

Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund

April 25, 2009

1. The International Monetary and Financial Committee held its nineteenth meeting in Washington, D.C. on April 25, 2009, chaired by Dr. Youssef Boutros-Ghali, the Minister of Finance of Egypt. It will hold its next meeting in Istanbul, Turkey on October 4, 2009.

Crisis Management

2. We restate our resolve to work collaboratively to restore international financial stability and global growth. We underline the central role of the IMF and welcome the vigorous actions taken to support countries in responding to the crisis. We commit ourselves to further strengthening the Fund's ability to assist in meeting members' external needs. We welcome the prompt response by Fund members in committing sizable support to the Fund's loanable resources, and encourage others to come forward.

3. We are committed to taking additional actions needed to ensure economic recovery, and in particular to:

- Take further decisive and cooperative action necessary to ensure the soundness of systemically important institutions, and to restore the financial health of banks, domestic lending, and international capital flows;
- Deliver the scale of sustained fiscal effort necessary to restore growth, within credible fiscal frameworks to ensure long-term sustainability;
- Maintain expansionary monetary policies where appropriate and for as long as needed, consistent with price stability; and
- Develop credible exit strategies from extensive government action as the crisis subsides.

4. We stress the importance of members taking account of the effects of their economic, financial, and investment policies on others, and refraining from protectionism in any form. The IMFC calls for urgently concluding an ambitious and balanced Doha Development Round, which will help boost the recovery of the global economy, and emphasizes the importance of ensuring the availability of sufficient trade finance.

5. We call on the IMF to assess regularly the actions taken and still required to restore macroeconomic stability, sustainable growth, and international financial stability. We will evaluate progress and the need for further action at our next meeting.

6. We welcome the G-20 Leaders' Statement, including the Declaration on Strengthening the Financial System. We underscore the importance of enhancing sound regulation, strengthening transparency, and reinforcing international cooperation. We urge the IMF to play a key role in contributing to international efforts toward these ends, consistent with its mandate.

Mobilizing Fund Resources

7. We call on the IMF to continue acting promptly to make available, under adequate safeguards, substantial resources to member countries with external financing needs. Since the IMF is, and shall remain, a quota-based institution, we urge a prompt start to the fourteenth general review of quotas so that it is completed by January 2011. We have agreed to increase the resources available to the IMF through immediate financing from members of US\$250 billion, subsequently incorporated into expanded and more flexible New Arrangements to Borrow (NAB), increased by up to US\$500 billion, and to consider market borrowing if necessary. We welcome progress by the NAB meeting yesterday, chaired by Japan and attended by NAB current and potential participants, and ask the group to carry this work forward expeditiously. While an expanded NAB is an important backstop for Fund resources, we recognize that it is not a substitute for a quota increase. We also stress the need to ensure that the Fund has adequate financing capacity to meet the needs of low-income countries.

8. A key achievement of today's meeting is ensuring the doubling of the Fund's loanable resources. The Committee commends the loan by Japan already approved, and recent commitments made by Canada, members of the European Union, Norway, Switzerland, and the United States.

Fund Programs and the Global Financial Safety Net

9. We welcome the overhaul of the IMF's lending and conditionality framework, including the new Flexible Credit Line (FCL) and high access precautionary arrangements (HAPAs). We also welcome the doubling of normal access limits for all borrowers, including under the PRGF and ESF. We support sufficient flexibility within IMF-supported programs, consistent with the Fund's mandate. In particular, we support giving due attention to the fiscal needs of countries with solid medium-term fiscal prospects, and the needs arising from bank restructuring and recapitalization, working with MDBs as appropriate. We call on the IMF to ensure the successful and evenhanded implementation of this new lending and conditionality framework, and ask the Managing Director to report on progress at our next meeting.

10. To strengthen the global financial safety net in the face of this severe crisis, the Committee supports:

- Doubling the Fund's concessional lending capacity for low-income countries, while ensuring debt sustainability, and exploring scope for increased concessionality. Subsidies could be financed through a combination of bilateral contributions—possibly by new donors—and the Fund's resources and income, including the use of additional resources from agreed gold sales, consistent with the new income model. Separately, the Committee calls on donors to honor their existing ODA commitments;
- Rapid completion of the reform of the Fund's facilities for low-income countries to make them more responsive to diverse country needs, and the review of options to enhance the flexibility within the Debt Sustainability Framework; and
- Rapid approval by members of (a) the pending amendment of the Articles of Agreement for a special one-time allocation of SDRs; and (b) a general allocation of SDRs equivalent to US\$250 billion, to become effective well before the 2009 Annual Meetings. We call on the IMF to put forward a concrete proposal assessing the case for the allocation and describing how it could be implemented.

Surveillance

11. We stress the need for efforts by both the Fund and members to enhance the effectiveness of surveillance and follow up by members of the Fund's recommendations. Particular attention to sources of systemic risks will be essential to help prevent future crises. We call for improving the surveillance process through, inter alia, greater focus on the effectiveness of the policy dialogue and clear communications, with an emphasis on candor, evenhandedness, and independence. We look forward to reviewing the Fund's transparency policy by the Annual Meetings.

12. We call for enhancing IMF surveillance through improving its analysis of the macro-financial linkages, cross-border spillovers, and sources of systemic risk wherever they may arise. We welcome the work of the IMF with the Financial Stability Board (FSB) to provide better indicators of systemic risks and address data gaps, and underline the importance of international cooperation in preventing such systemic risks. We welcome the work so far on the joint IMF-FSB early warning exercise, and look forward to discussing means of facilitating peer review and incorporating continuous monitoring of risk indicators in surveillance exercises that would provide signals of increased vulnerability and needed policy responses at our next meeting. We will also review progress in reshaping the FSAP. Embedding financial sector surveillance more effectively as an element of the Article IV consultation, and integrating its results into the broader macroeconomic surveillance work are important. We welcome the commitment by G20 members to undertake an FSAP.

Quota and Voice Reform

13. Early action by national authorities to make the April 2008 agreements on quota and voice reform and on the Fund's new income model effective is crucial. The upcoming review of quotas is expected to result in increases in the quota shares of dynamic economies, particularly in the share of emerging market and developing countries as a whole. The Committee also looks forward to further work by the Executive Board on elements of the new quota formula that can be improved before the formula is used again. This work should start before the 2009 Annual Meetings.

14. Also, broader reforms to ensure International Monetary and Financial Committee active participation in the Fund's strategic decision making process should be promptly considered. The Committee calls on the Executive Board to report on this issue, as well as the Report by

the Eminent Persons Group, and the work done by other groups, on enhancing the IMF governance structure by the next Annual Meeting in October 2009.