International Financial Organizations

International Monetary Fund

The primary functions of the International Monetary Fund (IMF) are to foster international monetary cooperation, exchange stability, economic growth with high levels of employment, temporary financial assistance to countries involved in balance of payments adjustment processes, as well as to facilitate balanced foreign trade growth.

Parallel to this, the organization monitors and analyzes the economies of member countries on a yearly basis and performs a variety of studies, among which one should mention World Economic Outlook (WEO) and the Global Financial Stability Report (GFSR), both of which are half-yearly publications.

Aside from analyzing the international economy and finances, the IMF carries out the consultations defined by Article IV of its Articles of Agreement – focused on the macroeconomic supervision of each member country, normally on an annual basis – while also performing Program Revisions, which are normally quarterly reviews when a country is involved in a Financial Assistance Program sponsored by the Fund. Going further, working together with the World Bank, the IMF produces Reports on the Observance of Standards and Codes (ROSC), which are evaluations of the degree to which countries have adopted internationally recognized codes and standards in 12 areas: data quality; monetary and financial policy transparency; fiscal transparency; banking supervision; capital market regulation; insurance supervision; payment systems; combating money laundering and financing of terrorism; corporate governance; accounting; auditing; and insolvency and creditor rights.

Another important activity, also carried out jointly with the World Bank, is the Financial Sector Assessment Program (FSAP), which occurs at the request of member countries. Aside from providing elaboration of the ROSC, the FSAP utilizes stress tests in order to verify the degree of financial stability in the face of economic shocks and produces a report with recommendations to the authorities of the country in question, together with two synthetic reports – Financial System Stability Assessment (FSSA) and the Financial Sector Analysis (FSA), which are submitted to the IMF and World Bank boards, respectively.

As regards the release of economic data, by the end of 2007, 64 countries had signed the Special Data Dissemination Standard (SDDS), including Brazil. The SDDS is a guide for releasing economic and financial statistics to the public in an timely and wide-ranging manner, generating favorable repercussions on the solidity of macroeconomic policies and improving financial markets.

For 2007, the IMF agenda gave priority to discussions of global imbalances and the implications of the financial crisis for the global economy, as well as implementation of the organization's medium-term strategy.

With regard to the subject of global imbalance, meetings were held with the United States, Japan, China, the Euro Area and Saudi Arabia by means of the Multilateral Consultation Mechanism. The objective of these meetings was to resolve problems in a manner compatible with sustained growth and shared responsibility. Insofar as medium-term strategy is concerned, the major questions discussed referred to surveillance within the member countries, reform of the system of representation of member countries (quotas and voice) and the institution's new income model.

With respect to the question of surveillance, emphasis was given to the review and updating of the 1977 Decision on Exchange Rate Supervision. The review[1] created no new obligations for the members, but rather updated the previous decision. Among the new elements, the most important were introduction of the concept of external stability as the organizing principle of bilateral surveillance; definition of the scope of surveillance in the framework of monetary integration systems establishment of collaboration, dialogue and existence of open and impartial discussions as elements of fundamental importance to surveillance; and a clear definition of the nature of exchange rate manipulation aimed at obtaining competitive advantages over other members.

As regards reform of the system of representation of member countries, though no proposal has been considered feasible, significant progress was made toward an agreement in 2008, based on a consensus in the sense of tripling basic votes, and indirectly benefiting countries with lesser degrees of representation.

The theme of discussion of a new IMF income model was debated during the course of 2007, particularly in light of the budget problems that resulted from sharp reductions in the loan revenues of member countries. Among the major measures suggested by the Fund's Executive Board, emphasis should be given to broadening of its mandate to invest the resources of the Investment Account (IA)[2] and of the Special

1/ Also called Decision 2007.
2/ Account created in June 2006 through transfer of resources from the IMF precautionary reserves to permit the investment of fund resources in a member-country or international organization assets with low risk and that show expected returns above the SDR rate during the same period.

Disbursement Account (SDA)[3] and the possibility of selling gold obtained by the IMF as of 1978 (when the Second Amendment to the Articles was adopted).[4]

Total capital of the IMF reached Special Drawing Rights (SDR) 217 billion at the end of 2007, and total credits to be received, SDR 9.7 billion. Brazil's quota stands at SDR 3,036 million, with participation of 1.4% in the organization's total capital.

Group of 20 (G-20)

The Group of 20 (G-20) is an informal forum that fosters open and constructive debate among industrialized countries and the more dynamic emerging economies, dealing with key questions related to global economic stability. The G-20 supports growth and world development through strengthening of the international financial architecture and opportunities for dialogue on national policies, international cooperation and international economic-financial institutions.

Created in response to the financial crises of the end of the 1990s, the G-20 is composed of the Ministers of Finance and Central Bank Governors of 19 countries: South Africa, Germany, Saudi Arabia, Argentina, Australia, Brazil, Canada, China, South Korea, France, India, Indonesia, Italy, Japan, Mexico, Russia, Turkey, United Kingdom and the United States. The European Union is also part of the group, and is represented by the revolving presidency of the Council of the European Union and European Central Bank. Furthermore, the Managing Director of the IMF and President of the World Bank also participate *ex-officio* in such meetings, for the purpose of guaranteeing that the work is carried out simultaneously with international institutions.

Differently from such international organizations as the OECD, the IMF or World Bank, the G-20 does not have a permanent staff. The presidency of the group is occupied for one year on a rotating basis among the members, with a provisional Secretariat that is named each year. In order to avoid interruptions in the Group's work, it is managed by three parties: the most recent host country, the current host country and the next host country. In that order, the 2007 leadership was composed of Australia, South Africa and Brazil. Chosen at the end of the year to occupy the presidency in 2009, the United Kingdom became a member of the three party group in 2008, replacing Australia.

