

# BRICS Leaders Conclusions on International Financial Institutions Reform, 2009-11

Maria Marchyshyn, BRICS Information Centre  
November 30, 2011

## Summary of Conclusions on IFI Reform in BRICS Summit Documents

Year	# of Words	% of Total Words	# of Paragraphs	% of Total Paragraphs	# of Documents	% of Total Documents	# of Dedicated Documents
2009 Yekaterinburg	3	0.3%	2	11.8%	1	100%	0
2010 Brasilia	17	0.7%	5	14.7%	1	100%	0
2011 Sanya	4	0.2%	3	8.6%	1	100%	0
Average	8	0.4%	3	11.7%	1	100%	0

**Notes:**

Data are drawn from all official English-language documents released by the BRICS leaders as a group. Charts are excluded.

“# of Words” is the number of IFI reform-related subjects for the year specified, excluding document titles and references. Words are calculated by paragraph because the paragraph is the unit of analysis.

“% of Total Words” refers to the percentage of IFI reform -related subjects to the total number of words in all documents for the year specified.

“# of Paragraphs” is the number of paragraphs containing references to IFI reform for the year specified. Each point is recorded as a separate paragraph.

“% of Total Paragraphs” refers to the percentage of paragraphs containing references to IFI reform to the total number of paragraphs in all documents for the year specified.

“# of Documents” is the number of documents that contain IFI reform subjects and excludes dedicated documents.

“% of Total Documents” refers to the percentage of documents containing IFI reform subjects to the total number of documents for the year specified.

“# of Dedicated Documents” is the number of documents for the year that contain an IFI reform subject in the title.

The first informal meeting of the BRIC leaders took place during the G8 Hokkaido-Toyako Summit in Japan in 2008, however, no official declaration or communiqué was issued.

South Africa was invited to join the BRIC countries at the Sanya summit in 2011 when the grouping became known as BRICS.

## Introduction

Reforming the international financial institutions (IFIs) has featured from the beginning of the BRICS summitry as a priority issue. For BRICS countries, IFI reform centers around the issue of better representation of the emerging economies within the governing structures of IFIs to reflect their growing importance within the global economy. More specifically, the calls for reform have arisen with regards to “voice and vote” and “mission and mandate” at the International Monetary Fund (IMF) and World Bank and the role of other international financial institutions.

Reform of the IMF includes those features that pertain to its governance structure, including IMF voice and vote reform (chairs and shares, as it is commonly referred to) and also mentions of reforming the IMF's executive board to ensure more representation from the emerging economies. Voice and vote reform includes the voting power allocated to each IMF member, as well as the financial quota shares (input) that each member contributes. This issue area also includes any mentions of the selection of the executive directors. It does include parallel reforms suggested for the World Bank (or broad governance reform references either to the IMF or the World Bank), and refers to any

other features of the IMF's international role such as loans (output) or surveillance activities.

BRICS leaders strongly support and urge a faster implementation of the decisions taken at the G20 summits with regards to the IFI reform. At their 2005 meeting in China, G20 finance ministers agreed that the Bretton Woods Institutions (BWIs) should increase both quotas and representation by emerging economies to better reflect changes in global economic weight. At the second G20 leaders' summit in London in 2009, leaders committed to restructuring the IFIs by January 2011, reevaluating IFI leadership selection, and making the institutions more transparent, accountable and mandated. In terms of governance, G20 leaders promised to ensure the ratification of the 2008 IMF quota reforms and expansion of the New Arrangements to Borrow (NAB) by the G20 Summit in Seoul, Korea in November 2010. G20 leaders also endorsed voice reforms agreed by shareholders at the World Bank, which will increase the voting power of developing and transition countries by 4.59% since 2008. Furthermore, BRICS themselves have begun efforts to increase cooperation and coordination between their development banks.

## **Definition of Issue Area**

IFIs include the following:

- International Monetary Fund (IMF), including the Interim Committee, the International Monetary and Finance Committee (IMFC) and the G24
- World Bank Group (WBG) and its five components: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), the International Center for the Settlement of Investment Disputes (ICSID)
- regional development banks: the Asian Development Bank (ASB), the Inter-America Development Bank (IADB), the African Development Bank (AfDB) and the European Bank for Reconstruction and Development (EBRD)
- the Bank for International Settlements (BIS) and the Basle Committee (Basel I/II/III), G10, G22
- Financial Stability Board (FSB) and its predecessor the Financial Stability Forum (FSF)
- private standard setters such as the International Organization of Securities Commissions (IOSCO) and the International Accounting Standards Board (IASB) (and its predecessor the International Accounting Standards Committee [IASC])

## **Search Terms**

The following keywords were used for this report.

## **Inclusions**

African Development Bank (AfDB), Bank for International Settlements (BIS), Basle Committee, board of governors, Financial Stability Board (FSB), Financial Stability Forum (FSF), European Bank for Reconstruction and Development (EBRD), executive

board reform, financial contributions, financial governance reform, G10, G20, G22, G33, Inter-American Development Bank Group (IADB), governance reform, International Accounting Standards Board (IASB), International Accounting Standards Committee (IASC), international financial institutions (IFIs), International Monetary Fund (IMF), International Organization of Securities Commission (IOSCO), inward funds, multilateral development banks (MDBs), quotas, vote, vote share

### **Exclusions**

Surveillance, debt, and financial architecture in general

### **Coding Rules**

The unit of analysis is the paragraph/sentence.

