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STRENGTHENING INTERNATIONAL FINANCIAL INSTITUTIONS TO PROMOTE EFFECTIVE INTERNATIONAL COOPERATION

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EXECUTIVE SUMMARY

The current global financial and economic crisis resulted from the failure of major economies and global institutions to recognize and address, in a meaningful way, emerging fault lines in global financial markets and global institutions. The crisis brought to light long-standing weaknesses in the global system for economic and financial cooperation, providing opportunities for reform. Most experts agree that there is a need for strengthened international cooperation and improved governance and accountability in multilateral organizations and forums, including the Financial Stability Board (FSB) and International Monetary Fund (IMF). No single country has the ability or resources to fix things on its own — a near-unprecedented degree of collective action is required. While some progress has been made, many analysts caution that the reforms achieved to date are inadequate to the challenge at hand. Global economic cooperation involves more than addressing crises, it must also consider the medium term. The challenge remains that the necessary (and promised) action to tackle global governance issues in order to promote greater economic cooperation has not occurred, and many observers are losing confidence that anything can happen. The agenda for reform to promote greater economic cooperation, including reform of the international financial institutions (IFIs), has been laid out many times, but the commitment of Group of Twenty (G20) leaders appears to have faltered, leading one expert to suggest that in the event of another crisis, G20 countries would have only themselves to blame.

INTRODUCTION: A WINDOW FOR CHANGE

Major crises often present new opportunities for genuine change and reform. The current global financial and economic crisis, which began to manifest itself in 2007, is no exception. Long-standing weaknesses in the global system for economic and financial cooperation are beginning to be addressed. We have witnessed the emergence of the G20 as their "premier forum for economic cooperation," we have seen the transformation of the Financial Stability Forum (FSF) into the expanded (but still not universal) FSB and we have heard promises of reforms in the governance of the IMF and World Bank. Many observers, however, caution that the reforms achieved to date are inadequate to the challenge at hand.

The second-biggest global economic crisis in the last 100 years illustrated yet again the importance of international cooperation and the risks for the global economy of uncoordinated national policies driven by concerns for politically important or motivated domestic agendas. While the genesis of the crisis is complex and still subject to much study, there is a near-universal recognition by most analysts of the need for strengthened international cooperation and improved governance and accountability in our multilateral organizations and forums. Many proposals have called for strengthened international rules together with enhanced international bureaucracies, such as a world financial organization, an international lender of last resort and so on (Eichengreen and Baldwin, 2008).

This should come as no surprise. The biggest economic crisis in the last century, the Great Depression, and its aftermath gave birth to the IMF and the World Bank as the premier forums for economic cooperation. At the time, plans for an International Trade Organization were stillborn, but a less ambitious institution ultimately emerged as the World Trade Organization. This was not global government (nor was it meant to be), but the vision of the founders was that these two institutions could help level the playing field, correct negative externalities, compensate for asymmetric information and provide public goods (domestic and international). However, despite the evolution in the roles and functioning of these institutions, the gap between evolving and expanding markets, the changing balance of major economic players and the capacity of these institutions to play their envisaged role grew large.

In the lead-up to the current crisis, the United States and many other nations clearly committed errors in policy and judgment. So did virtually all of the multilateral institutions (for instance, the Organisation for Economic Co-operation and Development and the Bank for International Settlements) established to survey and coordinate global economic activity, including, in particular, the global watchdog — the IMF. For excellent perspectives on the Fund's role, one only needs to look at the evaluation undertaken by the IMF's Independent Evaluation Office (IEO), *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07* (Lamdany and Wagner, 2011), and CIGI's 2012 publication by Paul Blustein entitled *A Flop and a Debacle: Inside the IMF's Global Rebalancing Acts* (2012).

While the subprime crisis in the United States was, arguably, the first major crack to appear in the global financial system, problems were not restricted to the United States (witness Europe today). Ultimately, the crisis was a failure of major economies and global institutions to recognize and address, in a meaningful way, emerging fault lines in global financial markets and global institutions: "There are deep fault lines in the global economy, fault lines that have developed because in an integrated economy and in an integrated world, what is best for the individual actor or institution is not always best for the system. Responsibility for some of the more serious fault lines lies not in economics but in politics" (Rajan, 2010).

