

## **Factsheet for Panel Discussion:**

### **The Global Financial Crisis and International Financial Institutions: Governance Perspectives for Developing Countries**

**25 April 2009, 3-5 p.m.**

**I-Buildung, Room I 1-200, 1850, Street NW, Washington D.C.**

The present financial and economic crisis reveals a need to profoundly reform the international financial system in order to meet the needs and changed conditions of the 21st century. The welfare of developed and developing countries is mutually interdependent in an increasingly integrated world economy. On the one hand, short term measures must be taken to stabilize the current situation. On the other hand, long term measures must be installed to make another recurrence less likely. In both cases, the perspective of the developing countries must be taken into account. Not only funding and financial market regulations are important issues, but also the governance framework of the international financial institutions is subject to fundamental discussions.

#### **Invited panellists:**

**Kemal Derviř**, Vice President of the Brookings Institution and Director of the Global Economy and Development program. Prior to this position, he was Chief Administrator of the United Nations Development Program and held several positions within the World Bank, among them Vice President for Poverty Reduction and Economic Management. Within the World Bank, he was also responsible for operational coordination with other institutions, including the United Nations system, the IMF and the WTO, on international institutional and policy issues.

**Kristalina Georgieva**, Vice President of the World Bank, Director of Strategy and Network Operations for the Sustainable Development Network. Prior to this position, Georgieva held several other positions within the World Bank. Before coming to the Bank, she was Associate Professor of Economics at the University of National and World Economy in Sofia in her home country Bulgaria as well as Visiting Scholar or Guest Professor in many renowned universities worldwide. Ms. Georgieva has also consulted for the Bulgarian government and several international companies.

**Jomo Kwame Sundaram**, Assistant Secretary General for Economic Development in the United Nations' Department of Economic and Social Affairs (DESA) and Member of the Commission of Experts of the General Secretary of the United Nations on the Reforms of the International Monetary and Financial System. He was Professor in the Applied Economics Department at the University of Malaya and was on the Board of the United Nations Research Institute on Social Development (UNRISD).

**Heidmarie Wieczorek-Zeul**, German Federal Minister for Economic Cooperation and Development and Member of the Board of Governors at the World Bank. She has campaigned in particular for debt relief for the poorest heavily indebted countries, an equitable world trade order and an increase in development spending. Together with the members of the Utstein Group, she has supported the initiatives to reform the World Bank. Ms. Wieczorek-Zeul is also member of the Commission of Experts of the Secretary of the United Nations on the Reforms of the International Monetary and Financial System.

#### **Chair:**

**Johannes Linn**, Executive Director of the Wolfensohn Center for Development, The Brookings Institution. Linn was formerly World Bank Vice President for Europe and Central Asia.

## Reform of Governance of International Financial Institutions

After the G20 meeting in London and before the UN conference on Reforms of the International Monetary and Financial System, the panel discussion intends to build a bridge between the different processes, taking into consideration the proposals of the Stiglitz-, the Zedillo- and the Trevor-Manuel-Commission. The panel discussion will focus on the governance perspective of the reform of the international financial architecture taking particularly into account the concerns and participation mechanisms of emerging and developing countries.

There is a growing international consensus in support of reform of the governance, accountability, and transparency in the Bretton Woods institutions and other major non-representative institutions in the global financial system. Essential reforms in the governance of these institutions, including those giving greater voice to developing countries and greater transparency are necessary. These reforms will take time, but in the view of the current crisis, there is a window of opportunity for more fundamental changes to the governance structures that are in place now.

The Bretton Woods institutions are expected to continue to have important roles to play. However, they need to be re-positioned as truly global institutions, credible and legitimate in the eyes of all their members, and oriented towards the global common good of economic stability and shared growth.

IMF: With a view to preventing future crises, the IMF should expand its macroeconomic and financial market surveillance and link the two areas more closely. The impartiality of the surveillance must be ensured, for instance by independent evaluation inside and outside the IMF. Even if it will be difficult to oblige governments (especially influential governments) to pursue reforms, surveillance are needed at least be expanded and transparency enhanced.

World Bank: As the financial crisis will have long-term implications for developing countries, the aim of reaching the Millennium Development Goals is in danger. Therefore there is a strong need to expand assistance especially to Low Income Countries to protect critical expenditures and prevent an erosion of progress in reducing poverty. The creation of a global Vulnerability Fund, financed with a modest portion of advanced country stimulus packages, could go a long way to providing the resources necessary for these efforts.

Several commissions have been installed to generate propositions for changes in the international financial institutions:

According to the Trevor-Manuel-Commission, the International Monetary Fund needs a re-energized multilateral mandate to reflect the evolution of the world economy and to increase its legitimacy and effectiveness in addressing today's global challenges. Among other recommendations, it suggests to accelerate the quota revision process, to expand the IMF's surveillance mandate, and to partly change voting procedures.

For the elaboration of reforms of the World Bank, the Zedillo-Commission has been formed. It focuses on the modernization of World Bank Group governance so the World Bank Group can operate more dynamically, effectively, efficiently, and legitimately in a transformed global political economy.

The Stiglitz-Commission proposes to create an institution beyond the existing framework and supports the creation of a global reserve system and a global economic coordination council to assess developments and provide leadership in economic, social and ecologic issues. It would promote development, secure consistency and coherence in the policy goals of the major international organisations and support consensus building among governments on efficient and effective solutions for issues of global economic governance.