IMF Publication

Statement by the Managing Director on the IMF's Crisis Response and Reform Agenda

INTERNATIONAL MONETARY FUND

INTERNATIONAL MONETARY FUND

Statement by the Managing Director to the IMFC

on the IMF's Crisis Response and Reform Agenda

April 17, 2009

Crisis response to date. As the world economy has become engulfed in the worst crisis in many generations, the Fund has mobilized on many fronts to support its member countries. We have responded with prompt, large and flexible financial support where needed. Our monitoring, forecasts, and policy advice, informed by a global perspective and by experience from previous crises, have been in high demand. We have deployed a broad financial safety net, through an overhaul of our general lending framework that makes it better suited to members' needs, and by garnering pledges for a massive increase in Fund resources. And we have contributed to the ongoing collective effort to draw lessons from the crisis for policy, regulation, and the global architecture.

Next Priorities. The strong support for the Fund expressed by a wide cross-section of the membership suggests that we are on the right track. But this is no time to rest. To contribute as best we can to containing the costs of this crisis, and durably restoring global prosperity and financial stability, our policy agenda has further to go. Let me set out what I regard as priorities for the coming months.

Global financial safety net. We will work swiftly to turn loan pledges from members into effective lending arrangements, and will seek to expand the New Arrangements to Borrow (NAB) and make it more flexible as a stronger complement to the Fund's quota resources. As the safety net would not be truly global without adequate coverage of our low-income members, we must also press forward expeditiously to reach agreement on solutions that would allow at least a doubling of our medium-term concessional lending capacity. The Fund needs to do its part in contributing the necessary financing, in a manner consistent with the new income model agreed by members last year in conjunction with the quota and voice reform and restructuring of the Fund. However, achieving the desired target would be greatly facilitated by bilateral contributions from members, both for loan and subsidy resources, which I urge you to consider. I also intend to move promptly in bringing to a vote a $250 billion SDR allocation to further strengthen the global safety net, and ask for your support.

Lending framework. We need to continue our efforts to adapt our lending framework to the diverse needs of our members. In the general resources account, the framework has considerable flexibility and scope for tailoring embedded in it. In particular, the new Flexible Credit Line, which provides high access financing for eligible countries, without ex post conditionality, is an exceptionally flexible instrument. Importantly, the new policies on conditionality, access (including high access precautionary arrangements), and charges, mean

that all of our members with potential financing needs stand to benefit. We must make sure it is applied consistently with this spirit as we answer our members' requests for support. Regarding low-income countries, the available toolkit needs to be more responsive to increasingly diverse country needs and heightened exposure to global volatility. We will pursue this objective by redesigning the Fund's lending instruments to address short-term, emergency, and precautionary financing needs more effectively, making program design and the concessional financing framework more flexible, and increasing the flexibility of Fund's policy on external debt limits.

Surveillance. In this unsettled environment, surveillance has a key role to play in helping countries steer through the crisis, while safeguarding sustainability and preventing future recurrence. Building on recent successful experience, we will enhance our cross country work and continue to strengthen risk assessments and our analysis of real-financial linkages and spillovers. Further refinement of our joint early warning exercise with the Financial Stability Board and a revamped Bank-Fund Financial Sector Assessment Program—more flexible and targeted and better integrated with the Fund's surveillance—will be instrumental in this endeavor. But top quality analysis is not enough for surveillance to have traction, which is what ultimately matters. Enhancing the traction of surveillance is a challenge we all need to take on. More engaged policy dialogue with members and clearly communicated messages will be key. So will candor, independence, and evenhandedness.

Architecture. Efforts to build a more robust global architecture need to proceed apace, and the Fund will continue to contribute to this agenda, in line with its global financial stability mandate. A key element here will be to solidify perceptions of the Fund as an effective and legitimate institution beyond the present crisis. In this connection, I cannot overstate how important a step is the ratification of the April 2008 package of quota, voice, and income reforms, and I urge you to work toward that objective. We should build on these reforms and bring representation at the Fund further in line with global economic realities. I would favor launching the next review of quota and voice in the next few months and completing it by January 2011—sooner if we can—and hope that this more ambitious timeline draws wide support. The Fund would serve the global economy better if broader governance reforms were set in train. The reports on various aspects of IMF reform produced by the eminent persons' committee chaired by Trevor Manuel, the G20 Working Group, and the Independent Evaluation Office will be important inputs.

In sum. The overarching priority remains to respond effectively to this crisis with all available policy tools, at home and globally, and we need to make sure the policies of the Fund are well-suited to the task. The remaining agenda is an ambitious and difficult one, as members come to it from very different perspectives. But I know that we ultimately share the objective of making the Fund as strong a source of stability in the global financial system as possible. And recent developments provide comfort that there is considerable political support for our reform agenda. Against this background, I look forward to a productive exchange of views to provide further impetus and guidance to this important work.