

Question time for candidates!

Public debate needed for IMF leadership post

The official candidates for the position of managing director of the International Monetary Fund (IMF) have now emerged, but their positions on important topics facing the Fund are not yet clear. Civil society groups set out four pre-requisites for a new head of the IMF in April, including experience running intergovernmental institutions, independence, personal characteristics, and understanding of key issues.

A test of the first three areas is possible from looking at the candidates' background, but for the last of these, their views are not clear. The IMF still needs fundamental reform if it is to be relevant to the global economy of the 21st century and to operate in the interests of ordinary people all over the world. We believe there are 4 key areas where these candidates must answer questions and that these questions should be answered in a public debate among the candidates.

1. Reforming the IMF

Despite two major pushes for reform in the last five years, IMF governance remains undemocratic and unaccountable with Europe still be substantially over-represented.

- a. **Will you strongly support the introduction of double majority decision making for all decisions at the IMF, to strengthen consensus decision making and give greater voice to small and low-income countries?**

In 2009 the IMF agreed to adopt an “open, merit-based and transparent process for the selection of IMF management”, yet the current process has been criticised and neither of the two recent appointments to deputy managing director positions were done through an open, transparent and merit-based process.

- b. **How exactly would you reform the appointment processes for all IMF management, particularly how would you recruit deputy managing directors so that the 2009 commitments are kept?**

2. Taming financial markets

Re-regulation of the financial sector has lost momentum due in large part to aggressive lobbying by banks and the financial industry, thereby diluting already weak proposals coming forward in national and regional governing bodies and international forums.



- a. How will IMF staff under your watch work towards global rules that curb excessive private risk-taking and ensure that finance serves the real sector?**

The UN has said that "instead of increasing investment and growth, capital and financial market liberalization had the opposite effect by increasing volatility and uncertainty, which negatively impacted the long-term investment that is critical for structural transformation and development."

- b. How will you back the efforts of national authorities to control volatile capital flows so they can contribute to long-term sustainable and equitable growth?**

3. IMF role in developing countries

While the IMF has tried to change, it still attaches extensive conditions to loans which may not be suitable for specific country circumstances and which may prove damaging to workers, public services, and the poor.

- a. Will you commission an independent external review of IMF financial programming and the distributional impacts of IMF conditions, with specific focus on unemployment, pro-poor growth, gender outcomes and inequality?**

After the sales of IMF gold were completed in December last year, the IMF realised an extra \$2.8 billion of profit, while many debt-ridden developing countries face exogenous shocks from either natural disasters or economic crises.

- b. Will you support excess windfall profits from the sale of gold to be used for non-debt-creating and non-conditioned assistance for low-income countries?**

4. Reform of the international financial architecture

The current international monetary system, with a dollar-based reserve system, is outmoded, complicates policy-making for small countries, encourages global imbalances, and makes long-term productive investment geared towards exports more expensive because of currency volatility.

- a. How do you plan to work with major IMF shareholders so that they see it is in their interest to move, over the medium term, to a truly global reserve currency system with more stable exchange rates?**

Countries with debt overhangs and unsustainable debt burdens need solutions that do not punish their ordinary citizens. In the late 1990s the IMF proposed a Sovereign Debt Restructuring Mechanism, which contained some useful ideas but also serious design flaws.

- b. Will you support the creation of a fair and transparent arbitration process for sovereign debtors, one which is independent of all creditors, including the IMF, and not biased towards protecting only creditors' interests?**