INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS AND DEVELOPMENT

COMMUNIQUÉ
OCTOBER 3, 2009

1. Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their eighty-second meeting in Istanbul, Turkey, on October 3, 2009. Mr. Adib Mayaleh, Governor of the Central Bank of Syria, was in the Chair, with Mr. Guido Mantega, Minister of Finance of Brazil as First Vice-Chairman, and Mr. Pravin Gordhan, Minister of Finance of South Africa as Second Vice-Chairman.

2. Ministers welcomed the positive developments in the global economy since their last meeting. The threat of a deep and prolonged global recession appears to be receding thanks to unprecedented policy actions by both large developed and developing countries, as well as stepped-up support from the international financial institutions. Developing countries as a group have shown relative resilience in the face of the crisis, and several of them have been at the forefront of the turnaround thereby boosting the world economy.

3. Ministers noted that the crisis has and will continue to exact a heavy toll in the developing world. The sharp contraction in world trade, falling remittances and tourism, and continued tight credit conditions have led to a significant slowdown of growth, large employment losses, rising poverty and social pressures in many countries, especially the poorest and the most vulnerable. Ministers therefore stressed the importance of continued and coordinated countercyclical fiscal and monetary policies, as well as of actions to revive credit, promote job creation and safety nets. Ministers called for concerted and prompt implementation of actions to address the deep-seated weaknesses in the regulation of global and some national financial markets. Looking ahead, preparation of exit strategies to be implemented once the recovery firmly takes hold, would help build confidence in the sustainability of the public finances and balance sheets to underpin a lasting recovery. Ministers stressed that such strategies need to be consistent with strong and sustainable growth keeping in view country specific circumstances.

4. Ministers noted that developing countries will face large financing gaps in the medium-term. They are at a disadvantage in accessing external financing given the terms of borrowing, crowding out by larger developed countries, and the repricing of risk by institutional investors. Ministers called therefore for continued timely and adequate support from the international financial institutions for developing countries most affected by the crisis, as well as for actions to reduce the gap between developed and developing countries.

5. Ministers called on developed countries to avoid protectionist measures and other restrictions in trade, finance, investment, and labor services. They reiterated the importance of an ambitious and successful conclusion of the Doha Development Round that addresses the needs of developing countries, in particular improved market access and elimination of agricultural subsidies by advanced countries that has been so detrimental to the agricultural sector and the poor in developing countries.

6. Ministers welcomed the steps that have been taken to enhance the responsiveness of the international financial institutions. But more still needs to be done. The crisis has

7. Ministers welcomed the improvements in the IMF's lending policies including the introduction of the Flexible Credit Line and the High Access Precautionary Arrangements, the increase in access limits and the further streamlining of conditionality. They called on the IMF to take further specific measures to enhance its instruments for broad-based precautionary financing.

8. The temporary increase in resources made available to the Fund has been instrumental in boosting the capacity of the IMF to meet the financing needs of countries in the wake of the crisis. Ministers stressed however that the IMF is a quota-based institution and that these arrangements can only be a bridge to a permanent expansion in the IMF's resources through a general quota increase. Ministers proposed that the next quota review, to be completed by January 2011, should at least double the size of overall quotas.

9. Ministers welcomed the general SDR allocation of $250 billion, which has boosted the reserve assets of emerging markets and developing countries. They called on the IMF to consider steps to enhance the use of the SDR in the international monetary system.

10. Ministers stressed that the IMF's legitimacy and continued relevance depends crucially on redressing the imbalance in voice and representation in its governance structure. Hence, correcting the unfair distribution of quotas and voting power is the most important and urgent governance issue confronting the IMF. Ministers agreed to work toward securing the early ratification of the 2008 quota and voice reform package. But this is only a first step and should not stand in the way of more fundamental reform. Ministers called for a political commitment to shift 7 percent of aggregate quota shares from developed to developing countries as a central goal for the next quota review. The redistribution of quotas must not be at the expense of other developing countries and must be based on a reformed quota formula which addresses the present deficiencies and bias against developing countries, including inadequate reflection of the potential need for Fund resources.

