how to make the process of IMF lending less invasive and more cooperative.

The G-24 had a significant role in pressing the IMF to reform the distribution of quotas and voting shares in 2008. The reforms included both a modest shift in quotas toward rapidly growing emerging markets and an increase in basic votes, the number of votes that each country has without regard to its size. The increase in basic votes has helped to ensure that the smallest and poorest countries have a meaningful voice in the governance of the institution.

A major ongoing issue in the 21st century is the continuing need for official financing for development. The G-24 was active in the 2015 formulation of the Addis Ababa agenda, forging a link between UN officials and finance ministers and governors to provide a sense of the magnitude of development financing needs, especially for infrastructure, and advocating for a stronger role for the World Bank and other multilateral development banks. Going forward, the group has an essential role in furthering the achievement of the Sustainable Development Goals and the 2030 agenda.

The creation of the Group of Twenty in 1999 as a steering committee for international financial and other policies fundamentally changed the system within which the G-24 operates. Discussions within the G-20 are not limited to the large advanced economies. The group includes six of the largest emerging markets that also participate in the G-24: Argentina, Brazil, China, India, Mexico, and South Africa. Those countries are no longer on the outside, and the membership of important groups overlaps. Small developing countries, including the poorest, remain outside and express their interests and needs primarily through the G-24. The necessity of a strong voice for the G-24 is therefore just as great in the complex system of the 21st century as it was before.

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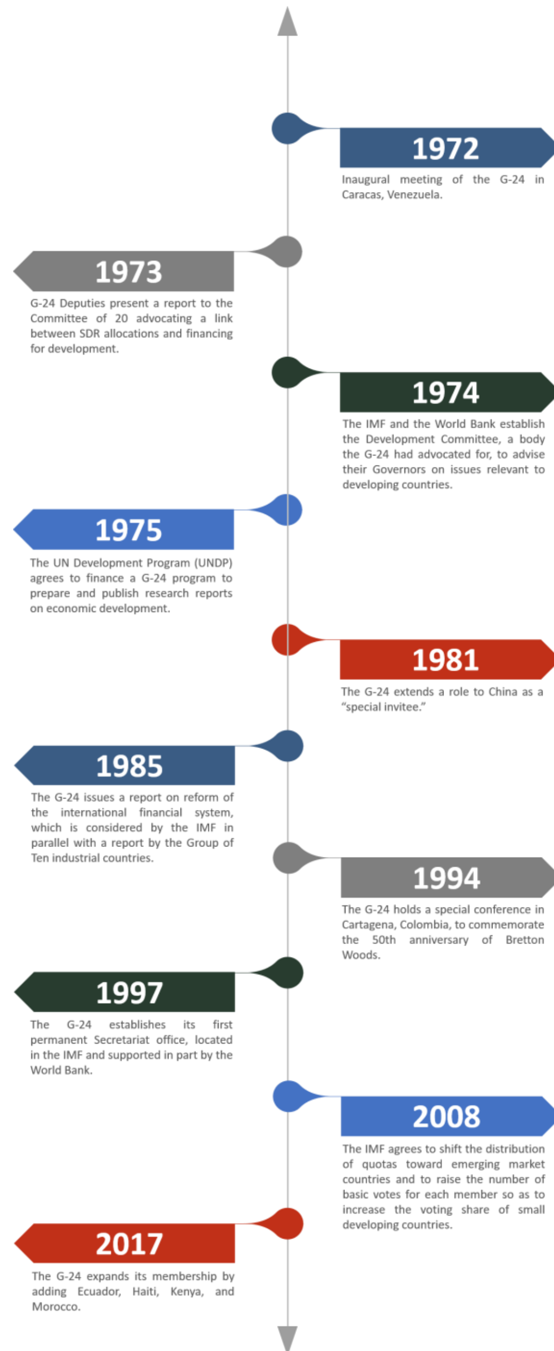
G-24 Timeline



Celebrating 100 G-24 Ministerial Meetings

Bali, Indonesia | October 11, 2018

A Brief History of the G-24

The Intergovernmental Group of Twenty-Four on International Monetary Affairs (G-24) emerged from the ashes of the dollar-based financial system set up at Bretton Woods, New Hampshire, during World War II. In the fall of 1971, the Bretton Woods system was collapsing. The U.S. dollar was still the dominant currency, but the German mark, the Japanese yen, and the British pound sterling were competing for attention. The United States had formally ended the convertibility of the dollar into gold. Deeper economic shifts were on the horizon, including the advent of the economic power of fuel-exporting developing countries. The system would have to be reformed: but how, and by whom?

