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**Statement by Ali Babacan,
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Global economy is emerging from the deepest recession in the post-second World War era although recovery rates among the regions and economies display divergences. There are several risks involved in this recovery period. Of these risks, debt sustainability and fiscal imbalances stand out as the critical challenges which not only pose threat to the current period but also for the years to come. Another issue that deserves attention is high unemployment rates. Creating jobs and bringing down persistently high unemployment rates will be tough problems to deal with, especially at a time when budget deficits and public debt stocks are at record high levels. High unemployment especially in developed countries will be putting continuous pressure on growth rates. A third risk area is still the financial sector. When we look at the balance sheets, we see that for many banks getting back to normal will take a long time.

About the economy of my country, Republic of Turkey, our economy enjoyed strong fundamentals before the recent global crisis. Hence, the effects of the crisis on our economy have been relatively limited. This was neither a coincidence nor a stroke of luck. Basically, it was a consequence of structural reforms and our prudent policy approach.

After 2002, we took significant steps to restructure and rehabilitate our banking sector. We made many reforms like our new credit card law, like our mortgage law, like our framework banking law which are strong and demanding. On the fiscal policy side, we introduced measures to bring down our budget deficit and public debt stock to very reasonable levels. Turkey has gone through an enormous fiscal adjustment process. So, when the recent crisis hit we had the room to maneuver. We also implemented a set of structural reforms that would enhance our economy's competitiveness, boost labor market flexibility, and eliminate vulnerabilities.

While focusing on mitigating the threats posed by the crisis, we did not lose sight of our long-term vision. In this regard, being one of the very few and also one of the first countries formulating its exit strategy, we announced our Medium Term Program last year in September. This program reinforced the predictability of our policies, enhanced confidence level overall. We announced in detail what we are going to be doing especially in terms of our fiscal policies, how we are going to be reducing our deficits step by step, three years into horizon. This brought a lot of predictability.

With the strong recovery in domestic and external demand as well as a surge in private investments, our economy grew by an outstanding rate of 11.0 percent during the first half of 2010 and unlike the general trend, this was not a jobless recovery. During the first half of 2010 compared to 2009, 1.5 million new jobs were created in Turkey. This brought our unemployment rate down by 2.6 percentage points compared to last year.

Throughout the crisis Turkey was the only country whose credit rating was upgraded by two notches. Not only credit rating agencies but also markets praised strong performance and healthy state of our economy and confidence in our policies. Accordingly, our CDS spreads have declined to levels that are much lower than many developed economies which have higher ratings than us. All throughout the crisis we did not have any problems with our banking sector. We did not have to transfer any government funds to any Turkish banks. We did not have to touch our guarantee system. The deposit guarantee scheme has been kept identical throughout this crisis period.

Global problems require coordinated and sustained efforts. In this regard, international financial institutions play a central role in the coordination of our policies. Only fair representation in these institutions implies legitimacy. This is critical for the effectiveness of the decisions taken by these institutions. Looking from this perspective, underrepresentation of the emerging countries in IMF as well as the World Bank seriously affects the legitimacy and the effectiveness of these institutions. We call for the rapid completion of the 14^{th} quota review in IMF and this should involve a significant shift of quota shares from developed countries to dynamic emerging market and developing countries. Also, shifting some chairs from advanced economies to emerging market economies at the Board of IMF would improve the representation and legitimacy of this Board.

We have a valuable opportunity to make a significant step forward to improve the global governance, of which the World Bank and IMF reforms are crucial elements. All stakeholders should take this opportunity to conclude much needed reforms in a cooperative spirit for the good of all.

Thank you.