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To: Members of the Executive Board

From: The Secretary

Subject: **2002 Annual Meetings—Excerpts from Speeches by Governors**

Attached for the information of Executive Directors are excerpts from Governors' speeches at the 2002 Annual Meetings relating to various policy issues. The excerpts aim to highlight the messages, arranged by topic, emerging from Governors' speeches and are not intended to provide a comprehensive compendium of the views expressed. A complete record of Governors' remarks will appear in *Summary Proceedings*, which will be issued in a few weeks.

Att: (1)

Other Distribution:
Department Heads

2002 Annual Meetings

Washington, D.C.

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I. POLICY REQUIREMENTS FOR SUSTAINING THE GLOBAL ECONOMIC RECOVERY

Australia (Governor Peter Costello—Fund and Bank)

Policies that promote and re-balance world economic growth by supporting an orderly reduction in global imbalances must remain a priority for all national authorities. In Japan and Europe, it is evident that domestic policy reform will be required to promote longer term growth. Failure to undertake the necessary policy responses not only constrains consumer and investor confidence today, but makes the eventual adjustment harder and more painful.

We must commit ourselves to taking the actions required to improve the prospects for global economic growth and prosperity—at the national level, in economic reform; at the international level, in improving the financial architecture; and in our aid commitments, to fight the scourge of poverty.

Belgium (Governor Didier Reynders—Bank)

As policy makers, we must now determine what policies are needed to reverse this trend in the world economic outlook. The specific content of these policies will naturally vary from one economic zone to another, and from one country to another, reflecting the weaknesses of our individual economies. These diverse responses aside, however, we are all confronted with the same situation, namely, a lack of confidence within both enterprises and households.

As steps are undertaken to restore confidence, it is essential to underscore the importance of continuing with structural reforms and of adhering to the Stability and Growth Pact, especially since significant progress has already been achieved in these areas.

Flexible and well-regulated financial systems are indispensable for macroeconomic and financial stability, especially in an environment characterized by increasing capital flows. The authorities of each country must ensure the health and stability of their financial sectors by adopting and implementing appropriate rules, standards, and codes. Multilateral financial institutions, for their part, have an important role to play in strengthening the financial system, by promoting sound policies and supporting their implementation.

The recent accounting scandals and deceptive corporate reporting that have attracted wide media attention underscore the need for the authorities to remain vigilant, continually assess the effectiveness of existing rules, and adapt them where necessary. Additional steps must also be taken to improve governance, accounting and reporting practices, and transparency within companies in order to strengthen the functioning of financial markets.

Cambodia (Governor Chea Chanto—Fund; and Governor Keat Chhon—Bank)

It is observed that since the Asian Financial crisis in 1997, the world economy has been experiencing many other crises such as those in the Russian Federation, Argentina, Turkey, Brazil, and so on. The fact that the crisis keeps moving from one place to another indicates the needs for a new international financial architecture that would be able to cope with the challenges of globalization. This situation also requires that countries expedite the process of the establishment of the new system.

Canada (Governor John Manley—Fund and Bank)

The situation in Argentina, which has been in crisis for some time, continues to be critical. Other countries in the region have sought IMF assistance. And while the Argentine crisis has had some impact on economies in the region, in most cases, domestic policy imbalances have also contributed to financial difficulties. While the IMF and World Bank can help, it is essential that national authorities address these domestic policy problems.

Cyprus (Governor Takis Klerides—Bank)

While the process of adjustment will need to be associated with a deepening of structural reforms in Europe and Japan, policy-makers have to guard against subdued demand that may lead to too much unemployment and excess capacity and/or deflation. The ECB and the Federal Reserve must stand ready to relax monetary policies, and greater flexibility in the conduct of fiscal policy in Europe and North America may be required.

One lesson drawn from our experiences is that taking measures to reform the economy, despite an adverse external environment, provides a country with enhanced ability to compete in this harsher environment and to have the flexibility to shift resources into areas of greater demand.

EU Council of Economic and Finance Ministers (Governor Thor Pedersen)

These episodes of increased financial volatility, following already significant corrections of financial asset price, and compounded by certain high profile cases, have highlighted the importance of improved corporate governance, and accounting and auditing practices. It is important to restore confidence in the economic and financial system worldwide, and to ensure that financial volatility and its impact on the real economy are minimized.

The utmost priority is to restore investor confidence, and to address shortcomings in corporate governance and financial reporting. ... Macroeconomic policy should continue to support the recovery. However, on the fiscal side, it is essential that public finances are brought back on a prudent medium-term course once the recovery is established in light of the desirability of reducing the external and internal imbalances.

While the recent turbulence on financial markets is a response to past imbalances in asset prices, recent events have emphasized the need for consolidating corporate and financial rules and practices. Beyond self-correction by the market, public authorities, including at the international level, should address the underlying structural deficiencies and establish where necessary, new standards. In order to restore investor confidence and strengthen financial markets, progress is especially needed in priority areas, such as accounting, auditing, corporate governance, and disclosure standards.

France (Governor Jean-Claude Trichet—Fund)

...the prospect for recovery is hampered by the persistence of imbalances and the lack of structural reforms. Confidence has also been affected by the situation of financial markets and the uncertainties surrounding the quality of financial reporting, accounting practices, and corporate governance. Action is underway to address these weaknesses and to restore confidence.

...in the industrialized world as well as in emerging economies and in transition countries, structural reforms are of the essence in order to raise the level of growth potential, and contribute to sound and sustainable higher activity.

Germany (Governor Ernst Welteke—Fund)

Further work has to be done on consolidating government budgets so that we then have enough leeway to take countermeasures when times are bad. Monetary policy has to be medium- and long-term in its orientation and geared as a priority to stable prices; in that way, volatile exchange rates will also be avoided. Furthermore, structural policy should not be determined by short-term expedience; it should look forward and promote new opportunities for growth.

Greece (Governor Nikolaos Christodoulakis—Bank)

To counter these risks and preserve the stability of the international monetary system, we need to reinforce our commitment to international cooperation. We need to focus attention on restoring confidence in the stability and integrity of market institutions, while also working together to resolve macroeconomic imbalances. At the same time, we need to further enhance our capacity to prevent and resolve crises.

Grenada (Governor Anthony Boatswain—Fund and Bank; speaking on behalf of the Caribbean Group)

Developing countries need to guard against the risks and vulnerabilities posed by tightened financing conditions, a sustained decline in non-oil commodity prices, the recent increases in oil prices, and the unequal application of the rules governing international trade and investment.

India (Governor Jaswant Singh—Fund and Bank)

...fiscal stimulus and stabilizers have an important role to play in the industrial countries within the prudential constraints. Swift policy action is, however, required to restore investor confidence for clearing the doubts created by reports of unfair accounting and financial reporting. In the eventuality of disorderly adjustments in major currency values, coordinated policy interventions would be called for from major countries. Finally, the emerging market economies should continue to persevere with prudent macroeconomic policies and structural reforms.

Ireland (Governor Charlie McCreevy—Fund and Bank)

The focus of the IMF and World Bank is both on macroeconomic stability and poverty reduction. The IMF's core responsibility for macroeconomic stability is not just an end in itself, but is essential for creating the basis for sustained growth—growth which has to be shared more widely, raising global prosperity and promoting social development.

Italy (Governor Giulio Tremonti—Fund)

In industrial countries, fragilities and imbalances put into question the sustainability of recovery. To stimulate growth and gradually correct international imbalances, maximum effort should be exerted by all major industrial economies. In the United States, regaining a budget balance in the medium term would be desirable. In the EU, policy makers should step up the process of structural reforms to increase the potential for growth in the long run, while in Japan, deep-rooted structural difficulties in the banking and corporate sector need to be effectively addressed.

Japan (Alternate Governor Masaru Hayami—Fund and Bank)

The recent sharp fall in global equity markets reflects changes in investor sentiment in response to a recent series of corporate accounting scandals. Such a market environment poses a risk to the world economy. In order to restore market confidence, stricter accounting and auditing systems and better corporate governance are called for.

...we welcome and support the timely decision made by the IMF and the World Bank to provide financial assistance to Uruguay, Brazil, and other countries. To make this assistance effective, however, it will be essential for these countries to practice sound economic policy management.

Jordan (Governor Michel Marto—Fund; speaking on behalf of the Arab Governors)

As capital markets are often closed to developing countries when crises erupt, it is also necessary to establish an effective international mechanism that would ensure the continuity of capital flows to countries with sound economic policies. It is also crucial to find ways to

encourage more stable capital flows, particularly in the form of foreign direct investments, and to reduce dependence on short-term financing.

We also reaffirm the importance of stabilizing the prices of basic commodities, including oil, at a fair level that serves the long-term interests of both the producing and consuming countries. ... The developing countries must also undoubtedly bear the primary responsibility in improving their own economic performance by implementing sound economic policies and reforming their institutions, in order to increase their growth rates and absorb their ever-expanding labor force.

Korea (Governor Yun-Churl Jeon—Fund and Bank)

Considering these downside risks, we need a concerted effort by the leading economies to maintain the momentum of growth through a proper policy mix. The developing economies, for their part, need to widen the source of growth to give a better balance between export and domestic demand.

Luxembourg (Governor Luc Frieden—Bank)

I would like to stress the importance of focusing in each country on establishing or keeping stable institutions that are subject to democratic control. The respect of the rule of law by independent judicial authorities must be ensured in all countries if we want to achieve our objective of peace and prosperity for all.

There is no doubt that good governance and accountability pave the way for successful structural reforms and effective implementation of macroeconomic policies. Best practices in the areas of fiscal, monetary, and social policies need to be fully adhered to.

In the light of recent financial crises, I firmly believe that sound and well regulated banking and financial systems are an essential tool to ensure financial and macroeconomic stability.

Malaysia (Governor Dato Shafie Mod Salleh—Fund and Bank)

... the international community, notably the major industrial countries, has a moral obligation to individually and collectively pursue policies that contribute to continued global prosperity. We urge the major industrial countries to resist the tide of protectionism and to open their markets to freer trade. Closer coordination of policies among the major industrial countries is also essential to ensure a stable international financial environment that will reduce volatility among the G-3 currencies. In particular, we call upon the G-3 countries to give due cognizance to the widespread impact of their domestic policy actions on the rest of the world.

Concerted efforts are needed to mitigate the risks of a disorderly adjustment in the U.S. dollar exchange rate, as it would have wide-ranging negative implications for the global economy. Closer collaboration among the G-3 currency areas is essential to ensure stability in world currency and financial markets. In this regard, the G-3 countries must give due

cognizance to the wider implications of their policy decisions, instead of focusing solely on domestic imperatives. This is particularly urgent in the light of the recent assessments that there is little that monetary policy can do to rein in market excesses, without imposing damaging consequences on the real economy.

Malta (Governor John Dalli—Bank)

It is generally recognized that the price mechanism, free trade and capital movements, and contained public spending should be the order of the day. In fact, there is clear evidence that those low-income countries that have experienced the highest growth rates happen to be the ones that have been more open to the rest of the world. Many countries embarked on extensive trade and exchange control liberalization programs following the recommendation of international financial institutions, but there were many others that did so on their own initiative.

Netherlands (Governor Hans Hoogervorst—Bank)

Apparently, there is a need to pay as much attention to risks and vulnerabilities arising in the so-called advanced economies, as we do to problems in emerging markets and developing countries.

People's Republic of China (Governor Dai Xianglong—Fund)

In the context of global economic and financial integration, we call for establishing a fair and rational new world economic order and international trade system, reforming and improving the present international monetary system; in particular, the developed countries should strengthen their policy coordination and maintain stable exchange rates. ... International institutions, including the Fund and the Bank, should build on their current efforts, increase their financial and technical assistance to developing countries and help those members to sustain their debt levels.

Portugal (Governor Vitor Constâncio—Bank)

The overall performance benefited from the proper response of macroeconomic policies. In Europe, both monetary and fiscal policies have been used to help stabilize the situation. Interest rates have been reduced since last year and stay now at historically low levels in real terms. Fiscal policy has also played its role by allowing automatic stabilizers to operate. Monetary and fiscal policies are therefore not restrictive and stand ready to help economic agents to overcome the effects of a post-bubble economic environment.

Short-term economic problems should not lead us to lose sight of the structural reforms required by the world economy: strengthening the international financial system, building a freer and fairer trade system, and achieving a more equitable distribution of the results of globalization.

Russian Federation (Governor Aleksei Kudrin—Fund)

Current account imbalances will be adjusted through a depreciation of the real exchange rates and, possibly, a fall in output growth in deficit countries. The question is whether this will be a relatively orderly process or one that is accompanied by severe disruptions in trade flows and financial markets. It is impossible to predict in advance how events will unfold. At the same time, as shown in the WEO, some measures can increase the likelihood that the imbalances will subside in a benign fashion. Medium-term fiscal consolidation, which allows for an increase in national savings, is such a measure for deficit countries. Surplus countries should implement structural reforms to boost growth potential and support domestic demand. This would promote a smoother redistribution of global demand between deficit and surplus countries without threatening the growth of the world economy as a whole.

Spain (Governor de Rato y Figaredo—Fund and Bank)

...it is essential to increase the growth potential of the Euro zone by implementing the necessary structural reforms, in particular in the labor market. In addition, it seems appropriate for monetary policy to remain neutral and consistent with the other components of the policy mix. In the area of fiscal policy, we share the firm commitment of member countries to observe the Stability and Growth Pact, out of the necessity to maintain fiscal discipline with a view to ensuring sustainable medium-term growth.

Economic and financial conditions in Latin America have largely worsened over the past few months. Over-reaction and contagion have been found to be factors in some cases. Under these circumstances, the region needs more than ever to adopt responsible macroeconomic policies, to implement plans for good governance and social opportunities, and to maintain an adequate legal framework that can help restore investor confidence and once again clear the path to sustained growth.

Sri Lanka (Governor K.N. Choksy—Fund and Bank)

What is called for in this environment of increased interdependence among countries is credible policy responses from all parties concerned, i.e., the Fund, the Bank, other multilateral and regional financial institutions, governments, and the private sector, to manage globalization for the benefit of all. There is also the need to provide adequate social safety nets to protect the poor and other vulnerable groups.

Country experiences show that there is no alternative to sound fiscal policies and improved governance to effectively face these challenges. For many low-income countries, notwithstanding their own efforts, there are other problems, such as capacity limitations, severe resource constraints, inclusive of human resource, and market access limitations.

Switzerland (Alternate Governor Kaspar Villiger—Fund)

For all countries, one of the most powerful means of protection against crises and structural problems continues to be the implementation of sound and sustainable economic and social policies.

Tonga (Governor Siosiua T.T. Utoikamanu—Bank)

On the world economy, future recovery continues to depend on the outlook for the United States. The recent upward revision of the growth rate of the United States augurs well for the future outlook. We note that a modest rebound is projected for the Japanese economy. It is to be hoped that this can be sustained into the medium term to support future growth prospects for the world economy. It is also hoped that macroeconomic policies in industrial countries will continue to support worldwide economic activity. As such, we welcome the analysis by the staff of the Fund recommending the easing of monetary policy and appropriate fiscal policy consolidation.

Ukraine (Governor Vasyl Rohovyi—Bank)

...it would not be entirely prudent to place the responsibility for volatile capital flows predominantly on the policy weaknesses of recipient countries. Such a view is not balanced enough. Capital account volatility together with difficult global restructuring in such sectors as telecommunications, information technology, and energy, can affect practically every country, not always respecting the strength of local macroeconomic fundamentals.

...we would like to emphasize that IFIs as well as many sovereign nations need to better adjust to the realities of the increasingly integrated global economy and fluid financial markets. We fully share the view that there are no viable alternatives to globalization, but the global economy needs to be inclusive, mutually beneficial, and should work for the entire membership.

United Kingdom (Governor Gordon Brown—Fund and Bank)

We must all be vigilant to the risks that we face at this time. And we must all, each continent and the international institutions, face up to our responsibilities in sustaining and strengthening the economic recovery round the world: Europe must make progress on economic reform, Japan take decisive action on financial sector reform, and America show that corporate reform is working.

...stability is only the precondition. To ensure growth and development, we must also take steps to promote domestic and foreign investment, and find better ways for public and private sectors to work together in raising investment levels.

United States (Governor Paul H. O'Neill—Fund and Bank)

U.S. engagement in the IMF and World Bank is guided by an over-riding belief that our role, and that of the official community as a whole, is to encourage governments to take the right steps themselves that will help them achieve economic success. We simply cannot bring about success from the outside. Instead, we can foster growth and development only by supporting and encouraging sovereign governments that rule to justly invest in their people and expand economic freedom. This is the key to unleashing the potential created by the desire and ability of people everywhere to improve their lives.

We all know that the world economy and its people benefit when all countries—especially the major industrialized nations—grow at their full potential. Achieving this depends on the adoption of policies to support strong and durable growth everywhere.

