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A DISCUSSION ON THE RECOMMENDATIONS OF THE COMMITTEE

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P R O C E E D I N G S

MR. DERVIS: Good afternoon everyone, and welcome, and a very warm welcome to Trevor Manuel, the Finance Minister of South Africa who despite the many, many things that are going on in Washington right now agreed to come and share his views on the report he chaired, the group he chaired on IMF reform. We have a fantastic group. I'm so grateful to everyone, to George Soros, to my friend Jose Antonio Ocampo, and to Eswar Prasad.

Let me just briefly introduce the panel. Actually, they really don't need any introduction, but nonetheless, Trevor Manuel has been Finance Minister in South Africa for over a decade. He has steered South Africa from very, very difficult times to much better times, although huge challenges remain of course, and he did come from the struggle for freedom and equality himself. So he combines the attributes of a strong Finance Minister, quite hard sometimes as Finance Ministers have to be with social conscience, with generosity. My teacher many years ago was Alan Blinder at Princeton and he has this good formula which I like saying one has to have a soft heart and a hard hat, and Trevor definitely has it. He has been chairing among many other things this committee to look into reform of IMF governance, and as he will share with us, the focus really was on governance, not on all the policy issues and all the other things that one can discuss about the IMF, and he will share his views with us. The report has not yet been formally discussed by the Board, I understand, but has been released and is on the IMF website and has elicited a huge amount of interest. And I do believe at this point when the IMF is heading toward being a much larger institution financially, a crucial institution, perhaps an institution that will go up to $1 trillion in terms of a war chest, how such an institution is governed has become all the more crucial and all the more important and is at the heart I think of what's going to happen during these Spring Meetings and also during the meetings in Istanbul later.

We have George Soros who of course is another soft heart and hard hat. I think few people in the world know markets better, have participated successfully as you know, have anticipated events that few others anticipated, but what makes two big differences is that George has devoted his energies to development, to governance, to democracy, to bettering human kind. I was in the business at the U.N. of measuring aid budgets and his aid budget is larger than many, many countries put together. And he has also written many books on the nature of markets and of society really, and it's really a combination of philosophy, mathematics and economics, and I'm sure many of you have read much of what he has written. So we were lucky to have George Soros to join the discussion and also comment specifically on what Minister Manuel will have to say.

Then we have Jose Antonio Ocampo, Professor at Columbia University right now, before that my colleague at the United Nations as head of the Economic and Social Affairs part of the United Nations, the Under Secretary, before that, head of the Economic Commission for Latin America, and before that minister of both on the economic side and on agriculture I think also in his native Colombia. He has not finished, or maybe not quite finished, but written at least and sent to his friends an excellent paper on the role of SDRs, reserve currency arrangements, in this new period we're facing after this financial crisis.

Finally, we have Eswar Prasad, my new colleague at Brookings who is the New Century Chair, a Senior Fellow here at Brookings, who is also the Senior Professor of Trade Policy at Cornell University, who at the IMF was head of the Financial Studies Division, but also Division Chief for China. I'm sure many of you have read his multiple articles both in learned journals but also in the press.

So with that I will turn to Trevor Manuel to share his perspectives with us and to start the discussion this afternoon.

MR. MANUEL: Thank you very much, Kemal. Good afternoon to all of you, and thanks for your time here. When Dominique called me just under a year ago and asked me to chair this he gave us a mandate until the Spring Meetings this year and we put a team together that probably is as representative as you could have, Governor Zhou, Governor of the People's Bank of China, Sri Mulyani Indrawati, Finance Minister of Indonesia, Guillermo Ortiz, the Central Bank Governor in Mexico, Amartya Sen, Mohamed El-Erien, and then Ken Dam, [Nonresident Senior Fellow with the Brookings Institution and a professor at the University of Chicago], and Bob Rubin. This was the team given about 10 months to try and put a report together.

The issues at play are those that emerged very strongly from the independent evaluations report that was released last year, but perhaps for the first time from that perspective took a long, hard look at the operations of the Fund. What Dominique asked us to do was to try and make some sense of this and arrive at some recommendations.

Against that backdrop, let me just share a few observations. First, John Kenneth Galbraith once observed that the outcome of all financial crises is similar if not the same. Institutions and governments move to regulate and reform, pointing fingers at someone to blame, and amid the rush fail to address the underlying problem. There are many factors that contribute to the present crisis, but as Ben Bernanke recently said at the Council on Foreign Relations, it's impossible to understand this crisis without reference to the global imbalances in trade and capital flows that began in the latter half of the 1990s.

The committee tried to look at these issues and I think when we started, the crisis was not in as much focus as it is now, but clearly informed the way in which we developed the ideas as we proceeded. We recognize that part of the difficulty, and it's spoken of in whispered tones, is that you don't actually have an institution at the center that's strong enough with views that are sufficiently resonant and respected, and part of what you must deal with is the reconstruction of an institution that's actually respected and listened to. Whatever else you do, that must be an objective because in the absence of strong institutions overseeing and advising and doing test peer reviews you have something akin to anarchy. So issues of rules of the game, who defines them, how you define them, are very important.

We recognize that the Fund has clearly not been at that center for a very long period of time. The world has changed, the resources of the Fund no longer match potential needs, and if you look at the size of capital flows through the latter half of the 1990s against the war chest that the IMF has, then you begin to understand part of the reason why it has not been listened to. It's also important to recognize that in the 65 years of its existence, the distribution of the economic activity around the world has changed in very important and permanent ways.

Core mandates of the Fund, surveillance and conditionality, then become one-sided, while commitments to common standards and assessments weakened. In many respects, the governance framework of the Fund came to reflect these contradictions and inconsistencies rather than address them and ensure that the Fund was equipped to prevent and resolve future crises.

When the team was put together it was asked a few questions, whether the institutional framework of the Fund through its members' voting power is actually exercised also requires reform, taking into account the significant changes that have taken place since the Fund's establishment, and secondly, to assess the adequacy of the Fund's existing institutional framework and advise as to what if any modifications of this framework may be necessary to enable the Fund to fulfill its mandate more effectively.

This was then our -- and we sought to develop a set of proposals against this backdrop. One of the issues, and it had to enter the discussion at various points, quota and voice reform. It's a very important issue, but outside of our mandate and part of the battle we've had is how much we try and get at before running ourselves into so much difficulty because we just generate so much resistance from a very wide spectrum. So we've tried to confine ourselves in some ways, and these are the recommendations.

