

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. **AXEL A. WEBER**,
Governor of the Fund for **GERMANY**,
at the Joint Annual Discussion

**Statement by the Hon. Axel A. Weber,
Governor of the Fund for Germany,
at the Joint Annual Discussion**

Mr Chairman,
Governors,
Mr Zoellick,
Mr de Rato,
Ladies and gentlemen,

I

At the outset, I would like to join previous speakers in welcoming Robert Zoellick as the new President of the World Bank. I also would like to thank Rodrigo de Rato for his excellent work as the IMF's Managing Director. We look forward to working with his successor, Dominique Strauss-Kahn.

The global economy continues to grow strongly, despite the problems in the US housing and mortgage markets and the related recent financial market turbulence. However, the downside risks have increased.

For Germany, while the international financial market turbulence has increased uncertainty and has required some corrections to our economic forecasts, our expectations for economic growth next year remain positive. Not only the continued robust global growth but also strong industrial activity in Germany and the improving German labour market – which should also stimulate private consumption – contribute to this positive assessment.

Regarding global financial stability, it will now be important to jointly search, in particular, for ways to make the securitisation process more transparent. We welcome the contribution by the IMF and the World Bank to the development of local bond markets in emerging market economies and developing countries.

Moreover, economic policy should continue to support the orderly unwinding of global imbalances without losing sight of the challenges of demographic change and global warming.

Trade liberalisation on a non-discriminatory basis is one of the most important elements in ensuring sustainable growth. I therefore urge all member countries to continue and redouble their efforts to achieve a successful and development-friendly conclusion of Doha Round negotiations.

II

Ongoing IMF reform should contribute to strengthening the IMF's position as a global forum for international monetary cooperation:

- Adapting quotas and voting rights to reflect the new economic realities will be an essential element in strengthening the IMF's legitimacy. It should create appropriate incentives for countries to pursue sound policies, promote openness and global integration while taking into account the Fund's role and its contribution to global financial stability as well as to growth and development. I hope that consensus on a new quota formula can be found soon. The key to this central element of the reform lies in finding a sustainable solution which is consistent with the IMF's core principles of uniformity of treatment and fair burden sharing among members. Safeguarding the voice of low-income countries will also be essential. Germany remains committed to reaching an agreement on the reform within the timeframe provided by the Singapore resolution. All parties need to show flexibility and act in a spirit of compromise.
- Surveillance is the Fund's most important task. To make it stronger, surveillance should be focused, in future, more on aspects of global financial stability, exchange rate analysis, and the impact of national and unified supranational economic and monetary policies on other countries and regions. It is of critical importance for the Fund to apply the *New Decision on Bilateral Surveillance Over Members' Policies* consistently and to ensure that for members of the European Monetary Union "the principles for the guidance of members' exchange rate policies and the associated indicators ... are only applied at the level of the currency union" as a whole.

As regards the financing of the Fund, I explicitly welcome the Crockett report as an excellent basis for developing a new reliable income mechanism. However, considering the Fund's financing gap, it will be crucial to look at both income and expenditure in tandem. Not least in view of the changing focus of the Fund's mission, more ambitious real expenditure restraint seems warranted.

III

We are looking forward to discussing and refining the strategic themes of the World Bank Group presented to the public by Robert Zoellick last week.

- In low-income countries, assistance to reduce poverty and foster development has to be focussed better. In particular, resources should be more selectively channelled towards reform-oriented and turnaround situations. In fragile states,

peace-building and state-building are at the frontier of the development agenda.

- In middle-income countries, the World Bank's strong engagement continues to be important for achieving the Millennium Development Goals and for the cooperative accomplishment of global future tasks.
- We support the World Bank's new focus on global and regional public goods and on social and environmental sustainability. The essential challenge and opportunity for the World Bank Group is to integrate its global public goods priority into all aspects of its work, in particular into its country program.

Let me conclude by saying that achieving the Millennium Development Goals (MDGs) will require a substantial scaling up of Official Development Aid (ODA). Germany will fulfil its international commitments and contribute its fair share. The International Development Association (IDA) has a key role to play in the increasing global aid architecture and should more actively address the challenge of climate change in its work.