II. TRADE-RELATED ISSUES

Australia (Governor Peter Costello—Fund and Bank)

Trade liberalization is vital for more rapid growth—and growth is the best answer we have to deal with poverty. There is no shortage of analysis that shows the potential benefits to economic growth and welfare that would accrue to both developing and developed countries from comprehensive trade liberalization. ... Much more is spent propping up inefficient and unsustainable activities in developed countries than is spent on aid to developing countries. Moreover, existing trade policies in many industrial countries in fact directly neutralize the effectiveness of aid.

We need the political will to seize the opportunities for broad-based agricultural trade liberalization presented by the Doha trade negotiations agenda.

Greater coherence is needed between trade and aid. But comprehensive trade liberalization will generate far greater and certainly more sustained benefit for developing countries than increasing aid resources. Further progress in the Doha trade negotiations will play a key role in catalyzing improvements in global confidence and growth. A benchmark of the Doha round's success or failure will be the degree of progress made in reducing farm protection. This is vital for the poorest economies. As they enter the arena of international trade, some of their earliest export opportunities will be in agricultural products.

The Bank together with the Fund must take every opportunity to promote the benefits of trade liberalization and build a consensus in support of liberalization in developed and developing countries alike. Australia also urges the international institutions to provide support to developing countries in order to benefit from the opportunities provided by trade.

Bangladesh (Governor M. Saifur Rahman—Fund and Bank)

With a view to removing the misgivings about globalization, high-income countries must come forward unilaterally with pro-trade policies and demonstrate good faith by curbing non-trade barriers, including unrealistic labor standards. Low-income countries should be allowed duty-free and quota-free access to markets in industrial countries.

Canada (Governor John Manley—Fund and Bank)

Development partnership implies freer trade. In Monterrey and Johannesburg, leaders reaffirmed that trade is key to development. We look to the World Bank and the IMF, in support of the WTO and the Doha Development Round, to enhance their own analysis of how developing countries can best take advantage of the global trading system.

Developing countries must have opportunities to trade in the global market place if they are to prosper. However, trade-distorting agricultural subsidies in the developed world continue to depress global markets for developing country products. Moreover, trade barriers, in both the developed and developing worlds, continue to depress exports from least developed countries. We all must commit to work towards the elimination of trade-distorting subsidies and to improve market access for the world's poorest countries. Earlier this year, Canada announced that, effective January 1, 2003, it would provide duty-free and quota-free access to its market for virtually all products from least developed countries.

Cyprus (Governor Takis Klerides—Bank)

Although a number of developing countries have withstood the effects of the global downturn relatively successfully, their efforts at pursuing export-led growth strategies should not be derailed by protectionist measures in the developed countries. The commitment to global free trade made in Doha in November 2001 must be renewed. Advanced countries have to keep their markets open to access for and services of developing countries.

...we would underline that policies of trade liberalization as advocated in the IMF's latest World Economic Outlook publication will benefit both developed and developing countries. Developing countries which have integrated strongly into the world economy with the liberalization of their external trade and capital accounts are proving that they can export their way out of a downturn and raise sufficient funds to bridge their temporary financing needs.

Denmark (Alternate Governor Bodil Nyboe Andersen—Fund; speaking on behalf of the Nordic-Baltic Group)

The Fund's surveillance of industrial countries' trade policies and its effect on developing countries should be strengthened. Further opening up of industrial countries' markets should be even more explicitly encouraged than today, and the impact that subsidies have on prices, production, and market access should be analyzed. The benefits of increased trade between developing countries themselves should also be analyzed further. In these endeavors, the Fund should work closely with the WTO.

Fiji (Governor J.Y. Kubuabola—Bank)

...on the issue of globalization, I would like to reaffirm the importance of trade as a source of growth and poverty reduction. In order to create a favorable environment for development, I ask the Bank and the Fund to help developing countries improve market access, especially in products and services where developing countries have a comparative advantage. The effective participation by developing countries in the new round of multilateral trade negotiations is essential to ensure that the benefits of globalization reach all countries. In this regard, the Fund and the Bank can again play an active role in capacity building and in coordinating trade-related technical assistance.

Finland (Governor Sauli Niinisto—Bank; speaking on behalf of the Bank Nordic Group)

Allocation of responsibilities is important: sound policies and good governance form the basis for all countries, and developing countries implementing them should be rewarded with increased and more effective development assistance and market access. Liberalization of trade and increased market access opportunities are key elements which can significantly help the development process. The Bretton Woods Institutions should support the process within their mandates, although the multilateral Doha round will be of vital importance. However, steps can be taken quite quickly if political will exists, as, for example, the “Everything but Arms” initiative demonstrates.

France (Governor Jean-Claude Trichet—Fund)

The IMF and the World Bank should encompass their trade approach in a broader and comprehensive trade-and-development agenda. The IMF should also make proposals for concrete support, more specifically for managing the transitory negative effects of opening up markets.

Greece (Governor Nikolaos Christodoulakis—Bank)

The HIPC's must continue to make progress on their economic and social policies. For their part, industrialized nations must respond by opening their markets—as gains from increased trade would far exceed even the most ambitious debt relief scheme—and by ensuring that financing on appropriately concessional terms remains additional to debt relief. Removing barriers to trade will also assist in generating opportunities and in reducing aid dependency, while empowering people and countries with additional development means.

India (Governor Jaswant Singh—Fund and Bank)

We welcome the Monterrey consensus on the importance of improved market access for developing country exports. This is perhaps the most important requirement for accelerating growth and removing poverty. ... The benefits of these reforms are critically dependent on the removal of trade barriers on items of interest to them. We must be mindful that these changes are carefully sequenced so as to minimize the cost of adjustment for the poor. Developing countries have large infrastructure gaps that need to be bridged if they are to take advantage of improved market access. ... This process of reform in developing countries is thwarted unless fully supported by enhanced access to markets for their products, especially agriculture, textiles, clothing, footwear, an elimination of trade-distorting subsidies in the industrialized countries, and adequate access to financial resources so that investment needs are met and possible balance of payments pressure lessened.

Indonesia (Governor Syahril Sabirin—Fund)

Opportunity will hardly emerge in a world where the global trade and financial flows are constrained by barriers and other forms of quasi protectionism. It is in this respect that the

successful and just implementation of the mission of the WTO is very much being looked for.

Islamic Republic of Iran (Governor Tahmaseb Mazaheri-Khorzani—Bank)

The opening of markets of industrial countries to the developing countries exports could allow globalization to ensure positive benefits for all members of the international community.

Italy (Governor Giulio Tremonti—Fund)

Enhanced trade openness is a key element for stronger and sustainable growth. We are encouraged by the progress made within the Doha process. The European Union has already made significant contributions in this respect with the Everything but Arms and other initiatives. We urge other industrial countries, and the United States in particular, to remain committed to free trade principles and practices.

Jordan (Governor Michel Marto—Fund; speaking on behalf of the Arab Governors)

We also reaffirm our support for continuing multilateral trade negotiations within the context of the Doha Round, while emphasizing the importance of first assuring the implementation without delay of the agreements of the Uruguay Round. In this regard, it is essential to facilitate the process of joining the World Trade Organization (WTO) for developing countries, based on clearly defined rules that would provide adequate transitional periods for the revision of their relevant procedures and systems to ensure compliance with WTO regulations. The IMF must also accord a much higher priority to the removal of trade barriers in advanced countries in the context of its consultations with these countries, especially since it is accepted that this will benefit their own economies. We also urge the World Bank to provide developing countries with increased technical assistance to enhance their capability in trade negotiations and in penetrating and competing in foreign markets, particularly given the high costs they incur in implementing WTO agreements, which many developing countries cannot afford.

Luxembourg (Governor Luc Frieden—Bank)

...multilateral trade liberalization ... is an essential and effective development tool. we will continue to work with our European partners to reduce subsidies and import restrictions.

Malaysia (Governor Dato Shafie Mohd Salleh—Fund and Bank)

On leveraging trade for development, we support this new initiative by the Bank, as trade is a crucial vehicle for developing countries to reap benefits from globalization. Market access by the developed world for products from developing countries will have direct impact on growth and poverty reduction outcomes and will enhance the Bank's role in developing supply and export capacities of low-income countries. Provision of analytics and technical

assistance in understanding trade liberalization implications and necessary skills, knowledge, and tools to ensure adequate negotiating capacities in WTO forums should be the Bank's priority. The Bank's analytical work can offer avenue on how to mitigate possible negative short-term effects of trade liberalization on previously protected sectors of the economy and on fiscal revenues as a result of tariff reduction.

Nepal (Governor Bharat Kumar Shah—Bank)

Improving market access for greater coherence between aid and trade would certainly help poor countries achieve economic growth and alleviate poverty. In this regard, we urge greater markets access for the products of poor countries along with enhanced levels of official development assistance (ODA), debt relief measures, and capacity building for poor developing countries in line with the Doha Development Agenda of the WTO and the Monterrey Conference on Financing for Development. I take this opportunity to request the developed countries to assist least developed countries to enter into the WTO on a fast track basis .

New Zealand (Governor Michael Cullen—Fund)

We look forward to rapid and thorough agricultural liberalization for a true WTO Development Round. New Zealand is committed to the developmental aspects of the Round. We wish to see that special and differential treatment provisions are used in the interests of growth and poverty elimination in developing countries. We will also continue to support trade-related capacity building for our developing country partners, through the Global Trust Fund, and through regional and bilateral assistance.

Important as debt relief is, however, the gains to developing countries from trade liberalization and from effective mobilizing of private capital flows would swamp those that accrue from debt relief. Further agricultural trade liberalization is of particular importance to developing countries.

Global official development assistance in recent years has totaled US\$50-60 billion a year. Debt relief under the HIPC Initiative was US\$1.4 billion in 2001. At the same time, the current trade policies of some industrial countries directly neutralize the effectiveness of aid.

Greater coherence between aid and trade policies is essential. A coherent approach requires trade policies to create market opportunities for developing countries, and development policies enable them to respond to these opportunities. The trade and development communities must work together more closely than they have in the past.

Oman (Governor Ahmed Macki— Fund and Bank; speaking as Chairman of the Boards of Governors)

...international trade has a vital role to play in fostering economic development and reducing poverty. In this regard, enhanced market access for developing countries and their effective

participation in the Doha Development Agenda are essential to ensure that the benefits of further trade liberalization are shared by all. It is, however, regrettable that the trade policies of many industrialized countries continue to restrict market access for exports from developing countries, particularly textiles and agricultural products. I call upon the industrial countries to commit themselves to a meaningful opening of their markets. Developing countries should also push ahead with their own liberalization efforts.

...although their economic destiny is primarily in their own hands, developing countries still need the support of the developed countries through increased official development assistance and a meaningful opening of their markets to the exports of developing countries.

Pakistan (Governor Shaukat Aziz—Bank)

We look for partnerships that provide not only concessional financing flows, but also knowledge and above all, access to markets—for trade is really the least cost solution for the world at large. What is the point of enhancing capital flows if capacity to repay them continues to be constrained by restrictive trade practices? We therefore very much welcome the role of the Bank and the Fund in playing the lead role in both advocacy and coordination with other development partners in focusing on access to markets as these lead to sustainable development. We feel that trade must be placed even higher on the agenda of the development dialogue—we urge industrial countries to reduce tariffs and non-tariff barriers ahead of the development round as a gesture of the partnership that binds us together.

Papua New Guinea (Governor Bart Philemon—Bank)

Trade liberalization can serve as a vehicle for economic growth and poverty alleviation. In this respect, advancing the Doha Agenda must be a key priority for all economies. We encourage the advanced economies to grant increased market access to developing economies.

People's Republic of China (Governor Dai Xianglong—Fund)

Developed countries should also vigorously carry out the initiatives of the Monterrey Consensus through further opening their markets to the developing countries.

Portugal (Governor Vitor Constâncio—Bank)

Continued progress for an open and stable international system depends also on achieving a more equitable sharing of its benefits. Regarding trade, this requires the implementation of the promises of the Doha Agenda. To promote a true round for development requires increased access to markets for products from developing and emerging countries instead of increased protection as recently seen.

Samoa (Governor Misa Telefoni Retzlaff—Fund; speaking on behalf of Kiribati, Marshall Islands, Micronesia, Palau, Samoa, Solomon Islands, and Vanuatu)

The thematic focus on trade by the Bank and the Fund is a crucial one to all of us. We fully agree that there are potential gains to be made from trade, particularly in agriculture. We would propose, however, that special assistance be considered for those countries with trade preferences, to minimize the impact on their economies of changes in trade regimes. We are also aware that the liberalization of agricultural trade is most likely to raise the relative prices of goods, with a resulting costly impact on net food importing countries, including many of the Pacific Island countries. We commend, therefore, the advocacy role played by the Bank and the Fund in trade and globalization matters and in maintaining a focus on trade as a crucial element in development.

Spain (Governor de Rato y Figaredo—Fund and Bank)

Improving development possibilities for the poorest countries requires continued advances in world trade. This implies meeting the commitments agreed to in Doha. The developed countries should continue to improve access to their markets for products from the developing countries and should make progress in the resolution of trade-related social issues.

Switzerland (Alternate Governor Kaspar Villiger—Fund)

Developed countries need to rise to the challenge, too. we must address problems of policy incoherence and, in particular, move towards more consistency between development and trade policies.

Uganda (Governor Gerald Ssendaula—Bank; speaking on behalf of the African Governors)

Many African countries have liberalized. ... In spite of these efforts, access to export markets remains limited. The continuing protection of export markets and recent increase in farm subsidies by some developed nations seriously undermine the contribution of our reforms to economic growth and poverty reduction. This, coupled with the technological divide, has led to a further marginalization of Africa in the globalization process. We strongly believe that Africa's debt sustainability and prospects for growth will be realized through increased fair trade in addition to aid. In order to give developing nations a chance to benefit from globalization, we urgently call upon the industrial nations to strictly adhere to the rules and principles of globalization they themselves advocate. In this regard, we strongly urge the World Trade Organization (WTO), and the BWIs to spearhead discussions with developed nations on securing market access for Africa's exports and the removal of distorting subsidies.

Ukraine (Governor Vasyl Rohovyi—Bank)

Reaching Millennium Development Goals, gradually approaching ODA target levels of 0.7 percent of GDP, while improving market access, will be the best possible contribution to shielding the more vulnerable nations of the world from the effects of global financial and

economic instability. Addressing the challenges of poverty will also be greatly helped by the further mutually beneficial trade liberalization. To this end, we fully support the emphasis placed by President Wolfensohn and Managing Director Köhler on the utmost importance of the success of the Doha Round. We would also urge more publicity around the recent studies by the IFIs on the negative effects of trade protection and trade subsidies on international trade and on investment and consumption in both developed and developing nations. Trade distortions may, in our view, become an even more prominent feature in surveillance.

United Kingdom (Governor Gordon Brown—Fund and Bank)

Our third building block is widening and deepening trade. Full trade liberalization globally could lift at least 300 million people out of poverty by 2015. That is why the UK government strongly supports the new trade round launched at Doha where developing countries have a real and effective voice in the negotiations, and we are committed to Doha's core development agenda.

Other developed countries should follow the EU's lead by offering duty- and quota-free access to all products except arms from the 49 least developed countries. And since three quarters of the world's poor live in rural areas, urgent action is needed to reduce agricultural protectionism and open up trade.

Developed country subsidies to agriculture amount to \$1 billion dollars every day—greater than the national income of the whole of Sub-Saharan Africa and seven times the total of overseas aid flows. The United Kingdom is working hard to secure substantial reforms in the mid-term review of the CAP now underway and we urge others to join us—all developed countries subsidizing agriculture must show leadership.

But we must not rush developing countries to reduce their tariffs without recognizing the effect it could have on both government revenues and in the livelihoods of people working on the land. We need a sequenced approach, which ensures that appropriate measures are in place to protect vulnerable countries and vulnerable people from an overly rapid transition to a system of liberalized trade.

United States (Governor Paul H. O'Neal—Fund and Bank)

Trade liberalization is a key component of the growth agenda, and the United States is committed to making the WTO negotiations under the Doha Development Agenda a success across the range of priorities. In this context, more rapid progress can and should be made in liberalizing financial services.

Venezuela (Governor Felip Pérez Martí—Bank)

Are the wealthy countries aware that if there had been more accountability in the institutions they traditionally dominate—such as the IMF—there would be less poverty in the world today? Considering the unfair advantages amassed by the wealthy over the years, many of

the debts of the poor countries ought to be forgiven, and borders should be opened to trade and global production. It is also essential that principles of fair competition be embraced, so that local entrepreneurs can compete on an equal footing with their counterparts in the wealthy countries.

III. SURVEILLANCE AND CRISIS PREVENTION

Australia (Governor Peter Costello—Fund and Bank)

It is highly disconcerting that a number of countries that have catapulted into crisis did so from the position of IMF programs, where one assumes the Fund would have been at its most influential.

There is a clear message. The Fund must continue to work to make its analysis and advice more timely and effective, and to ensure that this is reflected in better program design. In our view, the key area for improvement is more timely identification by the Fund of the policy changes needed to avert crises, and the need for the Fund to be influential in getting member countries to adopt these changes.

