BOARDS OF GOVERNORS • 2006 ANNUAL MEETINGS • SINGAPORE

INTERNATIONAL MONETARY FUND

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

J

Press Release No. 1

September 19-20, 2006

Opening Address by the Chairman,
the Hon. **BHARRAT JAGDEO,**
Governor of the Fund and the Bank for **GUYANA,**
at the Joint Annual Discussion

2006 Annual Meetings of the Boards of Governors of the International Monetary Fund and the World Bank Group

Opening Address H.E. Bharrat Jagdeo, Chairman

September 19, 2006

Distinguished Prime Minister of Singapore Mr. Lee Hsien Loong, Managing Director de Rato, President Wolfowitz, fellow Governors, Ladies and Gentlemen:

Introductory Remarks

I would like to welcome you all to the 2006 Annual Meetings of the International Monetary Fund and the World Bank Group. It is a great honor for my country, Guyana, to chair these meetings.

The theme for our meetings this year is *"Asia in the World; the World in Asia,"* and it is fitting that we meet this week in Singapore, a member country that is a prime example of the success and sustained progress that has been achieved throughout this region. Asia's development experience holds many lessons for our member countries, and the growing importance of Asia's largest emerging market economies has significant implications for global economic growth and monetary and financial stability.

Global Economic and Financial Market Prospects

Fellow Governors,

Since the Spring Meetings of the IMF and the World Bank, global growth has remained robust, with economic activity in most regions meeting or exceeding expectations. However, rising inflation concerns—owing to dwindling spare capacity in some countries and elevated oil and metal prices—have led to a tightening of monetary conditions, and downside risks for the world economy. At the same time, global imbalances remain large, and the potential for a disorderly unwinding of these imbalances remains a clear concern, as the *World Economic Outlook* cautions.

Clearly, greater vigilance on the part of everyone is needed, but most especially on the part of those whose economies have a systemic impact on other parts of the world.

Surveillance

It is in this context that I welcome the IMF's renewed emphasis on more effective surveillance, as part of its Medium-Term Strategy. The IMF's new tool for surveillance—multilateral consultations—will allow issues of global or regional significance to be taken up comprehensively and collectively with several member countries. This will provide a valuable platform for analysis and consensus-building and is a framework that will help members to pursue coordinated actions with improved outcomes.

I look forward to the results of the first multilateral consultations, which have already started. The consultations are appropriately focused on narrowing global payments imbalances, and I hope that the major global players understand that the well-being of billions of people around the world depends on them taking timely and appropriate action.

Support for Crisis Prevention

Preventing crisis is an important part of the IMF's mandate and indeed is a key plank of its Medium-Term Strategy. At present, not many of our emerging market country members borrow from the Fund. This is a reflection of good conditions in the global economy and financial markets, as well as of improved economic management in emerging market countries themselves. Nonetheless, we need to ensure that if conditions change, we have the ability to support these countries. Thus, revisiting the IMF's facilities for preventing and responding to crises in emerging market countries is important.

In this connection, the Managing Director has proposed a new instrument that will provide a high-access line of credit to emerging markets with strong macroeconomic policies but that remain vulnerable to shocks. To be more attractive to emerging market countries than previous approaches, this new instrument must provide for more automatic drawings for countries with sound economic policies and proven track records, and provide more financing up front. Any conditionality associated with this facility should be tailored specifically to maintaining macroeconomic stability and reducing vulnerabilities.

Emerging market economies, for their part, should continue to maintain sound macroeconomic frameworks, including appropriate monetary and fiscal policies. They should reduce their vulnerabilities by reducing public debt burdens and further strengthening their financial systems.

Vote and Voice

Another element of the IMF's Medium-Term Strategy–probably the most critical for the legitimacy of the Fund–is ensuring that the representation of members in the Fund is fair and that all members have an adequate voice in the institution. It is gratifying that there has been growing recognition of the need to increase the relative quotas and voting shares of a number of countries, whose economic weights have risen over the years, as well as to ensure the adequate participation of low-income countries in the governance of the IMF. In this regard, the strong support by Governors for the resolution on quota and voice reform in the IMF sends a clear signal of the importance and urgency of these reforms. We must now muster strong consensus on the next phase of the reforms proposed by the Managing Director, which provides for more fundamental changes during the coming two years. These reforms are important, as only through them can the IMF maintain its legitimacy as a representative and democratic institution. In this context, I also urge continued discussions to build political consensus on voice issues in the World Bank as well.

Cooperation with Middle-Income Countries

I welcome the evolving role of the IMF and the World Bank in cooperating with middle-income countries. Effective cooperation in development efforts in middle-income countries, which are home to the majority of the world's poor, is essential to achieving the MDGs. These countries clearly value their relationship with our two institutions, but also look toward improved engagement with them in terms of greater flexibility and reduced costs of doing business, as well as better customization of products and technical assistance to meet their needs.

