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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. **CHRISTIAN NOYER,**
Alternate Governor of the Fund for **FRANCE,**
at the Joint Annual Discussion

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Mr. Chairman, Governors, and Delegates:

France has always insisted on the necessity of a central role for the international financial institutions. Their decisive contribution since the start of the crisis has demonstrated the relevance of that viewpoint. Strengthening them is now imperative if we wish to build a more effective system of global governance. Clear and bold targets were set by the community of member countries, particularly in response to the impetus provided by the G-20 heads of state and government.

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1. **Meeting our international commitments to give the IMF and the World Bank the means to fulfill their mandate completely remains a key objective.**

Facing a rapidly deteriorating world economic situation, the IMF and the World Bank demonstrated their ability to adapt and react, with one major objective: to respond urgently to the mounting financing requirements of some of their members and to help them meet the global economic challenges ahead.

Evincing strong collective support, the international community, with the help of firm action by the G-20, trebled the resources of the IMF to enable countries to address their balance of payments problems. I would stress that France was one of the first countries to sign a bilateral loan agreement with the IMF. We must now build on these efforts by incorporating all the contributions into the expanded and more flexible New Agreements to Borrow, an overall arrangement that reflects our joint commitment.

The Fund was also successful in making swift changes to its lending framework and instruments, in particular by introducing the Flexible Credit Line (FCL), which represents a major step forward. Three countries—Mexico, Poland, and Colombia—were granted access to funds under this facility without actually having to use them, which shows that the instrument was well designed and effectively met the needs of the member countries.

In this same vein, the reform of the framework for aiding the poorest countries provided a timely means of mitigating the effects of the crisis on the most vulnerable.

I also applaud the renewed efforts of countries that have joined us in participating in the voluntary SDR trading mechanisms, which will maximize the effectiveness of the special SDR allocations for balance of payments financing.

Against the background of a globalized crisis, we believe it is crucial and urgent to step up our action to help the poorest countries. France, together with the United Kingdom, has announced that it would redistribute the equivalent of US$2 billion of its SDR allocation to the IMF facility for lending to poor countries. It urges its partners to do their part in this effort and to join the group of donors and lenders. I am convinced that the World Bank will manage to accelerate its commitments in Africa in the light of last months' dynamics. In this regard, I wish to welcome the IFC's exemplary action in favor of private sector development in Africa.

The recent crises – energy, food, financial, and economic – have also shown us the limitations of the international financial community's current operating methods. The reform of the IMF's instruments was one response to this. The World Bank should now also redefine its approach and put in place specific protections for the most vulnerable countries and population groups; it should reform its intervention policy and instruments to make the best use of its resources. To that end, the World Bank could quickly consider four avenues: first, create flexible, reactive, and sustainable intervention capacity within the International Development Association (IDA) with a view to deploying rapid, large-scale budgetary assistance; second, enhance the promotion of regional projects by making the IDA an instrument of regional integration; third, reform the instruments of the International Bank for Reconstruction and Development (IBRD) to adapt them to the specific characteristics of the crisis; and, finally, update the resource allocation and client country eligibility strategy, especially the rule governing graduation of the Bank's high-income countries.

The efficient use of funds is a matter of utmost importance, as it would be vital—especially if fresh resources were to be provided to the Group—to ensure that they are indeed used to strengthen its balance sheet and thus its commitment capacity, and not to subsidize its operations. It is important that this issue, as well as the reforms undertaken, be kept in mind in the process of reviewing the capital of the IBRD and the International Finance Corporation (IFC) and reformulating their strategies. Furthermore, there must be no competition between the IBRD and the IDA for new resources.

2. **The governance of the international institutions must be reviewed from an overall perspective.**

Strengthening the legitimacy of the IMF and the World Bank has become an essential step in the reform of these institutions, which must adapt, going forward, to a new world order.

The reform of the IMF should now be approached from the standpoint of the various aspects requiring review. All topics should be addressed together: quota realignment and increase, activation of the Ministerial Council, effectiveness of the Executive Board, staff and management diversity, and improving the decision-making process, including voting thresholds. More specifically regarding quotas, we will participate actively in the work to be done in the context of the agreement reached in Pittsburgh, which calls for a shift of quotas from over-represented countries to under-represented countries, based on the current calculation formula, and with a view to achieving better representation of dynamic emerging markets and developing countries.

This effort is, however, only one item on the agenda. We must include other issues in our review if we are to maintain the relevance of our institutions. Viewed from this perspective, the issue of expanding the IMF's mandate to include financial stability and capital account surveillance appears to me essential. This would be consistent with the central role assigned the IMF in the G-20's new "framework for strong, sustainable, and balanced growth." Indeed, global imbalances have grown, and the crisis has shown that the resources for dealing with them are limited, and that they are deeply intertwined. The IMF should be in a position to participate fully in meeting the two challenges that lie ahead: the coordination of crisis exit strategies and the strengthening of long-term growth potential.

It is also important for the World Bank to continue reforming its governance. One of the issues we must address is how to ensure that the financial assistance provided to emerging countries and to the poorest countries is balanced, while keeping in sight the prime objective of poverty reduction. With the forthcoming spring meetings in mind, voting rights within the World Bank Group (IBRD, IFC) should be rebalanced in accordance with the Bank's mandate. In other words, it should benefit to under-represented developing countries, through dilution of over-represented countries, whatever their income level. We should also strive to maintain a balanced division of responsibilities among the Group's shareholders, particularly within the IDA; its financial resources are now dependent on too small a number of member countries, mainly European, whose share in the share in capital is, moreover, decreasing. This is not a sustainable situation.

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We have made a collective, unified response to the most serious financial crisis since the 1930s. It is essential that this international momentum be maintained and intensified. The initiatives we launched within the framework of a comprehensive reform to increase the financing capacity of these institutions, to adapt their methods of intervention, and to improve their governance must be continued.