Of course, national authorities are ultimately responsible for implementing policy, and the Fund cannot dictate to members. Nonetheless, management and the Executive Board must be prepared to take the hard judgments in surveillance and in program design.

Assessment of debt sustainability needs to be a core competency of the Fund. Unless all the factors that affect debt sustainability are considered—including the maturity profile; currency denomination; debt servicing capacity; and sensitivity to adverse external developments—the Fund will not be in a position to provide appropriate policy advice or assess the likely success of any program.

Belgium (Governor Didier Reynders—Bank)

With regard to crisis prevention, countries experiencing payment difficulties should be identified quickly, the scope of their problems should be quantified, and countries should be encouraged to take corrective measures sufficiently early. The Fund and the Bank have a key role to play in this area. A number of initiatives have already proved successful and will be pursued resolutely in the years ahead. They include strengthening oversight of the financial sector, awareness of vulnerability to crises, increased transparency on the part of the Fund and its members, compliance with standards and codes, and multilateral surveillance of capital markets.

Canada (Governor John Manley—Fund and Bank)

Strengthening investor confidence and market integrity will require actions in a number of areas. The recent corporate scandals in the United States make increased vigilance by policy makers all the more important. Sound monetary and fiscal policy frameworks reduce uncertainty and bolster confidence. But this is not enough. Effective governance arrangements that allow markets to access, weigh, and evaluate risks are also required.

For emerging market and developing economies, recent events are a stern reminder of the need for strong policy frameworks based on sound monetary policy, strengthened financial sector supervision and regulation, and the adoption of prudent public debt and fiscal management. The IMF has an important role to play through its surveillance function and in providing technical assistance to its members. We will work with all countries to enhance the Fund's ability to play an important role in crisis prevention. Progress has already been achieved as a result of joint Fund/Bank work on Reports on the Observance of Standards and Codes (ROSCs) and the Financial Sector Assessment Program (FSAP). But, more needs to be done—in particular, in the area of identifying and avoiding currency mismatches.

Denmark (Alternate Governor Bodil Nyboe Andersen—Fund; speaking on behalf of the Nordic-Baltic Group)

We welcome the recent review of the Fund's surveillance practices and, in particular, the emphasis on improving the effectiveness of such surveillance by strengthening the coverage of the authorities' response to past policy advice. We agree that Fund policies on surveillance must be under constant review, but we are not in favor of recent proposals to introduce new formal arrangements for separating the surveillance function from that of program monitoring. Nevertheless, a certain degree of independence between these two functions may well be useful.

Many countries have already agreed to accept publication of staff documents that describe the developments in their economies and the Fund's assessment of their policies. We encourage all countries to follow suit. There should be a presumption—but no obligation—in favor of publication of such reports. Publication will enhance the quality of the policy debate, not only in the country itself, but also globally.

The experience of the financial crises in the 1990s has clearly demonstrated the need to reduce vulnerabilities in the financial sectors and highlighted the importance of good governance, accounting, and auditing practices. The Financial Sector Assessment Program (FSAP) is an effective framework for expanding the international institutions' increased surveillance role in this area.

In view of the considerable resources needed to prepare FSAP reports, it is important that the Fund's work be well targeted.

EU Council of Economic and Finance Ministers (Governor Thor Pedersen)

We welcome the improvements in the IMF's work on crisis prevention and we take note of the completion of the recent Biennial Review of the Implementation of the Fund's Surveillance. Crisis prevention, primarily through multilateral and bilateral surveillance, remains at the heart of the IMF's mission. We welcome the opportunity to continue discussions over the coming year on further measures to strengthen surveillance, including consideration of its institutional framework.

Experience shows that most crises arise from vulnerabilities that have not been detected or corrected in time. Increased attention should thus be paid to potential vulnerabilities in the monetary, fiscal, exchange rate, and financial policy areas, notably in Article IV consultations and in the context of further refinements in early warning systems. To be fully effective in bringing about early and pre-emptive policy action, IMF surveillance needs to be transparent, objective, accountable, and independent from judgments concerning IMF lending programs. In particular, we would like to see more countries move towards publication of Article IV staff reports.

Fiji (Governor J.Y. Kubuabola—Bank)

I urge the Bank and the Fund to continue to search for ways to strengthen surveillance and prevent crises. In our efforts to resolve crises, we must avoid applying universal solutions, but instead search for strategies that suit specific countries. The Bank-Fund Financial Sector Assessment Program and Reports on the Observance of Standards and Codes have established a valuable framework for helping countries strengthen their financial and economic systems.

Germany (Governor Ernst Welteke—Fund)

We ... welcome the continuing work of the IMF on improving surveillance and crisis prevention. I think we have made progress in those areas during the past few years. Standards and codes have undoubtedly played a part in that and seem to be meeting with increasing acceptance. In my view, however, that on its own is not enough:

- In many countries, good governance could help to improve the economic situation.
- In other countries, more effective banking supervision could help to prevent financial crises.
- Greater transparency in yet other countries might contribute to improved economic policy.

Greece (Governor Nikolaos Christodoulakis—Bank)

Over the past year, the Fund has made considerable progress in strengthening the effectiveness of its surveillance policies, which is essential for the prevention of crises. I welcome, in particular, the new instruments that the Fund has developed to facilitate the timely detection and correction of vulnerabilities in national financial systems and global capital markets and the growing attention it has been paying to debt sustainability analysis.

India (Governor Jaswant Singh—Fund and Bank)

As part of both multilateral and bilateral surveillance, development of financial standards and codes as a parallel effort to strengthen individual country practices and improve adherence to best practices is welcome. But, it must be recognized that the relationship between adherence to codes and stability and soundness is rather weak and not well founded. Secondly, the

standards themselves should be seen as evolving and weaknesses in standards themselves are not uncommon as were evident in the recent cases relating to accounting, auditing, and governance matters. The approach of FSAP and ROSC should continue to remain voluntary, and publication of reports should be left to member countries. The application should take into account individual country experience, context and stage of development, and legal and other institutional structures.

Ireland (Governor Charlie McCreevy—Fund and Bank)

Crisis prevention has been at the core of the IMF activity and it has carried out substantial work to strengthen the global economic and financial systems, and to reduce the incidence and the extent of crises. The Bank and the Fund are successes, not failures, despite some popular skepticism.

Japan (Alternate Governor Masaru Hayami—Fund and Bank)

...since last year, there have been a number of cases that have required large-scale international financial assistance in Argentina, Brazil, and other Latin American countries. These crises point to the need for enhanced measures for crisis prevention and resolution.

Regarding crisis prevention, the strengthening of IMF surveillance is a matter of central focus. We expect that surveillance will be strengthened, focusing on its core areas of macroeconomic policy, capital movements, and the financial sector. Recently, the Financial Sector Assessment Program (FSAP) was introduced by the IMF to evaluate the soundness of countries' financial sectors.

Jordan (Governor Michel Marto—Fund; speaking on behalf of the Arab Governors)

...it is important to reaffirm the role of the International Monetary Fund in its surveillance of the global monetary system, and in monitoring and coordinating the economic policies of its members. Recent developments in the global economy have particularly underscored the need to enhance the Fund's ability to more effectively oversee the economies of the major industrial countries .

Korea (Governor Yun-Churl Jeon—Fund/Bank)

...we must continue our efforts to reform the international financial architecture, focusing on a comprehensive framework for crisis prevention and resolution.

Luxembourg (Governor Luc Frieden—Bank)

To the extent that Financial Sector Assessment Programs (FSAP) play a crucial role in promoting sound financial systems it seems worthwhile to consider whether FSAPs should not form part of the IMF's Article IV consultations. At any rate, industrial countries should

show the way and sign up for an evaluation under the FSAP. By doing so, they could lead by example and support this essential tool of surveillance and crisis prevention.

Malaysia (Governor Dato Shafie Mohd Salleh—Fund and Bank)

During the intervening period, we have seen significant progress in terms of measures on crisis prevention at the country level. In particular, the international community had pressed for economic, financial, and corporate sector reforms in the crisis-affected countries to reduce vulnerabilities and strengthen the foundations for sustainable growth. At the height of the crisis, there were also calls for reforms in the international financial architecture to reduce, if not eliminate, the frequency and severity of crises.

New Zealand (Governor Michael Cullen—Fund)

Surveillance is the main avenue for the Fund to identify an impending crisis early on. But crisis prediction will always be imperfect because crises are heterogeneous; they occur for different reasons in different settings and at different times. However, rather than being inevitable and pre-ordained, crises generally afflict countries that have entered a danger zone where the government lacks the political and economic capacity to fend off financial pressure.

...it remains possible to identify steps to limit both the incidence and severity of crises, such as strengthening the supervision and regulation of financial institutions, rationalizing exchange rate regimes, and reforming fiscal and monetary institutions. Strengthening the focus and persuasiveness of Fund surveillance in these key areas is a priority.

Oman (Governor Ahmed Macki—Fund and Bank; speaking as Chairman of the Boards of Governors)

We have also welcomed the ongoing initiatives by the Fund to improve the quality and effectiveness of its policy advice, streamline conditionality, and boost its crisis prevention and resolution efforts, including through strengthened surveillance.

Portugal (Governor Vitor Constâncio—Bank)

Improved surveillance, transparency, and implementation of codes and standards have shown some progress. Further work on sustainability analysis and early warning systems should be forthcoming. Financial stability reports should stress the need for financial institutions in advanced countries to implement proper risk management systems and build a stronger capital base. ... Other developments helpful for crisis prevention have been the change to a more careful consideration of capital account liberalization and the recognition of the advantages of a more flexible exchange rate regime.

Russian Federation (Governor Aleksei Kudrin—Fund)

In an environment of increasing trade and financial integration, surveillance of the global economy and developments in financial markets remains one of the main tasks of the IMF and the World Bank. Over the last several years, a great deal of work has been done to strengthen surveillance. Initiatives such as the introduction of the Special Data Dissemination Standard, the preparation of Reports on the Observance of Standards and Codes, and the conduct of Financial Sector Assessment Programs play an important role in strengthening surveillance. Ultimately, all this work is aimed at preventing financial crises, because timely identification of weaknesses and vulnerabilities and well-timed provision of technical assistance to correct them are of great significance.

Spain (Governor de Rato y Figaredo—Fund and Bank)

Over the past few years, increasing importance has been attributed to crisis prevention, and to this end, the IMF is strengthening its supervision function. We feel that this area should be strengthened even further, by enhancing its technical content and increasing transparency.

Switzerland (Alternate Governor Kaspar Villiger—Fund)

I would like to commend the Fund for having, over the past several years, worked hard to strengthen surveillance and crisis prevention. The candor of reports has continuously increased. However, in crucial areas such as exchange rate issues, debt sustainability analyses, and governance problems, further improvements are necessary. Effectiveness of Fund surveillance, however, also hinges critically on the willingness of members to follow Fund advice and to participate in the voluntary exercises aimed at fulfilling standards and codes.

Tonga (Governor Siosua T.T. ‘Utoikamanu—Bank)

We welcome the moves towards enhancing the effectiveness of Fund surveillance, which include improving the vulnerability assessments, expanding the coverage of financial assessments, and enhancing multilateral surveillance of the international capital markets. We also welcome the Fund’s initiatives to improve the Article IV consultation process to provide a broader and deeper analysis of the state of the economy in member countries.

Uganda (Governor Gerald Ssendaula—Bank; speaking on behalf of the African Governors)

...while we support the work on standards and codes undertaken in the context of FSAPs, we believe that priority for African countries should be devoted to capacity building for the development of indigenous markets and viable financial institutions to support small- and medium-sized enterprises.

United Kingdom (Governor Gordon Brown—Fund and Bank)

A new system should be founded on clear procedures—all countries, rich and poor, pursuing agreed codes and rules for fiscal and monetary transparency, and for corporate and social standards; and a new openness and transparency—with the IMF as independent from political influence in its surveillance of economies as an independent central bank is in the operation of monetary policy.

But there is a case for going even further. To ensure that the Article IV surveillance process fulfills the key objective of early identification of risks and vulnerabilities, all Article IV staff reports should include:

- Strengthened debt sustainability analysis;
- Greater focus on the structural sources of instability;
- Early identification of unsustainable macroeconomic policy frameworks;
- An assessment of adherence to codes and standards; and
- Identification of countries which still need to take action to forgive debt under the HIPC Initiative.

More fundamentally, there is a strong case for enhancing the IMF's surveillance and monitoring functions so that surveillance is—and is seen to be—independent of decisions about crisis resolution. We must implement further reforms to promote:

- Greater independence—ensuring that the Fund applies objective, rigorous, and consistent standards of surveillance to all member countries and that there is a clear separation between surveillance and lending activities; and
- Greater accountability—with the IMFC setting a surveillance remit, IMF management reporting each year on the Fund's performance and an annual assessment of effectiveness of Fund surveillance.

The Contingent Credit Line should be seen as an attractive tool to help countries prevent crises, and we look forward to the IMF's forthcoming review of the CCL.

United States (Governor Paul O'Neill—Fund and Bank)

I want to underscore the primacy of a country's own policies in determining its economic destiny. Countries with sound fiscal and monetary policies, good governance, effective investment in human capital, and freedom of economic transactions will inspire confidence, attract resources, and build a stable basis for growth and prosperity—and thereby help protect against vulnerability to financial crisis.

Similarly, the official community must focus first and foremost on ways to prevent crises. This is a particular priority for the IMF, which must continue to strengthen its approach to anticipating and averting crises. The IMF must work to detect potential crises early and seek quick action to address sources of vulnerability.

IV. CRISIS RESOLUTION

Australia (Governor Peter Costello—Fund and Bank)

The large scale of recent IMF programs emphasizes the need to improve the framework for determining access to IMF resources. As the amount of IMF financing increases, it is appropriate that the justification for this financing is comprehensive and rigorous. It is also important that decisions about financing are not just based on simple rules, but thoroughly grounded in approaches that re-emphasize such factors as need, capacity to repay, and exposure of the Fund.

The evidence from recent crises suggests that, at some stage, many countries will need to engage the private sector in debt restructuring. We urge swift action by the international community towards the implementation of debt restructuring proposals, including both statutory and contractual approaches. Australia wants to see further progress on the sovereign debt restructuring mechanism, and we are ready to move with the international community to include collective action clauses in future international debt issues.

Belgium (Governor Didier Reynders—Bank)

At its meeting in Prague in September 2000, the IMFC adopted a framework for crisis resolution. While some progress has already been reported, there is still a need to enhance the work being done within this framework. More particularly, the involvement of the private sector in the resolution of financial crises, which is becoming increasingly recognized as a key element in international financial architecture, needs to be strengthened.

Studies are currently under way for the simultaneous adoption of two parallel approaches: the “contractual” approach and the “statutory” approach. Belgium has given these studies its full support, and believes that the two approaches are not only mutually complementary but also mutually reinforcing and inextricably intertwined. We also support the ongoing efforts to identify and clarify the modalities and rules concerning the suspension of payments and to implement the IMF’s strengthened debt strategy for countries experiencing payment arrears.

Canada (Governor John Manley—Fund and Bank)

Our efforts to promote financial stability should be based on three complementary elements: (a) a contractual approach involving the development and adoption of new contingency clauses in sovereign debt contracts; (b) ongoing work by Fund staff to design a sovereign debt restructuring mechanism to complement the contractual approach and; (c) greater discipline in adhering to presumptive limits on official financing.

Denmark (Alternate Governor Bodil Nyboe Andersen—Fund; speaking on behalf of the Nordic-Baltic Group)

We welcome the work to clarify the Fund's policy on access to its resources. More work has to be done to improve debt sustainability analysis and to establish clearer guidelines for the Fund's exposure to individual countries.

Although market-oriented solutions and voluntary approaches are preferable to ensure the participation of the private sector, experience suggests that a more predictable framework needs to be developed. This will establish greater discipline, clarity, and transparency about the level of official financing and exert additional pressure on private investors.

Including collective action clauses in sovereign bond contracts would facilitate debt restructuring. In this respect, we welcome the initiative by the EU to lead by example in including majority action clauses and collective representation clauses in government bonds issued under a foreign jurisdiction. We welcome the work on a wider use of these clauses in tandem with continued work regarding the proposal on a Sovereign Debt Restructuring Mechanism (SDRM).

We also welcome the work on establishing clearer rules for IMF lending to countries in arrears to their private creditors. A code of conduct even in such extreme circumstances can provide a more predictable framework and provide a sounder climate for collaborative solutions. The debtor countries must be prepared to inform the creditors about their economic problems and the financial circumstances that justify a debt restructuring, including a comprehensive picture of the treatment of the claims held against the country. We will also stress the importance of the debtors observing a principle of securing equity in the treatment of different creditor claims.

Fiji (Governor J.Y. Kubuabola—Bank)

In our efforts to resolve crises, we must avoid applying universal solutions, but instead search for strategies that suit specific countries.

France (Governor Jean-Claude Trichet—Fund)

...orderly crisis management relies upon a more predictable decision making process regarding the use of Fund resources. In that regard, the presumption of clear access limits to Fund's resources is key. Recent discussions are positive steps in this direction.

