

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

**COMMUNIQUE
OCTOBER 10, 2008**

1. Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their eightieth meeting in Washington D.C. on October 10, 2008. Mr. Jean-Claude Masangu Mulongo, Governor of the Central Bank of the Democratic Republic of Congo was in the Chair, Mr. Adib Mayaleh, Governor of the Central Bank of Syria, as First Vice-Chair, and Ambassador Marcos Galvão, Secretary in International Affairs, Ministry of Finance of Brazil, as Second Vice-Chair.

I. Global Financial and Economic Situation

2. Ministers noted that the world economy is facing its most difficult situation in years, against the backdrop of a deepening financial crisis that originated in mature markets. They observed that advanced economies are slowing markedly and some are already in recession. Ministers noted that continued strained financial conditions will dampen global growth prospects. Ministers called for a comprehensive response to address the strains in financial markets and restore market confidence. They considered it essential to address the deep-rooted weaknesses in risk management and regulation in advanced countries' financial sectors that led to excessive risk-taking and speculation. In this connection, Ministers underscored the need for fundamental reform of the regulatory and supervisory framework as well as clearer accounting rules and transparency.

3. Although developing countries as a group have so far been relatively resilient in the face of the present shocks on account of solid fundamentals and sound policies, coupled with financial buffers built-up over recent years, Ministers noted that many emerging markets and developing economies are not immune to the spillovers of the ongoing global financial crisis, with some countries more affected than others. They expressed concern about financial contagion spreading to several emerging market economies in the form of reversals in capital inflows, increased funding costs, and shifts in investor sentiment unrelated to fundamentals.

4. Accordingly, Ministers considered that preventing macroeconomic volatility from financial spillovers and sustaining continuous growth were key priorities for developing countries. They called for flexibility with regard to fiscal and monetary policies in the short-run to soften the impact of these external shocks on their economies as country circumstances warrant, while reaffirming their continued commitment to prudent policies. Moreover, they noted that the balance of risks in many countries is shifting as inflation risks have begun to recede and downside risks to growth have intensified.

5. In order to help reduce developing countries' vulnerability to crises, including from contagion, Ministers saw the need to move expeditiously to put in place new instruments to help prevent or deal with crises. They noted that the introduction of a liquidity facility is long overdue. They called on the IMF to establish a new liquidity instrument well before the 2009

Spring Meetings, based on work outlined by the IMF and further proposals by member countries. At the same time, in order to adequately meet the needs of members, Ministers called for a substantial increase in the level of access to IMF resources, for the streamlining of conditionality, and for a review of financing terms in the use of Fund resources.

6. While energy and commodity prices are down from their all-time highs, Ministers noted that they are likely to remain high by historical standards. They underscored that increased biofuels production in advanced countries supported by subsidies, mandates and tariffs on imports, speculative activities and increased production costs have boosted food prices. Ministers expressed concern about the severe impact that high food and fuel prices is having on the balance of payments, budgets and domestic prices of developing countries, especially the poor. Ministers observed that present circumstances add urgency to resuming talks and achieving a successful pro-development conclusion of the Doha Round, and urged developed countries to eliminate subsidies and trade barriers, including on biofuels, that are hurting the agricultural sector and the poor in developing countries.

7. Ministers underlined the need for the international community to assist the poorest developing countries to cope with these shocks through stepped-up assistance. They stressed that such assistance should be additional to current ODA flows. They welcomed the provision by the IMF of additional financial assistance to 15 affected countries through the Poverty Reduction and Growth Facility (PRGF), and the reform of its Exogenous Shocks Facility (ESF). However, they deemed the assistance to affected countries through the PRGF as insufficient and granted with too much delay. They called for further revisions of the ESF in the framework of the overall review of the IMF's financial instruments with a view to increasing the level of access and streamlining conditionality. They welcomed the broad endorsement of the World Bank Group's "New Deal on Global Food Policy" and the establishment of the new \$1.2 billion rapid financing facility, and encouraged swift implementation of the soon to be established "Energy for the Poor Initiative." Ministers reiterated their call on the international community, in particular the World Bank and the IMF, to extend stronger and more timely financial support to fragile states and post-conflict countries to help them meet their enormous humanitarian and reconstruction needs and to rebuild and strengthen their institutional and administrative capacity. To be effective, this assistance needs to be provided on highly concessional terms and with utmost flexibility and predictability.