Need a direct reference to IFI reform or a cognate term.

Cognate or extended terms can be used without a direct reference to IFI Reform if they have previously been directly associated together in summit document history.

## **Conclusions on IFI Reform in BRICS Summit Documents**

### **2009: Yekateringburg, Russia, June 16**

#### *BRIC Countries' Leaders Joint Statement*

3. We are committed to advance the **reform of international financial institutions**, so as to reflect changes in the global economy. The emerging and developing economies must have greater voice and representation in international financial institutions, whose heads and executives should be appointed through an open, transparent, and merit-based selection process. We also believe that there is a strong need for a stable, predictable and more diversified international monetary system.

4. We are convinced that a **reformed financial and economic architecture** should be based, *inter alia*, on the following principles:

- democratic and transparent decision-making and implementation process at the international financial organisations;
- solid legal basis;
- compatibility of activities of effective national regulatory institutions and **international standard-setting bodies**;
- strengthening of risk management and supervisory practices.

### **2010: Brasilia, Brazil, April 15**

#### *BRIC Countries' Leaders Joint Statement*

9. G-20 members, with a significant contribution from BRIC countries, have greatly increased resources available to the **IMF**. We support the increase of capital, under the principle of fair burden-sharing, of the **International Bank for Reconstruction and**

**Development and of the International Finance Corporation**, in addition to more robust, flexible and agile client-driven support for developing economies from **multilateral development banks**.

10. Despite promising positive signs, much remains to be done. We believe that the world needs today a **reformed and more stable financial architecture** that will make the global economy less prone and more resilient to future crises, and that there is a greater need for a more stable, predictable and diversified international monetary system.

11. We will strive to achieve an ambitious conclusion to the ongoing and long overdue reforms of the Bretton Woods institutions. The **IMF** and the **World Bank** urgently need to address their legitimacy deficits. Reforming these institutions' **governance structures** requires first and foremost a substantial shift in **voting power** in favor of emerging market economies and developing countries to bring their participation in decision making in line with their relative weight in the world economy. We call for the **voting power reform of the World Bank** to be fulfilled in the upcoming Spring Meetings, and expect the **quota reform of the IMF** to be concluded by the G-20 Summit in November this year. We do also agree on the need for an open and merit based selection method, irrespective of nationality, for the **heading positions of the IMF** and the **World Bank**. Moreover, staff of these institutions needs to better reflect the diversity of their membership. There is a special need to increase participation of developing countries. The international community must deliver a result worthy of the expectations we all share for these institutions within the agreed timeframe or run the risk of seeing them fade into obsolescence.

13. Recent events have shattered the belief about the self-regulating nature of financial markets. Therefore, there is a pressing need to foster and strengthen cooperation regarding the regulation and supervision of all segments, institutions and instruments of financial markets. We remain committed to improve our own national regulations, to push for the **reform of the international financial regulatory system** and to work closely with **international standard setting bodies**, including the **Financial Stability Board**.

#### Cooperation

27. We welcome the following sectoral initiatives aimed at strengthening cooperation among our countries:

- a) the first Meeting of Ministers of Agriculture and Agrarian Development;
- b) the Meetings of Ministers of Finance and Governors of Central Banks;
- c) the Meetings of High Representatives for Security Issues;
- d) the I Exchange Program for Magistrates and Judges, of BRIC countries, held in March 2010 in Brazil following the signature in 2009 of the Protocol of Intent among the BRIC countries' Supreme Courts;
- e) **the first Meeting of Development Banks**;
- f) the first Meeting of the Heads of the National Statistical Institutions;
- g) the Conference of Competition Authorities;
- h) the first Meeting of Cooperatives;

- i) the first Business Forum;
- j) the Conference of think tanks.

## **2011: Sanya, China, April 14**

### *BRICS Leaders Meeting Declaration*

15. We call for a quick achievement of the targets for the **reform of the International Monetary Fund** agreed to at previous G20 Summits and reiterate that **the governing structure of the international financial institutions** should reflect the changes in the world economy, increasing the voice and representation of emerging economies and developing countries.

16. Recognizing that the international financial crisis has exposed the **inadequacies and deficiencies of the existing international monetary and financial system**, we support the reform and improvement of the international monetary system, with a broad-based international reserve currency system providing stability and certainty. We welcome the current discussion about the role of the SDR in the existing international monetary system including the composition of SDR's basket of currencies. We call for more attention to the risks of massive cross-border capital flows now faced by the emerging economies. We call for further international financial regulatory oversight and reform, strengthening policy coordination and financial regulation and supervision cooperation, and promoting the sound development of global financial markets and banking systems.

### **Action Plan**

We formulated the Action Plan, laying the foundation for the BRICS cooperation, with the purpose to strengthen BRICS cooperation and benefit our peoples.

#### I. Enhance existing cooperation programs

11. Strengthen **financial cooperation among the BRICS Development Banks**.