...I welcome the prospect of concrete progress on the contractual approach achieved through the work of the G10 on models for collective action clauses in sovereign bond contracts. We expect strong involvement by market participants and issuers in this project in order to promote a wider use of such clauses. Progress has also been made on the proposals put forward by the IMF Management for a new mechanism for restructuring sovereign debt, and we should be in a position to consider a concrete proposal at the next spring meeting. To

contribute to reaching this objective, we should without delay build upon work already done to write down a code of appropriate conduct for concerted and informal debt restructuring.

Germany (Governor Ernst Welteke—Fund)

... a credible access policy confined to the normal access limits is absolutely essential. Investors have to reorient themselves more strongly to the real risks and must not rely on assistance from the public sector. They have to be fully aware that, in the event of a financial crisis, they could also be directly affected themselves.

Even so, there may be exceptional circumstances under which exceptional access to IMF resources might be justified. Any decision on exceptions of this kind would have to be based on well-defined criteria, however, and should also entail special formal approval procedures within the IMF. The sustainability of the country's debt situation is a necessary precondition for both access to Fund resources above normal limits and the restoration of access to private markets. In such cases of exceptional access, particular consideration should also be given to the extent to which balance of payments problems could, by their character or size, threaten the stability of the international monetary system.

Germany therefore fully supports the current work being done on developing orderly rescheduling procedures. Reliable, orderly, and rapid procedures are needed to create sustainable solutions and to provide opportunities for a new start.

Greece (Governor Nikolaos Christodoulakis—Bank)

We need to strengthen further the framework for the resolution of sovereign liquidity and solvency crises. ... I look forward to clarifying the criteria for exceptional access to the Fund's financial resources and to developing both the contractual and statutory approaches to sovereign debt restructuring.

India (Governor Jaswant Singh—Fund and Bank)

We welcome the Fund's efforts in carrying forward the examination of the contractual and statutory approaches to improving the process of Sovereign Debt Restructuring Mechanism (SDRM). We would like to reiterate that, while a generalized and broad framework for SDRM may be feasible, SDRM should be viewed on a case by case approach and necessarily has to take into account the individual country and institutional environment. Secondly, SDRM should be treated as complementary to the Fund's emergency funding and not as a substitute. The Fund's experience with exceptional financing has proved to be positive and overall resulted in meeting the objectives of programs successfully. ... There is a need to continue with the policy of designing programs and provide exceptional financing in deserving cases. We encourage the ongoing work on streamlining the access policy and strengthening the framework for exceptional access policy.

Japan (Alternate Governor Masaru Hayami—Fund and Bank)

...a statutory approach is ambitious and requires further continuous examination. Also being studied is a contractual approach, which calls for majority-rule provisions. We hope that both bond-issuing countries and market participants will recognize the importance of such provisions and that they will be introduced widely. It is particularly important that such market practices should be commonly used in markets like New York, where a large amount of international sovereign debt is issued.

...given the limited availability of the IMF's resources, we need to adopt appropriate lending rules to restrict lending beyond normal access limits to truly exceptional cases. Furthermore, in approving exceptional access, the IMF will need to base its policy advice on realistic scenarios under which the economy would return to a sustainable growth path in the medium term, as well as conduct in-depth analysis on debt sustainability.

Jordan (Governor Michel Marto—Fund; speaking on behalf of the Arab Governors)

The difficulties experienced over the past few years have also underscored the need to strengthen international efforts aimed at establishing a mechanism for private sector participation in resolving financial crises that would provide for an orderly restructuring of sovereign debt to private creditors. Such a mechanism would be beneficial to both the debtor countries and their private creditors, as well as to the international community in general. We, therefore, welcome the efforts of the IMF over the past year aimed at developing a comprehensive Sovereign Debt Restructuring Mechanism, and encourage the Fund to continue to pursue this important goal in the hope that agreement on the mechanism can be reached in the near future.

Korea (Governor Yun-Churl Jeon—Fund and Bank)

Korea fully supports an emerging consensus on the issue of private sector involvement. We also welcome the newly-added impetus at yesterday's IMFC meeting on the Sovereign Debt Restructuring Mechanism and the use of collective action clauses.

Malta (Governor John Dalli—Bank)

We fully support the sovereign debt restructuring mechanism proposed by the First Deputy Managing Director of the Fund.... It may prevent a financial crises from getting out of hand by accelerating the arrangements that may be necessary to solve a country's external debt problem. Indirectly, it would also contribute to a resumption of private capital flows to developing countries, as private investors would be assured that their investments in such countries would be more secure.

Netherlands (Governor Hans Hoogervorst—Bank)

The Netherlands welcomes the efforts by the IMF to make progress on the design of the Sovereign Debt Restructuring Mechanism proposal as well as the promising first results of the work by the G10 on collective action clauses. This two-track approach also demonstrates the clear intention to move away from bail-outs towards work-outs.

New Zealand (Governor Michael Cullen—Fund)

The ultimate aim of IMF assistance is to create breathing room for a country to put its house in order. New Zealand welcomes the increasing recognition that IMF assistance is effective in reducing uncertainty and restoring investor confidence where there is a strong domestic constituency for reform. We strongly support the policies put in place to strengthen the basis for decisions in cases of exceptional access, including a more rigorous framework to ensure debt sustainability and a strengthening of the procedures and criteria surrounding exceptional access. However, the judgments in individual cases will remain very difficult and the ultimate test of these frameworks is whether our exceptional access programs are successful.

Where debt is not sustainable under a credible set of policies, the international community should recognize that restructuring a country's debt burden is the only option to restore sustainability and growth. ...While we are willing to listen to proposals for reform, we must be realistic about the legal, political, and bureaucratic challenges ahead. No one should be under any illusion that the proposal for a sovereign debt restructuring mechanism (SDRM) would be easy to implement. ...a key impediment to proposals for reform of the framework for sovereign debt is the implications for the incentive for opportunistic sovereign defaults. A strengthened mechanism to ensure that debtor countries pursued sensible economic policies during the payment standstill would have to be developed.

Pakistan (Governor Shaukat Aziz—Bank)

We note the work underway on developing a framework for sovereign debt restructuring and only caution that whatever measures are proposed should not impair developing country access to financial markets.

People's Republic of China (Governor Dai Xianglong—Fund)

We believe that the establishment of a fair and orderly sovereign debt restructuring mechanism is an important supplement to the existing international financial architecture. In this regard, we welcome the recent debate in the Fund and support its initiative to explore further both the statutory and contractual approaches and feasibility of sovereign debt restructuring, taking account of the opinions of the developing countries in the process.

Portugal (Governor Vitor Constâncio—Bank)

Crisis management requires new ways to deal with debt restructuring to make it a more orderly and timely process. Rules to facilitate negotiations between creditors and debtors are required. Provisions to regulate in that context, the operation of standstills, incentives to new lending, and lending into arrears have also to be clarified and improved. Besides the introduction of collective action clauses on a contractual basis, complementary work on a statutory mechanism has also to continue. There is misplaced resistance in some quarters to these reforms, but it should be understood that they are important to avoid overshooting in fluctuations of capital flows with excesses in both directions. Better prevention and management of financial crises will work in the interest of all concerned.

Russian Federation (Governor Aleksei Kudrin—Fund)

Inevitably, in some instances crisis resolution will require sovereign debt restructuring. With regard to the contractual approach, the introduction of collective action clauses into the bulk of sovereign debt contracts will require prolonged effort. In this connection, we welcome the intention of the EU countries to make the use of collective action clauses a standard practice as part of their sovereign bond issues.

At the same time, the contractual approach does not fully address the problem of creditors' collective actions insofar as it remains possible for a minority of creditors to block the decision of the majority. In order to eliminate this possibility, it is necessary to adopt an international treaty that makes the decision of the majority binding on all creditors in all jurisdictions. Perhaps, this could be done on the basis of a corresponding amendment to the IMF's Articles of Agreement.

Spain (Governor de Rato y Figaredo—Fund and Bank)

The aim of the Fund's recent programs has been to engage the private sector more in crisis resolution. However, applications of this criterion have been unequal, so that private sector participation has been greater in some crises than in others. This should not continue to be the case.

Recent experience confirms that it is useful to examine the determination of traditional access limits in the current context of capital account crises. There is a need for strict definition of the criteria for exceptional access to the Fund's resources, but flexibility should be maintained in cases that so warrant, including countries that may be the source of contagion as well as those that may be victims.

Switzerland (Alternate Governor Kaspar Villiger—Fund)

The absence of a mechanism to deal with sovereign debt crises has been an important void in the financial architecture. It is reassuring that this is increasingly recognized. I therefore warmly welcome the recent progress on creating a better framework for crisis resolution. ...

There is now widespread recognition that CACs can be introduced—to the benefit of both debtors and creditors—in the bond documentation of all major jurisdictions. The public sector’s role in the introduction of CACs is limited. ... In the end, the success of collective action clauses hinges on the private sector’s willingness to participate. While I welcome the progress achieved on the contractual approach, I strongly encourage the IMF to pursue its work on the statutory approach and hope that, by the time of the next IMFC meeting, we will be in a position to endorse very concrete proposals. For me, the Sovereign Debt Restructuring Mechanism (SDRM) is not just a strategic play to advance CACs. We need a mechanism like the SDRM. But an SDRM will only work if there are clear rules for access to IMF resources. The recent discussion on access limits showed that it is currently unreasonable to expect a lid on lending. This, however, makes it all the more important that cases of exceptional access remain truly exceptional.

United Kingdom (Governor Gordon Brown—Fund and Bank)

We also need to ensure that there are effective methods in place for crisis resolution in a way that will ensure that the burden of adjustments is not placed on the poorest and most vulnerable. The Fund is working on a stronger framework for crisis resolution to provide members and markets with greater clarity and predictability about the decisions that the Fund will take in a crisis. We urge the Fund to build on this, by:

- Finalizing and implementing the new framework to clarify and strengthen the procedures for exceptional access to Fund resources.
- Resolving the obstacles that stand in the way of effective debt rescheduling. We need reform of the contractual arrangements for debt, and we need to continue work on a new, more comprehensive, legal framework—an international bankruptcy procedure.
- Clarifying Fund policy on standstills and lending into arrears.

United States (Governor Paul O’Neill—Fund and Bank)

A key to resolving crises is to develop a clear and predictable process for countries that reach a position in which they cannot sustain and service their debt burden. The aim is not to make defaults easier or more likely, but rather to simply make a restructuring more orderly and predictable should it occur. The United States is pleased with the progress made to date—through cooperation between the official and private sectors—toward implementing a market-oriented contractual approach to the sovereign debt restructuring process. We are also committed to continuing to work with the IMF on a statutory approach to restructuring.

A process for resolving debt servicing difficulties will also provide an alternative to large official packages of support. This will enable us to hold firm on the size of packages from the IMF. If there is always the prospect of unlimited official financing to help countries manage their way out of trouble, there is little to motivate policymakers to make the tough choices

that are necessary to maintain stability and achieve sustained growth. When a decision is made to provide exceptional levels of IMF financing, this decision must be strongly justified.

V. THE FUND'S ROLE IN LOW-INCOME COUNTRIES/PRSP/HIPC INITIATIVE

Australia (Governor Peter Costello—Fund and Bank)

We see improvements in governance as an absolute necessity for achieving significant and sustained progress in reducing poverty. ...PRSPs play an important role in ensuring that improvements to governance arrangements are made, including strengthening institutions and improving policies. For this reason, the PRSP process must continue to be strengthened, and countries must be given the technical assistance to build their capacity to provide more reliable data, improve public expenditure management systems and undertake more realistic projections. Such actions should also assist in ensuring assistance is better linked to PRSP priorities, and placing PRSPs at the center of a range of Bank, Fund and other donor activities. ...The robustness of debt sustainability analysis is integral to the effectiveness of the HIPC process.

...we welcome recent moves to improve the measuring and monitoring of results, and the useful focus on outcomes. However, in developing indicators and measuring results, it will be important to take account of specific country circumstances. We would also attach considerable weight to closer matching of programs to the needs and capacities of developing countries.

Belgium (Governor Didier Reynders—Bank)

...it is important to identify cohesive and realistic objectives, intermediate indicators capable of measuring the progress being made toward the achievement of those objectives, and institutional capacities with the ability to monitor that progress. However, to avoid development of the perception that the management of poverty reduction strategies is less the province of the beneficiary countries than of the donors, I believe it is a good idea for the governments of those countries to consider opting for alternative policies. It is also important to be careful not to adopt too ambitious an agenda, which could threaten a given country's ownership of its development process.

Canada (Governor John Manley—Fund and Bank)

The existing HIPC framework is flexible enough to provide HIPC countries with a strong basis for a sustainable exit from debt problems. However, four major outstanding issues remain to be addressed: (1) getting all creditors to participate in debt relief; (2) ensuring that donors provide sufficient contributions to the HIPC Trust Fund to help pay the cost of debt reduction by the international financial institutions; (3) allowing for flexible consideration of additional debt relief for those countries completing the HIPC process, should their economic circumstances merit it; and (4) making sure that debt sustainability analysis of the Bank and Fund is more realistic up front.

Strong institutions can ensure that the benefits of debt relief and of investments accrue to all. The rule of law is critical for allowing investors, and especially the small investors that are important drivers of poverty reduction, a safe environment free from arbitrary actions by authorities. Development policy and development assistance, if they are to succeed, must attach priority to helping governments, and societies more broadly, create the institutions that foster growth and equity, that allow women and men to fully participate in civil society and make their needs known, and that hold authorities accountable for their actions.

Finland (Governor Sauli Niinistö—Bank; speaking on behalf of the Nordic Group)

Ownership can be enhanced by effective use of the PRSP approach with the aim of developing stronger institutions and policies in recipient countries. Policies against corruption should be emphasized as a major determinant of investment climate. We already have positive experiences from the PRSP approach and the next step is effective implementation.

Debt relief has become one key part of the current development policy because over indebtedness has caused financial crisis or generally impaired growth and poverty reduction. The HIPC Initiative and models for sovereign debt restructuring are examples of methods to tackle this problem. But a word of caution is needed: these approaches all have a potential weakness, if they are implemented as one-time solutions without change in policies.

France (Governor Jean-Claude Trichet—Fund)

The HIPC Initiative provides substantial support in terms of debt reduction and increasing social expenditure. ... speeding up implementation should not result in undermining the quality of the economic programs agreed within this framework.

Greece (Governor Nikolaos Christodoulakis—Bank)

In order to assist low-income countries to meet the 2015 MDGs, focus on sound macroeconomic management, institutional capacity building and on basic social service delivery to the poor must be emphasized. Measures to improve policy performance must be embedded in the Poverty Reduction Strategy Paper (PRSP) process. Close monitoring and evaluation of agreed outcomes based on results-oriented indicators are also essential in measuring the effectiveness of assistance.

India (Governor Jaswant Singh—Fund and Bank)

The pace of implementation of the HIPC Initiative has been relatively modest. Some HIPCs have experienced delays in reaching decision points, notably, those going through a post-conflict phase, which are in urgent need of rebuilding their core infrastructure and stepping up social spending to reverse the deterioration in human development indices. ... It is important to take into consideration the governments' need to calibrate the pace of policy

changes so as to minimize likely social disruptions and facilitate progress towards poverty reduction. Enhanced aid effectiveness and more predictable aid flows are equally important.

Ireland (Governor Charlie McCreevy—Fund and Bank)

We are already seeing evidence that the funds freed up through debt relief are being channeled into increased expenditure on social programs. In this, educating girls may well be the highest return on investment available in the developing world. It leads to reduced infant and maternal mortality, improved family health and nutrition, and improved economic conditions.

Italy (Governor Giulio Tremonti—Fund)

...we must avoid generating wrong incentives that would undermine the credibility of the initiative. In this respect, topping-up at the completion point must remain an exceptional event linked to exogenous factors beyond the country's control. It cannot compensate for other shortcomings.

The commitment to provide new financing to HIPC countries only through grants or highly concessional credits must be reaffirmed. IFIs should watch closely that commercial loans do not begin to flow again into HIPCs.

Luxembourg (Governor Luc Frieden—Bank)

...it is crucial that the IMF and the World Bank ensure realistic debt sustainability analyses, that all countries fulfill their financial pledges, and that HIPCs implement sound macroeconomic and structural policies.

Nepal (Governor Bharat Kumar Shah—Bank)

Although consensus emerged in 1998 for deeper, broader, and faster debt relief, most of the heavily indebted countries are still out of the coverage of this initiative due to rigid debt sustainability criteria. We, once again, urge a comprehensive debt relief package that includes all poor countries such as Nepal for the real solution of a debt free world.

Netherlands (Governor Hans Hoogervorst—Bank)

It is now time for pledges already made by other donors and institutions to be honored and new commitments to be made to fill the financing gap. ... There are three ways to render the initiative more effective. First, the World Bank and the IMF should engage in a closer monitoring of the balance of payments of HIPC countries. The impact of exogenous shocks on the manageability of the debt will then become visible sooner. Second, it should become standard practice to offer HIPC countries capacity building assistance in the sphere of fiscal and debt management, as part of the debt relief package. Third, economic growth and productive employment should be promoted by better market access, export diversification

and an improved investment climate to provide a more solid basis to withstand future shocks. Fourth, we should expand to all HIPC countries the OECD agreement on untying ODA to the least developed countries.