8. Ministers emphasized that joint multilateral efforts and active policy coordination will be crucial to deal with these crises and avoid a protracted deterioration in financial and economic conditions in the world economy. In particular, they stressed that the IMF has an important role to play in forging a multilateral response to the financial crisis and in guiding financial system reforms in the aftermath of the crisis. Ministers reiterated their call for stronger surveillance of advanced economies policies and financial systems by strengthening the analysis of macro-financial linkages and their spillover effects and by extending the IMF's vulnerability exercise to these economies. Ministers also observed that the crisis and the interventions that have followed represent a shift from accepted paradigms, and called on the IMF and the World Bank to evaluate lessons and implications for their policy advice.

II. Reform in the Bretton Woods Institutions

9. Ministers observed that the current economic crisis points to the urgent need to reinvigorate the multilateral system and reflect the realities of the global economy in the economic governance of international institutions. In this regard they welcomed the call by President Zoellick for a new multilateralism that goes beyond the traditional focus on finance and trade to encompass the pressing global challenges of development, energy and climate change. As the G-24 has stressed for many years, such multilateralism can only emerge if there is an expanded consultation process between developed and developing countries and a more balanced governance structure including in the Bretton Woods institutions. In this context, Ministers discussed the proposals on Voice and Representation in the World Bank.

10. Ministers welcomed and strongly endorsed an additional Chair for Sub-Saharan Africa at the World Bank Group's Board by adding a 25th Executive Director position, that would substantially reduce the number of countries represented by each elected Executive Director from the region, and hence reduce their burden. Ministers contend that this was a long overdue step to redress the imbalance in representation at the Board for a continent that is central to the Bank's efforts to eliminate poverty and meet the Millennium Development Goals. Ministers called for a final decision at these meetings and immediate implementation of this reform.

11. Ministers noted that, although insufficient, the doubling of basic votes will help to increase the voting power of the smallest members and of large constituencies, and took note of the proposal to mitigate the dilution in voting power of larger developing and transition countries (DTCs) through the use of unallocated shares. They asked that these unallocated shares be provided in a sufficient magnitude and on a fully callable basis to prevent a dilution in the voting shares of individual DTCs as a result of the increase in basic votes. Ministers underlined that the proposed increase in basic votes together with a limited offset for larger DTCs constitutes a very modest step in redressing the fundamental imbalance in the voting power in the World Bank.

12. Ministers expressed disappointment that agreement could not be reached on a meaningful increase in the voting power of DTCs as a whole, which is the most critical goal to enhance voice. They observed that the proposal to increase the basic votes in the first phase and to realign shareholding in the second have cross-implications and would affect the availability and flexibility of options. Ministers underscored that the broader objectives and wider contours of the reform process that are needed in this institution must not be sacrificed through a piece-meal approach. They stressed therefore that work and discussions on realignment of voting shares should be undertaken expeditiously.

13. Ministers underscored that the goals need to be more ambitious and criteria for reform different from the IMF, given the World Bank's development mandate. Ministers stressed two key overarching principles to reform voice and representation in the World Bank based on the Bank's development mandate and the democratic deficit in its present governance structure. First, Ministers noted that the voting shares in the Bank need to recognize the evolution that has taken place and will continue to take place in the relative weights in the world economy, with a rising share of DTCs as a whole and for dynamic economies in particular. GDP at purchasing

parity prices is the right metric to reflect the relative weights on a comparable basis particularly given the development focus of the Bank. Second, Ministers also noted that voting shares and participation in decision-making more broadly need to reflect the Bank's development mission and primary focus on developing countries. More than 87 percent of the world's population and the predominant proportion of the poor live in developing and transition countries. DTCs are the sole borrowers and recipients of Bank assistance including its advisory services. They are also playing an increasingly major role in contributing to global development and to the Bank's business through the generation of net income for IBRD and IFC, growing South-South cooperation and sharing of development experiences, and through direct and indirect support for IDA. ODA contributions could be taken into account but based on countries' development stage and circumstances.

14. Ministers noted that the sheer imbalance in these elements calls for parity in the voting shares between developed and developing countries as a minimum goal. They underscored that without a major reform in its governance structure, the World Bank will not achieve the legitimacy, relevance, and effectiveness needed to reach its potential in the fight to eradicate poverty. Moreover, given the overall goal of raising voice and representation of developing and transition countries, Ministers emphasized that the realignment of shares should not come at the expense of other developing countries. Ministers reaffirmed the role of the IDA Board, where developing countries are more fully represented, as IDA's main policy making body .

