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

COMMUNIQUÉ
APRIL 22, 2010

1. Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their eighty-third meeting in Washington, D.C. on April 22, 2010. Mr. Guido Mantega, Minister of Finance of Brazil was in the Chair, with Mr. Pravin Gordhan, Minister of Finance of South Africa as First Vice-Chairman, and Mr. Arvind Virmani, IMF Executive Director for India as Second Vice-Chairman.

2. Ministers welcomed the improvement in global economic prospects since they last met, led by the developing world. While the pace of recovery is uneven, it is encouraging that all developing regions have experienced a significant improvement in growth performance since the trough of last year, reflecting strong fundamentals. Ministers noted, however, that many challenges remain. Credit constraints continue to pose a risk to self sustained recovery. Household and commercial sector indebtedness in advanced countries continues to pose risks, and sovereign balance sheets in several advanced countries are a new and significant threat to stability. More generally, the crisis has left the fiscal positions of many advanced countries under strain, circumscribing their ability to deal forcefully with the legacy of job losses and high unemployment, and to face potential new shocks. Several emerging markets are faced with a surge of capital inflows with potential risks of rising inflationary pressures and asset price bubbles.

3. Ministers noted that sustaining economic recovery against this backdrop will require concerted and cooperative actions. Ministers reaffirmed their continued commitment to sound policies to achieve high and sustainable growth and to reduce poverty. They called on the advanced countries to maintain policies to support the economic recovery while building confidence in the sustainability of their public finances by announcing credible consolidation plans, to be implemented as soon as the recovery takes hold. Ministers considered that any delay in reforming financial regulation to address the weaknesses that have led to the crisis could jeopardize the recovery, and urged vigorous implementation of the reform agenda.

4. Ministers noted that the effects of the crisis are likely to be long-lasting. Many developing countries continue to face constraints in external financing, which may be exacerbated by the increase in public borrowing needs in advanced countries. Ministers registered concern about the shortfalls in delivery of concessional assistance and asked donors to fulfill their prior commitments. They underscored the important contribution made by IDA and called for an ambitious IDA-16 replenishment with the support of all donors, including a growing number of developing countries.

5. Ministers urged developed countries to avoid protectionist measures and other restrictions in trade, finance, investment, and labor services so as to not jeopardize global growth and stability. They reiterated the importance of an early 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.

6. Ministers noted that the crisis has given new impetus to the reform of the international financial institutions. Both the IMF and the World Bank have taken commendable steps to enhance their responsiveness, but the crisis has also highlighted the need for more fundamental reforms. Agreement and implementation of such reforms must be a centerpiece of the agenda this year.

7. Ministers stressed that there should be an ambitious realignment in quota shares toward emerging market and developing countries (EMDCs), since the IMF's legitimacy, relevance, and effectiveness depend centrally on redressing the imbalance in voice and representation. Ministers reiterated their call for a shift of 7 percent in quota shares from developed to developing countries. While such a shift should primarily benefit dynamic EMDCs, it must not come at the expense of other developing countries. The voting power of low-income countries (LICs), in particular, should be protected. Ministers underlined the importance of addressing the deficiencies in the present quota formula before it can be used as a robust guide for quota realignment. Specifically, they called for adjustments that would better reflect the growing role and contribution to growth of EMDCs (through a higher weight of GDP at purchasing power prices), more accurately capture the potential needs of borrowers (through an appropriate measure of variability), and address the bias resulting from distortions in the measure of trade openness. Ministers agreed to continue working toward securing the early ratification of the 2008 quota and voice reform.

8. Ministers welcomed the ongoing review of the IMF's mandate and the efforts to reshape and enhance its role drawing on the lessons from the crisis. Ministers stressed that the decisions on the IMF's mandate must be preceded by ambitious steps to further improve the Fund's legitimacy, in particular through quota and voice reform. Changes to the IMF's mandate, including in areas such as financial stability or capital flows, must be anchored in broad-based consensus and applied in the spirit of cooperation and mutual understanding.

