

IMF head says it will sell bonds to raise funds

By CHRISTOPHER S. RUGABER – 13 hours ago

WASHINGTON (AP) — The International Monetary Fund will sell bonds as a way to raise funds to lend to struggling nations, the head of the organization said Saturday, in a victory for developing countries.

Emerging economies such as China, Brazil and India pushed for the move as an alternative to providing longer-term loans to the IMF. Those countries want a greater voice in the institution before providing additional resources.

IMF Managing Director Dominique Strauss-Kahn said China and other countries have expressed interest in purchasing the bonds. The IMF has never issued bonds before, although the idea was explored in the 1980s.

The move, announced after the IMF's annual spring meeting, indicates the world's leading economies are having difficulty following through on a pledge made in London April 2 to boost an IMF emergency lending facility by \$500 billion. The bonds will contribute toward that goal but will provide shorter-term financing than the loans that Japan, the European Union and the United States have promised.

The Group of 20 nations, which includes wealthy and developing countries, pledged in London to provide a total of \$1.1 trillion to the IMF and other international lending institutions.

"The major emerging markets have made it clear that they ... will no longer be pushed around by the advanced economies," said Eswar Prasad, an economics professor at Cornell University and former IMF official. While "the net effect" on IMF resources of loans or bond sales is the same, Prasad said, "the symbolic difference between these two types of contributions is huge."

Meanwhile, more than 100 demonstrators angered by how world leaders have handled the economic crisis took on police outside the headquarters of the IMF and World Bank.

Authorities used batons and pepper spray when activists tried to march onto a prohibited street, and several people were pushed to the ground by police. The protesters swarmed officers unexpectedly, and police had to respond, said D.C. police Capt. Jeffrey Harold.

Treasury Secretary Timothy Geithner on Saturday urged world finance officials to pony up more funds to meet the \$500 billion goal. Progress towards that target "must be an important outcome of these meetings," he said.


President Barack Obama is seeking congressional approval for up to \$100 billion, matching commitments for the same amount made by Japan and the European Union. Canada and Switzerland have pledged \$10 billion and Norway about \$4.5 billion. But the full \$500 billion hasn't yet been raised.

A Japanese official said Friday that countries would meet again with the hope of closing the gap before the end of June.

The additional funds reflect the growing importance of the IMF in dealing with the global downturn, the worst the world economy has experienced in six decades. Just a year ago, the 185-member organization was seen as increasingly irrelevant as many developing country economies boomed.

The additional money could aid countries in Latin America, Eastern Europe and elsewhere that are reeling from sharp drops in exports and foreign investment

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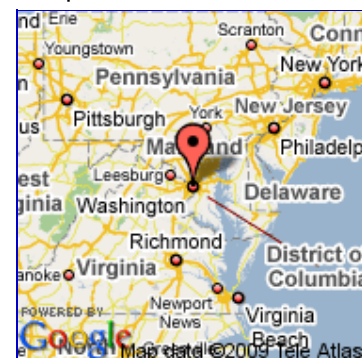
Photo 1 of 5 



U.S. Secretary of the Treasury Timothy Geithner smiles as he meets with Western Hemisphere ministers during a roundtable discussion at the U.S. Treasury Department in Washington Saturday, April 25, 2009.(AP Photo/Alex Brandon)



Map



Many poor countries and non-governmental organizations have long criticized the IMF for failing to give sufficient voice to emerging economies. Bernice Romero, Oxfam advocacy directory, noted this week that Belgium and the Netherlands together have roughly the same proportion of votes in the IMF as China, one of the world's largest economies.

Geithner urged that developing countries be given a greater voice. He called for reducing the number of seats on the IMF's governing board to 20 from 24 over the next three years, while maintaining the same number of seats for developing countries.

The IMF "needs a more representative, responsive and accountable governance structure," he said. "This is essential to strengthening the IMF's legitimacy."

But European governments are largely resisting such moves, Prasad said.

The IMF said in a communique issued Saturday that it will accelerate changes to its voting shares that are currently set for January 2013 to January 2011.

But analysts noted that the proposed changes under those quotas would be miniscule.

Associated Press writers Harry Dunphy, Martin Crutsinger and Nafeesa Syeed contributed to this report.

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