



REFORM of the IMF

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Five Areas of IMF Reform

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- How to ***prevent crises***.
- How to strengthen its role in ***financial sector issues***.
- How to provide ***effective assistance*** in a timely manner.
- How to ensure ***sufficient amount of resources***.
- How to ensure ***legitimacy and effectiveness***.



(1) How to Prevent Crises

- Need to strengthen surveillance and enhance its effectiveness.
 - Persuasion through dialogue and peer pressure.
- G20 Finance Ministers Meeting (September 4-5, 2009) emphasized that “candid, even-handed, and independent surveillance will be vital”.
- This requires a **strong political will** on the part of members.
- A crucial test for the IMF to see whether it can prevent “de-globalization” and “financial mercantilism”.



(2) How to Strengthen Its Role in Financial Sector Issues

- Efforts being made in:
 - Integrating macro and financial sector issues.
 - Strengthening the Financial Sector Assessment Program (FSAP).
- Need to succeed in:
 - Developing expertise in financial sector issues.
 - Changing the culture of the IMF.
 - Coordinating with the Financial Stability Board (FSB), the BIS and other standard setting bodies.
 - Winning confidence of national supervisors.



(3) How to Provide Effective Assistance in a Timely Manner

- **Significant changes** already made in:
 - Introducing a new lending instrument (Flexible Credit Line);
 - Doubling of access limits;
 - Introducing a new framework for conditionality.
 - Restructuring of facilities.
 - Simplifying charges and maturities structure.
 - Reviewing facilities for low-income countries.
- How to strike an **appropriate balance between being attractive to potential borrowers and safeguarding IMF resources** is the key.
- What are the views of Asian members?



(4) How to Ensure Sufficient Amount of Resources

- **Significant increases** in IMF's resources:
 - **Tripling of lending capacity to \$750 billion;**
 - Bilateral contributions from Japan, European Union, Norway, Canada, Switzerland, United States, Korea, Australia, Russia, China, Brazil, India and Singapore (as of September 8, 2009, in chronological order).
 - **An allocation of SDRs by \$250 billion;**
 - A commitment to **increase IMF quota** further by January 2011.
- Will **Asian members** continue to “self-insure” or are they willing to contribute to the multilateral mechanism?



(5) How to Ensure Legitimacy and Effectiveness

- The governance structure of the IMF should adequately reflect the changing economic weights in the world economy.
- The **April 2008 quota and voice reform** should come into effect soon.
- But, more needs to be done **by January 2011**.
- Dynamic members need to **shoulder more burden and responsibilities** in bringing about global financial and economic stability.



Other Governance Issues

- **Ministerial involvement** (the Council)
 - What is the urgency?
- **Selection of management**
 - What about the senior staff?
- Ensuring **effective and efficient decision making process**
 - Abolition of the Board?; Non-resident?; the size?
 - Voting rules?
- IMF's **mandate**
 - A reform of the international monetary system.



The Role to be Played by Asian Members

- Maintain steady economic growth through sound economic policies.
- Need to play **proactive and constructive roles** in the IMF, while strengthening regional cooperation/coordination.
- Should Asian members sign “**a peace treaty**” **with the IMF?**
 - Desirable, but no so easy.



The Scars of the Asian Crisis

- What were **the differences** between the Asian Crisis and :
 - The crisis in Latin America; or
 - The current global financial crisis.
- Need to understand **their frustrations** in:
 - Quota share;
 - Board representation; and
 - Diversity in senior level staff.



In an Asian Monetary Fund (AMF) an option?

- Could be a possibility, but only in the long run.
- Should not be optimistic; should be realistic.
- Needs further study, more expertise, experience, cooperation and coordination.
- Need to safeguard multilateralism.
- How to keep the IMF relevant for Asian members.