

**OPENING ADDRESS BY THE CHAIRMAN OF THE BOARDS OF
GOVERNORS AND GOVERNOR OF THE BANK AND THE FUND
FOR ALGERIA**

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I would like to welcome you all to the 2007 Annual Meetings of the World Bank Group and the International Monetary Fund. It is a great honor for my country, Algeria, to chair these meetings.

This year marks a transition at both the World Bank Group, with the arrival of the new President, Mr. Robert Zoellick, and at the Fund, with the departure of its Managing Director, Mr. Rodrigo de Rato. Let me first extend a warm welcome to Mr. Zoellick who became President of the World Bank last June, and to convey our optimism over the leadership that he brings to the World Bank Group. Let me also express our deep appreciation to Mr. Rodrigo de Rato, whose unfaltering efforts have steered the Fund into a new course of reform. I welcome as well his successor, Mr. Dominique Strauss-Kahn, and wish him every success in his new position. We trust that under his leadership, and that of Mr. Zoellick, the collaboration between the two institutions will be enhanced. Let me also extend my congratulations to Mr. Padoa-Schioppa for his selection as Chairman of the IMFC, and to Mr. Carstens as Chairman of the Development Committee.

Even as I deliver these remarks, the Bretton Woods Institutions are at a crossroads. The ongoing changes in the global economic environment are posing new challenges for them, to which they must adapt in order to remain credible and effective. In turn, credibility and effectiveness rest on restoring the legitimacy of the Bretton Woods Institutions. We must therefore strongly reaffirm our support for the reform processes underway in both institutions and reiterate our expectations for outcomes that are adequate to meet the challenges at hand.

Global Economic Outlook, Risks, and Challenges

Since the last Spring Meeting of the World Bank and the IMF, global growth has remained strong. However, recent disruptions in the financial markets have once again demonstrated the potential for rapid and destabilizing spillovers among markets and countries and raised the prospect of a more challenging environment to come. Adverse credit conditions, the possibility of negative consequences of further

adjustments originating from the U.S. housing market, and the rapid appreciation of some currencies are some of the key risks going forward.

Policy makers now face new challenges, even as some already existing ones, such as the risk of a disorderly unwinding of global imbalances, remain with us still. Notwithstanding the sound fundamentals in the global economy and robust growth in developing economies, all countries must be ever vigilant.

Regional Developments

I take this opportunity to point to the strong economic performance of recent years in the Middle East and North Africa (MENA) region, mainly as a result of the implementation of sound policies and key structural reforms. Pursuing these efforts, with enhanced and well-focused assistance from the World Bank and the IMF, is crucial to sustaining high, private-sector-led growth and job creation. In this regard, allow me to thank President Zoellick for identifying the MENA region as one of the Bank's strategic priorities.

I would also like to underscore the remarkable economic performance in an increasing number of African countries. However, considerable challenges still lie ahead to achieve tangible progress toward the Millennium Development Goals by 2015. It is therefore paramount that the international community, including the World Bank and the IMF, support efforts to implement domestic policies, as well as pro-growth and pro-poor reforms by substantially increasing financial aid and providing enhanced and coordinated assistance.

In keeping with the trends in the region as a whole, Algeria's economic and social situation has improved significantly in recent years, with robust growth, low inflation, strengthened fiscal and external positions, and pre-payment of almost all external debt. The efforts to further integrate the country into the world economy will contribute to sustaining strong growth. In this context, substantial progress is being made toward WTO accession and regional integration, and I wish in particular to thank Mr. de Rato for his personal efforts toward encouraging economic integration among the Maghreb countries. As a member of the African Union and a founding member of the NEPAD initiative, Algeria is playing an active role in promoting regional development in Africa. Algeria values its cooperation with the Bretton Woods Institutions and looks forward to enhanced and sustained advice and assistance to further the country's efforts to achieve its development goals.

Refocusing the Fund's Action

The emergence of new dynamic economies, the globalization of financial markets, and the exceptional volume of capital flows would suggest a need for the Fund to refocus its efforts to promote financial cooperation and stability. Hence, we welcome the recent Decision on Bilateral Surveillance over Members' Policies, aimed at sharpening the focus of bilateral surveillance, strengthening its implementation, and providing greater integration of bilateral with multilateral surveillance. A stronger surveillance framework—including greater consideration of financial sector issues—will reaffirm the Fund's primary role of analyzing economic and financial vulnerabilities and anticipating crises.