The first is the activation of what was agreed to at Bretton Woods, namely a ministerial council. Ken has written on this and articulated this very smartly. Again one can draw on something that Mervin King said. He said only countries that are willing to share confidences with each other, discuss their policy reaction functions, will international meeting justify the costs, and part of what we want is to ensure that the costs are justifiable. So we're looking for a council that may draw on some of the tenets of the IMFC as presently structured, but there needs to be a series of changes. I can say without fear of contradiction that the idea of a council is not one that is willingly received in the Executive Boardroom of the IMF.

But like the Board, the idea is that the council will be constituency based. So it remains representative but there is a very strong emphasis on reducing the size. There would have to be some negotiation about the composition, but the key emphasis has to be on function, and we're looking toward a council that has a kind of strategic oversight, looking at issues like systemic stability, early warning, Fund lending facilities, and the selection of the Managing Director.

We haven't been able to resolve this work, and this to readers will present itself as a contradiction. We haven't quite dispensed with the Board. So how they coexist in the short term is something that needs to be considered, but at the moment you have a rather strange situation where the governors are policymakers, ministers, and central bank governors all. The executive directors are in the main public servants, but ministers exist to advise public servants and clearly that is what must be inverted to bring governance to bear. So in terms of trying to shift the function of the Board, the short-term issues would relate to some budgetary issues, some reviews of policy effectiveness, affecting the performance of management without in any way trying to micromanage, and this clearly is there in the IO report. The Board meeting thrice a week finds it almost impossible to do anything but try and micromanage the institution and so those lines are blurred that would arise in corporate governance reports everywhere. We go back to Keynes who argued that the function of the EDs was not to manage the Fund but to act as a link between the Managing Director and national treasuries and central banks, and we thought this appropriate which is why we make this recommendation as strongly as we do.

Then we have made a reference to the need to rebalance quota shares and adjustments to the size of the composition of the Board in order to strengthen representation at the Fund. There was an earlier process set in motion in October 2007. We are of the view that without venturing into that terrain it's much too gradual a process because it calls for a 2013 conclusion and that is much too long. Unless you deal with all of these reforms as a package I think we're going to tend to talk past each other. One of the issues that has to arise in this context is that the size and composition of the Board must be adjusted and almost inevitably two things arise. One is the reservation for five chairs for the largest quota holders will have to be looked at, and all chairs must be elected on an equal basis. Secondly, the impolite elephant in the room, Europe, and the need for consolidation of number of European chairs.

Then some review of the decision-making rules of the Fund. Two approaches to consider. The first of those is lowering the voting threshold on critical decisions from 85 to 70 or maybe even 75 percent. And secondly, to extend the number of double-majorities, those issues over which you need both shareholding and country representatives to ensure that there's a better sense of equity within the institution. Then the introduction of changes to the recruitment and the mandate of management and staff. Finally, to bring back into play issues relating to legal mandate to ensure that the Fund is able to evolve its role taking account of a number of issues at play. At the Annual Meetings in 1997 in Hong Kong there was a decision reported well in the communiqué of what was the interim committee, ad hoc committee. What was the IMFC's predecessor called? Interim committee, asking the Fund to look at issues relating to current account convertibility and more financial issues. It was clearly a good idea at the time and debate for a very long period but never implemented. Now if we deal with those issues, I think the way in which the Fund will work with a newly established Financial Stability Board is something that will need to be considered as well because I think the emphasis that we're trying to place on this is to reconstruct a multilateral center. Ultimately the Fund's ability to act in global interests will depend on its governance structure, that is, that it's fairly adaptable, that reflects the weight of the emerging market countries in the global economy, and that gives all of the Fund's clients, especially low-income countries, a meaningful role in decision making.

In conclusion, the argument for this to be dealt with as a package is fundamentally important because there are so many different interests at play, but dealing with it as a package I think will also assist the individual members in the global community to take these decisions, and very tough decisions, but to take them together. Thank you.

MR. SOROS: I think this is a very important report and if it gets through it will be a great improvement, so I whole-heartily support it, and I'd just make maybe a couple of suggestions that would have been even better because the big problem in the Fund is that it's resident Board with a big staff which takes up a lot of time of the staff and they do micromanage and interfere. And of course the voting power is out of date so it really kind of skews the functioning of the Fund to a very large extent.

The report goes quite some way to reduce the functions, trying to take some functions away, but as long as you have a resident Board, it's very difficult to stop them from micromanaging. It would be better not to have a resident Board. It's a very unusual thing to have. It actually absorbs 10 percent of the IMF's budget. So I don't think you push that far because you didn't think it was realistic to get it through and probably that's correct, but I think one should at least say that that would be a much better system. And to have a council, that's fine. I think it sort of strengthens the international -- there is a council now, it's the Finance Council or something that would be replaced by this and it would be a stronger one.

Then these are the finance ministers who would have a deputy for international institutions. They should be at home and come once a month maybe even to the meetings. Then they could have a deputy who is sitting there and reports to them, but they don't have the clout to interfere in the day-to-day management. That would be I think a better arrangement.

As far as the rearrangement of voting, it's a slow process and it ought to be really faster, and I think particularly the rise of China, I anticipate that that will actually accelerate in this crisis, and therefore China needs to be drawn in to play a much more active role in multilateral arrangements because otherwise they will be all bilateral and we'll make the multilateral institutions, the international institutions, far less relevant. So the relevance of the IMF and the international financial institutions very largely depend on how engaged China is. At the moment, it hasn't yet happened. When China contributes 40 billion to NAB -- to borrow money, Japan contributes 100, it shows that they are ready to play but they feel that they don't have sufficient weight. It's not something that you can solve with the report, but I just want to emphasize how important that is.

The terms of reference concern governance. Since the commission was appointed, we now have a financial crisis where in fact the global financial system has collapsed and the IMF is facing a totally new task, namely, to provide protection for the periphery countries against the storm that's generated at the center. Moreover, it's the commercial banking, the financial system, that has collapsed and the IMF is basically designed to deal with governments. So dealing with the private sector is something which the IMF was not designed for. Therefore, I think the IMF has to be very much more substantially reorganized, the Articles of Association changed, in order to deal with this crisis properly. I could talk about this a lot more if we have time, I am happy to return to it, but I think we should stick to the subject.

MR. DERVIS: Thank you very much. We have a second round, but I do want to again encourage both the panelists but also the colleagues from the floor to come back to this interaction between the huge challenge and responsibility that the IMF has been given now. It is tripling in size and it will go even more, the potential for SDR allocations, and I'm sure Jose Antonio Ocampo will touch on that, and the governance. The two things cannot really be separated. We cannot have such a crucial institution with a war chest of a trillion dollars and have deficient governance, so that the governance is absolutely essential to the whole issue. Jose Antonio, do you want to make your remarks from here?

