

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

**COMMUNIQUE  
APRIL 11, 2008**

1. Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their seventy-ninth meeting in Washington D.C. on April 11, 2008. Mr. Jean-Claude Masangu Mulongo, Governor of the Central Bank of the Democratic Republic of Congo was in the Chair, Mr. A. Shakour Shaalan, Executive Director at the IMF representing Syria, as First Vice-Chair, and Ambassador Marcos Galvão, Secretary of International Affairs, Ministry of Finance of Brazil, as Second Vice-Chair.

**I. Global Financial and Economic Situation**

2. Ministers noted that the meeting took place at a time of unprecedented turmoil in global financial markets and a significant downturn in economic growth and major uncertainty regarding global economic prospects particularly in advanced countries. They observed that the world economy is entering a difficult phase, and were concerned that the vulnerability of the global financial system may lead to a downward spiral in credit and growth. They stressed the importance of decisive policy actions on the part of advanced countries to address the present economic and financial crisis and to strengthen the regulatory and supervisory framework and improve its effectiveness in order to put the global financial system on a sounder footing and promote sustained global growth.

3. Ministers noted that emerging market and developing countries have been broadly resilient so far, supported by solid fundamentals, sound policies and financial buffers built-up over recent years. Although emerging markets will continue to play an important role in stabilizing the global economy, Ministers expressed concern that unfolding events and downside risks could have important spillovers on emerging market and developing countries including greater inflationary pressures, potential for large short-term capital inflows and reversals, downturn in export demand, and turbulence in stock markets. They reaffirmed their commitment to continued prudent policies and to further reduce vulnerabilities. They noted that emerging market and developing countries will need flexibility with regard to fiscal and monetary policies to soften the impact of exogenous shocks on their economies, and stronger regulation and supervision to improve the resilience of their financial system.

4. Ministers underlined the need for developed countries to assist the poorest developing countries to cope with spillover effects from recent events through stepped-up assistance. They stressed that such assistance should be additional to current ODA flows. They expressed their concern about the severe impact of high food prices on the population of developing countries and especially the poor. They called on the World Bank to step up its policy and financial support to countries negatively affected by high energy and food prices and for the IMF to stand ready to assist countries with balance of payments needs under the Exogenous Shocks Facility. Ministers welcomed the proposal by the President of the World Bank for a “New Deal for a Global Food Policy” to combat world hunger and malnutrition through a combination of

emergency aid and long-term efforts to boost agricultural productivity in developing countries and called on donors to provide the needed assistance to the World Food Program. They also called for a firm commitment to eschew protectionist measures. Ministers observed that present circumstances add urgency to achieving an ambitious pro-development conclusion of the Doha Round, and urged developed countries to eliminate subsidies that are impeding agriculture in developing countries.

5. Ministers noted that active policy coordination and international cooperation are critical to prevent the emergence of a larger crisis and agreed that the IMF has an important role to play in forging a cooperative response to the present crisis and in the redesign of the global financial architecture. Ministers stressed that the IMF needs to urgently improve its surveillance of advanced economies, by strengthening its analysis of macro-financial linkages and their spillover effects on other economies. The IMF also needs to extend its vulnerability exercise to advanced economies in order to provide early warning signals of emerging risks.

6. Ministers saw the need to move rapidly to put in place a new financial liquidity instrument to facilitate the integration of developing countries into the global economy and help reduce their vulnerability to the unforeseen effects from mature markets. They called on the IMF's Board to consider a proposal in this direction before the upcoming Annual Meetings. Ministers recognized that while emerging market and developing countries stand to benefit from globalization, they are also exposed to higher risks. Accordingly, and to increase the relevance of the IMF in helping to address these risks, Ministers called for a very substantial increase in the regular cumulative access to IMF resources. They urged the IMF's Executive Board to reach a decision expeditiously on such enhanced access, no later than the 2008 Annual Meetings.

## **II. Reform in the Bretton Woods Institutions**

7. Ministers reiterated the paramount importance of redressing the severe democratic deficit in the governance of the Bretton Woods Institutions and reflecting adequately the changing economic realities. They stressed that parity in the voting structure between advanced and developing countries has to be a firm and binding goal for both institutions.

8. Ministers noted that the proposed package of reforms for the IMF put forward to Governors entails some first positive steps including the introduction of a simplified and forward-looking formula, the introduction of GDP PPP and a compression factor, the tripling of basic votes and an additional Alternate Executive Director for the large African constituencies. They underlined, however, that the proposed package only begins to redress the fundamental imbalance in the governance structure. They welcomed the increase in the voting shares of emerging markets whose relative roles in the world economy have increased most rapidly. Ministers underscored, however, that the shift in voting structure and in quota shares to developing countries was still insufficient. Also, major distortions in the measures of openness and variability that are to the detriment of most developing countries still have to be addressed.

