

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

**COMMUNIQUÉ  
OCTOBER 19, 2007**

1. Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their seventy-eighth meeting in Washington D.C., on October 19, 2007. Mr. Miguel Peirano, Minister of Economy and Production of Argentina, was in the Chair, Mr. Jean-Claude Masangu Mulongo, Governor of the Central Bank of the Democratic Republic of Congo as First Vice-Chair, and Mr. Adib Mayaleh, Governor of the Central Bank of Syria as Second Vice-Chair. The meeting focused on the following issues that are most of concern to the Group at this time.

**I. FINANCIAL MARKET TURBULENCE AND ECONOMIC OUTLOOK**

2. Ministers underlined that developing countries are a new driving force as well as a stabilizing factor in the world economy. They noted that the current turbulence so far has had only a limited impact on developing countries, reflecting the progress made in strengthening economic fundamentals. Ministers noted, however, that significant uncertainties persist in the outlook of the world economy and that the balance of risks appears to be on the downside. Ministers stressed the importance of vigilance in the face of these risks and of distilling lessons from the recent turbulence for transparency and appropriate regulation and supervision to manage systemic risks.

3. Ministers noted the vulnerability of the U.S. sub-prime mortgage market and its financial and real spillover effects. They underscored the need to improve the Fund's surveillance of advanced economies, putting as much focus in evaluating their vulnerabilities as it does in emerging market economies. Ministers called for evenhanded implementation of the 2007 Surveillance Decision recognizing that members have legitimate policy objectives in light of their particular circumstances and constraints. In the current financial context, Ministers also highlighted the importance of adequately addressing the potential impact of volatile capital flows and reaffirmed their commitment to prudent macroeconomic policies. In this respect they noted that emerging markets and developing countries would be in a better position to face this challenge if they could have more confidence in receiving timely multilateral financial support and reaffirmed their request to IMF Management to come forward expeditiously with a concrete proposal on a new liquidity instrument.

4. Ministers underlined that active policy coordination is critical to prevent the emergence of a larger crisis. They called for the full implementation of the policy plans agreed to under the multilateral consultation process and agreed that the Fund should stand ready to call for a second process.

5. Ministers expressed concern about the rising sentiment of protectionism in trade and investment in advanced countries and cautioned against measures that impede countries' integration into the global financial system. They underlined the importance and urgency of a successful conclusion of the multilateral trade negotiations and called upon the IMF and the World Bank to work with the WTO in making a strong case for the elimination of agricultural subsidies and improvement in market access by advanced countries.

## **II. VOICE AND REPRESENTATION**

6. Ministers reiterated the utmost importance of reaching agreement on a reform package to redress the legitimacy and democratic deficits in the Bretton Woods institutions that have eroded their effectiveness and public support. They took note of the extensive discussions that have taken place at the Fund since their last meeting and they concluded that the proposals tabled to date are disappointing and unacceptable as they fall far short of the reform's fundamental goals.

7. Ministers reiterated that a significant redistribution of voting power in favor of emerging market and developing countries as a group should be the overarching objective of the reform. They stressed that this redistribution should not be at the expense of other emerging market and developing countries.

8. Ministers agreed that a redistribution of quotas should be the direct outcome of a simple, transparent and robust formula that should stand on its own merits. They stressed that the reformed quota formula must meet the test of producing a significant increase in the calculated quotas of developing countries compared to their shares in actual quotas. The new quota formula should include a GDP blend with a strong component measured in purchasing power parity terms, correct the measure of variability and increase its weight relative to openness to better reflect vulnerability. It should also correct the measure of openness for intra-currency union trade and incorporate a compression factor to redress the economic size bias.

9. Ministers stressed the importance of implementing a regular process of quota reviews and actual adjustments independent of liquidity needs in order to reflect the rapid evolution of relative positions in the world economy. Ministers called for a sizeable second round quota increase so as to reduce the current overweight of advanced economies in the quota and voting structure.

10. In order to redress the democratic deficit at the BWIs, Ministers reiterated their call for at least a tripling of basic votes in order to enhance the voice of low-income countries. Furthermore, they called for consideration of a "double majority" rule for all policy decisions taken by the IMF.

11. Ministers called for strengthening the staffing resources available to those Executive Directors elected by a large number of members whose workload is particularly heavy, and for amending the Articles of Agreement to allow them to appoint

more than one Alternate Executive Director. Ministers also called for better representation of Africa and other highly underrepresented regions in the staffing and management of the BWIs.