MR. OCAMPO: Thank you very much, Kemal, for this invitation, and let me start by congratulating Trevor for I think a very important and constructive report.

Let me say just briefly what I really like about this report. The first is that it's truly multilateral in spirit, so I think the spirit of this is that the macroeconomic policy coordination should take place in the IMF, not in the G-7, not in the G-20, not in the G-2. I think that's a very important point. It has to be able to -- with the Financial Stability Forum which I will come back to.

Second, I think the idea of a Council of Ministers is a great idea. I think it should be implemented. It's not easy. The Executive Board doesn't like it, but I think it's a great idea. The main policy issues of the IMF should be decided by the Council of Ministers. Third, the clear divisions of functions that it establishes is actually an excellent one, and it has many advantages in the recommendations for developing countries. First of all, the reduction of the threshold for critical decisions from 85 to 70 to 75 percent which in fact eliminates the U.S. veto which I think is a great advance. The recomposition of the members of the Board, that of course is quite critical on the other recommendation that all shares be elected, so these are a collection of recommendations that I think are excellent. And the quarterly review, I'll come back on the second round on the issue of the quarterly review. Of course and not least the open and transparent appointment of the Managing Director and the Deputy Managing Director, I think those are as a collection of recommendations on governance of the IMF are really great recommendations.

I do have a couple of caveats I want to underscore on this issue. The first one is having been a finance minister of a country that sits on the Board, I am extremely conscious of the 160 members who are not sitting on the Board, and I think the report doesn't quite grasp the issue. I think double majority is one way of managing that, but it's not the only way of managing it. There has to be a special governance tool for this Board that somehow forces a special consideration of issues that are not of the members sitting. Of course, all our constituencies, you are supposed to speak through the head of your constituency, and I think the constituencies in the IMF and the World Bank is actually better. I actually recommend that if there is any time, a U.N. economic and social council should be based on constituency system. Even the Security Council in my view should be based on a constituency system. But it's not always true that the head of the constituency will take into account the views of the smaller members of the constituency and I think that issue has to be addressed. Not to say the abuses that small countries may be subject true in IMF processes, I think there should be a special channel by which they can redress their interests. I think that is a specific issue I want to underscore.

The other has to do with the extension of IMF mandates that the report incorporates. In principle I agree with the basic suggestion that there has to be responsibility for the overall stability of the international economy which includes not only exchange rates, but macroeconomic policies, financial stability and capital account regulations. I have no problem with macroeconomic policies, extending the mandate in that area -- I have the problem that the report recommends a link with the Financial Stability Forum, but the Financial Stability Form is not a legitimate body. It is not a truly multilateral institution, so I don't like -- I think that if we are going to build a world regulatory authority, a world regulatory authority has to be multilateral. The alternative proposal is let the BIS become a universal body and heed that responsibility to the Bank of International Settlements. Or give it to the IMF with true powers in the regulatory area, not as a link with the Financial Stability Forum.

On capital accounts, the problem that I have is that I was Minister of Finance at the time of the 1997 meetings and I totally distrusted what was going on. I think they were trying to impose capital account -- on developing countries. That was the implicit objective of the reform. The Bretton Woods system was established on the basis that countries were absolutely free to control capital in any way they wanted, actually force controls under certain circumstances. So I don't mind actually giving some mandates to the IMF on capital accounts. I actually have recommended that the IMF should advise countries on what sort of capital controls they should establish. I think it would make sense and we could get back to this issue.

The way of phrasing this has to be very clear, that countries maintain their autonomy to regulate their capital accounts. The only thing that should be demanded of the IMF is that when those regulations may have a spillover on other countries. We cannot give up capital account regulations when we have a true lender of last resort which will not have in the foreseeable future, and for that particular reason and for another reason which is the fact that capital flows are extremely procyclical for developing countries, it makes sense for developing countries to continue using capital controls. I don't mind giving a mandate to the IMF in that area, but I would think how to phrase it specifically so as to be clear that countries can use capital controls. Thank you.

MR. PRASAD: This is a report that needs to be taken far more seriously than it has, not necessarily because it has any proposal that is particularly innovative or particularly radical, but because it puts together a set of proposals that have been on the table for a while and fleshes them out in a particularly important context, and the context right now is critically important because we are at a time of sea change not just in the world economy, but in terms of the institutions that govern the world economy and clearly the IMF as per the G-20s wishes is going to be playing a central role in the functioning of the global economy both in terms of macroeconomic and financial stability and surveillance thereof, and therefore we need a strong IMF.

The report has a number of intriguing points. As Jose already mentioned, there is the notion of capital account surveillance coming back to the IMF which of course raises the hackles of emerging markets, but it is very nuanced in the report. There are other issues like reducing the veto power of the IMF, essentially taking it away by reducing the threshold of voting for important issues to 70 percent which again would improve the legitimacy of the IMF.

But stepping back, I think there are two critical issues one will need to think about in terms of the frame of reference for this report. The first issue is who is the Fund going to be relevant for? Mr. Soros has correctly pointed out that the Fund has a role not just in terms of the advanced countries, but in terms of thinking about the periphery, but I have a different notion of the periphery. Countries that used to be thought of as being on the periphery, that is the nonadvanced countries, the emerging markets, I think have now definitely moved into the core. It is the outer periphery or what used to be the outer periphery that has now moved into the periphery that the IMF has clearly become much more important for. There are countries like Iceland, Latvia, Ukraine, that clearly the IMF is playing a very important supportive role in at this time of crisis. These are not unimportant countries, but they are not systematically important, and in the context of global imbalances, they are not the systematically important surplus countries, and that to me is the critical issue. How does one think about making the IMF relevant for the systemically important surplus countries that have an important role to play in the formulation of global imbalances which to a significant extent have got us where we are? And there there is a fundamental tension that arises in the context of the IMF's role in terms of its macroeconomic surveillance function and in terms of the insurance function. My view is that ultimately we're going to have to set up an insurance system that is relevant not just for the periphery countries, but also for the systematically important surplus countries.

The IMF has responded very positively. The flexible credit line which is essentially a way for countries that have gotten preapproved to have access to large amounts of finance is an excellent innovation, and Colombia, Poland, and Mexico have signed on, and yet these are again not the systematically important surplus countries. There have been very important changes in international capital markets right now. The Fund lacked resources and now it seems to have them aplenty, although some of those resources are still commitments rather than actual money on the table. But even if that works out, the question is whether countries that view themselves as having been burned by the IMF in the past, one thinks in particular about the countries of East Asia, are ever going to let themselves be in a position where they will have to come back to the IMF, because in its role as an institution that is doing macroeconomic surveillance, the IMF cannot credibly commit to not having conditionality in the future. Mexico has qualified today. If it wants core policies for the next year, the IMF should rightfully disqualify them. So if you have a country that is concerned about this prospect, the question is whether that country is going to sign up for the credit line and say I will foreswear my insurance function and give it up to the IMF, my answer is probably not. In fact, we have seen that other things have changed as well. The leveraging effect of IMF capital has declined substantially. Now when the IMF gives a country its seal of good approval, private capital doesn't follow. So for both of those reasons, my view is that the surplus countries are likely to have if anything an incentive to insurance even further even though the IMF is important.