9. Ministers stressed therefore the critical importance of a firm commitment to a continued process of reform as indicated in the Executive Board's Report to the Board of Governors. They called for further realignments of members' quota shares in the context of future quota reviews

beginning with the Fourteenth General Review of Quotas irrespective of liquidity considerations. 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 it in the quota formula by the time of the 2009 Annual Meetings. They also stressed that the present imbalance in the voting structure will persist for some time. Ministers reiterated their call for a review of decision rules that would foster greater consensus in decision making.

10. Ministers welcomed the consensus achieved in addressing the income problem in the IMF. They expressed the hope that the ongoing refocusing and downsizing would not undermine the IMF's ability to deliver on its core mandate and to meet members' needs. They underlined the importance of bilateral surveillance and capacity building and cautioned against excessive streamlining and charging for technical assistance for developing countries. They encouraged the IMF to strengthen its efforts at mobilizing external financing for its technical assistance activities. Ministers underscored the importance of preserving diversity and maintaining the reputation of the IMF as a competitive and attractive workplace. They highlighted the importance of preserving the capacity of the PRGF Trust to assist low-income countries.

11. Ministers believe that it is important to push forward now with reforms within the World Bank Group. They noted that the criteria for World Bank reform should reflect its distinct development mandate while learning from the experience with voice and quota reform in the IMF. In particular the goals and the timeframe should be more ambitious for the World Bank given that it is a development institution. Ministers stressed that there is an urgent need to achieve parity between developed and developing countries in the voting structure and to give greater voice to the poorest countries without diluting the relative voting power of any developing country. As a start, a tripling of basic votes (or an equivalent increase in membership shares) together with a meaningful shift in shares to both low- and middle-income countries reflecting their role as clients and the changing economic and demographic balance should be a minimum goal in the IBRD.

12. Ministers also called for other complementary actions to improve voice and governance in the World Bank including consideration of an additional chair to enhance the voice of large African constituencies while preserving those of other developing countries, better representation of nationals of developing countries at top management levels, reform of the selection process for the Heads of the institutions and ensuring that normal governance arrangements are not undermined by donor-driven financing mechanisms.

### **III. Climate Change and Development**

13. Ministers noted that recent findings have underscored the heightened risks posed and the urgency of collective actions to address climate change. They agreed that an effective response must encompass both mitigation of climate change and adaptation to its inevitable consequences. They stressed however, that in line with the principle of common but differentiated responsibilities, these cooperative actions need to be equitable taking into account the low historical contribution and still much lower per capita energy use by developing countries, the

much more adverse impact on them from climate change, and their unmet development needs. Ministers noted that a meaningful approach on climate mitigation and adaptation will require large and unprecedented amounts of financing, and most of it on grant terms. They stressed that a mere reallocation of existing development financing would be inadequate and unacceptable. Nor could private sector resources alone meet the scale or range of financing needs.

14. Ministers welcomed the work and discussions that have been initiated on the Strategic Framework on Climate Change and Development for the World Bank Group and called for close engagement of and consultation with developing countries in the process going forward.

15. Ministers noted that the UN is the appropriate body for broad policy setting and agreements. They stressed that the World Bank is a development institution with the core mission of economic growth and the removal of poverty in developing countries. Consequently while the World Bank Group has an important role on the climate agenda, this should be in line with its development mandate and country-based approach. Ministers agreed with the three proposed strategic objectives for the Bank—priority of economic growth and poverty reduction; increased access to energy for developing countries; and adaptation to climate variability—and with the principles that country ownership and client demand must be the driving forces for Bank engagement and that climate actions must result in tangible benefits for developing countries. Ministers emphasized that climate actions should not result in constraining the access of developing countries to energy or diminishing their development options.

16. Ministers noted that in scaling up the use of existing mechanisms for climate change related actions, the Bank must ensure that its resources are not diverted from its core development objectives, and that the costs of doing business with the Bank is not allowed to increase. Ministers agreed that the Bank is uniquely positioned to design and mobilize funding mechanisms to ensure that developing countries are fully compensated for the difference between climate friendly and least cost approaches to development. But they stressed that the funding mechanisms that the Bank puts together should be consistent with its country-based model and own governance arrangements and not lead to the creation of parallel donor-driven climate change strategies. In particular Ministers suggested that the governance structure of these funding mechanisms could be on lines similar to that of the Adaptation Fund under the UNFCCC process. They agreed that the IFC may have a role in the climate change agenda, but this role should not be undertaken at the expense of other equally important development impact considerations in the IFC's business.

17. Ministers underlined that, without the transfer of cost-effective, efficient and affordable technologies, including clean fossil and biofuel technologies, it will not be feasible for developing countries to pursue effective climate change strategies. Ministers stated that the Bank can play an important role through capacity building, fostering knowledge sharing and dissemination including through south-south mechanisms, supporting indigenous development of climate-relevant technologies, and by establishing mechanisms to assist developing countries in adopting such technologies.