9. Ministers agreed on the need to strengthen the IMF's surveillance function. The most important step in this regard remains effective and evenhanded surveillance of systemically important advanced countries and markets. Ministers agreed that the crisis has underscored the need for better multilateral surveillance, including assessment of outward spillover effects, and the need to focus on macro-financial stability through better surveillance of global and systemic financial vulnerabilities, wherever they may be. Closer collaboration with the Financial Stability Board and standard setting bodies will be useful in this regard.

10. Ministers welcomed the discussions to enhance the IMF's financing role. They endorsed the proposals to introduce broad-based precautionary financing facilities in the IMF's lending toolkit so as to serve the needs of all members. Ministers supported the proposals to improve the terms of the Flexible Credit Line (FCL) and expressed support for reviewing the qualification criteria in order to ensure wider and equitable access. Ministers look forward to further discussion of other proposals on precautionary lending and collaboration with regional arrangements. They noted, however, that Fund financing should be seen as a complement and not a substitute to reserve accumulation, which remains an important element of self insurance

against potential shocks. They did not favor the proposal to prequalify countries for the precautionary facilities through Article IV consultations as this would undermine the effectiveness and independence of surveillance.

11. Ministers noted that the crisis has brought to the fore discussions on the reform of the international monetary and reserve system and an enhanced role of SDRs. They noted that the recent general SDR allocation was a valuable means to boost global liquidity and the reserve assets of emerging markets and developing countries. Ministers requested the IMF to continue to explore options to improve the international monetary system including through a greater role for SDRs. Ministers called for regular allocations of SDR as needed.

12. Ministers called for further enhancements in the financing facilities for LICs so as to provide them better cushions against external shocks. They asked for consideration of a FCL-type precautionary instrument for LICs. They urged donors to provide the loan and subsidy resources in order to enable the PRGT to meet its planned commitments. Ministers supported the intention to allow the IMF and the World Bank to provide exceptional debt relief to countries hit by major disasters, such as in the recent case of Haiti.

13. Ministers welcomed the completion of the substantially expanded and enhanced new arrangements to borrow (NAB), but reiterated their view that the IMF must remain a quota-based organization. They called therefore for a substantial increase in IMF quotas in the next general review with an appropriate balance between quota and NAB resources, in tandem with a realignment of quota shares in favor of EMDCs.

14. Ministers supported the strengthening of the IMFC while preserving its character as a consensus-based body, as well as the integrity of the existing governance structure. They stressed that any review of the size and composition of the Executive Board in the IMF and consequently in the IMFC must aim for better representation of developing countries, particularly LICs, including by considering a third chair for sub-Saharan Africa in the IMF.

15. Ministers reaffirmed that the overarching mission of the World Bank must remain poverty reduction. They agreed that new global challenges and the diversity of country circumstances have added to the complexity of this core mandate. They welcomed the discussion of the Bank's role in the aftermath of the crisis. Ministers concurred that the Bank had an important role to play in mitigating the after-effects of the crisis, including the loss of jobs and the setbacks in the attainment of the Millennium Development Goals. They concurred with the five post-crisis priorities identified by the Bank, but the key test will be the increased scale and effectiveness of support. Ministers emphasized that the World Bank Group should be guided by complementarity rather than exclusivity and that selectivity and the division of labor among MDBs be ultimately driven by individual country demands. They also underscored the importance of enhancing World Bank Group support to south-south trade, investment, and cooperation. Ministers urged the Management of the World Bank to assess and meet the financial and technical assistance needs of all developing countries solely on the basis of economic and development merits.

16. Ministers expressed appreciation for the increased lending by the World Bank and the other multilateral development banks in the face of the crisis. However, they expressed concern

that the capital increase proposed for IBRD is inadequate and would pose a severe constraint on post-crisis lending. The proposed nominal levels of lending are simply too small in terms of the overall development financing needs of countries beyond the crisis and the Bank's potential role in financing global public goods. Toward that end, Ministers called for a much larger capital increase for IBRD. Ministers noted that the very modest package proposed for IFC will constrain it even more in serving its clients, as it is already approaching the limits of its capacity and given that the package excludes a general capital increase. Ministers called for a much larger infusion of capital into IFC in order to enable it to play its developmental role.