Another aspect which makes this insurance function difficult to see -- the IMF is related to legitimacy which I think is a critical issue that this report touches on. The quota reform is moving at a glacial pace. If we think about the changes that are contemplated for 2013, those are very, very modest. In fact, the way I see them is these are not substantive reforms, these are decimal place reforms, and at a time like this we need to be moving beyond decimal place reforms into something much more substantive. It is a difficult, arduous process. I have been at the Fund. I know that these negotiations can be extremely convoluted, especially because it is a zero sum gain. But this is a time when the institution needs to be altered fundamentally in terms of its legitimacy especially with all the resources it's getting. And for quota reforms to proceed at this absolutely glacial pace, moving forward things from 2013 to 2011 and again just decimal place changes to me just does not cut it. So I think it's essential to have that be right up front, and it's only when we get that sort of legitimacy that the emerging markets are also going to feel that they have a stake in the institution and, more importantly, that the Fund is treating them with balance with the advanced countries.

In his "Financial Times" op-ed yesterday, Timothy Geithner said that the IMF should have a proactive role in holding our feet to the fire of our good intentions. There's at least one mixed metaphor in there, although I can't quite pick it out. But Timothy Geithner was making a very important point that he feels that the IMF should play an important role in terms of surveillance of advanced countries as well, but the problem is not that the IMF has been very soft on the advanced countries, it's that the IMF says that I think, but then the advanced countries ignore them, and there is a feeling among the emerging markets and China is a prime example here that they are getting beaten upon because they are less economically important. So I think this issue of legitimacy becomes very important even in terms of the core macroeconomic surveillance function.

In terms of placing all of these issues on the table, I am bringing them up front, although again like Mr. Soros, I wish the report had been even bolder in pushing for wider reforms and much quicker, but I think this report nevertheless is doing us a very good service and does need to be taken more seriously.

MR. DERVIS: Thank you. I would like to turn to the floor now and particularly first to three people who are in the front row, but we need a microphone. Is there a microphone somewhere that's going to materialize, I hope? There it is. We have three guests in the front row whom I'd like to turn to first. One is Caroline Atkinson, head of the External Relations Department of the Fund. Maybe Caroline, I'll let you be the last of the three. Nancy Birdsall, President of the Center for Global Development who has been blogging very actively on all these issues. Maybe Nancy you can start. But then we have a special guest, Guy Ryder, who is the head of the International Trade Union Confederation, not always unfortunately present in these meetings, but I do believe that with the IMF thrust in this new role, playing this critical role in the world economy, it is high time that the labor movement, civil society largely, people who are not connected to the financial sector, gain a strong say in what's going to happen. So first Nancy, then Guy, and then Caroline, and then we'll turn it more openly and then we'll go back to the panel.

MS. BIRDSALL: Thank you, Kemal. I feel a bit honored. It shows that blogs matter I suppose. I don't know if Trevor read mine. He might be a little annoyed if he did on the report of the committee.

I think this was really a great discussion and important issues raised, and I was thinking as an American it's a bad metaphor using baseball because it's not as multilateral as it should be, but I would say this report sort of got us to second base and we need a home run. I'm thinking it might be useful for a group like this to encourage Trevor to ask for a second round because things have caught up. The committee finished its report before the G-20 meeting that put almost a trillion dollars into the IMF, so some of it might have been more bold if it had know how fast things would change at the IMF in terms of resources.

Let me make three quick points on how the report could be added to so that we get from second base to home plate. First, on the quota reform, I think Eswar put it really very nicely, so slow and decimal points. I think we have to appreciate the effort of the committee to be effective and not to create so much radioactivity in response to something more bold that there would be no progress at all. At the same time, I think it would make more sense now as a follow-up to say on what specific decisions or some committee to recommend on what specific decisions there should be double majority voting because double majority voting where you have countries as well as weighted votes counting provides a mechanism for coalition building between emerging markets and low-income countries, between low-income countries with each other and so on, and in particular if it could be applied clearly to the decisions for who is the next head of the IMF. I think that would be a bold move. I was at the IDB for many years, the Inter-American Development Bank, where there is double majority voting. You have to have half the countries in the region to elect the president, and it creates tremendous legitimacy, a tremendous sense of ownership, but there are obviously other decisions. So that would be my approach, instead go along with the quota reform but recognizing that decimal points don't really get you there in terms of legitimacy except so slowly and except for a few countries like China, perhaps India, that will eventually get to 5, 6, 7 or 10 percent.

The second point I'd like to make is maybe it would be more effective on the board issue to call for the end of a full-time board instead of the end of a resident board and to say countries could have their counselors in the embassies in Washington be the board member one day a week, so there would still be a sort of a resident board. It might open up more space politically for progress there. It's just an idea that I thought might be worth floating.

The third thing is I would like to see follow-up, and I think Trevor and his group could be very powerful in this, in being much more clear in calling for a bargain between the U.S. and the Europeans where the U.S. gives up its veto on certain key decisions, and I think the report in a second round could clarify which decisions. Obviously the problem is in the Congress, so there has to be a lot of discussion in thinking about how to put something on paper that is likely to be acceptable in the Congress. It's the Congress that's the problem. That's what the U.S. would cede, and the Europeans would cede a couple of chairs and some sort of a background political process that did that.

I don't want to go on too long, but I want to say something that Dominique Strauss-Kahn said. There was a conference yesterday sponsored by the Center for Global Development where I'm from and SAIS. I asked a question of Dominique Strauss-Kahn and he had this interesting suggestion on the veto issue that I thought I should ask maybe for Trevor or others to respond to, which was if we can't get rid of the veto altogether, first he was very politically smart and said it's not just the U.S. that has a veto, the Europeans if they get together have a veto, the emerging markets have a veto, so there are different coalitions that have a veto, but if it's difficult to change from 85 percent of votes cast, maybe the next step would be -- no, 85 percent of all votes -- of all weighted votes to go to 85 percent of votes cast so that if the U.S. didn't vote or abstained on awkward issues there could still be progress.

MR. DERVIS: Thank you, Nancy. Guy?