Regardless of the origin of the problem, it was clear that no single country had the ability or resources to fix things on its own — a near-unprecedented degree of collective action would be required. The elevation of the G20 from a relatively unambitious finance ministers' level to the level of heads of government in 2008 was, therefore, to be welcomed. In their first meeting, leaders admitted that inconsistent and insufficiently coordinated policies had led to the crisis and they committed themselves to bringing about the necessary cooperation.

The creation of the G20 at the leaders' level was, potentially, an important step forward. To start, it brought the major emerging economies to the table for the first time, in a more balanced forum than at the IMF, recognizing that the G7/8 was no longer sufficiently representative of the global economy or powerful enough to respond to the massive challenges. It recognized, as Rajan (2010) stated, that a major fault line was politics and held out the prospect of truly global political leadership. Its first two meetings produced an important list of policy areas for action. Sadly, as the length of the communiqués (and associated annexes) in subsequent meetings grew and the language became vague, the tantalizing prospects for leadership have lagged. The first two communiqués spoke to people and set out areas for policy action; subsequent ones have spoken to technocrats and appear to have shifted toward calling for studies.

As Frieden et al. (2012) wrote in July 2012: "The recent experience of international economic cooperation is not very encouraging. As the crisis broke, to be sure, there was some effective coordination among major central banks, and it appeared for a time that a revitalized G20 might work together to confront common problems. But G20 summitry seems to have gone the way of most previous summitry, dissolving into vague promises about a proliferating array of feel-good topics. There is little reason to think that the obstacles to greater collaboration will diminish over time."

To be sure, the issues are complex and politically treacherous. New leaders and continuous election cycles complicate the process further. Some progress has been made, but global economic cooperation is not just about addressing crises (when other issues tend to be shunted aside). It is also about the medium term, where a lack of agreement on economic objectives and divergence of priorities makes progress that much more elusive. As we are witnessing in Europe today, the challenge of reconciling diverse domestic political interests within a region is daunting (some would say impossible), and even more so at the global level.

WHAT ROLE FOR THE G20?

Nonetheless, at the present time, the G20 is the "only game in town," so for those seeking to strengthen international economic cooperation, it is important that it succeed. To do so, there needs to be a clear understanding of what the G20 is…and what it is not. It is not a formal organization with conferred powers, it is not universal, and it has no supporting bureaucracy and permanent secretariat. What it can do is focus on activities such as agenda setting, policy coordination, consensus building and task distribution across existing institutions (Wouters and Geraets, 2012). However, the G20 must work hand-in-hand with institutions such as the IMF, World Bank, the WTO and the other 170-plus nations who are not members of the G20 for this to work. But as Kharas and Lombardi (2012) warned recently, "The more it [the G20] goes into detail, the more it risks losing the authoritativeness granted by its members and encroaching upon the mandate of established multilateral institutions with far greater technical expertise. Its energies are better directed toward broad strategies, and thus it should make efforts to engage with those institutions that can translate its vision into specific actions, agreeable both technically and politically to the parties involved" (2012). Therefore, a critical question becomes how does the G20 exercise inclusive leadership without getting lost in details or being seen as subverting the governance structures of the institutions concerned?

So how does the G20 stack up on this score? Let us look in particular at the institutional issues the leaders embraced in their first meetings — IMF and World Bank reform, trade and the WTO, and the FSB. The need for governance reform at the IMF (that is, who decides what for whom) has been long recognized — including in a 2008 evaluation by the IMF's IEO (see Lamdany, 2008), and a subsequent final report from the high-level Committee on IMF Governance Reform[1] (chaired by then South African Minister of Finance Trevor Manuel) in 2009. Both reports came to similar conclusions and recommendations, but little happened in the face of strong institutional inertia and entrenched interests. As the director of the IEO at the time, I wrote in my introductory comments:

