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

COMMUNIQUÉ
OCTOBER 11, 2012

1. We, the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development, held our eighty-eighth meeting in Tokyo, Japan, on October 11, 2012 with Mr. P. Chidambaram, Minister of Finance of India, in the Chair, Mr. José Antonio Meade, Secretary of Finance and Public Credit of Mexico, as First Vice-Chair, and Dr. Ashraf El-Araby, Minister of Planning and International Cooperation of Egypt, as Second Vice-Chair.

2. We wish to extend our congratulations to Mr. Jim Yong Kim on his appointment as the 12th President of the World Bank Group and thank former President Robert Zoellick for his contributions to the global community.

Managing Risks and Securing the Recovery

3. We are seriously concerned about the fragility of the global economic and financial situation, particularly in view of low growth and continued uncertainties and risks within the Euro area, notwithstanding the recent policy actions and the buttressing of firewalls, as well as risks from possible aggressive fiscal tightening in the United States. Moreover, instability in financial markets, fiscal adjustments and deleveraging by banks has impacted growth, with adverse affects on the economies of many emerging market and developing countries (EMDCs). World trade growth has sharply decelerated and the flow of capital to EMDCs has become more erratic. Food and fuel prices remain highly volatile with spikes in grain prices threatening food security in poor and vulnerable countries.

4. We call on advanced economies (AEs) to take decisive steps towards addressing the policy uncertainties that are impeding the restoration of confidence. We also believe that immediate and concerted action is needed to boost global growth through appropriate macroeconomic policies, the promotion of open trade and investment, the repair of financial sectors, particularly in the major financial centers and vigorous structural reforms, while preparing the foundations for credible medium-term fiscal consolidation, once the recovery is on a sound footing. We continue to urge AEs to adopt policies that reduce volatility of capital flows and speculation in commodity prices, while resisting protectionism and phasing out export subsidies.

5. We reiterate our firm commitment to strong, sustainable and inclusive growth in our countries. The recent global crisis has brought to the forefront the challenge of persistent, if not growing unemployment, especially among the women and youth. We note the finding of the World Bank's recent *World Development Report* that a focus on jobs is the most effective means to reduce poverty, empower people, and promote social cohesion. We agree to focus on job creation and the establishment of effective and fiscally sustainable social safety nets that protect the poor and vulnerable.

6. We call for concerted actions to mitigate excess volatility in commodity prices, especially in food and energy, which is adversely affecting all our countries and more particularly the poor

and vulnerable segments of our populations. We commit to enhancing food and energy security, especially in low-income countries.

7. We welcome the recent steps to improve the global financial regulatory system and urge faster and more rigorous implementation. We look forward to engaging in the ongoing discussions, particularly on the impact on EMDCs.

Development Finance

8. We welcome the outcomes from the recent UN Conference on Sustainable Development (Rio+20) and the establishment of an intergovernmental process under the UN General Assembly to assess development financing needs, consider the effectiveness of existing instruments and frameworks, and evaluate new initiatives. We reiterate the importance of developing countries having steady and predictable access to adequate financing from a variety of sources, in order to sufficiently support them in their efforts to promote sustainable development, and look forward to the UN report proposing options on an effective Sustainable Development Financing Strategy.

9. We reaffirm our commitment to making every effort to accelerate the achievement of the internationally agreed Millennium Development Goals (MDGs) by 2015 and to strengthening international cooperation to address the persistent challenges related to sustainable development. We are extremely concerned by the shortfall in aid and call on all donors to meet their commitments fully and on a timely basis.

10. We stress the importance of a significant mobilization of resources and investment, especially in infrastructure, for realizing our countries' crucial development, inclusion and environmental goals. We recognize, however, that the availability of long-term finance for infrastructure and development projects has been seriously impacted by the ongoing global financial crisis. We call for strengthening the existing financing architecture and institutions, but anticipate a large financing gap, given the scale of needs. We call for further initiatives to leverage private resource flows, including through enhanced public-private partnerships and reiterate our support for South-South cooperation. We believe it is critical to identify new ways of channeling global savings in support of financing infrastructure in EMDCs, and look forward to ongoing discussions within the membership and with other fora on how to improve the financing architecture. We encourage our members to ensure an underlying environment supportive of longer-term private sector engagement in infrastructure investment (including through the creation of a pipeline of bankable projects) and acknowledge the important role that multilateral development banks play in helping to catalyze private sector financing for infrastructure.