MR. RYDER: Thank you very much, Kemal. Thank you very much for the opportunity to contribute. First, with reference to what the previous speaker just said, I'm a Brit and I don't understand baseball, but I've always thought it's actually a perfect analogy for multilateralism. It's only in baseball that the winner of the U.S. competition proclaims itself winner of the World Series, and I think there's a really good metaphor about multilateralism involved in that.

With others I would welcome this report. I'm relatively new to its findings and I suspect it does reflect sort of a middle way between a reflection of what is possible and what one would ideally like, and I think one is always in such circumstances caught between the pragmatism of let's try and achieve what we can get rather than the perfect being the enemy of the possible.

But perhaps a few comments on its substance. The first is really to think is this going to happen? Speaking of the milieu that I come out of, the trade union movement, I'm always amazed by the capacity of structures to defend and prolong their own existence that they're masters at, that it's almost a lore of organizational theory, so I'm wondering how quickly this is going to move, which leads to two thoughts. The first is at this present moment what is the major driver of change in the view of those who have been doing this work? Is it to improve the legitimacy of the IMF? Is it to improve the effectiveness of the IMF? Both elements are referred to in the literature that we've been given today and in connection with the committee. It seems to me if in the absence of the adoption of any reform it is reasonable to suppose that the authors of this report would regard the IMF as being operating at less than optimal effectiveness, at less than optimal legitimacy, the question that arises from that in my mind is is it reasonable for the G-20 or other decision makers who have recently decided on a major increase of resources and power for the IMF to make the increase in resources in any way conditional upon the passage of reform? Is it reasonable for us as an international community to pump this much money and give this much influence to organizations which those who have great experience of it appear to believe is lacking to some extent at least in terms of legitimacy and effectiveness?

The second is rather looking backward rather than forward. Presumably we are undertaking this exercise with a view to the IMF behaving differently, to undertaking its work differently, and to producing results which are different from those of the past. The international trade union movement has been highly critical of much of the work of the IMF in its impact on working people. Could I ask anybody who cares to pick up the question if they think if these reforms have been adopted let's say a decade ago, would you expect us to be any way different from where we are today? Would you have expected the IMF to have behaved in any way differently than it has over the last decade?

Lastly, a question which I think is a perhaps a naïve one but one which I still want to ask. As I've understood the proposals on voting and quota, the major intent is to update the circumstances that exist today. That is to say, to bring voting power better into line with the financial weight of different economies. Is that not open to the criticism that this is simply locking the IMF into existing inequalities in the global economy when they should actually be seeking to overcome them? Or do you think this is a limit of what is possible in terms of changing power relationships in the IMF? Just a few thoughts. Thank you.

MR. DERVIS: Thank you very much. Caroline is responsible for external relations and the whole relationship with external actors, civil society and of course also other states in the IMF. I think what would be very useful, Caroline, if you could tell us a little bit apart from reacting to what you've heard what the state of play actually is. I mean, where are we at in terms of the processing of the Manuel Report?

MS. ATKINSON: I think that's quite an easy question to answer, although you may not like the answer, so I'll perhaps go to that first. It's been received. The Managing Director has thanked Trevor and his colleagues for producing it, and I hate to have my back to everybody here, so maybe I can move over here if you don't mind. We have not taken it up in any formal way. I think we are expecting maybe Trevor or maybe one of his colleagues will present it to our board and then it may be discussed, but at the moment -- and we of course published it straight away so that everybody who's here and elsewhere who's interested in these issues can read it and have the kinds of discussions that we're having today, and I think we find that very useful.

Of course, everybody including myself who is in the IMF one way or another is a party to the issue of governance and so I don't want to comment too directly on that. As Trevor said, there are strong views in our board and I'm still an employee of the institution and have responsibilities to the board so I'm not going to go beyond that.

I would like to make a couple of comments about the issue of legitimacy and openness. We all know that the IMF has been criticized a lot about being too secretive and closed, and I think that a lot of that criticism was legitimate, and I think that the IMF has tried to change and open up. Yes, the pace may be glacial by the measures of what's desirable, but actually the pace in the last few months has been certainly a trickle if not a flood and not a glacier. We've really changed a lot of the ways that we do business. We've created of course this new Flexible Credit Line. We have changed the way that we describe and do conditionality. It doesn't mean that we get rid of conditionality because that's got a sort of economic purpose, but it means that we are much more economical and streamlined and focused also on social aims in that. And we also of course are trying to think how to channel and use these additional resources which we hope to get and which the G-20 is charging us with and the board may be charging us with in an effective way to deal with the problems of the global economy. And we are also trying to be more candid and open about, and criticizing as some of you know, the policies of the advanced economies. I used to work at the U.S. Treasury so I know also that the advanced economies can be unwilling to hear good advice.

I think one aspect of the openness is that, yes, we realize we need to listen to trade unions. Guy and I know each other quite well because we keep meeting at meetings where Dominique Strauss-Kahn, the Managing Director, is meeting with trade unions, and I think that's something that's begun and it needs to happen more.

On the issues of the report, maybe I'll just make a couple of points. Nancy mentioned coalition building, and I think that's essential. This is an institution that represents 185 countries not equally, but they're all there and that means that there are really different coalitions and there are I would say sort of four blocs that have some kind of blocking majority, the U.S., Europe, emerging markets as a whole, and low-income countries, and that brings me to my next point. Quotas are really important, but they're not the whole thing because as Eswar said, changes in quotas come a decimal point at a time, and Brazil now if these reforms go through will have 1.8 percent share in the institution instead of 1.4. That's good, but it's not going to make a big difference when you think of needing 50 percent or 70 percent or 85 percent. But what does make a difference in how those countries are represented in the board, how much attention is paid by countries to the IMF and to the international system more broadly. And I think which countries come forward and say, yes, we want to be part of these additional resources, that's the measure of how much we feel ourselves to be international citizens. Yes, we want to be involved in the debate about what the IMF does and how it does it. Yes, we want to have very good representatives. We want our ministers to show up and discuss and have ideas. All of those aspects of governance are also important. And certainly from my position, I feel that the IMF has a huge way to go to overcome what a colleague of mine described as the enduring stereotype of the IMF as a sort of closed, secretive, cookie-cutter type of organization. I don't think that's ever been quite true, but there are aspects of it that are true, but in order to overcome it we also need to be hearing and to be engaged with by the rest of the world.

There is also a challenge out to those who have the smaller shares and less of a voice to think how to be a part of this international enterprise, and it's not just about what can we do for ourselves in each case, it's about saying, yes, the rest of the world matters to my economy whether I'm in Africa or Asia or wherever.

Just a last point. Nancy pointed to can't the U.S. and Europe do a deal about something, and I was just sitting there thinking are we past the days of the U.S. and Europe doing just a deal? It should be a multilateral agreement about how we go forward because everybody is in this together. Thanks.