> Improving its governance is widely recognized as a critical element in enhancing the Fund's relevance, legitimacy, and effectiveness. The Fund started some 60 years ago as the guardian of the par value system, with 44 member countries and 12 Executive Directors. Today, the par value system is long gone, and the Fund has 185 member countries and 24 Executive Directors. While roles have evolved over time, in many ways the formal structure and many practices remain largely untouched; and the evaluation found that reforms have not kept pace with changes in the membership and in the environment in which it operates. (Bernes, 2008)

And as CIGI Senior Fellow Pierre Siklos (2012) noted:

> The creators of the Bretton Woods system did not give much thought to economic governance as this term is understood today. Essentially, the victorious powers got the international framework they wanted, although the United States was seen as largely dictating the shape of the new international monetary system. Eventually, responsibility and accountability shifted back and forth between the United States and the major industrial economies in the Group of Seven until the more diverse set of countries, the global financial crisis of 2008 forced an expansion of consultations to a larger and more diverse set of countries, the G20. In the meantime, institutions were created or existing ones were tasked to deal with issues that arose (such as the Financial Stability Forum and its successor, the Financial Stability Board, and the Bank for International Settlements). With an enhanced role for EMEs, including those with different political systems than most of the industrial economies, the economic governance problems became more acute.
>
> …No amount of effective cooperation is possible unless some of the pressing governance questions are resolved, such as the thorny issue of the most powerful members of the G20 agreeing to treat other members as equals.

How did G20 leaders address this critical question of governance? As stated above, the first two leaders' G20 communiqués were crisp and action oriented. They were clear on their intentions. On the subject of IMF and World Bank reform, leaders seemingly drew from earlier analyses and laid out a clear program of action. The 2009 London G20 Summit communiqué stated:

> In order for our financial institutions to help manage the crisis and prevent future crises we must strengthen their longer term relevance, effectiveness and legitimacy. So alongside the significant

1 A high-level panel chaired by former Mexican President Ernesto Zedillo raised similar issues at the World Bank, which has witnessed a parallel debate because its governance structure essentially copied that of the IMF.

increase in resources agreed today we are determined to reform and modernise the international financial institutions to ensure they can assist members and shareholders effectively in the new challenges they face. We will reform their mandates, scope and governance to reflect changes in the world economy and the new challenges of globalisation, and that emerging and developing economies, including the poorest, must have greater voice and representation. This must be accompanied by action to increase the credibility and accountability of the institutions through better strategic oversight and decision making. To this end:

- we commit to implementing the package of IMF quota and voice reforms agreed in April 2008 and call on the IMF to complete the next review of quotas by January 2011;
- we agree that, alongside this, consideration should be given to greater involvement of the Fund's Governors in providing strategic direction to the IMF and increasing its accountability;
- we commit to implementing the World Bank reforms agreed in October 2008. We look forward to further recommendations, at the next meetings, on voice and representation reforms on an accelerated timescale, to be agreed by the 2010 Spring Meetings;
- we agree that the heads and senior leadership of the international financial institutions should be appointed through an open, transparent, and merit- based selection process; and
- building on the current reviews of the IMF and World Bank we asked the Chairman, working with the G20 Finance Ministers, to consult widely in an inclusive process and report back to the next meeting with proposals for further reforms to improve the responsiveness and adaptability of the IFIs [international financial institutions].

In addition to reforming our international financial institutions for the new challenges of globalisation we agreed on the desirability of a new global consensus on the key values and principles that will promote sustainable economic activity. We support discussion on such a charter for sustainable economic activity with a view to further discussion at our next meeting. We take note of the work started in other fora in this regard and look forward to further discussion of this charter for sustainable economic activity. (Leaders of the G20, 2009)

The objective of strengthening the relevance, effectiveness and legitimacy of global economic and financial institutions is the same language used in the earlier IEO report. Leaders committed, in general, to reforming the mandate, scope and governance of the institutions, and increasing their credibility and accountability, followed by a series of specific undertakings. What has happened?