11. Ministers expressed concern that low-income countries (LICs) have been hard hit by the financial crisis. Moreover this crisis comes on the heels of a food and fuel crisis that had already debilitated many low-income countries. LICs have also been faced with a high degree of volatility in aid resources. Ministers noted that the international financial institutions have an important role to play in helping LICs cope with volatility and in channeling a greater proportion of global savings to these countries. Strong and sustained development partnerships will be critical to help LICs cope with this crisis.

12. Ministers welcomed the steps taken by the IMF to enhance support to LICs including the doubling of access limits, the commitment to more than double the IMF's concessional lending capacity, and the temporary suspension of interest payments.

Ministers called on developed countries to provide the additional support in loan and subsidy resources needed to close the current funding gap, and urged appropriate flexibility in the debt sustainability framework at the current juncture. They called on the IMF to promptly activate the precautionary instrument for LICs. Ministers also urged that SDR resources be mobilized to support the IMF's lending to the poorest countries with adequate concessionality and with full transparency. They stressed the need for the IMF to increase the support and resources for capacity building activities and asked the IMF to reverse the decision to charge for technical assistance.

13. Ministers noted that the World Bank and the other multilateral development banks have played an important role in the crisis by providing financing for a broad set of needs, including social safety nets, infrastructure and trade financing, and for a large set of countries. They welcomed the efforts of the World Bank and the other MDBs to scale up their lending to record levels and to adapt and more effectively deploy available instruments. They asked the World Bank and other MDBs to significantly step up their levels of disbursement. Ministers believe that the multilateral development banks will have a critical role to play beyond the crisis in responding to the increased demand for financing for long-term development projects, including private sector development, infrastructure and other public goods, and in promoting a less volatile structure of external financing. They noted that current expectations for crisis lending are now beyond IBRD and IFC's lending and investment capacities. Ministers therefore called for an early decision on capital adequacy of IBRD and IFC to ensure that the Bank Group can respond adequately to demand both in the crisis recovery and beyond. The injection of capital can be done through a combination of a selective and general capital increase. Ministers called for fair burden sharing and opposed any further price adjustments. It is also imperative that the World Bank continue to adjust its lending limits and exposure framework, and address long-standing impediments that have cumulatively contributed to the financial and non-financial costs of its operations.

14. Ministers remain deeply concerned about the low volume of concessional assistance for LICs. While the Bank has launched a number of initiatives to meet the immediate and longer-term needs of the poorest countries, it has not been successful in mobilizing significant incremental financing. Moreover all of the additional assistance provided by IDA and the other concessional windows of the regional development banks has resulted from frontloading. Ministers called for additional replenishment of IDA to maintain financing levels in the next two years, when the social consequences of the crisis will be most acute for LICs. The IDA16 replenishment in 2010 provides an opportunity for developed countries to demonstrate their commitment to LICs. Ministers agreed with the proposal to establish a Crisis Response Facility in IDA, but stressed that the resources for this facility should be incremental to the existing IDA program. They welcomed the initiative to allow IDA countries, under specific criteria, to access IBRD resources, and urged the Bank to put in place an appropriate and transparent mechanism for that purpose. Ministers called on the donor community to support these additional financing needs and to deliver on their earlier commitments to provide the concessional resources needed to meet the Millennium Development Goals.

15. As in the case of the IMF, redressing the democratic deficit in the governance structure is crucial for the effectiveness and legitimacy of the World Bank. Ministers reiterated that the goals of reform for the World Bank needs to be even more ambitious, with different criteria given its development mandate and the role that developing

countries play in enabling the Bank to carry out that mandate. The immediate goal must be a shift of 6 percent in the voting power from developed to developing and transition countries without involuntary dilution of the shares of individual developing countries and while preserving the gains of the Phase 1 of voice reforms. Ministers called for a clear and unambiguous statement of political commitment in this regard. Ministers support a process of regular periodic review of the Bank's shareholding based on both the evolution in the world economy and the Bank's development mandate including the importance of clients to the Bank's mission.

16. Ministers reiterated their call that the Heads and Senior Management of the IMF and the World Bank must be chosen solely on the basis of an open, competitive, merit-based process without regard to nationality beginning with the next appointments. Ministers called for an explicit political commitment regarding the forthcoming selection processes in these two institutions. They also called for broader staff diversity to achieve better representation from severely underrepresented regions and countries.