11. We expressed concern about the growing gap between the scale of climate finance needs and the delivery of resources that AEs had committed to provide, including the initial fast-track commitments, which will expire this year. We reiterate the importance of the UNFCCC Green Climate Fund for mobilizing proposed international climate financing and call for it to be made fully operational.

12. We strongly support the global efforts underway on financial inclusion, as it offers a powerful means to empower and improve the lives of the poor and contribute to inclusive growth. We welcome the decision to establish the Alliance for Financial Inclusion (AFI) as a permanent network led by EMDCs for knowledge creation, exchange and policy dialogue. We look forward to continued collaboration between AFI and the G-24.

Role and Reform of the International Financial Institutions (IFIs)

13. We reiterate the importance of meeting the forward-looking commitments of 2010 IMF's quota and governance reforms on a full and timely basis to give credibility to the steps that the IMF is taking to enhance its effectiveness and legitimacy. These commitments include the comprehensive review of the quota formula by January 2013 and the completion of the Fifteenth General Review of Quotas by January 2014. In our view, the ultimate goal must be to better reflect the growing role of EMDCs as a whole in the global economy, while enhancing the voice and representation of poor and small low- and middle-income countries. This requires addressing the deficiencies in the existing quota formula. We continue to believe that the change in calculated quota shares must reflect the relative weights of IMF members in the world economy, which have changed substantially in view of growth in dynamic EMDCs, and must not come at the expense of other EMDCs. We further believe that GDP at PPP terms is the most robust measure of comparable economic weight and that it will be imperative to increase its role in the formula, while reducing the size bias through adequate compression and to eliminate or address the serious shortcomings in the openness and variability measures. It will also be equally important to consider how the quota formula can ensure equitable representation of all members, especially poor and small low- and middle-income countries.

14. We note with concern that the 2010 IMF quota and governance reforms did not achieve the required voting power majority for approval by the deadline set of the Annual Meetings of October 2012. This can result in serious reputational risk for the Fund. We are also concerned that the reconfiguration of the Board will not effectively result in an increase in the number of chairs held by EMDCs. We reiterate our long-standing call for a third chair for Sub-Saharan Africa, provided it is not at the expense of a chair held by an EMDC. We believe that all options should be explored, with an open mind, to achieve this.

15. We take note of the adoption of the 2012 Decision on IMF Bilateral and Multilateral Surveillance as a further step in adapting the Fund's surveillance to the evolving global landscape and to allow the Fund to engage more effectively with members. We underscore that the effectiveness and traction of IMF surveillance will depend on the quality and even-handedness of its analytical work and advice, its focus on bilateral surveillance and multilateral spillovers that have global systemic effects, and on further progress on governance reforms.

16. We welcome the steps that have been taken to ensure that the IMF has adequate resources to play its appropriate role in responding to heightened risks in the global economy and to help meet the needs of all members that may be affected. We stress that the efforts to strengthen the IMF's lending capacity must not undermine its character as a quota-based institution and must be anchored in a firm commitment to governance reform.

17. We welcome the recent decision of the IMF Board to facilitate the use of the remaining windfall gold sales profits for concessional lending to low-income countries through the Poverty Reduction and Growth Trust (PRGT). While recognizing the constraints on the availability of concessional resources, and the need to make the PRGT sustainable, we caution against reducing the access limits as a share of quotas. We urge further efforts on the part of the IMF to mobilize donor support and to consider establishing a regular fund raising mechanism to make the PRGT more self-sustaining.

18. We are concerned that World Bank lending is projected to decline at a time when many of our countries require stepped-up and longer-term financing at affordable cost. We reiterate our call for new solutions to bolster the financial capacity of the World Bank and IFC, including a discussion by the shareholders on the adequacy of their capital.