GOOD GOVERNANCE OF IFIS REMAINS A CENTRAL TASK

Governance structures should logically follow from an institution's purpose and mandate. Discussions of the mandates of the IMF and World Bank do not appear to have progressed very far. Indeed, the G20's initial action was to delegate to itself the responsibility for surveillance through the Mutual Assessment Process, with the IMF to serve only as a technical adviser.[2] While some argue that the IMF's role has increased over time and the IMF has begun to produce spillover reports (impacts of national policy actions on other countries), the reality is that a large difference of opinion on the appropriate role for the Fund continues to exist between countries. Instead, recent debates have focused almost exclusively on "shares and chairs" — the quota share and board representation of countries. This is a political debate, not unimportant, but probably irreconcilable without a prior understanding on the future role of the Fund. Where mandate has been discussed — in the context of agreeing on a new surveillance decision — the absence of a meaningful consensus on what the role of the Fund should be has been deftly papered over. The IMF's new Surveillance Decision of July 2012[3] has been trumpeted as a step forward, but after reading this decision I had to ask whether it could be considered a clear mission statement. To this observer, it only underlines the continuing divergences between IMF members on its surveillance role.

2 One wonders what the prospects are for success given that this would require a common vision, not only of the benefits, but also the costs of coordination, but that is another topic.

3 To read the document, see Hagan and Tawari (2012).

Let's turn to the specifics of the leaders' statement:

- The 2008 quota and voice reforms were finally fully implemented in 2011. The further reforms agreed upon and hailed at the Seoul summit as an "historic" breakthrough (most unofficial observers called them a small incremental step), have yet to be ratified and implemented (the April 2010 agreement) principally because the United States, which has a blocking vote, has yet to present them to Congress.[4] The promise of reform of the IMF board to achieve a better global balance in its composition risks becoming simply a reshuffling of the makeup of European chairs.

- Greater involvement of governors (usually ministers of finance) in providing strategic direction and accountability has not progressed. Ministers today perform only an advisory role through the ministerial steering committee of the International Monetary and Financial Committee (IMFC) and the board of governors meets for only a few hours once a year. Meetings of the IMFC continue to fall back into the reading of prepared statements, despite the effort of enthusiastic chairs like the current Singaporean finance minister.

- The World Bank has added an African chair to its board and made some other steps to address its governance arrangements. However, the bigger questions impacting the role of the Bank, the size of its capital base and the relevance of its board, have been left hanging. Indeed, frustration has led the BRICs (Brazil, Russia, India and China) to give consideration to the establishment of a new development bank that they would fund and control.

- On leadership selection, there were open contests for the most recent selections of the heads of the IMF and the World Bank. Without impugning the capabilities of the successful candidates, the result was the "same old, same old" — a European (Lagarde) to head the IMF and an American (Kim) to head the World Bank. As for an "open and transparent process" for the selection of the senior leadership, forget it. Nothing appears to have changed. Indeed, at the IMF, a share of the spoils (a deputy managing director position) has now been given to a senior Chinese official, while the United States retained the number two position.

- On proposals for further reform, we are still waiting. Important issues concerning the role of the board(s) — whether surveillance should be a separate function from lending in the IMF structure, ensuring appropriate oversight and accountability of management — remain as elusive as ever.

- And, as for a Charter for Sustainable Development, when was the last time you heard leaders mention this? The work that was tasked to the World Bank and the IMF on financing has been left in limbo.

Almost all attention has been focused on the issue of IMF quota (voting) shares and representation on the board. While these are symbolically important, the cold reality is that these will result in virtually no change as to how the IMF operates, because of the Fund's voting rules and the small nature of the changes. The more substantive issues of ministerial involvement and accountability, the role of the board and holding management (appointed through an open and merit-based system) accountable — all of which could lead to significant changes, are being quietly ignored for the most part.

