Making the system function as a system - Reforming global financial governance in the Age of Trump

Bank of Albania
Tirana, Nov 1, 2018
A Bretton Woods moment?

- Tectonic shifts in **global governance** system
- More **ambitious development** approach (Agenda 2030)
- Growing **global threats** - climate, pandemics, migration…
- **Changing political landscape** and atmospherics (Trump)

- *How to provide a systemic response?*
G20 Eminent Persons Group on Global Financial Governance

- 16 People (8 advanced + 8 emerging economies; incl. Gov. Belka)
- Chair: Tharman Shanmugaratnam, DPM Singapore
- Review current international financial architecture
- Report presented at IMF/WB Annual Meetings Oct 2018
How to get capital to flow downhill?

- Developing and emerging economies
  - Improved governance and human capital
  - More developed local financial markets
- International community
  - More effective and coherent intermediation by international financial institutions
  - Better framework for regulating capital flows and providing safety net
Making system function as a system

- Coherence (operational, policy, financial, shareholder)
  - Country platforms (incl. IMF and bilateral dev institutions)
  - Global platforms for global commons (climate, pandemics...)
  - Regulatory framework for the multilateral development banks
- Capital flows sometimes need to be managed
  - Both source and target countries matter + liquidity facility
- Global financial safety net stronger and more joined up
  - Strengthen tail events resources + Joint Global Risk Map
- Biannual joint meeting of IMFC + WB Dev Com
  - G20+ in charge during initial 3-year implementation period
A resilient and predictable GFSN

- support good domestic policies + reduce self-insurance
- clearer protocols for cooperation across layers
  - stress scenarios (liquidity, solvency; systemic + tail risk)
- Early Warning Exercise => Global Risk Map
  - joint BIS-FSB-IMF undertaking
- tail risk events – need efficient way of raising resources
Implications for European safety net

- Regional safety net (ESM) much stronger, but still unresolved issues…
- What is the role for the IMF? What is the US role?
- Important issue with countries part of the regional financial system, but without access to backstop
- What will happen to the European development architecture? New High-Level Group…