MR. DERVIS: Thank you. Thank you, Caroline. Let me just tell one little story and then I'll turn to the floor, but because Guy is here particularly and because we're talking about transparency, it's a personal story from what I lived when I was in the government in Turkey. We were negotiating an IMF agreement and part of it had to deal with public sector wages, and because things were done in a certain way, I'm not saying that the IMF was saying this is the way we should do it, but they prepared what's called a side letter, and side letters for those of you who have encountered them were letters that were not published. They were really secret documents. The idea was that I would sign a secret document about wages with the IMF mission. And even when we think about that, there is free bargaining between the government, the public authority and a union, and then somewhere in some drawer there is a secret document that would limit what we can give as a wage increase. Totally wrong. Of course we didn't do it. We refused it. It became very hard because the IMF did want an agreement on wages. How can we sign a public agreement before we have the collective negotiation? I don't want to go into details. We solved that problem. We had part of the letter of intent published dealing with public sector wages.

But I just want to say that this idea that the IMF was secretive and was in some sense undemocratic or not undemocratic itself, but promoted undemocratic practices is not far-fetched and was part of reality. I think a lot has changed now, a lot of these practices have changed, but that is part of the burden that the institution still carries. Yes? Can you just very briefly identify yourself? Thank you.

MS. GRIESGRABER: I'm Jo Marie Griesgraber with New Rules for Global Finance. Trevor, we welcome the report, and you guys did a great job. I just want to say two things. One, I think that the work and functioning of the Board of Governors has been ignored. Those are the -- all the ministers in the world and they have relatively few committees. They're totally dysfunctional. They do pro forma speeches and so around and meet people I guess. But it's not a governing board. I don't know what they do, but it's dysfunctional. And if you think the Executive Board is bad, look at the Board of Governors. So I think that's an area that truly needs to be reformed.

The second thing is even as, Trevor, you've been invited to take a second shot at this work, civil society which is everyone except those of you getting a government paycheck will be starting its own report. We've been invited by the Fund to pool together input from civil society globally, and you had 10 months, we have six. So everybody in the room is welcome to give their input. There will be notice on the IMF Board and new rules will be serving as your servant in collating this input. So there will be another shot at it, and almost everybody here qualities to participate.

MR. DERVIS: Thank you.

MR. AHMED: My name is Abdul Ahmed. I'm from -- a small research firm. My question is this. Of course, the council's work is -- recommendation is really very commendable, but in line with what Professor Prasad and Mr. Soros have said, it's obvious that this is a new world that has already changed. Things like funding private entities, private and public, which is what the IMF does, or capital surveillance seem to call for diversification of institutions rather than depending on one single IFC institution that was designed a half century ago. So my question is, what are the changes for redesigning the global financial system or the global agencies like the IFC to diversify? I guess what I'm saying is institutional diversification of this whole governing structure to an alternative governing structure that does not exclude the IMF but includes it as a partner.

MR. DERVIS: Yes, in the back there.

MR. DEFKAR: Defkar, lead economist, Global Financial Integrity and former Senior Economist at the IMF. The point that the reform amounts to decimal reform is well taken, but I think that even if the quota distribution would have been more equitable, we would still have the current global financial crisis, the reason being that conditionality is binding upon the countries that come to the Fund for a loan, the use of Fund resources, but conditionality is not binding on the surveillance countries where the Fund gives advice in the surveillance mechanism. How would you address this? It's very difficult to give conditional advice to countries that are basically creditor countries. Conditionality is going to be more binding on countries that borrow more. So I don't see this very easily to be resolved this question.

SPEAKER: Thank you -- just one point on surveillance. I think the report wishes to distinguish between the role of the council and the role of management and the role of the board and rightly said that surveillance should be assigned to management because on facts and analysis you don't want to have vote, you want to have a candid analysis and that's the role of the staff.

Now does it conflict or not with the will sometimes expressed also to give a stronger role to surveillance? If you want to tell some country that they have to change their policy, it's good to have good analysis, but it may be needed also to have some backing and therefore to have behind you the voice of other countries in the organization.

MR. DERVIS: Yes. There was a gentleman there in the middle.

MR. SULLIVAN: John Sullivan. I'm a global emerging market strategist and formerly the portfolio manager for Darby Overseas here in Washington. My question is this, more on the design of the IMF going forward, and I think Mr. Soros almost got to the touch line on this. This coming year, $1.5 trillion worth of emerging market debt is coming due. Two-thirds of that is corporate. When I started banking many, many years ago, most of the lending to Latin America and Central Europe had to do sovereign to sovereign or bank to sovereign. Now it has changed, and I'm looking to the IMF to see what is your participation within the corporate market which will have a knock-on effect with the current accounts of several countries. We've seen that with Iceland, we see it with Nigeria, and we're about to see it with Ireland.

MR. DERVIS: The gentleman here. All the way back.

MR. BOORMAN: I'm Jack Boorman. I was a former policy director at the IMF. I'd like to make a lot of comments but I won't. I'll limit myself to just one if I may. I have for a long time been an advocate of the formation of a council, and it's just terrific to see it come back onto the table again. I'm an advocate for many of the reasons that Trevor mentioned and that are conveyed in the report. But I have a question. It comes at an interesting time. It comes a time when the G-20 is ascendant, and there are many, many countries within the G-20 who are very happy to be there around the table with the seven for the first time. The G-20 finance ministers have only recently put out a whole series of proposals that affect directly the IMF whether it's financing or conditionality guidelines and the rest of it. To a certain extent I have a feeling that the IMFC which is supposed to be the governing body of the IMF has been essentially faced with a fair accompli on many of the important issues facing the institution. But let me ask, if the idea of the council goes ahead, how would you see the council and the emerging power of the G-20 finance ministers being balanced with each other.

MR. DERVIS: Very good question, Jack. Thank you very much. Yes, this gentleman here, and then I think we'll turn to the panel again.

MR. CHEN: Chow Chen , freelance correspondent. I would like to get to some very basic and fundamental things. Dr. Prasad mentioned about the function of surveillance of the IMF. What's the IMF's 2005, 2006, or 2007 country outlook? How come they didn't see such a big problem? So there must be very fundamental problems within the IMF. Then we talk about governance. He just mentioned that the Secretary of the U.S. Treasury said yesterday that the IMF gets strong. You can ask him the question would the U.S. listen to the IMF? We looked the last time at the Asian crisis, only those poor Asian countries listened to the IMF and the IMF really did more harm than good. So the question is this. Now we give the IMF a big responsibility and if no country is going to listen to it and what to do, and then I just looked at this report. You just look at what they say in conclusion. First one, defining moment. The importance is multilateral coordination. Each country is in disarray. They even cannot do within the own country, how could they do the coordination? The importance is this. Each member country has to have the political will to straighten out their banking systems and financial system and do real form. And also each country has got to commit that they're going to listen to the IMF. Thank you.