The reasons why this is all so important were articulately laid out by the Indian IMF executive director who stated:

> Issues of Global governance of the International Financial Institutions such as the IMF have moved centre stage since the eruption of the Global financial crisis in 2008. It is not clear how many decision makers and their parliament/legislature/Congresses have learnt the lessons of the crisis. Many analysts and academics, who have learnt some of the lessons, advocate an expanded mandate and role for the IMF. As it stands, Article IV, section 3(a) of the IMFs articles of agreement states that, "The Fund shall oversee the international monetary system in order to ensure its effective operation and shall over see the compliance of…" The quoted mandate can be interpreted either as being all encompassing or as very limited! In general those who control the governance structure of the fund tend to favor the former interpretation, while those who feel they have an unfairly low share of quotas and governance tend to favor the latter interpretation. Thus the issue of expanded mandate is intimately related to quotas and governance issues. (Virmani, 2011)

To some readers, these judgments on progress made to date may sound harsh. This is not to denigrate the hard work of many officials and the incremental progress that has been made. But the situation calls for a more ambitious leap forward and small steps are not sufficient. And more importantly, where is the commitment of leaders? Are we again to bear witness to 10 years of reaffirmations, as with the Doha Round, with nothing in the end to show for it?

4 So, nothing has happened before the 2012 IMF/World Bank Annual Meetings and, therefore, the January 2013 deadline has been missed.

FINANCIAL STABILITY REMAINS AN ELUSIVE GOAL

Now let us look at what has transpired on the critical issue of fostering greater financial stability. After all, it was the financial meltdown that brought us to this path.

More progress, and rightly so, has been made in this area. The FSF, set up as a virtual organization, has been transformed into the FSB. More countries have been brought into the tent (namely, and mostly, the non-G7 members of the G20). An embryonic institutional structure has begun to emerge, as well as a regional consultative structure. The basic criteria of what would become Basel III were agreed to in record time. Many meetings have been held.

But stepping back, how confident are we (three years later) that systemically important financial institutions won't threaten global financial collapse again? Are "near-banks" beginning to be seriously addressed? What progress has been made in ensuring that Financial Sector Assessment Programs (which finally cover the United States and China) are being treated as important analytical tools by the IMF, the World Bank and the FSB? Are there clear lines of responsibility and accountability established between the IMF and the FSB for global financial stability?

Even more importantly, what is our confidence level that we are better off (in avoiding a new financial crises) than we were four years ago? The recent *Global Financial Stability Report* produced by the IMF asked the question of "whether these reforms are moving the financial sector in the right direction against a benchmark set of desirable features — financial institutions and markets that are more transparent, less complex, and less leveraged. The analysis suggests that, although there has been some progress over the past five years, financial systems have not come much closer to those desirable features. They are still overly complex, with strong domestic interbank linkages, and concentrated, with the too-important-to-fail issues unresolved" (IMF, 2012).

Crises often force people to think "outside the box." The immediate response to the great recession was a lot of unorthodox policy actions (mainly by central banks). But a breather allows people to slip back into comfort mode and the politics of "unorthodox" actions become much more difficult. Too often, further progress becomes more incrementalism out of the same policy toolbox, rather than the more ambitious rethink that may be necessary. Or is it that with a bit of breathing space, some of the major parties (read the United States and Europe) chose to proceed unilaterally — quickly forgetting their earlier pledges?

In an important policy speech at Jackson Hole in August 2012, Andrew Haldane, executive director for financial stability at the Bank of England, raised important questions as to whether our policy direction for ensuring financial stability has not been based on the wrong approach for the last 50 years. His speech, entitled "The Dog and the Frisbee," presents an impassioned argument that our policy approach to trying to capture and understand complexity through greater regulatory complexity may have been a horrible error and that simplicity may offer us greater security. In fact, the approach he advances is not dissimilar to the regulatory approach of the Canadian system (Haldane, 2012). Now Haldane may be right, or he may not. It is not within the scope of this paper to explore this broader question. But his argument does underline a huge question: are our institutions capable of asking (and answering) the "big questions" — and going back to explore fundamentals? Or, are we trapped in a process of bureaucratic incrementalism that prevents us from exploring a path more than two degrees off centre? One would like to have some faith that our global institutions, and our political leaders, are up to this task, but perhaps they are not. As Siklos (2012) stated, our institutions and institutional leadership may only be up to the task of steerage in normal times. At times of crisis, we may need to escape institutional structures if there is to be any hope of addressing the challenges we face.