New Zealand (Governor Michael Cullen—Fund)

It is, therefore, important that the international community press forward with the HIPC Initiative with pragmatism and common sense, utilizing the flexibility in the Initiative to enable these countries to progress to decision point quickly, where there is sufficient assurance that the additional resources will be used effectively to pursue poverty reduction. New Zealand also wishes to see countries make a robust exit from the Initiative, and so welcomes the use of realistic debt sustainability scenarios to assess post-HIPC debt sustainability.

Full creditor participation is also critical to the success of the Initiative. We strongly encourage all creditors yet to do so to confirm their commitment to the Initiative. We also encourage all shareholders of multilateral creditor institutions to play their part and ensure their institutions are able to participate fully.

Pakistan (Governor Shaukat Aziz—Bank)

The issue of debt sustainability is far larger than what is being covered under the HIPC Initiative. We urge the development of an effective mechanism for managing the debt overhang of non-HIPC countries which are undertaking credible reform programs and need fiscal space in order to invest more in human development.

Portugal (Governor Vitor Constâncio—Fund and Bank)

Debt relief is an integral part of the concerted effort to remain engaged in supporting those countries that are fully committed to take on the serious challenge of reducing poverty and improving the well being of their people.

While external financing as well as improved access to markets for developing countries' exports is essential and to which we are committed, HIPC countries' efforts to address structural vulnerabilities are even more important. Financial assistance and trade liberalization cannot be a substitute for sound policies and implementation of reforms, including improved governance and institutions.

Russian Federation (Governor Aleksei Kudrin—Fund)

...we are concerned with the fact that many of the HIPC countries are performing poorly under their PRGF programs, especially in the period between the decision and completion points. We believe that creditor countries should adopt a stricter and more coordinated position in relation to those HIPC countries that pursue irresponsible economic policies and do not implement their PRGF programs.

For various reasons, many HIPC countries may approach the completion point of the Initiative with deteriorating debt indicators. The enhanced framework of the Initiative includes the possibility of additional debt relief at the completion point. We would like to emphasize that this provision should be invoked only in those instances when the deterioration of the country's economic situation, including its debt indicators, is exclusively the result of exogenous shocks, as the rules of the Initiative stipulate. Moreover, we think it is essential to resist the temptation to boost the HIPC Initiative by easing the eligibility threshold while expanding the overall number of beneficiaries.

Samoa (Governor Misa Telefoni Retzlaff—Fund; speaking on behalf of Kiribati, Marshall Islands, Micronesia, Palau, Samoa, Solomon Islands, and Vanuatu)

...there is a need to ensure that the conceptual frameworks for the respective countries are harmonized in order to avoid duplication and high implementation costs. The limited capacity in some of our constituency members will need to be taken into account and urgently addressed, for the successful development and implementation of PRSPs. In addition, development of monitoring mechanisms and performance indicators must be simplified to reflect capacity levels.

Switzerland (Alternate Governor Kaspar Villiger—Fund)

More than half the HIPC countries have higher-than-expected debt levels. This is not due to some failure in the implementation of the initiative—it is too early to judge that—but mainly to over-optimistic initial economic projections and the evolving external environment. Beyond the HIPC Initiative, I continue to believe that debt relief is not the optimal instrument to support economic development and to ensure debt sustainability. Repeated debt relief will promote moral hazard. Now and after HIPC, the emphasis must be on poverty-reducing and growth-enhancing policy reforms.

Tonga (Governor Siosua T.T. 'Utoikamanu—Bank)

...much more needs to be done to ensure that HIPC countries reach a robust exit from unsustainable debt. The full benefits will only be realized if the improved debt situation is sustained through support to promote the investment and human development necessary to achieve sustained growth and poverty reduction. We urge that low-income, non-HIPC members be also considered for debt relief in order to support growth and development.

Uganda (Governor Gerald Ssendaula—Bank; speaking on behalf of the African Governors)

...we call on the Bretton Woods Institutions (BWIs) to support our efforts in the building of regional institutions to enhance integration. We also urge the BWIs to support the implementation of regional projects and to reflect our regional priorities in the PRSPs and CASS.

We also urge that Fund-supported programs give adequate priority to rural development, allowing for the allocation of more budgetary resources for rural development, and supporting decentralization in line with PRSPs.

Progress in the implementation of the HIPC debt initiative has been slowed by some bilateral and commercial creditors who have resorted to litigation to recoup as a means to recover debt covered by the HIPC Initiative. We, therefore, propose that equitable participation should be made binding for all creditors. On the other hand, we wish to highlight the financial and moral dilemma of the HIPC framework—that of requiring HIPC-to-HIPC debt relief. In our view, the provision of grants by donors to pay off these claims is the ideal solution and the IFIs should help mobilize resources for this option.

United Kingdom (Governor Gordon Brown—Fund and Bank)

We propose a trust account, funded by donors, to pay for technical assistance to help any HIPC being sued by a creditor who refuses to deliver relief, including vulture funds.

Where countries have had to contend with external shocks—such as sharp falls in the price of key export commodities—we must form a broad consensus on the need for topping up at completion point to ensure a lasting exit from sustainable debt. And we must develop more realistic and generous rules for its provision—including agreement that the calculation of topping up should exclude voluntary bilateral provision of additional 100 percent relief.

Aid should be harmonized and aligned behind the priorities of country-led poverty reduction strategies, and coordinated with national systems and budget cycles. It should also be better targeted and made more effective through untying.

All countries should meet high standards in public financial management and accountability. And in the context of the HIPC tracking exercise, all HIPCs should agree ambitious timetables to do so within their poverty reduction strategies. As a first step, I propose that all HIPCs currently receiving debt relief should achieve a core number of international benchmarks in budgeting, auditing, and reporting within three years. And the international financial institutions have an important role to play in providing governments with much more simplified and coordinated support to help them meet these international benchmarks.

VI. ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT)

Australia (Governor Peter Costello—Fund and Bank)

In the wake of 11 September, the international community responded quickly and decisively to undertake important changes that will deter and intercept the financing of terrorism. Our ability to act together in a timely and effective manner provides evidence of what we can achieve when we cooperate in a determined way.

Bangladesh (Governor M. Saifur Rahman—Fund and Bank)

Bangladesh ... is totally opposed to terrorism in all its forms and will continue to extend full support for its elimination everywhere. ... we welcome intensified work on anti-money laundering and the combating of terrorism.

Belgium (Governor Didier Reynders—Bank)

Financial stability cannot be assured without waging a constant and unrelenting fight against such abuses as money laundering and the financing of terrorism. I therefore unreservedly endorse the efforts of the Bretton Woods institutions and the Financial Action Task Force on Money Laundering (FATF) to collaborate in this fight and to finalize a comprehensive methodology for combating money laundering and the financing of terrorism. I also endorse the development of a specific Report on the Observance of Standards and Codes incorporating all aspects of the 40+8 FATF Recommendations.

Bosnia and Herzegovina (Governor Anto Domazet—Fund)

Outrageous terrorist attacks on the USA shocked all peaceful people around the world and since then many things have happened, which affected almost every country in the world. Collective determination to fight terrorism has been clearly demonstrated and it gives us a hope that democracy and rule of law will finally prevail all over the world. We fully support the battle against money laundering and the financing of terrorism and think that the World Bank and the IMF should continue to provide clear guidelines and advice in that respect.

Cyprus (Governor Takis Klerides—Bank)

Cyprus backs strongly the international fight against money laundering and against the financing of terrorism. We support the efforts of the IMF and the World Bank in contributing to this fight through their surveillance activities and technical assistance.

Denmark (Alternate Governor Bodil Nyboe Andersen—Fund; speaking on behalf of the Nordic-Baltic Group)

The Nordic-Baltic constituency very much supports the launching of an Anti-Money Laundering pilot project where the Fund and the Bank, in collaboration with the Financial Action Task Force, will survey how member countries seek to combat money laundering and the financing of terrorism.

EU Council of Economic and Finance Ministers (Governor Thor Pedersen)

The EU reiterates its commitment to fight against the abuses of the financial system, including money laundering, terrorism financing, harmful tax practices, and insufficient regulatory frameworks and practices in the financial area.

Money laundering distorts markets and economic decisions, can lead to financial instability, and is one of the tools for terrorism financing. We reaffirm our strong support to the Financial Action Task Force (FATF) whose Forty Recommendations constitute the anti-money laundering international financial standards. We welcome the fact that a great number of countries worldwide have chosen to endorse the FATF special recommendations and join the self-assessment process. This includes the participating states of the OSCE, the ASEM countries, and several others. We call on countries and territories listed by the FATF as non-cooperative to make all necessary effort to implement these recommendations. We will continue to implement the coordinated countermeasures recommended by the FATF against the jurisdictions in which no progress has been made. We also welcome the ongoing process launched by the FATF to revise and upgrade its standard in the fight against money laundering.

To encourage the broadest possible participation in this fight, we call on the FATF to identify countries for follow-up assessment and technical assistance, by the IMF, the World Bank, and the United Nations within their respective mandate.

The IMF and the World Bank have a key role to play in ensuring the integrity of financial markets, in particular by fostering compliance with the international standard in the fight against money laundering and terrorism financing. ... We support an integrated and comprehensive ROSC module, incorporating all aspects of 40+8 FATF Recommendations. We therefore welcome the decision of the IMF and World Bank to start a 12-month pilot program of AML/CFT assessments and accompanying Reports on the Observance of Standards and Codes (ROSCs) that would involve participation of the Financial Action Task Force and FATF-Style Regional Bodies (FSRBs). We look forward to a comprehensive review of the experiences at the time of the next Annual Meetings. We also urge the Fund and World Bank, in cooperation with other international organizations and donor countries, to identify and respond to needs for technical assistance.

Fiji (Governor J.Y. Kubuabola—Bank)

... we reaffirm our support for international and national efforts to combat money laundering and terrorist financing. The Fund and the Bank should help our efforts on this front by

building capacity and identifying policy and institutional foundations necessary to reduce risks of financial abuse.

France (Governor Jean-Claude Trichet—Fund)

The decisions by the Executive Boards of the IMF and the World Bank to enhance their mobilization in the fight against money laundering and terrorist financing, in conjunction with the FATF, are very much welcome and we are looking forward to reaping the benefits of their implementation.

Greece (Governor Nikolaos Christodoulakis—Bank)

Effective policies to combat money laundering and the financing of terrorism are necessary in order to safeguard the stability and integrity of the global financial system. I am pleased to note the considerable progress achieved so far in implementing major aspects of the AML/CFT action plan. I am, nonetheless, mindful that strengthening the AML/CFT regimes worldwide will involve capacity building, strengthening the financial sectors, and supervisory reforms in the medium to long run. We encourage the Fund and the Bank to continue developing comprehensive AML/CFT assessment methodologies and to step up the implementation of technical assistance, and we look forward to a final report at the 2004 Annual Meetings, after the 12-month pilot program in 2003 of AML/CFT assessments and accompanying ROSCs.

Grenada (Governor Anthony Boatswain—Fund and Bank; speaking on behalf of the Caribbean Group)

The region has developed competitive international financial centers as part of its economic diversification strategy. We have strengthened our regulatory and supervisory systems consistent with international requirements and standards. In this regard, we note the work of the Bank and the Fund over the past year in supporting global efforts against money laundering and the financing of terrorism. As the institutions forge partnerships with others in the global fight against money laundering, it is imperative that their work does not indirectly or directly support policies that seek to restrict international competition in financial services.

India (Governor Jaswant Singh—Fund and Bank)

We fully support the intensification of the global efforts to prevent money laundering and financing of terrorism and the involvement of the Fund in this endeavor. The present collaboration between the Fund, the Bank, and the FATF and its affiliate bodies, has the potential to enhance the effectiveness of assessments, expand their coverage, and promote more efficient use of resources.

Italy (Governor Giulio Tremonti—Fund)

We welcome the collaboration with the FATF that has resulted in the inclusion of the 40+8 recommendations to the Fund/Bank list of standards and codes. We are confident that the high degree of convergence on the comprehensive AML/CFT methodology will allow for its finalization by October 2002, so that the ROSC process can get started. We are looking forward to a comprehensive review of the experience at the next Annual Meetings.

We also commend efforts in providing and coordinating technical assistance (TA). Several initiatives are in place but, to be fully operational they will require further efforts by bilateral donors.

Japan (Alternate Governor Masaru Hayami—Fund and Bank)

Various measures to fight against terrorism have been taken by the international community. We welcome the progress made by the IMF and the World Bank toward the inception of the assessments using the comprehensive AML/CFT (anti-money laundering and combating the financing of terrorism) methodology covering the FATF 40+8 Recommendations. Once this assessment begins, non-FATF member countries will be encouraged to accept it. ... In order to fight terrorism, it is essential for all countries and relevant international organizations to continue to cooperate in taking all measures necessary...

Jordan (Governor Michel Marto—Fund; speaking on behalf of the Arab Governors)

...given the dangers posed by money laundering and the financing of terrorism, not only to world peace and stability but also to the effectiveness and credibility of financial and banking systems, the Arab countries have supported international efforts in this area. Our countries have developed legislation and taken the necessary measures, in accordance with international standards and principles developed for this purpose. In this connection, we reaffirm our support for the participation of the IMF and the World Bank in these efforts, within the scope of their mandate and competence.

...it is disturbing to note, however, that some Arab Countries have been subjected to media attacks and biased propaganda, a development that hinders reform efforts in the region since it adversely affects our investment climate, and diminishes the effectiveness of our countries' efforts to stimulate economic growth. It goes without saying that such negative propaganda has damaging effects on the economy. It discourages the inflow of capital and induces capital flight. The encouragement of unsubstantiated claims and accusations against certain Arab countries, their financial institutions, and charitable organizations is indeed a grave matter. The international community must confront this dangerous development, which has no legal basis and could have serious economic, political, and social ramifications.

Luxembourg (Governor Luc Frieden—Bank)

In fighting crime and terrorism, prevention, cooperation, and the sharing of information are the key elements of a successful strategy. In a global world, poverty or crime in one place is not without effect on other countries. I strongly believe that dedicated nations, together with the Bretton Woods institutions, can change the world to become a safe and humane place.

Malaysia (Governor Dato Shafie Mohd Salleh—Fund and Bank)

In the wake of the tragic events of September 11, the focus of the international community's efforts on IFA reforms has been on combating money laundering and terrorist financing activities.

Malaysia fully appreciates and supports the international efforts on this front. We recognize that terrorism constitutes a threat to international peace and stability. In this regard, we have put in place comprehensive measures to curb any abuse of Malaysia's financial system for terrorist financing and money laundering purposes. We recognize that it is crucial that comprehensive international efforts be put in place to combat money laundering and terrorist financing, as we are a firm believer in preventive and pre-emptive action in managing potential areas of risk and vulnerability.

While Malaysia fully supports decisive measures to curb money laundering and terrorist financing activities, we consider it equally important that international efforts be redoubled on fundamental reforms to the IFA. We need to move beyond measures that merely tinker with the existing system, when a fundamental and complete overhaul is required.

Nepal (Governor Bharat Kumar Shah—Bank)

Although our regular meeting was interrupted by the act of terrorism, we appreciate the fact that the world has been united ever before to fight against terrorism. We, therefore, urge the Governors of the Bank and the Fund that we should utilize this unity and move forward resolutely in the matters of economic cooperation as well.

The developing countries should be provided with technical assistance to enhance their capabilities on combating money laundering and the terrorist financing.

Netherlands (Governor Hans Hoogervorst—Bank)

Spurred by the dramatic events of September 2001, the IMF and the World Bank have intensified their efforts to ensure the integrity of financial markets, in particular by fostering compliance with the international standard in the fight against money laundering and terrorism financing. We strongly support the Bretton Woods institutions in contributing to this fight through their surveillance activities, notably the ROSC process and technical assistance. We urge both institutions to collaborate with the FATF and FATF-style regional

bodies. As agreed last year, the IMF will coordinate efforts to identify and respond to the needs for technical assistance (TA).

New Zealand (Governor Michael Cullen—Fund)

Pacific countries face redoubled challenges to meeting international standards and participating in initiatives to eliminate money laundering and the financing of terrorism.

It is important, however, for the international community to be fully aware of the need for realistic expectations of, and assistance to, the various micro-states of the Pacific region and elsewhere if they are to play their part effectively. We should endeavor to avoid excessively prescriptive and complex approaches in the case of these micro-states, given their lack of infrastructure and limited resources.

Pakistan (Governor Shaukat Aziz—Bank)

Developing countries must own their programs jealously and implement them vigorously. It is in this context that we support the implementation of anti-money laundering measures and combating the financing of terrorism.

