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IMF replaces Europe section director

By Alan Beattie in Washington

The International Monetary Fund moved on Wednesday to sharpen up its operations in the eurozone, replacing the head of its European department who announced his sudden resignation.

The IMF said that Antonio Borges, the current head of the European department, was leaving the organisation and would be replaced by Reza Moghadam, an experienced fund official. Mr Borges caused consternation at the IMF last month for saying that the fund might help to buy Spanish and Italian sovereign debt in the capital markets, only to backtrack and clarify that the fund could lend only to governments. Mr Borges cited personal reasons in his resignation statement.

Eswar Prasad, former head of the IMF's China division, said: "This shake-up is an indication of the fund's desire to take a more active role in resolving the European debt crisis. There was a growing concern within and outside the IMF that the institution was not playing a leadership role in Europe."

Mr Moghadam's department has played a key role in designing new IMF lending facilities to combat economic volatility during the global financial crisis. The IMF has played a junior financing role during the eurozone crisis, providing no more than a third of the loan packages for Ireland, Portugal and Greece, but it has been an influential member of the "troika" of rescue lenders along with eurozone governments and the European Central Bank.

On Wednesday, the troika said that Portugal was missing goals set in its bail-out programme, with public spending likely to over-run its target by 1.5 per cent of gross domestic product for 2011.

At the recent G20 summit, eurozone governments asked the fund to conduct intensive surveillance of Italy's attempts to stick to its programme of fiscal tightening and changes to taxes and regulation, a decision some observers regarded as akin to a shadow IMF programme. But its own available resources are not large enough to mount a full-scale lending programme for Italy, and the IMF has so far been unable to persuade European governments to create a much larger rescue fund.