Where does this leave us? Many elements of the reform agenda are not new. They were laid out in the IEO evaluation, in the final report of the high-level committee chaired by Trevor Manuel and in the Zedillo Commission Report on World Bank reform, as well as in many other reports, and in the London G20 communiqué. The issue is implementation.

But implementation involves a different future. As Raghuram Rajan (2010) stated: "Our existing global institutions, like the IMF and the World Bank, will likely prove ineffective in fostering global cooperation if they continue to operate as they have in the past. They will have to make radical changes in how they function, appealing more directly to the people than their leaders, to soft power rather than to hard power."

Looking at the Pittsburg summit communiqué, Rajan went on to ask whether the G20, working through the IMF, will be effective. His response:

> Unfortunately not. It is very easy to get politicians to spend in face of a crisis and to get central banks to ease monetary policy. No coordination is required, as every country wants to pump up its economy to the extent possible: the G20 leaders were pushing on an open door when they called for coordinated stimulus. The real difficulties emerge when countries need to undertake politically painful reforms, reforms that might even seem to be more oriented toward helping other countries

> in the short run rather than the reformer itself. Politics is always local: there is no constituency for the global economy. (Rajan, 2010)

Let us examine for a moment, the record of the G20 leaders on trade and the WTO. Starting from London, the ambition was clear. In their communiqué, they stated:

> We remain committed to reaching an ambitious and balanced conclusion to the Doha Development Round, which is urgently needed. This could boost the global economy by at least $150 billion per annum. To achieve this we are committed to building on the progress already made, including with regard to modalities.
>
> We will give renewed focus and political attention to this critical issue in the coming period and will use our continuing work and all international meetings that are relevant to drive progress" (Leaders of the G20, 2009).

By the time of the Los Cabos summit, the language had shifted:

> [W]e stand by the Doha Development Agenda mandate and reaffirm our commitment to pursue fresh, credible approaches to furthering trade negotiations across the board. We will continue to work towards concluding the Doha Round negotiations, including outcomes in specific areas where progress is possible, such as trade facilitation, and other issues of concern for least developed countries.
>
> We support strengthening the WTO through improving the way it conducts its regular business, and its dispute settlement system. We also direct our representatives to further discussions on challenges and opportunities for the multilateral trading system in a globalized economy. (Leaders of the G20, 2012).

It does not take a skilled devotee of communiqué interpretation to recognize the slide from commitment to an ambitious conclusion to the Doha Round to a commitment to working towards concluding the round. In fairness, G20 countries did, by and large, keep to their commitments to avoid new protectionist measures at the time of the crisis. But at the same time, they have clearly failed in providing the leadership to conclude an ambitious trade round, let alone begin to address the institutional/governance challenges of the WTO, nor important policy issues for global economic growth and stability including the impact of shifting patterns of trade (supply chains) and their impact on outdated trade rules, nor the intersection between financial flows which are addressed in the WTO rules as well as through the IMF and the FSB (Schadler, Tan and Yoon, 2009).

WHERE NEXT?

Returning to the question of where are we now, it is evident that the G20 has played a constructive role, but it is far from earning its self-proclaimed status as the "premier economic forum." It may have helped to minimize a serious crisis, but can it go further in moving the global economy in a positive direction? Against leaders' originally stated objectives — financial reform, open markets, IFI reform and macroeconomic coordination — they have yet to deliver anything close to what they promised.

Global financial stability, open markets and macro coordination are public goods that require global cooperation and countries willing to confront the domestic political forces that militate against such an outcome.

As Frieden et al. (2012) observed: "There is a profound disconnect between the G20's statement of purpose as laid out in their initial meetings and what has happened with economic policy in the US and in the European Union. This points towards what may be a deeper obstacle to the construction of the global public goods that are indispensable for globalization's sustainability: the limitations of each political domestic system, democratic or not, to internalize the consequences of others' policies on their own economic performance, as well as the ramifications of their policies on others' performance."

