



Briefing on Outcome of the April 2010 IMFC Meeting

Informal Briefing to the ECOSOC, May 21, 2010

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Core Elements of the April 2010 IMFC Communiqué

- Assessing progress in the recovery from the global crisis, as well as the remaining risks and challenges
- Dealing with the remaining challenges in restructuring the financial sector
- Progress in IMF reform, under the so-called Istanbul decisions of October 2009.

[see Public Information Notices at <http://www.imf.org/external/news/default.aspx?pn>]



I. Progress in the Global Recovery

- Encouraging **signs of a strengthening economic recovery**, but remaining challenges require continued collaboration...
 - Country-specific **exits from stimulus** must be carefully timed and phased in, and reflect...
 - *the varying speeds of the recovery and*
 - *the potential for spillover effects across countries and regions*
- Renewed commitment to policies collectively consistent with **global stability and balanced growth**
 - Underscored importance of the G-20 Mutual Assessment Process and the IMF's analysis and support for it.
- **Policy priorities** must be
 - renewed job creation,
 - bringing public finances back to a sustainable path, and
 - avoiding of all forms of protectionism.
- **Low-Income Countries**
 - effective policy responses and international support has facilitated recovery in many low-income countries,
 - called on other donors commit resources for IMF concessional lending.
 - looked forward to the Board's consideration of a framework for exceptional debt relief to countries hit by catastrophic disasters.



II. Restructuring the Financial Sector

- **Strengthening global financial regulation and resilience remains incomplete**, intensified efforts to develop a collaborative approach agreed.
- The IMFC called for two reports:
 - on *progress and priorities* (joint with FSB and Basel Committee on Banking Supervision)
 - on efforts to *address data gaps* as part of efforts to map systemic risks and transmission channels.

[The IMFC also supported exploring a possible voluntary financial data dissemination standard]
- Future discussion of IMF work on options for a **fair and substantial financial sector contribution** to cover the burden of extraordinary government support, while reducing excessive risk-taking.



III. Progress in IMF Reform – The Istanbul Decisions

“We commit to accelerate our work to improve the Fund’s legitimacy, credibility, and effectiveness through quota and governance reforms and modernizing its surveillance and financing mandates”... (IMFC Communiqué, April 2010)

Istanbul Decisions set out four main areas of reform...

- the IMF’s mandate,
- the IMF’s financing role,
- multilateral surveillance, and
- governance.



III. Progress in IMF Reform

The IMF's Mandate

- Important work on **the IMF's mandate and responsibilities** in the areas of ...

- **Surveillance**

- *strengthen its surveillance further by sharpening its focus on*
 - macro-financial issues
 - capital flows, and
 - analysis of systemic risks and linkages, and spillovers
- *open debate on improving the focus and traction of surveillance...*
 - improve IMF effectiveness in crisis prevention
 - options to improve the global financial safety net based on sound incentives

- **Stability of the international monetary and financial system**

- *Issue: growing tensions in international reserve system due to lack of automatic adjustments for systemic current account surplus countries, and lack of diversified menu of reserve assets*
- *study policy options to promote long-term stability and the proper functioning of the international monetary system*

Possible IMF role: assess reserve adequacy; offer alternatives to reserve accumulation; reflect on more balanced multi-currency reserve system over the longer run, perhaps with enhanced SDR role



III. Progress in IMF Governance Reform –The IMF's Financing Role

■ Lending

For the Fund to remain relevant in today's integrated world, its ability to respond to systemic liquidity needs is important.

- *appropriate crisis response with adequate quota and other resources, and well-tailored facilities with adequate safeguards*

Background – Feb./April Board discussions of options to enhance the IMF's role in preventing crises and dampening contagion effects from shocks

- Refinements of the FCL
- Adapting existing HAPA into a more attractive Precautionary Credit Line (PCL)
- Developing a Multi-Country Swap Line (MSL) mechanism
- Strengthening IMF engagement with Regional Financial Arrangements
- Broad range of innovative reform ideas that might require changes to the IMF's Articles of Agreement, or the adoption of a more flexible financing structure
 - *(e.g., IMF provision of pure insurance payouts or collateralized lending as an alternative to policy conditionality)*



III. Progress in IMF Governance Reform – Multilateral Surveillance

Background: Executive Board discussion in Feb. /April of modernizing the surveillance mandate and modalities

Options considered in the area of multilateral surveillance

- **Reports on outward spillovers** for countries whose policies or circumstances may significantly affect the stability of the system, complementing Article IV reports, or integrating such analysis into existing products
- **Multilateral consultations**, on an as needed basis, on specific topics that have systemic implications to foster collaboration and collective action.
- **A multilateral surveillance decision** to clarify the Fund's role and provide a framework for engaging policymakers



III. Progress in IMF Reform – Governance Reform

Background: **Board's progress report on quota and governance issues**
<http://www.imf.org/external/np/pp/eng/2010/042110a.pdf>

The IMFC called for ...

- prompt consent by members to the 2008 quota reforms
- completion of the quota review by January 2011
- acceleration of the work on all the aspects of the governance reform agenda
 - management selection
 - ministerial engagement
 - Board composition and size
 - voting majorities
 - staff diversity.



Thank You for your kind attention