People's Republic of China (Governor Dai Xianglong—Fund)

The Chinese government firmly opposes all forms of terrorism, and supports and implements the resolutions of the U.N. Security Council on combating the financing of terrorism (CFT). The Chinese government is actively participating in the international cooperative effort to combat terrorism. ... We have always believed that AML/CFT efforts should be carried out by governments under the leadership of the United Nations and that the Fund and the Bank should confine their operations in this regard to their mandates in accordance with their Articles of Agreement.

Philippines (Governor Jose Isidro N. Camacho—Bank)

The Philippines stands staunchly in support of present international actions to combat money laundering and the financing of terrorism. We welcome the role of the IMF and the World Bank in line with their respective mandates and core areas of expertise. However, they should not be involved in law enforcement issues. Furthermore, we would like to see more representation of developing countries in the Financial Action Task Force (FATF).

Samoa (Governor Misa Telefoni Retzlaff—Fund; speaking on behalf of Kiribati, Marshall Islands, Micronesia, Palau, Samoa, Solomon Islands, and Vanuatu)

We note the collaborative work of the Bank and the Fund with member countries of our constituency on assessing the standards for combating money laundering and preventing the financing of terrorism. Given the limited capacity in some of our countries, we would welcome technical assistance where needed. At the same time, the number of questionnaires

and reviews being promoted place a great deal of demand and stress on our small establishments. In this regard, we wish to encourage improved cooperation between international agencies and member countries to optimize the use of the limited available resources.

Spain (Governor Rato y Figaredo—Fund and Bank)

After the events of September 11, 2001, the International Monetary Fund and the World Bank outlined a wide-ranging agenda to establish a coherent system for action against money laundering and the financing of terrorism. It is with pleasure that we can now say that their agenda is proceeding satisfactorily.

Spain fully backs the 40+8 Recommendations of the Financial Action Task Force as an international standard. We now need to finish outlining a single methodology for assessing compliance with that standard.

Spain firmly supports this process and feels that action against terrorism in the financial arena is of capital importance, and its success requires broad international cooperation.

Thailand (Governor Suchart Jaovisidha—Bank)

...as a result of the tragic events last September, there has been a shift in the policy of the Fund towards the anti-money laundering/combating of the financing of terrorism (AML/CFT). While we fully support the notable role of the Fund in the war on terrorism, it is important to underscore that the Fund and Bank should concentrate on their areas of expertise, namely, matters relating to AML/CFT that could pose potential risks to the macroeconomic and financial stability of a country or the regional and global systems as a whole.

Tonga (Governor Siosiua T.T. 'Utoikamanu—Bank)

We welcome the action being taken by the Fund and the Bank to support actions to counter money laundering and the financing of terrorism. In particular, we welcome the assistance provided to member countries to address the abuses of the international financial system.

Ukraine (Governor Vasyl Rohovyi—Bank)

The IFIs' important work on financial markets as well as on anti-money laundering best practices deserves the full support of the international community.

United Kingdom (Governor Gordon Brown—Fund and Bank)

Because terrorists intended to bring the world's financial system to a halt, to undermine the very prospect of global prosperity, we must continue to show that we will not succumb or surrender to their threats. The United Kingdom remains firmly committed to combating the

financing of terrorism and, in concert with our international partners, the multilateral institutions and regional organizations, we have taken a range of measures and have fully implemented key anti-terrorist United Nations Security Resolutions 1373 and 1390.

United States (Governor Paul O'Neill—Fund and Bank)

We in the United States are heartened by the solidarity that has characterized the fight against terrorist financing in the last year. We should all be gratified by the successes achieved thus far, but the battle must continue on all fronts. This means applying technology, intelligence, and regulations to locate and freeze the assets of terrorists, wherever they may be. It means attacking the terrorists' financial infrastructure in order to make the transfer of money across borders more difficult, slower, and more visible and thus more easily intercepted. And it means ensuring that all nations have the technical abilities and systems to disrupt terrorist financing.

None of these efforts can succeed without cooperation from nations around the world. Together, our challenge is to protect the freedom and flexibility of the world financial system, while exposing those seeking to use the system for evil aims. The United States attaches the highest priority to this effort and is working through all multilateral channels and bilaterally with countries throughout the world—working in the realms of law enforcement, information sharing, and to financial regulation and supervision.

We are pleased by the recent steps taken by the IMF and World Bank to work closely with the FATF and other organizations to develop a process for comprehensive assessments of anti-money laundering and terrorism financing principles. This undertaking fulfills a critical need to identify gaps in countries' implementation of agreed international principles so that appropriate technical assistance can be marshaled and provided. We commend the institutions on putting in place a pilot program for these assessments and urge quick implementation of this important initiative in cooperation with the FATF.

VII. CONDITIONALITY

Bulgaria (Governor Milen Velchev—Bank)

I would like to express our satisfaction with the streamlined conditionality under the new program for Bulgaria supported by the IMF with a clear focus on areas that are macro-crucial and with structural conditionality limited to measures that are deemed critical for the success of the program. I consider this a direct result of the initiatives of the Managing Director of the IMF and the President of the World Bank to streamline conditionality and promote ownership of IMF- and World Bank-supported programs, and strongly recommend moving forward in this direction.

Cambodia (Governor Keat Chhon—Bank; and Governor Chea Chanto—Fund)

...reforming conditionality is necessary so that the sustainability of development of poor countries is ensured and these countries would be in the position to share the benefits of globalization.

Denmark (Alternate Governor Bodil Nyboe Andersen—Fund; speaking on behalf of the Nordic-Baltic Group)

To make globalization work for all presents a challenge and the Fund has taken this challenge on. The Fund has also adapted to the new financial environment that is characterized by liberalized capital flows. More emphasis is now given to make conditionality more effective and simple as well as to financial stability issues.

EU Council of Economic and Finance Ministers (Governor Thor Pedersen)

We welcome the work under way to streamline conditionality and are looking forward to the discussion on the revised Guidelines. A major issue in this context is the improvement of cooperation between the IMF and the World Bank.

With respect to low-income countries, cooperation is already intense, but can be further enhanced within the existing PRSP framework. In all countries, including in particular middle-income ones, IFIs' programs should be based on a truly country-owned reform strategy. A common unified framework for the two institutions aimed at identifying underlying problems and subsequent proposals for reforms could also help in middle-income countries to build a more effective and consistent cooperation between the two institutions. Strengthening collaboration requires consultation and information sharing, especially during the design phase of the program. Early and continuous consultation is absolutely indispensable for those countries where both institutions provide medium-term support.

A number of possible practical ways to reinforce necessary information sharing and consultation, in addition to the existing cooperation at various levels, includes the following

avenues: First, common participation in PRSP-processes “on the ground”, staff attendance in one another’s Board meetings, and cross-participation in one another’s country missions and joint missions—including participation of resident staff—could be increased. Second, a structural policy matrix could provide a comprehensive overview of structural reforms, their purpose, timing, and the institution primarily responsible for their monitoring. This instrument could, inter alia, operationalize the lead agency concept, and help to streamline and manage the totality of conditionality. Finally, the IMF and the World Bank could consider new ways of further enhancing their cooperation in areas of common interest, including through new institutional arrangements where necessary, drawing on the experience with the Financial Sector Liaison Committee and the Joint Committee on HIPCs/PRSPs.

The IMF should, in close collaboration with the World Bank: (i) continue to streamline PRGF structural conditionality, concentrating on areas critical to the success of PRGF programs; (ii) consider alternative policy choices and the related trade-offs in programs; and (iii) build on the progress already made to promote pro-poor spending and pro-growth policy undertakings in PRGF programs.

Finland (Governor Sauli Niinistö—Bank; speaking on behalf of the Nordic Group)

There is a consensus that ownership is a crucial precondition for successful programs. Ownership can be enhanced by effective use of the PRSP approach with the aim of developing stronger institutions and policies in recipient countries.

Greece (Governor Nikolaos Christodoulakis—Bank)

...I welcome the emphasis on streamlining program conditionality and on improving its focus, while also reinforcing its collaboration with the Bank and other IFIs.

India (Governor Jaswant Singh—Fund and Bank)

We commend the Bank’s and Fund’s efforts in reviewing and streamlining conditionality. The modified guidelines provide room for considerable flexibility and take into account country-specific circumstances, including the political economy of program implementation. The floating tranche-based prescriptions for structural conditionality will help countries in phasing their program implementation on the basis of domestic institutional and legal infrastructure. We need to assiduously avoid a gap-filling approach to conditionality in which the conditions excluded by one institution are taken up by another. The final outcome of the streamlining exercise must be a clear and visible reduction in the number and range of conditionality applied by both the Bank and the Fund.

Ireland (Governor Charlie McCreevy—Fund and Bank)

I fully endorse the efforts of the Fund to enhance the effectiveness of its surveillance and would commend its on-going work on streamlining conditionality. I also welcome the progress being made in deepening and widening the collaboration between the Fund and the

Bank and would urge both institutions to intensify their endeavors in this area, so that their combined actions result in the maximum benefit to their clients.

Italy (Governor Giulio Tremonti—Fund)

We welcome the results of the recent review of conditionality and the new guidelines aimed at streamlining and focusing conditionality on those areas that fall more squarely within the institutional responsibility of the Fund. We note progress in national ownership of programs, consideration of country-specific circumstances (including administrative capacity), and openness to domestic policy preferences.

A key component of the new conditionality guidelines is the intensified cooperation between the Fund and the World Bank. This should result in better design and monitoring of conditionality and should allow each institution to specialize in its own core areas of business, thus improving the quality of program design. A sharper division of labor, especially in those areas where responsibilities are shared, is essential. Also, full information to the Boards of the two institutions is crucial in order for Directors to monitor developments.

In particular, PRGF programs should be more closely aligned with the priorities put forward in the PRSP, while the Fund and the Bank should set conditionality requirements more strictly related with the PRSP objectives.

Japan (Alternate Governor Masaru Hayami—Fund and Bank)

In formulating lending programs, it is essential for the IMF to set necessary and appropriate conditionality in extending assistance to policy adjustments of borrowing countries. We welcome the recent adoption by the IMF's Executive Board of the new guidelines on conditionality, which emphasize the importance of the ownership of the borrowing countries and of keeping conditionality to a minimum. The IMF should continue to analyze how much this change in its conditionality policy contributes to improvements in program design and performance and, if necessary, continue to study the possibility of further improvements in the guidelines.

Jordan (Governor Michel Marto—Fund; speaking on behalf of the Arab Governors)

...we would like, in particular, to welcome the review of conditionality undertaken by the IMF during the past year, under the leadership of the Managing Director aimed at streamlining and focusing conditionality on a limited number of conditions critical for program success. This will help strengthen member countries' ownership of their reform policies and raise the level of economic performance of the countries concerned, while encouraging them to turn to the IMF for advice and support before their problems become overwhelming.

In this connection, we also look forward to the Fund's review of program design to ensure that programs adequately take into consideration the particular circumstances and development goals of the countries concerned. We also stress the importance that technical

assistance plays in the development efforts of the member countries, and urge that sufficient resources be allocated for this assistance in the budgets of the IMF and World Bank.

Malaysia (Governor Dato Shafie Mohd Salleh—Fund and Bank)

Under no circumstances should countries be pressured into adopting standards and codes, nor should they become part of IMF conditionality.

Nepal (Governor Bharat Kumar Shah—Bank)

With regard to lending policies and conditionality, we encourage the Fund to regularly review the applicability of such conditionality taking into consideration the mandate of the Fund and capacities of countries to implement such conditionality. ...we feel that conditionality of such [PRGF] lending should be more realistic and have a greater country ownership.

Netherlands (Governor Hans Hoogervorst—Bank)

The IMF and World Bank have drawn clear lessons from the Asian crisis, which threatened global stability and growth exactly five years ago. ...the Bank and Fund have taken steps to focus and streamline the conditions of their lending, promote national ownership and to achieve a sound division of labor. Notwithstanding considerable progress, the agenda emerging from the Asian crisis is still unfinished. The Netherlands encourages the both institutions to continue these initiatives.

New Zealand (Governor Michael Cullen—Fund)

New Zealand commends the reforms to date aimed at focusing the work of the Fund more sharply on core responsibilities and expertise. These reforms have included revisions to the IMF's financing facilities; a reassessment of the conditions attached to its loans; closer collaboration with the World Bank in such areas as financial sector assessment programs and debt and poverty reduction; a prioritization of its technical assistance programs; and a firm commitment to transparency and accountability.

Poland (Governor Leszek Balcerowicz—Bank)

All these programs [to reduce poverty] address very important problems, and a crucial and proper feature of them is that they provide conditional help. To be considered for the World Bank or IMF assistance, a country has to adopt the macroeconomic and structural reforms creating conditions conducive to economic growth. It is a well-known fact that, while international assistance can be helpful in reducing poverty, it is not capable of neutralizing the consequences of a bad domestic policy.

Thailand (Governor Suchart Jaovisidha—Bank)

In matters relating to the International Monetary Fund, stringent and arbitrary Fund conditionality imposed on crisis countries has been among the critiques of the Fund in the past decade. We are grateful that the Managing Director has played an instrumental role in streamlining Fund conditionality on Fund-supported programs. Through the subsequent proposal of a new set of guidelines, we look forward to clearly defined Fund conditionality that stresses the parsimony of conditions. Another welcoming development is the adoption of the principle of country ownership, whereby member countries—and not only the Fund itself—would play a significant role in the design of conditionality.

Uganda (Governor Gerald Ssendaula—Bank; speaking on behalf of the African Governors)

We are concerned about the linkage between conditionality and the speed of preparation of PRSPs. For our members, faster preparation can mean quicker access to resources but inordinate speed in the preparation of PRSPs can compromise quality. We therefore urge that this linkage be broken. ... As regards strengthening ownership, the Bank and Fund should allow greater scope for client countries' own policy scenarios.

In spite of efforts to streamline operational policies, procedures and practices, many borrowing countries still face a large number of donor conditionality and cross-conditionality. We urge the BWIs to provide leadership in applying new guidelines on conditionality in a manner that avoids micro-management of our countries but instead promotes ownership. This will allow for the utilization of the limited technical and administrative capacities on the implementation of priority programs of African governments.

Ukraine (Governor Vasyl Rohovyi—Bank)

The principle of equal treatment should cover market access, access to multilateral financing, and conditionality. Rules and practice of access to IMF financing, in particular, should become more transparent and understandable. We welcome some achievements in this respect and urge further progress in streamlining conditionality, strengthening ownership, and securing sufficient access.

Venezuela (Governor Felip Pérez Martí—Bank)

The supervision of loans granted to prevent crises, or of loans for development, should not be subjected to biased political criteria.

VIII. QUOTAS/REPRESENTATION IN THE FUND

Australia (Governor Peter Costello—Fund and Bank)

If the Fund is to be effective, it must be able to involve all members. In this respect, governance at the Fund needs to more closely reflect members' relative economic standing, while maintaining participation by smaller, developing countries. This issue needs to be tackled directly and resolved as a matter of priority. Australia strongly supports the calls by our Asian neighbors for an increase in their representation at the international financial institutions.

Bangladesh (Governor M. Saifur Rahman—Fund and Bank)

Measures should also be taken for swift implementation of the Fourth Amendment of the IMF's Articles of Agreement on the allocation of SDRs and for a satisfactory review of IMF quotas.

Belarus (Governor Andrei V. Kobyakov—Bank)

Our country attaches great importance to implementing the provisions concerning improvements in the coherence and consistency of the international monetary, financial, and trading systems. We encourage the IMF and the World Bank to broaden participation of all developing countries and countries with economies in transition in decision-making processes, thereby strengthening the international dialogue and the work of these institutions.

Denmark (Alternate Governor Bodil Nyboe Andersen—Fund; speaking on behalf of the Nordic-Baltic Group)

It is important to keep in mind that the Fund's main source of financing is member states' quota subscriptions. The revolving character of the Fund's resources must be preserved. Careful examination is therefore required where the Fund considers stepping into new territory. ...

My constituency finds it important that the Fund remain well capitalized. The Fund should only rely on its various borrowing arrangements in truly exceptional circumstances. The Fund's liquidity position is at a satisfactory level so far, but we need constantly to assess developments to ensure that the Fund is capable of meeting future demands for its resources.

Fund quotas need to be regularly reviewed through a transparent and simple procedure with a view to reflecting changes in the world economy, the international financial system, and the ability to contribute. Efforts must also be made to bring better alignment between members' actual and calculated quotas.

EU Council of Economic and Finance Ministers (Governor Thor Pedersen)

...we look forward to the work of the Fund to assess the need for an overall increase of quotas, considering developments in the world economy. Work on IMF quota formulas should continue to be conducted in line with the three main guiding principles supporting the central role of the IMF in the international financial system, i.e., legitimacy, cooperation, and transparency. In addition, quota shares should reflect a country's relative position in the world economy and in the international financial system. A position in which a country's quota is substantially below its calculated quota should be avoided. We also call on the Fund to continue to assess the usefulness, in the light of recent discussions, of an increase in basic votes of IMF member countries.