The agenda for reform for greater economic cooperation, including reform of the IFIs to help achieve this, has been laid out many times. The G20 leaders initially subscribed to its main elements. The window is there; however, the greatest obstacles may not be economic, but political and bureaucratic.

For the IMF, the principal steps involve:

- clarity on the relationship with the G20;
- strengthening the role of ministerial oversight;
- agreement on the role (and requisite resources) of the IMF;
- more substantial progress on the political litmus test of quota reform;
- greater progress on the process for an open merit-based system for senior appointments and their accountability;

- clarity on the role of the executive board; and
- much greater accountability of senior management for their stewardship.

For the World Bank, the principal steps involve:

- clarity on the relationship with the G20;
- agreement on the role (and requisite resources) of the World Bank;
- greater progress on the process for an open, merit-based system for senior appointments and their accountability;
- clarity on the role of the executive board; and
- much greater accountability of senior management for their stewardship.

For the FSB, the principal steps involve:

- clarity on the relationship with the G20;
- continuing steps to strengthen the institutional structure; and
- clarity on the respective roles of the FSB, the IMF and the World Bank.

For the WTO, the principal steps involve:

- development of an institutional structure for the WTO; and
- clarification of the respective role of the WTO with the IMF and the FSB with respect to financial issues.

The challenges identified in this paper are significant, but most are not new. The real challenge is that the necessary (and promised) action to address governance challenges in order to promote greater economic cooperation has not taken place, and many observers are losing confidence that anything can happen. Many strong and long-time supporters of the IMF, in particular, appear to be losing faith in the prospects for achieving reform. Arvind Subramanian of the Peterson Institute wrote last summer that the IMF "has not provided independent intellectual leadership, most evidently on the euro zone crisis. And it is unprepared to provide stability for the next big global crisis" (2012). Edward Truman, former senior US official, wrote an article addressing the lack of necessary progress on governance reform (2012). Nancy Birdsall, who heads the Center for Global Development, recently blogged (with respect to the lack of progress) "surely most if not all the blame is not with the bureaucracy (of the IMF) and the managing director. Surely, it is with the powerful members of the institution, gathered regularly at G20 meetings, and especially with the United States and Europe — which still hold the cards, in quota shares, votes and influence" (2012).

These *cri de coeur* reflect the flagging belief in the prospects for reform. As Truman concluded his article: "What is not acceptable, however, is for countries to allow these important reforms to remain in limbo indefinitely. A failure to do what is necessary will put the global economy and financial system at risk by starving the IMF of resources and sidelining it as the principal institution of the global economic and financial cooperation. This time, if there is another crisis, the G20 countries would have only themselves to blame" (2012).

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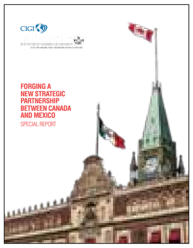

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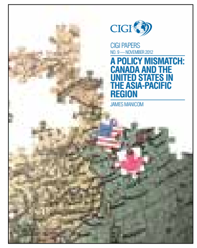

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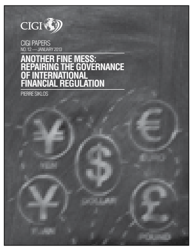

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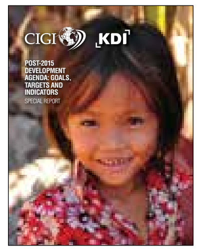

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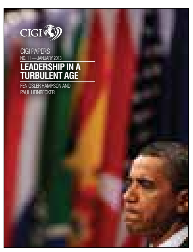

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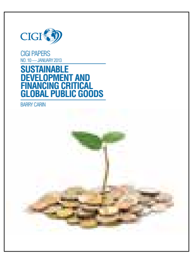

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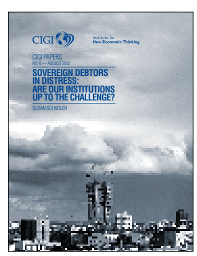

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