

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

Bank of Albania
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THE LONDON SCHOOL
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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?***

A man with glasses, wearing a light blue dress shirt and a dark tie, is speaking at a podium. He is looking slightly to the left of the camera. The podium has a microphone and a water bottle. The background is a plain, light-colored wall.

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...

