

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

**COMMUNIQUÉ
APRIL 14, 2011**

1. Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their eighty-fifth meeting in Washington D.C. on April 14, 2011. Mr. Lesetja Kganyago, Director-General of the Treasury of South Africa, was in the Chair, with Mr. R Gopalan, Secretary of Economic Affairs of India, as First Vice-Chair, and Mr. Alfonso Guerra, Director of International Affairs of Banco de México as Second Vice-Chair.
2. Ministers expressed their condolences for the victims of the disaster in Japan.

Implications of Current Global Economic Uncertainties for Developing Countries

3. Ministers noted that the global economy continues to be characterized by a multi-speed recovery. Although risks of a “double-dip” recession may have abated in advanced economies, unemployment remains high and growth sluggish. In contrast, most developing regions continue to maintain strong growth momentum reflecting robust macroeconomic frameworks. Ministers highlighted two broad concerns relating to the global economy.
4. First, downside risks remain elevated. Prospects for a sustained global recovery remain uncertain because of continued fragilities in most advanced economies. Of particular concern are the still weak financial systems and rapid increases in sovereign debt in systemic advanced economies, as well as debt sustainability issues in some countries in the Euro area. Ministers noted that the recent spikes in commodity prices, especially the potential impact of potential disruptions to growth stemming from disruptions in oil supply, and threats to food security from aggravated demand-supply imbalances, represent new sources of downside risks.
5. Second, the nature of the multi-speed recovery and divergent policy trends have had important spillover effects on developing countries. The multi-speed recovery and the reliance by advanced economies on overly expansionary monetary policy as the primary instrument to support recovery have contributed to a surge in capital flows, increased risks to financial stability, promoted speculative movements in commodity prices, and led to overheating and exchange rate pressures in many emerging markets. Ministers noted however that as external and cyclical conditions have varied greatly across developing countries, policy responses have also varied, ranging from monetary policy tightening and exchange rate appreciation, to macroprudential and capital flow management measures.
6. Ministers underscored the need for global macroeconomic policy coordination and cooperative action, in particular among systemic countries, and agreed that the IMF has a role to play in this regard. Ministers noted that while medium-term fiscal consolidation is imperative in many advanced economies the pace and synchronization of fiscal adjustment must be modulated

to allow private demand to take root, supported by strong structural reforms. Ministers underlined the role being played by developing countries in supporting global demand, and stressed that further policy responses must take into account differing country circumstances and continued uncertainties in the global economy.

7. Ministers reiterated their call for even-handed surveillance and more effective engagement and traction in systemically important advanced economies, taking into account the lessons from the recent report by the Independent Evaluation Office on IMF performance in the run-up to the 2008 crisis. Ministers asked the IMF to continue to explore options to improve the international monetary system, including through a greater role for SDRs and expansion of the SDR basket to include emerging markets currencies. They called for regular allocations of SDRs to complement the reserves of members. Ministers emphasized that reserves have played an important role in cushioning the impact of the crisis. They did not support the adoption of the proposed reserve adequacy metrics, nor their inclusion in Fund surveillance.

8. Ministers stressed that the IMF must adopt an open-minded and even-handed approach to the management of capital flows and take into account policies in capital-originating countries, especially systemically important financial centers, as well as specific circumstances of capital-receiving countries. Ministers did not agree with the proposed framework for staff advice to member countries on managing capital flows and its inclusion in Fund surveillance. Policymakers of countries facing large and volatile capital flows must have the flexibility and discretion to adopt policies that they consider appropriate and effective to mitigate risks through macroeconomic policies, prudential measures and capital controls, as stipulated in the Articles of Agreement.

9. Ministers noted that most commodity prices have reached levels that are now higher than what they were at their peak in 2008. They agreed that structural, cyclical and financial factors, as well as supply disruptions all appear to play a role in explaining recent trends and increased volatility. The secular improvement in the commodity terms of trade following decades of decline is generally a positive development, especially for developing countries that are commodity exporters. Nevertheless, the sharp spike in commodity prices, especially of fuel and food, is a source of concern for many developing countries. Typically food and fuel account for a much higher share of consumption in developing countries. The sharp increases will therefore accentuate inflationary pressures, pose a renewed threat to the poor and vulnerable, exacerbate social tensions, and add significantly to fiscal and import burdens, endangering growth prospects, especially of low income countries.

10. Ministers called for urgent and concerted actions to deal with the immediate consequences of food and energy price increases and to address the long-standing impediments to food and energy security. Short-term actions should focus on ensuring access to food and energy by the poor and in helping low-income food-deficit and energy-deficit countries absorb the fiscal and import burdens. Ministers expressed concern about the adequacy of resources available for food and energy access from the international financial institutions including the World Bank's Global Food Crisis Response Program. Ministers called on the IMF to adapt its lending tool kit, particularly with respect to conditionality and interest rates, to better help countries cope with the adverse effects of the food and energy crisis. Ministers agreed with the

World Bank's Agriculture Action Plan to scale up support for agriculture, improve resilience to climate change, address binding land and water constraints and help dampen the supply shocks associated with price volatility, and called for a vigorous implementation of the plan.

Post-Crisis Growth and Development

11. Ministers noted that while growth has been resilient in many countries in Asia, Latin America and in low income countries of Sub-Saharan Africa, it remains lower than pre-crisis levels in many other developing countries. Strong and sustained growth is critical to meet core development objectives, notably the Millennium Development Goals (MDGs), and to address the challenge of high and chronic unemployment, made worse by the crisis, as well as to absorb projected increases in the labor force of developing countries.