17. Ministers took note of the proposed Phase II package to increase voice and participation of developing and transition countries (DTC) in the World Bank Group. They viewed the shift in voting power of at least 3 percent to DTCs as a first step toward the goal of equitable voting power. They noted, however, that a large number of DTCs would be negatively affected by the proposed package, in part because it does not take into account the contributions of DTCs to the Bank's development mandate.

18. Ministers stressed that sustained and ambitious actions to redress the democratic deficit in the governance structure are crucial for the legitimacy and effectiveness of the World Bank. A robust dynamic formula, which captures the evolving economic weight of countries and the contributions made by DTCs to the development mandate of the Bank including by borrowers and clients, is needed as guide to long-term reform. Ministers supported a process of regular reviews of shareholding. They believed that the next review should take place on an ambitious time frame and should result in parity of voting power between developed and developing countries.

19. Ministers reiterated their call that the Heads of the IMF and the World Bank must be chosen solely on the basis of an open, transparent, merit-based process without regard to nationality beginning with the next elections. The same should apply to the selection of Senior Management with due regard for regional diversity. They also called for broader diversity among staff – by nationality, gender, education, and experience – and in particular to address severe underrepresentation from some regions and countries.

20. The next meeting of the G-24 Ministers is expected to take place on October 8, 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-third meeting in Washington, D.C. on April 22, 2010. Mr. Guido Mantega, Minister of Finance of Brazil was in the Chair, with Mr. Pravin Gordhan, Minister of Finance of South Africa as First Vice-Chairman, and Mr. Arvind Virmani, IMF Executive Director for India, as Second Vice-Chairman.

The meeting of the Ministers was preceded on April 21, 2010 by the ninety-fifth meeting of the Deputies of the Group of Twenty-Four, with Mr. Rogerio Studart, World Bank Alternate Executive Director, as Chair.

African Group: Karim Djoudi, Algeria; Denis N'Gbe, Côte d'Ivoire; Jean-Claude Masangu Mulongo, Democratic Republic of Congo; Ayman Alkaffas, Egypt; Sufian Ahmed, Ethiopia; Denis Meporewa, Gabon; John Kwakye, Ghana; Sanusi Lamido Sanusi, Nigeria; Mmakgoshi Phetla-Lekhethe, South Africa.

Asian Group: Anup K. Pujari, India; Mahmoud Bahmani, Islamic Republic of Iran; Nada Mufarrij, Lebanon; A. Hafeez Shaikh, Pakistan; Rosalia V. de Leon, Philippines; P. Nandald Weerasinghe, Sri Lanka; Adib Mayaleh, Syrian Arab Republic.

Latin American Group: Amado Boudou, Argentina; Paulo Nogueira Batista, Brazil; Alejandro Gamboa, Colombia; Sergio Recinus, Guatemala; Roberto Marino, Mexico; Julio Velarde, Peru; Ewart Williams, Trinidad and Tobago; Julio Viloria, Venezuela.

Observers: William Calvo, Central American Monetary Council; Kodzo M. Dossa, Central Bank of West African Countries; Abdallah Al-Saidi, G-77; Jassim Almannai, Arab Monetary Fund; Duo Xie, China; Yousef Al Bassam, Saudi Arabia; Rob Vos, UN-DESA; Maria Ducei, ILO; Mohammed Daïri, Morocco; Michael T. Clark, UNCTAD; Inés Bustillo, ECLAC; Mohammad Alipour-Jeddi, OPEC; Irfan Ul Haque, South Centre.

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

IMF Executive Board: Wafa Fahmi Abdelati

G-24 Secretariat: Amar Bhattacharya, Laura dos Reis, Ndzouli Mendouga
G-24 Research Coordinator: Jomo Sundaram

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

[1] Persons who sat at the discussion table.