15. Ministers emphasized that the selection of the next President of the World Bank and the next Managing Director of the IMF should be conducted through a competitive, transparent, and merit-based selection process, irrespective of any geographical preference. They welcomed that, for the first time, the Chairman of the IMFC has been selected from a developing country.

16. Although the focus is currently on the World Bank, Ministers stressed the importance of a firm commitment to a continued process of reform in the IMF as called for in the resolution of the Board of Governors. Ministers stressed that a key objective must be a meaningful further increase in the voting power of developing countries. In order to provide a sound basis for this next phase and for longer-term reforms, they called on the IMF to complete the necessary technical work to improve the measures of openness and variability and to reflect the revised variables in the quota formula expeditiously.

17. Ministers looked forward to the outcome of the ongoing discussions on strengthening IMF governance and called for broader actions to enhance the voice of developing countries in the decision making processes of the IMF. They reiterated their concern that downsizing may have undermined the IMF's ability to meet member needs and deliver on its core mandate. They also called for enhanced efforts to mobilize the external financing needed to support its technical assistance activities and underscored the importance of preserving the capacity of the PRGF Trust to assist low-income countries.

III. Development and Climate Change

18. Ministers recognized that climate change is a global challenge that requires the widest possible cooperation amongst all countries to reach an effective and appropriate international response, based on common but differentiated responsibilities and respective capabilities. They emphasized that, while the World Bank Group (WBG) can play an important role without diverting from its development mandate, the UNFCCC and its Kyoto protocol should remain the central multilateral framework for cooperative action to address climate change, and that the financing of climate actions should be guided by the provisions contained in articles 3 and 4 of UNFCCC.

19. Ministers welcomed the adoption of the Strategic Framework on Development and Climate Change, which articulates the WBG's response to the development challenges posed by climate change. They valued the efforts made to engage and consult with developing countries and emphasized that this engagement should be strengthened further in the implementation phase.

20. Ministers highlighted that while developing countries, especially the poorest countries and communities, have contributed little to global warming, they will disproportionately bear the negative effects of climate change. In this context, they urged the WBG to give special attention to adaptation to climate variability, mobilizing incremental resources and financing stand-alone adaptation projects.

21. Ministers underscored the commitments made by developed countries to provide new, additional and predictable financial resources to help developing countries address the consequences of climate change. In this context, they welcomed the recent launch of the Climate Investment Funds (CIF), as an interim measure, and called on the World Bank Group to give increased attention to mobilizing resources for adaptation. They stressed that provision of additional resources is critical in particular to finance the difference between climate-friendly and least-cost project options. In this context, they emphasized the need for stronger commitments and multilateral monitoring to ensure additionality against a defined baseline, such as IDA15. They acknowledged the scope for innovative and market-based financing approaches, but underscored that they cannot substitute for the much needed direct access by developing countries to concessional funding.

22. Ministers emphasized that technology development, transfer and its financing aspects are a critical part of the global agenda under the Bali Action Plan and the Bank should play a proactive and prominent role in all aspects, including on collaborative research on technology development and support of economically viable technologies.

23. Ministers stressed that energy access remains of paramount importance for pursuing economic growth and poverty eradication in developing countries. In this context, they recognized the importance of supporting the supply of both traditional and renewable energy based on country demand and preferences. They underscored that promoting energy efficiency

through better domestic incentives and country-led strategies represents a “low hanging fruit” and a *win-win* approach to enhancing energy access while reducing emissions.

IV. Financing for Development

24. Ministers noted that the upcoming International Conference on Financing for Development hosted by the Government of Qatar provides an important opportunity to reaffirm and reinforce the commitments made in Monterrey in 2002 at a crucial juncture in international efforts to meet the Millennium Development Goals. Ministers observed that the environment for financing for development had improved over the past six years primarily due to a significant improvement in domestic savings of developing countries, but also because of a sustained expansion in world trade, record private capital flows, higher remittances, a reduction in debt burdens especially for the heavily-indebted poor countries, and a reversal in official development assistance from earlier declines. Ministers expressed concern that financing conditions are likely to be much more difficult on account of the financial crisis and the associated economic downturn. In addition new challenges have emerged including the impact of higher food and fuel prices and the looming challenge of climate change with major additional financing requirements.

25. While detailed discussions on the draft outcome document are underway in New York, Ministers highlighted a number of areas where the Doha conference can contribute to tangible outcomes. Ministers believe that it will be important to seek a firm commitment to address the weaknesses in the global financial system through fundamental reform of the international financial architecture and improved instruments to assist developing countries in the face of potential instability.