12. Ministers noted that the process for enhancing the voice of developing countries in the Bank, while on a separate track, also needs to be expedited in line with the same principles and objectives. As far as IDA is concerned, Ministers called upon developed countries to assist low-income countries to take up their allocated subscriptions in IDA. Ministers also affirmed the role of IDA Board, where developing countries are more fully represented, as IDA's main policy-making body. While recognizing the enhanced contribution of middle-income countries to IDA through the very substantial increase in transfers from IBRD and IFC, Ministers stressed that such transfers should not in any way be considered as a substitute to the commitments by IDA donors.

13. Ministers reiterated the importance of reforming the process for the selection of the heads of the two institutions, with rules and practices that are merit based and promote broad geographic representation. Ministers urged both Boards of Directors to reach agreement on a new approach before the 2008 Spring Meetings. Ministers also endorsed the agreement to open the process and establish a term limit and geographic rotation in the appointment of the IMFC Chairman.

### **III. WORLD BANK GROUP'S LONG-TERM STRATEGY**

14. Ministers welcomed the six strategic themes that President Zoellick has proposed for the World Bank based on the work of the Long Term Strategic Exercise. Ministers agreed that inclusive and sustainable globalization is the central development challenge of the time, and the appropriate frame for reshaping the World Bank's long-term strategy. As the Group representing the Bank's client countries, Ministers look forward to engaging in the discussions on how to translate the broad strategy that is emerging into a concrete program of action.

15. Ministers observed that the World Bank Group should be structured as a development cooperative, with better coherence and synergies between the different parts of the Group. To support low-income countries and fragile states, Ministers called upon all IDA donors to raise the goal for IDA-15 in line with overall aid commitments made in 2005 and the pledge to more than double contributions by the Bank Group from the amount committed to IDA-14. Ministers called upon IFC to expand its support to the private sector in low-income countries especially in sub-Saharan Africa.

16. The Bank needs to improve and tailor its support to meet the major but differentiated development challenges and needs of middle-income countries. Ministers welcomed the recent steps to simplify and reduce IBRD loan pricing, but much more needs to be done to address the non-financial costs of doing business. In this regard the Bank needs to proceed vigorously with enhancing the use of country systems that would extend the development impact of the Bank's support to an entire sector or region. The Bank Group needs to reestablish itself as the pre-eminent source of financing and advice

for infrastructure development. The Bank should also continue to broaden the range of financial products including for risk management and local capital market development. The Bank Group will need to play a greater role in the provision of global and regional public goods, but this must be based on its comparative advantage and mandate, and in close cooperation with other multilateral organizations especially the UN.

#### **IV. THE CLIMATE CHANGE AGENDA**

17. Ministers welcomed the increased attention to the climate change agenda in recent months. Ministers stressed that any approach to climate change must take into account the fundamental issues of equity on energy access, climate mitigation and climate adaptation. In this regard, they noted that climate change arises mostly from the stock of past emissions which are primarily attributable to advanced countries. Furthermore, per capita carbon emissions in developing countries are a fifth on average of advanced countries.

18. Ministers emphasized that energy supply and services is critical for economic growth and improving living standards for all developing countries, including providing electricity to 1.6 billion poor people still living without electricity. Ministers noted that it is also clear that developing countries and especially the poorest countries and communities, which contribute little to global warming, are likely to suffer the earliest and hardest from climate change that appears to some extent unavoidable.

19. Ministers therefore stressed the need to develop and implement an approach that would produce effective and equitable outcomes. Based on the United Nations Framework Convention on Climate Change (UNFCCC) principle of “common but differentiated responsibilities and respective capabilities”, a new framework to reduce carbon emissions should be agreed upon by the time of the Bali UNFCCC conference in December 2007 and an eventual global agreement by 2009. Second, innovative and additional financing mechanisms are needed to expand energy supply and access, to support low-carbon policies and programs in developing countries and to finance the costs of adaptation. Third, greater international cooperation to develop and transfer low-cost technologies to developing countries would be critical to meet the challenges of both mitigation and adaptation.