Supporting Low-Income Countries

The IMF and the World Bank must continue to support the efforts of low-income countries to reduce poverty. This is one of the most important areas of the two institutions' work, and one where the stakes are high. We have made some progress over the past few years: a number of countries in Asia and Latin America are now well-positioned to meet the poverty reduction objective of the Millennium Development Goals (MDGs). Nonetheless, although near the halfway mark to 2015—the year we have set for ourselves to reach the MDGs—we still have a long way to go, especially in sub-Saharan Africa.

Success will require increased efforts by both donors and aid recipients. The necessary ingredients for success include good policies, increased resources, and improved aid effectiveness. Good policies, in turn, entail better governance, developing infrastructure, expanding trade, promoting economic integration, and fostering the development of the private sector.

A robust and competitive private sector is crucial to putting countries on the path of sustainable development and achieving the MDGs. In this connection, I would like to highlight the important role of the International Finance Corporation (IFC), and congratulate its management and staff on the institution's 50th anniversary. Throughout this period, the IFC has been at the forefront of promoting sustainable private sector development. However, I believe that much more can be done in small developing countries, and I would be particularly happy to see a greater IFC presence in them.

The international community last year renewed its pledge at the United Nations Millennium Review Summit to help accelerate progress towards the MDGs. They agreed to support a decisive reduction in debt owed by many low-income countries, and to increase aid for many others.

The International Financial Institutions have already made important efforts to lower debt. Debt relief under the Multilateral Debt Relief Initiative and the Enhanced

HIPC Initiative through the Bretton Woods Institutions and the African Development Fund is expected to reduce by almost 90 percent the debt stock of the 29 HIPCs that have reached the decision point. If all HIPCs, particularly those in Latin America and the Caribbean, are eventually to become sustainable, we must act now to extend similar relief from the Inter-American Development Bank.

We must ensure that the gains from reducing debt are not squandered. Developing countries must strengthen their capacity to design medium-term debt strategies, and understand the risks of a rapid build up of debt. The forward-looking debt sustainability framework designed by the IMF and the World Bank specifically for low-income countries will be an important contribution to this effort. These countries must also ensure that their macroeconomic frameworks are sound and that adequate governance and public expenditure management systems are put in place, so that increased resource flows reach their target and achieve better outcomes.

Governance

For debt relief and higher aid to benefit the poor, improved governance will be crucial. Corruption, which is a symptom of poor governance, would have to be more aggressively tackled. However, countries must not be tainted as being corrupt or be penalized based on perceptions, anecdotal evidence, or partial surveys. In this regard, I welcome efforts that would lead to a verifiable, quantitative, and operational framework to strengthen governance in a coherent, fair, and effective manner.

Promoting Trade

Fellow Governors,

I am sure that all of us were disheartened by the news that came from Geneva a few weeks ago. I sincerely hope that we can still successfully conclude the Doha round of negotiations. Increased trade, facilitated by greater openness, has been a critical element of world economic growth for many years—and is indeed one of the great lessons of Asia. We must urge our negotiators to persevere and ensure that the key objectives of the Doha round are preserved. These include the phasing out of agriculture subsidies and providing special and differential treatment to poor and vulnerable countries to allow them to integrate into the global economy at a pace that will minimize economic and social dislocation. The donor community must also deliver on their promise of Aid for Trade.

The CARICOM Single Market and Economy

Fellow Governors,

Turning to my own Region, we in Guyana and the Caribbean are small and vulnerable economies. We face many challenges, including natural disasters, high oil prices, and erosion of trade preferences. Our economies also have to confront the scourge of drug trans-shipment, and deportation of hardcore criminals from North America and Europe. In addition, we suffer from the effects of high migration of skilled professionals and entrepreneurs. In spite of this, we remain stable democracies, our macroeconomic fundamentals continue to be sound, and we are actively responding to the economic challenges through efforts to improve the international competitiveness of our economies and to deepen economic integration through the Caribbean Community (CARICOM) Single Market and Economy. We look forward to continued support from the IMF and the Bank and, in particular, the IFC in advancing our developmental agenda.

Closing Remarks

Fellow Governors,

As we meet this week in Singapore, we stand at a crossroads. Preventing a disorderly resolution to the global imbalances, reaching a successful conclusion to the Doha round, and achieving the MDGs are possibly the most important—and daunting—challenges facing the global community today. Either we do what is needed to face up to these challenges, or we miss the opportunity and slow the progress of our nations.

But while the challenges we face are great, I also see hope. I see hope in the ability of our global community to come together and close ranks to confront critical challenges. We have done this so many times during the eventful years of the past decades. This spirit of cooperation is the very cornerstone of our two institutions. Let us once again reaffirm and strengthen this spirit of solidarity.

I now declare the 2006 Annual Meetings of the International Monetary Fund and the World Bank Group open.