17. Ministers support greater engagement of Ministers and Governors in the strategic issues facing the IMF and the World Bank through improvements in the IMFC and Development Committee processes. They oppose any initiative that may lead to a change in the permanent status of or in any other way weaken the Executive Boards of the IMF and the World Bank. In this context, Ministers highlighted that there is very limited support for the activation of a Council for the IMF, because it is seen as damaging to developing country voice as well as to the accountability and effectiveness of the Board. Ministers stressed that any review of the composition of the Executive Boards in the IMF and the World Bank and consequently in the IMFC and the Development Committee must aim for better representation of developing countries, particularly LICs, including by considering a third chair for sub-Saharan Africa in the IMF.

18. Ministers look forward to a positive outcome from the UN Climate Change Conference in Copenhagen. They reaffirmed that the UNFCCC is the only legitimate forum for negotiations on climate finance and that the discussion of climate finance should be consistent with the principles of UNFCCC, the Kyoto Protocol and the Bali Action Plan, in particular with the principle of common but differentiated responsibilities.

19. Ministers took note of the outcome of the United Nations Conference on the Global Economic Crisis, held in New York June 24 -26, and expressed readiness to support, as appropriate, the efforts of the G-77 and China in advancing developing countries' interests.

20. The Group welcomed India as the next Second Vice-Chair. The next meeting of the G-24 Ministers is expected to take place on April 23, 2010, in Washington, DC.

LIST OF PARTICIPANTS[1]

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their eighty-second meeting on October 3, 2009 in Istanbul, Turkey. Mr. Adib Mayaleh, Governor of the Central Bank of Syria was in the Chair; with Mr. Guido Mantega, Minister of Finance of Brazil, as First Vice-Chair; and Mr. Pravin Gordhan, Minister of Finance of South Africa, as Second Vice-Chair.

The meeting of the Ministers was preceded on October 2, 2009 by the ninety-forth meeting of the Deputies of the Group of Twenty-Four, with Mrs. Maya Choueiri, Senior Advisor to IMF Executive Director, as Chair.

African Group: Karim Djoudi, Algeria; Denis N'Gbe, Côte d'Ivoire; Jean-Claude Masangu Mulongo, Democratic Republic of Congo; Mahmoud Mohieldin, Egypt; Sufian Ahmed, Ethiopia; Blaise Louembé, Gabon; H. A. K Wampah, Ghana; Mansur Muhtar, Nigeria; Renosi Mokate, South Africa.

Asian Group: Pranab Mukherjee, India; Mahmoud Bahmani, Islamic Republic of Iran; Alain Bifani, Lebanon; Valim Raza, Pakistan; Roberto Tan, Philippines; Nandalal Weerasinghe, Sri Lanka.

Latin American Group: Amado Boudou, Argentina; Marcos Galvaõ, Brazil; Oscar Ivan Zuluaga, Colombia; Roberto Marino, Mexico; Julio Velarde, Peru; Karen Tesheira, Trinidad and Tobago; Armando León, Venezuela.

Observers: Yong Li, China; Jassim Almannai, Arab Monetary Fund; Daniel Titelman, ECLAC; Nosratollah Nafar, IsBD; Karim El Aynaoui, Morocco; Mohammad Alipour Jeddi, OPEC; Yousef Albassam, Saudi Arabia; Irfan Haque, South Center; Sultan Nasser Al Suwaidi, United Arab Emirates; Manuel F. Montes, UNCTAD; Petko Draganov, UNFfD; Rob Vos, UNPDAD.

Special Guests: Dominique Strauss-Kahn, Managing Director, International Monetary Fund
Robert B. Zoellick, President, World Bank

World Bank Executive Board: Ayman Alkaffas, Nada Mufarrij

Chair of Deputies: A. Shakour Shaalan, Maya Choueiri

G-24 Secretariat: Amar Bhattacharya, Ndzouli Mendouga
G-24 Research Coordinator: Jomo K. Sundaram

IMF Secretariat for the G-24: Simran Maxwell, Dalila Bendourou

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[1] Persons who sat at the discussion table.