Germany (Governor Ernst Welteke—Fund)

In the ongoing general review of quotas, the right incentives have to be put in place. A sharp increase at the present juncture would send out the wrong signals. The IMF possesses adequate liquidity. Providing the IMF with overabundant resources might give rise to the expectation of large-scale financing packages and thus run counter to our efforts to involve the private sector. Also, quotas should remain the primary source of Fund liquidity and more closely reflect the member countries' relative position in the world economy.

India (Governor Jaswant Singh—Fund and Bank)

Some of the recent developments in the international economic environment point to the need for addressing certain fundamental issues relating to governance structure and policies of the Fund. The financing needs of members now arise more out of capital account imbalances rather than current account imbalances. The need for funding is also for fairly longer periods and with larger volumes of requirement given the sudden and the significant crisis afflictions. The size and distribution of quotas require a thorough review in the current context of emerging common currency areas and increasing strength of emerging and developing economies.

Japan (Alternate Governor Masaru Hayami—Fund and Bank)

Intensive discussion has been taking place under the Twelfth General Review of Quotas before its deadline of end-January 2003. Given the significant increase in abrupt movements of capital across borders in the global economy, it is imperative that the IMF maintain a sufficient level of resources to prepare for future crises. Particularly following the recent large-scale financial assistance to Latin American countries, the IMF's usable resources are at a very low level, and we hope for an immediate decision on a quota increase. In the process of the quota review, reallocation of quotas should also be examined, in view of the fact that current quota shares do not properly reflect changes in the global economic environment.

Jordan (Governor Michel Marto—Fund; speaking on behalf of the Arab Governors)

Recent developments in the global economy have particularly underscored the need to give developing countries a larger role in global decision making, as their role has been eroding in recent years.

Korea (Governor Yun-Churl Jeon—Fund and Bank)

We welcome the on-going 12th General Review of Quotas as an opportunity to raise the capacity of the IMF to cope with crises. In the process, we would like to see the quotas adjusted according to the economic realities of the member country and its enhanced role in the international economy.

Malaysia (Governor Dato Shafie Mohd Salleh—Fund and Bank)

Reform of the international financial architecture would not be complete without changes in the way the IMF and other international financial institutions operate. ... Fundamental reforms are needed to address governance issues, particularly, the IMF quota structure.

The views of developing countries have been marginalized for too long, as they are not adequately represented in the IMF's decision-making process. A comprehensive reform of the distribution of IMF quotas is urgently needed to better reflect the changes in the global economy, notably the increased relative position of emerging market economies. The IMF, as a multilateral institution, must be representative of all its member nations and not just of a privileged few. There should be no room for veto powers in the IMF, and it cannot be seen to be an instrument of foreign policy for any particular member, however large.

Past efforts to improve the quota formulas have not resulted in significant changes in the way the quota structure is determined. While there is merit in considering alternative formulas, it is important that the development and inclusion of new indicators or new methods do not merely represent a change in the technical formulation but represents a step forward in ensuring better governance at the IMF. The 12th General Review of Quotas should take this into consideration and ensure that developing countries are adequately represented and their views are taken into account in the decision-making process of the IMF. While this may be a protracted process, one way to address this issue is to increase the basic vote of each member, which has progressively eroded over the years, back to the Bretton Woods level.

Malta (Governor John Dalli—Bank)

Malta also continues to support the efforts of the Fund and the Bank to combat poverty, and notes with satisfaction the recent initiatives taken by these institutions to address this urgent issue. Positive steps [include] the efforts of the Fund to review quota formulas.

Netherlands (Governor Hans Hoogervorst—Bank)

The crisis in Latin America has nourished the discussion on the financing role of the IMF in managing financial crises. ... The Fund's interventions are necessary, but not sufficient to promote global stability. In this case, it takes three to tango: Fund, country, and private creditors. Against this background, a general quota increase does not seem needed at this juncture. We also urge the Fund to be cautious in its review of the quota formulas. It requires utmost care so as to ensure that changes to the system do indeed constitute improvements, and do not weaken its logic and robustness. We particularly believe that quotas should adequately represent countries' openness in both trade and financial terms. The current quota system performs its complex task relatively well.

New Zealand (Governor Michael Cullen—Fund)

New Zealand acknowledges that a plausible case can be made for or against a quota increase. We support addressing the large under-representation of several members of the Fund. Some say that perhaps the only way of addressing this under-representation would be through a general quota increase, although our preference would be that the issue is dealt with immediately by other means. We must also acknowledge that there does not seem to be sufficient support for a quota increase, although there is always the option to bring forward the 13th review should sufficient support develop.

Spain (Governor de Rato y Figaredo—Fund and Bank)

After the latest financial assistance packages, there is a need for careful assessment of whether the IMF requires more resources to continue carrying out its functions efficiently. Also, the upcoming quota review is a good time to ensure that the representation of each country matches its current relative position in the world economy.

Sri Lanka (Governor K.N. Choksy—Fund/Bank)

I share the view that the role of the IMF needs to be re-assessed in the context of increased complexities of the global economy. the size of the IMF needs to be enlarged in terms of its financial base.

Thailand (Governor Suchart Jaovisidha—Bank)

Fund staff has been proposing novel quota formula alternatives, which more accurately reflect the increasing importance of emerging market and developing countries. In spite of our disappointment with the decision to maintain the status quo formulas, we are hopeful that at least the Fund would agree to a general increase in quotas as part of the 12th General Review of Quotas.

Uganda (Governor Gerald Ssendaula—Bank; speaking on behalf of the African Governors)

The continuous decline of Africa's voting power and voice in the Bretton Woods Institutions runs counter to current endeavors to strengthen ownership in the development of Africa and is not consistent with the recent Monterrey Consensus. This trend also reflects a democratic deficit, within the Fund and the Bank, given the comparatively enormous amount of discussions and decisions taken on Africa in Both institutions. We urge the two institutions to address this problem.

Venezuela (Governor Felip Pérez Marti—Bank)

...in a democratic country, when decisions are made concerning an economic program that includes fiscal rules—for example, rules pertaining to taxes—it is unthinkable that one person should have more votes, more decision-making power than another, purely because that person is richer. Likewise, in the decisions of an economic institution belonging to the global community—such as the IMF or the World Bank—it is wholly inappropriate for one country to exercise more power than another simply because it is wealthier.

IX. DEVELOPMENT-RELATED ISSUES

Australia (Governor Peter Costello—Fund and Bank)

Reducing the number of people living in poverty remains a fundamental issue for the international community. Australia welcomed the Monterrey Consensus and its premise that attacking poverty and promoting development requires a partnership of actions of both developed and developing economies. And we were pleased to see many of these themes reinforced at the recent World Summit on Sustainable Development.

The Monterrey and Johannesburg conferences appropriately placed emphasis on the importance of national policies in developing countries, the opportunities provided by trade liberalization, and the need for more effective and higher aid volumes. The Bank has a critical role in play in each of these spheres, in concert with the Fund, as appropriate.

Donor resources can never be unlimited, so making aid more effective will remain vital... However, in developing indicators and measuring results, it will be important to take account of specific country circumstances. We would also attach considerable weight to closer matching of programs to the needs and capacities of developing countries.

Bangladesh (Governor M. Saifur Rahman—Fund and Bank)

The Monterrey Consensus is a milestone in forging a new partnership between developed and developing countries. We also welcome the successful conclusion of IDA-13. The World Summit on Sustainable Development at Johannesburg has revitalized the urge for environmental protection and maintaining climatic equilibrium. The highest ever replenishment for the Global Environment Facility is also welcome news. The Millennium Development Goals, by setting quantifiable targets for economic and social development, have added new dimensions to the Monterrey and Johannesburg consensus.

The initiatives taken so far are in the right direction. However, they are not sufficient. If we really want to implement the Millennium Development Goals, the past practice of allocation of aid must be reviewed and more resources must flow where much of the poor live.

Development cannot be generated from outside by the flow of assistance alone. Developing countries must themselves create the enabling environment for effective utilization of foreign assistance. In this context, we welcome better measuring, monitoring, and managing for development results.

Belarus (Governor Andrei V. Kobyakov—Bank)

The Republic of Belarus calls upon the World Bank and the IMF to follow the provisions of the resulting documents of the International Conference on Financing for Development

(Monterrey Consensus) and the World Summit on Sustainable Development in Johannesburg, stipulating major approaches to combining efforts to eliminate poverty and provide assistance in the sphere of sustainable development for the future.

...Bretton Woods institutions should continue to play the leadership role in strengthening international co-operation with participation of the UN system agencies as well as all other stakeholders to ensure that globalization and the related processes increase human capacity and its benefits reach all people. In this connection, both global and regional co-operation in the field of financing for development must take account of regional peculiarities and specific character of each country.

Belgium (Governor Didier Reynders—Bank)

It seems clear that a reduction in inequality and a sharing of growth are the true guarantees of stability and security for all. The precise objectives of development were established in the Millennium Declaration, and the means for achieving them were also identified.

There is still a need to develop targeted policies whose impact on poverty reduction and on the promotion of sustainable growth can be clearly measured and assessed. In this area, I am convinced that the Bretton Woods institutions have an important role to play.

Bosnia and Herzegovina (Governor Anto Domazet—Fund)

Discussions at two global meetings in 2002 (Monterrey and the World Summit in Johannesburg) showed there was a common understanding that radicalism and poverty are very strongly related. We welcome commitments by developed countries to provide future assistance to developing and transition countries in order to reduce gaps between the poor and the rich. Recent findings proved that international development agencies and donors have learned how to make development assistance effective and efficient. Lessons learned from the past decades helped both the donor community and recipient countries to develop successful strategies for poverty alleviation and economic development.

Cambodia (Governor Chea Chanto—Fund; and Governor Keat Chhon—Bank)

In the wake of the events of the past year, humankind is confronted with sobering realizations. No nation can afford to be complacent in a world of plenty among a few and deprivation suffered by many. The contrasts are stark and painful, providing fertile ground for enmity, greed, and envy. The international financial institutions have the resources and opportunity to make a difference in world development.

The Royal Government of Cambodia, having witnessed both the heights as well as depths of human development in its history, is very well aware of the significance of peace and prosperity for all. Thus, we strongly recommend that the IMF and the World Bank should make it their sustained institutional goal the fostering of shared prosperity and peace for all nations.

Canada (Governor John Manley—Fund and Bank)

In Monterrey and Johannesburg, world leaders stressed the importance of a development partnership to work towards the Multilateral Development Goals for dramatically reducing global poverty. This partnership is grounded in mutual responsibility and accountability of both developed and developing countries. The Monterrey Consensus recognizes country ownership and a commitment to stronger economic policies and improved governance as key developing country responsibilities. This partnership will see donors do a better job to harmonize their actions among themselves and work more closely with developing countries. For their part, developing countries will commit to improve macroeconomic policies and governance. Our challenge is to act on this new momentum to move from a theoretical framework to sustained implementation of the new development agenda.

Cyprus (Governor Takis Klerides—Bank)

In terms of policies of the international community to assist with significant poverty reduction in the poorest countries, Cyprus supports the Monterrey Consensus, and in particular is behind the Commonwealth action plan recently adopted in London, which aims at ensuring the effective delivery of the Monterrey Consensus. Indeed, the net transfer of resources from developing countries to the rest of the world in recent years represents a disturbing development, and it is hoped that the expeditious implementation of the Monterrey Consensus will reverse this flow.

Denmark (Alternate Governor Bodil Nyboe Andersen; speaking on behalf of the Nordic-Baltic Group)

The Fund has been an important participant in the two conferences arranged this year by the United Nations to discuss policies to achieve the Millennium Development Goals: The Financing for Development Conference held in March in Monterrey, and The World Summit on Sustainable Development just held in Johannesburg. We in the Nordic-Baltic constituency find it important that the Fund—within its mandate and expertise—be part of these global efforts.

EU Council of Economic and Finance Ministers (Governor Thor Pedersen)

It is important to pay particular attention to the possible impact of recent macroeconomic and financial shocks on developing countries. Action should follow the commitments taken in Monterrey and Johannesburg. This is especially necessary for the poorest countries in sub-Saharan Africa, where the Millennium Development Goals are most at risk of not being met. The IMF and World Bank should make special efforts to take this commitment forward. We reiterate the call made at Monterrey for a Global Development Compact between developed and developing countries based on mutual accountability for results.

Fiji (Governor J.Y. Kubuabola—Bank)

I also applaud the efforts put in place to achieve the Millennium Development Goals (MDG); more specifically the targets of halving world poverty and the provision of universal primary education by 2015. We urge the Fund and the Bank to continue to assist countries in meeting the MDGs by supporting the PRSP approach and providing concessional financing under the PRGF and IDA. Continuing efforts need to be made by the Fund and Bank to explore sources of growth in developing countries and deepen the systematic analysis of the economic and social impact of major policy choices.

...we all acknowledge that these [structural] reforms are necessary to simultaneously eliminate obstacles to growth and strengthen the resilience of our economies. It is also well known that the implementation of reforms is easier said than done.

Finland (Governor Sauli Niinisto—Bank)

Conferences in Doha, Monterrey, and Johannesburg have advanced common understanding and rooted common commitments to accelerate the implementation of the Millennium Declaration. This process has been an important expression of an increase in multilateralism in the economic and political relationship of countries.

We now have a commonly agreed framework for measuring development results embodied in the Millennium Development Goals. While there are obvious advantages from explicit policy targets, we should note that implementation and monitoring and data reliability issues require close collaboration between the Bretton Woods Institutions, the UN, and WTO.

France (Governor Jean-Claude Trichet—Fund)

...official development assistance ... needs to be increased, as we agreed in Monterrey, while not losing sight of the quality of assistance. ...

Sustainable development also requires a strengthened real economy in the poor countries, in particular small- and medium-size businesses and infrastructures. The initiative launched in Johannesburg by President Chirac and Prime Minister Blair will allow generating new investments of at least €1 billion leveraged by the €100 million to be made available by both countries. We call on other donors to join this initiative.

Another significant step towards sustainable development is the NEPAD initiative proposed by the African nations. When implemented, it will provide a framework for political and economic governance geared to effective large-scale assistance for a continent with enormous needs.

Germany (Governor Ernst Welteke—Fund)

As far as the developing countries are concerned, we fully endorse the Monterrey proposals on the financing of international development objectives. That also goes for the Johannesburg resolutions on sustainable development.

Ultimately, poverty can be alleviated only by means of higher growth. The IMF can play a part in creating the macroeconomic conditions to make that possible. The World Bank should help to implement the necessary microeconomic reforms. And the industrial countries, as well as the developing countries themselves, should continue to reduce their import restrictions; by doing so, they would play a significant and effective part in aiding development.

Greece (Governor Nikolaos Christodoulakis—Bank)

The weakening of global macroeconomic prospects has particularly adverse implications for developing countries. We urgently need to translate into concrete actions the consensus reached in Monterrey and Johannesburg. In this connection, it is important to monitor progress towards the attainment of the Millennium Development Goals in the global effort to reduce poverty and promote development.

The World Bank, working closely with the Fund and the donor community, must intensify its efforts in developing operational tools to deal with particular problems in low-income countries. Special emphasis must be paid to finance and knowledge instruments while exploring new avenues to directly address the problems of the large proportion of poor people residing in these countries. In order to assist low-income countries to meet the 2015 MDGs, focus on sound macroeconomic management, institutional capacity building and on basic social service delivery to the poor must be emphasized.

Monterrey, Johannesburg, and Doha give us important opportunities to fight marginalization and underdevelopment. Let us learn from our experiences, and share the vision for a world free of poverty. Let us make globalization not a terrain for new inequalities, but an all-inclusive process that works for the benefit of all.

Grenada (Governor Anthony Boatswain—Fund and Bank; speaking on behalf of the Caribbean Group)

... we support the call for the international community to move from words to action to implement the Doha, Monterrey and Johannesburg Agreements in order to improve our collective efforts to achieve the Millennium Development Goals (MDGs). We strongly urge the international community, especially the IMF and the World Bank, to provide more timely, stronger, and comprehensive support to these efforts.

We recognize our responsibilities and are committed to developing solutions that would improve the quality of life of our people. We are convinced, however, that our development

partners, particularly the Bretton Woods Institutions, must play an important complementary role.

India (Governor Jaswant Singh—Fund and Bank)

Monterrey and the Millennium Development Goals provide a unique global consensus on eliminating absolute poverty in our lifetimes.

Ireland (Governor Charlie McCreevy—Fund and Bank)

We already know what is effective in reducing poverty, and we know how to identify progress or the lack of it. Above all, we know what not to do, and what does not work. We know too that there are basic conditions that foster successful development. Shared responsibility and political cohesion are pre-conditions for economic prosperity, as are good governance, an impartial and effective legal system, and a well-organized and supervised financial system. Along with democratic values, education and free trade, they are also critical factors in the fight against poverty.

It is within the framework I have described that donor assistance can work to maximum effect. The donor community is coming increasingly to realize the importance of supporting countries' own strategies for reducing poverty, by providing what a country needs, rather than what donors prefer to hand out.