26. Ministers stressed that the delivery of timely and truly additional aid is critical to enable the poorest countries meet the Millennium Development Goals, revitalize agriculture and redress large infrastructure deficits. It is imperative therefore that the donor community meets its commitment to double aid resources to Africa and raise overall aid disbursements to \$130 billion by 2010, and that all donors meet the internationally agreed ODA target of 0.7 percent of GNI. Ministers reiterated their commitment to enhanced South-South cooperation to help accelerate development especially in the poorest countries. Ministers welcomed the Accra Action Plan and called on donors to accelerate their commitments to the aid harmonization and alignment agenda with even greater ambition.

27. Ministers stressed the urgency of resuscitating the WTO trade talks with tangible commitments by developed countries to eliminate agricultural subsidies and improve market access. Ministers asked that the Doha meeting secure a firm commitment to mobilize the new, additional and predictable financing needed to help developing countries address the consequences of climate change. Ministers supported the call for strengthening international cooperation on tax matters building on steps already taken. Finally, Ministers believe that the Doha conference should reinforce the political commitment to redress the inequities in global economic governance. Ministers expressed their willingness to work with other stakeholders in

achieving these goals and called on the Bank and the Fund to engage fully in ensuring a successful outcome at the Doha meeting.

V. Other Matters and Place and Date of Next Meeting

28. Ministers welcomed the final draft report of the G-24 Committee on Administrative Matters and the findings of the independent evaluation and, following consultations with members, asked the Bureau to make recommendations on both reports for approval by the Group.

29. The next meeting of the G-24 Ministers is expected to take place on April 24, 2009, in Washington, D.C. The Group welcomed South Africa as the next Second Vice-Chair.

LIST OF PARTICIPANTS¹

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their eightieth meeting on October 10, 2008 in Washington, D.C. Mr. Jean-Claude Masangu Mulongo, Governor of the Central Bank of the Democratic Republic of Congo was in the Chair, with Mr. Adib Mayaleh, Governor of the Central Bank of Syria, as First Vice-Chair, and Ambassador Marcos Galvão, Secretary of International Affairs, Ministry of Finance of Brazil, as Second Vice-Chair.

The meeting of the Ministers was preceded on October 9, 2008, by the ninety-second meeting of the Deputies of the Group of Twenty-Four, with Mr. wa Bilenga Tshishimbi, Senior Advisor to the Governor of the Central Bank of the Democratic Republic of Congo, as Chair.

African Group: Karim Djoudi, Algeria; Kablan Yao-Sahi, Cote d'Ivoire; Joseph Mukania Kabwe, Democratic Republic of Congo; Mahmoud Mohieldin, Egypt; Sufian Ahmed, Ethiopia; Hervé Nzé Nong, Gabon; Paul Acquah, Ghana; Chukwuma Soludo, Nigeria; Trevor Manuel, South Africa.

Asian Group: Ashok Chawla, India; Seyed Shamseddin Hosseini, Islamic Republic of Iran; Mohammed Chatah, Lebanon; Shaukat Tarin, Pakistan; Margarito Teves, Philippines; Sarath Amunugama, Sri Lanka; Maya Choueiri, Syrian Arab Republic.

Latin American Group: Carlos R. Fernández, Argentina; Ronaldo Cavalcante, Brazil; Carolina Renteria, Colombia; Antonieta Bonilla, Guatemala; Roberto Marino, Mexico; Julio Velarde, Peru; Karen Nunez-Tesheira, Trinidad and Tobago; Armando Leon, Venezuela.

Observers: José Alfredo Blanco-Valdés, Central America Monetary Council; Abdul Aziz Al Hinai, IsBD; Jassim Al Mannai, Arab Monetary Fund; Sultan Al-Suwaidi, United Arab Emirates; Gang Yi, China; Yousef Al-Bassam, Saudi Arabia; Said Aissi, OFID; Mohammad Alipour-Jeddi, OPEC; Manuel F. Montes, UN-DESA; Juan Somavia, ILO; Karim El Aynaoui, Morocco; Heiner Flassbeck, UNCTAD; Inés Bustillo, UN ECLAC; Irfan Haque, South Centre Geneva.

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

IMF Executive Board: Mohammed Daïri; Huayong Ge

World Bank Executive Board: Tariq Alhaimus; Sid Ahmed Dib, Nada Mufarrij

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.