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Statement by the Hon. **DIDIER REYNDERS**,
Governor of the Bank for **BELGIUM**

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Governor of the Bank for Belgium**

The recovery of the world economy remains fragile and the international financial system is still under considerable stress. Therefore we need an effective and legitimate IMF, adequately financed and well equipped to intervene decisively when needed.

An adequate mandate is a first important element in securing the effectiveness of the Fund. Considerable progress has been made in reviewing the Fund's mandate. Offering policy advice and timely warnings to individual countries and to the international community remains a cornerstone of crisis prevention. Surveillance cannot be effective without integrating financial sector analysis. I therefore welcome the decision to make financial stability assessments mandatory for countries with systemically important financial institutions. Bilateral surveillance, resulting in high quality policy advice available to all members, continues to be at the heart of the Fund's surveillance mission. However, we cannot ignore the growing importance of better understanding the impact of individual countries' policies on others in the region and worldwide, nor the need to take these spill-over effects into account in designing policies. Hence, the need to deepen and strengthen the regional and multilateral aspects of surveillance and the need to have well focused discussions on these issues in the IMFC.

The IMF has recently redesigned its toolkit of financial instruments. The Flexible and Precautionary Credit Lines still have to prove their worth. The Global Stabilization Mechanism is still under discussion and needs much more analysis before a decision can be taken. It remains to be seen whether the IMF has not again fallen in a trap, creating instruments in reaction to a crisis situation, which afterwards prove to be of little use. My country has always favored a simpler but very flexible toolkit.

An effective surveillance mandate and lending toolkit need to be supported by sufficient resources. The Fund being a quota based institution, a recalibration of its total financial resources is needed through a significant quota increase. Although the pending quota increase is seen by most as a tool to adapt the distribution of voting power among members, we should not forget that the first objective of the increase should be to ensure the adequate funding of the IMF and to guarantee that the Fund remains quota based. In this light, we favor a quota increase of up to 100 %. Depending on the final outcome of the quota reform, a rebalancing of the NAB within total Fund resources will most probably be necessary.

It goes without saying that the quota reform will lead to a substantial redistribution of quotas, to reflect the changes in the relative position of members in the world economy. In Pittsburgh and Istanbul, we agreed on the major principles for this exercise. I am committed to reach an agreement consistent with those principles. This means that the current formula, however inadequate it is considered by some, must be the basis for this exercise and therefore for the distribution of the quota increase. At a later stage, the formula can be reconsidered, taking into account i.e. progress in data gathering, but it should continue to reflect all aspects of the Fund's mandate. To complement a distribution of the quota increase on the basis of the formula, limited ad hoc increases can be considered, to protect the poorest countries and to address the most outspoken forms of underrepresentedness.

All overrepresented countries should contribute to the shift to underrepresented countries, without exception. My country will contribute significantly. At the same time, it is contributing significantly to the financing of the Fund, through bilateral loans and the new NAB. Therefore, I will under no circumstance accept a quota share that would be lower than our calculated quota share.

The quota reform is linked to a set of broader governance reforms. The role of the IMFC in setting the Fund's strategic direction must be enhanced and the reformed IMFC or an IMFB should have more focused discussions on the risks and policy actions related to the global economic and financial situation. A clearer delineation of the responsibilities of Ministers and Governors, the Executive Board and the Fund management is needed. The accountability of the Board and management must be increased. The appropriateness of the current voting thresholds could be reconsidered.

The effectiveness of the Executive Board is crucial for the functioning of the IMF. For an institution the size of the Fund, 24 seats is an adequate size to ensure both effectiveness and inclusiveness. This number should be enshrined in the Articles of Agreement. Countries should remain free to choose their representative in the Executive Board. It is evident that the Board composition should also reflect the evolutions in the world economy. My country is ready to play its part in giving emerging market and developing countries a higher profile in the Executive Board, assuming other countries will also play their part and contribute to a balanced compromise on the quota and governance reform package.

The meeting of the Development Committee takes place at a critical juncture. While the approval process of the IBRD's general capital increase and the second phase of the voice reform process are following their course of action, some concessional windows' replenishment discussions, including IDA's, have been or are about to be concluded this

year. This is all happening in the context of budget reforms and constraints in some (but not all) member countries.

Some middle and low income developing countries have demonstrated a good measure of resilience to the global economic crisis. Better resilience does not necessarily imply a reduction in needs. Developing countries' demand for additional development resources, policy advice, analytical services and capacity building is huge and the development financing needs remain high. This message should be reinforced. In this connection, the September UN MDG Summit concluded with the adoption of a global action plan to achieve the eight anti-poverty goals by their 2015 target date and the announcement of major new commitments. A substantial IDA16 replenishment effort is needed to scale up core development spending in the poorest countries in order to help realizing the MDGs. I call on traditional as well as emerging donors to substantially increase their contributions, in particular, the latter. With more voice comes more financial responsibility. In return, IDA (as well as other development institutions) should continue to refine its results framework.

While benefiting from more financial resources, the Bank should vigorously continue with the implementation of its reforms and align its strategies and activities to its post-crisis directions framework. Management is responsible for the preparatory work and implementation, but these effort should be guided by the Executive Board. We welcome the progress so far. There has been a lot of focus on voice and financial capacity reforms, and on some internal reforms. For the near future, the Bank should focus on sequencing and prioritizing reforms, and strengthening directions and communications.

The international community forcefully responded to the global financial crisis, including the World Bank Group. The IBRD enhanced its capacity to respond by substantially scaling up its lending volume during FY09-10. In addition to rescheduling specific countries' portfolio, IDA created its pilot Crisis Response Window (CRW). IDA Deputies are currently discussing the creation of a permanent CRW. Crisis response coordination among development partners and institutions is crucial in order not to waste scarce resources. In this context, I urge the IMF and World Bank to continue to improve their collaboration (e.g. in the context of the CRW) based on the recommendations of the Malan report. Staff and institutional coordination at the country level needs to be brought to a next level.

Finally, I would like to thank the US authorities for their hospitality shown during the annual meetings. I would also like to call on the IMF and World Bank Group to organize the forthcoming IMFC and Development Committee meetings on separate days. Squeezing the IFMC and DC in one day does not provide sufficient time for meaningful discussions.