

Can the IMF Carry the Torch of the G-20 Promise?

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Recent figures of the world's four biggest economies and economic blocs - the US, the Euro area, Japan and China - indicate a gradual recovery in growth in these countries and the global economy in general. In fact, the latest forecast by the International Monetary Fund (IMF) shows that the global growth will rebound from negative territory this year to above 3 per cent next year.

While the recent sign of economic stabilisation has emerged due partly to past concerted policy efforts following the crisis, the future economic path is still full of uncertainty.

As the engines driving the current rebound, particularly the fiscal stimulus, gradually lose steam, challenges from high unemployment and financing constraints will remain.

In this context, the agenda set by the Group of 20 leaders at the Pittsburgh Summit last weekend, needs to be advanced to ensure sustainable long term growth and stability.

Like the Asian financial crisis, the current global financial crisis has also given policy-makers a number of valuable lessons, especially the need to strengthen the role of international financial institutions in supporting policy coordination in two key areas - economic surveillance and financial resources.

The G20 London Summit in April this year led successfully to the expansion of the IMF's lending capacity with contribution of financial resources from advanced and developing member economies.

Yet, more needs to be accomplished in the areas of the IMF's surveillance.

In light of higher degree of financial integration, the Pittsburgh Summit has called for the IMF surveillance to be evenhanded, candid, and independent.

Indeed, evenhanded surveillance for both advanced and developing economies is essential to enable early detection or minimisation of vulnerabilities, especially in systemically important economies, which may cause contagion and eventually lead to global macroeconomic or financial imbalances.

Historically, the IMF's surveillance ability hinges critically on its institutional governance structure.

The quotas or shareholding of the IMF members need to be adjusted to reflect their true and evolving weights in the world economy. Indeed, the G20 Pittsburgh Summit promises at least a 5percent shift from advanced countries to developing countries.

The gathering of finance ministers and central bank governors at this week's International Monetary Fund and World Bank annual meetings in Istanbul provides an excellent opportunity to discuss the realistic fulfillment of the Pittsburgh Summit's promise.

It is with hope that the unique location of Istanbul, lying on both European and Asian continents, will lead to a mutual conclusion between advanced and developing members on the way forward. With a more balanced representation, the world can strengthen the IMF's credibility, legitimacy, and effectiveness.

This is essential as this additional adjustment would further ensure that the IMF members have access to adequate financial resources as determined by its quota.

(The views expressed are the author's own.)

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