12. Ministers noted that recent events in some countries of the Middle East and North Africa (MENA) will have long-lasting social and economic impacts that may have spillover effects to other regions. They underscored the importance of the IMF and the World Bank to better respond to the developmental needs of MENA countries, by providing adequate and timely program support and policy advice for job creation, especially for women and the youth, social safety nets, and in other critical areas. They called for a scaling up of resources essential for addressing the region's immense economic and development challenges.

13. Ministers noted that the environment for growth and development in the post-crisis period will be characterized by major structural changes that pose new challenges, but also offer new opportunities. The most significant of these is the shift towards multi-polar sources of growth, with growth in the advanced economies likely to be lower than prior to the crisis and with the most dynamic sources now centered in the developing world. Ministers noted that realizing the potential for multi-polar growth will require concerted national actions and cooperative multilateral efforts.

14. Ministers agreed that a major push to raise investment in developing countries can help sustain and broaden growth poles in the developing world with important positive spillovers for other developing countries and the global economy. Of critical importance is the need to upgrade infrastructure, but financing is also needed to meet the MDGs, revitalize agriculture, support climate change adaptation and mitigation, and other cross-cutting areas.

15. Ministers observed that developing countries are financially constrained in meeting these needs. Notwithstanding the recent capital increases, the multilateral development banks including the World Bank are insufficiently positioned to meet the scale of financing needs. Ministers agreed therefore that a priority area for collective action is the reinvigoration of multilateral development finance. They committed to work together to develop proposals for such financing, including through enhanced South-South cooperation.

16. Ministers welcomed the focus on fragile and conflict-affected situations in the *2011 World Development Report (WDR)* and supported the call for a paradigm shift to achieve effective and lasting solutions. They called on the Board of Directors to consider how best to

operationalize the findings of the WDR, and agreed on the need to identify less volatile sources of financing.

Climate Finance

17. Ministers took note of the agreement reached at Cancun to establish a Green Fund to function under the UNFCCC that would channel concessional and additional resources of \$100 billion a year by 2020 from a mix of public, private, and innovative sources. Ministers expressed concern about immediate financing gaps with the exhaustion of presently committed funds, and underscored the need for scaled-up financing to be in place as expeditiously as possible, given that the cost of delays would be borne primarily by climate vulnerable countries. In this regard, Ministers called on developed countries to fully meet their commitments starting with the Fast Track Initiative.

18. Ministers asked the G-24 to help member countries formulate proposals that can serve as an input to the deliberations in the Transitional Committee and related discussions in the G20 in three areas: (a) ensuring that low carbon growth is pro-poor growth; (b) providing input on the institutional design of the Green Fund, including on how the money is spent and on how to best leverage available resources; and (c) advising on the economies of adaptation and its linkages to development.

19. Ministers agreed that a starting point could be the elucidation of principles that should underpin the mobilization and use of resources, and of the governance arrangements of a Green Fund. They stressed that such principles should be anchored in tenets that have already been agreed upon by the UNFCCC and could encompass: (a) the minimum scale and sources of public funds based on the principles of common but differentiated responsibility in compliance with the financing obligations of developed countries under UNFCCC; (b) the leverage of public resources, private flows and MDB finance to ensure scaled up, adequate and predictable financing; (c) flexibility to address the areas of action agreed to by UNFCCC including mitigation, including REDD+ adaptation, technology development/transfer and capacity building; (d) appropriate balance between climate mitigation and climate adaptation and between large/systemic and climate vulnerable countries; (e) governance arrangements that operate under guidance and accountability of the Conference of Parties (COP); (f) need for anchoring in country-focused and country-owned programs but with flexibility to support regional and sub-regional programs; and (g) effective and efficient institutional arrangements so as to minimize transactions costs and time of delivery while adopting a results-based approach.

Institutional Reforms and Governance

20. Ministers took note of the ongoing reforms at the World Bank Group that aim at improving the responsiveness of the Bank. They reiterated their call for due flexibility in the policies and instruments of the Bank, including its financial policies, and cautioned against increases in the costs associated with its lending. They stressed that any potential selectivity that may arise due to capital constraints must conform with demands from client countries. Ministers welcomed the proposed introduction of a new instrument for results-based lending to help

countries scale up successful programs, and stressed that the efficacy of this instrument should not be undermined by conditions and restrictions.

21. Ministers took note of the update on governance reforms at the World Bank Group, and the reports on the selection process of the President of the World Bank and the dual performance feedback. Though Ministers recognized these reforms as work in progress, they regarded them as important for achieving better accountability and effectiveness. They urged that the developmental mandate of the institution be one of the guiding principles of these reforms. They further cautioned against governance reforms that would compromise the effectiveness and representativeness of the Executive Boards at both the IMF and the World Bank, or alter the advisory nature and consensus-based character of the IMFC and the Development Committee. Ministers repeated their call for an open, transparent, merit-based process for the selection of the President of the World Bank and the Managing Director of the IMF, without regard to nationality. They called for concrete actions and proposals to be put forward to guarantee this change. Ministers underscored the importance of staff diversity in enhancing the credibility and effectiveness of these institutions.

22. Ministers welcomed approval of the 2010 quota and governance reform by the Board of Governors of the IMF, which is expected to come into effect no later than the 2012 Annual Meetings.

Other Matters

23. The next meeting of the G-24 Ministers is expected to take place on 23 September 2011.