20. Ministers called on the Bank to build on the progress made on the three pillars of the Bank’s Action Plan consistent with its core mandate of poverty reduction and economic growth. The development of all sources of clean and affordable energy should receive attention and support, and the Bank should assist its clients in enhancing energy efficiency and diversification of energy sources including commercially viable renewable energy. Ministers agreed that effective support by the Bank required a multi-sectoral approach involving agriculture, water, transport, forestry and other sectors in addition to energy. Ministers also encouraged the Bank, in line with the evolving international consensus, to explore innovative mechanisms such as the Environmental Transformation Fund and the two new facilities targeted for the post-2012 era to mobilize the large volumes of financing that will be needed. Ministers also supported a stepped-up program

in policy research and knowledge sharing, expansion of the Bank's work on adaptation and management of climate risks, and an enhanced role for the World Bank in technology development and diffusion. They called upon the World Bank to come forward with a proposal to establish a Consultative Group on Clean Energy Research to promote collaboration on both the supply of more efficient and cleaner energy technologies and on energy conservation.

#### **V. OTHER MATTERS AND DATE AND PLACE OF NEXT MEETING**

21. Ministers welcomed Mr. Zoellick as the new President of the World Bank and Mr. Strauss-Kahn as the new Managing Director of the IMF. They thanked Mr. Wolfowitz and expressed their appreciation to Mr. Rodrigo de Rato for his leadership and contributions to the Fund.

22. Ministers welcomed the initiative of the Government of Qatar to host the follow-up International Conference on Financing for Development to review the implementation of the Monterrey Consensus, which will be held in Doha in the second half of 2008. The G-24 will cooperate with the G-77 in the preparation for this conference with the support of the Financing for Development Office of the UN Department of Economic and Social Affairs.

23. Ministers expressed their appreciation to Argentina for its stewardship of the Group over the past year, and welcomed the Democratic Republic of Congo as the new Chair, the Syrian Arab Republic as the First Vice-Chair, and Brazil as the new Second Vice-Chair.

24. The next meeting of the G-24 Ministers is expected to take place on April 11, 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-eighth meeting on October 19, 2007 in Washington, D.C. Mr. Miguel Peirano, Minister of Economy and Production of Argentina, was in the Chair, with Mr. Jean-Claude Masangu Mulongo, Governor of the Central Bank of the Democratic Republic of Congo as First Vice-Chair, and Mr. Adib Mayaleh, Governor of the Central Bank of Syria as Second Vice-Chair.

The meeting of the Ministers was preceded on October 18, 2007, by the ninetieth meeting of the Deputies of the Group of Twenty-Four, with Mr. Hector Torres, Alternate Executive Director at the IMF as Chair.

**African Group:** Karim Djoudi, Algeria; Kablan Yao Sahi, Côte d'Ivoire; Mawakani Samba, Democratic Republic of Congo; Mohamed Amr, Egypt; Sufian Ahmed, Ethiopia; Paul Toungui, Gabon; Kwadwo Baah-Wiredu, Ghana; Shamsuddeen Usman, Nigeria; Trevor A. Manuel, South Africa.

**Asian Group:** P. Chidambaram, India; Mr. Tahmasb-Mazaheri, Islamic Republic of Iran; Alain Bifani, Lebanon; Salman Shah, Pakistan; Gary Teves, Philippines; K. Dharma Dheerasinghe, Sri Lanka; Maya Choueiri, Syrian Arab Republic.

**Latin American Group:** Oscar Tangelson, Argentina; Ronaldo Malagoni Cavalcante, Brazil; Carolina Renteria, Colombia; Maria A. de Bonilla, Guatemala; Roberto Marino, Mexico; Julio Velarde, Peru; Ewart Williams, Trinidad and Tobago; Rubin Villavicencio, Venezuela.

**Observers:** Ugo Pinizza, UNCTAD; Mohammad Alipour-Jeddi, OPEC Secretariat; Aftab Ahmad Cheema, IsBD; Jassim Almannai, Arab Monetary Fund; Sultan Bin Nasser Al-Suwaidi, UAE; Li Yong, China; Yousef Albassam, Saudi Arabia; Suleiman Al Herbish, OFID; Manuel F. Montez, UN Financing for Development; Stephen Pursey, ILO; Mohammed Daïri, Morocco; Irfan Ul Haque, South Centre; Inés Bustillo, ECLAC; Damo Justin Baro, BCEAO.

**Special Guests:** Rodrigo de Rato, Managing Director, International Monetary Fund  
Robert Zoellick, President, World Bank  
Kemal Dervis, Administrator, UNDP

**IMF Executive Board:** Adarsh Kishore, Goodwill Ukpogon  
**World Bank Executive Board:** Nada Mufarrij

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

**IMF Secretariat for the G-24:** Patrick Cirillo, Simran Maxwell, Beryl Keary, Dalila Bendourou, Shannon Mockler.

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