Israel (Governor Silvan Shalom—Fund)

International organizations, such as the World Bank and the IMF, perform a vital function in today's complex economy. By promoting prosperity, stability, and sustainable development, these institutions play a pivotal role in shaping the economic developments that impact all nations.

Italy (Governor Giulio Tremonti—Fund)

At the conference of Monterrey and Johannesburg, a consensus was reached on the mutual responsibilities of donor and recipient countries and on complementary policy actions to be undertaken, in pursuit of the Millennium Development Goals.

In order to meet the expectations that have now been generated, there is a need for a quantum leap in terms of commitments of developing countries, efforts of donors, as well as innovative thinking and approaches by development agencies. The additional bilateral aid pledged by the European Union and the United States, the recent replenishment of IDA, and the GEF represent concrete replies from the international community to these expectations.

It is crucial that different agencies and donors better coordinate their activities, and harmonize their procedures. The high level Forum on Aid Harmonization that Italy will host next February in Rome will provide an opportunity to enhance aid effectiveness.

Japan (Alternate Governor Masaru Hayami—Fund and Bank)

It is encouraging that discussions held since the Monterrey Conference have yielded substantial progress toward more effective aid. We have learned from past experience that aid can be used efficiently and effectively, and can contribute to growth and poverty reduction when sound policies and institutions, as well as good governance are ensured in recipient countries. Therefore, in countries unequipped with these preconditions, priority should be given to establishing an effective public sector, characterized by such features as accountable and transparent budget execution and tax collection, as well as fair and impartial public service.

...in addition to the efforts put forth in areas such as education and health, private-led economic growth is essential for sustained poverty reduction. In this regard, we should not underestimate the importance of providing assistance for physical infrastructure that promotes private sector activities. Another important challenge is to assist developing countries so that they can benefit from international trade.

Moreover, we highly appreciate the concept behind the NEPAD (New Partnership for Africa's Development), an initiative for sustainable development emerging from developing countries in Africa, in that the initiative has been drawn up by African countries with their ownership and it clearly recognizes the importance of growth.

Jordan (Governor Michel Marto—Fund; speaking on behalf of the Arab Governors)

...we urge the advanced countries to increase their official development assistance (ODA) to developing countries. It is to note that despite the fact that ODA provided by many of them is well below the target set by the UN, ODA of a number of industrial countries has been reduced in recent years.

Lao People's Democratic Republic (Governor Soukanh Mahalath—Bank)

This year's Joint Annual Meetings are particularly important and meaningful, because they are being held in the midst of an environment where the Bank and the Fund are cooperating with the international community on poverty reduction, based on the spirit of the Millennium Declaration and the Monterrey Consensus.

...maintaining peace in the world is a prerequisite for fully concentrating the available resources towards poverty reduction consistent with the spirit of the Millennium Declaration.

Luxembourg (Governor Luc Frieden—Bank)

With regard to official development aid, there is no excuse for many countries for not having reached the long-standing UN target for official development assistance of 0.7 percent of gross national product. Millions of people starve to death every year; many babies are born into poverty and hunger and will die in infancy. Let us join our forces to achieve the

international community's commitment to halve hunger and extreme poverty by 2015. The need for global action is indeed compelling. My country will spend next year 0.84 percent of GNP as ODA. For us, this is not only an act of solidarity; it is also an indispensable element in fighting some of the causes of terrorism and illegal immigration.

Malta (Governor John Dalli—Bank)

It is also important that the commitments undertaken by the international community at the UN conference on financing for development in Monterrey to improve living standards and reduce poverty through sound policies and more effective aid be implemented with a minimum of delay.

Nepal (Governor Bharat Kumar Shah—Bank)

...we join the Bank, the Fund, and the United Nations in calling on donors to scale up their aid and boost net resource transfer to these countries to help achieve the millennium development goals including halving poverty level by 2015. In this regard, the role of the international community towards capacity building of poor countries is also equally important. ...we urge advanced economies to honor their commitment towards poor developing countries.

We believe that the Bank and the Fund have important responsibilities in making globalization work better for poor countries. Given the wider access of these institutions in international arena, they are in a better position to help poor countries to prepare themselves for the opportunities and risks posed by globalization. We encourage the Bank and Fund to be more proactive in managing globalization to the benefit of poor countries.

Netherlands (Governor Hans Hoogervorst—Bank)

Globalization should work for all. In Monterrey and Johannesburg, we have done the talking, let us now do the walking. Amongst others, this implies not only increasing the quantity but also the quality of ODA by focusing more clearly on results. The way in which we practically deliver aid is crucial to improved development effectiveness, which is required to achieve the Millennium Development Goals. Aid effectiveness is not only a matter of shifting to performance-based aid allocations. We believe that partnership, coordination, and respect for the country-driven nature of policies and systems are of equal importance. Many countries have devised national development plans and are trying to mobilise the necessary resources. At the same time, however, they have to manage a multiplicity of individual donor projects and international initiatives. Strategic alignment, harmonization, and coordination among donors are therefore major challenges in enhancing aid effectiveness.

New Zealand (Governor Michael Cullen—Fund)

Taken together, Financing for Development, the Doha Development Agenda, and the recent World Summit for Sustainable Development outcomes, set us on the path towards a new era in development, and one in which the Bank and the Fund will have a key role to play.

We have, however, learned from experience and analysis, and agreed recently in Monterrey that common principles characterize effective development: strong country ownership, partnerships of mutual respect, good policy environments and governance, and targeting assistance to priorities which have the best chance of making progress towards the Millennium Development Goals (MDGs).

We need to follow through on a comprehensive strategy to support achievement of the MDGs and reduce poverty, based on the twin pillars of home-grown efforts by all the HIPC countries to create the basis for sustained pro-poor growth, and on more decisive support from the international community.

New Zealand welcomes the growing commitment by the Bank and the Fund to address the unique challenges facing small states. Many challenges face our small state development partners in the Pacific—including vulnerability, isolation from markets, post-conflict trauma, and diverse social and cultural settings.

Oman (Governor Ahmed Macki—Fund and Bank; speaking as Chairman of the Boards of Governors)

...an outstanding fact of our world today is its growing integration and interdependence. The process of globalization has presented our countries with tremendous opportunities for growth and prosperity, but has introduced new risks as well. As this global integration deepens, concerted action on the part of developed and developing countries, national and international authorities, and the public and private sectors alike is needed to ensure that the benefits of globalization are shared by all....

There is now more than ever a need to strengthen international cooperation to guide the process of global integration and the pursuit of our common goals—the fight against poverty, the sustained development of our economies, and the prevention of financial crises—and in light of our universal membership, no institutions are better equipped than the Fund and the Bank to facilitate such cooperation and to ensure that all our voices are heard. Nevertheless, it is critical that each country, for its part, demonstrate the necessary political will and commitment to follow appropriate policies and create the necessary institutions, as well as establish an environment conducive to economic growth based on good governance and the rule of law.

...the greatest challenge that continues to face us today is to eliminate poverty, which, sadly, remains widespread in many parts of the world. It is our responsibility to ensure that the world's poorest also benefit from the increasing integration of the world economy.

I believe that our institutions are now stronger and ever more committed to ensuring that the opportunities and benefits brought about by globalization are made available to and shared equitably by all members, particularly the less fortunate. I am certain that the synergies of our working together will help achieve much more than the sum of our individual efforts.

We must not let this moment pass us by and allow the Millennium Development Goals simply to become hollow targets. We have to fulfill our promises to ensure that we halve hunger and poverty by 2015, as the poorest of our citizens are counting on us and our institutions, now more than ever, to make a lasting and significant improvement in their quality of life.

Pakistan (Governor Shaukat Aziz—Bank)

...we have a global partnership of mutual responsibility, accountability and, above all, trust, forged at Monterrey and reaffirmed at Johannesburg—the world perhaps has rarely if ever, seen such a unanimity of views on issues affecting the global community. This is indeed the challenge before us—to translate this vision into reality—can we walk the talk? ...we cannot afford to lose any more time.

The primary responsibility for development is that of the developing countries themselves. They have to provide the vision, the spark, and the commitment to restructure and to deliver reform within a stable macro-economic framework. The developed world must help us to help ourselves. This is the bottom-line. We do not look for permanent crutches.

People's Republic of China (Governor Dai Xianglong—Fund)

We believe, in the process of globalization, attention should focus on protecting the interests of developing countries, especially those of the least developed countries, to prevent them from being marginalized. Should the rich become richer and the poor poorer as a result of globalization, the resulting unfairness must be addressed since such an imbalance is not at all in the interests of development for all the people in the world.

Developed countries should also vigorously carry out the initiatives of the Monterrey Consensus through further opening their markets to the developing countries and providing sustained and sufficient financial and technical assistance to help them improve their capacity for self-development and reducing poverty. We appreciate the commitments made by the EU in this regard and urge other major developed countries to assume their share of responsibility. International institutions, including the Fund and the Bank, should build on their current efforts, increase their financial and technical assistance to developing countries and help those members to sustain their debt levels.

Philippines (Governor Jose Isidro N. Camacho—Bank)

Poverty reduction strategies, whether for low-income countries, which are more dependent on foreign aid, or for middle-income countries, which have more available financing options, need to be country-driven, not externally imposed; results-oriented with accountability measures; comprehensive and long-term in perspective; and more importantly, attuned to the unique political realities and cultural sensitivities in the borrowing countries.

Standardization of development assistance lends itself well to rational planning, to more transparent government systems and procedures, and to improved public finance management.

Portugal (Governor Vitor Constâncio—Bank)

With the NEPAD, African leaders have committed themselves to achieve better governance in the continent and improve institutions and policies essential to development. But in view of the present plight of Sub-Saharan Africa, it is clear that official aid will have to be increased if the main Millennium Goals are to be achieved in Africa.

Russian Federation (Governor Aleksei Kudrin—Fund)

Today, as it is emphasized by the conclusions of numerous post-Monterrey meetings, the major priority is the implementation of the Monterrey Consensus. We believe that it could be useful to agree on a respective working schedule with a clear assignment of tasks and responsibilities. These plans should include the Bretton Woods institutions (BWI). Of course, their role in implementing the Consensus should reflect their real institutional capacity and comparative advantages.

It is important to emphasize that the only way to create conditions for sustainable development and for solving social problems is to pursue sound economic and social policies, maintain an adequate institutional capacity at every level of government, assure proper public expenditures prioritization and control, and involve civil society in setting up development programs' priorities and monitoring their results.

...the limited resources allocated for development assistance are not always being spent in the most productive way. Improving cost-effectiveness of this assistance and getting maximum possible results from each available dollar is of a critical importance.

Samoa (Governor Misa Telefoni Retzlaff—Fund; speaking on behalf of Kiribati, Marshall Islands, Micronesia, Palau, Samoa, Solomon Islands, and Vanuatu)

We welcome the many initiatives that have been launched with a view to reducing poverty and achieving sustainable development in small states, such as with the Doha process, the Monterrey Consensus, and the recent Johannesburg Plan of Implementation. There is real concern, however, that the implementation of initiatives called for under these international

agreements may be diluted or delayed by the lack of adequate capacity and budgetary resources. We must therefore ensure that there are adequate resources available in addition to adopting clear processes and harmonized approaches for successful implementation of these agreements.

Sri Lanka (Governor K.N. Choksy—Fund and Bank)

While the size of the IMF needs to be enlarged in terms of its financial base, both the Bank and Fund need to redouble their efforts to help in the promotion of growth and poverty alleviation in support of the Millennium Development Goals (MDG), strengthening their partnership with the rest of the donor community.

Switzerland (Alternate Governor Kaspar Villiger—Fund)

We must also aim to substantially improve our contribution to poverty reduction through increased coherence of policies and enhanced aid effectiveness. Doha, Monterrey, and Johannesburg have all contributed to forge a global consensus on partnership for development that holds a great promise. It is now imperative to translate these broad commitments into concrete actions and measurable results.

Thailand (Governor Suchart Jaovisidha—Bank)

The most important global initiative on the Bank's agenda is of course, poverty reduction. In this regard, we welcome the individual and collective announcements made to significantly increase ODA, as well as on the successful conclusion of the IDA-13 replenishment, which agreed to increase the overall level and concessionality of financing. This decision was in line with the Monterrey Consensus in which the Bank and the Fund are expected to provide more and better assistance in both financial and technical terms. It also focused on economic dialogue in the context of strong national ownership programs and partnerships. We strongly believe that we all have the responsibilities of eradicating the world poverty.

Tonga (Governor Siosua T.T. 'Utoikamanu—Bank)

We join others in welcoming the agreements reached at the March UN Conference on Financing for Development in Monterrey, and more recently at the Johannesburg World Summit on Sustainable Development. The agreements offer a real prospect of meeting the Millennium Development Goals and securing a substantial reduction in global poverty. The agreements also offer opportunities through trade for more rapid growth and poverty reduction, and the challenges of financing for development through strengthening partnerships, improving the conditions for investment and growth, enhancing official development assistance flows. We welcome all efforts to significantly increase official development assistance. Poverty reduction, however, will only be achieved if we employ the available resources in a more effective way so as to ensure that the benefits of growth are shared as widely as possible.

We especially welcome the actions being taken by the World Bank and other international institutions to implement the proposals in the April 2000 report of the Joint Commonwealth/World Bank Task Force on Small States. We urge the Fund and the Bank to give greater recognition to the increased urgency of the challenges confronting their small and vulnerable members from recent international developments and other factors.

Uganda (Governor Gerald Ssendaula—Bank; speaking on behalf of the African Governors)

NEPAD is anchored neither on an appeal for further entrenchment of dependency on aid nor on some marginal trade concession, but on the determination of Africans to extricate themselves and the continent from the malaise of conflicts, underdevelopment and exclusion from trade benefits in a globalized world. The determination by African leaders to apply peer pressure on themselves in the promotion of democracy and good governance, and their concerted efforts to eliminate conflict are some of the unique features of the NEPAD.

African Governments are according high priority to regional integration, which in recent years has gained momentum throughout the continent. While regional integration is not a panacea for all our development challenges, it is an important vehicle for improving and strengthening the viability of Africa's economies. We, however, recognize the financial and technical capacity limitations that exist in a number of critical areas. In this regard, we call on the Bretton Woods Institutions (BWIs) to support our efforts in the building of regional institutions to enhance integration. We also urge the BWIs to support the implementation of regional projects and to reflect our regional priorities in the PRSPs and CASs.

Ukraine (Governor Vasyl Rohovyi—Bank)

The benefits and risks of the global economy are being actively discussed by the international community for several years now. Agreements and initiatives launched in Monterrey and Johannesburg are increasing expectations for better cooperation among the developed nations and other groups of countries in addressing the challenges faced by the modern world. But at this forum we may want to devote more attention to increased financial instability and instances of trade protectionism which might threaten the hopes for implementing the honorable principles of the Monterrey Consensus.

United Kingdom (Governor Gordon Brown—Fund and Bank)

Over the next year our aim in the international financial community must be to make real our commitment to the elimination of poverty, the promotion of development, the achievement of the Millennium Development Goals and the progressive removal of the wide disparities in living standards among countries by embracing what I call a new deal for the global economy—a new development compact that will allow all countries to earn a fair share of the benefits of global prosperity by:

- Developing countries systematically tackling corruption and instability, and creating the conditions for private investment; and
- Developed countries opening up their trade and radically improving aid for poverty reduction, including education and health.

...we need to consider other innovative forms of financing, building on the \$12 billion dollars pledged in Monterrey, to reach our \$50 billion target.

One option is to pool additional resources in a new international development financing facility that could leverage funds from international capital markets to meet the demand for large-scale assistance now and enable a much earlier achievement of the Millennium Development Goals than might otherwise be possible.

The extent to which such a financing facility might leverage funds from international capital markets would depend on a wide range of factors, but reasonable assumptions suggest that such a fund might clear its debts in around 30 years. A broad package of measures that generated additional flows of \$15 billion a year could be leveraged in the capital markets to provide an additional \$50 billion each year until 2015—enough to meet the Millennium Development Goals.

United States (Governor Paul O'Neill—Fund and Bank)

The focus of the international community must be establishing the conditions in which individuals have the tools and opportunity to reach their human potential—and to improve the future for their children and their nations. It is this concrete objective that must be paramount. We must not rest until we achieve real, tangible results for people on the ground.

The United States welcomes the progress made in the last year toward this objective. The agreements in Monterrey and Johannesburg provide an important basis for moving forward together. Moreover, the agreement in the IDA-13 replenishment to deliver a significant portion of resources in the form of grants rather than loans and to give greater emphasis to measuring the outcomes and results of IDA programs represents a significant change in how donor nations will work to help poor countries succeed. This is just the start of what we expect will be a fundamental shift in focus in the MDBs. The challenge now for the MDBs is to adopt the real changes in operating style needed. We look forward to the World Bank taking a leading role in working with its development partners to establish an accountability structure for standardizing and measuring a set of priority development results. This will require a sustained and prioritized effort so that a results approach is fully integrated into every element of the Bank's work. The goals set out in the Millennium Declaration provide a starting point.