

ENHANCING THE IMF'S RESPONSE CAPACITY AND SURVEILLANCE

In the framework of reforming the international monetary system, the G20 has decided to enhance the IMF's capacity to respond to and prevent crises and improve surveillance of its members and the world economy.

1) ENHANCING THE COLLECTIVE CAPACITY TO RESPOND TO CRISES

A/ STRENGTHENING GLOBAL FINANCIAL SAFETY NETS:

The G20 countries have supported the IMF proposal for a new "Precautionary and Liquidity Line (PLL)", which will improve the response to the short-term liquidity needs of States which have healthy policies and fundamentals but which are hit by external shocks.

The G20 also supported the creation of a single facility for emergency lending in case of destabilizing events (natural disasters, political transition, etc.), for example of the type which have taken place in the context of the Arab spring.

B/ CRISIS PREVENTION AND RESOLUTION:

The G20 countries have agreed on principles of cooperation between the IMF and Regional Financial Arrangements to profit fully from the understanding that the Regional Financial Arrangements have of the running of the economies in their area (thanks to their regional focus) and from the IMF's greater surveillance capacity (thanks to its global vision). In times of crisis, greater coherence will be ensured between the lending conditions set out by Regional Financial Arrangements and the IMF, while providing the IMF with preferred creditor status.

C/ INCREASING THE RESOURCES OF THE IMF:

To confront the current difficulties in the world economy, the G20 has pledged to maintain sufficient resources for the IMF to conduct its tasks with credibility, which is of benefit to all its members.

Various options have been explored during the Summit, and will be pursued so as to ensure that the G20 is capable of deploying sufficient resources. These options include in particular the mobilization of additional bilateral loans for the IMF, SDRs, or the creation of a special structure within the IMF to allow the financing of Regional Financial Arrangements (the IMF does not have this capacity with its current instruments).

2) ENHANCED IMF SURVEILLANCE

In order to ensure better-integrated and more effective surveillance and benefit from progress which has already been made in the analysis of contagion effects between economies and analysis of the financial sector, the G20 wishes for the IMF to increase its expertise in monitoring capital flows and international liquidity and in analysing exchange rates and drivers of currency reserve accumulation.

IMF surveillance and its traction shall be enhanced through improvement of its legal framework and better integration between its country surveillance and global surveillance tools. The IMF will make a proposal in this area in early 2012.