poor and this year's World Development Report. In fighting poverty we must be aware that necessary reforms can threaten current power structures. The Bank must maintain its efforts in the area of corruption and non-transparent government procedures as they are harmful to the poverty reduction efforts.

Yet the Bank has failed to effectively mainstream gender into its operations. Good policy and intellectual work has not been followed up at the operational level. Strengthened efforts must be made to achieve this. We know that a gender perspective increases the efficiency of our development efforts and reaches the most vulnerable among the vulnerable. The Nordic Countries look forward to the upcoming discussion of a new gender strategy for the Bank Group. A World Development Report devoted to the gender issue is long overdue.

The HIV/Aids pandemic kills more people than conflicts and threatens to wipe out an entire generation in several African countries. Achievements made in development and poverty reduction over the last decades are at risk both in Africa and Asia. The situation calls for immediate action by the World Bank. The Global Alliance for Vaccines and Immunisation (GAVI) is an example of a useful initiative that brings together multilaterals, governments and the private sector in a broad alliance. But other measures are needed to keep up the momentum from the Spring Meetings. Conflicts in the poorest countries have wiped out years of development. The issue of adequate Bank instruments and global partnerships to tackle all of the above questions has to be addressed in the upcoming IDA replenishment.

The revision of the quota system

Finally, I would like to touch briefly upon the revision of the Fund's quota system. Any new quota formula should produce a quota distribution that is credible and acceptable for the whole membership. The formula should preferably contain only widely acknowledged economic variables, with a close relation to the purpose and operation of

the Fund. A country's quota in the IMF should be guided by the country's ability to contribute to the Fund's resources as well as by need related factors.

Conclusion

Mr. Chairman, The Bretton Woods Institutions have a crucial role to play in managing globalisation so that it benefits all countries and all people. The Bank and the Fund have realised the need for them to reform. Work remains and we look forward to working together to ensure global macroeconomic and financial stability and in helping the poor in their efforts to benefit from globalisation.

Thank you.