



Policy Brief

Reform of the International Financial Institutions at the G20

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G20 Research Group

At the Toronto Summit, the G20 will push to shift 5 percent of voting shares at the International Monetary Fund (IMF) from developed countries to emerging countries. “The G20 is bringing change to international financial structures, calling for reforms to the IMF and creating an enhanced and expanded Financial Stability Board,” proclaimed Canadian prime minister Stephen Harper in September 2009. While the leaders will not announce the IMF shifts at the June summit, they will use the meeting to solidify an agreement on the restructuring before their November Seoul Summit.

At the 2005 meeting of G20 finance ministers in China, the G20 agreed that “the governance structure of the BWIs [Bretton Woods institutions of the IMF and the World Bank] — both quotas and representation — should reflect changes in economic weight,” particularly the changes occurring among emerging economies. The G20 finance ministers thus agreed to work on reforming the IFIs, particularly the Bretton Woods twins.

At the London Summit in April 2009, the G20 leaders committed to restructuring the IFIs. They agreed that quota and voice reforms would be implemented at the IMF by January 2011. They also pledged to consider alternative options for IFI leadership, which have been traditionally selected primarily by the G8.

The G20 has already been successful in some IFI reform. After the G20 Washington Summit in November 2008, the Financial Stability Forum was expanded to include emerging economies and become the Financial Stability Board. In April 2010, World Bank reforms moved China’s vote share from 2.77 percent to 4.42 percent and other historic changes gave increased voice to so-called developing and transition countries.

The G20’s recent record on IFI reform suggests that restructuring the IMF is achievable by their November deadline. However, further reforms will still be required, including shifting leadership roles at the IFIs to include emerging and transitioning countries.

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