While we all hope that crises will be avoided, their occurrence cannot be ruled out. This being so, the IMF must stand ready to provide support. Accordingly, it must have ready the broadest and most effective possible range of instruments. We encourage continued discussions to quickly achieve the establishment of a new liquidity instrument that will ensure the availability of substantial financing for member countries that have solid fundamentals and are pursuing sound policies.

The Strategic Directions of the World Bank Group

We should all be devoting attention to the challenges facing the more vulnerable member countries of the World Bank Group. Indeed, despite recent progress, a third of the world's population will still be living in poverty in 2015, and many countries will not meet many of the Millennium Development Goals (MDGs). No stronger case could be made to show that the World Bank Group should continue promoting the formulation and implementation of pro-growth and poverty-reducing policies and strategies, and mobilizing additional resources needed to achieve those objectives.

A few months ago, the World Bank undertook to define strategic directions aimed at putting inclusive and sustainable globalization at the core of its work. Among the priorities are Africa, states affected by conflicts, middle-income countries, and regional and global public goods. We are pleased that such a promising initiative has been taken.

Moreover, the President and the Board of Executive Directors of the World Bank Group have recently reviewed the new challenges posed by recent aid trends and the role of IDA in the global aid architecture. We encourage the World Bank Group, as the world's leading development partner, to continue its efforts to adapt to the ongoing evolution of global aid architecture and the increasing fragmentation that characterizes the provision of aid. We encourage the World Bank Group to help developing countries strengthen their aid coordination capacity in order

to improve aid efficiency, and to insure that donor support is integrated coherently into national development strategies. The Bank should also move decisively to increase the use of country systems in all client countries. I also encourage other international organizations and donors to make greater efforts to improve aid alignment and harmonization in keeping with the principles set forth in the Paris Declaration. Such a dynamic could only be sustained if additional resources are provided. We therefore welcome the Bank Group's recent pledge of \$3.5 billion to IDA-15. Following the example of the Bank, I call on other donors to increase their contributions to a level that meets the challenges.

This is all the more important because our countries are facing new challenges resulting from globalization. Indeed, many global externalities are affecting our economies and having an impact on the development processes. Good governance and financial stability frameworks, cohesive agreements on trade and aid, effective measures to address the challenge of knowledge transfer and climate change are some of the global public goods on which sustained and coordinated action is required from us. This must be done in a manner consistent with the principles of common but differentiated responsibilities adopted by the international community in the context of the United Nations Framework Convention on Climate Change.

In this regard, I am pleased to say that Algeria has been addressing the challenge of climate change through important legal measures and initiatives. These include the promotion of clean fuels, the reduction of the volume of flaring gases by 70 percent, and the launching of a groundbreaking project for carbon capture and sequestration. I am confident that the Bretton Woods Institutions can help recipient countries better manage global public goods. However, given the highly diversified and multi-dimensional aspects of such goods, I encourage the World Bank and the IMF to be selective, cost-effective, and to focus their action in core areas of their competency.

Quotas and Voice

As you know, there cannot be any satisfactory foundation for coordinated action in response to global developments unless the global institutions are legitimate. This means that the representation of members in such institutions has to be fair, and that each country must have an adequate voice.

Over the past year, the IMF Executive Board has been examining the key issues relating to the second round of reforms—including elements of a new quota formula, the size of a second round of ad hoc quota increases, and the size of an increase in basic votes. To this end, I

encourage the Managing Director and Executive Board of the IMF to continue their efforts in favor of implementing a comprehensive set of reforms acceptable to all members, in keeping with the objectives set forth in Singapore. The World Bank has also been working actively on the voice agenda, covering all the options, including aspects that distinguish it from the Fund. We encourage the Bank to continue these discussions in order to build the necessary political consensus, taking into account development outcomes at the Fund.

Most of all, we need to summon the political will to bring this important set of issues to a fruitful conclusion. This assumes mutual understanding and a genuine desire to change, for any failure in this key area would undermine the legitimacy and effectiveness of our institutions.

We should acknowledge that, day after day, a more complex world confronts the World Bank and the IMF. The often unforeseeable nature of the new challenges, which we face, obliges us to ensure that the multilateral system is preserved and strengthened. I hope also, dear colleagues, that you will entrust our institutions with the much-needed legitimacy and instruments to succeed in this endeavor. I have every confidence that the World Bank and the IMF will be able to take the action needed to respond to the challenges ahead.

Thank you for your attention today. I now declare the 2007 Annual Meetings of the World Bank Group and International Monetary Fund open.