MR. DERVIS: I think we'll again start with Trevor, although then at the very end I'll come to you and give you the kind of last word. Trevor, but we'll go this way and you pick up whenever you like, and then George and Jose Antonio and Prasad.

MR. MANUEL: A long list of issues. I think that if I had a different shot at this I may start with a proposal that you developed, Kemal, sitting at Brookings and working with CGD or something along the lines of an economic and social council where you have weighted representation, a constituency-based system. I think it's an idea whose time has come and we must put that back into play. The issue that Jose addressed about voting, there is a very clear proposal in paragraph 25 that allows for -- votes. You've got to begin to test these ideas differently so that in a constituency-based system smaller countries must know that their voices are heard as well.

The issues of China I think are well taken. I accept the point about the Financial Stability Board as it now is called. I think that the origin of the Financial Stability Forum was wrong. There has been this more recent attempt. It's now been endorsed by the G-20. It's going to find traction. I think we must make it work. But there is a risk that you have various centers of multilateral decision making that are not fully represented and that could spin out of control. The issue of timing in relation to the G-20, it's the last one I want to deal with now. Given the Spring Meetings, we tried to get the report done and tried to get the G-20 to kind of be aware of the report. There is a reference, you'll find it in paragraph 20, of the communiqué of London -- some idea about the council. The support is there. And also the idea that additional resources would be made available, but we couldn't have a conditionality, trying to impose certain very substantive reforms in the Fund. But I think that the sequencing was there and we did try and take account of just the timing of these events. Let me stop there. I'd like to pick up on some of the others later.

MR. DERVIS: George?

MR. SOROS: I think this issue of the rollover of credits, because that is still largely an outstanding unresolved issue. A lot of progress was made with the G-20 in the replenishment of the IMF and the IMF is now in a position to have country programs, but how to transfer the monies coming from the IMF to the private sector has remained unresolved. There needs to be some credit enhancements. There's currency risk and credit risk. Currency risk could be taken care of partly by the IMF programs, partly by swap agreements, and in that respect I have to point out as was pointed out to me today that even the currency risk problem is not resolved. I'm talking now of one of the focal points of the crisis which is Eastern Europe, and the European Central Bank has not really provided adequate swap lines to Eastern Europe. They did give a 5 billion euro line to Hungary but only against hard currency paper. That's not much use. It would have to be Hungarian paper that could be used in the swap line. So I was surprised that even that problem is not fully resolved.

But then it comes to the credit. Take a case like Semex in Mexico. They have a loan coming due. Mexico does have the swap lines so there is on problem on the currency side. But who is going to take the credit risk? Even if central banks got together as they used to and found a way of pressuring the banks to roll over their lines, it wouldn't be sufficient because a lot of the credit is held outside the banking system.

Hedge funds. A friend of mine has a lot of emerging market debt and he's put it in a side pocket where if people want to take their money out of the hedge fund, they can't take their money out until the -- so he is going to hold those debts to maturity and he certainly is not in a position to roll them over. So actually the banks would have to increase their credit line to take over the nonbank debt with securitization of debts. So I point that out because that is still an unresolved problem.

MR. DERVIS: Thank you, George. Jose Antonio?

MR. OCAMPO: Let me refer to the other issue which is quotas which is the last sentence of the -- quotas and SDRs. I think actually the March decision on credit lines was a huge advance, I think the most important advance in a decade and probably more. But an issue that has got clearly to the fore is the use of the size of the IMF. There are three ways of financing the IMF. There are arrangements to borrow as they are called, credit lines from countries, and now the possibility also going to the markets, doing bond issues, et cetera. I think this is the only one that you can use in the short term, but is the least desirable one because it's not a multilateral mechanism, period. I think the IMF should be financed multilaterally, not by individual -- that's why quotas are a much better mechanism. But the problem with quotas is the -- mechanism that was -- creation of the IMF of managing multiple currencies most of which cannot be used for lending. So I mean estimates say there is only about 30 percent of quota that can be used for lending, so it's a bit of a very funny mechanism of financing. Then you have to provide the -- the IMF has to look at the demand for dollars, demand for euros, the demand for other currencies, so it's a very complex mechanism.

That's why I think since the quota issue is going to be discussed and for the first time in three decades there's going to be a serious discussion of Special Drawing Rights. I think the discussion should be on turning the IMF on a fully SDR-based system which is a proposal that has been on the table for decades. Actually, one of the best proposals was done by an IMF economist, Jack -- so that how would did that work? In the countercyclical -- you think of two major mechanisms. You allocate increasing SDRs during crises -- the proposal $250 billion. That's one mechanism. The second mechanism is to fully use SDRs for lending which can be done in either of two ways in my view. The first one -- recommended which is just do it like central banks do lending. Just extend up to the limit that you can decide collectively, but just do. You create SDRs by lending like the Fed is creating dollars by lending, so that that mechanism has a very specific advantage that is truly countercyclical. In other words, when loans are paid back, you eliminate the issue of SDRs automatically. So I think that's one mechanism again recommended by a famous IMF economist three decades ago.

The other mechanism is the one -- have suggested, just use those SDRs that have not been utilized by countries as deposits in the IMF that you can use for lending so that you actually eliminate this funny division between the SDR account, and what is the name of the other account? The general account. This is a funny, funny, funny division that I think should be eliminated and has been recommended. So now this is really a serious discussion of both quotas and SDRs. I think this is the decision to go. I think that we should go for a fully SDR-based IMF and I think that it has many, many advantages over --

MR. SOROS: If we have the time I would like to make a comment here. I don't know how much time do we have.

MR. DERVIS: We are running about -- do you want to make a quick comment right now?

MR. SOROS: It's not that quick.

MR. DERVIS: Let's go to Eswar first. Eswar?

MR. PRASAD: I'll just go to the fundamental question about the IMF and whether it should be playing this central role. I think the G-20 has rightfully vested the IMF as an institution that doesn't have to be reinvented from scratch, and frankly the IMF is a much better place than it used to be. We see that it still -- the IMF has become a much better institution -- it's become much more open and transparent and I think the flexibility with which it's developed new lines of lending I think are definitely to be commended. And we do have a more open process where the Managing Director and senior officials are willing to come out and engage, so there is much progress there. But again it's the context that the IMF operates in that concerns me because there are issues about the IMF's effectiveness that are not in the hands of the staff or the management, it is about how the Fund becomes more legitimate and relevant to the countries that really matter, and this is not like countries don't matter, but there are certain issues that ultimately a smaller group of countries has to be relevant for in terms of global macro and financial stability, and if you think about how the crisis right now is moving to the shores of the poorer countries and affecting them, although they are seen as essentially the innocents who are getting swept up in the midst of this crisis, it was a core group of countries, again an expanded core that has affected this and I think that's where the IMF's relevance should really be focused.