By 1971, developing countries had already made some inroads into discussions about international economic policy, particularly on trade, through the formation of Group of 77 (G-77) and the United Nations Conference on Trade and Development (UNCTAD). That November, at its annual meeting in Lima, Peru, the G-77 decided to form a small but representative committee to study and make recommendations on international financial policy. That led to the formation of the G-24, which held its first ministerial meeting in Caracas, Venezuela, in April 1972. Some 46 years later, the G-24 is holding its 100th ministerial meeting in Bali, Indonesia.

The goal of influencing the evolution of the international financial system has always been difficult for developing countries, because the system has been controlled primarily by the large advanced economies. Despite the difficulties, the G-24 has had notable successes.

In the early 1970s, the Group of Ten central banks was still the dominant group. To supplement U.S. dollars as a reserve currency, the G-10 had initially proposed creating a new international currency that would circulate only among its own members. Under pressure from developing countries, the major countries agreed instead to create the Special Drawing Right (SDR) as an international financial asset for all countries that were members of the IMF. Over the subsequent decades, the G-24 kept up the pressure for the IMF to create more SDRs and to enable their use for development. Today, developing countries hold about $70 billion of SDRs as reserves and have borrowed about $30 billion of SDRs to finance payments deficits and aid economic development.

In the mid-1970s, the major systemic issue was the transformation of the Bretton Woods system of fixed exchange rates into a more flexible system in which each country could choose how to manage its own rate. Developing countries had an interest in ensuring that this process would not lead to instability in rates among key currencies, because that would leave them vulnerable to international payments and debt crises. The Committee of Twenty, which was charged with reforming the system from 1972 to 1974, included 11 members from developing countries, one of which—Ali Wardhana, the minister of finance in Indonesia, was selected to chair the committee. Importantly, the C-20 was instructed to operate by consensus, not by weighted voting. That structure, which guaranteed that ministers from developing countries would not be outvoted by members from rich nations, has carried over to the C-20's successors, the Interim Committee (1974-99) and the International Monetary and Financial Committee (IMFC, since 2000).

The G-24 continued to offer a counterweight to the G-10 in the 1980s. After the yen and the dollar each went through large exchange-rate swings, the G-10 undertook an examination of the problem and asked the IMF to make

> *"The purpose of the Meeting was to establish the position of the developing countries on the several fundamental issues concerning the reform of the international monetary system..."*
>
> *- First Communiqué, April 1972*

recommendations. The G-24 issued a companion report with suggestions for changes that could help stabilize exchange rates and reduce global imbalances in international payments. The G-24 recommendations included making greater use of exchange market intervention and setting target ranges for key exchange rates. The IMF Executive Board discussed (and published) both reports together. Resistance from some large countries prevented the adoption of target zones, but the effort did lead to a greater acceptance of the need to avoid large speculative movements in rates.

One of the most significant consequences of the work of the G-24 has been the evolution of the IMF into a major source of lending to developing countries. In the early years of IMF lending, the Fund's focus on short-term lending made it unsuitable for helping countries with persistent financial shortfalls. In the 1970s, the G-24 helped persuade the IMF to establish and strengthen lending operations designed specifically for developing countries. By the end of that decade, almost all IMF lending was to developing countries and emerging markets.

The task of adapting IMF lending to meet the needs of developing countries has been an ongoing challenge. In response to analyses and appeals by the G-24, the IMF has gradually increased its ability to make longer-term loans on concessional terms to qualifying countries. That shift began with the Trust Fund in the 1970s and reached its apex with the establishment of the Poverty Reduction and Growth Facility (PRGF) in 1999. Since then, pressure from the G-24 has helped the IMF make further refinements in its toolkit for helping developing countries, especially those with very low per-capita incomes. Discussions continue on