Reform of International Financial Institutions: Progress Since Halifax

At the 1995 Halifax Summit, G-7 leaders launched a renewal and reform program to equip key international financial institutions for the challenges of the 21st century. These challenges are significant. They arise from globalization and the need to manage rapidly expanding trade and capital flows, the need to support the development efforts of poorer countries, and the need to make the financial institutions more effective.

The Halifax Summit was a critical step in this renewal process. It set out a forward-looking reform program which the International Monetary Fund, the World Bank and other multilateral development banks are now putting into action.

The progress since Halifax has been considerable. As summit chair, Canada established mechanisms to follow up on Halifax initiatives; leaders will review these achievements at the Lyon Summit.

International Monetary Fund

At the Halifax Summit, the G-7 endorsed proposals to enhance the International Monetary Fund's ability to address financial crises. The key proposals called for improved early warning and rapid response systems and for increased financial resources for such emergencies.

Since then, the monetary fund has strengthened its surveillance through stronger, more candid analysis of members' economic policies. It has also adopted a new emergency financing mechanism, permitting faster access to its resources.

In addition, data standards have been improved to inform markets of financial and economic developments in member countries. Under the new system, countries that borrow on capital markets must publish more timely and higher-quality data. Canada is already a subscriber to the new data standards. A less demanding general standard will be established later in 1996 for all members of the monetary fund. As well, information on members' statistical practices will be posted electronically beginning in the summer of 1996.

Discussions have also advanced on strengthening the fund's financial resources to deal with emergency situations. An agreement-in-principle has been reached to double the resources currently available to the monetary fund through the General Arrangements to Borrow. The resources will be provided by G-10 countries along with a number of other countries who have the capacity to support the international monetary system. Canada played a central role in forging this agreement by co-chairing the working group that put the deal together. Final agreement is expected to be in place before the International