19. We welcome the increased attention being paid by the Bank to remain engaged with middle-income countries (MICs) to both serve their own development needs and to draw upon their capacity as development partners. We take note of the proposal to review the Bank's instruments, knowledge and finance to find innovative ways to support and partner with client countries to advance the global goals of poverty reduction and sustainable development. We urge the Bank to improve the flexibility and responsiveness of its policies and instruments. We also recognize the heightened engagement of the IMF with small middle-income countries. We welcome the recent High-Level Caribbean Forum and the G-24 Small States Roundtable with the G20 Presidency of Mexico, which were the first steps in a more engaged policy dialogue with some of the IMF's smallest members.

20. We call for broader international support for Arab countries' reform efforts and on the IMF and World Bank to step up their analytical work, policy advice, technical assistance, training and financial support to the Arab countries in transition. Due regard should be given to social and political realities and policy options should be given to address pressing challenges and support for ongoing domestic efforts to restore confidence and boost growth.

21. We also call on the IMF and the World Bank to provide adequate support to countries and regions affected by food shortages and other calamities, including in the Sahel. We agree on the need for a more comprehensive and durable solution through support for long-term development including investments in sustainable agriculture.

22. We reiterate our strongly held view that financing from IFIs should be based on their development merits, and not on political considerations.

23. We underline the benefits of staff diversity in enhancing the legitimacy and effectiveness of the IFIs and acknowledge the progress made. We call for further efforts to build on diversity initiatives to increase the share of staff from underrepresented regions.

Other Matters

24. We thanked India for its Chairmanship of the Group and welcomed Mexico as the incoming Chair. We also welcomed Lebanon as the incoming Second Vice-Chair. The next meeting of the G-24 Ministers is expected to take place on April 18, 2013 in Washington D.C.

LIST OF PARTICIPANTS[1]

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held held their eighty-eighth meeting in Tokyo, Japan on October 11, 2012. Mr. P. Chidambaram, Minister of Finance of India was in the Chair, with Mr. José Antonio Meade, Secretary of Finance and Public Credit of Mexico as First Vice-Chair, and Dr. Ashraf El-Araby, Minister of Planning and International Cooperation of Egypt, as Second Vice-Chair.

The meeting of the Ministers was preceded on October 10, 2012 by the hundredth meeting of the Deputies of the Group of Twenty-Four, with Mr. Arvind Virmani, IMF Executive Director for Bangladesh, Bhutan, India, and Sri Lanka, as Chair.

African Group: Karim Djoudi, Algeria; Jean-Baptiste Aman, Côte d'Ivoire; Jean Claude Masangu, Democratic Republic of Congo; Mohamed Hammam, Egypt; Sufian Ahmed, Ethiopia; Luc Oyoubi, Gabon; Fifi Kwetey, Ghana; Sanusi Sanusi, Nigeria; Pravin Gordhan, South Africa.

Asian Group: Arvind Mayaram, India; Minoo Kianirad, Islamic Republic of Iran; Alain Bifani, Lebanon; Abdul Hafeez Shaikh, Pakistan; Cesar Purisima, Philippines; Sarath Amunugama, Sri Lanka; Maya Choueiri, Syria.

Latin American Group: Adrian Cosentino, Argentina; Paulo Nogueira Batista, Brazil; María Suarez, Colombia; Edgar Barquín, Guatemala; Vanessa Rubío, Mexico, Julio Velarde, Peru; Winston Dookeran, Trinidad and Tobago; José Rojas-Ramirez, Venezuela.

Observers: Jassim Almannai, Arab Monetary Fund; Xiaoson Zheng, China; Alvaro Hernandez, Ecuador; Stephen Pursey, ILO; Ahmet Tiktik, IsDB; Karim El-Aynaoui, Morocco; Manuel Montes, South Centre; Suleiman Al-Herbish, OFID; Sulaiman Al-Turki, Saudi Arabia; Sultan Alsuwaidi, United Arab Emirates; Yuefen Li, UNCTAD; Shamshad Akhtar, UNDESA; Liane Halfhide, Suriname.

Special Guests: Christine Lagarde, Managing Director, International Monetary Fund

Jim Yong Kim, President, World Bank

G-24 Secretariat: Amar Bhattacharya, Analisa Bala, Susanne Quadros, Ndzouli Mendouga

IMF Secretariat for the G-24: Rosalind Mowatt, Iulia Teodoru, Dalila Bendourou

[1] Persons who sat at the discussion table.