18. Ministers noted that the IMF will continue to contribute to understanding and dealing with the fiscal challenges from climate change through its bilateral surveillance and technical

assistance work. However, Ministers emphasized that the IMF's work in this area should be mainly demand-driven, focused on countries where the impact of climate change on external stability is significant, and facilitate the exchange of country-experiences.

#### **IV. Financing for Development**

19. Ministers noted that, although growth, investment and savings performance have improved significantly in all developing regions since the Monterrey conference in 2002, progress on two key commitments made by advanced countries—substantial increases in aid to support the MDGs and reform of the global financial architecture—has been disappointing. Ministers believe that the upcoming high-level meeting in Doha on Financing for Development provides an opportunity to reinvigorate the commitments made at Monterrey taking into account new challenges that have emerged since. Ministers took note that more than halfway to the 2015 target, sub-Saharan Africa was most at risk of not meeting the Millennium Development Goals.

20. While detailed discussions on the full range of issues are underway in New York under the UN General Assembly process, five goals will be particularly important from the perspective of the Group. First, Ministers believe that it will be important to seek a firm commitment to address the weaknesses of the global financial system through broad-based regulatory reform and improved instruments to assist developing countries in the face of potential instability. Second, Ministers called for the timely delivery of truly additional aid in line with the commitments made in 2005 to enable the poorest countries to accelerate progress towards the MDGs. In addition, steps to improve the quality of aid through better harmonization and alignment should be vigorously pursued with the Accra Forum in September 2008 providing an opportunity to review progress and priorities. Third, the Doha meeting must secure commitments for adequate and effective financing mechanisms to help developing countries meet their large infrastructure financing requirements taking into account the additional costs now imposed by or incurred due to the climate agenda. Fourth, Ministers believe that it will be critical to restore momentum on the Doha Round on trade through firm commitments to improve market access and eliminate subsidies on agriculture taking advantage of higher commodity prices. Finally, Ministers believe that it will be important to reinforce the political commitment to redress the inequities in global economic governance.

#### **V. Other Matters and Place and Date of Next Meeting**

21. Ministers welcomed the work of the Committee on Administrative Matters and looked forward to the final report and a discussion of the main issues at the Fall Meetings.

22. The next meeting of the G-24 Ministers is expected to take place on October 10, 2008, in Washington, D.C.

## LIST OF PARTICIPANTS<sup>1</sup>

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their seventy-ninth meeting on April 11, 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. A. Shakour Shaalan, Executive Director at the IMF representing Syria, as First Vice-Chair, and Mr. Marcos Galvão, Vice-Minister of Finance for International Affairs of Brazil, as Second Vice-Chair.

The meeting of the Ministers was preceded on April 10, 2008, by the ninety-first 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; Charles Diby Koffi, Cote d'Ivoire; Mawakani Samba, Democratic Republic of Congo; Mahmoud Mohieldin, Egypt; Dieudonné Nintunze, Ethiopia; Hervé Nzé Nong, Gabon; Kwadwo Baah-Wiredu, Ghana; Shamsuddeen Usman, Nigeria; Trevor Manuel, South Africa.

**Asian Group:** Y. V. Reddy, India; Tahmasb-Mazaheri, Islamic Republic of Iran; Nada Mutarrij, Lebanon; Mohammad Ishaq Dar, Pakistan; Gary Teves, Philippines; Ajith Nivard Cabraal, Sri Lanka; Maya Choueiri, Syrian Arab Republic.

**Latin American Group:** Martin Lousteau, Argentina; Maria Celina B. Arraes, Brazil; Leonardo Villar, Colombia; Julio R. Suarez, Guatemala; Javier Gusman, Mexico; Javier Silva-Ruete, Peru; Karen Nunez-Tesheira, Trinidad and Tobago; Jose F. Rivas, Venezuela.

**Observers:** Ugo Pinizza, UNCTAD; Amadou Boubacar Cisse, IsBD; Yisr Barnieh, Arab Monetary Fund; Sultan Bin Nasser Al-Suwaidi, UAE; Huayong Ge, China; Yousef Albassam, Saudi Arabia; Suleiman Al Herbish, OFID; Rob Vos, UN-DESA; Stephen Pursey, ILO; Karim El Aynaoui, Morocco; Inés Bustillo, ECLAC; Philippe-Henri Dacoury-Tabley, BCEAO; John M. Ashe, G-77.

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

**IMF Executive Board:** Ahmed Al-Nassar, Kossi Assimaidou, Goodwill Ukpogon

**World Bank Executive Board:** Sid Ahmed Dib, Shah Shuja

**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.

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<sup>1</sup> Persons who sat at the discussion table.