

Address by Reinhard Munzberg
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to the United Nations
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Mr. President, Excellencies, Ladies and Gentlemen,

In late April we met in New York at the High-Level Meeting of ECOSOC with the Bretton Woods institutions, the WTO, and UNCTAD to discuss developments in the global economy and policy developments. This is a good occasion to continue that dialogue.

Growth in the global economy continues to be strong. However, there are some downside risks. One is high and volatile oil prices. Another risk relates to a potential avian flu pandemic. A third concern relates to global imbalances. Underlying these payment imbalances are imbalances in global consumption and savings and these differences are not sustainable. Actions to bring about a gradual reduction in imbalances are needed. As a contribution to address this problem, the Fund is developing a new tool. It is planning multilateral consultations in which particular issues of global and regional significance will be taken up comprehensively and collectively with systematically important members of the Fund and, where relevant, with entities formed by groups of members. The aim is to provide a vehicle for analysis and consensus building in a framework that helps our members overcome some of the hurdles to individual action by emphasizing the benefit of joint action for all. The first multilateral consultation will focus on narrowing global imbalances while maintaining robust global growth.

This mechanism is part of our new Medium-Term Strategy which is designed to adapt the future direction of the Fund in light of the economic transformation brought about by globalization. One important aspect of the strategy is to make IMF surveillance more effective and the multilateral consultations are one of the elements of these efforts. Let me now talk about a few other areas where work is underway under the Medium-Term Strategy to improve the services we can offer to our members.

We need to improve the usefulness of IMF lending, especially our support for emerging market economies. We are discussing a new instrument to provide predictable and front loaded financing to emerging market countries that have strong fundamentals but remain vulnerable to shocks.

Work on low-income countries also remains a critical task for the Fund. We must play our part in helping our members to achieve the MDGs. The most effective way that the Fund can help low-income countries achieve their development goals is by focusing on policies and economic institutions that are critical to economic and financial stability and growth and that fall within our core competencies. We must assist with countries' efforts to effectively

absorb increased aid. Also a new build-up of debt after the recently implemented debt relief must be avoided.

Another important element of the Medium-Term Strategy concerns governance of the Fund, and especially Fund quotas. A broadening consensus has emerged among the membership that the IMF can only be effective if all members have a strong sense of ownership and participation in the institution. We are in the process of developing some specific proposals to address this issue.