So issues like quota reform are mostly relevant for that particular group of countries, and yet the IMF by being a multilateral institution where everybody has a voice, although a proportionate voice, I think can be the institution that fosters stability in these dimensions.

MR. DERVIS: Thank you. George, why don't you --

MR. SOROS: I developed a practical proposal for using SDRs for countercyclical purposes to support or stimulate the periphery countries because we have stimulus packages because we can afford to do that. The periphery countries are not in a position to stimulate their economies and it's very much in our interest, in the global interest, and of course their interest to stimulate domestic demand.

To do it, the trouble with SDRs to achieve this, the rich countries that can print their own money ought to transfer their allocations to the countries that can't. However, this runs into the apparently insuperable problem that because the SDRs carry interest, this would count in the national debt of the countries and with the tremendous increase in the deficit in this country, Europe, et cetera, it just wouldn't pass Congress, so it's a nonstarter. So some other way has to be found.

There I think one could use the gold reserves of the IMF of which there is plenty to pay the interest which is minimal and so that there would be no interest payment. Actually, you wouldn't even need to distribute the SDRs to the countries. You could actually allocate them for fostering global public goods, education, health and the environment, global warming issues, preserving the rain forests, maybe for strengthening subsistence agriculture in Africa, all very worthwhile objectives. Then you'd also overcome another very serious problem, that if you just distribute free money to the less-developed world, that money is liable to disappear because the governments are not that wonderful in those parts of the world. So you really need to have some control over how the money is used. So it would be put into the hands of organizations of the Global Fund for Infectious Diseases, you would have to set up a fund for rain forests, et cetera.

While the IMF has a lot of gold, this would be outstanding forever and it would not be sound. Therefore, if you are using it in a countercyclical way and you're using the present situation when there are a lot of idle resources that could be put to use in this way, in a very, very constructive way, then when things revert to normal or maybe the economies are beginning to overheat a little bit, then you withdraw the SDRs, so they would not be outstanding forever but just for maybe 10 years or 5 years or however long. And I think this would be a major contribution to stimulate demand exactly where it is needed so it's not only global demand, but also call it redistribution which is a very important objective also.

MR. DERVIS: Before turning to Trevor for the final word, I think we do get from this discussion I think the feeling that the SDR issue is going to be quite central in the coming months and years, and as the Fund grows, Jose Antonio's view of an SDR-funded Fund, the use of these SDRs, I think it's going to be a major issue ahead of us.

Let me just say one thing on Jack Boorman's point about the G-20. I think it may be useful looking forward to looking at the G-20 as an L-20, a leader's level, heads of state, prime ministers, presidents, not finance ministers, and then I think it becomes easier to reconcile, an overall apex L-20 that deals not only with finance, but with global warming, with peace issues, with proliferation, nuclear issues and so on, and then the council if it comes to be in some form would really be the finance forum and closely linked to the IMF. To me that would make the most sense. Trevor, you have the last word.

MR. MANUEL: Thank you very much. Let me just express appreciation for all of the comments and questions. I want to turn to what Guy Ryder raised and just try and tie it up with a question raised. I didn't get the surname. I'm sorry. What would have happened if these proposals had been developed a decade ago? It's a very open question, but I think there are two important issues. The first is that the quality of advice given must be received. If countries resist the advice, then you don't have a basis for multilateralism, and I think that that is at the heart of all of this regardless of the proposals because you don't have the force of arms. You must therefore have a basis for intellectual respect and agreement because that is at the very center.

Along the lines certainly in the past seven years or so, we saw the buildup of these huge global imbalances, and it started with the big debate around the -- deficits in the United States. The advice was parried and not taken, and I think that part of the difficulty we're living through is that and that I think should serve as the conscience for the kinds of decisions that must be taken going forward. So the role of surveillance and the ability of the Fund to be above reproach in the way in which it sets about its surveillance is also important. There were some issues relating to what was called multilateral surveillance in the past that clearly diminished the Fund as well. Part of the big challenge to all of us as policymakers everywhere is to try and get a high level of legitimacy because even now there still is a measure of stigma which I think the flexible credit line begins to work past, but the stigma is a big, big obstacle to the development of multilateralism and that I think is something that we need to be part of.

I want to emphasize the point, and this was generally agreed to in the panel, if the IMF didn't exist and you needed to restructure something, you needed to put something in the center, it would begin to take on many of the manifestations of the IMF without the baggage, and part of what we need to try and do is reconstruct the IMF at the center, strip away all of the issues that don't belong there, and allow it to deal with the issues that it has to deal with. Jack, your question about the council and the G-20 I think is a very important question. Part of what we must try and get to is the minimization of the number of meetings, and as we deal with that, I think the board or the governors' meetings would have a lot more substance. At the moment, governors meet only to advise the board and if the board won't take the advice of governors and they won't even take the advice of the leaders in London on the idea of the council, you have a fundamental difficulty. That's a difficulty that we have to bridge.

And Caroline, your point about the board is very important in this regard, we have to be able to work past this issues. You can't have progress blocked by individuals who might have carved out a particular role in history for themselves.

I think the issue of quotas and the SDR are very, very important issues and I agree that this fractional approach is not going to work. There's a very different world. You have to understand what the differences are in the world, take the decisions in the interests of multilateralism. And in this regard, I think that Tim Geithner's piece in the *FT* this morning, I think it was this morning. Was it yesterday? It was online yesterday. Thank you. But that I think speaks to what we need to do, they're big decisions that go beyond the sovereign borders and I think that this is the moment, and this is what we must try and utilize now. I think there are so many ideas out there. I look around this room and I look at the panel and I know a number of ideas that I have encountered. There's a lot that we have to distill in trying to put together, but it requires one issue and that is political will, and that is the big, big drive. If we can get the political will in place now I think that we can do this. I think it's only the beginning. I don't think that I have the patience for the second round, Nancy, but I think it is a very, very important beginning because it's about recognizing the mutual accountability framework that exists in the multilateral system. Thank you.

MR. DERVIS: Thank you very much. On behalf of all of us, let me thank again the four panelists. Thank you very much for coming and taking the time, and thank you all of you, and now enjoy the beautiful weather outside.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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