Since it is an informal forum, the G-20 has an annual meeting of Ministers (Central Bank Governors and Ministers of Finance), preceded by two meetings of Deputies (generally, Deputy Governors of Central Banks and Executive Secretaries of Ministries of Finance), while also fostering seminars on specific themes and virtual work groups.

3/ Account which accepts and invests the profit from selling IMF gold in the market and that may transfer resources to other accounts, whenever authorized by the Executive Board.

4/ There are 12,966 millions ounces, which would generate approximately US$250 millions.

In 2007, the themes upon which the G-20 concentrated involved the international economic scenario and reform of Bretton Woods institutions. With regard to the latter question, efforts were concentrated on reforming the IMF quota and voice system. It was agreed that the highly important and necessary theme of World Bank Reform could await conclusion of the IMF reform process. Furthermore, seminars were held on fiscal space and the connection between commodities markets and financial system stability.

G-20 members created two study groups to deal with specific themes of significant relevance to the current scenario: climate change and the history of the G-20. In the latter question, an important debate took place regarding the efficiency of the G-20 and its role in the near future, principally in light of the current difficulties faced by Bretton Woods institutions (IMF, World Bank and WTO) in their efforts to play a more active role in global economic coordination.

Brazil is the President of the G-20 in 2008, with the Central Bank of Brazil and Ministry of Finance being charged with elaborating and implementing all of the group's activities during that period of time. During the Brazilian presidency, the work agenda of the G-20 will be characterized by introduction of the themes Clean Energy and the Commodities Market and Financial Sector Competition, as well as continued discussion of the themes of Reform of Bretton Woods Institutions and Fiscal Space.

Finally, one should stress that the presidency of the G-20 represents an opportunity for Brazil to participate actively in discussions and decisions referring to themes of strategic importance to the world economy. Parallel to that, the country will also benefit from a clearer perception of the major options and feasible paths toward the necessary changes in governance frameworks and strategies as related to current global imbalances – in the context of the task of coordination and management of the other participating countries.

Bank for International Settlements

The Central Bank of Brazil has been a quota holder in the Bank for International Settlements (BIS) since March 25, 1997, holding 3,000 subscribed shares worth SDR 15 million, accounting for 0.55% of the organization's total capital. The BIS has the primary function of fostering financial and monetary cooperation on an international scale, acting as fiduciary agent in the international operations of central banks and as a financial and monetary research center.

Headquartered in Basel, Switzerland, the BIS coordinates committees and organizations that have the objective of furthering financial stability, including the Basel Committee on Banking Supervision; the Committee on Payment and Settlement Systems; the Committee on the Global Financial System; and the Market Committee. Established over the years by the central banks of G-10 countries,[5] these committees have considerable autonomy in structuring their agendas and activities.

The BIS also acts as Secretariat of the Financial Stability Forum (FSF), which was created in 1999 for the purpose of the debating questions involving strengthening of the international financial architecture and fostering of cooperation among national authorities and international organizations and regulatory organs.

BIS assets at the end of the 2007 fiscal year set a record of SDR 270.9 billion, 23% more than in the previous year. In January 2001, the BIS decided to close its capital to private agents, restricting participation exclusively to central banks. With this in mind, it proceeded to purchase the shares that previously belonged to private institutions, reselling them to the central banks of interested member countries.

It is important to highlight the activities of the Committee on the Global Financial System and the Committee on Payment and Settlement Systems. In the latter case, it is important to mention its work in partnership with the International Organization of Securities Commissions (IOSCO) in the sense of fostering security in payments systems, strengthening market infrastructure and reducing systemic risk.

The Basel Committee on Banking Supervision continued making every effort to strengthen the prudential supervision of banking institutions, with adoption of more transparent practices in financial records, coupled with incentives for banking systems to move ahead in the area of risk assessment.

Also in 2007, discussions were held regarding the possible creation of a Consultative Council for the Americas (CCA) in the BIS framework. The objective of the CCA would be to act as a communications vehicle between the BIS and the central banks of the Americas in questions of interest to those institutions. It would repeat for the Americas the positive experience of creation of the Asian Consultative Council (ACC).

Finally, in its role as the Bank of central banks, the BIS offers a wide array of banking services tailored to aid in management of reserves. Approximately 140 institutions, including various central banks, make use of this service.

Latin American Center of Monetary Studies

The Center for Latin American for Monetary Studies (Cemla), an organization founded in 1952, is a civil Association headquartered in Mexico City with the specific objectives of fostering better understanding of monetary and banking affairs in Latin America and

5/ Group of industrialized countries composed of Germany, Belgium, Canada, United States, France, Holland, England, Italy, Japan, Sweden and Switzerland.

the Caribbean, as well as assistance in the training of Central Bank staffs; research and systematization of results; release of information to members on facts of international and regional interest in the framework of monetary and financial policies.

Cemla is composed currently of 50 institutions, 30 of which are associated central banks. The other institutions are distributed among collaborating members and assistant members.

The largest share of the Cemla budget, which totaled US$2,580 million in the 2007 fiscal year, is composed of the annual contributions of associated members and collaborating and assistant members. Here, one should stress growth in the participation of external funds, particularly in the financing of multiannual programs.

Also with respect to the release of knowledge, emphasis should be giving to Cemla's periodic publications, the magazines *Boletin*, *Monetaria* and *Money Affairs*, together with non-periodical publications (essays, articles and research reports) that analyze economic, financial and banking affairs. Furthermore, every year, with the aim of stimulating and acknowledging research work, the Center grants the *Rodrigo Goméz Award* to the best paper published on themes of relevance to central banks. In the 2007 edition, the award was granted to a Brazilian paper.