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NETHERLANDS

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World Economic Outlook

1. The global economy continues to recover, but considerable uncertainty remains surrounding this recovery. Although many countries show signs of recovery, some countries continue to face slow economic growth. In the US, consumer spending remains subdued due to lower house prices, other equity losses and higher unemployment levels. These trends can also be observed to some extent in various European countries. A weaker macroeconomic outlook could affect banking sector resilience, which in turn could feed back into the real economy. In addition, the banking sector remains susceptible to sovereign and funding risks as well as legacy problems that need to be addressed, against the background of the ongoing regulatory reforms.

2. At the same time, policy measures and plans aimed towards fiscal consolidation, as part of a comprehensive economic strategy, have contributed to investor confidence and brought back a more stable situation in Europe and supported a path to economic recovery. In addition, projections suggest a further pick up of European economic growth with Germany leading the way, though the pace of recovery differs substantially between European countries. The main downside risk to European economic growth lies in renewed concerns about sovereign funding and solvency risks and as such it is of vital importance that EU countries live up to their progressive, sustainable fiscal consolidation plans underpinned by structural reforms. The importance of growth-friendly fiscal consolidation is also illustrated by the potential spillover effects on trading partners, including those Central and Eastern European countries that are showing weak growth.

3. Short term consolidation measures to avoid debt levels from rising further will also be needed in some African countries. Whilst the limited integration with international financial markets and improved fundamentals has helped shield the African continent from the crisis, a number of countries are confronted with decreasing government revenues and increasing social spending, against the background of an already difficult external environment which includes declining donor support and volatile and high food prices. The latter underlines the need to create enough room for fiscal manoeuvre, in order to allow targeted and temporary measures to assist the most vulnerable groups.

4. A return to strong and sustainable growth crucially depends on external rebalancing. Global current account imbalances are still present and may widen again over the medium term. The latter could create new financial and economic instability. Moreover, the resurgence of capital flows to some emerging economies also poses risks to global stability, since it could lead to, among others, overheating in some economies. The dislocations in the global system accompanied the risks that these could increase again in the future requires a committed high-level dialogue. The IMF is in the unique position to bring about the much needed multilateral level that should contribute to the reduction of global imbalances with the aim of attaining sustainable global growth.

IMF

5. Considerable progress has been made in reviewing the Fund's mandate towards strengthening the Fund's role in safeguarding global economic and financial stability and preventing future crises. The review process has been guided by the recent crisis that has revealed the need for enhanced surveillance. In this respect, we support the proposals to strengthen multilateral surveillance and further efforts towards enhancing bilateral surveillance. However, an important challenge with respect to effective Fund surveillance is the follow-up given by countries to Fund's advice. Herein lays an important role for the IMFC, as a forum for policy dialogue where countries could hold each other accountable and apply peer review.

6. As a proponent for mandatory FSAPs and better integration of FSAPs in Article IVs, we welcome the recent decision by the Board that the financial stability element of the FSAP will become a mandatory part of the Article IV assessments of the 25 most interconnected economies.

7. Next to surveillance, lending facilities are central to the Fund's toolkit, in which the flexible Stand-By Arrangements remain the cornerstone. We believe the IMF should continue the flexible approach it has applied during the crisis with financial arrangements and policy advice. Following the changes to IMF lending framework introduced last year, further improvements have been made by fine-tuning of the FCL and introducing the PCL. We welcome these changes that ensure an adequate response to members' needs in challenging economic times. At the same time, we underline the importance of appropriate incentives to safeguard the financial position of the Fund and the revolving nature of its resources. In this respect, we underscore that (tailored) conditionality should remain at the core of the IMF lending programmes, to ensure the success of

Fund involvement in tackling underlying vulnerabilities and underpin economic and financial stability.

8. By January 2011, we should complete a comprehensive reform package to increase the legitimacy and effectiveness of the Fund. Any shift in quota shares should reflect the economic weight of countries in the world. We welcome proposals to enlarge Governors' and Ministers' engagement in the strategic oversight of the IMF and increase the accountability of staff, management and the Board. All of the above should ensure a more effective Fund that contribute to global financial stability and sustainable economic growth.

Worldbank

9. The World Bank Group has responded timely and effectively to the crisis, making efficient use of the means at its disposal. Nevertheless, while recognizing that the impact of the crisis on regions and countries is diverse, the crisis will have a lasting effect on poverty and inequality. The World Bank estimates that compared to the pre-crisis trend, 64 million more people are living in extreme poverty in 2010 and some 40 million more people went hungry last year. These developments constitute a permanent setback in reaching the Millennium Development Goals. From a policy perspective we encourage the World Bank, in close cooperation and dialogue with its client countries, to continue its work on strengthening resilience of its client countries, be it through better safety net systems, improved systems of domestic resource mobilisation or adequate financial sector strategies.

10. We recognize that IBRD's strong capital position contributed to its ability to act counter cyclically during the recent crisis. With regard to IBRD's future financial position and reserve range, a balance should be sought, recognising the importance of IBRD's countercyclical role, while taking into account efficient use of resources and current client demands. Furthermore, we would welcome an analysis of possible options on innovative contingent facilities to support IBRD's role during future crises in an efficient way. Another important lesson for post-crisis policy is the significance of a dynamic private sector. IFC has ample opportunities to achieve development results and can act as a catalyst for domestic resource mobilisation in both IDA and non-IDA countries. IDA needs a new replenishment this year. With a view to IDA's financial sustainability, especially in the long term, we stress the importance of broad and appropriate

burden sharing between donors and more innovative use of IDA's scarce resources. We also welcome contributions from other members of the WBG to IDA, reflecting the relationship between and shared membership of the institutions of the World Bank Group.

11. With respect to internal reforms, we welcome the development of an integrated development results and corporate performance framework. In this regard, we look forward to the corporate scorecard which should bring together the various indicators already in existence and translate them into one Annual Results Report. Second, the resource constraint requires, based on the proposed selectivity framework, a further focussing of interventions, especially in those areas where priorities can be reached most efficiently. The selectivity framework should take into account the need to be responsive to client needs, and enable staff to remain flexible while at the same time provide accountability to stakeholders. Furthermore, we would like to stress again the importance of speedy continuation of the decentralization progress, in particular the delegation of decision authority to the field, based on clear strategic directions, and with a strong emphasis on harmonization and alignment.

12. We advocate enhancing shareholder stewardship and oversight by strengthening the Development Committee, for example by stronger involvement of shareholders in the agenda-setting. This should be accompanied by a clearer delineation of responsibilities between Executive Board and Management, which should give Executive Directors more time to deal with strategy and oversight, instead of operational tasks. We would welcome concrete recommendations and proposals for decision by the Spring Meetings on modernizing the Development Committee, selection of the President and the dual performance feedback of the Board and the President.